



MORE THAN STEEL

**SOCIAL RESPONSIBILITY REPORT
2015-2016**

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Dear colleagues and friends,

In 2016, Metinvest Group celebrated its 10th anniversary. During these past years, we have grown into an international company with plants in Ukraine, Europe and the US. Our products are available all over the world, as consumers from a hundred countries put their trust in our quality.

Today, Metinvest Group is a leading global steelmaker. In the period of 2006-2016, we produced over 110 million tonnes of raw steel, 350 million tonnes of iron ore concentrate and around 50 million tonnes of metallurgical coal concentrate. We also invested approximately US\$6.7 billion into production modernisation, which increased plant operating efficiency and improved the environmental performance of our production.

Over the past decade, we have lived through several political and economic crises, global market instability and falling prices for the mining and metallurgical industry's products.

We have also clearly felt the effect of the armed conflict in Eastern Ukraine. In March 2017, the Group lost operational control over its assets located in the temporarily non-government-controlled territory, including Yenakiieve Steel, Krasnodon Coal and Khartsyzk Pipe. We are employing every possible international and national legal leverage to protect our rights to these plants.

Our streamlined business management system, which we have been updating and improving throughout the past decade, has helped us to mitigate the impact from these losses. In 2016, we completed the process of building a single technology chain: the Mining and Metallurgical divisions merged into the Operational Directorate, and an internal service company was established within the Group to perform repairs and maintenance. The vertical integration enables us to control every stage of steel production and delivery, improve our cost effectiveness and remain competitive in global markets.

In 2015-2016, Metinvest continued investing to modernise its production, upgrading equipment and adopting advanced technology. We have focused on projects that help to reduce carbon emissions from blast furnaces and sintering processes. In 2016, we completed the modernisation of Zaporizhstal's sintering plant, reconstructed Azovstal's blast furnace no. 4 and further modernised Ilyich Steel's sintering plant. These projects will bring the best near-term environmental results.

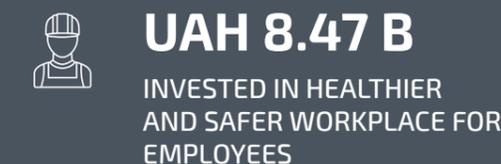
Metinvest's sphere of interests extends beyond steelmaking. Our responsibility also lies in caring about our employees and the residents of communities where we operate, as well as in the support of whoever needs help. In 2015 and 2016, we worked on restoring Avdiivka and Mariupol, rebuilding demolished houses and infrastructure. We assisted in getting public transport, ambulance and rescue services back online. We repaired the railway bridge across the Kalchik River – the only route that connects Mariupol to the rest of Ukraine.

Despite the calamities, we have withstood the test of time. Today, Metinvest ranks among the top 50 global steelmakers.

Our products were used to build the Darnytskyi Bridge and Olympic Stadium in Kyiv; Turkey's T. Esra and T. Aylin tankers; London's tallest building, the Shard; and the lock gates of the Panama Canal. We believe this is just the start of our journey and continue to pursue our strategy, which is to maintain a successful world-class business and build Ukraine's future.

Yuriy Ryzhenkov
Chief Executive Officer,
Metinvest Group

Metinvest Group in numbers, 2006-2016



Metinvest Group. 10 years of growth. 10 facts

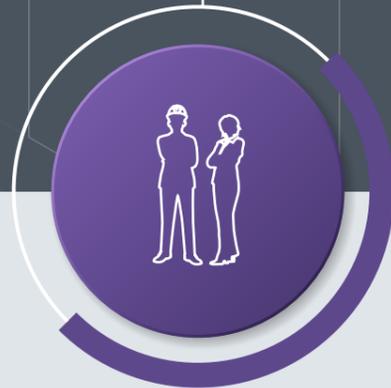


STRATEGY

Metinvest is the leading Ukrainian steelmaker

— 2016 —

Metinvest Group updated its corporate strategy



EMPLOYEES

Metinvest is an attractive employer

— 2008 —

Began to adopt transparent remuneration system based on role assessment

— 2012 —

Established the Metinvest Corporate University

— 2016 —

Metinvest ranked high in six categories of the "BusinessHRreformation 2016. Best Ukrainian Employers" rating



ENVIRONMENT

Metinvest is the largest investor in building modern and sustainable industrial plants in Ukraine

— 2008 —

Rolled out of high-scale modernisation programme for steel production

— 2016 —

The Metinvest Holding management company and the Group's key enterprises all confirmed compliance of their Environmental Management Systems with the ISO 14001 international standard

Began renovating the sintering plant at Ilyich Steel. This is the largest environmental project in the history of independent Ukraine

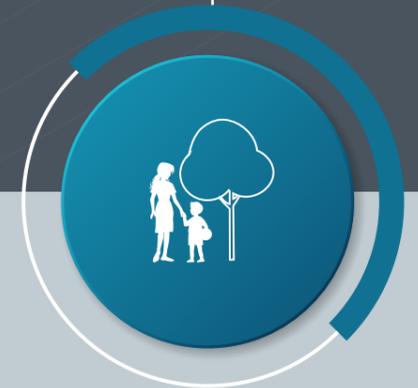


SAFETY

Metinvest is a leading enabler of an effective HSE Management System

— 2016 —

The Metinvest Holding management company and the Group's key enterprises all confirmed compliance of their Occupational Health and Safety Management Systems with the OHSAS 18001 international standard



PEOPLE AND COMMUNITIES

Metinvest is a long-term, strategic investor in developing local communities in Ukraine

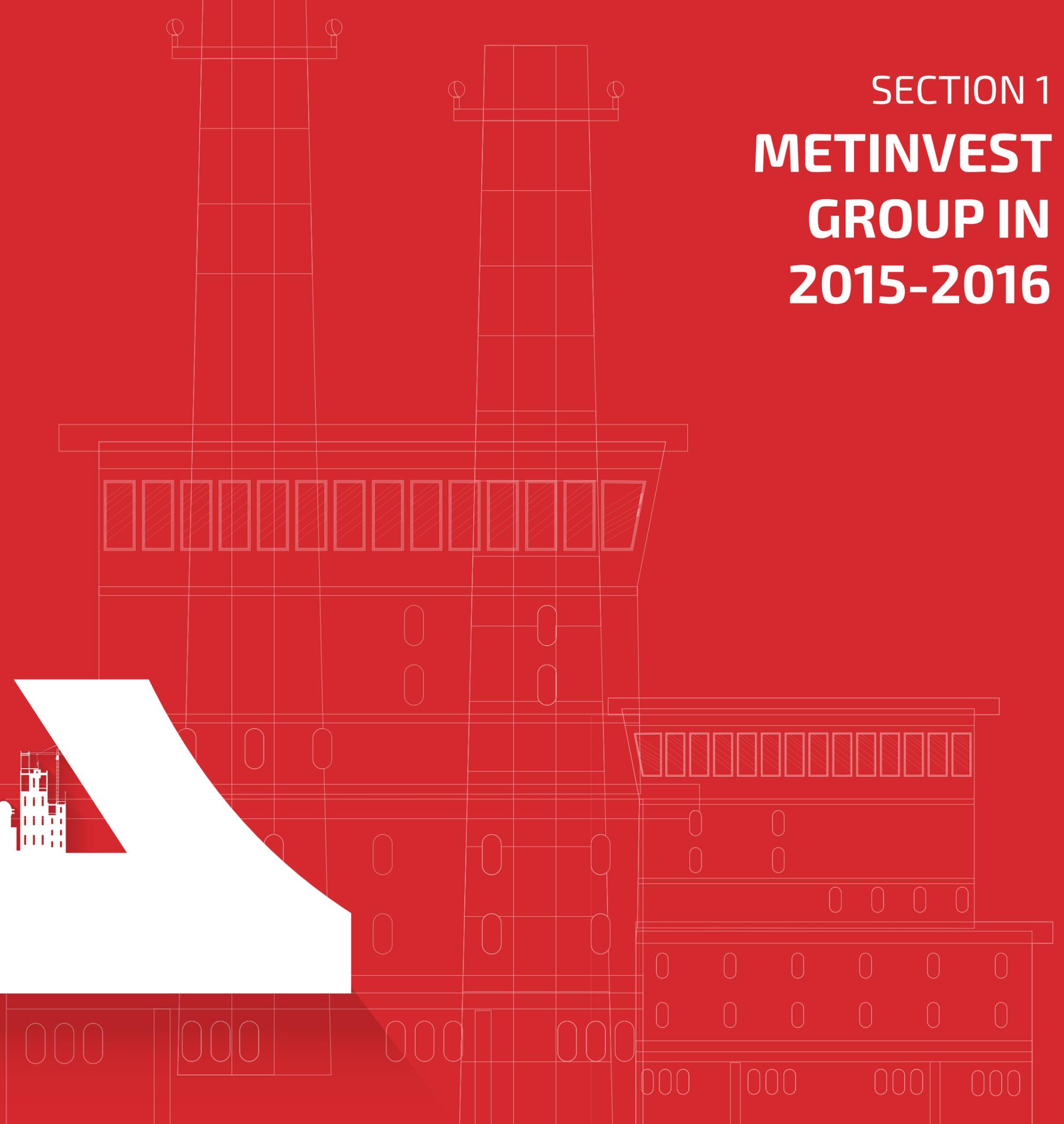
— 2008 —

Signed the first social partnership agreements with local public authorities

— 2016 —

Signed the partnership agreement with the Mariupol Development Fund. This is a new format of long-term partnership with communities

SECTION 1
**METINVEST
GROUP IN
2015-2016**



In 2016, Metinvest Group celebrated its 10th anniversary. During the past decade, the Group has grown from a local factory into an international mining and metallurgical group with a full production cycle, plants in Europe and the US, and a global sales network. We set ambitious goals and reach them thanks to our modern management system, continuous process improvement, constant product line updates and the technical modernisation of enterprises



Metinvest Group in numbers, 2015-2016

59 thousand employees in ukraine



10 thousand CUSTOMERS



23 SALES OFFICES IN UKRAINE



38 IN EUROPE, ASIA, AFRICA AND NORTH AMERICA

28.3 billion UAH TAXES PAID



2.7 billion UAH INVESTED IN A SAFER WORKPLACE



307.7 million UAH SOCIAL INVESTMENTS TO DEVELOP AFFECTED COMMUNITIES

101 million UAH INVESTED IN EMPLOYEE TRAINING AND DEVELOPMENT



8.7 billion UAH SPENT ON ENVIRONMENTAL PROTECTION



Sustainable development

Our idea of sustainable development is a fusion of environmental security, energy efficiency, economic development, technical progress and people's wellbeing. These principles underlie Metinvest's decisions in every area of its activity. For us, it is essential to have them shared with our partners, employees and local communities, suppliers and customers, the government and regulatory authorities, members of expert community and non-governmental organisations.

In 2015-2016, Metinvest Group continued investing in Ukraine's sustainable development, focusing its efforts on implementing projects for environmental protection, improved personnel health and safety, employee training and developing local communities.

See below for more about the challenges and achievements of 2015-2016.

Metinvest Group's sustainable development priorities

-  **Employee health and safety** – our key values
-  **Employee wellbeing and development** – being an attractive employer
-  **Developing local communities** to ensure Ukraine's sustainable development
-  **Business ethics and corporate management** to comply with the highest international standards of business practice

-  **Stakeholder interaction** for collaborative work to address social, economic and environmental issues
-  **Corporate volunteering** helps solve crucial social problems, develop corporate culture and foster an environment for employees to unlock their potential
-  **Product and service quality** meets our customers' expectations and needs
-  **Energy efficiency** minimises environmental impact

Our strategy

The Group maintains efficient asset management by ensuring a timely response to external changes and creating value for shareholders, investors, customers, employees and suppliers, as well as local communities.

Metinvest Group Strategy

To maintain our competitive edge in steel production through vertical business integration

To increase our share in strategic markets

To embrace best practices in our work



Challenges and achievements in 2015-2016

The armed conflict in Eastern Ukraine has forever changed the lives of hundreds of thousands of people. Despite the troubles and challenges, the Group's management did its best to keep the plants going and secure the people's wellbeing.

Strategy review

The political and economic instability in Ukraine combined falling prices on global raw materials markets created a new reality for business operations. Metinvest reviewed its corporate strategy, with a new focus on producing investments will be reduced in production of pig iron, semi-finished products and long products, whereas major funds will be channelled into the low-cost production of steel, product quality improvement and making high value-added products.

Financial and operational results

The political and economic instability of 2015 led to a 17% reduction in steel output at and an 8% drop in iron ore concentrate production at Metinvest's plants. The Group's revenues fell by 35% and its EBITDA decreased by 81%.

In 2016, the Group's performance improved. Net profit was US\$118 million, having recovered after the losses of 2015, and EBITDA doubled amid increased output of finished steel products and reduced costs. Steel output grew by 9%. Iron concentrate output dropped by 8%, with the associated revenues decreasing by 9%.

In March 2017, Metinvest finalised the restructuring of financial debt to the extent of \$2.3 billion. Negotiations with creditors began in autumn 2014, resulting in the signing of a restructuring agreement and affirmation of the Group's reputation as a responsible borrower. The deal was the first of its kind for the industry and the entire Ukrainian corporate sector. International credit rating agencies upgraded the outlook on their ratings for Metinvest 'stable'.

More information on financial and operating results is available in Metinvest's Annual Report 2016 at the Group's website: www.metinvestholding.com

Metinvest Group's financial performance, 2013-2016

	2013	2014	2015	2016
Consolidated revenues, US\$ million	12,807	10,565	6,832	6,223
Capital investment, US\$ million	747	613	285	374

Metinvest Group's operating highlights, 2013-2016

	2013	2014	2015	2016
Pig iron output, kt	11,500	9,213	8,050	8,821
Steel output, kt	12,391	9,205	7,669	8,393
Semi-finished products (slab, square billet), kt	2,304	1,688	1,400	1,032
Finished products (flat-rolled products, long products, rails), kt	8,706	6,471	5,516	6,376
Pipes, kt	315	296	128	109
Iron ore concentrate (IOC) output, kt	36,926	34,888	32,208	29,640
Iron ore products (concentrate and pellets), kt	21,521	22,271	20,382	17,093

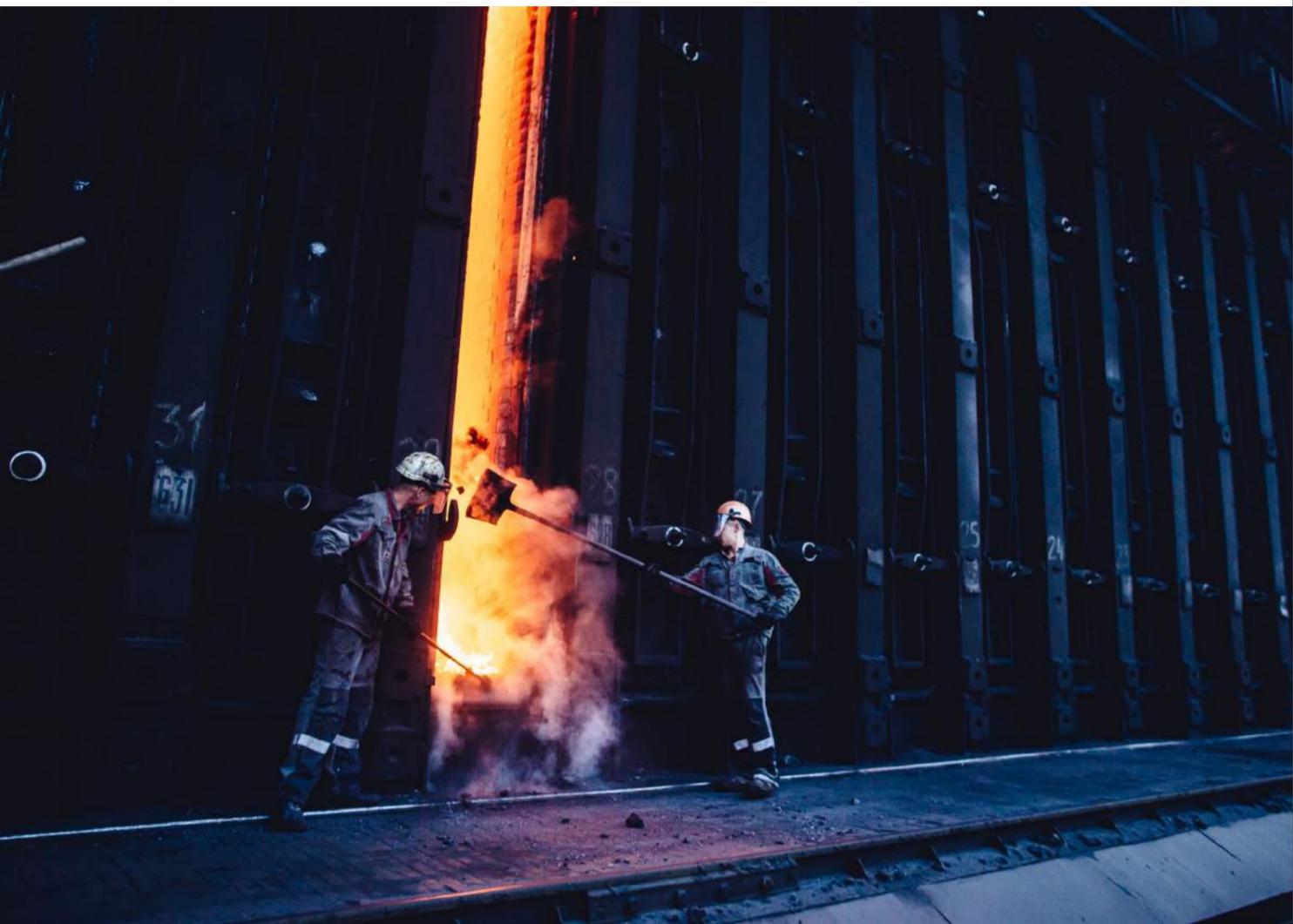
Metinvest Group's operational status in Donetsk and Luhansk regions

The majority of Metinvest Group's assets are safe and functioning as usual. As Avdiivka Coke's location is close to the demarcation line separating the areas under the control of Ukraine from the temporarily non-government-controlled territory, it has been repeatedly shut down due to shelling. In early 2017, two high-voltage power transmission lines that used to support the heating of most parts of Avdiivka were damaged.

To avert a humanitarian disaster, Metinvest closed down two plant shops. The remaining two shops were working on power generated internally to ensure the operation of coke plants and supply heat to the town. After they ran out of coke gas, the plant was supplied with natural gas. Avdiivka Coke's engineers worked together with DTEK's specialists to resume power supplies.

On 15 March 2017, Metinvest Group lost control over the following assets located in the temporarily non-government-controlled territories: Yenakiieve Steel (including Makiivka Iron and Steel Works), Yenakiieve Coke, Khartsyzk Pipe, Komsomolske Flux, Krasnodon Coal, Donetsk Coke and the Swiss-Ukrainian Metalen JV.

Metinvest is exploring all available avenues to reinstate its rights to these companies. Their roughly 20,000 employees have been offered alternative jobs elsewhere in the Group.



Our products

The armed conflict in Eastern Ukraine has forever changed the lives of hundreds of thousands of people. Despite the troubles and challenges, the Group's management did its best to keep the plants going and secure the people's wellbeing.

Metinvest's steel products have been used to build landmarks all around the world. Our steel was used to construct the T. Esra and T. Aylin, the world's largest asphalt tankers; the the Shard skyscraper, the UK's tallest building; and Darnytskyi Bridge and Olympic Stadium in Kyiv.

Metinvest is a reliable partner and supplier of over 10,000 products

Made by Metinvest, 2006-2016

STEEL OUTPUT IN 10 YEARS

111 MILLION TONNES



OUR PRODUCTS ARE EXPORTED TO MORE THAN

100 COUNTRIES AROUND THE GLOBE



OUR DISTRIBUTION NETWORK INCLUDES

61 SALES OFFICES
23 IN UKRAINE AND 38 IN EUROPE, ASIA, AFRICA AND NORTH AMERICA



CUSTOMERS PUT THEIR TRUST IN METINVEST'S STEEL

10 thousand



New products

We aim to continuously expand our product line. In 2015-2016, the Group introduced 72 new products. The economic benefit from the products developed in 2016 totalled US\$45 million. Overall, between 2010 and 2016, Metinvest introduced 169 new products to the market and generated total revenues of US\$214 million from their sale.

Metinvest's weathering rolled steel is similar to the world-renowned COR-TEN steel. The product is intended for the European market and is used in the construction and design of building facades and other structures.

Our biggest consumer in 2016 was still the construction industry, for which the Group designed four new brands of galvanised rolled steel.

To satisfy the demand from Ukrainian steelworks manufacturers, we began producing hot-rolled plate steel, coils and angle bars, as well as shaped pipes, all certified in compliance with both the National Standards of Ukraine (DSTU) and European standards.

To cater for carmakers, Metinvest added new products to its line of high-tensile, thermomechanically treated plates and coils, rolled steel for pressure vessel making, thick plates and rolls for quenching and tempering according to European standards.

The Group continues to invest in increasing the performance of its plants and improving product quality.

US\$214M

economic benefit from products developed by Metinvest in 2010-2016

In 2016, Ilyich Steel started building a new billet casting machine, which will help increase the output of hot-rolled coils and reduce the output of commercial pig iron. Another project involves installing a new rolling unit, commissioning a new heat-treatment furnace and modernising shaping mill stands. This will improve product quality and increase the output of high value-added steel products.

STEEL FREEDOM

Metinvest is a member of the Ukrainian Steel Construction Centre (USCC). The association was established in 2013 to bring together steelmakers, as well as steelworks designers and suppliers. USCC develops the Ukrainian steelworks market and helps steelmakers to grow their share in foreign markets.

Since 2014, USCC has held the annual National Architectural Student Competition STEEL FREEDOM. The contestants design their projects for real sites. The panel includes leading architects, property developers and members of consulting companies. The fairness of assessment is verified by the international audit company KPMG. By taking part in the competition, the students learn about the architectural and structural potential of steel and get to know future employers, while construction companies receive original ideas for their projects.



Customer relations

Metinvest Group focuses on delivering products and services that fully meet our customers' needs. We analyse the market and produce high-quality alternatives to imported goods.

In 2015, in partnership with Module Ukraine, Metinvest started making polymer-coated rolled steel. The Group provides Module Ukraine with raw materials to be galvanised and coated, whereas Metinvest sells the rolled steel via its distribution network. As a result, customers get the products fast, at competitive prices, and benefit from customer support and technical expertise.

In 2016, at its Italian plant Tramet, Metinvest launched a new shot-blasting and coating line. The steel plates produced by the Group are used in ship construction, wind energy, bridge construction and heavy equipment mechanical engineering. The installation of this line will make it possible to reallocate sales to higher value-added European market segments and expand the range of services offered to partners.

