



**FERREXPO PLC**  
**RESPONSIBLE BUSINESS REPORT 2015**

# FERREXPO IS AN IRON ORE PELLET PRODUCER WITH MINES IN UKRAINE AND SALES OPERATIONS AROUND THE WORLD.

Since Ferrexpo's Initial Public Offering ("IPO"), in June 2007, it has been premium listed on the main market of the London Stock Exchange.

Ferrexpo is the largest exporter of iron ore pellets in the Former Soviet Union and currently the third largest supplier of pellets to the global steel industry. As a result of the Group's large iron ore deposit and significant capital investments, in excess of US\$2 billion since its IPO, the Group is an efficient and competitive supplier of high quality iron ore pellets to its premium customer base around the world.

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Safety is of paramount importance within the Company culture as is the need to train and develop a balanced and engaged workforce. To read more about the Company's efforts to achieve these goals with 9,500 employees and over 1,500 contractors, see page 12.



## OUR PEOPLE

The Company has been, and remains committed to being, a good corporate citizen in Ukraine, both locally and nationally. To read more about the direct and indirect value generated by the Company, along with its policies on business ethics, see page 22.



## ECONOMIC INDICATORS AND BUSINESS ETHICS



## ENVIRONMENT

Ferrexpo's operations in Ukraine cover over 5,500 hectares, and the Company closely monitors water usage, energy consumption, emissions of greenhouse gases and other gases in order to ensure compliance with local laws and to drive a continual reduction in our environmental impact, see page 26.



## COMMUNITY

Ferrexpo employs over 20% of the local community where its operations are located in Ukraine, making it the major employer and a key contributor to the social fabric of the area. To read more about the Company's community engagement strategy, see page 32.

# A GLOBAL BUSINESS SERVICING THE BEST STEEL MILLS IN THE WORLD

## OPERATIONS IN UKRAINE

Ferrexpo plc ("Ferrexpo") is an iron ore pellet producer with operations in Ukraine and a global customer base of high quality steel mills. The Ferrexpo Group includes two operating entities in Ukraine – Ferrexpo Poltava Mining ("FPM") and Ferrexpo Yeristovo Mining ("FYM"), in addition to a subsidiary with a project currently in development, (Ferrexpo Belanovo Mining, ("FBM"). The Company also has corporate head offices in London and Switzerland, and a number of marketing offices in Dubai, Kiev, Singapore, Shanghai and Tokyo.

## ESTABLISHED LOGISTICS INFRASTRUCTURE



## OUR RESOURCES AS OF 31 DECEMBER 2015

BROVARKOVSKOYE 4.0BT

MANUILOVSKOYE 3.4BT

KHARCHENKOVSKOYE 2.8BT

VASILIEVSKOYE 1.4BT

ZARUDENSKOYE 1.5BT

GALESCHINSKOYE 0.3BT

BELANOVSKOYE 1.7BT

YERISTOVSKOYE 1.2BT

HORISHNI PLAVNINSKOYE & LAVRIKOVSKOYE 3.5BT

50km

## ABOUT THIS REPORT

The purpose of this Responsible Business Report ("Report") and the data contained in the Responsible Business Report Supplement ("Supplement") is to enable a broad range of key stakeholders, ranging from local communities, national government, employees and contractors at our mines, to make informed assessments of the value that Ferrexpo creates in society and of the Company's long-term sustainability by providing an overview of Ferrexpo's financial, social and environmental performance. The Company recognises that as a business involved in the large scale extraction and beneficiation of raw minerals, the potential exists for a significant impact on a number of stakeholders, both directly and indirectly.

By measuring and publishing detailed information on sustainability performance, the Company can proceed to benchmark progress in future years.

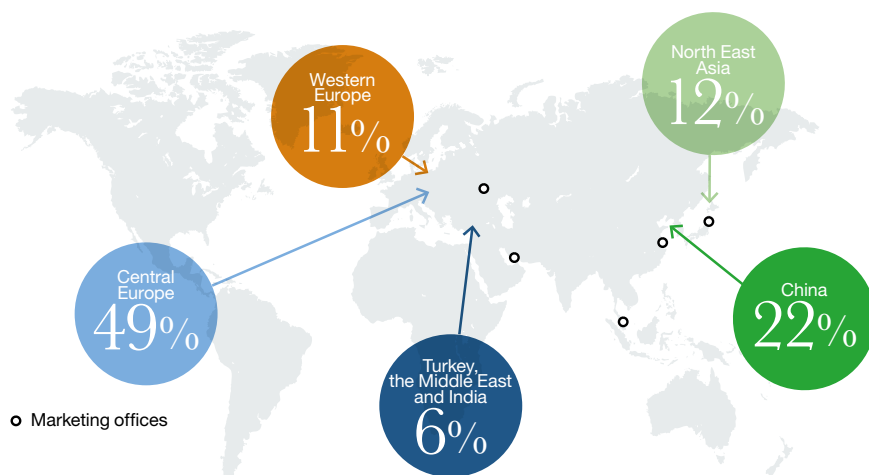
This report is the first Responsible Business Report that the Company has produced and covers the calendar year of 2015 (from January to December), in line with the Company's financial year and latest Annual Report, published in April 2015.

The Company does not envisage any effect from the restating of information that is contained in this report. A proportion of

## ABOUT OUR BUSINESS

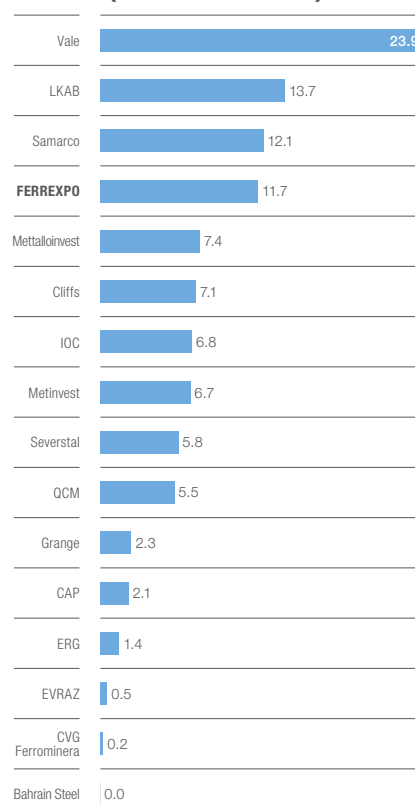
Ferrexpo is the largest exporter of iron ore pellets in the Commonwealth of Independent States ("CIS"), and was the fourth largest exporter globally in 2015, as shown in the bar chart to the right. Mining of iron ore and pellet production has taken place at the Company's assets in Ukraine for over 35 years, with the Company opening a new mine, Yeristovo in 2012, the first new iron ore mine to open since Ukraine's independence. Ferrexpo's produced 11.7 million tonnes of pellets in 2015, a record level of production, which follows an extensive capital investment programme of over US\$2 billion to upgrade and improve the Company's assets to increase production volumes and improve pellet quality.

The Company produces two products: Ferrexpo Premium Pellets ("FPP", 65% Fe content) and Ferrexpo Basic Pellets ("FBP", 62% Fe), and these products are sold internationally to premium steel mills. The Company's Premium Pellets are the highest quality products that the Company produces, which command a higher premium, principally as a result of a higher iron content and lower silica content than the Company's Basic Pellets. In 2015, the Company's sales mix was as follows: 89% FPP, 11% FBP (2014: 53% FPP, 47% FBP). The chart below demonstrates the global nature of Ferrexpo's marketing of its pellets. A full listing of the markets served by Ferrexpo is presented in the Responsible Business Report Supplement.



Data shown for 2015 sales.

## BLAST FURNACE PELLET EXPORTS IN 2015 (MILLION TONNES)



the information contained herein is publicly available in prospectus documents and Annual Reports on the Company's website, and where possible, the page reference for each item of information is stated for the reader's reference. There have been no material changes to the Company's reporting since listing in 2007. As this is the first report of its kind issued by the Company, there are no changes to report to either the Scope or Aspect Boundaries; neither has any data been restated.

This report is also accompanied by a Supplement, which contains detailed

information and data regarding Ferrexpo's performance in 2015. The Supplement is designed to be reviewed in conjunction with this report.

The Supplement is available electronically on the Company's website ([www.ferrexpo.com](http://www.ferrexpo.com))

### About the Global Reporting Initiative ("GRI")

GRI is an international independent organisation that helps businesses, governments and other organisations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights,

corruption and many others. The GRI body was formed in Boston in 1997 and aims to oversee the development of sustainability reporting standards. As of 2015, a total of 7,500 organisations have used GRI Guidelines to produce a Responsible Business Report, including a number of major natural resources companies.

Publishing a Responsible Business Report under GRI Guidelines is currently a voluntary process, and the Company views its inaugural Responsible Business Report as an important step in its sustainable development journey.

## INTRODUCTION

## BUSINESS MODEL

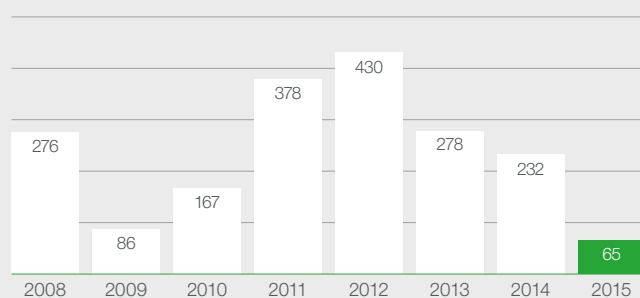
**Ferrexpo is a producer of high quality iron ore pellets. It operates from an established, long life, well invested asset base with a competitive cost structure capable of generating profitable returns even through cyclical downturns.**

Sustainability is integral to Ferrexpo's business model. The Group is committed to zero harm, environmental stewardship, fostering strong relationships with local communities and operational excellence, which underpins long-term viability.

## CAPITAL INVESTMENT

**+US\$2BN**

Capital Investments (US\$ million)



**THE GROUP HAS INVESTED MORE THAN US\$2 BILLION INTO ITS MINING AND LOGISTICS OPERATIONS SINCE ITS IPO IN 2007 TO MODERNISE OPERATIONS.**

**INPUTS**

**EXPERTISE**

**COMPETITIVE  
ADVANTAGES**

**RESULTS IN**

**SUSTAINABLE  
STAKEHOLDER  
RELATIONSHIPS**

## RESOURCE

A long life asset base with over 6 billion tonnes of resources in a central geographic location, with a skilled workforce and a low cost, well invested asset base.

## WORKFORCE

### COMPETENT, MOTIVATED, AND ENGAGED

Ferrexpo values its workforce, their health and safety, their development, ensuring good governance, supporting local communities and being a valued member of wider society.

Ferrexpo works to attract, develop, motivate and retain great people, driving a culture of engagement and accountability that connects employees to the Company's purpose and to the delivery of sustainable results. To sustain the future, effective talent management and targeted organisation development are used to ensure a strong succession pipeline of leaders and technically skilled employees.

The Group applies fair and consistent employment practices that demonstrate a commitment to human rights, non-discrimination, freedom of association and the right to engage in collective bargaining.

## MINING

### LOW COST AND INCREASING PRODUCTION EFFICIENCY

Ferrexpo is one of the lowest cost producers in the world of iron ore pellets on a delivered basis.

The cornerstone of the cost reduction strategy is to increase production, develop its asset base with value accretive investments, and continually reduce controllable costs through the Business Improvement Programme ("BIP") to improve mining productivity. BIP also aims to improve productivity in processing and logistics.

## PROCESSING

### NICHE VALUE ADDED PRODUCT

Ferrexpo produces iron ore pellets, which are a premium input used in the steel industry. Ferrexpo's product improves blast furnace productivity in the steel production process due to its form, substance, low level of impurities and enables air emissions, during the steel making process, to be reduced compared to sinter fines.

In 2015, 89% of the Group's product contained 65% iron content – this is a premium benchmark product used by the highest quality steel mills around the world. 65% Fe pellets command a price premium to the benchmark 62% Fe fines product both in terms of quality and pellet premium.

## LOGISTICS

### RELIABLE, CONTROLLED AND FLEXIBLE

An integrated, well invested and efficient logistics system is an essential part of any sustainable bulk commodity operation. Ferrexpo's unique geographic location allows for delivery to its customer based through three different channels: direct rail; river barges; and ocean going vessels.

Ferrexpo's product is delivered via railway predominantly using its own railway wagons. From the western border of Ukraine, the railway can reliably and efficiently take products directly to customers in Eastern and Central Europe. From the Port of Yuzhny, Ferrexpo charts ocean going bulk carriers up to 210,000 tonnes to deliver to customers in Western Europe, the Middle East and Asia.

## MARKETING

### DIVERSIFIED, TOP TIER CUSTOMER PORTFOLIO

Ferrexpo has a geographically diversified portfolio of long-term contracts with steel mills who are focused on producing high value added steel products in niche markets. The Group has supplied some of these steel mills for a number of decades. These contracts follow internationally accepted terms for iron ore supplied into Europe and Asia. A small volume of product is allocated for the spot market to manage: any production variability; development of new customers; and opportunistic sales into market spikes.

## 1. HIGH QUALITY ASSETS

WORKFORCE

COMMUNITY

## 2. HIGH QUALITY PRODUCTS

GOVERNMENT

CUSTOMERS

## 3. CRISIS RESISTANT CUSTOMERS

SUPPLIERS

CAPITAL PROVIDERS



# CHAIRMAN'S REVIEW



**I am pleased to present Ferrexpo's first Responsible Business Report, which reflects our continuing efforts to engage with key stakeholders both at our operations in Ukraine and across the wider Ferrexpo Group.**

Ferrexpo is the largest exporter of iron ore pellets in Ukraine providing a premium raw material to the best steel mills in the world. Our product is present in many aspects of modern life that require high quality steels such as for automobiles, skyscrapers and electronics.

