



# 40 10

*Years* **FERREXPO**  
SUPPLYING THE WORLD WITH  
**IRON ORE**  
**PELLETS**

*Years* **FERREXPO**  
on the  
**LONDON**  
**STOCK EXCHANGE**



# INTRODUCTION/OVERVIEW

Ferrexpo has 40 years of experience supplying iron ore pellets to the global steel industry, and has developed a strong network of high quality customers through continued investment in its assets.

Ferrexpo operates two long-life iron ore mines in central Ukraine, near the town of Horishni Plavni. The Group is the third largest exporter of iron ore pellets in the world, behind Vale of Brazil and LKAB of Sweden, with a market share of 8.5%

in 2017. Ferrexpo's iron ore pellets are used in the steelmaking process, with pellets considered a more environmentally friendly feedstock for steel mills than alternative forms of iron ore that are used by blast furnaces. Ferrexpo's

workforce, comprising employees and contractors, comprises over 10,600 people and the Company is a major contributor to the Ukrainian economy.

This report is the Company's third stand-alone Responsible Business Report. Ferrexpo recognises the need for modern companies to demonstrate a social conscience, both for stakeholders in direct contact with Ferrexpo's operations, and for the Company's investors and bondholders around the world. Major investment funds are increasingly taking Environmental, Social and Governance ("ESG") standards into account and there is growing evidence that funds observing ESG standards tend to outperform those that do not<sup>1</sup>.

The Company confirms that there were no material changes to the Company's size, structure or supply chain during 2017.



## OUR WORKFORCE

One of Ferrexpo's core strengths is in its talented and engaged workforce. Ferrexpo's employees and contractors are key stakeholders in the Company's continued success, with health and safety, corporate culture and diversity all important factors in attracting and retaining a motivated workforce.

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## GOVERNANCE AND INTEGRITY

Ferrexpo accounted for 1.9%<sup>2</sup> of total Ukrainian exports in 2017. The Company is an important business on both a local and a national level. Good corporate governance and ethical practices are therefore key to maintaining the Group's social licence to operate.

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### PROTECTING NATURAL ENVIRONMENTS

Ferrexpo's operations cover over 5,000 hectares, and the Company carefully monitors its environmental footprint to manage and mitigate its impact on the natural environment. Examples of monitoring include energy and water usage, emissions and waste generation.

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### STRONG COMMUNITY RELATIONSHIPS

Ferrexpo is an integral part of the local community, employing over 30% of the local working population; it is therefore important that the Group is an active participant in the community, supporting key institutions such as medical and educational facilities, and acting to foster local culture.