To increase the share of steelworks in construction, in 2016, Metinvest introduced the double certification of hot-rolled sheets, which made it possible to use the same steel for both exports and domestic orders. Apart from plates, the double certification applies to hot-rolled steel coils, equal leg angles and pipes. Besides, the entire range of galvanised hot-rolled steel intended for the



Metinvest analyses the market to expand production of its most popular products: high-quality alternatives to imported materials

Ukrainian market is compliant with the new DSTU/EN10346 standard, which allows local processors to align their products with European standards.

Logistics and distribution

Metinvest is enhancing its existing distribution models and adopting new ones. The Group is broadening the scope of its marketing and sales functions, aiming to establish a long-term personal relationship with every customer. This reaffirms the Group's reputation as an internationally acknowledged supplier of high-quality services.

Over 10,000 customers trust Metinvest Group's products

Distribution



Metinvest runs 20 sales offices and warehouses in Europe, including Germany, Italy, Spain, Belgium, Switzerland, the UK, Romania and Bulgaria. In 2015, the Group opened additional offices in Poland and Spain.

In 2015, in a bid to increase sales efficiency, we centralised sales in Ukraine. Following the restructuring, the entire distribution network is now managed by Metinvest-SMC.

Quality audits

Technical visits to customer sites and product audits ensure that our customers get the best possible solutions. During 2015-2016, we arranged over 50 meetings and around 40 customers visited the Group's production sites to get a better idea of the steel products we make.

We have analysed consumer demand and preferences and moved to improve quality. Prior to this, the outer layer of the box containing cold-rolled and galvanised steel produced at Ilyich Steel was made of cold-rolled sheets, so by the time the products were shipped to the customer, the box would be covered in rust. Now, the box is made of galvanised steel, which increases its resistance to corrosion.

Over 50 technical visits arranged at the Group's sites in 2015-2016

Logistics

The conflict in Eastern Ukraine disrupted the local transport infrastructure. Due to the destruction of railway stations and compromised communication with the temporarily non-government-controlled territories, the Group had to transport raw materials down the Kamysh-Zarya-Volnovakha railway route, which remained intact. However, in view of its limited track capacity, Metinvest had to import more metallurgical coal from the US, Australia, Canada and other countries.

In early 2015, the Group financed the construction of a by-pass road around the destroyed bridge spanning the Kalchik River in Mariupol, and later in November 2015, it also restored the bridge itself. These efforts supported production and made it possible to resume passenger service between Mariupol and the rest of Ukraine. Overall, the Group spent UAH24.7 million to repair damaged transport infrastructure in Eastern Ukraine.

Between 25 January and 10 February 2017, three key stretches of the railroad used for railway traffic between our plants in the government-controlled and temporarily non-government-controlled territory remained closed. The closure disrupted shipments and later resulted in the loss of control over these assets. We covered the shortage of coke, coal and flux at the plants in Mariupol and Zaporizhia with imports and started exporting surplus iron ore.

24.7

UAH M spent by Metinvest Group in 2015-2016 to repair damaged transport infrastructure in Eastern Ukraine

To expand sales of steel products to Europe, at the beginning of 2015, we resumed shipping from the port of Mariupol and registered shipping lines to Italy, Bulgaria, Turkey and Spain. The ships are supplied by Italy's Nova Marine and Turkey's Canbaz Group. The Group used this opportunity to increase its share in the markets of the Black Sea and Mediterranean Sea basins.

Procurement

Centralisation and the adoption of common procurement standards work towards the achievement of one of Metinvest Group's strategic goals – securing a competitive edge in steelmaking.

Metinvest has zero tolerance for corruption and abuse in supplier relationships. We build and nurture an open, transparent competitive environment, continuously increasing the number of companies participating in the tendering process.

Metinvest is an advocate of full compliance – a culture of complying with high ethical and legal standards, avoiding risks of violating national and international law and pursuing anti-corruption practices. During 2015-2016, the Group developed direct strategic partnerships with producers and discontinued transactions with intermediaries and trade representatives.

Due to the conflict in Eastern Ukraine and the loss of control over some assets, the market for manufacturing machinery, spare parts and industrial services has decreased significantly. When looking for alternative suppliers, Metinvest was faced with the reluctance of certain foreign companies to have business with Ukrainian enterprises, especially those with assets in Donetsk and Luhansk regions.

Given the circumstances, the Group focused on developing regional business potential. It informed suppliers of the situation in the region and held open briefings. Metinvest will keep developing long-term, mutually beneficial relations based on international procurement standards and continuously work to improve procurement efficiency.

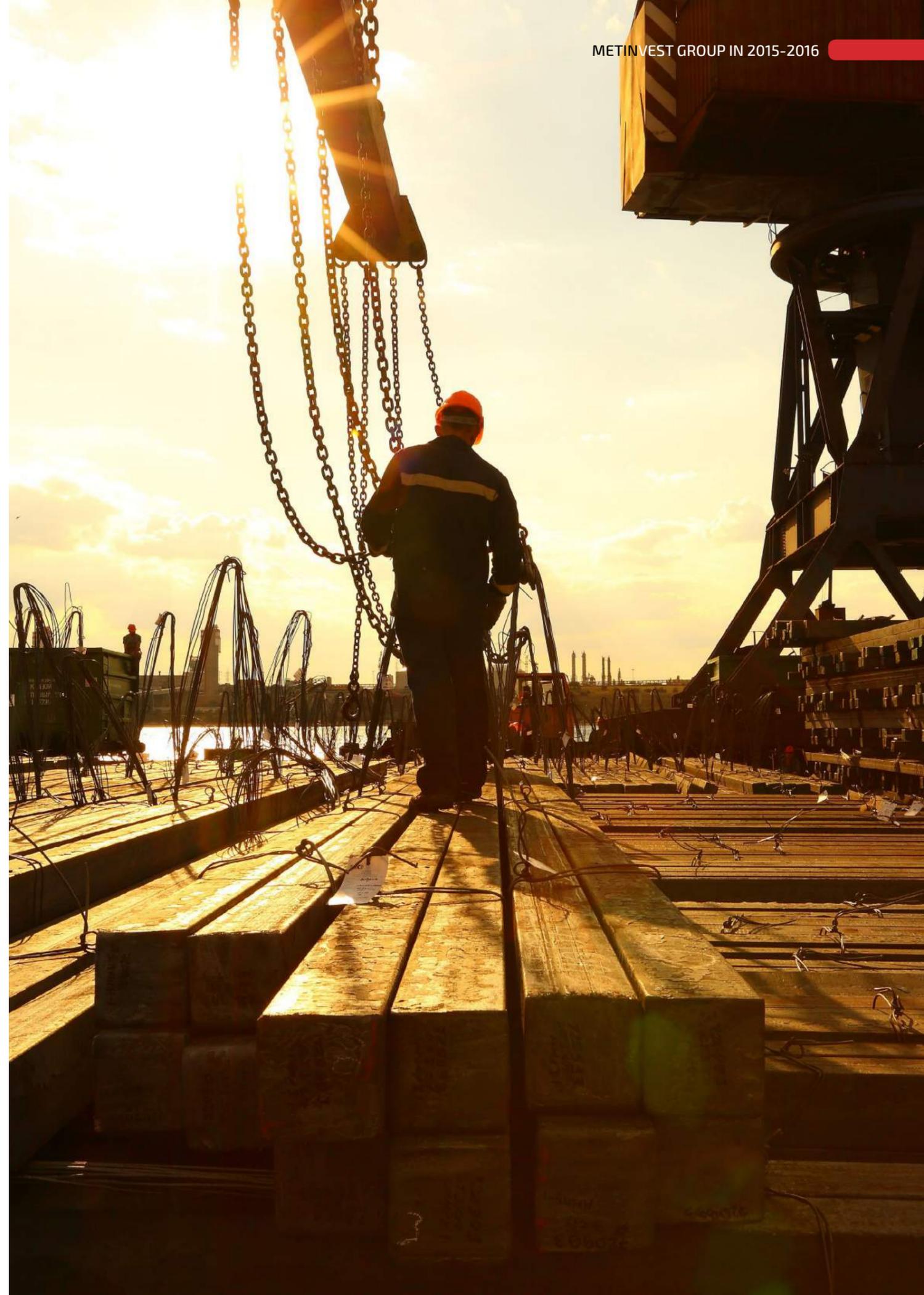
Read more on Metinvest Group's procurement at <https://www.metinvestholding.com/en/activity/supply>



Centralisation and the adoption of common procurement standards provide Metinvest Group with a competitive edge in steelmaking



Our supplier relationships are founded on the principles of transparency and openness



SECTION 2
ECOLOGY



Environmental protection. Milestones of Metinvest Group's 10-year history

We strive to carefully use natural resources by continuously improving Metinvest Group enterprises to become more modern, effective and environmentally friendly manufacturing sites. This is our contribution to Ukraine's stable future



ENVIRONMENTAL
MANAGEMENT SYSTEM

MODERNIZATION
OF STEEL-MAKING
OPERATIONS

COMMUNITY
DIALOGUE

- 2008 ● Begin building an HSE management system based on global best practices:
 - Create an HSE Directorate at the management company, Metinvest Holding
 - Approve the Health, Safety and Environment Strategy
- Large-scale modernisation of iron and steelmaking operations across Metinvest Group (Ilyich Steel, Azovstal and Zaporizhstal) is focused, among other things, on upgrading sinter and hot metal production
- 2009 ● Metinvest Group's Health, Safety and Environment Policy and Principles are developed and put into effect
HSE Committee of the Supervisory Board starts work
- 2010 ● The HSE Management During Investment Projects corporate standard is introduced to assure compliance of planned investment projects with the requirements of Ukrainian laws and international investors
- 2011 ● The Technological Strategy is approved to target operations modernisation and energy performance improvement
- 2012 ● The Centre of Regional Environmental Cooperation is established in Mariupol¹
Environmental activities planned by Ilyich Steel and Azovstal are included in Mariupol's 2012-2020 environmental programme
- 2013 ● Metinvest Green Centre starts work in Mariupol
- 2014 ● A five-year (2014-2018) HSE improvement programme is adopted
- The CEO of Metinvest Group, Yuriy Ryzhenkov, starts regular meetings with Mariupol ecologists and community
- 2007-2016 ● The management company, Metinvest Holding, and key enterprises² of Metinvest Group annually confirm the compliance of their environmental management systems with the requirements of the ISO 14001 international standard
- 2016 ● Metinvest Green Centre starts work in Kryvyi Rih

¹ The Centre for Regional Environmental Cooperation in Mariupol has been transformed into Metinvest Green Centre

² Key enterprises of Metinvest Group certified by ISO 140001 in 2008-2015 include Azovstal, Ilyich Steel, Yenakiieve Steel, Zaporizhstal, Khartsyzk Pipe, Northern GOK, Central GOK, Ingulets GOK, Inkor Chemicals, Zaporizhia Coke, Mariupol Mechanical Repair Plant and Krasnodon Coal.

Environmental Management

Environmental protection is a strategic priority for Metinvest Group. The Supervisory Board's HSE Committee began working in 2009. The Group's environmental management system is based on global best practices and meets the requirements of the ISO 14001:2004 standard.

In 2014, Metinvest adopted a five-year HSE improvement programme that includes internal audits to prevent violations of environmental laws.



23 environmental audits were conducted in 2015-2016 at Metinvest Group enterprises

ENVIRONMENTAL OBJECTIVES OF EU INTEGRATION

Pursuing integration with the European Union, Ukraine has signed agreements to bring its environmental legislation in line with European norms. While preparing for the introduction of new standards, Metinvest Group has regularly participated in discussions of environmental issues with EU representatives to Ukraine and the Directorates General of the European Commission for environment, climate and neighbourhood, as well as the European External Action Service.

Metinvest Group has adopted a systematic approach to environmental management



Production modernisation

Metinvest Group is committed to the highest standards and requirements for environmental compliance. During 2015-2016, the Group continued to modernise its iron and steel plants. Our focus was on projects aimed at reducing atmospheric pollutant emissions from blast furnace and sinter making operations.

The Group carried out all major planned environmental activities, notwithstanding instability in Eastern Ukraine and global market trends. The bulk of investments went to sites in Mariupol and Zaporizhia.

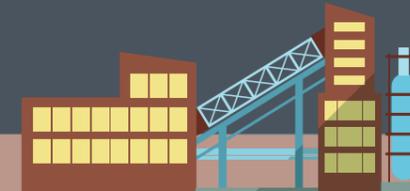
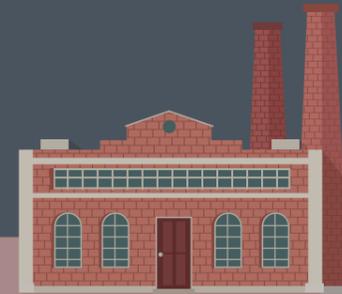
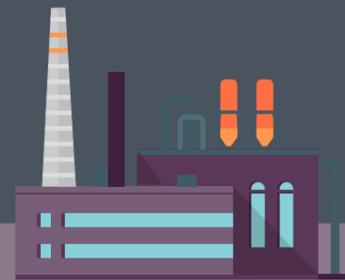
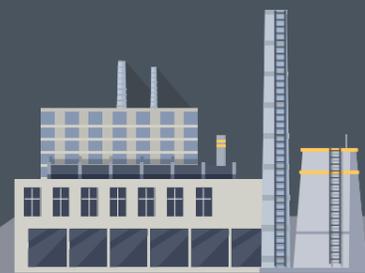
In 2016, the modernisation of the sinter plant at Zaporizhstal was completed. At Ilyich Steel, the reconstruction of the sinter plant continues. Azovstal's blast furnace no. 4 has become one of Ukraine's most state-of-the-art and environmentally friendly facilities after a bag filter was installed. At Zaporizhstal, four blast furnaces were equipped with modern casthouse fume extraction and bottom house dedusting systems.



Metinvest is one of a few Ukrainian companies whose shareholders continue to invest in business development amid economic and political uncertainty. The Group's primary focus is on modernising its production facilities with a view to reducing its environmental footprint. We aim to focus on projects that yield the highest environmental benefits in the future.

**Yuriy Ryzhenkov,
Chief Executive Officer of Metinvest Group**

Metinvest Group invested US\$6.7 billion in modernisation during 2006-2016



Azovstal

2011

Decommissioned open-hearth steelmaking

2012

Decommissioned three coke-oven batteries (no. 5, 6 and 7) and mothballed the sinter plant

2015

Completely dismantled the sinter shop

2016

Completed modernising blast furnace no. 4

2017

Started category 2 extended major overhaul of blast furnace no. 3, including installing casthouse fume extraction systems and reconstructing bottom house dedusting systems

Ilyich Steel

2014

Decommissioned three open-hearth furnaces ahead of schedule

Performed a major overhaul of basic oxygen furnace no. 1, including modernising the gas cleaning system

2015

Reconstructed the sinter plant and began installing cyclones manufactured by Termokimik Corporation (Italy) on 12 sinter machines to replace obsolete gas cleaning equipment

2016

Performed a major overhaul of basic oxygen furnace no. 2, including improving the gas cleaning system

Zaporizhstal

2009-2016

Installed six new gas cleaning systems on sinter machines

2014

Performed a category 2 major overhaul (extended) of blast furnace no. 4, including constructing casthouse fume extraction and bottom house dedusting systems

Switched cold-rolling shop no. 1 to hydrochloric acid pickling and constructed a plant to regenerate spent pickling solution

Northern GOK

2013

Performed a major overhaul of the Lurgi 552-B roasting machine

2015

Installed three electrostatic precipitators on the Lurgi 552-B roasting machine

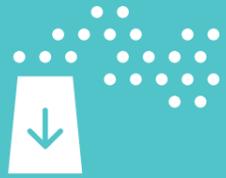
2016

Commissioned the first start-up complex of the crusher and conveyor system

Central GOK

2014

Reconstructed dedusting systems



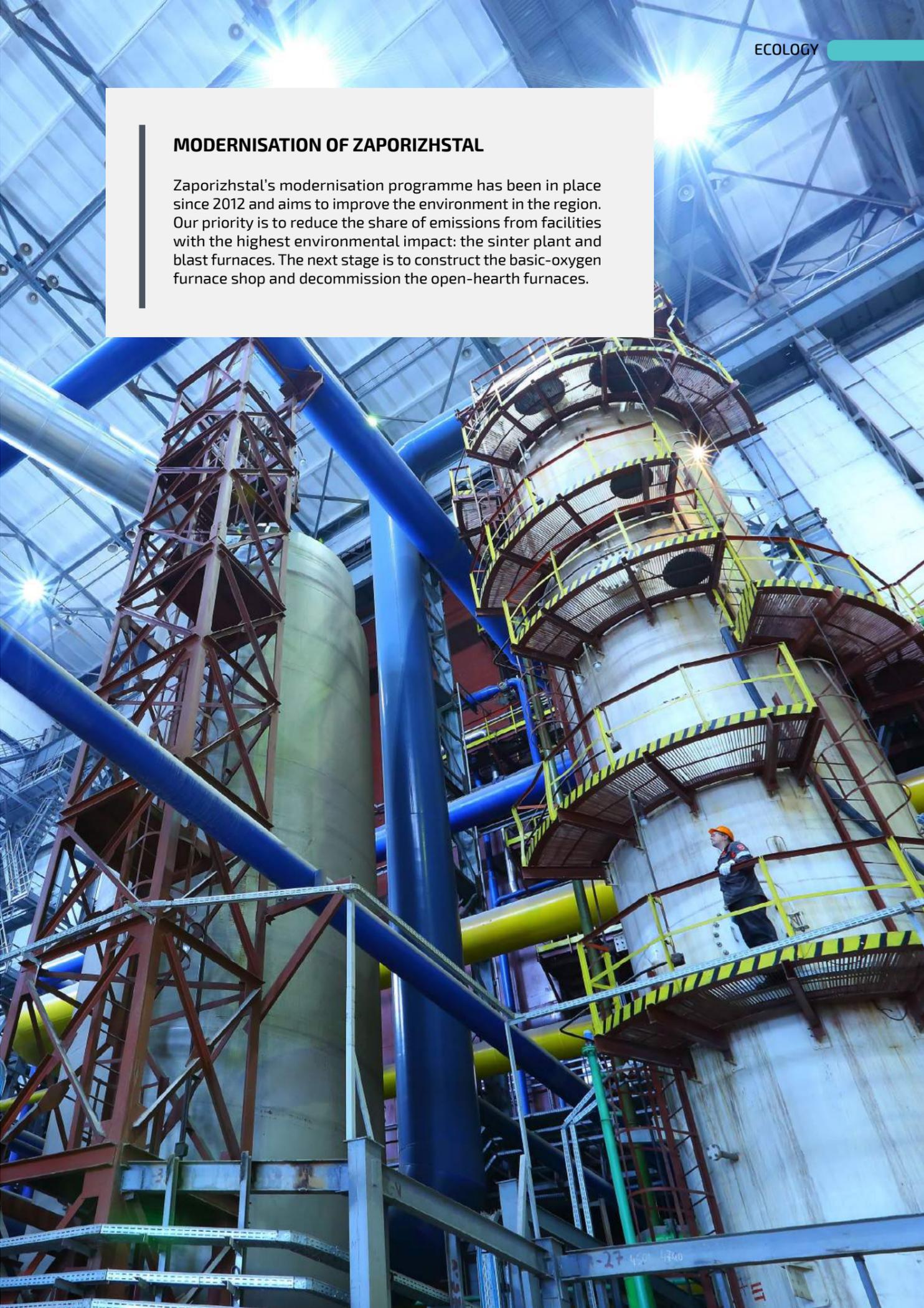
Zaporizhstal invested more than UAH5.6 billion on modernisation during 2012-2016. The reconstruction of the sinter plant will reduce dust emissions threefold

Constructing new gas cleaning systems at the sinter plant has been our key project over the last few years. The gas cleaning systems of two sinter machines have already reached their design specifications and another four are in pilot operation. Ultimately, the sinter plant will meet international environmental standards in terms of dust and gas emissions.

Zaporizhstal has also resolved the issue of discharge from the cold-rolling shop to the Dnipro River. The new hydrochloric pickling area allows the acid to be reused multiple times, reducing sulfuric acid vapour emissions by 83% and stopping discharges to the Dnipro River.

MODERNISATION OF ZAPORIZHSTAL

Zaporizhstal's modernisation programme has been in place since 2012 and aims to improve the environment in the region. Our priority is to reduce the share of emissions from facilities with the highest environmental impact: the sinter plant and blast furnaces. The next stage is to construct the basic-oxygen furnace shop and decommission the open-hearth furnaces.



MINISTER OF ECOLOGY AND NATURAL RESOURCES OF UKRAINE VISITS ZAPORIZHSTAL

3 June, 2016

The Minister of Ecology and Natural Resources of Ukraine, Ostap Semerak, visited Zaporizhstal to see the modernisation of production capacities aimed at improving the environment in the region.



What we have seen at Zaporizhstal makes us optimistic - these are positive things resulting in emission reduction. However, we have a long road ahead together to improve the environment and natural beauty of Ukraine. We should support each other in each area of our joint work to stay on track and ahead of schedule.

Ostap Semerak, Minister of Ecology and Natural Resources of Ukraine

State-of-the-art metallurgy offers environmentally friendly operations and high social responsibility standards

MODERNISATION OF ILYICH STEEL

The sinter plant reconstruction is in progress at Ilyich Steel.

In 2014, Ilyich Steel decommissioned its open-hearth furnaces, thus reducing atmospheric emissions by almost 68% for nitrogen compounds and by 12% for dust.

In 2015, obsolete gas cleaning systems at three of 12 sintering machines were replaced with cyclones supplied by Termokimik Corporation.

By 2020, emissions will gradually go down by 90% for dust and by 46% for sulphur compounds. This is one of the priority projects for Metinvest Group. Once the reconstruction has been completed, the sinter plant will achieve the best available European and world emission limits.

The sinter plant reconstruction at Ilyich Steel with a total value of around **US\$220 million** became the largest environmental project in Ukraine. This project is unique in terms of its scale and environmental effect.

GEOFFREY PYATT, US AMBASSADOR TO UKRAINE, VISITS ILYICH STEEL

29 April, 2016

Geoffrey Pyatt, US Ambassador to Ukraine, visited Ilych Steel to see the implementation progress of the largest environmental project in Ukraine, the sinter plant reconstruction at Ilyich Steel. He also learned about the role Metinvest plays in the national economy and the Group's other investment projects and social partnership programmes in Mariupol and other cities where it operates.



Metinvest is one of the largest exporters and importers in trading relationship with the US. We are very interested in developing and strengthening this partnership. The Group's investments in environmental projects are impressive. The exceptional strength of Ukrainians is exemplified by Metinvest.

Geoffrey Pyatt, US Ambassador to Ukraine

We care about the environment

Metinvest Group enterprises implement environmental protection programmes on an annual basis to reduce atmospheric emissions and water consumption, improve the quality of waste water treatment, reduce waste production and make waste recycling more efficient.

