

Business Ethics and Anti-corruption



GRI 102-16

ETHICAL STANDARDS

Ethical principles are an integral part of our corporate culture and business processes. The basic principles of business conduct are enshrined in Metinvest's Code of Ethics, which lays out the standards and framework for ethical business conduct. Its intent is to maintain relationships of trust with all stakeholders.

The document sets out provisions regarding respect for human rights, equal opportunities, relations with business partners, fair competition, anti-corruption and occupational health and safety. It also gives recommendations on actions to take should the requirements of the Code of Ethics be violated. We encourage employees to report any violations of the Code of Ethics and guarantee that no retaliatory measures will be taken against those who raise concerns.

 For more information on respect for human rights, see the Human Rights section.

We regularly conduct training and campaigns to raise employee awareness on all necessary business ethics regulations and standards. We offer an online Code of Ethics course for the Group's assets. In 2020, we held an Ethics Week event. As part of the event programme, we interviewed the Executive Team, general directors of assets, the Compliance Officer and compliance coordinators. We engaged employees in a quiz and contests. We also published a special issue crossword puzzle in the corporate newspaper. In 2020, around 17,000 employees passed the online Code of Ethics test. Overall, about 63% of employees attended this training in 2019-20.

Since 2013, Metinvest has used the Trust Line maintained by SCM to increase transparency and responsibility. We have observed an increase in the number of queries submitted via the Trust Line, which reflects growing trust among personnel in our feedback mechanisms. We analyse and thoroughly investigate all queries, provide further feedback and take appropriate measures in response to them. In 2020, 825 requests were submitted via the Trust Line, of which 430 were confirmed. The key topics included violations of internal procedures, HR cases and certain other important issues.

TRUST LINE

Toll free number in Ukraine: 0800 60 07 77

International number: +38 044 224 72 32¹

Email: trustline@scm.com.ua¹

Web: <https://www.scm.com.cy/trust-line>



¹ Claims can be submitted in several different languages.

GRI 419-1

COMPLIANCE PROGRAMME

Focused on mitigating compliance risks, the Compliance Programme has been one of the Group's primary mechanisms for ensuring business transparency and accountability since 2014.

Compliance coordinators work within the legal services departments of the Group's assets. In 2020, the legal services departments in Zaporizhia, Kryvyi Rih and Mariupol were integrated into the Shared Service Centre of Metinvest Business Services².

At the Executive Team level, an Ethics Committee composed of the Group's CEO and department directors meets quarterly to review the Compliance Programme, assess preventive measures for dealing with unethical behaviour and analyse potential compliance risk areas. The committee is entrusted with taking decisions on the implementation of appropriate measures should reported violations of the Code of Ethics or other ethical standards be confirmed. The status of the programme's implementation is reported quarterly at the meetings of the Supervisory Board's Audit and Finance

Committee. A report on the status of the programme's implementation is submitted to and discussed by the Supervisory Board at its annual meeting.

GRI 102-25

MANAGING CONFLICTS OF INTEREST

We respect the right of our employees to pursue their own interests and encourage their development beyond their professional occupation. At the same time, we urge all employees to avoid situations in which their personal endeavours might conflict with the Group's interests. Should this be the case, employees are obliged to inform their immediate supervisor and the legal team.

The Ethics Committee decides whether a conflict of interest is permissible and takes an appropriate decision based on the facts presented. Should the conflict be deemed as unacceptable, the employee may be excluded from certain decision-making processes. If the conflict of interest is confirmed to be critical, the Group reserves the right to demand that the employee choose between retaining employment and serving the said interest.



GRI 102-17; 205-1; 205-3; 419-1

PREVENTING CORRUPTION AND ANTITRUST BEHAVIOUR

Metinvest complies with the requirements of applicable anti-corruption and antitrust legislation when doing business. We conduct regular inspections and audits at the Group's assets to identify and analyse potential corruption and bribery risks, and we take the necessary measures to promptly respond to any potential non-compliance with our ethical standards by our employees and external business partners.

Anti-corruption is addressed at several levels within Metinvest's assets. We train employees on the principles of zero tolerance for corruption and monitor compliance with the relevant principles when counterparties are screened by our compliance function. Such anti-corruption screening means that the counterparties sign a statement confirming they have been familiarised with the Group's Code of Ethics and an anti-corruption clause is included in agreements with them. In 2020, there were no reported or confirmed cases of corruption associated with the Group's employees.

All Group employees holding managerial positions are required to either submit declarations confirming the absence of conflicts of interest or declare such cases in case any questions are raised. This kind of declaration is required when being employed in a managerial position (initial declaration), for a duration of one year in the event of a real or potential conflict (current declaration) and once every year regardless of whether there is a conflict (annual declaration). In 2020, 99% of all applicants filed their annual declarations. During the year, 40 declarations disclosing a conflict of interest were submitted.

In 2020, a Managing Conflicts of Interest webinar was developed on this topic. This webinar gives declarants a brief explanation of the circumstances of such conflicts, the procedure for filing a declaration and the decision-making process for declared conflicts of interest, and provides appropriate examples. Over 1,500 declarants from the Group's assets participated in the webinar and passed the required mandatory testing.