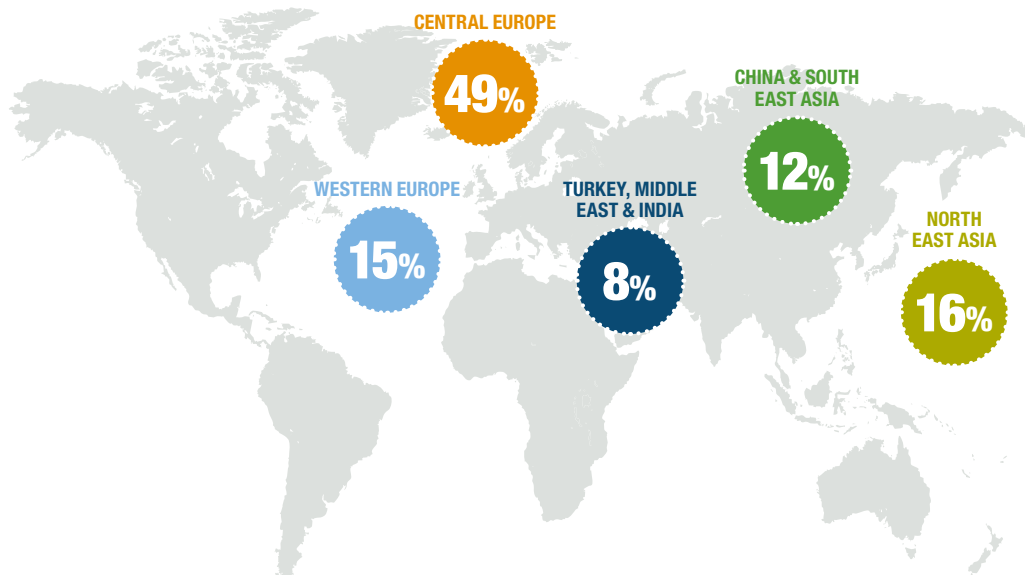
# 28

## ABOUT FERREXPO'S BUSINESS A LONG LIFE RESOURCE

Ferrexpo plc has mining and processing operations in the Poltava region of central Ukraine. The Company's iron ore pellets are produced from ore mined at its two mines, Ferrexpo Poltava Mining ("FPM") and Ferrexpo Yeristovo Mining ("FYM") and are processed into pellets at FPM's processing facilities.