The Group employs over 11,000 staff and contractors in the Poltava region of the country and has a long history of successfully mining and producing pellets for over 35 years.

Throughout this time we have remained firmly committed to our role as a good corporate citizen. Our ability to create a competitive world class operating asset has ensured consistent demand for our product enabling us to be a stable and reliable employer and wage payer as well as a dependable tax payer to the government. We have consistently provided financial support for community projects which improve living standards and taken care to ensure responsible management of our natural environment.

Our performance in 2015 is broadly arranged into four key areas, which are covered in detail in this report, and are introduced below.

## **A Strong Health and Safety Track Record**

It is our primary responsibility to put health and safety first, to ensure zero harm to our people, whatever role they do and wherever they are located. Whilst we are able to report zero fatalities in 2015, we are saddened to report one fatality to date in 2016 (for further details see page 14).

A significant incident reporting procedure was developed and implemented in 2015 to ensure the timely reporting of serious accidents as well as high risk, near miss events to the senior leadership of the Group. This has improved the effectiveness of the response to these events as well as created a review mechanism to ensure adequate actions are being taken to prevent recurrence.

Whilst significant progress has been made to identify and mitigate key areas of risk, this will continue to be an area for improvement in 2016.

## **A Positive Significant Economic Contribution**

Ferrexpo occupies an important position in the social fabric of the town of Horishni Plavni where we operate and the wider country as a whole. The Company operates within the local community at a range of levels, and is not just the main employer in the local area, but also provides support to schools, hospitals, the elderly and the vulnerable. Since listing, we have made charitable donations of over US\$100 million. We have also paid over US\$600 million in taxes and royalties to the government making our business an important source of revenue for the national government. We are also a major customer of state run infrastructure, for example in 2015, Ferrexpo was the fourth largest customer of the Ukrainian rail network.

## **A Supportive Community that Attracts and Retains People**

Our most important asset is our people, and our objective is to engage with local community

leaders, where a significant proportion of our workforce are based, to ensure a constructive and positive relationship with our mines. There have been no significant industrial actions or labour disputes at FPM since its privatisation in 1995, or at FYM since its inception in 2008.

We are the largest employer in the Poltava region of Ukraine and we have invested significantly in developing and training our workforce. This has resulted in a deep knowledge of mining and pellet production which ensures that as a business we are able to maintain our competitiveness and withstand commodity downturns thus continuing to contribute to the local region.

Our strong emphasis on supporting the local community also ensures that we are able to retain and attract the next generation of future employees.

## **Minimised Environmental Impact**

We recognise that mining is an energy intensive activity, with potentially far reaching impacts on our local environment, and this is an area we monitor closely – from our water consumption and reuse, to greenhouse gas emissions, to the volume of material moved by mining activity each year. In 2015, we managed to further improve our water reuse, which now stands at 41%, as well as reduce our energy intensity ratio by 12%; meaning that in 2015, we produced more pellets than in 2014, whilst using less energy. In 2016, it is our goal to continue the progress achieved to date in each area.

## **Conclusion**

Ferrexpo is currently the fourth largest iron ore pellet exporter to the global steel industry. Our strategy is to increase our quality pellet output organically, by developing our world class assets, including our people. This however will not be achieved in a sustainable manner unless our growth is mutually beneficial to our key stakeholders, and in order to focus our responsible business efforts, we have set ourselves goals in each area of this Responsible Business Report, to enable us to measure our progress year on year.

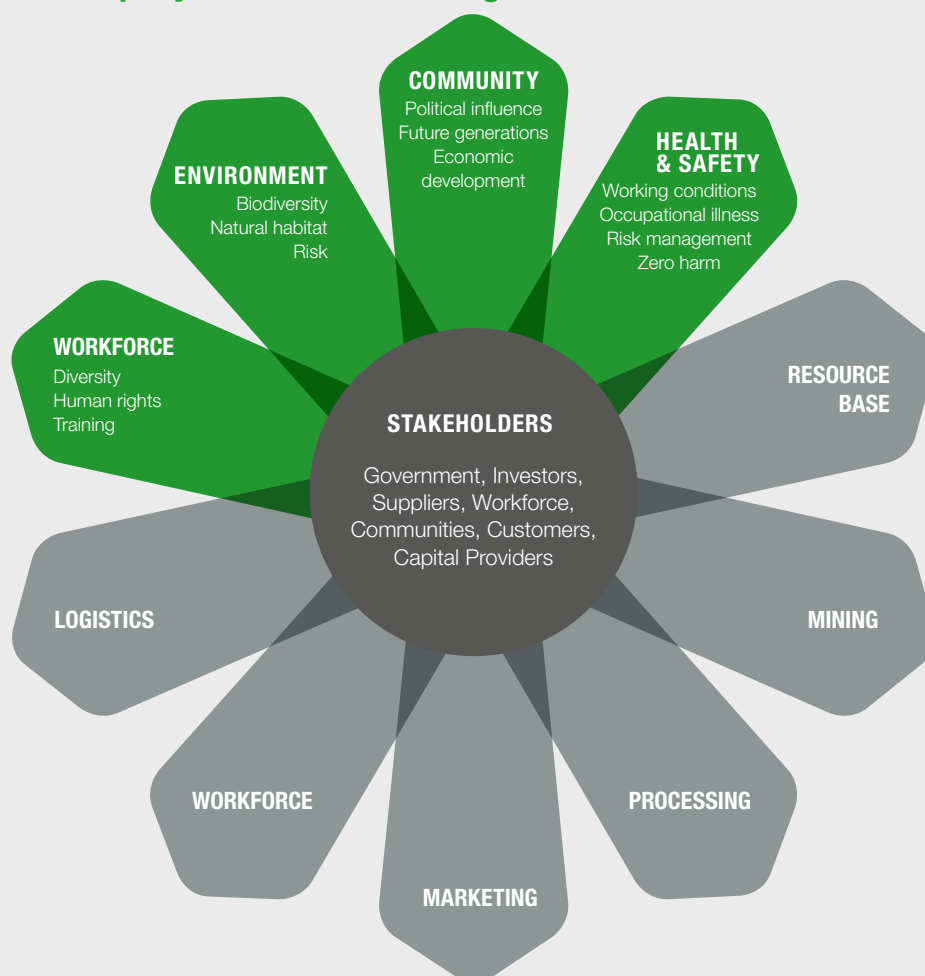
We aim to be a role model for Ukrainian corporates including attracting international investors and capital, setting the standards for mining performance and operating efficiencies and remaining a good corporate citizen. In 2016 we intend to further develop our responsible business understanding and reporting mechanisms to best in class levels.

**Viktor Lotous**  
Chairman, Corporate Social  
Responsibility Committee



## OUR APPROACH TO RESPONSIBLE BUSINESS

The following diagram is designed to summarise the core principles of our responsible business programme in green, with the overlapping aspects of the Ferrexpo business in grey, with each business aspect capable of influencing the core principles. At the heart of all this work are the Company's stakeholders. Progress in each area is detailed in this report.



The Group's positive contribution to society includes investments in a number of important areas: job creation; skills development; education; health; local community development; procurement opportunities; payment of royalties and taxes; and infrastructural provision.

A properly implemented responsible business strategy can bring along a variety of competitive advantages, such as enhanced access to capital and markets, increased sales and profits, operational cost savings, improved productivity and quality, a talented and efficient employee base, improved brand image and reputation, enhanced customer loyalty, better decision making and risk management processes.

### Report Boundaries

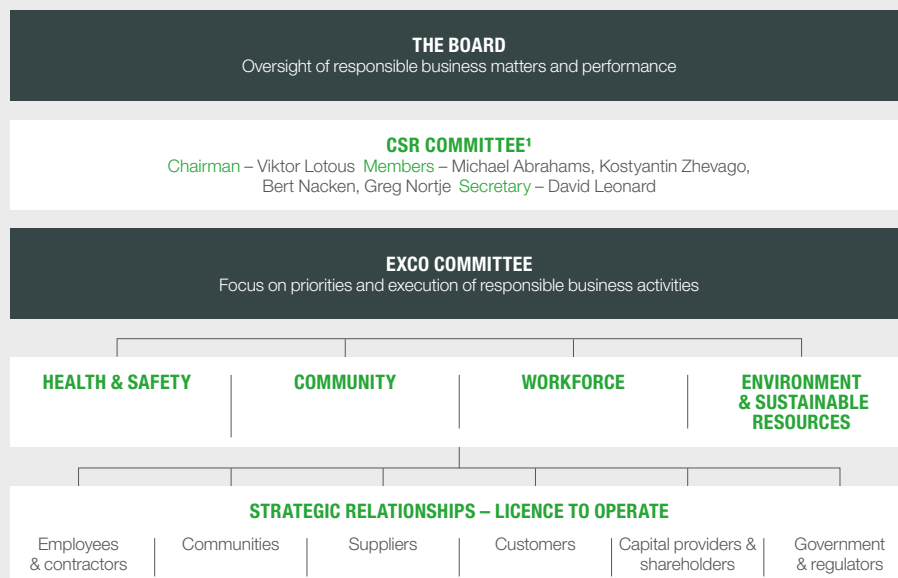
This report covers the Ferrexpo Group of Companies, including both of the Group's operating mines, processing facilities, development stage assets, marketing offices and corporate head offices. This report considers the town of Horishni Plavni (population approximately 55,000), where the mines are based, as the "local" region, as well as any other settlements located within 30km of the mines. This wider region includes the city of Kremenchuk (population 225,000). Elsewhere in Ukraine, this report does not cover the activities of TIS Ruda, a logistics company in which Ferrexpo is a minority partner (49%).

This report does however cover the Company's barging operations in Central Europe, as Ferrexpo is the operator. A full company structure, highlighting the business units that are included in the scope of this report, is provided in the Supplement to this report.

The only materiality threshold applied was the one used by the Company's auditor Ernst and Young for the Company's financial statements, as outlined on page 91 of the 2015 Annual Report.

# RESPONSIBLE BUSINESS GOVERNANCE AND MANAGEMENT FRAMEWORK

The Board's commitment to responsible business stems from a shared belief that the Group's licence to operate will be underpinned by the Group's responsible business performance.



1 Viktor Lotous – FPM Chief Operating Officer and Head of Managing Board; Michael Abrahams – Ferrexpo plc Non-executive Chairman; Bert Nacken – Independent Non-executive Director; Greg Nortje – Group Head of Human Resources; Kostyantyn Zhevago – Ferrexpo plc Chief Executive Officer

A key priority during the year was the review of responsible business activities being undertaken by the Group's operating entities in Ukraine to ensure alignment with the Group's responsible business strategy and eliminate duplication and ensure appropriate positive impact on stakeholders. This included the implementation of centralised responsible business reporting across the Group's three operating entities in Ukraine with data being collected through the Group's financial accounting system. As part of this exercise, stakeholder mapping was undertaken to support the prioritisation of the annual responsible business programme undertaken by operations.

The diagram above highlights the management framework and engagement plan implemented during the year to represent the Group's responsible business activities.

The CSR Committee assists the Board in its oversight of all responsible business related activities. This included full discussions around health and safety including detailed reports on serious and fatal incidents, as well as general responsible business risk control, compliance with regulatory requirements and community spend.

The CSR Committee also oversees the preparation of the responsible business section of Ferrexpo's Annual Report. The health and safety, community, employee and environment (including sustainable resources and Business Improvement Programme) teams support the leadership to the Group by developing and implementing management frameworks; focusing on the prevention of catastrophic and fatal accidents, identifying relevant responsible business trends, tracking performance and reporting against targets and identifying opportunities for improvement.

## Risk Registers

As Ferrexpo continues to mature as an organisation, it initiated a full review of its responsible business strategy in 2015 with the aim of achieving a standardised approach across its three subsidiaries in Ukraine. The Company has recently commenced work to develop a detailed risk register, in which key risks to the business are defined, quantified and ranked accordingly. In 2Q 2015, the development of site risk registers and risk mitigation plans commenced and will be fully implemented in 2016. Risk assessment training is continuing and post completion risk workshops will be undertaken to develop operational risk registers to ensure zero harm to people, the environment and communities surrounding our assets in Ukraine.

# CSR COMMITTEE

The CSR Committee was formed in 2007 and is responsible for making any recommendations to the Board that it considers appropriate in relation to CSR policy, including ethics and business practices, health and safety, environmental and communities.

The Committee's five members (including two Directors) have a range of backgrounds including operations, human resources and corporate governance.

The Committee supports the Board of Directors of the Group by reviewing and approving management's efforts to implement the responsible business

framework, with a focus on the prevention of significant and fatal accidents, workforce well-being and training, progress against CSR priorities set for each year, spending on social projects, and environmental performance, including waste management. The Committee usually meets four times a year.



**Viktor Lotous, FPM Chief Operating Officer and Head of Managing Board**

Viktor Lotous joined FPM in 1986. He became Chief Engineer in 1997, and Head of the Managing Board and Chief Operating Officer in April 2007. He is a graduate of Kryvyi Rih Mining and Ore Institute, and of the Kyiv State Economic University, specialising in Finance.

Viktor also Chairs the Corporate Social Responsibility Committee.



**Michael Abrahams, Ferrexpo plc Non-executive Chairman**

Michael was deputy chairman of Prudential plc until May 2000, and has served as chairman and as a director of a number of quoted and unquoted companies. He was chairman of the London Clinic until March 2012.



**Kostyantyn Zhevago, Ferrexpo plc Chief Executive Officer**

Kostyantyn Zhevago joined the Board as a Non-executive Director on 14 June 2007 and was appointed Chief Executive Officer on 1 November 2008. He is ultimately the controlling shareholder of Ferrexpo. He has been a member of the Ukrainian Parliament since 1998.



