

An abstract background consisting of several overlapping geometric shapes. On the left, a large red triangle points towards the center. In the middle, a large, semi-transparent orange circle is visible. On the right, a large purple triangle points towards the center. The text "Sustainability Policy" is overlaid on the right side of the orange circle.

# Sustainability Policy



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## about us

Magnezit Group (hereinafter, the "Group") is a vertically integrated company providing a full cycle of refractory materials production, innovative engineering solutions and complex maintenance of heating units.

## goals and objectives of the Sustainability Policy

**Approaches used by the Group to define its position and carry out sustainability activities:**

- ▶ statement of the Group's sustainable development position, goals and commitments:
  - determination of goals and the establishment of mechanisms for meeting obligations in the areas of environmental, social and corporate responsibility
- ▶ identification of key areas of activity and systematization of basic sustainability principles:
  - integration of sustainability management mechanisms into the Group's corporate governance system
- ▶ efforts to raise stakeholder awareness of the Group's position on sustainability:
  - establishing a system for stakeholder engagement with the Group's sustainability initiatives
  - establishing a Group sustainability accounting system



## scope of the policy

This policy applies to all companies in the Group. The content of this document is communicated to all employees and compliance is mandatory.

The Group has developed and adopted other documents related to sustainability. They are publicly available on the Group's official website.



## sustainable development goals and objectives

The sustainable development goal of the Group is to achieve a leadership position in the industry, meet high standards of environmental, social and corporate responsibility and focus on the fundamental principles of the UN Global Compact (UNGC) and the UN Sustainable Development Goals (UN SDGs).





sustainable development goals and objectives

While recognizing the importance of efforts to achieve all of the UN SDGs, the Group focuses on achieving the two key goals that are most consistent with its ability to make a meaningful contribution to the global sustainable development agenda: promoting sustainable economic growth, employment and decent work for all (Goal 8) and ensuring sustainable consumption and production patterns (Goal 12).

### goal 8. Decent work and economic growth

The Group seeks to create a stable and sustainable business by supporting the social and economic development of the regions of operation, providing employees with decent work, safe working conditions and fair pay, supporting employees in their continuous professional development and acquisition of skills of the future.

### goal 12. Sustainable consumption and production patterns

The Group recognizes its responsibility for conserving natural and mineral resources, and it extracts, processes and manufactures its products in an effort to ensure efficient use of raw materials and energy and prolong the life cycle of materials and products.



sustainability goals and objectives

While working toward these goals, the Group also regards the following UN SDGs as priorities directly related to the Group's key Goals and commitments to the planet and society:

### goal 3: Good health and well-being

The Group is aware of its responsibility for ensuring safe working and living conditions for people and promoting the health and well-being of all stakeholders.

### goal 9: Industry, innovation and infrastructure

The Group's business is based on the principle of continuous improvement, which is achieved not only through production cycle upgrades, but also through innovative changes in the entire refractory industry.



sustainability goals and objectives

### goal 11: Sustainable cities and communities

The Group ensures a high level of environmental safety in the regions where it operates, and, together with local residents, creates cities for a comfortable life and fills them with new meaning.

### goal 13. Climate action

The Group is improving its energy efficiency and is committed to finding innovative solutions to reduce the carbon footprint of its business, industry and the sector as a whole.

### goal 17: Partnerships for the goals

The Group is aware that the successful implementation of the principles of sustainable development in its production activities is impossible without partnerships and effective cooperation of business, science, the state, the population and other stakeholders at global, regional and local levels.



## 2. key provisions



sustainability goals and objectives

To contribute to the achievement of these goals, the Group sets itself the following sustainability objectives:

- ▶ Ensuring reliable occupational health and safety management to prevent injuries and occupational diseases, fatalities and emergencies;
- ▶ Respecting the rights of employees, suppliers, business partners and customers at all stages of the Group's activities;
- ▶ Creating a successful and sustainable business to promote sustainable global production chain and economic growth;
- ▶ Implementing programs for modernization of production processes and developing innovative solutions to automate production, increase its efficiency and reduce the environmental impact;
- ▶ Cooperating with stakeholders for the socioeconomic development of the regions of presence;
- ▶ Implementing measures for the rational and efficient use of natural resources; industrial waste disposal;
- ▶ Operating a reliable environmental management system and implementing programs to reduce the negative impact of the Group's activities on the environment and climate change;
- ▶ Improving the Group's corporate governance system, ensuring compliance with the Code of Business Ethics;
- ▶ Following the best world practices and provisions of leading international sustainable development initiatives.



### core areas of sustainable development activity

Recognizing its responsibility to the planet, society, country, environment and future generations, the Group hereby defines the main priorities of its activities in the field of the environment, social development and corporate governance.