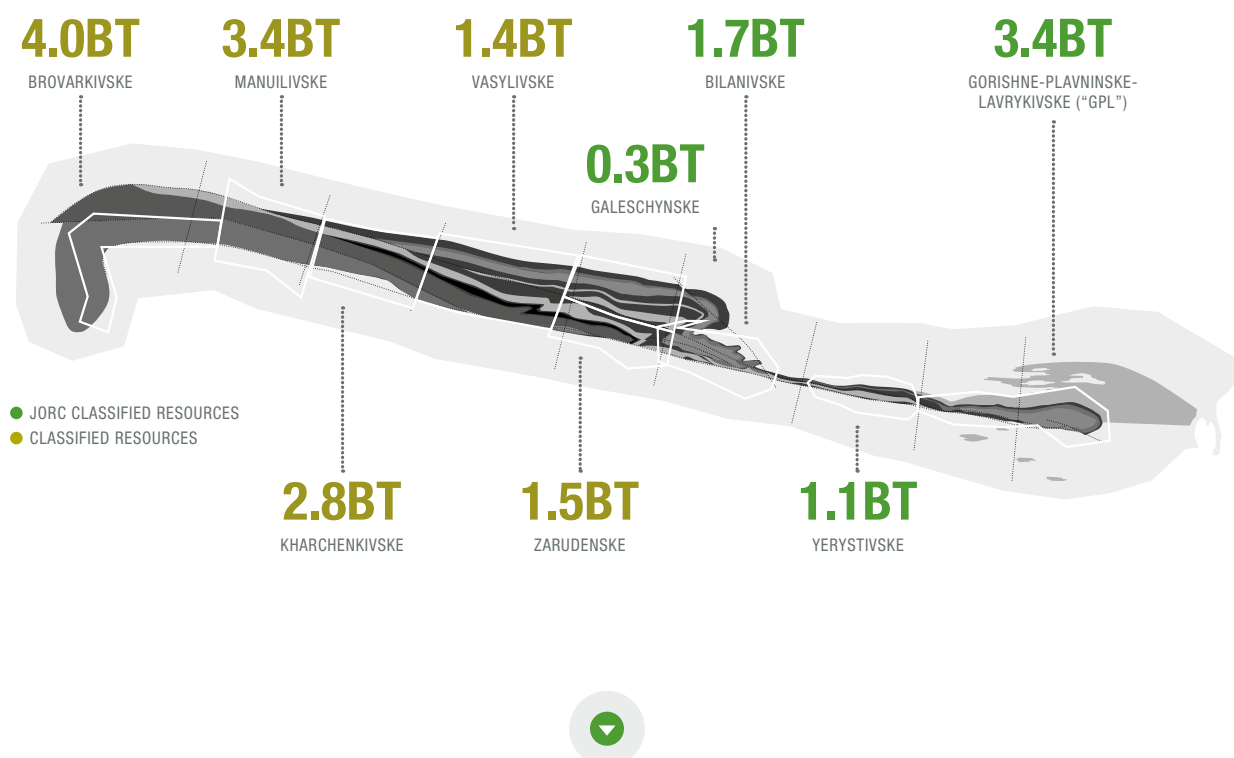


## DIVERSIFIED CUSTOMER BASE

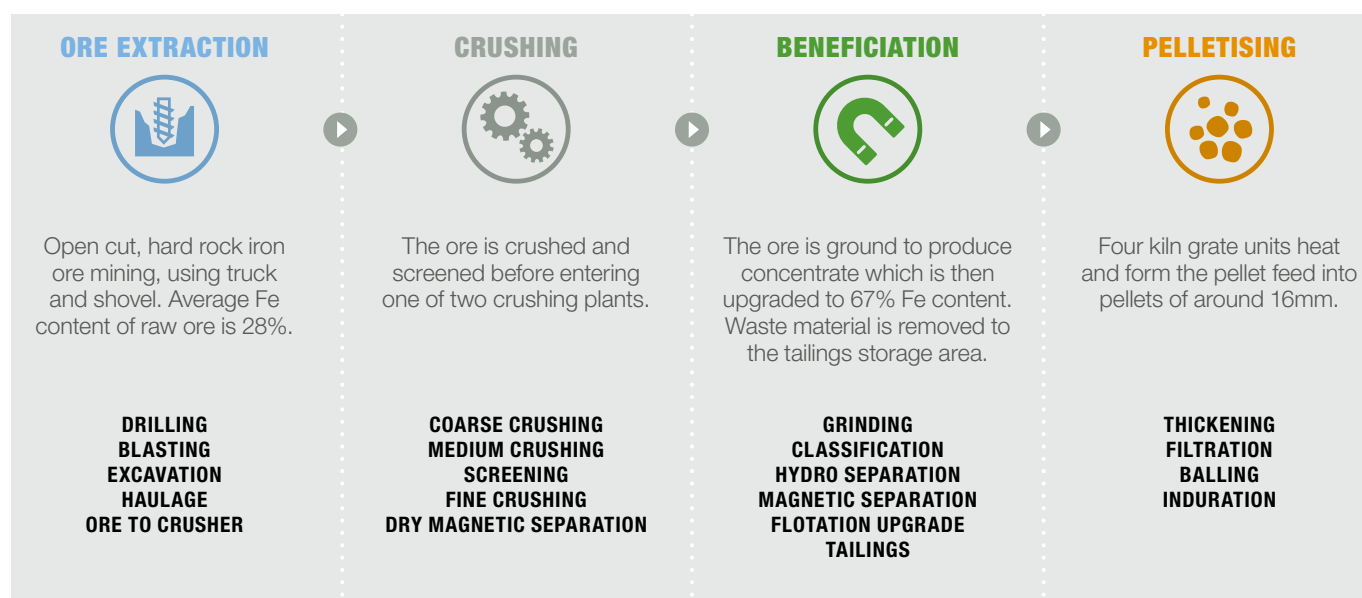


## A SIGNIFICANT RESOURCE BASE

Ferrexpo's significant resource base is situated along a single ore body, which allows for efficient expansion through both greenfield and brownfield developments.