**Bert Nacken, Independent Non-executive Director**

Bert obtained a PhD in Chemistry at Aachen University (Germany) before joining Shell/Billiton Research BV in the Netherlands as a metallurgist. In a career spanning 34 years at Billiton and then BHP Billiton, he worked in various operational and management roles throughout the world, notably as President of the Cerro Matoso ferro-nickel operation in Colombia (1997–2001), as President of the Minera Escondida copper mine in Chile (2004–2007), and most recently as the Chief Operating Officer of BHP Billiton Western Australia Iron Ore (2009–2011). Since 2011 he has worked as a consultant to a number of mining companies.



**Greg Nortje, Group Head of Human Resources**

Greg held a variety of international Human Resource leadership positions with Anglo American and BHP Billiton before establishing his own human resources consultancy to a range of clients across the UK. Particular specialisms include project management and business change execution, organisational effectiveness, talent management, governance and compliance, and leadership development. He holds a Bachelor of Arts degree and a post graduate Diploma in Education from the University of the Witwatersrand, together with advanced management qualifications from the University of Stellenbosch Business School and the Gordon Institute of Business Science.

The CSR Committee's Terms of Reference document is provided on the Company's website.

# ENGAGING OUR STAKEHOLDERS ON RESPONSIBLE BUSINESS

**In 2015, Ferrexpo reviewed its engagement programme, including holding discussions with the Group's key stakeholders, as part of a broader review and validation of the structure of the Group's responsible business programme. Based on the stakeholder analysis undertaken, together with feedback from key stakeholders, the Group's responsible business activities were restructured into a more tailored but tighter programme to ensure the impact and relevance of the Group's responsible business activities.**

Identifying stakeholders is the first step in building an engagement policy. Stakeholders are those individuals or groups that have an interest in or may be positively or negatively affected by Ferrexpo's operations. The process includes mapping out the impact that particular stakeholders have or will have on the Group's business, which helps in the prioritisation of the engagement process.

The following parties have been identified as key stakeholders for the Company in Ukraine:

- the Group's workforce;
- Horishni Plavni Municipal Executive Committee, which represents the town where Ferrexpo's mines are based;
- Poltava Regional Council;
- FPM labour union;
- local media;
- local educational institutions;
- capital providers and shareholders;
- clients and customers; and
- regulatory authorities.

The above stakeholders were selected on the basis of an assessment of the Company's impact on the local community, and any issues raised to date by either the Company or stakeholders. A register of key contacts for each stakeholder is kept by the Company, along with a schedule for communicating with each party and desired strategic outcomes.

## Local Presence

In order to succeed as a large business operating in a major town, Ferrexpo believes it should be a significant asset to its country of operation and local community.

The Group has been a consistent employer, investor and tax payer through the commodities cycle and through periods of political instability. Since its IPO on the London Stock Exchange in June 2007, Ferrexpo has paid approximately US\$507 million in income and other taxes in Ukraine as well as US\$105 million for royalty payments. Over 80% of Ferrexpo's total taxes are paid in Ukraine.

The Group has also invested over US\$2 billion into its Ukrainian operations.

The Group is the largest employer in Horishni Plavni, which has a total population of approximately 55,000 people, of which over 11,000 employees and contractors, or around 20%, work for Ferrexpo. In 2015, according to the State Statistics Service of Ukraine, the average wage at Ferrexpo was 72%<sup>1</sup> higher than the national average.

Due to Ferrexpo's presence as a major local employer and its contributions to community initiatives, unemployment in Horishni Plavni is significantly below the national average. To date, Ferrexpo has not experienced any labour or social related disruptions at its operations. Ferrexpo's strategy is to operate responsibly and sensitively, and to assist the local community.

## Determining Our Most Important Issues

The extractive industry covers a wide range of activities, with an equally wide range of impacts on the environment that surrounds the Company's assets – ranging from social impacts, to the environment, economic impacts and communities affected. This section of the report aims to summarise the key activities in each field, and detailed statistics are provided in the Responsible Business Report Supplement to this report.

This report deliberately overlaps with the Company's Annual Report, which is available on the Company's website. Topics highlighted in the Annual Report are chosen on the basis of materiality and relevance to our stakeholders. Additional information is provided in this report, which should be read in conjunction with the Annual Report and Accounts. For the purposes of this report, items have been categorised into specific areas. Responsible business issues are however broad, and individual issues may cover several areas.

Due to the large scale of the Group's mining operations and production facilities any responsible business related incidents have the potential to significantly adversely affect Ferrexpo's employees, local communities, customers, as well as the viability of the Group's operations. In the risk matrix opposite, the Group has identified what it believes to be the most important responsible business related risks as viewed by key stakeholder groups. These risks are linked to the Group's overall strategy. Specifically Ferrexpo's strategic priority of maintaining a licence to operate needs to ensure that the Group encompasses the following priorities:

- a strong health and safety track record;
- a positive significant economic contribution;
- a supportive community that attracts and retains employees to the areas; and
- minimised environmental impact.

Ferrexpo's strategy of being a low cost producer capable of surviving cyclical downturns is also dependent on its Business Improvement Programme and the Group's ability to reduce key consumption norms, such as energy, on a per unit basis while increasing production volumes and the quality of its pellets. Ferrexpo's strategic priority to train and develop its employees should ensure an engaged, able and skilled workforce which underpins the Group's competitive advantages of being an efficient producer of high quality pellets. Lastly, high standards of corporate governance is a requirement of all stakeholders from customers to capital providers.

<sup>1</sup> Source: State Statistics Service Of Ukraine.



## Assessing Key Issues

Our process for establishing materiality involves assessing potential sustainability issues for the current or future impact they may have on Ferrexpo's ability to deliver its strategy and collecting the concerns of stakeholders. Where issues are considered to be important to Ferrexpo and stakeholders, they are included in our sustainability priorities and managed as part of our responsible business strategy.

### Our People Economic Indicators and Business Ethics Environment Community

INCREASING CONCERN TO STAKEHOLDERS	<ul style="list-style-type: none"> <li>Youth cultural development</li> </ul>	<ul style="list-style-type: none"> <li>Job security</li> <li>Local community infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>Community funding</li> <li>Economic viability of operation</li> <li>Consistent quality and reliability of supply</li> </ul>
	<ul style="list-style-type: none"> <li>Learning and development of personnel</li> </ul>	<ul style="list-style-type: none"> <li>Climate change and energy efficiency</li> </ul>	<ul style="list-style-type: none"> <li>Community recreational facilities</li> <li>Sustainable resources and BIP</li> </ul>
		<ul style="list-style-type: none"> <li>Adverse environmental impact</li> <li>Water management</li> </ul>	<ul style="list-style-type: none"> <li>Health &amp; safety performance</li> <li>Community educational support</li> </ul>
INCREASING CURRENT OR POTENTIAL IMPACT ON FERREXPO			

## Our Responsible Business Priorities

### OUR PEOPLE

Safety  
Occupational health  
Diversity  
Local hiring  
Training and development  
Employment and turnover  
Contracts and collective bargaining

**PG12**

### ENVIRONMENT

Energy  
Water  
Greenhouse gases  
Other air emissions  
Land use and rehabilitation

**PG26**



### ECONOMIC INDICATORS AND BUSINESS ETHICS

Financial performance  
Local investment (including purchasing) and recruitment  
Direct value generated  
Wages  
Pensions  
Code of conduct  
Responsible purchasing

**PG22**

### COMMUNITY

Resettlement and closure plans  
Government relations

**PG32**



# OUR PEOPLE

**THE WELL-BEING OF OUR PEOPLE AND WORKFORCE DIVERSITY, WHICH ARE KEY FACTORS IN HAVING AN ENGAGED WORKFORCE THAT IS EMPOWERED AND MOTIVATED.**

Pump Operator I. Stetsenko with Production Supervisor I. Pchelianskiy at Pumping Station 1A

## OUR PEOPLE

**Ferrexpo's long-term sustainability and commercial success is inextricably linked to the high performance of its people. Building an inclusive and engaging culture leads to empowered and motivated employees, and enables the Company to draw on diverse experiences, perspectives and approaches, which encourages innovation and is a source of competitive differentiation.**

### SAFETY GOALS AND PERFORMANCE IN 2015

GOAL	PERFORMANCE
Elimination of fatalities, serious injuries and health impairment through implementing significant risk control procedures.	Zero fatalities recorded in 2015. The Company did unfortunately record one fatality to date in 2016, therefore further progress to yet be made. 
Implement effective health protection and safe workplace system to achieve international standards of safety performance.	Development of a significant incident reporting procedure in 2015 to promote reporting of incidents. Health and safety equipment standardised across the group. 
Further development of safety culture that ensures the Company creates a workplace that minimises the risk of serious injury of health impairment to our workforce.	Lost Time Injury Frequency Rate ("LTIFR") increased in 2016 but remains below 1.0, placing Ferrexpo among the leaders in our industry sector. 

The Group works to attract, develop, motivate and retain great people, driving a culture of engagement that connects employees to the Company's purpose, and drives the achievement of Ferrexpo's business goals.

Ferrexpo aims to have a good understanding of its future long-term demand for people and where they will come from. To meet this demand, building the right capability within the Group is a priority, supported by targeted external recruitment to complement the skills and experiences of existing employees. Effective talent management enables the Group to identify potential and build a strong succession pipeline of future leaders. This approach is underpinned by targeted development programmes and fair and consistent performance management practices that enable clear deliverables to support the business strategy at both the team and individual level.

The Group is committed to treating all employees and business partners with professionalism, dignity and respect. Through instilling fair and consistent employment practices across the employee life cycle, Ferrexpo strengthens its reputation as a responsible corporate citizen. These practices uphold a commitment to human rights, non-discrimination, freedom of association and the right to engage in collective bargaining. In this way, Ferrexpo endeavours to foster a culture where all employees feel appreciated for their initiative and the contribution they make to the Company, rewarding them in a way that aligns with the Company's goals.

Central to the way in which Ferrexpo manages its people is ensuring health, safety and well-being regardless of where people are located or the type of work they perform. Safety is a top priority and is a critical element of the Group's risk management approach. In workplace locations across the globe, Ferrexpo proactively supports

### LTIFR

<1

At under 1.0, Ferrexpo's LTIFR places the Company among the leaders in its industry sector.

employee health and wellness in the workplace which ensures optimal productivity and assists employees to deliver sustainable results.

The vast majority of Ferrexpo's people are located at the Company's operations in Ukraine. Ferrexpo is committed to encouraging the uniqueness of its operations, underpinned by a deep heritage, embedded values and a defined culture, which are all core aspects of what differentiates Ferrexpo as an employer.

### Safety

Ferrexpo's overriding health and safety goal is to achieve "Zero Harm" to employees and contractors. To realise this objective, the Group continues to focus on developing a culture of safe production that is recognised as cost-effective, where safety takes precedence over production and leads to improved workplace conditions and safe work practices and behaviour in the workplace.

In 2009, the Group set itself the objective of achieving the best mining safety record in Ukraine, supported by targets such as a continual reduction in the lost-time frequency rate ("LTIFR") and zero fatalities.

As part of this process, the Group's management has introduced detailed reporting and evaluation of incidents categorised as "near miss" events on the basis that low injury rates do not mean that fatalities could not happen. Rather, the occurrence of "near miss" events can and should be reduced through the analysis of incidents and further developing employee and contractor education programmes as risks evolve and are identified over time. Management aims to actively manage the safety of all those who work on Ferrexpo sites – employees and contractors alike – and believes that with focus and effort over time, the Group's safety performance will continue to improve.

## SAFETY

### Safety – Performance in 2015

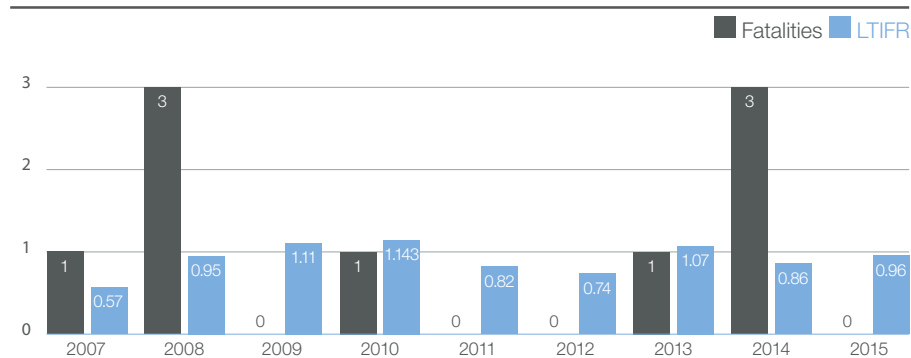
The Company is pleased to report that there were zero fatalities in 2015 (2014: three). Where serious injuries or a fatality occurs, the Company stops activities in the affected area until the appropriate inspections have been completed and remedial actions have taken place, to ensure that no one will be exposed to further risks in the situation. Such incidents are subject to a dedicated investigation by senior management and the issued report is reviewed at both the Company's executive management level and also, separately, by the Board of Directors.

The primary focus in the Company's approach to health and safety at present is the measurement of lagging indicators in safety performance, with specific attention paid to significant incident reporting, which is a major factor in the elimination of fatalities and exposure to fatal risk.