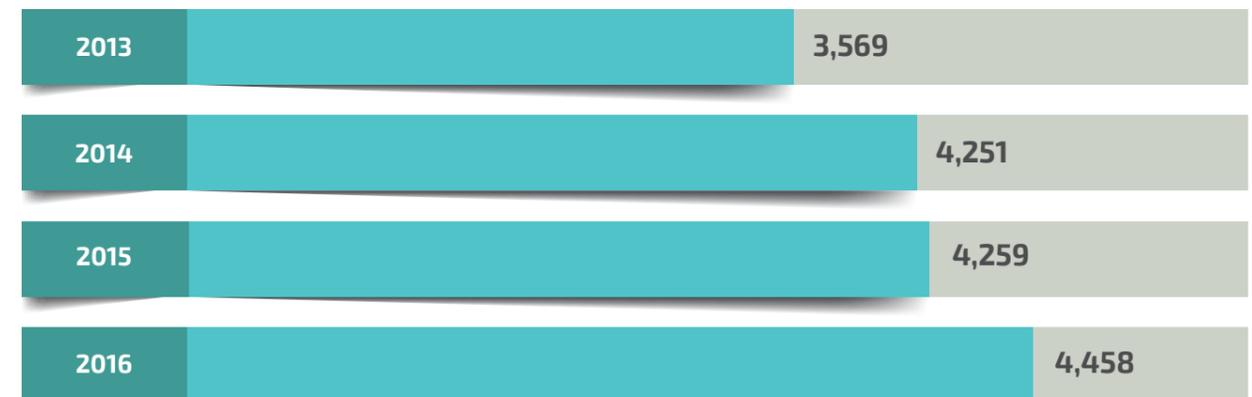
In 2016, emissions of key pollutants increased by roughly 4% and emissions of sulphur dioxide and particulates decreased by 3% at Metinvest Group's enterprises.

The reconstruction of gas cleaning systems at the sintering machines had the greatest impact on the reduction of emissions. That said, emissions were affected by fluctuations in the total production volume and irregular utilisation of production capacities at the enterprises, particularly those located within the conflict area.

SLUDGE POND AT AZOVSTAL

Azovstal continues to implement technologies to reduce discharge of waste water into the Azov Sea. Since 2012, the sludge collector dredger and floating sludge pipeline equipment has been replaced at the plant. Due to the increased volume, the efficiency of sludge collector waste water treatment has been improved.

Metinvest Group's investments in environmental activities, 2013-2016, UAH million



Note. Share of assets excluded from the scope of the 2015-2016 report: in 2013: 7.1% (253.39 UAH million); in 2014: 4.5% (189.2 UAH million)

EFFECT FROM RECONSTRUCTION OF BLAST FURNACE NO. 4, AZOVSTAL

In 2015, the reconstruction of blast furnace no. 4 was completed at Azovstal. The blast furnace treatment facilities now meet the best world environmental protection standards.



ATMOSPHERIC EMISSIONS WERE REDUCED TO

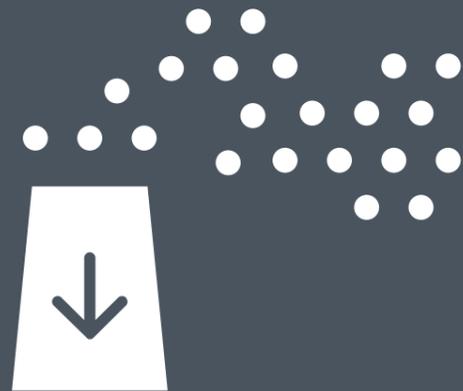
30 MG / M3

WHICH IS FULLY IN LINE WITH EUROPEAN STANDARDS

340

tonnes/year

DUST EMISSIONS WERE REDUCED



1

UAH billion

FULL PROJECT BUDGET

Mothballing obsolete operations and implementing the modernisation programme

Azovstal

In 2012, the sinter-making process was shut down and the sinter shop was demolished in 2015



Atmospheric emissions of dust, carbon dioxide, sulphur dioxide gases and other hazardous substances were reduced by almost one-third

Obsolete coke oven batteries no.5, 6 and 7 were closed



Hazardous atmospheric emissions were reduced by 20%, and emissions of coke-making operations were reduced by 50%

Ilyich Steel

In 2014, open-hearth furnaces were closed



Atmospheric emissions of nitrogen compounds were reduced by almost 49%, and dust emissions decreased by 12%

Gas cleaning systems of basic oxygen furnaces no. 1 and 2 were modernised



From 2014, atmospheric dust and gas emissions decreased almost threefold

Northern GOK

Two electrostatic precipitators were installed on the Lurgi 552-B roasting machine



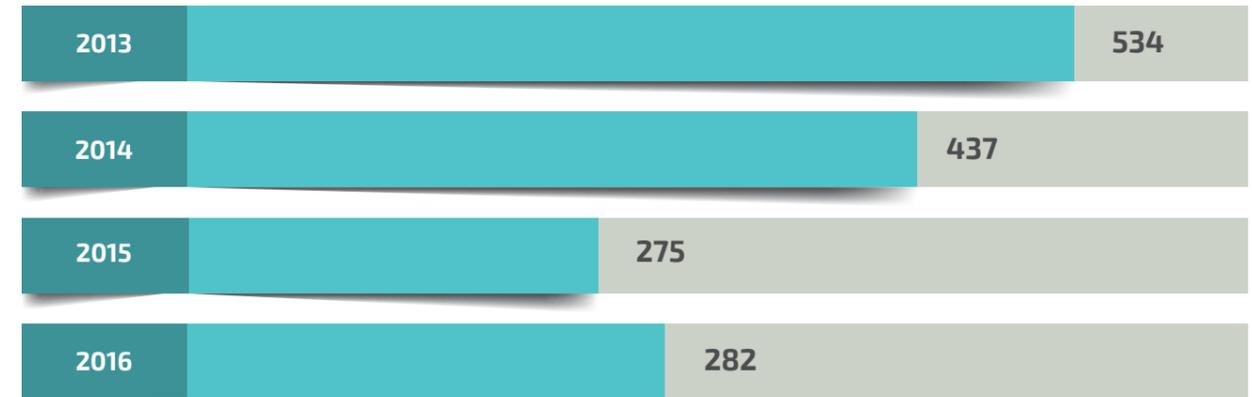
Atmospheric dust emissions were reduced threefold

Soil reclamation

Central GOK continues reclamation works in open pit mine no. 2. In 2015-2016, the open pit mine was filled with over 12 million tonnes of waste rock. Waste disposal areas are reduced, while crop land that could otherwise be used for waste storage remain unaffected.

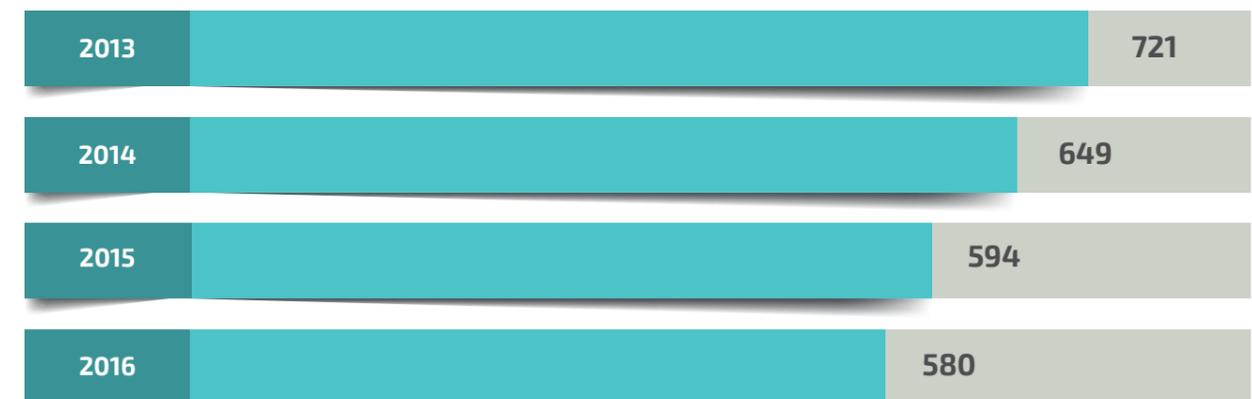


Gross atmospheric emissions of Metinvest Group enterprises in 2013-2016, thousand tonnes



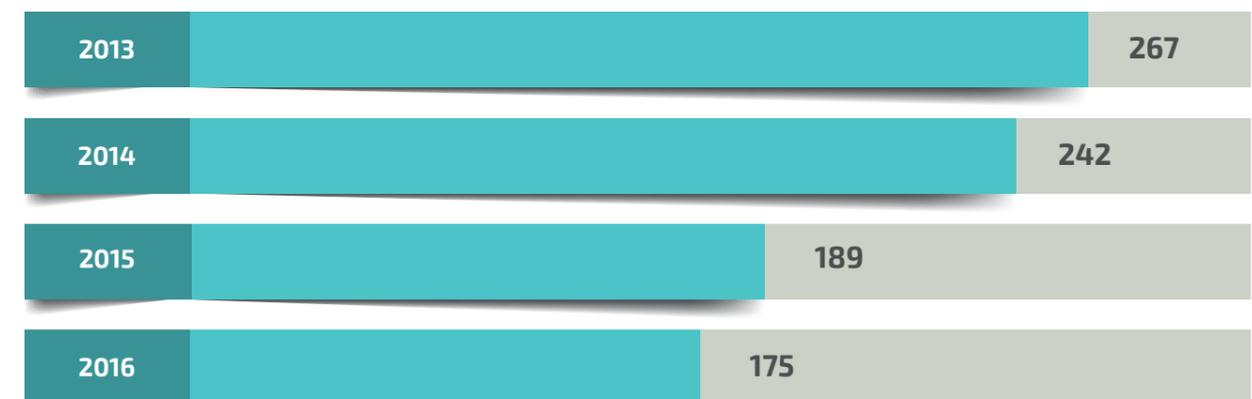
Note. The percentage of assets excluded from the Report boundary for 2015-2016: in 2013: 31.6% (168.57 thousand tonnes); in 2014: 28.6% (124.9 thousand tonnes)

Total waste water discharged by Metinvest Group enterprises in 2013-2016, million m3



Note. The percentage of assets excluded from the Report boundary for 2015-2016: in 2013: 0.9% (6.3 million m3); in 2014: 0.7% (4.9 million m3);

Total volume of waste generated by Metinvest Group enterprises in 2013-2016, tonnes



Note. The percentage of assets excluded from the Report boundary for 2015-2016: in 2013: 2% (5.3 million tonnes); in 2014: 1.4% (3.3 million tonnes)

Community dialogue

To implement environmental projects, we build a dialogue with the residents of the towns and villages where we operate, as well as public activists, ecology experts and other stakeholders.

Local communities are very concerned with environmental issues, therefore, Metinvest continuously shares its plans about environmental modernisation, the achieved results and learns which problems concern the communities most.



**In 2011-2015,
Ilyich Steel and
Azovstal invested
UAH1.6 billion
for environmental
protection in
Mariupol**



We are doing our best to maintain and develop a dialogue with Mariupol's local community. We do everything to be as open as possible. In 2013, we laid a solid foundation to improve the trust and mutual understanding between the steelmakers and Mariupol residents. We opened our doors to public activists.

We organised several excursion visits for ecologists, NGO activists and ordinary residents of Mariupol. This does not imply that all the issues have been resolved. We are willing to continue the practice of problem solving and developing our production facilities with your involvement and support and for the benefit of Mariupol.

**Yuriy Ryzhenkov,
Chief Executive Officer of Metinvest Group**

Developing a dialogue with the people of Mariupol

To be kept abreast of the issues faced by Mariupol, the senior managers of Azovstal and Ilyich Steel organise and participate in round tables with the city's activists. This helps them to take quick and effective measures by delivering environmental programmes in the city.



**Metinvest Group
applies a systematic
approach
to environmental
management**

AZOVSTAL AND ILYICH STEEL REPORT ON PROGRESS OF 2012-2020 ENVIRONMENTAL PROGRAMME

As part of the 2012-2020 environmental programme of Mariupol, Azovstal and Ilyich Steel implemented nine major investment projects to improve the environmental situation in the city. Investments in the modernisation of production in 2011-2015 made it possible to reduce atmospheric emissions by almost a quarter.

METINVEST DISCUSSED IMPLEMENTATION OF ENVIRONMENTAL PROGRAMME FOR 2012-2020 WITH MEMBERS OF PUBLIC

28 April, 2016

Yuriy Ryzhenkov, CEO of Metinvest Group, informed Mariupol residents about the progress of the Environmental Protection and Improvement programme in Mariupol for 2012-2020, and shared the plans regarding the modernisation of the steel plant's equipment.

METINVEST PARTICIPATES IN GREEN MIND FORUM

Metinvest regularly takes part in the Green Mind international forum for sustainable business development. This is a unique platform, where the participants share their experiences in the field of sustainable business development, establish partnerships and receive information to help them in making effective management decisions.

On 19-20 October 2016, the fifth Forum in Kyiv gathered 120 experts from 27 countries. One of the major topics of discussion was using environmental tax proceeds as an incentive for business development and as a source for environmental transformations. Our experts think that the largest share of the tax proceeds should be received by the local communities empowered to channel them to environmental modernisation of local production enterprises. According to the experts, such an approach would be much more efficient than existing fund distribution practices.

METINVEST IS A PARTICIPANT OF THE WORLD STEEL ASSOCIATION'S ENVIRONMENTAL COMMITTEE

Metinvest is the first and the only Ukrainian company that is a member of the World Steel Association and takes part in several of its committees. In June 2016, we participated in the discussion of the impact of the Paris Climate Agreement regulating CO2 emission reduction measures starting in 2020 on the metals and mining sector during the meeting of the World Steel Association's Environmental Committee.

METINVEST GREEN CENTRE

Environmental conditions can be improved if everyone treats the environment carefully. Therefore, Metinvest develops environmental culture projects in the community.

The Metinvest Green Centre programme helps to establish a dialogue among the local communities, environmental organisations and the Group's enterprises, trains high school students and gets volunteers and activists involved in "green" activities. Since 2013, Metinvest Green Centre has been assisting the city residents to improve streets and yards of Mariupol. New projects include restoring abandoned spring wells.

Short-term plans

In 2017, Metinvest Group continued implementing environmental programmes, including the ongoing installation of the gas cleaning system at Ilyich Steel's sinter plant, repair of gas exhaust ducts at Azovstal and replacement of filters on Northern GOK's pellet roasting machines.



SECTION 3
SAFETY



In ensuring employee health and safety, Metinvest takes a systematic approach, relying on best global practices and standards to prevent workplace injuries



Occupational health and safety. Milestones of Metinvest Group's 10-year history

HEALTH AND SAFETY MANAGEMENT SYSTEM

- 2008  Begin building the corporate Health, Safety and Environment (HSE) management system in compliance with best global practices
Adoption of the HSE Strategy
- 2009  Preparation and approval of Metinvest Group's HSE Policy and Principles
Supervisory Board's HSE Committee starts working
- 2010  Adoption of the HSE System Development Strategy
- 2014  Approval of the Five-Year HSE System Improvement Programme for 2014-2018

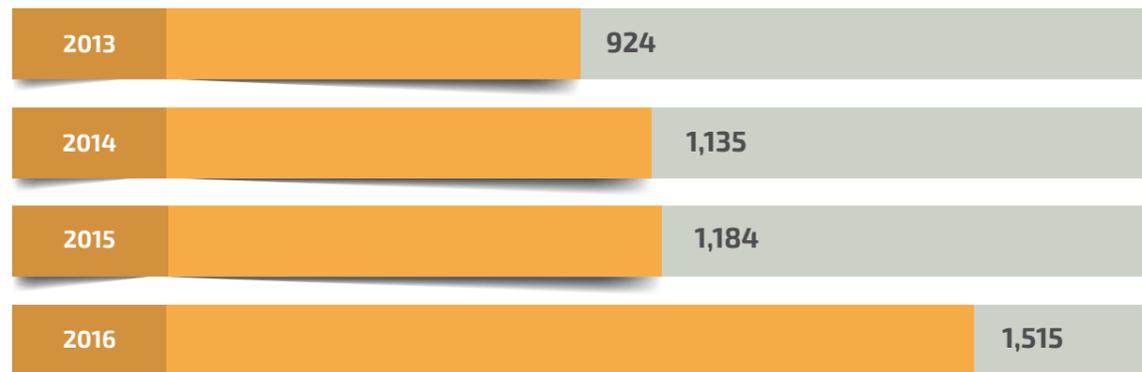
CORPORATE STANDARDS

- 2009  The Institute of In-House Coaches begins providing training on corporate standards
- 2011  Metinvest is recognised by the World Steel Association for building a corporate standard training system using in-house coaches
- 2007 – 2015  The Metinvest Holding management company and Metinvest Group's key enterprises all pass the certification of their HSE Management Systems in compliance with the OHSAS 18001 international standard and the ISO 14001 environmental management standard
- 2008 – 2016  The Group develops and implements 15 corporate standards based on best international HSE practices

Investing in a safer workplace

Metinvest Group makes an annual investment in a safer workplace through upgrading equipment and technology, improving workplace safety and providing personnel with modern and effective personal protective equipment (PPE) and HSE training.

Metinvest Group's investment in health and safety, 2013-2016, UAH million



Note. The percentage of assets excluded from the Report boundary for 2015-2016: in 2013 – 19.8% (UAH183 million); in 2014 – 23.7% (UAH268.7 million).

Breakdown of Metinvest Group's spending on health and safety

- 1 Creating a safe work environment
- 2 Supplying personnel with effective PPE
- 3 Ensuring the safety of buildings, structures and equipment as per regulatory instruments
- 4 Employee training and skills improvement in health and safety
- 5 Healthcare
- 6 Emergencies and fire safety
- 7 Corporate standards



HSE Management System

Metinvest Group's Occupational Health and Safety Management System relies on best global practices and integrates all the tools required to minimise accidents and ensure production safety.

Safety issues are a top priority for the Group's executives. Heads of functional units are assessed on their ability to both deliver financial, economic and quality performance, and ensure good HSE performance.

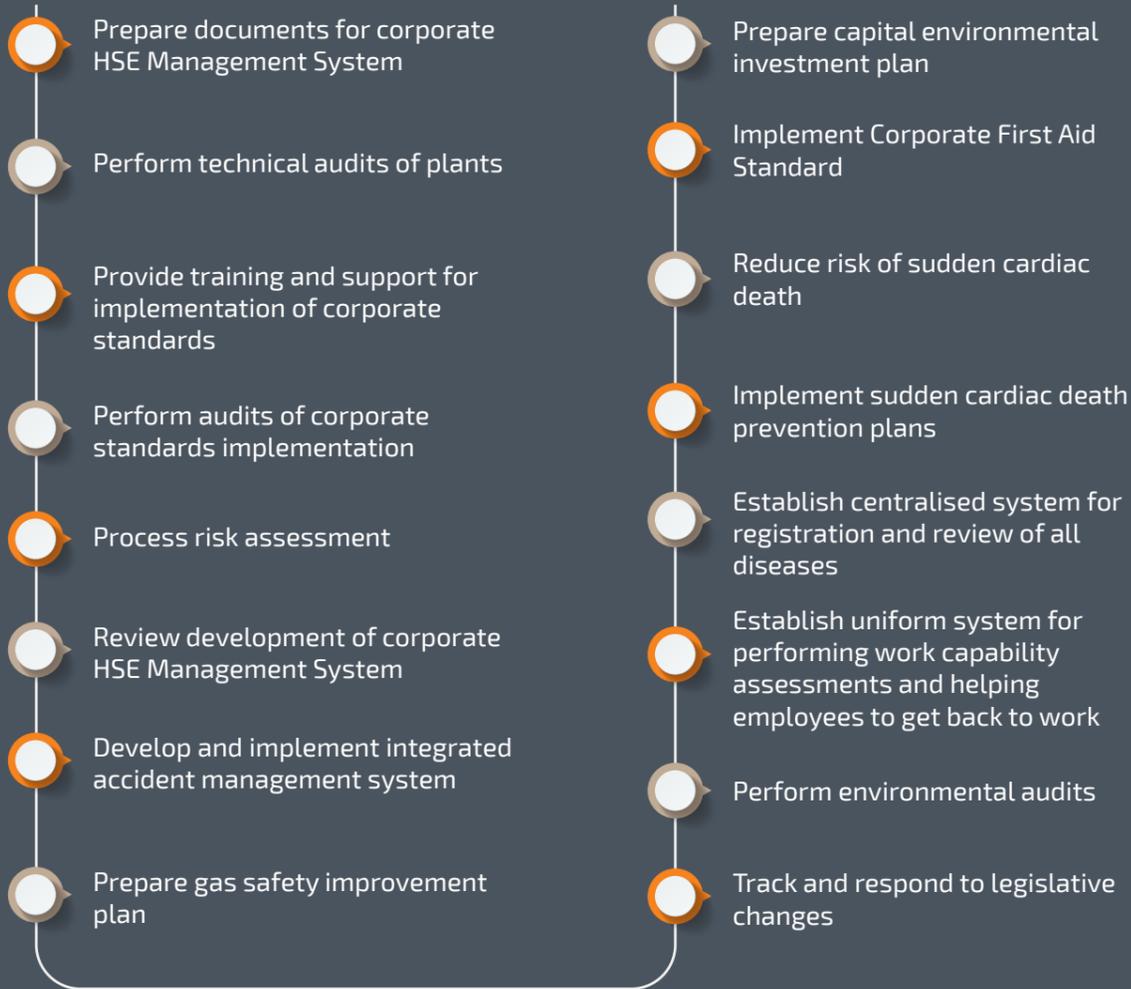
Work cannot be considered successfully completed if it entailed damage to the health of anyone performing it. This is stated in Metinvest Group's HSE Policy

Metinvest Group's HSE Management System has been certified according to the OHSAS 18001 international standard

FIVE-YEAR HSE SYSTEM IMPROVEMENT PROGRAMME FOR 2014-2018

Metinvest Group continues to implement its Five-Year HSE System Improvement Programme for 2014-2018. It determines which areas the Group focuses on.

Key initiatives of Metinvest Group's Five-Year HSE System Improvement Programme for 2014-2018



Management system review

Every three years, Metinvest performs an HSE Management System review at all its plants. Its findings are used to determine the areas for improvement and prepare guidelines to improve the system's efficiency.

We also carry out a bi-annual traffic-lights assessment of the current state of health and safety in four areas. The areas are in turn broken down to 20 categories covering the whole safety management system.

-  Implement corporate standards
-  Healthcare
-  Occupational safety
-  Build a management system

Standards and programmes

Metinvest has implemented corporate standards aimed at developing a common approach to health and safety that applies to all Group plants, as well as to contracting organisations.

A Security Fencing Standard was developed to prevent accidents during equipment repair and maintenance. It describes safe approaches to the construction, maintenance and design of security fencing and applies to all Metinvest plants.

The work delivered by contracting organisations is a special priority. According to the Contracting Organisations Work Safety Standard, to ensure work safety, all contractors must go through an HSE prequalification process.