### environmental sustainability

The Group is aware of the scale of the impact that its production activities have on the environment in its regions of presence and seeks to minimize its environmental impact. The Group is implementing a set of measures aimed at reducing the negative impact and preventing damage to the environment, as well as enhancing environmental safety. The priorities and mechanisms for achieving environmental goals are set forth in the Group's Environmental Policy.



environmental  
sustainability

### environmental protection

One of the Group's key tasks is to mitigate the risks that its production processes pose to the environment and reduce their impact as much as possible.

#### The Group's activities in this area include:

- ▶ Complying with laws, regulations and other applicable requirements in the field of environmental protection;
- ▶ Taking into account stakeholders' opinions on issues of environmental protection and environmental safety;
- ▶ Implementing an environmental management system and meeting the standards of the International Organization for Standardization (ISO);
- ▶ Conducting audits and reviews of compliance with the established requirements of the environmental management system and improving the quality of the environmental management system implementation;
- ▶ Identifying and assessing risks associated with environmental impact, devising measures and mechanisms to mitigate the risks;
- ▶ Implementing measures for the efficient use of raw materials, resource recovery and environmentally safe disposal of industrial waste;
- ▶ Reducing pollution, including emissions and discharges into water, through modernization of manufacturing processes;
- ▶ Restoring disturbed lands and implementing biodiversity conservation projects;
- ▶ Monitoring the environment.



environmental  
sustainability

### climate change

To reduce the impact of its production processes on climate change, the Group regards a reduction in greenhouse gas emissions as a priority.

#### The Group's activities in this area include:

- ▶ Reducing greenhouse gas emissions by improving the energy management system and searching for opportunities to use alternative fuels and energy, including renewable energy sources;
- ▶ Enhancing industry cooperation and investment in R&D to reduce geogenic greenhouse gas emissions.



environmental  
sustainability

### energy efficiency

Responsible use of energy resources is one of the Group's priorities. Its energy management system helps reduce the impact of the Group's production processes on climate change.

#### The Group's activities in this area include:

- ▶ Compliance with legislation, regulations and other applicable requirements in the field of energy efficiency and energy saving;
- ▶ Higher energy efficiency through effective energy management and energy saving;
- ▶ Use of innovative equipment and removal of obsolete equipment from production processes, optimization of technological processes;
- ▶ Control over the implementation of measures to improve the Group's energy management system.



### social responsibility

The Group is aware of its social responsibility and seeks to engage continuously with internal and external stakeholders. The Group implements the best national and international approaches and standards in the area of social responsibility.

The Group pays special attention to its occupational health and safety system, seeing the life and health of employees as its top value.

The priorities and mechanisms for achieving occupational health and safety goals are described in the Quality, Environment, Occupational Health and Safety Policy.



social responsibility

### relations with employees

The Group seeks to respect human rights and freedoms and create equal opportunities for professional and personal growth and development.

#### The Group's activities in this area include:

- ▶ Ensuring compliance with laws, regulations and other applicable requirements in the area of human rights;
- ▶ Respecting human rights and protecting employees from any forms of discrimination within the Group's activities;
- ▶ Developing the professional competencies of employees, retaining highly qualified workers and attracting young specialists;
- ▶ Offering competitive salaries and social benefits to motivate employees to improve performance;
- ▶ Eliminating child labor and other forms of forced labor;
- ▶ Pursuing a policy of zero tolerance for any form of discrimination, including based on age, nationality, gender and other grounds;
- ▶ Constantly improving human resource management practices.



social responsibility

### occupational health and safety

The Group prioritizes the lives and occupational health and safety of employees in its day-to-day operations.

#### The Group's activities in this area include:

- ▶ Ensuring compliance with legislations, regulations and other applicable occupational safety requirements;
- ▶ Identifying potential hazards, assessing risks and planning measures to ensure safe working conditions, based on the identified risks in the field of occupational health and safety;
- ▶ Implementing occupational health and safety programs to reduce the risk of injury, occupational diseases and accidents, including at hazardous production facilities;
- ▶ Investigating accidents, assessing risks and establishing procedures to prevent future incidents;
- ▶ Working persistently to improve the Group's occupational safety system and safety culture.





social responsibility

### participation in the social development of the regions of presence

In carrying out its production activities, the Group implements programs for the socioeconomic development of the regions of presence to increase the level of well-being and quality of life.

#### The Group's activities in this area include:

- ▶ Taking into account the opinions and interests of local communities in the regions where production activities are carried out;
- ▶ Participating in programs and public initiatives for the development of the regions of presence and building a dialogue with the authorities;
- ▶ Developing channels of communication with local communities and other stakeholders;
- ▶ Implementing charitable and sponsorship programs aimed at creating infrastructure and supporting the social sphere and economic development of the regions of presence.