## WELL INVESTED PRODUCTION PROCESS



# FERREXPO'S BUSINESS MODEL

## HOW WE ADD VALUE

### LONG LIFE IRON ORE MAGNETITE DEPOSIT IN UKRAINE

c.28% Fe content

MAGNETITE IRON ORE CAN BE UPGRADED AND ENRICHED THROUGH A **CAPITAL INTENSIVE** PROCESS

#### OTHER KEY INPUTS FOR PRODUCTION PROCESS:

- SKILLED LABOUR FORCE
- RELIABLE SUPPLY OF WATER, ELECTRICITY AND GAS

#### ESTABLISHMENT OF:

- MINE
- PROCESSING PLANT
- PELLETISING PLANT

**FERREXPO HAS INVESTED OVER \$2.15BN SINCE 2007**

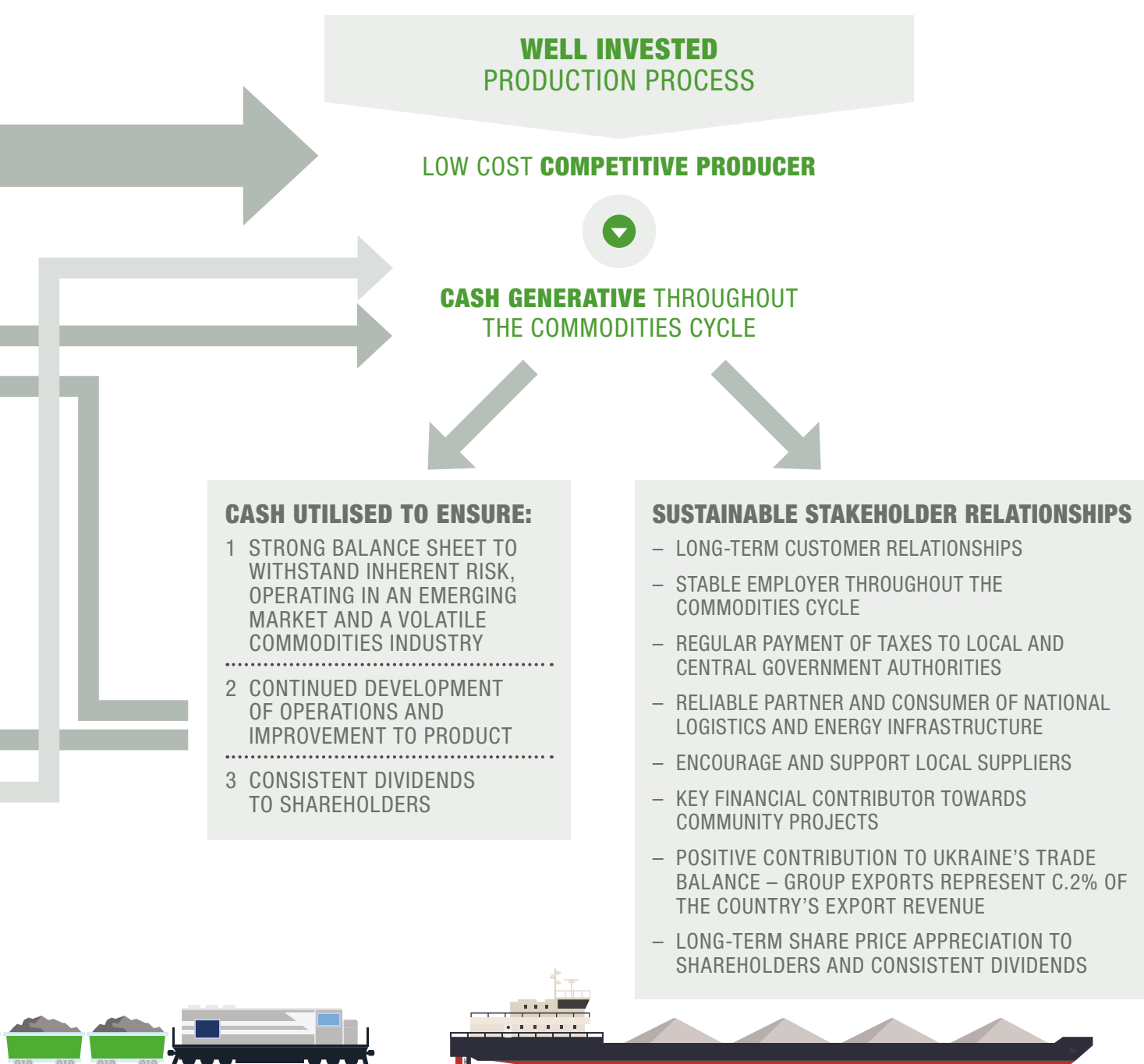
HIGH QUALITY **65% FE IRON ORE** PRODUCT (IN THE FORM OF **PELLETS**)