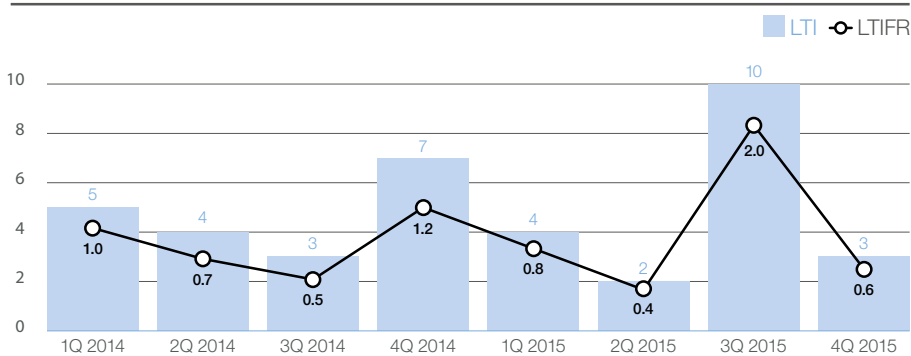
In 2015, the group recorded a total of 19 lost time injuries ("LTIs") (2014: 19), which are defined as an injury from a work related incident that results in the affected employee(s) missing one or more days of work. LTIs are not limited to employees of the business, but also include contractors and employees of our leased barges that operate on the Danube River. Minor (first aid level) injuries that do not require time off work are not included in this level of reporting.

The standard measure for benchmarking LTI progress is the LTIFR, which is the number of LTI incidents recorded per million hours worked. The Group recorded a total of 19.8 million working hours for all employees and contractors (2014: 22.2 million), and a LTIFR of 0.96 (2014: 0.86). This rise in LTIFR was the result of a 19% increase in recorded LTI incidents, particularly in 3Q 2015, when five isolated incidents were recorded at the Company's main operating asset, FPM. This trend is shown in the chart opposite, where the LTI frequency rate rose above 1.0 in 3Q 2015, and analysis of the incidents that occurred in this particular quarter indicated a high proportion related to operators and maintainers falling during the process of accessing and egressing machinery. The predominant causal factor has been the failure to comply with the requirement to maintain three points of contact with the machine at all times. This issue has been reviewed across the business, with retraining and instruction

### Safety Performance 2007–2015



### Lost Time Injury Frequency Rate ("LTIFR")



processes being completed with all staff that access mobile equipment, along with increased auditing and observations by team leaders during periods of high activity, such as shift change overs and meals breaks.

As shown in the chart above, Ferrexpo's LTIFR has remained below 1.0 for the second successive year, which places the Company among the leaders in its industry sector. This level of performance has been maintained since the Company listed in 2007.

The Group is certified for DSTU OHSAS 18001:2010 (operational health and safety system) confirming that it measures and manages its operations in line with international standards of compliance.

A significant incident reporting procedure was developed and implemented in 1Q 2015 to ensure the timely reporting of serious accidents as well as high risk, near miss events, to the senior leadership

of the Group. This has improved the effectiveness of the response to these events as well as created a review mechanism to ensure adequate actions are being taken to prevent recurrence. In 3Q 2015 and 4Q 2015 there was a subsequent improvement in the level of reporting and the process is becoming routine.

During the year, the Group developed and signed a unified health, safety, environment and community policy across all subsidiaries as well as agreed Group-wide requirements for the purchase of health and safety equipment. Standardised health and safety uniforms and personal protective equipment was ordered for all Ferrexpo's operating subsidiaries in Ukraine (FPM, FYM, and FBM), as well as logistics employees.

A full breakdown of the Group's safety performance indicators is provided in the Responsible Business Report Supplement.





Y. Mikolajovych, Maintenance Foreman in FPM Pellet Plant

## CASE STUDY

### Behavioural Safety

Within the framework of the Behavioural Safety Programme, Ferrexpo has developed and implemented "The Regulation on procedures for safety behavioural audit". In 2015, 711 internal auditors carried out 14,086 audits of behavioural safety. The analysis of the conducted behavioural audits shows that the major problems revealed during the inspections were:

- failure to comply with internal labour safety rules and regulations;
- failure to use all elements of Personal Protection Equipment ("PPE") by employees; and
- failure to maintain workplace standards according to safety requirements.

Within the framework of preventive measures, monitoring on whether employees follow safety requirements and risks reduction policies at working places, FPM safety specialists carry out comprehensive, targeted and operational inspections on occupational safety status at working places. In 2015, 5,241 non-conformances were identified, resulted in 1,240 compliance notices, and remedial actions taken in each instance.

The behavioural review process is applicable throughout the Ferrexpo management structure, and senior managers' behaviours are routinely inspected.

### Preventing Fatalities

During the year the Group developed and signed a unified health, safety, environment and community ("HSEC") policy across all subsidiaries as well as agreed Group-wide requirements for the purchase of health and safety equipment. Standardised health and safety uniforms and personal protection equipment was ordered for all FPM, FYM, FBM and logistics employees.

# OCCUPATIONAL HEALTH

The physical well-being of our employees is not only about safety. As a responsible employer, we monitor the health of our employees and take measures to identify, prevent and treat any illnesses that develop as the result of the conditions that employees are subjected to as part of working at the Group's operations.

## OCCUPATIONAL HEALTH GOALS AND PERFORMANCE IN 2015

### GOAL

Improve awareness of occupational health risks and increased reporting of instances of illness caused by occupational risk.

### PERFORMANCE

Efforts to increase awareness of occupational health issues and reporting of new conditions, continue to be developed.



As a mining company, there are specific issues that face operators at our mines and processing plant, such as excessive noise, dust, vibration and manual handling. Where a risk to occupational health has been identified, the Company aims to educate its workforce and provide all the necessary tools and equipment for operators to mitigate such risks.

An illness is considered "occupational" if working conditions are thought to either cause, or exacerbate, the effects of that illness. Examples of occupational illnesses often encountered at a mining company's operations include silicosis, noise induced hearing loss and musculoskeletal disorders. Whilst the risks associated with such illnesses will never be fully eliminated, the Company aims to minimise such risks through the provision of training, equipment, and medication (where necessary), as part of its broader responsible business strategy.

### Occupational Health – Performance in 2015

Employee occupational health and well-being is monitored through an annual medical check of all employees who work in areas requiring strenuous work, or work in a potentially hazardous environment. In 2015, the Company's medical centre carried out annual medical examinations of 9,083 employees.

Every five years, the Company is legislatively required to identify those production areas and jobs which could expose employees to harmful conditions and potentially

negatively impact their health. The statutory five-year review was undertaken in 2015 by specialists of the Scientific and Research Institute of Preventative Medicine, who aim to prevent occupational illnesses and injuries. If an occupational illness is identified or suspected, employees are referred to the Department of Occupational Health and Illnesses at the Kharkov National Medical University.

## MEDICAL CHECKS

# 9,083

In 2015, the Company's medical centre carried out annual medical examinations of 9,083 employees.

Employees that have worked for over ten years in conditions that are considered to have high exposure to dust, noise and other potentially hazardous factors, are put on a prophylactic monitoring programme and undergo sanatorium resort treatment in the specialised resorts of Ukraine. In 2015, 744 FPM employees attended such sanatorium resorts.

The above figure also includes 35 employees that returned from the conflict in the east of Ukraine during 2015 and for whom a sanatorium visit was arranged by the Company. For 25 of these employees it was deemed beneficial for their families to attend as well.

Another key priority during the year was a project to increase self-awareness of employees' own health care. Articles were published in local media and videos were shown on local television highlighting the prevention of occupational disease. An example of one such article is shown below.

6

## ПОДРОБИЦІ

«Гірник» №02 29.01.2016 р.

ФЕРРЕКСПО  
ВАТ «Полтавський ГЗК»

## Без паніки

У зв'язку з санітарно-епідеміологічною ситуацією в країні медико-санітарну частину ВАТ «Полтавський ГЗК» переведено на особливий режим роботи. Персонал МСЧ працює з 7.30 години ранку в повному складі, а відвідувачі з симптомами захворювання йдуть на прийом без спеціальних талонів. У реєстратурі відвідувачам видаються медичні маски.

Профілі міжнародні організації заздалегідь попереджували про міграції небезпечних штамів грипу. Прийшли вони і до України.

ВООЗ і найбільші центри з контролю над захворюваннями США і Європи повідомляють про те, що в нинішньому сезоні серед циркулюючих штамів грипу близько 80% - типу А, у тому числі понад 56% становить вірус H1N1, так званий каліфорнійський, або свинячий. Тобто його набагато більше, ніж було в минулих сезонах. Тільки офіційно зафіксованих летальних випадків в Україні уже понад 100.

Новий вірус, який поєднав у собі геноми пташиного, свинячого і людського грипу, набув здатність приєднуватися до рецепторів легеневої тканини. Звичай-

ються без попереднього запису. Проведення профілактичних медичних оглядів працівників тимчасово припинено.

В реєстратурі всім відвідувачам видають медичні маски. Самі приміщення МСЧ обробляються відповідно до санітарних стандартів (вологе прибирання з належними реагентами, кварцування кабінетів). Лікарів і медичний персонал, що спілкуються із хворими, піддаються найбільшому ризику зараження, забезпечено як зовнішніми, так і внутрішніми засобами захисту.



захворювання, із хронічними хворобами, цукровим діабетом, ослабленим імунітетом, літні люди. Представники професій, які пов'язані з масовими контактами, тобто медичні працівники, вчителі, водії громадського транспорту, продавці тощо.

Одним із засобів захисту є щеплення, проте його потрібно робити до жовтня, тобто до початку так званого епідеміологічного сезону. Передбачити реакцію організму на захворювання незабаром після щеплення неможливо - все-таки він отримає подвійний удар. Окрім того, сьогодні державою не передбачено придбан-

Image above: extract from recent Company article regarding occupational health

# WORKFORCE

Ferrexpo considers its people as its most important asset. As a business that has been in operation for over 35 years, the Company has cultivated a workforce with extensive experience in mining and processing of iron ore. A skilled and engaged workforce is key to the successful performance of the business, and this is only established through targeted recruitment and career development programmes, driven by Ferrexpo's human resources team.

## WORKFORCE GOALS AND PERFORMANCE IN 2015

GOAL	PERFORMANCE	
Implement world class human resource management standards and workforce development that promotes employee engagement and motivation as well as assures senior leadership succession.	Implemented inaugural "Group Leadership Conference" in October 2015, included the top 50 senior managers from across the Group and it is intended to become a key aspect of Ferrexpo's succession planning programme in the future.	⬆
Integrate workforce planning and recruitment systems with life of mine plans and achieve international benchmark productivity and engagement.	Overall site productivity, measured in terms of full-time equivalent employees per pellet produced, increased by approximately 10% in 2015, but productivity levels remain below international standards.	➡
Improve leadership and first line manager competence through employee training and development programmes to improve the effectiveness and the efficiency of the Group's operations.	Continuous development of training and development practices to advance the workforce; 80% of employees underwent training in 2015, with the main forms of training relating to safety and skills.	⬆

## TOTAL EMPLOYEES

# 9,469

Ferrexpo employed a total of 9,469 people across its operating business units in Ukraine, corporate headquarters and marketing offices.

The Ferrexpo Group employed an average of 9,469 employees in 2015 (2014: 9,658), in addition to 1,547 contractors (2014: 1,927). Included within this figure, Ferrexpo employed a total of 9,333 individuals at its operating business units in Ukraine (comprising of FPM, FYM and FBM). A full breakdown of employees by contract type is provided in the Supplement.

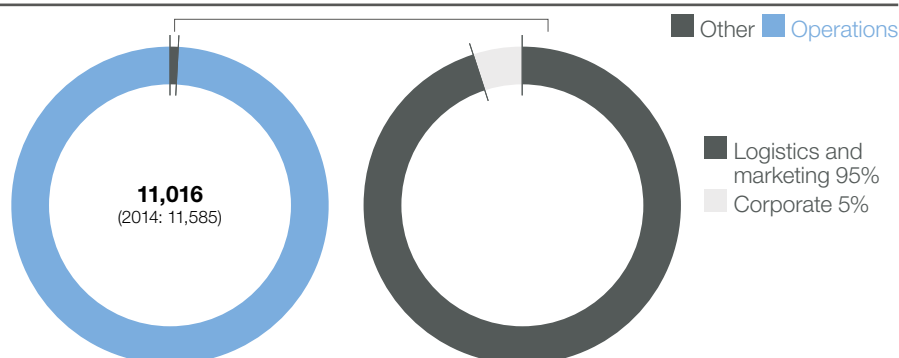
### Workforce Composition – Gender

Ferrexpo values the importance of having a diverse workforce, which enables the Group to draw on diverse experiences, perspectives and approaches which encourages innovation and is a source of competitive differentiation. The Group aims to reflect the societies in which it operates and as a first step has identified a need to increase the participation of women in the workforce. The Group currently tracks the gender balance of its workforce in order to focus on achieving a better balance of men and women across the business. Achieving a better gender balance is an especially key challenge in Ukraine where technical careers remain the choice of few women as a consequence of historical and cultural factors, such as the need to work shifts, and legislated restrictions that prevent women from working in potentially hazardous areas. The Group acknowledges that it has a challenging task ahead in finding effective ways to attract more women into careers in mining.

In 2015, women represented 2,623 of our total workforce, or 28%. In Ukraine, at our operating business units (FPM, FYM and FBM), the ratio was also 28%. At our corporate and marketing offices, the ratio was 21%.

The Ferrexpo Board appointed its first female member in May 2015. Mary Reilly joined as an Independent Non-executive Director and has a background in audit and accountancy, previously working for Deloitte and Arthur Andersen in a career spanning 40 years.