### corporate governance

In building its corporate governance system, the Group is guided by the requirements of Russian law and the best international corporate governance standards.



corporate governance

### corporate governance

A constructive dialogue with business partners and other stakeholders helps the Group make effective decisions and establish strategic partnerships.

#### The Group's activities in this area include:

- ▶ Ensuring compliance with legislation, regulations and other applicable requirements in the field of corporate governance and business ethics;
- ▶ Maintaining high standards of corporate governance and business ethics and improving the corporate governance system in accordance with the best world practices;
- ▶ Pursuing a policy of zero tolerance for any manifestations of corruption and bribery;
- ▶ Protecting the Group against conflicts of interest and fraud;
- ▶ Improving the stakeholder engagement system by disclosing, reporting and providing access to information.



### stakeholder engagement

The Group recognizes that its engagement with stakeholders, namely activity to identify stakeholders and understand their interests, opinions and expectations before making decisions, is a key condition for sustainable development.

The purpose of the Group's stakeholder engagement is to ensure a high level of transparency in the dialogue between the Group and one or more stakeholders.

The Group engages with stakeholders based on the principles of openness, mutual trust, respect, professionalism and honesty to ensure that both sides meet their responsibilities with respect to declared expectations and interests.

Stakeholder engagement activities are carried out in the Group in accordance with the provisions of the AA1000SES standard and the following principles:

- ▶ Materiality: defining issues that matter to stakeholders;
- ▶ Inclusivity: taking into account different opinions and expectations of stakeholders on material issues;
- ▶ Responsiveness: timely response to meet the declared obligations



stakeholder engagement

In its activities, the Group identifies the following main stakeholder groups:

- ▶ Shareholders and investors: the Group engages with shareholders and investors to increase the investment attractiveness and accessibility of information on all aspects of manufacturing and economic activity;
- ▶ Employees of the Group: the Group creates opportunities for dialogue and professional and personal development of employees and ensures safe working conditions;
- ▶ The state: the Group fights bribery and corruption and understands the position of state authorities in the area of corporate social responsibility;
- ▶ Customers and business partners: the Group develops mutually beneficial relationships with business partners and customers based on the principles of transparency, fairness and equality, and provides high-quality products and services;
- ▶ Suppliers and contractors: the Group expects its suppliers, contractors and other business partners to meet the highest industry and ethical standards and seeks to ensure transparent procurement of goods and services without conflicts of interest;
- ▶ Society: the Group promotes the socioeconomic development of the regions of operations and implements environmental programs aimed at reducing the negative impact of production processes on the environment.



stakeholder engagement

The Group's Corporate Development and Strategic Communications Department engages with stakeholders on a regular basis. The department makes decisions on the following matters:

- ▶ Format of engagement with stakeholders: when choosing a format or several formats, the availability of the channel for all major stakeholder groups and feedback or mutual communication opportunities are taken into account;
- ▶ Representation: the opinions of key stakeholder groups should be represented by a sufficient number of group members or voiced by an opinion leader designated formally or informally by group members;
- ▶ Frequency of engagement with stakeholders: at least once a year;
- ▶ List of material issues for discussion: most of the listed items are related to sustainability, both positive and negative aspects of activities, as well as issues related to the impact of the Group's supply chain;
- ▶ Sustainability reporting: the list of material issues is based on the outcomes of engagement with stakeholders.



### material sustainability topics

As part of its engagement with stakeholders and to meet their interests, the Group makes a list of material issues — relevant and significant issues of concern to stakeholders — manages these material issues and updates the list. Material issues are listed in accordance with the Global Reporting Initiative (GRI).

The Group's Corporate Development and Strategic Communications Department makes the list of material issues based on the outcomes of its engagement with stakeholders to meet the interests of stakeholders, ranks the list based on assessments by stakeholder representatives, finalizes the list and submits it to an external expert for analysis. The list of material issues is reviewed and approved by the Group's management.



## sustainable development management system

The Group's sustainability activities are integrated into its corporate governance system. Functional units follow this policy at all levels in the course of their day-to-day operations.

### The following governing bodies of the Group are responsible for sustainability:

- ▶ Board of Directors: strategic management and monitoring progress toward sustainable development goals implementation;
- ▶ General Director: management of the Group's ongoing sustainability projects, reporting to the Board of Directors and shareholders;
- ▶ Heads of functional units: day-to-day efforts to achieve the goals of their respective units;
- ▶ Corporate Development and Strategic Communications Department: engagement with stakeholders, consolidation of sustainability reports.