To improve workplace safety, the Group developed the Operational Safety Analysis Standard — this is a self-guided (or assisted by the line manager) sequence of steps that needs to be performed prior to beginning and during any works. The Operational Safety Analysis reviews the ability to work safely and the implementation of required actions to protect personnel and the environment. Based on this, employees can perform an adequate assessment of the situation and decide whether to begin a given task.

Implementation of Metinvest Group's corporate standards aimed at ensuring personnel safety

2009-2010

-  Safety audits at Metinvest Group's plants
-  Procedure for identifying the major causes of accidents

2011-2012

-  Operational safety review
-  Lockout/tagout, verification
-  Requirements for protective garments, footwear and other personal protective equipment for plant personnel
-  Operational safety for contractors
-  Process risk assessment and mitigation
-  HSE management for investment projects
-  Operational safety for hazardous work requiring permits
-  Providing premedical and emergency first aid
-  Safe work at height
-  Comprehensive HSE regulations

2013-2014

-  Safe work in closed spaces
-  Safety signs and marking
-  Guidelines for the communication, recording and investigation of minor injuries and accident factors

2015-2016

-  Security fencing
-  Guidelines for working with employees with frequent or chronic illnesses
-  General guidelines for HSE agencies concerning site visits to Metinvest Group's plants
-  Provision on the format, layout and update of information on the Days with No Injuries boards

Personnel safety at plants located in areas affected by conflict

Employees' lives and safety are the Group's overriding priority. To ensure the safety of people working at plants located in the temporarily non-government-controlled territory in Eastern Ukraine, a Crisis Response Concept was developed in 2014. It determines the procedure for addressing emergencies at different levels — from functional units to the management company.

During 2015-2016, we worked to restore defensive structures around all Metinvest Group's plants located close to the conflict zone. We also conducted routine readiness enhancement and operating capability maintenance training in case of shelling.

SPECIAL SECURITY ACTION PLAN AT AVDIIVKA COKE

Avdiivka Coke is located immediately behind the demarcation line, so between 2014 and 2016, it withstood over 320 direct hits and 12 shutdowns. A total of 10 of Avdiivka Coke's employees were killed and more than 50 were injured. Given the circumstances, ensuring people's safety was our main concern.

In 2016, nine defence shelters capable of accommodating 2,200 people were in operation. The largest one had an emergency control room, was connected to computer, telephone and Internet networks, and had over 50 workplaces ready. The heating system there was completely renovated and the building had a dedicated sleeping area. All these efforts made it possible for Avdiivka Coke's personnel to keep working normally even during shelling.

Considering that the plant was a long distance away from hospitals, in 2016, its medical service was reinforced with an ambulance and a stock of medicines.

WE MANAGED TO SURVIVE AND CONTINUE PRODUCTION EVEN IN DIRE CIRCUMSTANCES

26 June 2016



“

Our plant was built during the Cold War, so it has eight shelters. There were days, since the beginning of the conflict in Eastern Ukraine, when they accommodated over 2,000 people. On a relatively good day, you would work on the ground, but once bombing started, you would go underground. But often the shooting was so intense that we spent days on end underground. Naturally, we set up workplaces in the shelters, installed communication, telephones and the Internet. But all this time, there were certain processes above ground that had to carry on no matter what, such as releasing coke or feeding the furnaces. You would therefore hide underground during the shelling, but then go back to the ground and start working. You repaired the damage from hits on pipes, pipelines and batteries. You would put out fires and try to balance out losses.

When you stay by people wherever they are and share their burdens and hardships, they realise they are not alone.

Musa Magomedov, CEO of Avdiivka Coke



Risk assessment

Metinvest Group's risk assessment system covers all aspects of its operations, from industrial processes to investment projects. This is the foundation that defines risks and helps to avoid potentially dangerous situations and their consequences.

Risk assessment system tools:

- HAZID – assessment of HSE-related hazards
- HAZOP – assessment of the operability of processes (units)
- ENVID – assessment of environmental risks and their social impact
- JSA – job safety analysis
- Bow-Tie – assessment of significant or complex risks
- OSA – operational safety analysis

In 2016, the Group performed its first risk assessment using the HAZOP method for existing industrial processes. The analysis was carried out on one of the blast furnaces at Ilyich Steel and on the ore-treatment plant at Northern GOK.

43 Metinvest Group employees received HAZOP training in 2016

Risk assessment in Metinvest Group

2011

- Approval of the first edition of the Corporate Standards on Risk Assessment

2012

- Launch of the first pilot projects on risk assessment using the HAZID method for current production lines at Avdiivka Coke, Ingulets GOK and Ilyich Steel; and also project-based HAZID, HAZOP and ENVID risk assessment

2013-2017

- More than 100 in-house experts completed their training in HAZID, HAZOP, ENVID and JSA risk assessment, fully satisfying the Group's need for such specialists and meeting the requirements of the corporate standard

The risk assessment system at Metinvest Group's plants works at every level, from industrial processes to investment projects

Occupational health and safety training

Metinvest Group maintains an ongoing health and safety training programme for employees based on Ukrainian legislation and corporate safety standards.

The Group runs the [Institute of In-House Coaches](#), which employs retired staff who used to be in charge of health and safety functions to train the personnel of the Group's enterprises.

Metinvest often shares its health and safety experience and best practices with expert panels of international forums and conferences, including:

- Annual "Industrial Safety. Best Practices" international conference
- International "Risk Assessment in HSE Management Systems" research and training conference

Metinvest also regularly participates in meetings of the World Steel Association's HSE Committee as a member of the Mining subgroup, takes part in the committee's working groups and participates in annual competitions for health and safety improvement projects among association members.



Over 96,000 employees received training corporate safety standards in 2009-2016, more than 16,000 of whom were trained in 2015-2016

STOP-HOUR SAFETY BRIEFINGS

Since 2012, each plant has held regular STOP-Hour safety briefings aimed at reviewing the reasons for high-profile incidents and recurring accidents. In 2015-2016, STOP-Hours addressed the introduction of the special operation regime, gas safety, moving and rotating equipment and eye protection. Employees were briefed on electrical safety, prevention of accidents caused by falling from height and protection against falling from height.

Metinvest Group was awarded the grand prix of the 2nd Ukrainian National Festival of Animation and Video Films “Safe Work 2016” for its “Training film aimed at developing skills in evaluating risks of injuries and loss of production”

METINVEST PROVIDES OCCUPATIONAL SAFETY TRAINING VIA COMPUTER GAMES

Over 2016-2017, Metinvest used a business simulation method provided by the team at CTIG, which helped employees refine their safety skills and perform an in-depth analysis of the major causes of injuries. Global experience has proven that simulations provide an opportunity for trainees to “live through” certain situations and prevent possible future mistakes.

“

Metinvest Group places the highest priority on issues of health, life and environment. We not only use the best international practices, but also implement our own projects to improve workplace safety at our plants. We train employees. This is an important factor in improving occupational safety. Our goal is to give people quality training, because it will determine how effective employees will be in putting these standards to practice.

Oleg Tokar, HSE Officer at Metinvest Group

“

For me, play is a brand-new approach to occupational safety training. It helps refine the skills I will need in my further work. The interesting format is better at retaining user attention. After using the simulator, I will be able to find the right solution in a real-life situation.

Artyom Savchenko, head of the steelworks laboratory at Metinvest's Mariupol Mechanical Repair Plant





Personal protective equipment

Metinvest Group keeps enhancing personal protective equipment (PPE) with due consideration for European standards. The PPE that the Group provides its employees is more effective and of a higher quality than the conventional industrial norms. In 2015, Metinvest Group introduced the Protective Goggles Instruction. Employees are required to wear goggles everywhere (except for dedicated areas). Employees with impaired vision are equipped with special protective eyewear.

PILOT PROJECT FOR NEW PERSONAL PROTECTIVE EQUIPMENT

The industrial workplace environment can damage the skin on an employee's hands. Mariupol Mechanical Repair Plant is the first of Metinvest Group's plants where household soap was replaced with dermatological hand protection.

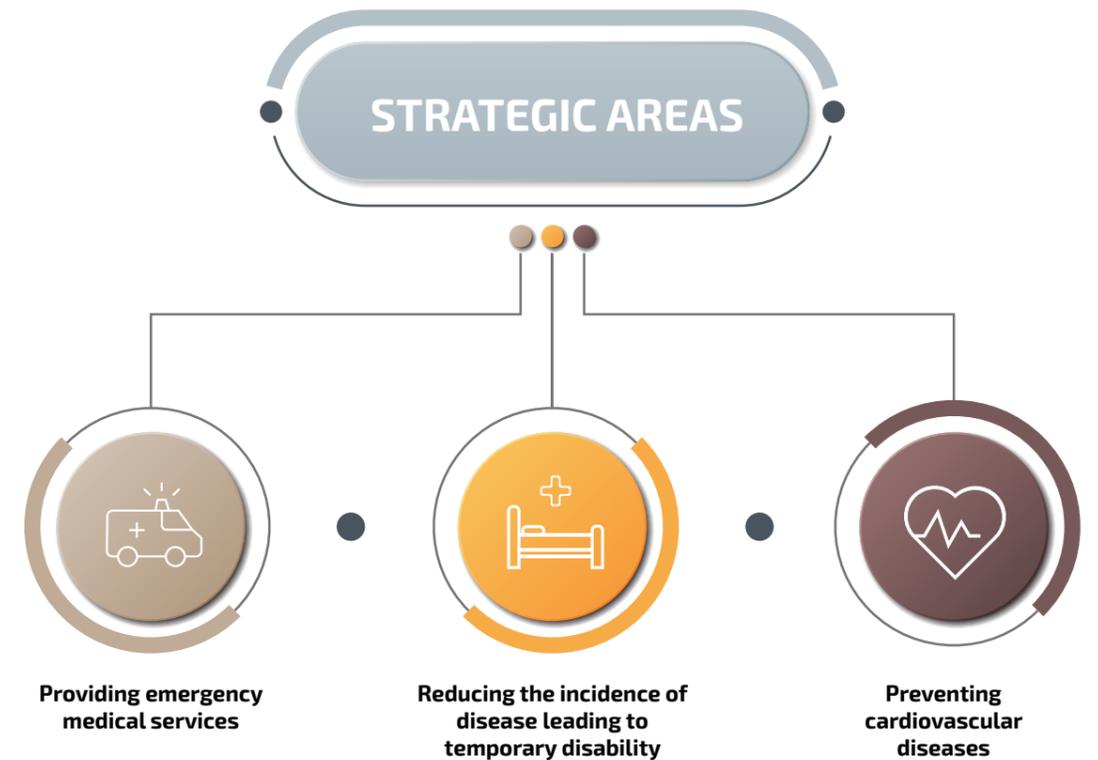
Employees can use pastes that gently yet effectively cleanse the skin on their hands. They contain natural components, have a neutral pH and are non-allergenic, yet they easily deal with even serious soiling.

After the successful implementation of the pilot project, dermatological PPE will also gradually be introduced to the Group's other plants.

Employee health

Our employees are the Group's main asset. Preserving their life and health, as well as extending their working years, are no less important than creating a safe working environment. That is why Metinvest is taking comprehensive efforts in this area.

Metinvest Group's employee healthcare strategy



Every plant has implemented the new standard of premedical and emergency first aid; workshops and offices are supplied with all equipment necessary for providing emergency first aid; by the end of 2016, 25% of employees had received first aid training.

A special Signal System now dynamically tracks the level of temporary disability, with efforts on the way to minimise it; plants report on cases of temporary disability; and special procedures for employees with chronic diseases have been put in place.

Since 2016, all plants offer comprehensive health screening to their employees; two pilot projects aimed at reducing the incidence of disease have been completed: the Healthy Heart programme and another programme intending to reduce the number of temporary disabilities among people with musculoskeletal diseases.

Metinvest Group's industrial plants have implemented corporate plans for preventing cardiovascular diseases

HEALTHY HEART

Metinvest places a great focus on the prevention of cardiovascular diseases. As part of its regulations for performing "Advanced medical checks for employees in critical jobs", the list of workers eligible for such checks is constantly growing.

In 2016, the Group completed its Healthy Heart pilot project, which was initiated in 2014 at Ilyich Steel. The project was developed to reduce the rates of cardiovascular diseases by mitigating and eliminating risk factors.

Health check-ups prior to the starting shift work help to reduce the number of diseases leading to temporary disability due to cardiovascular disorders. In 2016, the rate of cardiovascular diseases was down 45% at Ilyich Steel, 16.3% at Ingulets GOK and 4.8% at Zaporizhstal, compared with the disease rates in 2015.

In 2016, the Group approved the Guidelines for Working with Employees with Frequent or Chronic Illnesses. The document helps to identify people who are the most exposed to frequent illnesses, provide them prompt treatment and transfer them to a less strenuous job as necessary.



**In 2015-2016,
6,500 employees
received emergency
first aid training**

**Around 25,000 employees involved in hazardous work
undergo annual medical screening, while around
1,500 employees do this daily**



This project is unparalleled throughout Ukraine. Its key advantage is its affordability. Patients can participate free of charge, exclusively of their own free will and in strict confidentiality. For the first time ever, instead of tackling cardiovascular diseases after they have already developed, we are trying to address the factors causing them. This kind of preventative effort will help change the situation and reduce the number of heart attacks and strokes among plant employees.

Sergiy Khoruzhiy, chief physician of the diagnostic and treatment centre at Ilyich Steel

Regular checks of employee health

Advanced medical examinations help to promptly reveal signs of deteriorating health. Each year, around 25,000 employees in critical roles whose work may directly affect the life and health of others undergo these checks. Thanks to such examinations, the number of sudden deaths at the workplace have dropped to 14 cases in 2016, down more than 50% compared with 2014. During these two years, 144 employees were transferred to a different job that was less harmful to their health given their medical condition.

**100% of employees
at Metinvest Group's
industrial plants are
referred to advanced
examination as part of
the corporate efforts to
prevent cardiovascular
diseases**



Metinvest`s mine rescuers are best in US

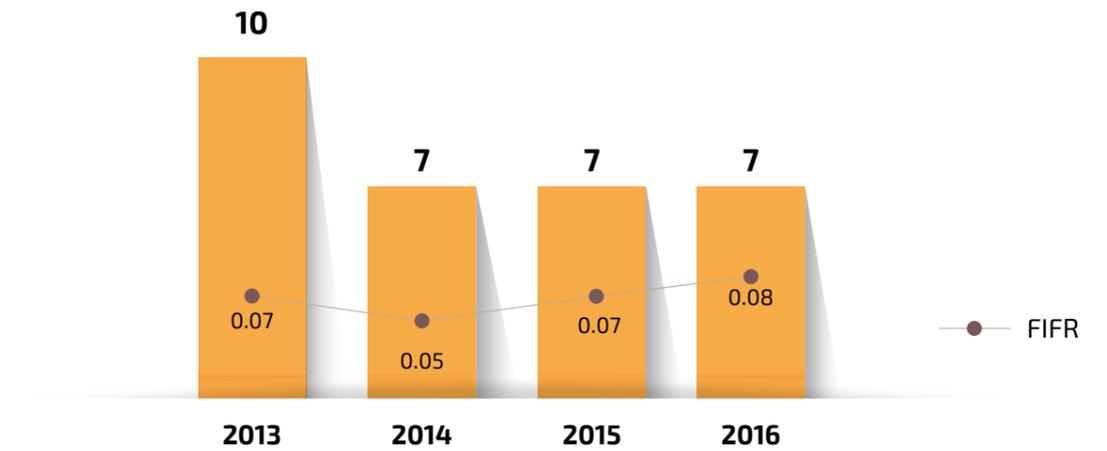
The team from Wellmore, a subsidiary of United Coal, won the National Mine Safety Competition in 2017 in Beckley, West Virginia, US, with the best result among more than 60 teams from 13 states.

Wellmore's Red Team was established in 2016 and has won several titles at the regional level. After that, the team decided to enter the prestigious national competitions. Representatives of Metinvest Group became the only team that showed the maximum result on both the first and second days of competition.

The victory had special significance for the management of United Coal, as Vice President J. P. Richardson was on the mine rescue team himself for nine years.



Total number of fatalities



Note. The percentage of assets excluded from the Report boundary for 2015-2016: in 2013 - 50% (5 people); in 2014 - 42.9% (3 people)

Review of injuries

In 2015-2016, 144 industrial injuries were registered at Metinvest Group's plants (77 cases in 2015, 67 cases in 2016). The most frequent causes of injury included falling while moving, exposure to moving and rotating equipment, accidents during load lifting and falling from height.

To prevent such incidents, the Group investigates each case and develops training programmes.

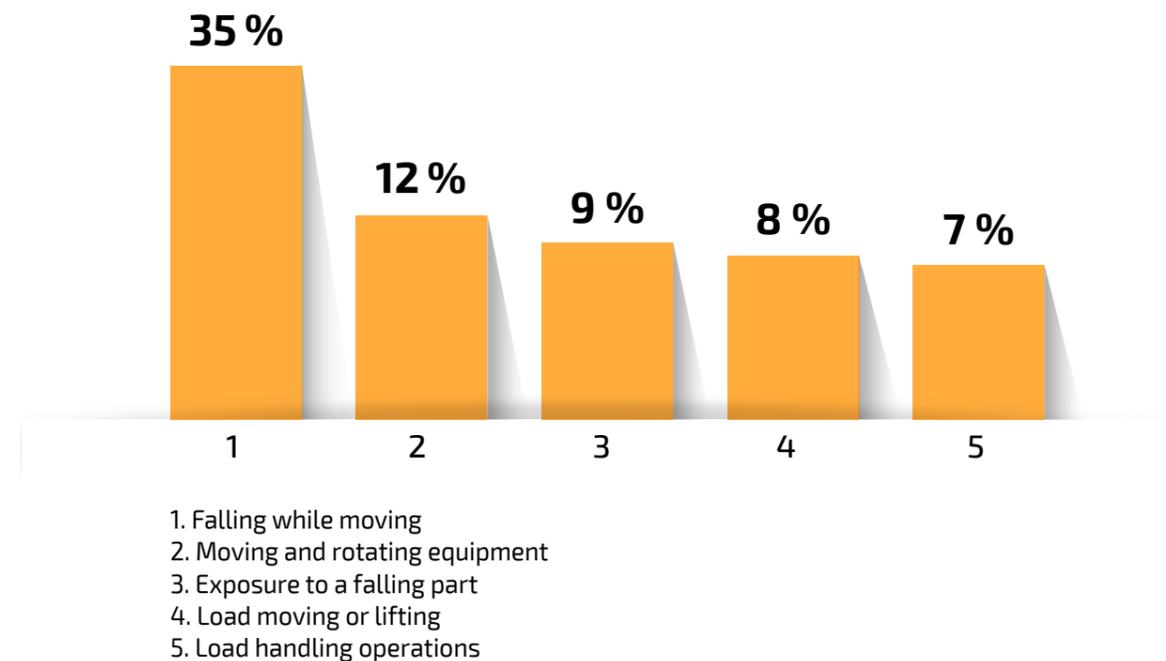
For example, in 2016, personnel at Ilyich Steel and Azovstal received training in working at height. The integrated plants also built training areas for practicing work at height. These efforts led to this no longer being one of the top 5 causes of injuries in 2016. The enhanced lockout/tagout (LOTO) and verification standard for machinery helps to reduce the frequency of injuries caused by working with moving and rotating equipment.

Since 2012, the number of fatalities has fallen by more than half. Despite our every effort, seven employees received fatal injuries in 2016.

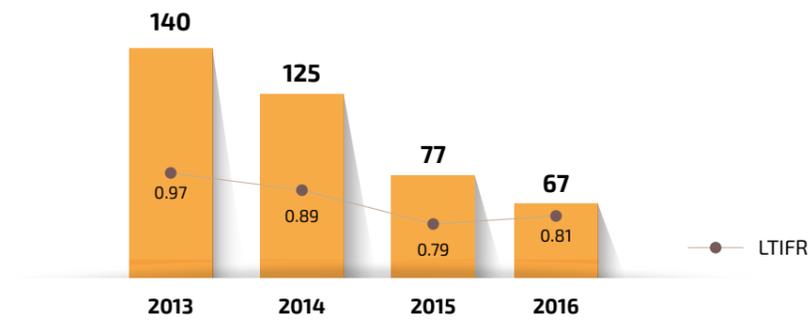
The Group suffered an accident at Ingulets GOK involving the deaths of two employees. During an equipment inspection at the ore-treatment plant, a section of reinforced concrete floor came down and crushed a foreman and conveyor operator.

Each incident was investigated, including the involvement of top management, and actions were taken to prevent hazardous situations in future, including comprehensive inspections and planning and conducting major capital work to repair buildings and structures.

Five most frequent injuries at Metinvest Group's plants, 2016



Total number of disabling accidents



The LTIFR and FIFR indicators were calculated with a multiplier of 1,000,000.

Note. The percentage of assets excluded from the Report boundary for 2015-2016: in 2013 – 34.3% (48 people); in 2014 – 27.2% (34 people)

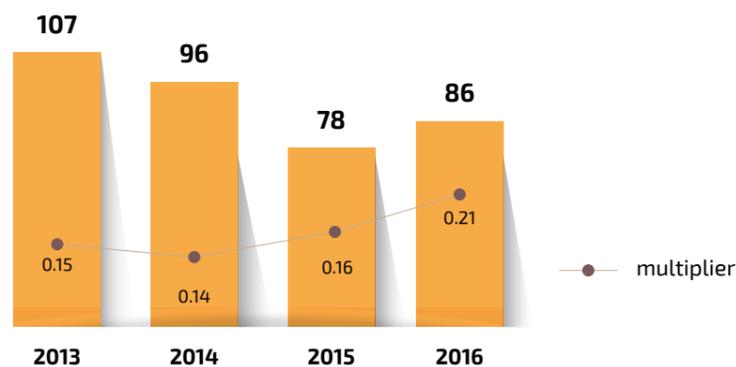
Investigating the causes of workplace and off-the-job injuries

Plant employees can be injured both at work and outside of work. Often the causes of workplace and off-the-job injuries are similar. As part of its efforts to foster a safety culture and reduce employee accidents to zero, Metinvest sponsors research into and prevention of off-the-job injuries.

A working group was established by the management of ore enrichment plants to analyse the causes of injuries in the workplace. It turned out that only 30% of these causes are due to a particular production process. The remaining 70% involve people acting the same way for both on-the-job and off-the-job accidents.

Thus, the only difference is in the time and place of the accident. In 2016, the Group developed and implemented an off-the-job injury classifier. It will be used to examine the underlying reasons and trends of illnesses caused by off-the-job injuries to propose corrective action. The next steps will be identifying the most common types of off-the-job injuries that can also take place in the workplace and then developing a set of preventive actions aimed at minimising the number of accidents.