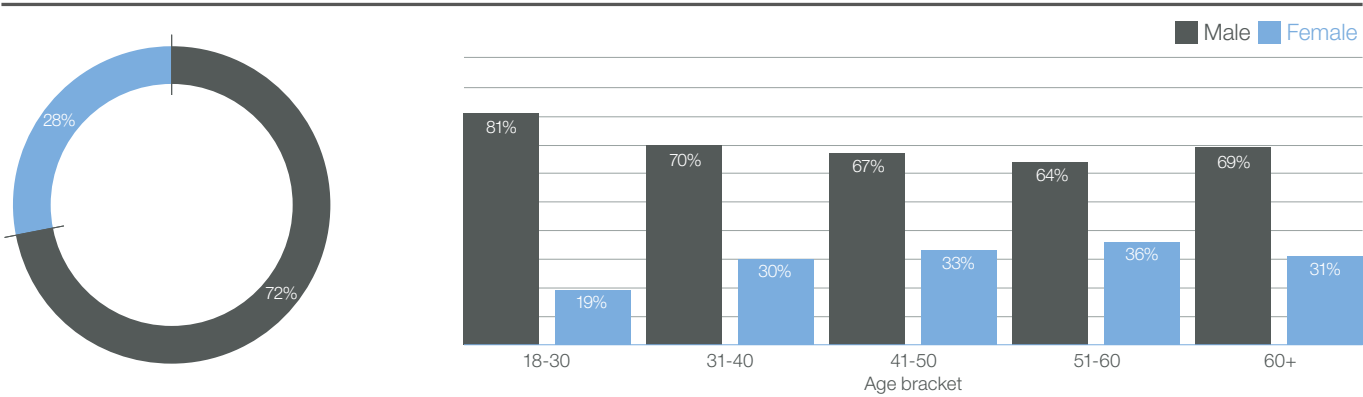
## Distribution of Employees and Contractors in 2015





Mill Operators K. Anatolevich and M. Yurievich, and Concentrate Flotator S. Aleksandrovna in Mill Flotation Area #1

Workforce Composition in 2015





### Local Hiring

Ferrexpo benefits from a high level of secondary and tertiary education in Ukraine, which ensures an adequate supply of skilled labour to meet the Company's workforce requirements. The need to employ expatriate workers is therefore low and is only considered in cases where a high-level of technical specialty is required for a time to facilitate the transfer of these skills to local employees. Consequently, in 2015 the Company only employed five expatriates, constituting 0.05% of the total employee complement (2014 0.06%).

Ferrexpo is the main employer in the town of Horishni Plavni, where operations are located in Ukraine, employing around 20% of the local population. The Company actively hires employees that live in the areas surrounding the Company's operations, as this is an important step to ensure local communities develop the skills required to sustain the Company's operations over the long term, as well as provide support to the local economy. In 2015, of the 472 new hires that joined the business in Ukraine, 98% of which came from the local area (within 30km) surrounding the Company's mines.

At the managerial level, a total of 18 new managers were hired externally, and 94% of these individuals were sourced from the local area.

A table showing a full breakdown of local hires by geographic location of each business unit is shown in the Responsible Business Report Supplement.

### Workforce Hiring – Age Composition

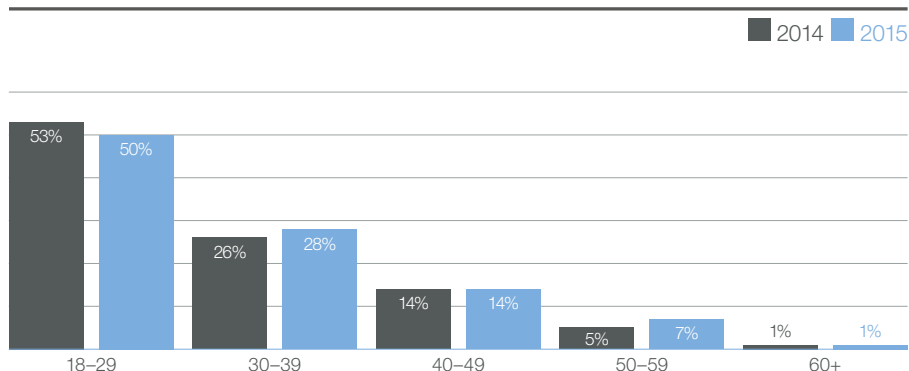
The chart above shows the composition of new hires at Ferrexpo's operating business units in Ukraine, shown in terms of each age bracket.

A full breakdown of the underlying data for employee hiring by age is shown in the Responsible Business Report Supplement.

### Employee Training and Development

The Group's Human Resources ("HR") policies and principles are designed to create an environment that encourages employees to give their best, assisting all individuals who have the will and the competence to develop rewarding careers with the Company.

**Ferrexpo Ukraine: New Hires by Age Bracket in 2015**



The table below provides information on the training provided to employees in 2015.

### Breakdown of Training Provided

	As at Dec-15
Employees trained	
– Safety training	4,255
– Skills training	2,409
– Other functional training	978
<b>Total</b>	<b>7,642</b>
Breakdown	
– Number of administrative staff trained	3,885
– Number of specialist staff trained	1,419
– Number of managerial staff trained	2,338
Training hours undertaken during year	388,962
Number sponsored learners (including bursaries and apprentices)	259

Note: Training figures for FYM corrected following publication of Company's Annual Report.

Human Resources policies also outline Ferrexpo's continued focus on creating opportunities for all employees to enhance their skills and capabilities, and increase the business advantage that flows from a diverse workforce. In addition to maintaining sound HR systems, the Company provides both technical and functional training and operates well-entrenched talent management processes. The latter ensures that succession plans and associated development activities are in place for business critical senior level management roles, which include the advancement of women where not prohibited by law.

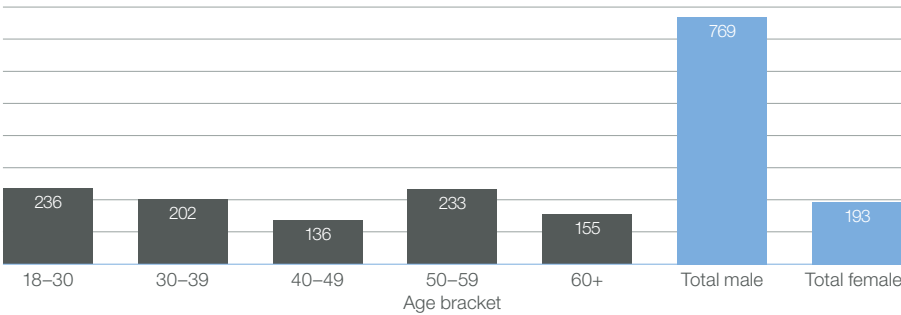
### Workforce Attrition

Ferrexpo employed an average of 9,469 people in 2015, showing a decline of 189 compared to 2014. This reduction was managed through natural attrition,

contract completions, voluntary separation and early retirement. Improvements in the Company's efficiencies meant that replacement individuals were not required for these positions. In order to optimise its workforce and reduce costs, the Company intends to continue its focus on efficiency improvements across the entire Group.

Turnover of employees is measured in terms of voluntary turnover (resignations and retirements) and involuntary turnover (redundancies, resignations to avoid dismissal, plus other factors such as ill health and death). Voluntary turnover in 2015 was 2.6% (2014: 1.7%). Involuntary turnover in 2015 was 7.5% (2014: 6.3%), resulting in a combined turnover rate of 10.2%. Involuntary turnover in males was 11.2% of the total male workforce, whereas the same figure was 7.4% of the female workforce.

Leavers During 2015



Workforce Absenteeism

A total of 230 hours of unauthorised absenteeism was recorded in 2015 (2014: 302 hours). This represents an employee absentee rate of 0.001%.

Workforce Benefits

The Company provides a range of benefits to its staff, with the specific benefits tailored dependent on where the employee is based. The Company does not discriminate between the benefits provided to full-time employees and those working part time or on a fixed-term contract. A matrix showing the full list of benefits offered is presented in the Responsible Business Report Supplement.

Labour Unions and Collective Bargaining

A recognised labour union operates at FPM representing 87% of FPM's workforce. Salaries and wages, as well as some other conditions of employment are determined by a single collective bargaining agreement. The current agreement expires in 2017. The relationship between management and the union remains good. There has been no major industrial action or labour dispute at the Company's Ukrainian operations since its privatisation in 1995.

Under Ukrainian legislation, the Company must provide the labour union with a minimum of three months' notice and affected employees with a minimum of two months' notice before any major changes are enacted within the employee structure.

At FYM an employee representative council, which is made up of employee and management representatives and represents 99% of all employees at FYM, has been constituted to consult and get input from employees on matters affecting the workforce. Meetings of the council are governed by formal terms of reference which are similar in structure to a collective agreement.

At DDSG, the Company's logistics subsidiary operating barges that transport pellets along the Danube River, a total of four employees are represented by a recognised labour union.

The Company's remaining subsidiaries do not have an active labour union or collective bargaining agreement. Overall, across the Ferrexpo Group, a total of 8,231 employees are represented by either a works council or recognised labour union (87% of total).

EMPLOYEES TRAINED

7,642

Ferrexpo trained a total of 7,642 employees in 2015.

Workforce Disputes

The Company can confirm that there have been no strikes or lock outs of any duration at any of its subsidiaries during the reporting period. This is in line with the Company's record in 2014.

Human Rights

Ferrexpo is committed to the adoption of fair labour practices at its workplaces: the Group's conditions of service comply with applicable laws and industry standards. The Group supports the principles set out in the Universal Declaration of Human Rights.

- Ferrexpo promotes workplace equality and seeks to eliminate all forms of discrimination.
- The Group does not tolerate inhumane treatment of employees, including any form of forced labour, physical punishment, or other abuse.
- Ferrexpo prohibits the use of child labour.
- The Group recognises the right of its employees to freedom of association.
- Ferrexpo operates fair and appropriate means for the determination of terms of conditions of employment.
- The Group provides appropriate procedures for the protection of workplace rights and its employees' interests.
- Ferrexpo provides employees with opportunities of enhancing their skills and capabilities, enabling them to develop their careers and to maximise their contribution to the business.



E. Novosiolova, Weigher in Finished Product Dispatch Department, at Scales 106A

- Ferrexpo respects human dignity and the rights of individuals and of the communities associated with its operations.
- The Group seeks to make contributions to the economic, social, and educational well-being of these communities by means that include sponsoring local community events and providing opportunities for employment to workers from the communities surrounding the Group's operations.
- Ferrexpo believes that it has the right and the responsibility to make its positions known to governments on any matters that affect its employees, shareholders, customers or the communities associated with its operations.
- While the primary responsibility for the protection of human rights lies with governments and international organisations, where it is within the Group's power to do so Ferrexpo seeks to promote the observance of human rights in the countries in which it operates.
- Ferrexpo respects the personal participation of its employees in the democratic political process and their right to absolute privacy with regard to personal political activity. The Company will not attempt to influence any such activity, provided there is no disruption to workplace activities and that it does not contribute to industrial unrest.

Protection services are supplied to the Group through an external contract security company. The protection services supplier ensures that its personnel take cognisance of Ferrexpo's stance on human rights, especially in relation to procedures of search, arrest and detention.





# ECONOMIC INDICATORS AND BUSINESS ETHICS

**THE ROLE FERREXPO PLAY IN UKRAINE'S ECONOMY, BOTH AT A NATIONAL LEVEL AND LOCALLY, THROUGH THE PAYMENT OF TAXES, ROYALTIES AND EXPENDITURE IN THE LOCAL COMMUNITY.**

Children at preschool educational institution "Sun" Dmitrov Village Council, in Horishni Plavni



# ECONOMIC INDICATORS AND BUSINESS ETHICS

**The Company is a major employer in the Poltava region of Ukraine, with a wide range of economic benefits to the local and national economy, both direct and indirect. Due to the nature of iron ore deposits being finite, the direct economic benefits of mining and processing iron ore are limited in time to the duration that operations can continue to produce pellets. However the economic benefits of mining should not be transient.**

## ECONOMIC GOALS AND PERFORMANCE IN 2015

### GOAL

**Continue to support the local economy through the provision of goods and services from local suppliers.**

### PERFORMANCE

Increase in spending on services with local companies, representing 25% of the total spend in 2015, compared to 14% in 2014.



Ferrexpo's investments at both the national level, through taxes and royalties, as well as the local level, should be both sustainable and beneficial for all stakeholders.

The economic impact of Ferrexpo's operations within Ukraine is discussed in this section.

### Corporate Level

The Company's total revenue in 2015 was US\$961 million, of which US\$896 million was generated from the sale of its iron ore pellets. A breakdown of Company's cost of sales is presented in the Notes to the Consolidated Financial Statements, which can be found on pages 105 to 160 of the 2015 Annual Report. The Company reports its financial results in line with the International Financial Reporting Standards ("IFRS"), with Ernst and Young the Company's independent auditor.

Since listing in 2007, the Company has contributed US\$507 million in taxes to the Ukrainian government, in addition to US\$105 million of royalty payments. A further US\$2 billion has been invested in the Company's assets during this time, representing over 50% of profits.

The iron ore industry is a global business, and as a result Ferrexpo supplies its pellets to a global array of customers. A full listing of revenues by country is provided in the Responsible Business Report Supplement.

### Local Level (Community Support)

Ferrexpo believes a positive relationship with its local community helps to retain and attract the next generation of employees and underpins its social licence to operate. Building a successful relationship with the community requires a two-way dialogue between the community and the Company so that both parties have a proper understanding of each other's needs.

Ferrexpo has long been a significant investor in local community initiatives since the establishment of the mine investing funds in the social infrastructure of the local town, Horishni Plavni, and the surrounding area. Total expenditure on social projects was US\$39 million in 2014 and US\$26 million in 2015.

Links with the local community are strengthened through meetings with Ferrexpo senior management, as well as supporting local celebration days, giving vocational guidance and vacation work to the students of local schools and organising student excursions to Poltava and its museum.