The Group's activities in the area of environmental protection, energy efficiency, engagement with employees, occupational health and safety, social responsibility, sponsorship and charity, engagement with stakeholders, corporate governance and sustainability risk management are carried out by the respective functional units of the Group.





## sustainability monitoring and reporting

The Group understands its responsibility to stakeholders for the results of its activities and seeks to ensure that stakeholders are kept up to date on its sustainability efforts.

**The Group's sustainability reporting system is based on the following principles:**

- ▶ Use of reporting standards and principles of international and Russian initiatives;
- ▶ Timely publication of reports to inform stakeholders and all parties concerned.

The Group's management reviews and approves annual sustainability reports.



sustainability monitoring  
and reporting

### The Group's sustainability reporting principles:

- ▶ Stakeholder engagement: the Group identifies its stakeholders and explains to them how their reasonable expectations and interests were taken into account in its reporting;
- ▶ Completeness: reporting significant aspects and their limits, reflecting the key economic, social and environmental impacts to enable stakeholders to evaluate the Group's performance during the reporting period;
- ▶ Accuracy: reporting accurate and detailed information to enable stakeholders to evaluate the Group's performance;
- ▶ Impartiality: reporting both positive and negative aspects of the Group's activities to enable stakeholders to make an informed evaluation of the Group's activities;
- ▶ Comparability: systematically selecting, collecting and presenting information; the form of presentation helps stakeholders analyze how the Group changes in comparison with data reported by other organizations;
- ▶ Reliability: verifying all information that is collected, recorded, accumulated and disclosed;
- ▶ Timeliness: reporting on a regular basis so that stakeholders receive information in advance and have the opportunity to make informed decisions.



sustainability monitoring  
and reporting

The Group is guided by the following sustainability accounting and reporting initiatives and standards:

- ▶ GRI standards: Global Reporting Initiative;
- ▶ SASB: Sustainability Accounting Standards Board;
- ▶ TCFD: Task Force on Climate-Related Financial Disclosures;
- ▶ Other applicable sustainability accounting and reporting standards.



### support for the fundamental principles and approaches of international sustainability initiatives

the Group carries out its sustainability activities in accordance with the best international and Russian practices

**In its activities, the Group is guided by standards and principles such as:**

- ▶ UN Global Compact;
- ▶ ISO 45001:2018 Occupational Health and Safety Management Systems;
- ▶ ISO 14001:2015 Environmental Management Systems;
- ▶ ISO 9001:2015 Quality Management Systems;
- ▶ ISO 26000 Social Responsibility;
- ▶ AccountAbility AA1000SES Stakeholder Engagement Standard.

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CEO  
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### terms and definitions

**Sustainable development:** a concept described by the United Nations as development that meets the needs of the present generations without compromising the ability of future generations to meet their own needs.

**The UN sustainable development goals:** the goals set out in the 2030 Agenda for Sustainable Development, a shared blueprint for peace and prosperity for people and the planet, adopted by the UN General Assembly.

**The UN Global Compact:** the largest international corporate social responsibility and sustainable development initiative, providing a framework for businesses to follow the ten universally recognized principles in the field of human rights, labor relations, environmental protection and corruption eradication

**Environment:** a set of components of the natural environment, natural and natural-anthropogenic objects, as well as anthropogenic objects

**Human rights:** rights inherent to all human beings, regardless of race, color, sex, language, religion, nationality, ethnicity, social status and any other aspect



### terms and definitions

**Stakeholders:** individuals and legal entities that have an interest in the Group's performance, are affected by the Group's activities and influence the performance of the organization

**Regions of the Group's presence:** constituent entities of the Russian Federation, cities, regions and localities of the Russian Federation, as well as other countries where the Group's production units are located

**Sustainability report:** a form of accounting for the Group's non-financial performance in the reporting period

**GRI standards:** Global Reporting Initiative (GRI) Sustainability Reporting Standards

**SASB:** Sustainability Accounting Standards Board

**TCFD:** Task Force on Climate-Related Financial Disclosures formed by the Financial Stability Board

**ISO:** International Organization for Standardization



## bibliography and regulatory references

- ▶ GRI standards — Global Reporting Initiative (GRI) Sustainability Reporting Standards — sustainability reporting standards adopted by the Global Reporting Initiative in 2016
- ▶ Sustainable Development Goals/UN — Transforming Our World: The 2030 Agenda for Sustainable Development, General Assembly Resolution, 25 September 2015
- ▶ Constitution of the Russian Federation
- ▶ UN Universal Declaration of Human Rights
- ▶ UN Convention against Corruption
- ▶ UN Global Compact
- ▶ International Labor Organization's Declaration on Fundamental Principles and Rights at Work
- ▶ Labor Code of the Russian Federation