Total number of cases of occupational disease



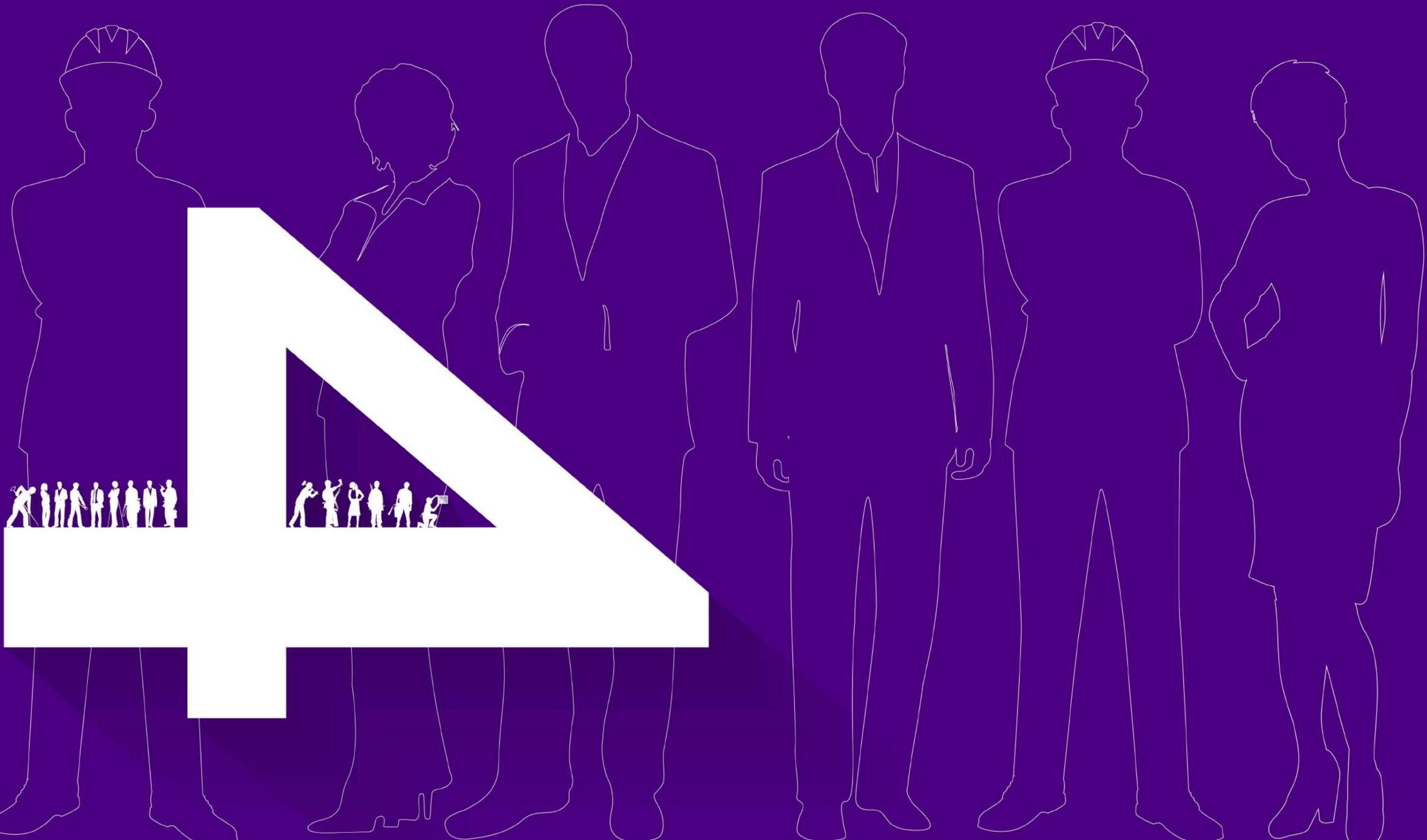
Short-term plans

The short-term priorities for Metinvest Group will remain the same. In line with the Five-Year Programme, we make every decision with employee safety in mind, doing our best to minimise the implications, such as disability or death. The Group also takes daily efforts to ensure a safe workplace for employees working in Eastern Ukraine.

As part of its ongoing implementation of corporate standards, Metinvest Group will seek to supply its personnel with modern and effective personal protective equipment. We also plan to install advanced LOTO systems for equipment at each plant and to introduce an off-the-job injury control system.



HUMAN RESOURCES



Metinvest Group is one of Ukraine's largest employers. The Group's plants employ around 59,000 people. We are grateful to our team for their diligent work, loyalty and commitment



Human resource management. Milestones of Metinvest Group's 10-year history



HR management

To grow its business and ensure decent living standards for employees, Metinvest Group uses its HR management system to create an environment where employees have the right knowledge and skills, take interest in what they do and realise

their contribution to the accomplishment of business goals, and at the same time have an opportunity for personal growth and fulfilment of their potential.

A modern HR management system is an important factor of Metinvest Group's growth

Our priorities

Metinvest Group is a reliable and responsible employer. The Group is a leader in terms of paying competitive salaries in the Ukrainian mining and steelmaking industry and provides its employees with additional social benefits.

In 2015-2016, the Group strived to retain and support its team. It did everything in its power to keep the plants operational and to provide social support and salaries to employees working in Eastern Ukraine.

In early 2017, Metinvest Group lost control over its assets located in the temporarily non-government-controlled territory. We offered our staff working at those plants jobs in other cities. For those who decided to no longer work at the Group, severance was provided in full compliance with the Ukrainian law.



Metinvest Group was rated high in six categories of the "Business HReformation 2016. Best Ukrainian Employers" ranking



Attracting qualified talent

Metinvest is building a transparent management system that helps the Group's team to attract ambitious staff members and helps current staff to grow and climb the career ladder.

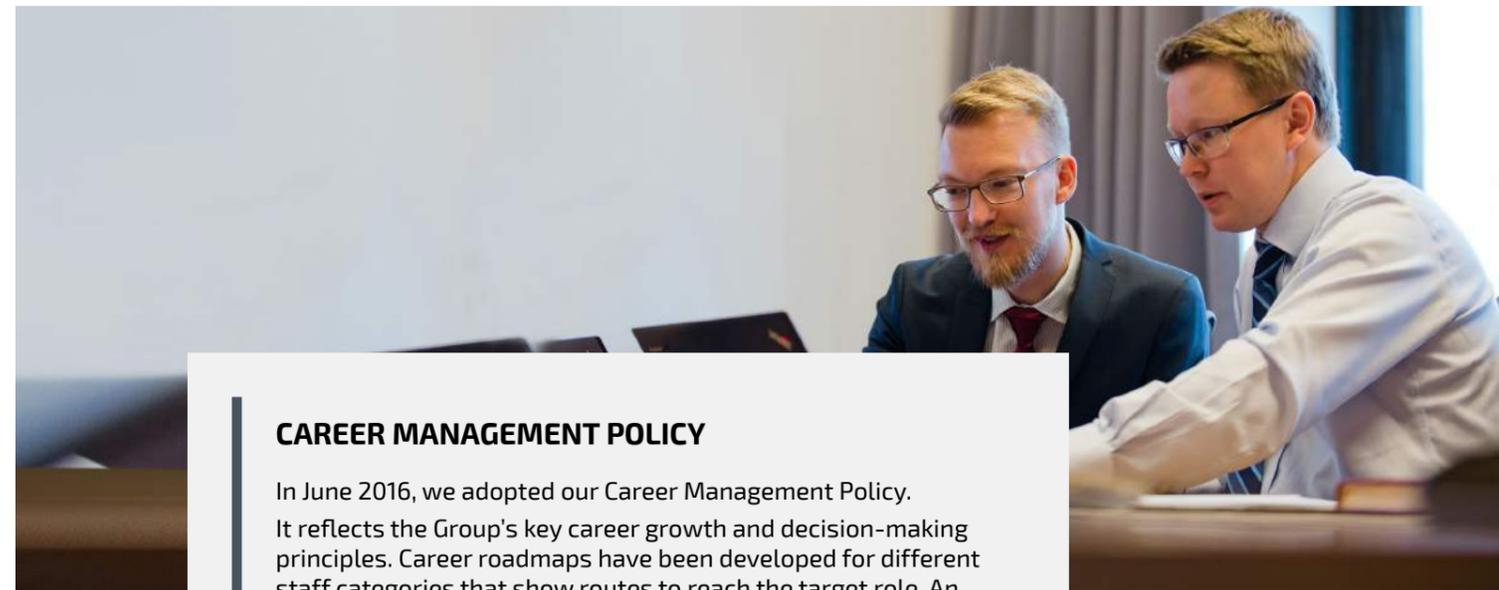
This system:

- relies on a clearly formulated development framework;
- stimulates employee growth for those interested in a long-term career at Metinvest Group;
- gives employees an opportunity to take part in open competitions to fill vacancies;
- encourages job rotation across plants and between the management company and the remaining assets.

We grow our talent pool and make the job appointment process clear to everybody. Internal competitions are held for management positions at all levels.

321
employees applied for management positions through competitive job listings in 2015- 2016

We encourage employees to build their career at Metinvest Group, so we always turn to internal resources first when considering candidates for a role



CAREER MANAGEMENT POLICY

In June 2016, we adopted our Career Management Policy. It reflects the Group's key career growth and decision-making principles. Career roadmaps have been developed for different staff categories that show routes to reach the target role. An important growth principle consists in moving up via job rotation across plants, and also vertically, between the management company and plants or vice versa.

In 2016, Metinvest Group conducted a survey of almost 2,000 respondents from Zaporizhia. The goal was to determine young people's criteria for choosing an employer, and whether they are aware of the Group and consider our plants attractive places to work.

The results of the survey helped us to adjust our approach to attracting talented young people. Also, 2016 saw changes to certain youth development programmes:

- The Young Leaders of Metinvest programme became a Group-wide effort. About 2,000 candidates applied, more than 100 of whom made it into the super final. The winners had the chance to visit Metinvest's
- As part of our partnership with AIESEC, international interns taught lessons in science and technology to our employees' children, while Northern GOK's Youth Organisation arranged a foreign language club.



One of Metinvest Group's priorities is to improve our efforts to attract talented young people and retain our staff

Improving business process efficiency

Metinvest has optimised its corporate structure, consequently improving the efficiency of its business processes. The maintenance and repair function and auxiliary production have been centralised at the Group level.

All non-core operations have been outsourced. The Group has also focused on reducing the number of management layers.

Metinvest's registered payroll, people



Note. 1. The percentage of assets excluded from the Report boundary for 2015-2016: in 2013 – 28.8% (26,164 people); in 2014 – 27.7% (23,591 people)
 2. The data for 2015-2016 includes personnel of Metinvest-Promservis: 2015 – 4,022 people, 2016 – 5,751 people; and Metinvest's Mariupol Mechanical Repair Plant: 2015 – 2,779 people, 2016 – 2,270 people.

We retain and support our workforce

Amid the political and economic instability of 2015-2016 and the conflict in Eastern Ukraine, one of Metinvest Group's overriding priorities was to retain and support our workforce and ensure their safety.

The outflow of people from the conflict zone impacted the labour market. Due to the shelling of Mariupol and Avdiivka, the number of Metinvest Group's employees in these towns declined. In 2015, a total of 6,400 people resigned from plants located in the war zone. However, around 4,000 new staff were taken on.

Retaining our workforce, maintaining uninterrupted operations and ensuring the safety of our staff while continuing to develop strategic HR development programmes were among Metinvest Group's most crucial tasks in 2015-2016

EMPLOYEE RETENTION ACTION PLAN

- Less busy employees were involved in the restoration of the damaged infrastructure and in volunteering under the auspices of the Rinat Akhmetov Humanitarian Centre.
- Employees of idle functional units were retrained. The training was carried out on site by plant staff, at in-house vocational training centres.
- At plants with the lowest production load, some employees were laid off at a rate of two-thirds of their monthly salary.
- The Group kept paying wages on time and continued providing benefits.
- Plant CEOs had regular meetings with their workforce.

The Group did its best to create a safe and stable work environment and to continue implementing programmes that had begun in times of peace. We also tried to provide moral support to our people.

In 2015, our employee retention efforts helped to reduce staff outflow by 60% year-on-year

Rewards and incentives

The Group's success depends directly on staff productivity and professionalism. As we greatly appreciate each employee's contribution to our achievements, one of our priorities is to implement transparent and fair approaches to labour assessment and ensure reasonable compensation.

Our goal is to retain and incentivise qualified staff



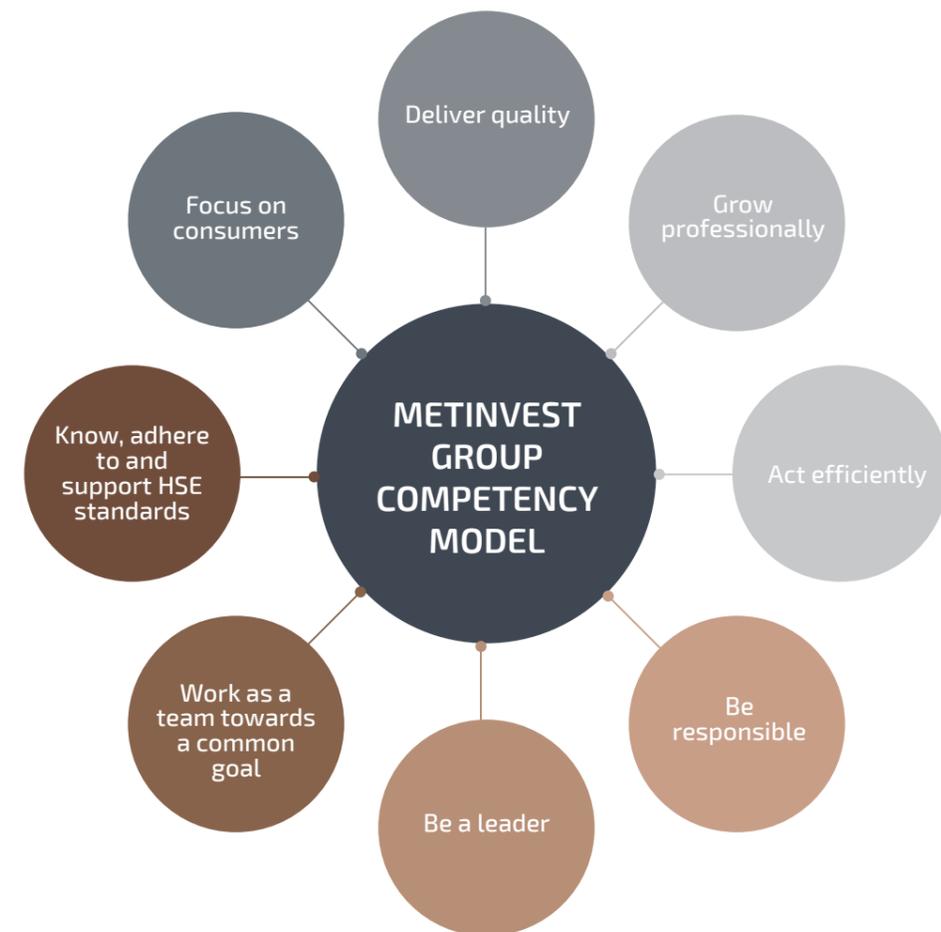
Common competency model

Starting from 2011, Metinvest has embraced the common competency model with employee behaviour standards derived from the Group's values and business priorities. The situation in Eastern Ukraine has prompted the staff to occasionally challenge the standards. There was an urgent need to amend the competency model.

In 2015, we studied the leadership qualities of over 5,000 employees at 12 plants. The findings showed that the personal and business qualities that allowed employees to secure top results during annual assessments did not necessarily make them efficient in times of conflict.

In 2015, the competency model was changed to include the personal traits that helped people overcome challenges and find outside-the-box solutions under conditions of limited resources and high stress.

Every employee who has worked at least three months by the end of the year undergoes a performance and corporate competency assessment. The results of this assessment are used to decide on possible rewards and to recommend the employee to be enrolled in the Talent Pool programme.



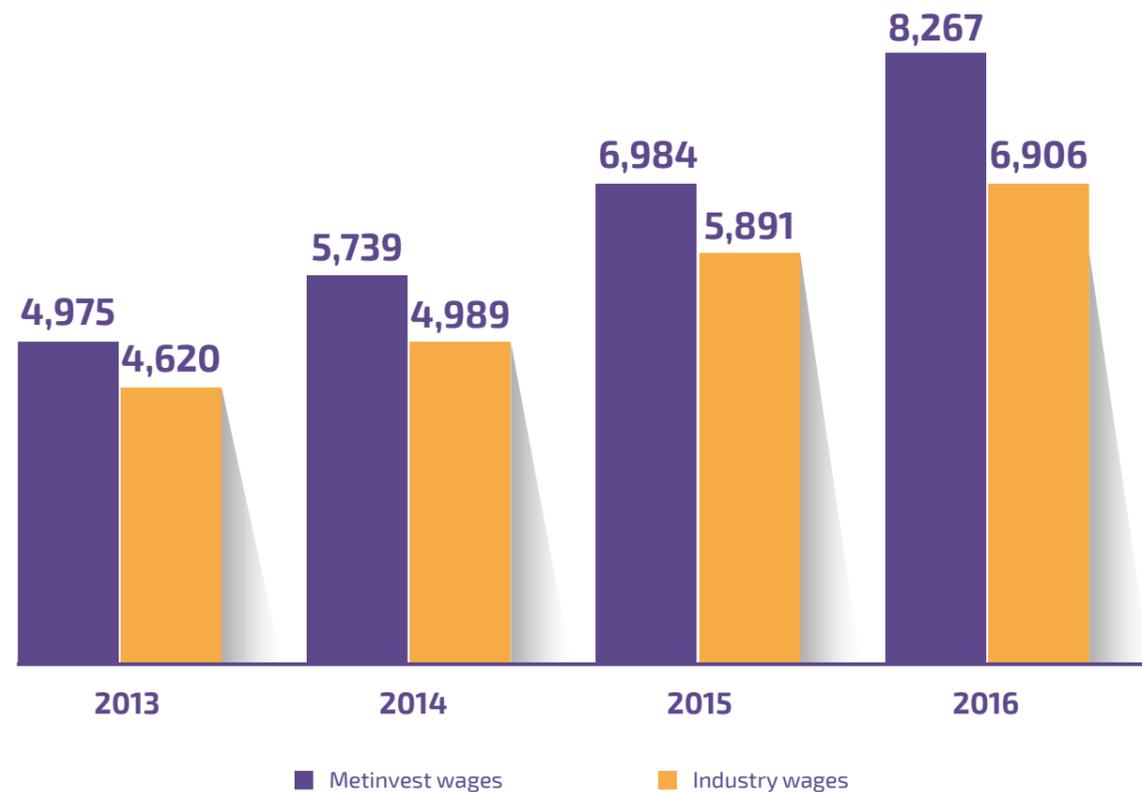
In 2015, having studied the leadership qualities of our employees, we amended the competency model to attract and encourage people whose competencies meet today's business needs

Compensation

In 2009, Metinvest adopted a grading system. The more complicated the tasks an employee has performed, the higher their grade and, consequently, their compensation. Grades are considered the most progressive reward management system. They make it possible to compare existing payment practices with the Ukrainian benefit market. Ongoing assessment committees ensure the fairness and flexibility of the system across the Group

In 2015, to compensate for the significant currency depreciation and growing inflation, salaries across the Group's plants were raised by an average of 21.7%. In June 2016, we raised all employees' wages by an average of 10.6% and, in October later that year, by another 5%.

Benchmark of average monthly wages at Metinvest Group against the average monthly Ukrainian wages throughout the industry, 2013-2016



We implement transparent and fair approaches to the assessment of each employee's contribution to our achievements and offer competitive compensation

Corporate social initiatives for employees

Metinvest places the utmost importance on the wellbeing of its employees and their families. We understand that people's performance and confidence in the future depend to a great extent

on their happiness and confidence in the future of their loved ones. With this in mind, the Group maintains social programmes for children, young people and veterans.

THE CHILDHOOD TERRITORY PROGRAMME

The Childhood Territory programme brings together various projects focused on employees' children. Each summer, children's recreation camps host "A Day with Metinvest". By playing games, children get to know more about the Group and their parent's profession. The programme involves over 9,000 people a year.

GIFTS FOR CHILDREN

Every year, to celebrate Knowledge Day, Metinvest gives out school supply kits to children in the first year of school. Over 2015-2016, it handed out 7,755 kits. To treat children in the winter holiday season, the Group gives them sweets and confectionery. Over 2015-2016, the Group handed out 96,749 packs of sweets.

VETERAN HOLIDAYS

We visit veterans and retirees, helping them to celebrate holidays and provide them with assistance in their daily lives.

METINVEST YOUTH FORUM

18 August 2016

In August 2016, we held the Fourth Annual Metinvest Youth Forum, which brought together 150 young employees of the Group. This was meant to be a platform for developing and implementing ideas, communicating and acquiring new knowledge and skills. In 2016, the forum was dedicated to developing entrepreneurial thinking, which the participants could use in their everyday work and share that knowledge with their colleagues. The participants designed projects, worked in teams and sought like-minded fellows.



Benefits package crowdsourced

Metinvest Group is implementing an innovative project for benefits management. Based on employee feedback, we compiled a set of benefits available to staff members and their families.

This approach was first tested at Ilyich Steel in 2014.

In 2015, the packages were split into separate options with a certain number of credits. Any employee can then "assemble" their own benefits package. Employee satisfaction with the benefits package at Ilyich Steel and their trust in the top management grew by 29% and 31%, respectively.

9,000 employees of Ilyich Steel took part in the survey

5 comprehensive benefits packages were built to meet the needs of each target audience

Our HR management has been recognised in the professional community. In 2016, the Group took first place in the regional category of the HR Brand Ukraine award, instituted by HeadHunter Ukraine. Metinvest's HR team presented a project titled "From set meal to self-service buffet. Crowdsourcing as a way to build individual benefits packages for employees at Ilyich Steel".

“

I am happy to use the corporate discount programme. When I was renovating my flat, I purchased all the materials with a 20% discount at a partner store that is part of the benefits package. I took the purchases home by car and saved again when I stopped to refuel my car at the Parallel gas station. More discounts can be used at gyms, hairdressers and dental clinics. The range of options is being expanded all the time, so by the end of the year I will have saved a hefty amount.