- CENTRAL EUROPE
- WESTERN EUROPE
- NORTH EAST ASIA
- CHINA & SOUTH EAST ASIA
- TURKEY, MIDDLE EAST, INDIA

- GLOBAL LOGISTICS CAPABILITY
- REGIONAL MARKETING OFFICES

FERREXPO SELLS PELLETS TO A DIVERSIFIED GLOBAL CUSTOMER BASE CONSISTING OF HIGH QUALITY, CRISIS-RESISTANT STEEL MILLS





# SUSTAINABILITY REPORTING

## HOW RESPONSIBILITY IS MEASURED

The Company's Corporate Social Responsibility ("CSR") activities focus on four key areas: people, the environment, economic and corporate governance and communities.

This is the third standalone report on the Company's Corporate Social Responsibility ("CSR") activities, with reports for 2015 and 2016 available on the Company's website ([www.ferrexpo.com](http://www.ferrexpo.com)). This report covers the calendar year 2017, with 2016 used as a comparative period for each data field, unless otherwise stated. Any instances of restatement of data are noted in the section where that data appears. The report boundaries and reporting standards for this report are unchanged, with data included for subsidiaries where Ferrexpo is the operator.

This report is accompanied by a Data Supplement (the "Supplement"), which is intended to be reviewed in conjunction with the report. The Supplement contains a full Company organisation chart showing the Group's subsidiaries.

No materiality threshold has been applied to the responsible business information presented in this report. No external assurance has been sought for this report.

Ferrexpo understands its role in environmental management and recognises the Precautionary Principle, as outlined by the United Nations at its Conference on Environment and Development in 1992, which states that a lack of scientific understanding shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation. Where possible, Ferrexpo uses cost-effective measures to mitigate its impact on the environment.

### Peer Benchmarking

This report contains data that covers a variety of areas, including gender diversity, emissions and donations to community projects. Whilst this report presents changes in the Company's performance year on year, it is also important to publish Ferrexpo's position relative to its peers, so as to provide a broader context to the Company's performance in 2017. To achieve this goal, peer benchmark graphs are provided on a no-names basis in each section, showing Ferrexpo's performance relative to other companies that appear in the top five global iron ore pellet exporters<sup>1</sup>.

### GRI Standards

The Global Reporting Initiative ("GRI") is an independent international organisation that has pioneered sustainability reporting since 1997 and provides a widely used framework for reporting for a range of corporate sectors. GRI reports are freely available online, and as of January 2018 the GRI database contains over 29,000 reports published by nearly 12,000 companies. Publication of a GRI report is becoming increasingly common within the iron ore sector, with the top five global exporters of iron ore all publishing a GRI report in 2017. In line with previous reports, this report has been prepared in accordance with the GRI Standards G4 (Core Option).

### External Initiatives

#### United Nations Sustainable Development Goals

The Sustainable Development Goals ("SDGs"), were published in 2015 as a call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity, and they were

designed to build upon the success of the UN's Millennium Development Goals, published in 2000. The Company presents its data here in the context of the specific goals that apply to Ferrexpo's operations, alongside any commitments made by it in order to further the Company's progress towards these goals.

### FTSE4Good

In 2017 Ferrexpo was included in the FTSE4Good Index following a review of its reporting of responsible business activities. The FTSE4Good Index measures the performance of companies demonstrating strong Environmental, Social and Governance ("ESG") practices, and is a benchmark for investors wishing to invest in companies considered to have responsible ESG practices of a high standard.