## CAPITAL INVESTMENT

**+US\$2BN**

US\$2 billion invested in the Company's assets since 2007.

The Group is the largest employer in the town of Horishni Plavni, where the mine is located, which has a total population of approximately 55,000 people, and of which, over 11,000 work for Ferrexpo as either employees or contractors. In 2015, according to the State Statistics Service of Ukraine, the average wage at Ferrexpo was 48% higher than the national average.

Due to Ferrexpo's presence as a major local employer and its contributions to community initiatives, unemployment in Horishni Plavni is significantly below the national average. Since listing on the London Stock Exchange in 2007, Ferrexpo has experienced no significant labour dispute or disruption at its operations. Ferrexpo's strategy is to operate responsibly and sensitively and to assist the local community.

### Direct Economic Value Generated

The Company generated revenue of US\$961 million in 2015 (2014: US\$1,388 million), and this is shown in the Company's Consolidated Income Statement, on page 100 of the Company's 2015 Annual Report. The Company's revenue is entirely generated from the sale of pellets that are produced in Ukraine.

The Company's operating costs in producing its iron ore pellets are incurred entirely in Ukraine. Operating costs (cost of sales) in 2015 were US\$446.8 million (2014: US\$648.0 million).

Employee wages and benefits expenses for the years ended 31 December 2015 and 31 December 2014 are shown in Note 33 of the 2015 Annual Report (page 150)

The table overleaf presents the payments made by the Company and its subsidiaries to governments during the year ended 31 December 2015.

## ECONOMIC INDICATORS AND BUSINESS ETHICS CONTINUED

	Production entitlements US\$'000	Taxes paid US\$'000	Royalties paid US\$'000	Dividends paid US\$'000	Bonuses paid US\$'000	Licences and concessions paid US\$'000	Infrastructure improvements paid US\$'000	Total US\$'000
<b>Ukraine</b>								
State treasury: State budget	–	6,834	11,182	–	–	–	–	18,016
State treasury: Regional budget	–	2,853	2,530	–	–	–	–	5,383
State treasury: Local budget	–	2,607	1	–	–	–	–	2,608
<b>Total Ukraine</b>	<b>–</b>	<b>12,294</b>	<b>13,713</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>26,007</b>
<b>Grand total</b>	<b>–</b>	<b>12,294</b>	<b>13,713</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>26,007</b>

### Pension Plan Obligations

Ferrexpo operates pension plans for employees in some jurisdictions, for example the UK and Singapore, while in others the Company contributes toward state retirement plans operating under the social benefit framework provided in the country in which the employee resides, for example Switzerland and Ukraine. Where the Company directly operates a pension scheme these are defined contribution only, and therefore Ferrexpo does not have a pension funding liability. A full, audited summary of the Company's pension plans for each location where these operate, is provided in note 25 of the Company's 2015 Annual Report (page 131).

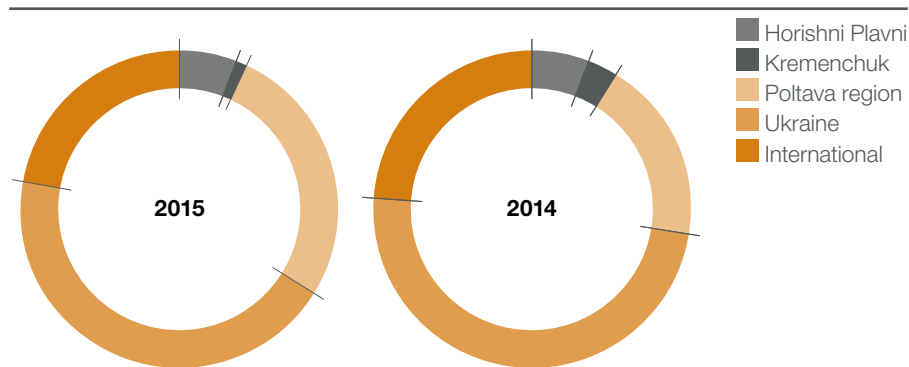
A table providing an overview of the Company's benefits for its employees, split by geographic location, is shown in the Responsible Business Report Supplement.

### Local Suppliers of Goods and Services

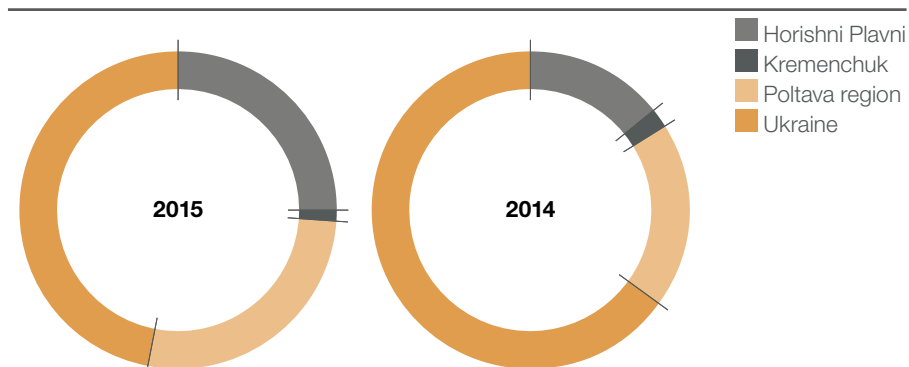
In 2015, at its operating entities in Ukraine, the Company spent a total of UAH 5.8 billion on goods and materials, with 6% of these transactions occurring with suppliers based in the local town of Horishni Plavni, located less than 10km from the Company's mines. A further 72% of expenditure on equipment was made with Ukrainian companies, with 22% of spend occurring outside of Ukraine. A chart showing a comparison of these figures with 2014 is shown opposite, showing the use of suppliers from the local area has been maintained relative to 2014.

At the Group's operating entities in Ukraine, the Group spent a total of UAH 5.4 billion on services, with all of this being spent on Ukrainian service companies. A quarter of this money was spent with companies based in Horishni Plavni, with the remaining 75% spent with companies in wider Ukraine. This balance in 2015 represents a much higher proportion of local suppliers than in 2014, when such service providers represented 14% of the total.

### Local Expenditure: Goods and Materials (%)



### Local Expenditure: Services (%)



Ferrexpo iron ore pellets



### Ferrexpo and the Extractive Industries Transparency Initiative ("EITI")

The EITI is a global standard that promotes the open and accountable management of natural resources. The standard seeks to address the key governance issues of the oil, gas and mining sectors.

Although Ukraine is not currently a compliant country under EITI's framework, Ferrexpo supports the principles of the EITI standard and is currently in discussion to become a full supporting member. Once membership is finalised, a public statement will be released on Ferrexpo's website, with further details provided in our next Responsible Business Report.

To learn more about the EITI programme visit: <https://eiti.org>.

### Business Ethics

The Company's Code on Corporate Responsibility and Business Ethics ("Code") was implemented in 2015 and applies to all employees and operations of the Ferrexpo Group of companies. In addition, it covers contractors, agents and consultants working on behalf of Ferrexpo. The Code is divided into the following three areas:

- **Business Principles** – to maintain high standards of behaviour with all those the Company deals with, both inside and outside the Ferrexpo Group. The Company's conduct and business dealings should be associated with honesty and integrity, making the Company an attractive and reliable business partner.
- **Community Relations** – the Company's presence should benefit those around it and its operations will benefit if local communities are thriving. Any member of the Ferrexpo Group should be considered an attractive local employer.

- **Stewardship** – the Company must develop and manage its resources and facilities in a sensible manner, having regard for the natural and social environment in which it operates. Companies within the Ferrexpo Group should be associated with a commitment to achieving the highest environmental and safety standards.

Implementation of the Code began in 2015, and the Code's successful implementation and ongoing development is a key performance indicator for the Company's Executive Committee and management group.



# ENVIRONMENT

- THE COMPANY'S ENVIRONMENTAL FOOTPRINT, INCLUDING ITS EFFORTS TO MEASURE AND REDUCE WATER CONSUMPTION AND REUSE, ENERGY USAGE AND CO<sub>2</sub> EMISSIONS. BY MEASURING AND BENCHMARKING PERFORMANCE, THE COMPANY INTENDS TO DEMONSTRATE PROGRESS IN REDUCING ITS FOOTPRINT IN EACH AREA.

Regeneration of tailings within tailing storage facility





# ENVIRONMENT

**Ferrexpo recognises that its activities have a significant impact on the natural environment, and it is therefore one of the Company's key responsible business goals to minimise this impact.**

## ENVIRONMENTAL GOALS AND PERFORMANCE IN 2015

GOAL	PERFORMANCE	
Keep controlled emissions (dust, gas and effluent) below permitted limits and reduce further where possible.	Emissions remained within limits throughout 2015 and reduced Carbon Dioxide ("CO <sub>2</sub> ") intensity by 5%.	⬆️
Adapt production techniques so as to minimise use of inputs and minimise waste.	Through increased efficiencies in the processing plant, tailings production reduced by 5% despite overall increase in pellet production.	⬆️
Increase productive output while reducing the impact on the environment through new processes and technology.	Increased water reuse, decreased CO <sub>2</sub> intensity and reduced tailings production in 2015.	⬆️

Aspects of Ferrexpo's operations that affect the environment range from the extraction and discharge of water, to the creation of dust, tailings facilities and waste dumps to the emission of greenhouse gases. As a responsible operator, the Company monitors its footprint on the environment, aiming to mitigate any impact where operations are still taking place, and remediating areas where operations have ceased. Ferrexpo's management understands that this approach

is key to continuing a sustainable operation for the remainder of the mine life, and to also minimise the lasting impact beyond the mine's closure.

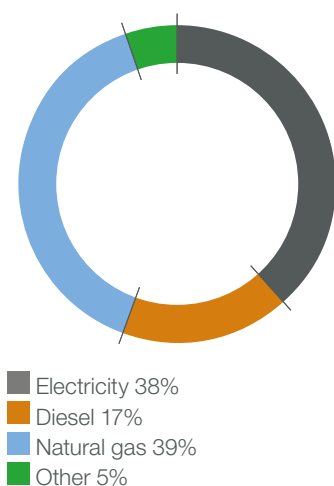
As part of its environmental efforts, Ferrexpo is compliant with DSTU ISO 14001:2006 (environment management system).

### Energy Consumption

For the production of its iron ore pellets, the Company purchases the following sources of energy.

- electricity (national grid);
- steam (government supplied);
- natural gas;
- coal; and
- liquid fuels (petrol, diesel, burning oil/gas oil).

Using the conversion factors as published by the United States Government (US Energy Information Administration), the Company can report it utilised 18.1 petajoules in 2015 (2014: 19.5 petajoules), representing a 7% decrease in overall energy consumption. The main sources of this usage being electricity purchases, natural gas and diesel, which collectively represent 95% of the Company's energy consumption.



A table showing the full breakdown of energy consumption by source is shown in the Responsible Business Report Supplement.

The energy sector in Ukraine has not yet had a significant level of investment in renewable energy, and therefore sources of renewable energy are not common in Ukraine. The Company therefore does not currently purchase, or generate, material amounts of electricity from renewable energy sources, although it is exploring the potential for substitution of existing energy sources with renewable energy and/or biofuels. An example of such a project is the partial substitution of natural gas in the Company's pelletiser with sunflower husks (more detail is provided below). The Company does not sell energy from any direct energy sources.

In September 2015, Ferrexpo began using sunflower husks as a natural gas replacement for one of its four pelletising lines. Ukraine is the largest producer of sunflower seeds in the world and the Group sourced the husks from a local company in the Poltava region. FPM saved over three million cubic metres of natural gas providing a cost saving of US\$0.2 million. In December 2015, line number two of the pelletiser began to use husks. The Group intends to replace up to 30% of its total natural gas consumption in the pelletiser with sunflower husks.

A full listing of the Company's direct and indirect energy consumption, broken down by source is provided in the Responsible Business Report Supplement.

### Energy Intensity

Based on iron ore pellet production of 11.7 million tonnes in 2015, the Company's energy intensity ratio in 2015 was 1.55 gigajoules per tonne of pellets produced (2014: 1.77 gigajoules per tonne), representing a 12% reduction in energy intensity.

### Water Management

The long-term viability of our operations in Ukraine depends on our ability to minimise the water we extract from our surrounding environment, through the efficient use of the water that we extract and by also reusing as much water as is possible to reduce the impact of water we discharge.

ENVIRONMENT CONTINUED

Water is extracted from a variety of sources, with 92% of extracted water coming from two sources – pit water and wells used to dewater the Company’s open pits. Total water extraction decreased by 3% between 2014 and 2015, with this decrease primarily a function of rainfall around the mine.

A proportion of water is discharged without being used by the operations. A total of 19.3 million cubic metres was discharged in this manner in 2015, with 95% of this water discharge coming from the Company’s mine at FYM. Water collected from the Company’s other mine, FPM, is predominantly utilised at the Company’s processing facilities and tailings dam.

Losses from the processing facilities occur when tailings are released at the tailings dam through evaporation, water retained within the tailings and dust suppression.