Andriy Koval, cold steel cutter at Ilyich Steel's cold-rolling workshop

We care about employee health

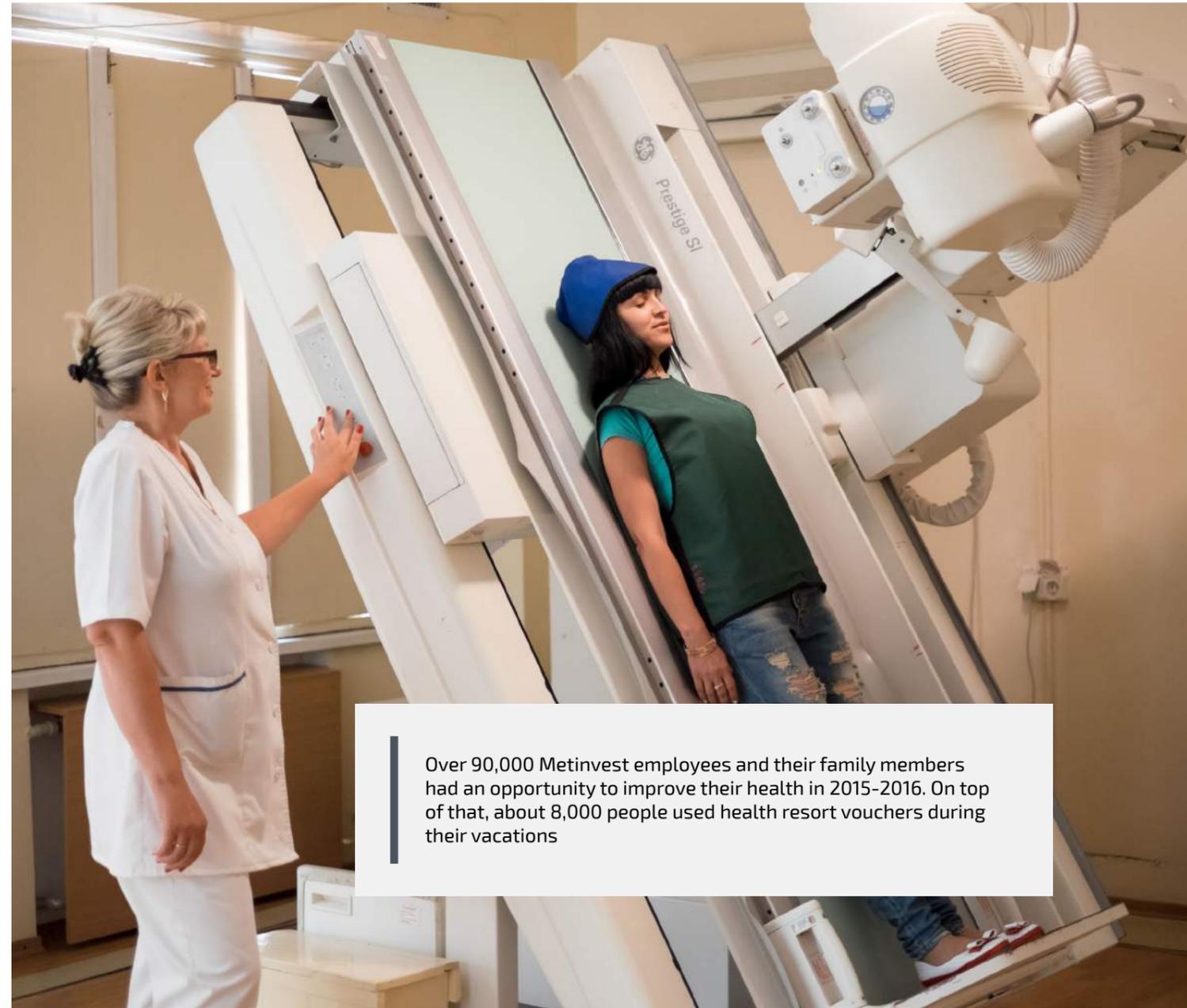
Each employee at Metinvest is entitled to voluntary health insurance (VHI). In 2016, the Group designed and implemented the Common Corporate Standard of VHI Delivery. Healthcare packages for different employee categories were standardised.

The Group pays the insurance premium for each employee, looks for ways to extend insurance coverage and monitors the service quality. The

corporate plans and insurance terms help to improve the quality of healthcare services and employees can choose their own clinics and pharmacies.

We offer our employees vouchers to health resorts and children's recreation camps on an annual basis.

Read more about our social initiatives at Metinvest's Corporate Social Responsibility portal: kso.metinvestholding.com



Over 90,000 Metinvest employees and their family members had an opportunity to improve their health in 2015-2016. On top of that, about 8,000 people used health resort vouchers during their vacations

Incentives

TALENT POOL

Filling the Metinvest Talent Pool is a strategic task. A young generation of managers will take charge of our plants, and their knowledge, skills and personal traits will largely define business performance in the long run.

The Group initiated the Talent Pool programme in 2011. Its purpose is to identify the most talented employees to give them a chance to unleash their potential and grow. The people in the Talent Pool get an opportunity to study in international programmes at INSEAD and the Skolkovo business school. Talent Pool members also receive priority when filling vacancies.

Such indicators as the Internal Appointment Rate and the Talent Pool Member Appointment Rate have proved the efficiency of the Talent Pool.

In 2013-2016, the percentage of job appointments for Talent Pool members doubled to 50%.

In 2015, Talent Pool members accomplished two leadership development programmes. In particular, 62 employees took the Leadership Academy course with consulting company Ernst and Young, while another 40 people worked on their strategic leadership traits at the French business school INSEAD. In 2016, 91 members of the Talent Pool attended training, of which 22 went to INSEAD, 18 to the Skolkovo business school and 51 to the Leadership Academy.

YOUNG LEADERS OF METINVEST

The Young Leaders of Metinvest programme was launched in 2013. The key application criteria for candidates included having a college degree, being no more than 35 years old and having ideas for projects in production, finances, logistics, etc.

The programme provides an opportunity to evaluate young employees' potential and include the best candidates in the succession plan for key roles.

Young people go through training, project design and finally pitch their projects to the top management. The best solutions are then given the green light to go into production. Winners at plant levels can proceed to the Group-wide super final and present their achievements to a panel consisting of the Group's executives.

In 2016, the programme was updated. The main changes concerned the way members were involved. The new programme included teambuilding events, training sessions and sharing experience with colleagues from other plants, as well as communication via social media.

In 2015,
90%
 of all job appointments
 across the Group were
 offered to existing
 employees
 and **36%**
 to Talent Pool
 members

Metinvest Gold Star

Since 2014, the annual Metinvest Gold Star award has been awarded to the Group's top employees for outstanding professionalism, aspiration and achievement. The award is made of gold and comes with an additional prize of UAH50,000. In 2015-2016, it was given to 59 staff members.



OVER
3,000

STAFF MEMBERS
TOOK PART IN THE
YOUNG LEADERS
OF METINVEST
INITIATIVE BETWEEN
2013 AND 2015

OVER
UAH **150**M

ECONOMIC
EFFECT FROM
IMPLEMENTING
PROJECT WORKS



303 EMPLOYEES WERE
PROMOTED

“

When we got to the super final, we were challenged with a tough problem: eliminating the need to shut down the magnetic separators at the ROF-2 iron enrichment factory when low-grade iron ore gets into them. We reviewed 294 possible designs and listened to four hours of audio recordings. We won first place because we came up with a relevant and cost-effective solution. Our team made a great presentation. We took the time beforehand to work through the answers to possible questions from the panel. Now comes the easy part: implementing the design at the plant.

**TTetyana Yatsunok, member of the winning team,
Head of acceptance control at Ingulets GOK's QA department**



“

Most contestants faced problems that lay within the scope of their professional work or had something to do with their home plant's line of business. We, on the other hand, had to figure out how to rectify the inefficient application of usable space in a magnetic separator at the dry magnetic separation line of a crushing plant at Central GOK. We managed to solve this problem in a limited amount of time despite this being uncharted territory for us. We had never even been to a crushing plant before! After our presentation, we like the project so much that we want to be sent to Central GOK so we can work on the project's implementation.

**Alla Nosova, leader of the Grand Prix winning team, head of the laboratory
at Mariupol Mechanical Repair Plant**

Employee training and development

Vocational training of personnel is a strategic task for Metinvest. Qualified staff ensure the Group's high business performance and get more opportunities for further growth. The Metinvest Training System includes specialised training programmes for all categories of employees.

UAH 101M
invested by Metinvest
in employee training
in 2015-2016

Our goal is to enhance our staff's management and vocational skills. To that end, we have accomplished the following steps:



PERFORMED training for senior management, as well as department and line managers



IMPLEMENTED a new system for selection, training and compensation of teachers and in-house coaches



ACTED to promote vocational training



IMPLEMENTED a system for assessing the efficiency of vocational training

Training in-house coaches

In 2016, we established a new system for the selection and compensation of coaches who, apart from training our staff, continued in their primary job at our plants. The new system described the procedure of coach training and teaching quality assessment mechanisms, new training fees and approaches to preparing learning materials. This approach is already in place at dozens of the Group's plants.

The employees who took advantage of the training greatly appreciated the quality of the work performed by the coaches. According to questionnaires, the satisfaction rate in 2016 was 96.5%. The highest rating was given to the good structure of information delivery, the advice on how to put theory to practice and the visualisation of the learning materials.

After staff received training at Schools for Professionals, the number of workplace incidents dropped by 77%

Training of technical engineering staff

The technical engineering staff at Metinvest receive training at Schools for Professionals, which, on top of the general improvement of vocational skills, help solve concrete job-related problems. Overall, 13 Schools for Professionals operate at Ilyich Steel, Zaporizhstal, Northern GOK, Central GOK and Ingulets GOK.



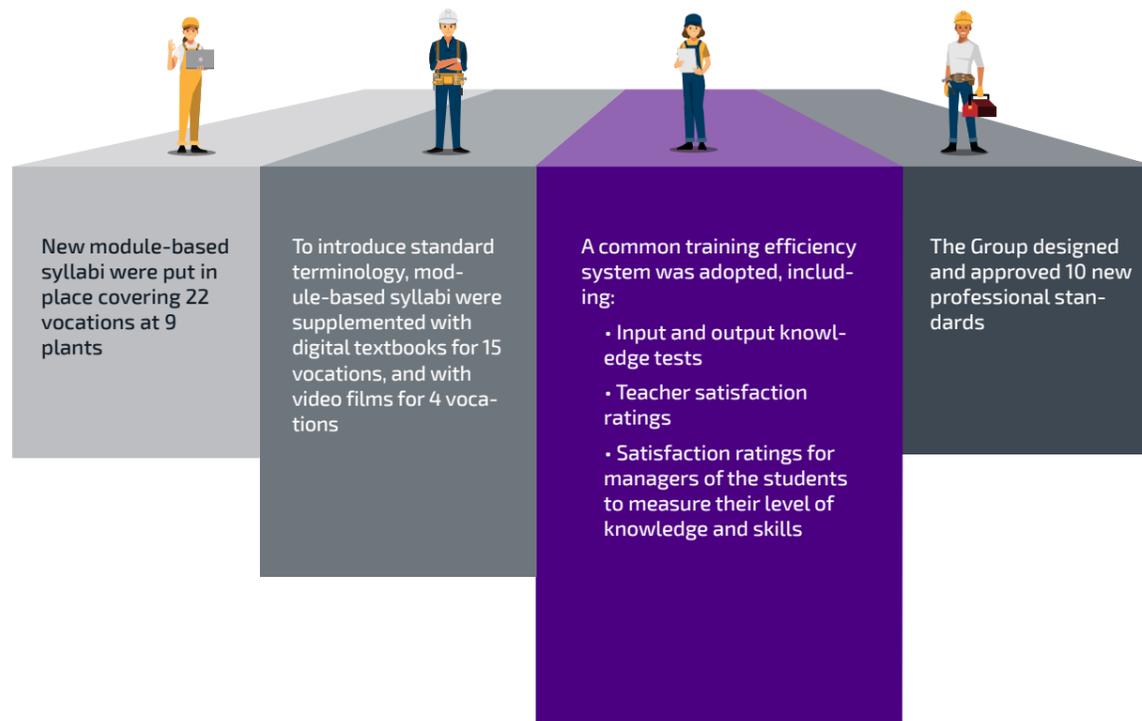
Over 1,000 employees received training at Schools for Professionals in 2015-2016

“

During the training, we reviewed all the factors that affect sinter production. Special emphasis was placed on actions that used to be overlooked. Today, our sinter is of consistently high quality and we have increased output.

Oleg Svinarenko, senior sinter operator at Ilyich Steel

Workforce training



METINVEST CORPORATE UNIVERSITY

To provide employees a systematic training, learning and development experience, in 2012, Metinvest established the Corporate University for managers of all levels.

Today the Corporate University offers:

- 21 custom-built training sessions conducted by 20 in-house coaches at 16 Group plants;
- corporate training and development programmes for the Talent Pool, designed in collaboration with the EY Business Academy and INSEAD.



Metinvest Corporate University training programmes



Management DNA

A fundamental management skills development programme that also helps get a clear understanding of a manager's role, the economic and financial business picture, corporate culture and the Group's values.

Next-level specialised programmes

aim to raise managerial maturity, improve ad-hoc management skills, encourage the growth of subordinates and boost personal efficiency. They also help managers to find their own flexible management style.



Leadership Academy

This programme takes the candidates from the Talent Pool to the strategic level. It helps them acquire an integrated approach to plant management.



Metinvest Strategic Leadership Development Programme (in collaboration with INSEAD)

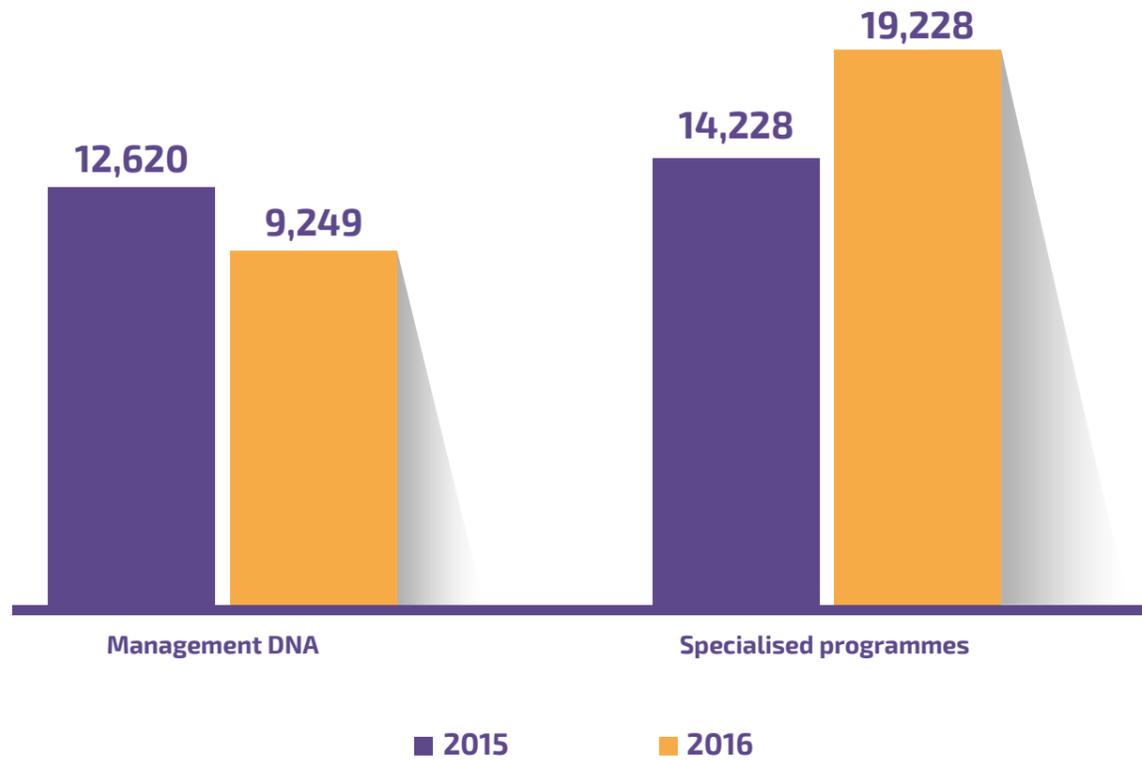
Develops strategic thinking and business management skills. Includes a review of best international business practices.



Sales Academy

Aims to help the Group's sales reps to develop professional knowledge and skills.

**Corporate University training stats, 2015-2016
(actual students)**



Summing up the results of the Management DNA programme

In 2015-2016, a total of 21,869 people were trained in the Management DNA programme. The following specialised programmes were launched to further managers' development: "Metallurgy: a future outlook", "HR Management and employee development", "Communication skills", and "Corporate time management." Students used these programmes to master self-organisation and HR management, and to learn persuasive techniques. Over 2015-2016, these programmes helped 12,926 people get the right skills.

25.6
average hours spent
by each manager
at the Corporate
University
in 2016

10,755
people trained at the
Corporate University
in 2016

12,926
people trained in the
new management
training programmes
in 2015- 2016



Internal communications

The Group's success depends directly on whether staff understand its values, acknowledges its business goals and actively works to achieve them. To this end, Metinvest builds its internal communications on the principles of openness and accessibility.

To ensure the maximum audience reach, the Group maintains various communication channels.

In 2016, the Group-wide newspaper Metinvest. Success Territory was retargeted at the workforce. Its publications focus mainly on information about the Group's key projects and employee feedback, with articles featuring success stories and structures made using Metinvest's steel, etc.

The internal communications system helps to engage employees in reaching business goals and staying committed to results



The newspaper Metinvest. Success Territory ranked second in the Corporate Newspaper category of the Best Ukrainian Corporate Media 2016 competition for its motivational and integration functions and professional content

In 2016, Northern GOK introduced the Coffee and Talk initiative. This is a direct communication channel between personnel and management. There were eight talks that year, with topics including plant changes, new projects and other relevant issues.

To streamline communications with administrative staff, in 2016, the Group established the weekly digital Metinvest Group News Digest.

In 2016, the interactive functionality of Metinvest's internal portal was enhanced to provide a better user experience. Plant-specific portals were created for Northern GOK, Central GOK, Ingulets GOK, Metinvest Business Service and Metinvest-SMC, and all of them were connected to the Group-wide newsfeed. A feedback section was added to the Ilyich Steel portal to let users ask questions, get answers and rate them, and leave comments.

We have provided our staff with tools for communicating with their line manager, as well as with the plant's senior management. The Group has updated its Work Meeting Regulations, requiring plant CEOs and unit managers to attend meetings, beginning in 2013 at the Group's steelmaking plants and in 2015 at its mining assets. This helped to streamline the regular exchange of information and encouraged personnel to ask questions about matters concerning them and instantly receive answers.

Ingulets GOK established a new tradition of informal meetings with young workers of the plant and introduced scheduled meetings between the CEO and shop supervisors.

Short-term plans

In the near term, we aim to maintain our efforts in the three main areas of HR management: employee attraction and retention, payroll and reward system management, and employee training and development.

Among our key HR management goals, we want to focus on making the HR function more efficient and improving vocational training, developing an employee incentive system and managing the reward system.



SECTION 5
**CITIES AND
PEOPLE**



Investing in sustainable development creates a robust foundation for economic growth and plays an important role in raising living standards in the cities and towns where our plants operate. Metinvest Group invests in education, sports and cultural projects



Development of cities and towns where we operate. Milestones of Metinvest Group's 10-year history



Strategic partnership

To ensure an efficient and transparent partnership with local communities, we have designed common approaches to investing in the areas affected by the Group's activity. The Group has switched from occasional charitable activity to systematic strategic changes, laying a foundation for an efficient social partnership with communities, local authorities and non-governmental organisations.

To promote efficient cooperation with local authorities, Metinvest Group was one of the first companies in Ukraine that began entering social partnership agreements and chose to carefully plan its social initiatives. When selecting projects, the Group is guided by the long-term development strategy of each particular community, taking into account its specific nature and the opinions of local residents. We consistently communicate with all stakeholders and come to their aid wherever necessary.



**In 2006-2016,
Metinvest Group
invested UAH850.4M
in local community
development**

A new format of partnership with local communities

A priority area of local community development for Metinvest Group is the improvement of living standards and building a nurturing environment for growing business in the cities and towns affected by the Group's activity.

In 2016, the Group initiated a new partnership format with local communities, which was approved through signing a partnership agreement with the Mariupol Development Fund. This non-governmental organisation brings together representatives of industrial plants, businesses, NGOs and civil activists to push forward promising ideas and projects aimed at raising the city's living standards.

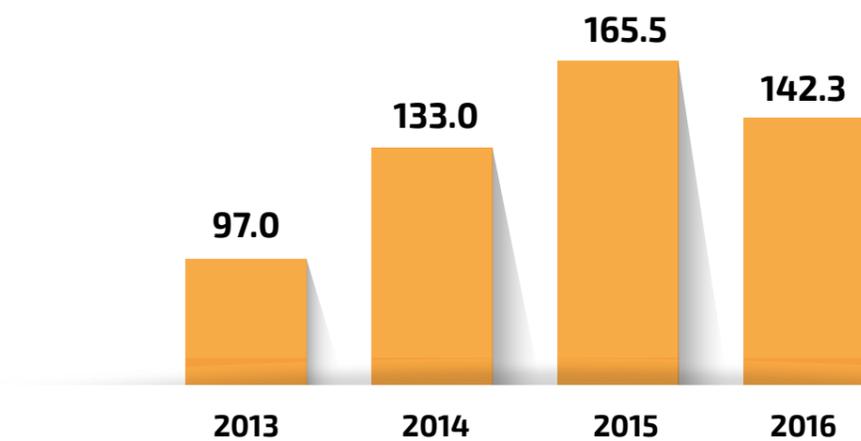
The Mariupol Development Fund's primary goal is to come up with a long-term strategy for the development of city infrastructure. In fact, the Fund is a municipal development agency and its projects are of a strategic, integrated and long-term nature. The Fund provides a platform for constructive dialogue between small and medium businesses, potential investors, sponsor organisations and local public authorities.

The Fund's initiatives include the Public Services Reform, the Mariupol Development Strategy to 2021 and the Structural Changes Plan for the New Municipality Management System.