In 2020, we implemented the following activities and initiatives in support of the transparency and accountability principles outlined in the Compliance Programme:

- Raising personnel awareness, conducting Code of Ethics training, running the Ethics Week communication campaign and holding the Managing Conflict of Interest webinar
- Quarterly monitoring of measures implemented to mitigate risks associated with employees who occupy high-risk positions
- Reviewing the list of high-risk positions and determining whether an update is required; drafting a risk mitigation plan for violations in the procurement and sales process; updating the Incident Management System (register of corporate investigations)

² Metinvest Business Services acts as a shared service centre that provides many of the Group's key corporate functions for both its Ukrainian assets and Swiss trading arm.

Business Ethics and Anti-corruption

GRI 205-2; 205-3

We maintain a list of high-risk positions in which the job responsibilities may potentially cause risks, for example, single-handed approval of selected suppliers,

customer discounts or emergency procurement. This list includes more than 200 positions throughout the Group's assets.



We apply the following measures to mitigate potential fraud and corruption risks:

- Monitor and analyse confirmed cases reported through the Trust Line involving high-risk positions
- Preliminarily screen external and internal candidates for high-risk positions, including screening for the existence of confirmed cases
- Preliminarily screen external candidates for the procurement function for previous periods of employment by the Group's suppliers
- Consider information about confirmed violations of the Code of Ethics and corporate procedures during the annual performance appraisal and when taking decisions about staff rotations
- Include of a Code of Ethics compliance clause into the contracts of general directors of the Group's assets
- Require the appointment of an acting person to perform the duties of an employee in a high-risk position if they will be absent for a period exceeding five working days

To comply with the rules governing competitive behaviour, we have created the position of a special adviser responsible for ensuring antitrust compliance throughout the Group. The legal departments of the Shared Service Centre in Mariupol, Zaporizhia and Kryvyi Rih also have lawyers responsible for ensuring antitrust compliance. They review commercial practices for antitrust risks and advise on various business issues. The rules for observing fair competition are stipulated by the Group's Code of Ethics. In addition, the largest assets have antitrust compliance policies in place.

Metinvest's lawyers are responsible for collecting and organising information from the appropriate internal functions. They also monitor the timeliness and completeness of information provided as feedback to such requests and requirements. The special adviser analyses the need to obtain preliminary approvals from the antitrust authorities in the event that the Group participates in mergers and acquisitions.

We hold annual training for the management to improve their understanding of the importance of antitrust compliance procedures. It aims to prevent actions that may contain signs of competition infringements.

During 2020, no fines or sanctions were imposed on the Group for violating the rules governing competitive behaviour.



GRI 207-1; 207-2

TRANSPARENCY AND DISCLOSURE

The principles of transparency, responsibility and accountability are at the heart of our business. They are the key to building successful communication and relationships of trust with stakeholders.

Annual reports are one of the channels that Metinvest uses to disclose information about its operational and financial results,

sustainability indicators and corporate governance structure. We publish them on our [corporate website](#). We also issue [regular releases](#) with key financial and operational metrics.

Metinvest discloses information on global taxes paid in its financial reports on a regular basis and monitors the compliance of accounting and reporting processes with best practice.

Metinvest's Credit Rating

In June 2020, Moody's Investors Service (Moody's), a leading international credit rating agency, upgraded the corporate family rating of Metinvest from 'B3' to 'B2', the outlook 'stable'.

During the assessment, the agency considered the Group's efforts to reduce its environmental impact and introduce more efficient energy-saving technologies in order to meet the best international standards in this area. Moody's also noted a reduction in corporate governance risks due to the increased disclosures and regular publication of consolidated financial statements and quarterly operating results.

The resulting credit rating reflects the agency's expectations that the Group will sustain strong operating and financial performance for its rating level and maintain healthy liquidity.

“Being a vertically integrated company, Metinvest takes responsibility for the whole production chain and continues to improve the environmental footprint of its segments.”

Moody's Investors Service

Our activities rely on SCM's Tax Policy and the Group's Regulation on Tax Risk Management, which guide the notification of any tax policy violations.

Our approach to tax compliance is based on four key principles:

- Declaration and payment of taxes in line with the rules of business jurisdiction
- Usage of tax deductions and benefits as set out by legislation
- Mandatory identification and management of tax risks
- Inclusion of the tax function into the business decision-making process

We oversee compliance with key tax policy issues at several levels. In particular, we establish two or three levels of decision-making controls (depending on the type of operations and their materiality), embed key issues of policy implementation in the personnel appraisal and motivation system, and undergo external audits by auditing firms and fiscal authorities.

We identify, manage and monitor tax risks as outlined in our Regulation on Tax Risk Management. The tax risk assessment methodology includes, among other things, an impact assessment of risks associated with the Group's image and reputation.

By paying taxes, Metinvest supports the sustainable development of the regions where its assets operate. In 2020, the Group paid a total of US\$612 million in taxes globally, including US\$468 million in Ukraine. In addition, Metinvest provides funding for initiatives that support social and economic processes in local communities and opted to forego a tax holiday offered to support businesses in Ukraine under legislation enacted during the COVID-19 pandemic.

Metinvest distributes most of the economic value that it directly generates among its main stakeholders: employees, customers, suppliers and contractors, equity and debt providers, government authorities and local communities. This allows us to make a tangible impact in key areas of sustainable development. We also reinvest part of the economic value that we generate to develop our business.