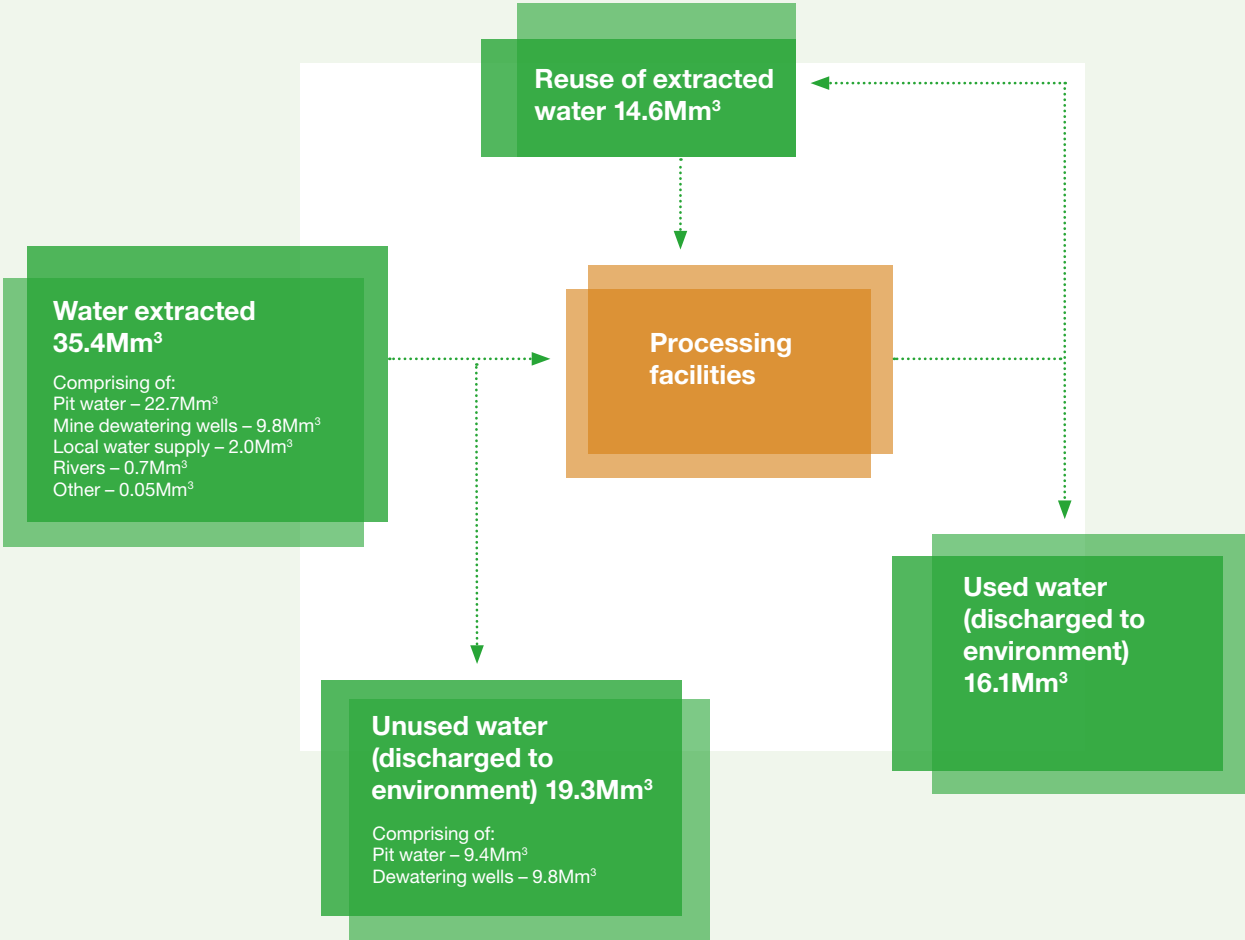
Any discharged process water is treated prior to release in bioengineered facilities and the quality of this water is monitored for its chemical composition. The Company can confirm it remained in compliance with local legislation for water quality in 2015.

Water reuse of 14.6 million cubic metres in 2015 represented a 6% increase on 2014, and represented 41% of water extracted during 2015.

Ferrexpo does not treat water prior to use for production purposes. All rainwater, groundwater and river water that is used in the production process is utilised directly from source. Potable water is either taken as required from the local town’s supply network or treated water is provided by the Company’s water treatment plant.

Ferrexpo does not provide water to any third parties and is solely responsible for its own water collection and discharge.

Mass Balance of Ferrexpo Water Usage, 2015





Aerial view east over the Company's tailings storage facility

## CASE STUDY

The Company reused over 14 million cubic metres of water in 2015, a 6% increase on the previous year, through more efficient storing of water and reduced losses from the processing plant.

### Greenhouse Gas Emissions

Under the auspices of the United Nations, the Intergovernmental Panel on Climate Change has published a series of reports linking greenhouse gases and climate change. Mining is an inherently energy intensive activity, and we acknowledge our role in reducing greenhouse gases in the long term, and we are working towards this goal through our Business Improvement Plan initiatives to reduce consumption of fossil fuels and improve the efficiency of any fuels we do use.

Ferrexpo regularly monitors its emissions, and the Ukrainian government regularly conducts independent reviews of the Company's practices for this process. The business remains in compliance with the relevant regulatory requirements in which we operate. In 2015, the Company produced the equivalent of 2,675 tonnes of CO<sub>2</sub> from energy consumption at its operations, which represents a 0.4% increase over the Company's output in 2014 (2,664 tonnes). The main sources of these CO<sub>2</sub> equivalent tonnes relate to three key areas: electricity

purchased from the Ukrainian national grid (accounting for 77% of equivalent CO<sub>2</sub> emissions), natural gas (13%) and diesel (7%). A full listing in the assumptions used in converting consumption to CO<sub>2</sub> equivalent tonnes is shown in the Responsible Business Report Supplement.

In terms of the intensity of greenhouse gas emissions, specifically the production of equivalent tonnes of CO<sub>2</sub> per tonne of pellets produced, overall emissions fell by 5% in 2015. This fall in the intensity ratio was driven by a rise in pellet production, in addition to an increase in operating efficiencies.

The table overleaf covers all emissions of CO<sub>2</sub> by the Group, with emissions of other gases covered in subsequent sections. The Company does not record its emissions of biogenic CO<sub>2</sub>. 2014 is chosen as a base year for comparison purposes as it represents the most recent period whereby production processes and pellet volumes were directly comparable to 2015. Emissions are reported on a gross basis (rather than equity basis or operational



## CASE STUDY

**Sunflower Husks Project**

The Company began using sunflower husks as a biofuel to partially replace its natural gas consumption in the pelletiser, aiming to eventually replace up to 30% of the Company's gas consumption using this measure, representing the equivalent of 3 million cubic metres of natural gas. Aside from the environmental benefit of utilising a biofuel, the Company expects significant financial benefit from the measure, with over UAH 3.7 million (c.US\$150,000) saved in Q4 2015 alone, whilst the project was being initiated.

control basis). The Company did not engage in any CO<sub>2</sub> trading activities in either 2014 or 2015, and the figures presented in the table below are not adjusted.

**Emissions of NO<sub>x</sub>, SO<sub>x</sub>, CO, and Other Gases (Processing Plant and Associated Buildings Sources)**

Emissions monitoring by the Company also includes other gases, including nitrogen dioxide ("NO<sub>2</sub>"), sulphur dioxide ("SO<sub>2</sub>"), carbon monoxide ("CO") and solid particulate emissions, from processing plant and associated buildings sources. The chart opposite on page 31 demonstrate emissions of gases from processing plant and associated buildings sources since 2014.

The Company's emissions presented here are shown in accordance with the

Company's current emissions allowance, the most recent of which was received in February 2016. Instrument measurements of each gas were carried out by an independent consultancy (Dneprenergostal).

As a result of high temperatures experienced in Ukraine during the summer months, the Company's operations in Ukraine utilise air conditioning units during the summer months, which consume hydrochlorofluorocarbons ("HCFCs"), and hydrofluorocarbons ("HFCs"). These gases are known to be ozone depleting substances, and Ukraine is a signatory to the Kyoto Protocol and Montreal Protocol, which covers the usage of such gases and stipulates that usage is to be reduced and eventually phased out over time.

	Unit	2015	2014	Difference
CO <sub>2</sub> equivalent tonnes				
– Direct sources	(tonnes, 000s)	625	733	-15%
– Indirect sources	(tonnes, 000s)	2,050	1,931	6%
– Total	(tonnes, 000s)	2,675	2,664	0.4
Pellets produced (tonnes CO <sub>2</sub> per 1,000 tonne pellets)	(tonnes, 000s) (tonnes CO <sub>2</sub> per 1,000 tonne pellets)	11,660	11,020	6%
CO <sub>2</sub> intensity	(tonnes CO <sub>2</sub> per 1,000 tonne pellets)	229	242	-5%



### Emissions from Mining Equipment and Light Vehicles (tonnes emitted)

	NO <sub>2</sub>	SO <sub>2</sub>	CO	Solid emissions	CO <sub>2</sub>	NMVOcs	Other
FY 2015 (tonnes)	2,243	298	3,494	383	221	586	36

The Group tracks its usage of CFCs and HCFCs via the data provided by the service companies that administer our air conditioning and refrigeration units (LLC Ferrostroy and LLC "Climate Plus"). These service companies provide usage data on CFCs and HCFCs when new cartridges of these chemicals are required. Total usage of ozone depleting substances has been reduced in 2015 to 204 kilograms, representing a 13% decrease compared to usage in 2014. The following gases are included in this total: R404A, R410A and R22. The Company intends to continue to reduce its consumption via the gradual phasing out of older air conditioning units over time, which is a process that is already under way.

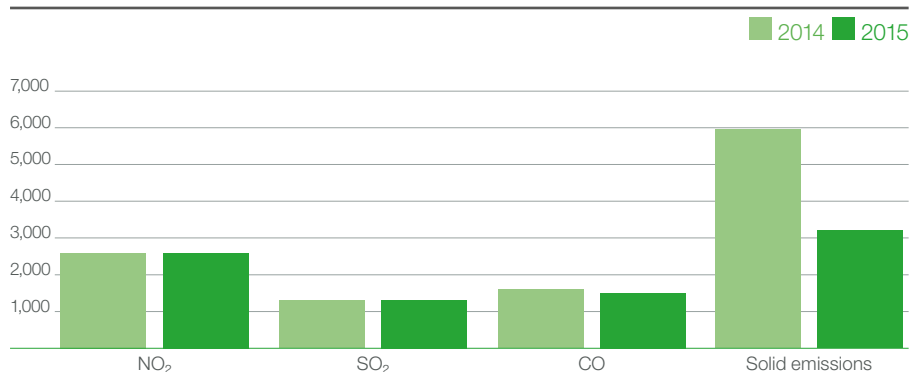
The Company was recorded as exceeding environmental emissions limits once in 2014–2015. On 18 and 19 February 2014, the Company was deemed to have exceeded its emissions limits from the pelletiser. The Company has paid the relevant reclamation amount due for this occurrence and can confirm that this event has been settled. There were no such occurrences during 2015.

The Company does not record the emission of Persistent Organic Pollutants, Volatile Organic Compounds ("VOCs"), Hazardous Air Pollutants ("HAPs") and Stack and Fugitive Emissions from stationary sources.

### Emissions of NO<sub>x</sub>, SO<sub>x</sub>, CO, and Other Gases (Mobile Sources)

Under Ukrainian legislation, all component parts of the Company's two iron ore mines are classified as stationary sources of emissions, with items such as haul trucks and excavators classed as component parts of the mine, just as components of a crusher unit are parts of the processing plant. Further to this, there are potential tax implications if Ferrexpo were to commence reporting of its mining fleet in this report as "mobile" sources of emissions, and therefore the Company does not report its emissions in this report under the headings of "stationary" and "mobile" due to these reasons. In order to reflect the general categories stipulated by the GRI Guidelines, the Company has published its emissions in terms of those produced by: (a) the processing plant and associated buildings; and (b) mining equipment and light vehicles.

### Emissions of Gases from Processing Plant and Associated Buildings Sources (tonnes emitted)



### Land Use and Rehabilitation

The total active area covered by the Company's operations in Ukraine is 5,730 hectares. This area contains two operational mines, one processing facility, a tailings storage facility and various ancillary buildings. Of this total area, 160 hectares was newly disturbed in 2015. Over 50% of the land disturbed by Ferrexpo's operations relates to the Poltava open pit, where mining activities began in 1960, and mining has formed a deep open pit and extensive waste dumps. Due to the long life nature of Ferrexpo's iron ore deposits, no single area has been fully depleted and therefore no rehabilitation took place during 2015. Both open pits, and the associated waste dumps, remain active and therefore rehabilitation of this land will take place once mining activity ceases.

### Volume of Material Moved

Mining requires the removal of overburden to access ore, which is buried at depth. This overburden consists of either sand or rock, and the removal of this waste requires specific areas set aside where it can be safely stored over time. In 2015, the mine excavated 50.6 million tonnes of waste rock and 16.0 million tonnes of sand, which represents a decrease of 42% for the waste rock and a decrease of 55% for the sand, when compared to 2014. The reason for this decrease in waste rock mining was the re-optimisation of the life of mine plan that reduced the amount of waste stripping, which was carried out to improve profitability in a lower iron ore price environment. The waste rock and sand is stored on the Company's own land (on-site storage) and

will either be rehabilitated in situ, or will be used to restore the mine at a later date. The Company's processing plant also produces gravel as a by-product of processing iron ore, and 1.8 million tonnes was produced in 2015 (2014: 1.8 million tonnes). Gravel is distributed around the Company's processing facility to provide an even surface on which to operate, and excess gravel is stockpiled. None of the waste generated by Ferrexpo's operations is considered hazardous and therefore the Company does not operate any facilities for hazardous waste.

Ore tonnes decreased from 41.7 million tonnes in 2014 to 39.0 million tonnes in 2015. This 6% decrease in ore tonnes relates to increased mining at the Company's newest mine – Yeristovo, which can provide a greater proportion of high grade ore per tonne of ore.

Additional materials utilised in the production of iron ore pellets includes grinding media (steel balls, bars and cylpebs), flotation reagent, limestone and bentonite. The quantity of these particular items is provided in detail in the Responsible Business Report Supplement.