Metinvest implements a strategic and systematic approach to bringing social initiatives to life and maintains effective communication with stakeholders. We help to address the problems of local communities and provide mechanisms for avoiding them in the long run

Social investment, UAH million



Note. The percentage of assets excluded from the Report boundary for 2015-2016: in 2013 – 25.3% (UAH24.6 million); in 2014 – 25.3% (UAH33.7 million)

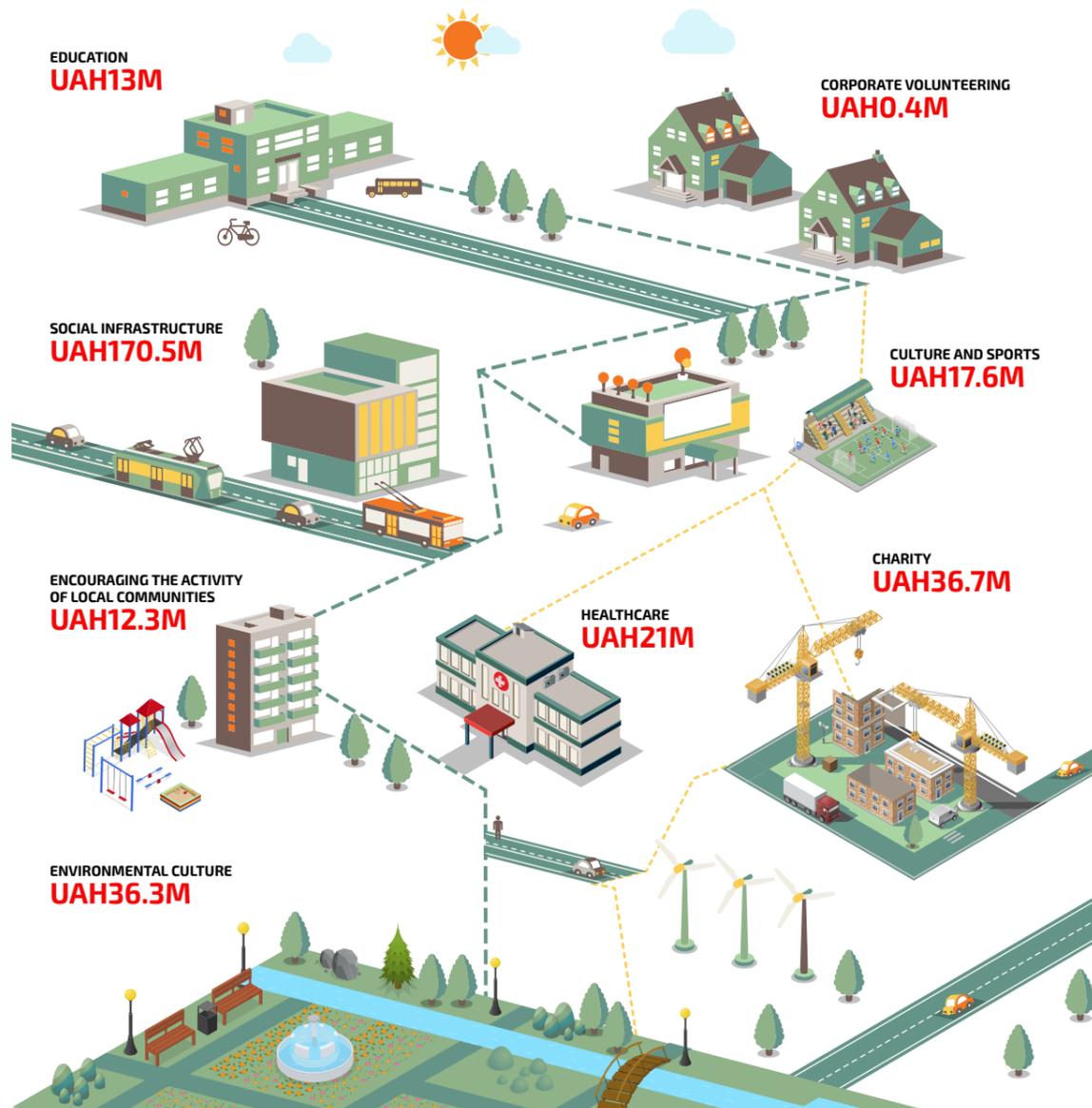
Social partnership programme

The social partnership programme is an efficient format for partnership between Metinvest plants and the local communities and public authorities. The programme works

to raise the living standards of residents of the cities and towns where we operate.

The social partnership programme is our contribution to improve the living conditions in the areas where Metinvest Group operates

Metinvest Group's investment in the social partnership programme, 2015-2016



Improving urban land and infrastructure

Together with citizens, Metinvest improves parks and green spaces, builds recreational areas, repairs roads, and constructs athletic fields and playgrounds.

UAH 170.5M

Metinvest Group's investment in municipal improvement in 2015-2016



THE LEPORSKIY PARK IN MARIUPOL RECEIVED NEW ALLEYS AND A MUSIC VENUE

22 September 2015

Azovstal completed a new stage in the renovation of the Leporskiy Park, which began in 2012. During the first stage, the Group built an athletic field and an open-air gym with weight benches. In 2015, it extended the skatepark, constructed parking lots and walking paths, installed swings, benches, trash bins and lighting, and built a small stage. Overall, in 2012-2015, the Group allocated UAH7 million for the park's renovation.



“

It is great to see so many improvements at the park. It has become a scenic place that is nice for taking walks. I now come here every day with my daughter. Once Lesia is old enough to run on her own feet, she will get to explore a new and wonderful world for herself and find her first friends here, and maybe one day she will even meet her first love here.

Anastasiia Lavrova, a new mother



RENOVATED GREEN AREA IN KRYVVI RIH

20 December 2016

Central GOK helped to breathe new life into a green area on Ivan Mazepa Street in Kryvyi Rih, including pruning trees and adding lighting, benches, trash bins, walking paths and flowerbeds, as well as an athletic field and playground. The project budget was UAH3 million. The Central GOK Youth Organisation volunteered to supervise the recreation area and intends to arrange regular Saturday clean-ups there.



“

I am happy that there is now a nice new park in Pokrovskiy District. It has become very popular. I like coming here with my 5-year-old son Vlad. While he is riding his bike, I can sit down on a bench and take in the fresh air.

Olena Kozhukhar, a resident of Kryvyi Rih

WATER IS THE SOURCE OF LIFE

29 January 2016

In Novhorodske's Petrivska Hora neighbourhood, 5,000 residents have finally gained better access to drinking water. A new water well and modern booster pumps have extended the amount of time that residential homes are supplied with water. According to lab data, water quality has also improved. There is now an equipped pump room beside the well from where anyone can get water. The Water is the Source of Life initiative is a result of the cooperation between Inkor Chemicals, Novhorodske Village Council, the Novhorodska Gromada charity and the United Nations High Commissioner for Refugees.



“

Within the first days of the launch of the new well, water pressure in homes got stronger. Even when the water main was closed for maintenance, water kept coming to homes. We appreciate the help of Metinvest Group's Inkor Chemicals and the United Nations High Commissioner for Refugees. I am certain that our collaboration in this area will continue.

Mykola Lenko, mayor of Novhorodske

Healthcare

Metinvest makes annual investments in capital works and renovation of healthcare facilities, helping them to purchase state-of-the-art equipment and medicines.

IN 2015-2016, METINVEST GROUP INVESTED UAH21M IN HEALTHCARE

MODERN EQUIPMENT FOR MARIUPOL'S EMERGENCY STATION

29 January 2016

Azovstal purchased 15 fully equipped paramedic kits and an oxygen compressor. The new equipment will help speed up and improve emergency care. Earlier, the plant sponsored replacing the roof, reinforcing the frame, insulating the building and replacing windows and doors.



“

The paramedic kits are fully supplied with the required medicines and bandage materials. These are the basics that we need in our daily work. The new compressor features a faster recharge of oxygen containers. In our profession, every second matters: the faster we respond, the more lives we can save.

Valerii Zakrzhevskiy, chief physician of the Mariupol Emergency Station

NEW MEDICAL EQUIPMENT FOR KRYVYI RIH CITY HOSPITAL NO. 9

1 October 2015

Central GOK purchased a range of medical equipment for City Hospital no. 9 in Kryvyi Rih. The hospital runs the city's only cardiac care unit for treating patients with acute cardiovascular diseases. It can accommodate 60 patients and covers the entire city of Kryvyi Rih and four villages.



“

This unit is essential to patients. It consists of three instruments that work together to save one life at a time. The artificial ventilation machine sustains brain and heart activity. The oxygen concentrator helps deliver enough oxygen to heart muscles. The ECG recorder monitors the heart's activity and records any changes. The unit will help reduce mortality rates by 25%.

Olena Klymovych, chief physician of the cardiac care unit at Kryvyi Rih's City Hospital no. 9



NEW SUBJECT-BASED CLASSROOMS FOR MARIUPOL SCHOOLCHILDREN

1 September 2015

Ilyich Steel and Azovstal helped to prepare 14 schools for the start of the school year. The steelmakers helped to add new subject-based classrooms, refurbish schools and buy new learning resources.



“

This classroom used to be outdated. With the new equipment, it will be a much more comfortable place to learn. This is now a perfect physics classroom.

Mariana, 10th-grade student Secondary School no. 26

Education

Metinvest places a high priority on supporting educational institutions. The Group renovates day care facilities and schools, furnishes subject-based classrooms and labs at schools and colleges, and supports out-of-school facilities.

Our long-term projects include helping to relocate the Donetsk National Medical University to Mariupol. In 2017, Metinvest Group took part in the construction of the university's new teaching building.



In 2015-2016, Metinvest Group invested UAH12.9M in education

“

The relocation to Mariupol is a milestone event for our university. The support of the municipal and regional authorities, Metinvest Group and the Mariupol Development Fund was a crucial factor in the city's healthcare improvement, specifically in training doctors and nurses to work in the region.

Yuriy Dumanskyi, Rector of Donetsk National Medical University

AVDIIVKA COKE PRESENTED THE CITY'S SCHOOLCHILDREN WITH A MODERN FUNCTION HALL

2 September 2016

Avdiivka Coke completely renovated the function hall at School no. 6 in Avdiivka. The work included refurbishing the heating system, repairing the floors, walls and ceilings, and installing new windows and doors. The plant also helped to replace the seats and stage. Now, the schoolchildren have everything they need to boost their creative growth.



“

This year, almost all city events were hosted at our school, yet the function hall was clearly subpar. At one of the ceremonies, Avdiivka Coke's CEO, Musa Magomedov, noticed the miserable state of the premises and said he would help to solve the problem. And he did! This is the first comprehensive renovation project for our school.

Viktoriia Shliakhova, Headmaster of School no. 6

A city built with our hands

Since 2011, Metinvest has held an annual grant competition, A City Built with Our Hands. This project encourages people to make life in their home cities more comfortable.

A CITY BUILT WITH OUR HANDS. FACTS AND FIGURES, 2015-2016

15 

CITIES AND TOWNS in Donetsk, Dnipropetrovsk, Zaporizhia and Kirovohrad regions

183 PROJECTS ACCOMPLISHED

1,134 APPLICATIONS RECEIVED

UAH 15.9 M

INVESTED BY METINVEST GROUP IN 2015- 2016



- 17 athletic fields and playgrounds
- 12 children's and youth development centres
- 18 parks and green spaces now have comfortable rest areas
- 5 development facilities for children with special needs
- 19 recreation grounds
- 2 children's traffic parks
- 7 exhibition and museum projects
- 9 educational facilities renovated



A DEDICATED RECREATION AREA on the city beach for people with special needs

Mariupol

ETHNO GARDEN

27 August 2015

In 2015, a small open-air museum was unveiled in the backyard of School no. 26. The Ethno Garden exhibits items of Ukrainian art, household goods and crafts. The project is part of the school's ethnographic complex, where children learn about Ukrainian history and culture, try various crafts and celebrate events.



“

I have been working in this school for almost 15 years. We used to largely ignore this patch of land, although our team of teachers would occasionally suggest ideas on how to make the backyard look nicer. But being realistic about the amount of money needed to implement those ideas, we dropped them. Last year, we competed in A City Built with Our Hands but did not win because our idea was still raw. This year, we have done better research and talked to experts. As a result, we got the grant to fulfil our dream.

Larisa Malinovskaya, physics teacher, one of the project's initiators



AZURE BEACH ON AZOV SEA COAST

25 August 2016

A resident of Mariupol, Andrii Altunian, wanted to develop a new city beach project, Azure Beach. Thanks to a UAH100,000 grant, the coastline near the railway station has been completely transformed. The activists cleaned up rubbish from the sand and installed new lounge chairs, tents and changing cabins. In 2017, the beach improvement project continued.

“

We believe that nothing can ever change if we don't attempt to improve our city. It is inspiring to see how beautiful it can become. Many families come to this beach, but now we have another problem – no matter when you come, you can't find a free space.

Andrii Altunian, project leader

Kryvyi Rih

PATHWAY TO PEACEFUL SPACE

14 October 2015

In the village of Shyroke, a new club opened for model rocket enthusiasts. Ingulets GOK granted UAH150,000 to purchase computers, remote control equipment and equipment to make various parts and components. This will encourage young engineers to develop their creativity and participate in competitions.



“

Today, it is important to increase the attractiveness of vocations and foster interest to applied science in the younger generation. To consolidate and further develop such knowledge, Ingulets GOK invests in improving technical equipment as educational facilities.

Oleksandr Gerasymchuk, CEO of Ingulets GOK

A NEW MINI ZOO IN KRYVVI RIH

29 October 2015

The children from Zhovtnevyi District's Young Naturalists Station won the competition for the second year in a row. Central GOK's grant of UAH150,000 helped them to get their own mini zoo, called Animal Planet. The zoo has an aviary and an animal enclosure. There is also a place for visitors who are fond of exotic reptiles and spiders. The open-air enclosure is home for poultry and rabbits live in wooden hutches.



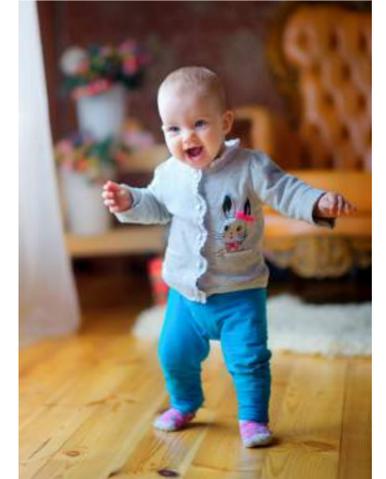
Zaporizhia

STEPS TOWARDS GOOD HEALTH

28 November 2015

In 2015, a new online portal, Steps towards Good Health, was launched in Zaporizhia. The website gives information on self-help and healthy lifestyles and offers online advice from practicing doctors. The project won the main prize in Zaporizhstal's We Are the City programme.

The portal provides value to both ordinary residents of Zaporizhia and health professionals. A new educational media centre with state-of-the-art communication tools was set up as part of the project. It serves as a platform for online lectures that the world's leading paediatricians can deliver to the students of Zaporizhia State Medical University and paediatricians of Zaporizhia City Children's Hospital no. 5.



“

Polina was born weighing less than 1 kg and just 33 cm in length. We had to stay in the hospital for intensive care and later for rehabilitation. I had to look for heaps of information on my own. Now, moms have an opportunity to quickly find the information they need and to get a doctor's advice.

Anastasiia Kabaniuk, Polina's mother

THERAPEUTIC HORSEMANSHIP FACILITY IN ZAPORIZHIA

3 December 2015

As part of the We Are the City initiative, Zaporizhia implemented an innovative project called Natural Resources for My Health. Khortytsia National Training and Rehabilitation Multipurpose Centre allocated a space for therapeutic horsemanship for children with special needs. The therapeutic sessions help to alleviate the burden of various medical conditions and raise the kids' spirits. In addition to riding, the children learn to bond with horses and care for them.



We rebuild damaged cities

Metinvest Group strives to quickly and efficiently solve the problems of cities and towns affected by the conflict in Eastern Ukraine. Throughout 2015–2016, the Group has rebuilt houses, schools, hospitals and infrastructure, restored power and heating

supply and helped to get public transport back on the roads. We did not just finance these initiatives, our employees volunteered to help rebuild the houses in Mariupol and Avdiivka.

We are doing everything in our power to return civilians to normal life: rebuilding houses, schools, hospitals, roads and transportation; and resuming operations of important infrastructure.

MARIUPOL



EASTERN DISTRICT

5 thousand people received aid from Metinvest plants to rebuild their homes



OBJECTS RESTORED:

2 SCHOOLS **4** KINDERGARTENS **OVER 1,5** thousand APARTMENTS GLASSED **31** PRIVATE COTTAGES

AROUND

1 thousand Metinvest employees worked daily to restore residential areas



10 UAH M invested to rebuild Eastern District

SARTANA

5 high-rise buildings rebuilt **1.7** UAH M invested to rebuild Sartana

REBUILT: **124** PRIVATE COTTAGES

BRIDGE OVER THE KALCHIK RIVER

16 UAH M invested by METINVEST



The bridge over the Kalchik River was rebuilt to restore a key regional railway line between the stations of Sartana and Mariupol

AVDIIVKA



10 thousand people received aid to rebuild destroyed structures

18 UAH M invested to rebuild the city

THE COKE PLANT SUPPORTED THE RESTORATION OF:

69 high-rise buildings **135** private cottages **15** social facilities





Avdiivka

Throughout 2014–2016, the town of Avdiivka, 13 km to the north of Donetsk, has regularly been hit by artillery fire. As the town did not have enough resources to rebuild the damaged houses and restore the disrupted utilities, Avdiivka Coke took charge of returning Avdiivka to normal life.

A quarter of all Avdiivka's population works at the plant. The Group contributes over 70% of the town's budget and supplies heat to high-rise residential buildings, public amenities and administrative buildings. More than 1,000 coke plant employees helped to restore the demolished infrastructure.

“

Our apartment was demolished by a direct hit. Our home was destroyed in a blink of an eye. Four neighbouring apartments were damaged too. Fortunately, several hours before the shelling, my husband and I left home, but after that, we had nowhere to return to. We could not possibly live there again. Today our apartment is completely rebuilt – thanks to our dear coke plant. We are grateful to the people working at the plant for such precious help! It would have never been possible for many people in the town to cope with the damage on their own.

Alina Gorkunova, resident of house that was destroyed by artillery fire

“

The motto “Let's Rebuild Avdiivka Together!” is taking on a new meaning. For years, we have mainly been brought together by joyous occasions, now we have been united by grief. Not a day passes without terrifying news about new victims and more damage caused by the shelling. Avdiivka Coke is also going through hard times. But with each new problem, we, the people working at the plant, can feel the tremendous support from Avdiivka's residents. This empowers us to fight for the town's major taxpayer and employer, for the town itself, for the chance to return to peaceful life. No matter what happens, we will keep rebuilding residential houses and public amenities.

Musa Magomedov, Avdiivka Coke CEO

Mariupol

Mariupol has also been shelled repeatedly. On 24 January 2015, Eastern District was shelled. People were killed and homes and crucial public amenities were destroyed. Following the tragedy, every day, dozens of employees of Ilyich Steel and Azovstal would clear the debris, repair damaged roofs, replace broken windows in schools and kindergartens, and restore water and power supply.

In August 2015, artillery fire damaged 60 houses in the town of Sartana, five of which were beyond repair. Metinvest Group allocated UAH1.7 million to rebuild the demolished houses, while Ilyich Steel employees volunteered to do major repairs and helped hundreds of families regain their homes.



“

Our teachers and parents are very grateful to the plants. After the shelling, the steelmakers did not abandon us to cope with the disaster single-handedly, they restored everything very quickly and to a great quality.

Svitlana Zaitseva, head of Kindergarten no. 165

Metinvest Green Centre



METINVEST GREEN CENTRE PUBLIC ASSOCIATION. ORGANISATION'S PERFORMANCE IN 2015-2016



In 2013, Metinvest Green Centre began to operate in Mariupol. In 2015-2016, Metinvest Group continued working on the public association's projects.

Metinvest Green Centre supports initiatives and provides practical assistance to residents and non-governmental organisation in planting greenery and beautifying the city's territory. Its mission also includes fostering a caring attitude towards the environment and natural resources in young people and providing them with relevant training.

Metinvest Green Centre's goal is to work with local communities to make our cities and towns more comfortable, clean, eco-friendly and attractive

CLEAN ENTRANCE HALL 2016

6-20 February 2016

The residents of high-rise buildings in Mariupol did some spring-cleaning in their entrance halls. Overall, 42 blocks of flats said "yes" to Metinvest Green Centre's invitation to participate in the competition by cleaning their entrance halls.

Metinvest Green Centre brought cleaning supplies, mops, and buckets and presented the residents of each participating apartment with a nice-looking doormat. Metinvest Green Centre awarded the winners of the competition with new mailboxes and entrance doors.



Over 1,500 residents of 42 apartment blocks in Mariupol participated in the Clean Entrance Hall 2016 initiative

In September 2016, Metinvest Green Centre started operating in Kryvyi Rih, where it will design and implement minor projects including environmental protection, ecological development and solving housing policy issues. Residents can take their questions and suggestions to the Metinvest Green Centre offices in several districts of Kryvyi Rih.

In 2016, an initiative called A Hundred Streets was launched to encourage people to improve the condition of the yards and streets in front of their houses. The project managers received 230 proposals, of which 24 were selected. The initiative's implementation continued in 2017.

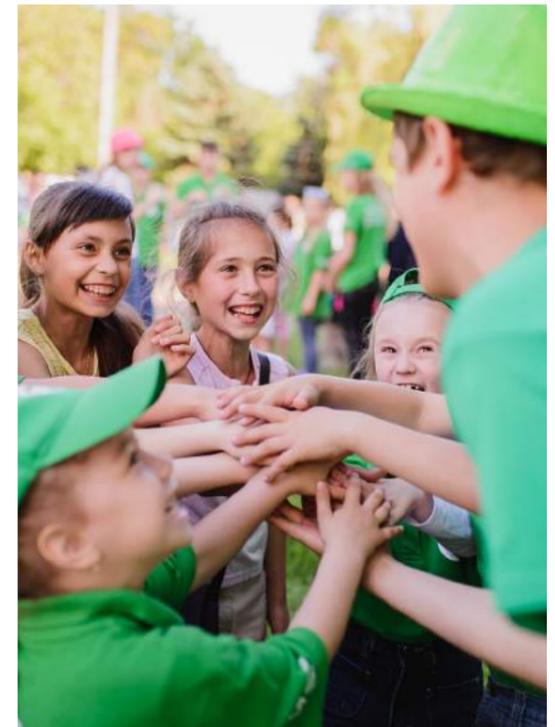
GREEN SPROUT

In 2014, Metinvest Green Centre in Mariupol launched an educational ecology programme for schoolchildren called Green Sprout. Kids help to plant trees and flowers and attend energy-saving research conferences, festivals and workshops. In 2016, as part of the project, a landscape design school and a debate school were opened in the city.

Save the primrose

Fostering a caring attitude towards nature and developing creativity in kids are the primary goals of the Save the Primrose ecological initiative, which took place throughout the Green Sprout club in spring 2016. Over 130 activists joined the initiative.

At the first stage, the young environmentalists received an assignment to grow tulips at their homes for their mothers and grandmothers. To help them make it work, the florists at Azaliia Nova's greenhouse organised workshops for 140 children, where they demonstrated how to take care of bulbous plants. At the second stage, the kids carried out a survey during which they asked Mariupol citizens whether they could think of an alternative gift for the 8th of March to replace the traditional bunch of spring flowers, many of which are now endangered species. The initiative ended with a photo contest in which children entered photographs of them giving their moms the flowers they had grown. The children voted to select the winner and Metinvest Green Centre gave out prizes, including accessories for digital devices.



Short-term plans

Metinvest Group continues to implement the social partnership programme in the cities and towns where the Group's plants operate. We hope to extend our cooperation with the Mariupol Development Fund, as we believe this collaboration format opens great opportunities for local communities in all areas affected by the Group's activity.

ABOUT THE REPORT



General information

This is Metinvest Group's fifth Social Responsibility Report. It covers the period between 1 January 2015 and 31 December 2016. Wherever reasonable, it also includes information outside of the Report boundary.

The Report has been prepared in accordance with the G4 Sustainability Reporting Guidelines as defined by the Global Reporting Initiative (GRI,

main version). The Group has adopted a two-year reporting cycle. The next Report (2017-2018) is due to be published in 2019.

The Report was prepared in line with the UN's Sustainable Development Goals approved in September 2015.