The Company has not recorded any significant spill of any chemicals, oils, fuel, tailings or slimes in the past 12 months.

The Company currently does not utilise any renewable or recycled materials in material amounts as part of the production of its iron ore pellets.



# COMMUNITY

- FERREXPO'S ROLE IN THE LOCAL COMMUNITY WHERE THE COMPANY'S MINES ARE LOCATED, WITH AN EMPHASIS ON THE STAKEHOLDER MAPPING PROCESS COMPLETED IN 2015 AND COMMUNITY ACTION PLANS.

Firefighter greets guests at Ferrexpo Family Day



# COMMUNITY AND SOCIETY

**We strive to maintain a mutually beneficial relationship with all stakeholders in our operations, and the Company recognises that its social licence to operate is based on long-term planning, meaningful relationships and respect for our local stakeholders.**

## COMMUNITY AND SOCIETY GOALS AND PERFORMANCE IN 2015

GOAL	PERFORMANCE	
Contribute to the development, education and skills of the local population.	Over 7,500 employees underwent training in 2015, with the majority of Ferrexpo employees coming from the local region.	⬆
Support the modernisation of local community infrastructure, services and sporting facilities.	"Our City" project continues to upgrade pre-school and school infrastructure, under the guidance of the Social Partnership Committee.	⬆
Develop and maintain the local labour pool.	98% of new hires at the Company's operations in Ukraine are sourced from the local community.	⬆
Work with local communities to designate land for mining infrastructure.	Stakeholder mapping process conducted in 1Q 2015 to identify and communicate with key stakeholders.	⬆
Engage regularly, openly and honestly with people affected by Ferrexpo's operations and consider their views and concerns in the Group's decision making.	Updated the stakeholder mapping exercise that was completed in 2015.	⬆
Align the growth of the operations with city planning processes for rural and urban living.	Operations reached a steady state in 2015, with the mining footprint remaining unchanged and mining volumes decreasing.	➡
Work jointly with local communities to create new infrastructure, social programmes, and leisure facilities and activities.	Over UAH 20 million devoted to the maintenance of sports facilities, along with a focus on upgrading equipment at school facilities under the "Our City" programme.	⬆
Develop partnerships that foster sustainable development of host communities, enhance benefits from the Group's operations and contribute to poverty alleviation.	Company's partnership with the local community is realised through the Company's dedicated charity fund.	⬆



Head of FBM, Y. Khimich, awards winners of corporate contest "Easter mosaic"

Through employment, taxes and royalties, we play an important role in the local and national economy, but our footprint stretches beyond financial incentives and investments. The Company has an obligation to maintain its relationships with all stakeholders connected to the mine, and conducted a stakeholder mapping exercise in 2015 (see page 10 – Engaging Our Stakeholders on Responsible Business), and we are proud of our broader contribution to the Poltava region in which we operate.

### Local Community, Resettlement and Closure Plans

We understand the significant impact any resettlement action or displacement of economic activity can have on a mine's local community, and will only carry out such actions when the mine design makes it absolutely necessary. Displacing local communities and businesses can have a significant long-term impact on those being

## KUSANONE PROJECT SUPPORT

The FPM charity fund routinely looks to upgrade the learning facilities at the schools in the district. This includes providing computers and iPads as well as the latest science equipment. The charity fund also works with third parties to bring in further investment to the local community. In 1Q 2015, Ferrexpo's charity fund was one of nine selected by the Japanese government's "Kusanone Project Support" programme, an financial assistance initiative to assist non-governmental organisations to realise development projects. A grant of US\$100,000 was awarded to improve facilities at the schools in Globino district, with work focused on replacing windows and older furniture, providing a new boiler and repairing one school's roof.



Chemistry classroom at school No.2, which was equipped through financial assistance from Ferrexpo's charity fund

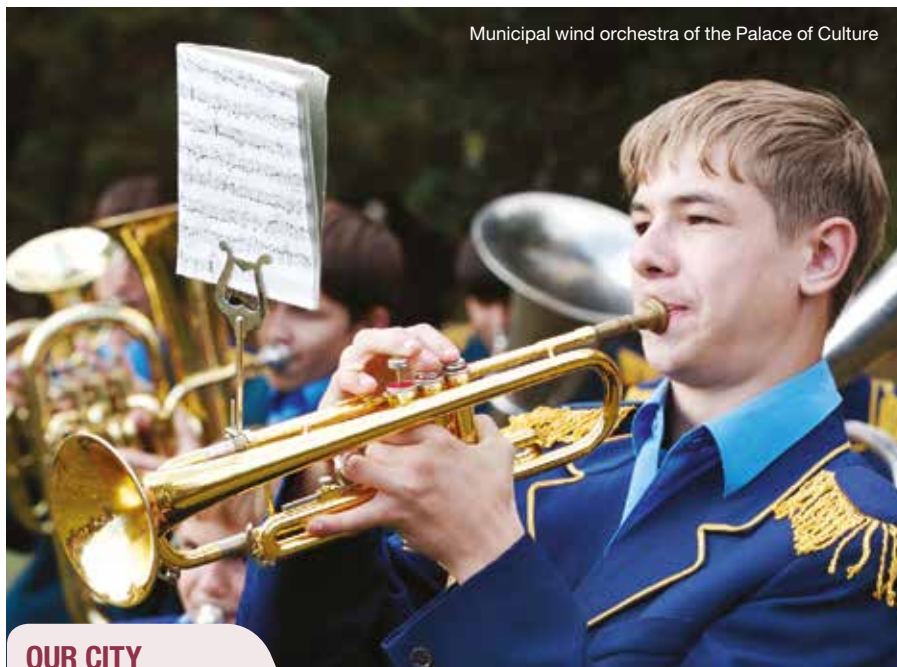


relocated, and we always aim to conduct such exercises via a well-planned and well-managed process, with continuous stakeholder engagement throughout.

The history of mining at our main asset, the Poltava mine, began shortly after the Kremenchuk Magnetic Anomaly was discovered in the late 1950s, and mining has continued uninterrupted since 1961. Until this time, the region surrounding the mine was largely uninhabited and the local town of Horishni Plavni was specifically constructed by the government at the time to house the mineworkers and their families. As a result, there is no record of a resettlement plan of any existing local communities at the time of the construction of the Poltava mine, or during the subsequent construction of the processing plant between 1961 and 1970.

Ferrexpo expanded its operations in 2009, with work to commence mining of a second deposit, Yeristovskoye, which is located approximately 1km to the north of the Poltava mine. As part of this expansion, the Company entered into a consultation period with the four settlements that are situated on the land covering the Yeristovskoye deposit, and baseline data was collected for these villages. Following an initial review, it was determined that resettlement is only required for one village for the first phase of the mine's development, consisting of five houses and two landholdings. As at the end of 2015, the purchase of one property remained outstanding, and the Company continues to consult with the relevant landowner on this matter.

The Company can confirm that no artisanal mining took place at any of the Company's sites in 2015. The reason for this is that the iron ore contained within the Kremenchuk Magnetic Anomaly, where Ferrexpo mines its ore, is magnetite and therefore too low grade for any artisanal mining activity to take place. Any party wishing to mine and process magnetite ores will require significant capital outlay for a processing plant to beneficiate the ore from an in situ grade of approximately 20–30% Fe to above 55% Fe, before steel mills will consider purchasing that product. Ferrexpo primarily beneficiates its ore to pellets with iron ore grade of either 62% or 65% before it is marketed.



Municipal wind orchestra of the Palace of Culture

## OUR CITY

Examples of work undertaken during the year as part of "Our City" project include:

- Upgrade and reconstruction of the heating system at Ryabinka nursery school.
- Refurbishment of the façade of a Goldfish nursery school.
- Reroofing and furniture replacement at Cinderella nursery school.
- Purchase of 12 Lego sets for robot construction at school No.1 and sponsorship of the first Robotics Festival in Komsomolsk.
- Refurbishment of studying and utility rooms at school No.2.
- Refurbishment of classrooms at schools No.5 and No.6.
- Modernising the lighting at all Komsomolsk schools with energy efficient LED technology. This resulted in a significant reduction of electricity consumption.
- Financial support was provided to the Komsomolsk Music School for concert tours.
- Refurbishment of a children's holiday camp to ensure the children are in a safe and comfortable environment.
- Allocation of funds towards the rehabilitation programme of disabled children.
- Construction of an indoor and outdoor tennis centre with the courts' surfaces meeting the standards of the US Open.
- A city wide community education programme.

## Government Relations

Ferrexpo can confirm that it did not make any donation, financial or otherwise, to any political party in Ukraine during either 2014 or 2015. It is Company policy not to make any political donations.

The Company can also confirm that it has not been subject to any legal action for anticompetitive behaviour, anti-trust, or monopoly practices. Ferrexpo remains in full compliance with all local

laws and regulations, both in Ukraine and the other jurisdictions in which it operates, and has not been subject to any significant fines (monetary or otherwise) for non-compliance with any laws.

## Compliance Issues

In 2015, Ferrexpo recorded zero compliance breaches relating to political party donations, anticompetitive behaviour or legal/regulatory non-compliances in any of the countries in which it operates.

# GRI G4 INDEX

This table gives a self-assessment of Ferrexpo's alignment with the Global Reporting Initiative's ("GRI") G4 guidelines, determining that we are in accordance with their "core" level of disclosure. The table provides a reference to where the relevant information can be found, either within this Responsible Business Report or other publicly disclosed documents.

## GENERAL STANDARD DISCLOSURES

Description		Page number	Description		Page number
Strategy and Analysis			Stakeholder Engagement		
G4-1	Chairman’s Statement	P.6	G4-24	List of stakeholder groups engaged by the organisation	P.10
G4-2	Key impacts, risks, and opportunities	P.1; 4-5; 8; 11	G4-25	Basis of identification and selection of stakeholders with whom to engage	P.10
Organisational Profile			G4-26	Approach to stakeholder engagement	P.10
G4-3	Name of reporting organisation	P.2	G4-27	Key topics and concerns raised through stakeholder engagement	P.11
G4-4	Primary brands, products, and services	P.2-3	Report Profile		
G4-5	Location of the organisation’s headquarters	P.2	G4-28	Reporting period	P.2; 3; 8
G4-6	Countries of operation	P.2	G4-29	Date of most recent previous report (if any)	N/A
G4-7	Nature of ownership and legal form	P.2-3	G4-30	Reporting cycle	P.2; 3; 8
G4-8	Markets served	P.3	G4-31	Contact point for questions regarding the report	P.40
G4-9	Scale of the organisation, including employees, operations, revenues, total capitalisation and quantity of products and services	P.2; 3; 4; 5; 23; 24	G4-32	a. Report the “in accordance” option the organisation has chosen b. GRI content Index for the chosen option c. Report the reference to the External Assurance Report	P.36
G4-10	Total number of employees by employment contract, type, location and gender	P.17; 19	G4-33	a. Report the organisation’s policy and current practice with regard to seeking external assurance for the report b. Report the scope and basis of any external assurance provided c. Report the relationship between the organisation and the assurance providers d. Report whether the highest governance body or senior executives are involved in assurance of the Responsible Business Report	N/A
G4-11	Percentage of total employees covered by collective bargaining agreements	P.13; 20	Governance		
G4-12	Description of the supply chain	P.2; 3	G4-34	Governance structure of the organisation	P.7
G4-13	Significant changes during the reporting period regarding the organisation’s size, structure, ownership or its supply chain	P.2; 3	Ethics and Integrity		
G4-14	Report whether and how the precautionary approach or principle is addressed by the organisation	P.7; 8; 11	G4-56	Organisation’s values, principles, standards and norms of behaviour	P.7
G4-15	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or which it endorses	P.3			
G4-16	Memberships of associations and national or international advocacy organisations	P.9			
Identified Material Aspects and Boundaries					
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G4-18	Process for defining the report content and Aspect Boundaries	P.2; 3			
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G4-22	Effect of any restatements provided in previous reports and reasons	P.2; 3			
G4-23	Changes from previous reporting periods in the scope and Aspect Boundaries	P.2; 3			

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G4-EN10	Percentage and total volume of water recycled and reused	P.28
<b>Biodiversity</b>		
G4-EN12	Impacts of activities, products and services on biodiversity	P.31
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<b>Emissions</b>		
G4-EN15	Direct greenhouse gas emissions	P.29
G4-EN18	GHG emissions intensity	P.30-31
G4-EN20	Emissions of ozone depleting substances	P.31
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MM-EN21	Emissions from both major mobile sources and on-site stationary sources	P.30-31
<b>Effluents and Waste</b>		
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MM-EN24	Include spillage of tailings, slimes, or other significant process materials	P.31
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Description		Page number
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G4-LA3	Return to work and retention rates after parental leave by gender	N/A
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	P.19
MM4	Number of strikes and lock-outs exceeding one week's duration by country	P.20
G4-LA6	Type of injury, occupational diseases, lost days, and absenteeism and total number of work-related fatalities by region and gender	P.13-16
MM-LA6	Description of each accident resulting in a fatality and actions taken following the accident	P.14
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MM6	Number and description of significant disputes relating to land use	P.31; 35
MM7	The extent to which grievance mechanisms were used to resolve disputes relating to land use and relations with locals	N/A
GR4-SO6	Total value of financial and in-kind contributions to political parties, politicians and related institutions by country	P.35
GR4-SO7	Total number of legal actions for anticompetitive behaviour, antitrust and monopoly practices and their outcomes	P.35
GR4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	P.35
MM8	Number of Company operating sites where artisanal and small-scale mining ("ASM") takes place on, or adjacent to the site; associated risks and the actions taken to manage and mitigate these risks	P.35
MM9	Sites where resettlements took place, the number of households resettled in each and how their livelihoods were affected in the process	P.33; 35

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