Report structure

The Report provides crucial information on the economic, environmental and social aspects of Metinvest Group's activity.

The Report includes the details on the Group's activity in the following areas:

- company management;
- stakeholder engagement;
- development of local communities;
- employee compensation, social benefits and professional growth;

- occupational health and safety;
- environmental safety;
- responsibility for the quality of products and services.

When preparing the Report, Metinvest included links to additional sources of information, such as the Group's website and publicly accessible social media pages, which make the Report more convenient to read.

Report boundary

The Report includes details about the management company and Metinvest Group's major production plants (see table below).

Compared with the previous reporting period (2013-2014), this Report's boundary has changed (in terms of quantitative data); the following four Group entities have been excluded due to [Metinvest losing control of those entities in March 2017](#) and it being impossible to duly gather and verify the related quantitative data:

- Krasnodon Coal;
- Yenakieve Steel;
- Khartsyzk Pipe;
- Komsomolske Flux.

The elimination of the four plants from the Report boundary significantly affected the accuracy of the representation of data trends as compared with the previous periods (it exceeds 5% in Metinvest Group's general data for a range of performance indicators). To present the data in a comparable format, Metinvest has specified the share of the four plants excluded from the 2015-2016 Report boundary in the data for 2013-2014. See more information in Annex 1 "Metinvest Group's quantitative performance indicators 2015-2016."

Plant / Company	Report boundary 2013-2014	Report boundary 2015-2016
Metinvest Holding	+	+
Northern GOK	+	+
Central GOK	+	+
Ingulets GOK	+	+
Krasnodon Coal	+	-
Komsomolske Flux	+	-
Azovstal	+	+
Ilyich Steel	+	+
Yenakieve Steel	+	-
Khartsyzk Pipe	+	-
Avdiivka Coke	+	+
Inkor Chemicals	+	+
Zaporizhia Coke	+	+

Partial inclusion of Zaporizhstal in the Report boundary

Zaporizhstal is viewed as a joint venture since both financial and operational decisions are made jointly with other shareholders. Therefore, Zaporizhstal was not included in the scope of the Social Responsibility Report in terms of quantitative non-financial performance indicators.

The data related to the management company, Metinvest Holding, are included into all quantitative indicators, except for environmental and energy data, injury rates and occupational diseases, due to their irrelevance. The salary data were also excluded to provide adequate comparability with average data across the industry and similar sectors of the Ukrainian economy.

The holding company of Metinvest Group is METINVEST B.V. (the Netherlands). Its primary shareholders are SCM Group (71.24%) and Smart Holding Group (23.76%), which manage the Group as partners. The remaining 5% of equity belongs to Clarendale Limited (Cyprus).

The words "Metinvest Group", "The Group", "Metinvest", "The Company" and "we" refer to Metinvest Group entities included in the Report boundary, unless specified otherwise. The phrase "Metinvest Holding" refers to Metinvest Group's management company.

The report focuses on Metinvest Group's contribution to Ukraine's sustainable development. Therefore, foreign companies and plants are not included in the Report boundary.

Reporting principles

Principles for defining Report content

In defining the Report content, Metinvest adhered to the GRI G4 Guidelines. Annex 2 provides information on the GRI disclosures in the Report.

Material aspects

To identify material aspects, Metinvest used the following approaches:

- interviewing heads of functions at the management company and Group plants;
- analysis of Metinvest Group's internal regulations (including policies);
- reviewing the stakeholder engagement results;

- reviewing the results of the media analysis (monitoring media for topics that concern Metinvest Group's activity);
- considering the best reporting practices of the world's leading industrial companies.

Methods used to calculate indicators

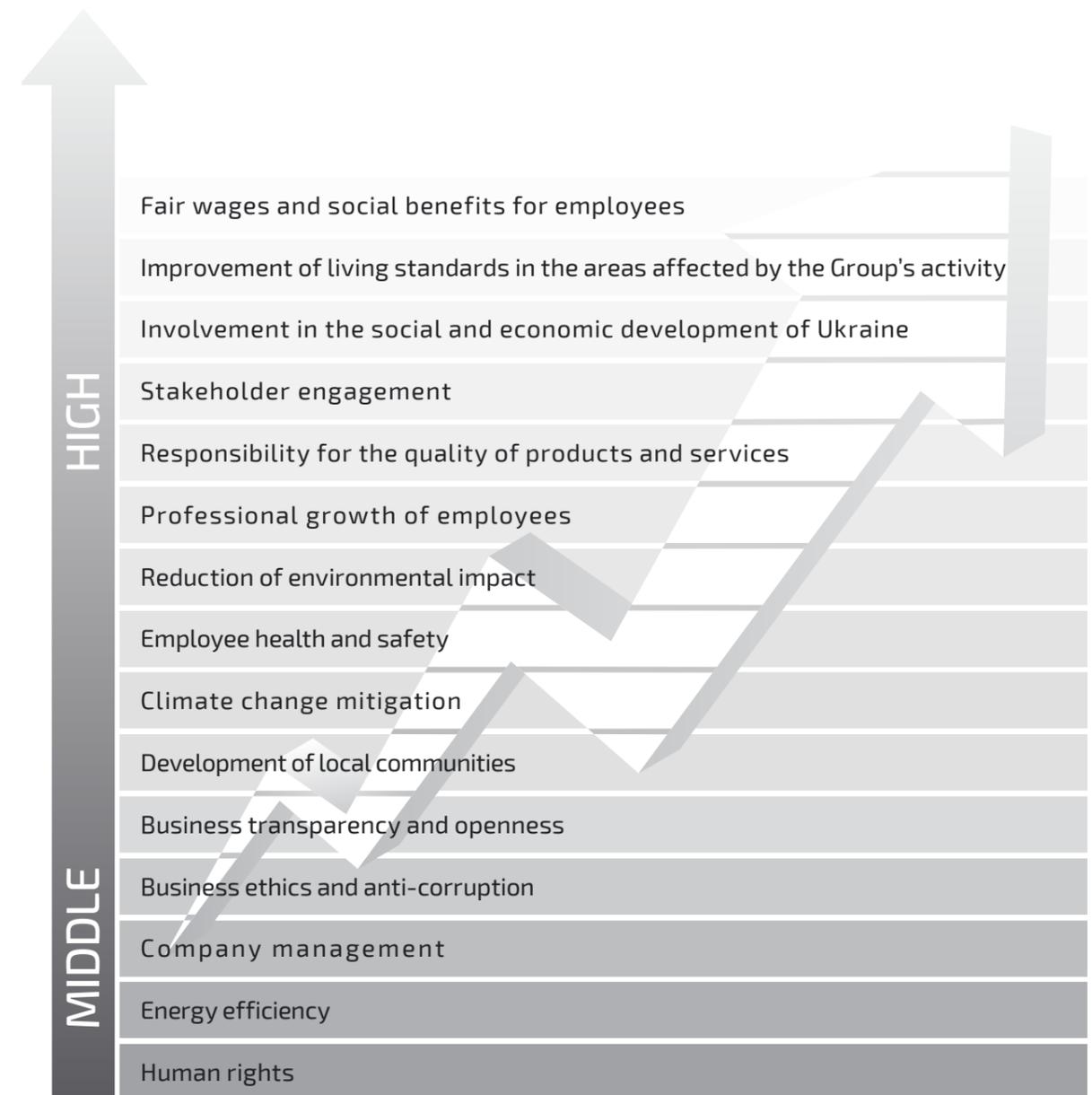
The Report presents key events that took place within the reporting period, without excluding any significant events or facts.

The source of quantitative data are official reports submitted annually to the state statistics authorities. Several indicators are gathered and calculated based on internal reports that are verified during the preparation of the Report by Metinvest's internal auditors.

Some GRI indicators were reformulated:

- to calculate the ratio of the average monthly salary at Group plants to the average monthly salary across the Ukrainian industries (G4-EC5), a total average recorded payroll across all assets within the Report boundary was used;
- the G4-LA9 indicator was reformulated due to the use of internal accounting systems, which specify "the number of actual training and skills improvement experiences".

Material aspect identification matrix



Principles for defining Report quality

- BALANCE**
The Report presents information about both achievements and problems in the Group's activity
- COMPARABILITY**
The Report outlines performance trends over several years (2013-2016)
- TIMELINESS**
The Report presents data for 2015-2016 and was published in 2017
- ACCURACY**
The reported information is sufficiently detailed (in both text format and numerical data) for the stakeholders to assess the Group's performance in respect to each material aspect
- CLARITY**
The Report is written in accessible language
- RELIABILITY**
The Report contains references to data sources

Internal procedures for ensuring Report quality and reliability

Metinvest Group has streamlined its internal system for non-financial reporting. The Group's business units responsible for providing information on each of the priority areas of sustainable development must ensure the quality and reliability of both textual information and

numerical data. Moreover, Metinvest Group's Internal Audit Department must ensure sufficient confidence in the reliability of the reported information.

Disclaimer regarding the publication of projections

The Report contains information on Metinvest Group's short-term and medium-term plans. The plans are projected, with their implementation depending, among other things, on a range of external factors outside the Group's influence, such as economic, political and legal factors. In view of this, the actual performance indicators of the future reporting periods may differ from the projections published in this Report.

Annex 1

Metinvest Group's quantitative performance indicators 2015-2016

Environmental performance

Table 1. Gross emissions, kt

Year	Total ¹	Nitrogen oxides	Sulphur oxides	Carbon dioxide	Solids
2013	533.5	21.6	30.3	319.7	44.2
2014	437.3	15.1	26.3	217.0	35.7
2015	274.9	11.2	20.6	207.5	23.3
2016	282.0	12.2	19.4	217.3	24.3

Note. The percentage of assets excluded from the Report boundary for 2015-2016: 1. In 2013 – 31.6% (168,600 tonnes); in 2014 – 28.6% (124,900 tonnes)

Table 2. GHG emissions in metric tons of CO2, million tonnes

Year	2013	2014	2015	2016
Total	26.8	20.2	9.3	10.2

Note. The percentage of assets excluded from the Report boundary for 2015-2016: in 2013 – 29.2% (7.8 million tonnes); in 2014 – 28.7% (5.8 million tonnes)

Table 3. Water withdrawal, million m³

Year	Total volume of water ¹	Surface water	Ground water	Utilities	Other sources
2013	849.0	762.1	2.1	68.8	16.0
2014	726.8	649.3	2.4	57.9	17.2
2015	652.7	600.5	1.6	39.7	10.9
2016	639.3	590.6	2.0	38.0	8.8

Note. The percentage of assets excluded from the Report boundary for 2015-2016: 1. in 2013 - 2.7% (23.3 million m³); in 2014 – 2.8% (19.5 million m³)

Table 4. Volume of water recycled and reused, million m³

Year	Total volume ¹	Water recycled	Water reused
2013	3,698.0	3,591.1	106.9
2014	2,938.6	2,862.2	76.4
2015	2,441.0	2,391.8	49.1
2016	2,457.0	2,411.0	45.9

Note. The percentage of assets excluded from the Report boundary for 2015-2016: 1. in 2013 -16.3% (604.3 million m³); in 2014 - 15.6% (458,1 million m³)

Table 5. Percentage of recycled and reused water out of the total volume of water withdrawn (including recycled)

Year	2013	2014	2015	2016
%	81.0	80.2	78.9	79.4

Note. The percentage of recycled and reused water of the total volume of water withdrawn without the assets excluded from the Report boundary for 2015- 2016 would have been: in 2013 - 78.9%; in 2014 - 77.8%

Table 6. Content of water pollutants in discharged water, tonnes

Year	2013	2014	2015	2016
BOD (total)	270.2	236.0	111.0	105.1
Oil products	9.8	8.0	3.9	5.3
Suspended substances	807.3	735.0	444.0	459.7
Solid residue	14,8254.7	126,824.0	79,073.1	74,875.9
Chlorides	21,396.9	16,981.0	10,337.3	11,161.7
Sulfates	62,929.5	60,596.0	38,168.2	33,421.9
Ammoniacal nitrogen	98.4	70.0	40.5	44.5
Total iron	19.2	22.0	10.7	10.2
Nitrates	843.9	810.0	395.0	546.7

Table 7. Total weight of waste, million tonnes

Year	Total weight of waste production ¹	Weight of disposed waste ²	Weight of waste transported to third parties ³	Weight of treated waste ⁴
2013	266.7	179.2	1.7	87.1
2014	242.1	167.0	1.0	73.3
2015	189.0	132.2	0.8	56.0
2016	175.2	124.3	0.7	49.4

Note. The percentage of assets excluded from the Report boundary for 2015-2016:
 1. In 2013 - 2% (5.3 million tonnes); in 2014 - 1.4% (3.3 million tonnes)
 2. In 2013 - 2% (3.5 million tonnes); in 2014 - 1.0% (1.7 million tonnes)
 3. In 2013 - 26.8% (0.4 million tonnes); in 2014 - 19.4% (0.2 million tonnes)
 4. In 2013 - 1.7% (1.4 million tonnes); in 2014 - 1.2% (0.9 million tonnes)

Energy efficiency

Table 8. Direct energy use, toe

Year	Total ¹	Natural gas	Heating oil	Coke	Diesel fuel	Petrol	Coal	Electric power
2013	16,697.7	1,808.9	30.6	5,456.9	213.0	7.2	7,300.7	1,880.5
2014	11,574.1	1,412.0	16.5	4,412.0	218.2	6.4	2,177.5	3,331.6
2015	6,343.3	985.2	6.0	2,066.0	179.8	3.2	2,196.7	906.3
2016	6,625.8	925.9	11.7	2,204.2	173.7	2.8	2,394.4	913.1

Note. The percentage of assets excluded from the Report boundary for 2015-2016: 1. in 2013 - 11.3% (1,888,300 toe); in 2014 - 13.8% (1,593,090 toe)

Table 9. Electric power savings, MWh

Year	2013	2014	2015	2016
Power saved	88,680.0	81,971.2	82,063.7	147,553.7

Note. The percentage of assets excluded from the Report boundary for 2015-2016: in 2013 - 23.3% (20,633 MWh); in 2014 - 17.2% (14,088 MWh)

Table 10. Economic effect from power savings, UAH million

Year	2013	2014	2015	2016
Economic effect	285.5	310.0	508.8	612.4

Note. The percentage of assets excluded from the Report boundary for 2015-2016: in 2013 – 38.7% (UAH110.4 million); in 2014 – 12.1% (UAH37.5 million)

Occupational health and safety

Table 11. Lost day rate, tonnes of fuel equivalent

Year	2013	2014	2015	2016
Value	8.86	8.21	7.66	9.25

HR management

Table 12. Staff structure by categories and gender, %

Year	Staff category		Gender	
	Mgrs/profs	Workers	Males	Females
2013	26	74	67	33
2014	23	77	67	33
2015	25	75	65	35
2016	24	76	65	35

Table 13. Staff structure by age, %

Year	< 30 years ¹	30-50 years ²	> 50 years ³
2013	21	58	21
2014	20	59	21
2015	20	58	21
2016	19	61	21

Note. The percentage of assets excluded from the Report boundary for 2015-2016:

- 1. In 2013 – 29% (5,433 people); in 2014 – 27.2% (4,606 people)
- 2. In 2013 – 29.4% (15,532 people); in 2014 – 27.7% (13,943 people)
- 3. In 2013 – 29.8% (18,175 people); in 2014 – 28.1% (5,042 people)

Table 14. Number of training experiences for the company's employees

Year	2013	2014	2015	2016
Indicator	97,289	80,964	79,604	76,962

Note. The percentage of assets excluded from the Report boundary for 2015-2016: in 2013 – 22.3% (21,680 experiences); in 2014 – 12.5% (10,157 experiences)

Annex 2

The description of GRI indicators and disclosures is available at the GRI website: <https://www.globalreporting.org/resource/library/GRI4-Part1-Reporting-Principles-and-Standard-Disclosures.pdf>

The definition of the principles of the Global Compact is provided at the Global Compact website: <https://www.unglobalcompact.org/what-is-gc/mission/principles>

Table of GRI indicators

General standard disclosures	Cross-reference to the Global Compact Principles	Report section and other sources/direct answer	Report page no.
Strategy and analysis			
G4-1		"CEO's statement"	4
G4-2		"Sustainable development", "Our strategy", Challenges and achievements in 2015-2016. Information on business risks and Metinvest Group's mitigation efforts is also outlined in the Metinvest Group Annual Report 2016 https://www.metinvestholding.com/en/investors/reports	12, 13, 14
Organisational profile			
G4-3, G4-7		"Metinvest Group in 2015-2016"	9
G4-4, G4-6, G4-8		"Key production performance of Metinvest Group in 2013-2016", "Our products", "New products", "Logistics and distribution" https://www.metinvestholding.com ("About us", "Our business")	15, 17, 18, 20
G4-5		12, Laboratornyi Ln., Kyiv, 01033	
G4-9		"Metinvest Group's financial performance", "Employees", https://www.metinvestholding.com ("About us", "Our business"), http://sales.metinvestholding.com , Metinvest Group Annual Reports 2015, 2016. https://www.metinvestholding.com/en/investors/reports	15, 67
G4-10		"Employees", "Annex 1" (HR management)	67, 130
G4-11		Collective employment agreements are signed with 100% of the company employees	
G4-12		"Logistics and distribution" Sales portal http://sales.metinvestholding.com , https://www.metinvestholding.com/en/activity/supply	20
G4-13		https://www.metinvestholding.com ("About us")	
G4-14		The precautionary principle is ensured by the corporate Standard "HSE Management for Investment Projects"	

General standard disclosures	Cross-reference to the Global Compact Principles	Report section and other sources/direct answer	Report page no.
G4-15, G4-16		Metinvest is a UN Global Compact participant and a member of the World Steel Association	
Identified material aspects and boundaries			
G4-17		"About the Report" (General information), Metinvest Group Annual Reports 2015, 2016 https://www.metinvestholding.com/en/investors/reports	122
G4-18, G4-21, G4-22, G4-23		"About the Report" (General Information, Reporting Principles)	122, 124
G4-19		"About the Report" (Reporting Principles)	124
G4-20		"About the Report" (Reporting Principles)	124
Stakeholder engagement			
G4-24, G4-27		"Sustainable Development", "Customer Interaction", "Procurement", "Corporate Social Initiatives for Employees", "Cities and People"	12, 19, 22, 77, 93
G4-25		"Sustainable Development", "Cities and People"	12, 93
G4-26		"Cities and People"	93
Report profile			
G4-28, G4-30, G4-31		"About the Report" (General information)	122
G4-29		October 2015 https://www.metinvestholding.com/upload/metinvest/report/32/Social_Report_Metinvest_3_Medium.pdf	
G4-32		"About the Report", "Annex 2"	121, 132
G4-33		Metinvest Group's Internal Audit Department must ensure sufficient confidence in the reliability of the reported information	
Governance			
G4-34		https://www.metinvestholding.com/en/about/common https://www.metinvestholding.com/en/about/common ("About us"). Metinvest Group's major shareholders are SCM Group (71.24%) and Smart Holding Group (23.76%), which manage Metinvest as partners. Metinvest Group's primary holding company is Metinvest B.V. (the Netherlands, registration number 24321697), registered address Alexanderstraat 23, 2514JM's-Gravenhage, the Netherlands	
Ethics and integrity			
G4-56		Governance structure: https://www.metinvestholding.com/en/about/governance/principles and https://www.metinvestholding.com/en/about/governance/principles . Metinvest regularly updates its shareholders on the current business situation in Metinvest Group. The company is guided by its corporate values: https://www.metinvestholding.com/en/about/values	

General standard disclosures	Cross-reference to the Global Compact Principles	Report section and other sources/direct answer	Report page no.
Specific standard disclosures			
Economic impact management approaches		"Challenges and achievements in 2015-2016", "Our products"	14, 17, 18
Environmental impact management approaches	Principle 7, 8	"Environment", "Annex 1" (Energy efficiency)	25, 129
Labor management approaches		"Health and safety training", "Employee health", "Review of injuries", "Employee training and development"	55, 59, 62, 84
Human rights	Principle 1, 2	"Safety", "Employees", "Cities and people"	45, 67, 93
Public relations management approaches		"Cities and people"	93
Product management approaches		"Customer relations", "New products", "Logistics and distribution"	18, 19, 20
G4-EC1		"Challenges and achievements in 2015-2016"	14
G4-EC4		Metinvest Group did not receive any public financing in 2015-2016	
G4-EC5		"Employees", "About the Report" (Methods used to calculate the indicators)	67, 124
G4-EC7		"Employees", "Cities and people"	67, 93
G4-EN3, G4-EN6	Principle 7, 8	"Annex 1" (Energy efficiency)	129
G4-EN8, G4-EN21, G4-EN22 (частично), G4-EN23 (частично)	Principle 7,8	"Annex 1" (Environmental performance), "Environment"	25, 127
G4-EN10	Principle 7,8	"Annex 1" (Environmental performance)	128

General standard disclosures	Cross-reference to the Global Compact Principles	Report section and other sources/direct answer	Report page no.
G4-EN19	Principle 7, 8, 9	"Annex 1" (Environmental performance)	127
G4-EN27	Principle 7, 8	"Annex 1" (Environmental performance), "Environment"	25, 127
G4-EN31		"We care about the environment"	35
G4-LA2		Corporate social initiatives for employees, "Benefits package crowdsourced", "We care about employee health"	77, 78, 79
G4-LA6		"Review of injuries", "Review of the causes of occupational and off-the-job injuries", "Annex 1" (Occupational health and safety)	62, 64, 130
G4-LA7		"Personal protective equipment", "Employee health", "Review of injuries"	58, 59, 60, 62
G4-LA8		Employee health and safety issues are addressed in collective employment agreements which are signed with the involvement of trade unions	
G4-LA9		"Annex 1" (HR management)	131
G4-LA10		Employee training and development", "Workforce training", "Metinvest Corporate University training programmes"	84, 86, 87
G4-HR3		During the reporting period, the Company did not receive any human rights complaints, including on discrimination	
G4-HR4	Principle 3	"Procurement"	22
G4-HR5, G4-HR6	Principle 1, 2, 4, 5, 6	During the reporting period, the Company did not receive any human rights complaints. In accordance with Ukrainian law, the Company does not employ child labour or forced labour	
G4-S01	Principle 1	"Cities and people"	93
G4-S05	Principle 10	During the reporting period, the Company did not receive any corruption complaints	
G4-S07		During the reporting period, the Company was not subject to competition or antitrust mitigation	
G4-PR2		The Company did not receive any complaints or claims in respect of the negative impact of its products on consumer health and safety or in respect of failure to properly label its product characteristics. The Company was not subject to any penalties for breach of law in connection with the delivery or use of products	
G4-PR4, G4-PR9		The Company did not receive any complaints or claims in respect of the negative impact of its products on consumer health and safety or in respect of failure to properly label its product characteristics. The Company was not subject to any penalties for breach of law in connection with the delivery or use of products	
G4-PR3, G4-PR5		"Our products", "Customer relations", "Logistics and distribution"	17, 18, 19, 20
G4-PR9		cf. G4-PR4	