### ISO Certification

Ferrexpo's Environmental Management Systems were successfully renewed as being compliant with ISO 14001:2006 in June 2017, following an independent audit.



FTSE4Good



<sup>1</sup> Comprising the following companies: Samarco (Brazil), Iron Ore Company of Canada (Canada) and LKAB (Sweden). Vale is excluded as a comparator on the basis that it publishes group-wide sustainability reports, and iron ore pellets represent less than 15% of total group production.



# CHAIRMAN'S REVIEW

## AIMING TO OUTPERFORM PEERS

2017 marks Ferrexpo's 40th year of continuous operation, and 10th year since the Group listed on the London Stock Exchange.



**VIKTOR LOTOUS**  
CHAIRMAN, CSR COMMITTEE

**This year Ferrexpo celebrated its 40th year of continuous operation, and the 10th year since the Group listed on the London Stock Exchange. Since listing, Ferrexpo has invested over US\$2.15 billion in its operations to extensively modernise its equipment and expand production, as well as continuing to train and develop a skilled and diverse workforce, and has engaged with stakeholders to ensure a successful partnership with local communities. The Company's continued uninterrupted operations shows that this partnership continues to work.**

As an important business both in Ukraine and within the global iron ore pellet market, Ferrexpo's high quality pellet supply represents over 8% of the global seaborne trade in iron ore pellets, making the Company the third largest exporter globally. Within Ukraine, Ferrexpo Poltava Mining was recognised as being one of the largest tax payers nationally in 2017 by the State Fiscal Office. It is one of the largest employers in the Poltava Region, with over 9,000 employees at its operations and directly engages with a further 1,600 contractors. The Group invested US\$28 million on community projects in Ukraine in 2017, representing over 2% of Group revenue.

Ferrexpo was proud to be included for the first time in 2017 in the prestigious FTSE4Good Index, an index measuring performance of companies demonstrating strong Environmental, Social and Governance ("ESG") practices, which includes other mining companies such as Anglo American, Rio Tinto and BHP.

### Health and Safety

Safety performance in 2017 was maintained at an injury frequency rate of 1.17, in line with 2016, and a lower injury rate than the average for the Company's peer group. The Company regrets to report that one fatality occurred at its operations in 2017. The Company, however, continues its efforts to improve safety, with safety expenditure per person increasing by a further 14% in 2017, marking the second successive year in which safety funding increased by more than 10%.

### Skilled and Engaged Workforce

The Company prides itself on the development and training offered to its workforce of over 9,000 employees and 1,600 contractors. Training courses undertaken across the Group increased by 49% in 2017 with the launch of the "Masters School" programme, whereby a selected group of first line supervisors undertook a one-year, 15-module training course with topics such as safety, risk management and IT modules. A total of 127 participants completed the course in its first year, and it is envisaged that a similar number will undertake the course in the coming year.

### Environmental Stewardship

Ferrexpo's mining operations cover 5,000 hectares, and the Group closely monitors its impact on the natural environment in an effort to minimise its environmental footprint through efficiency improvements and sustainable practices.

In order to reduce emissions, sunflower husks continue to be substituted for some of the natural gas in the pelletiser, as natural gas represents a significant proportion of the Company's CO<sub>2</sub> emissions. Gas

consumption per pellet produced has fallen by a quarter since this project commenced in 2015. Other examples of projects to reduce the Company's footprint include an initiative in 2017 to add lime to piped slurry water, which increases pH and helps reduce SO<sub>2</sub> emissions, which fell by 13% in 2017.

### Ethical Business Practices

Ferrexpo's success depends on the Company building trust with its stakeholders and conducting business in a fair, transparent and ethical manner. In pursuing this objective, the Company has implemented a number of e-learning training modules to ensure that the Company's Code of Conduct, which is accessible on the Company's website, is understood and implemented by those acting on behalf of the business. Over 900 members of staff completed anti-corruption training in 2017, with additional courses covering human rights and conflicts of interests also unveiled during the year.

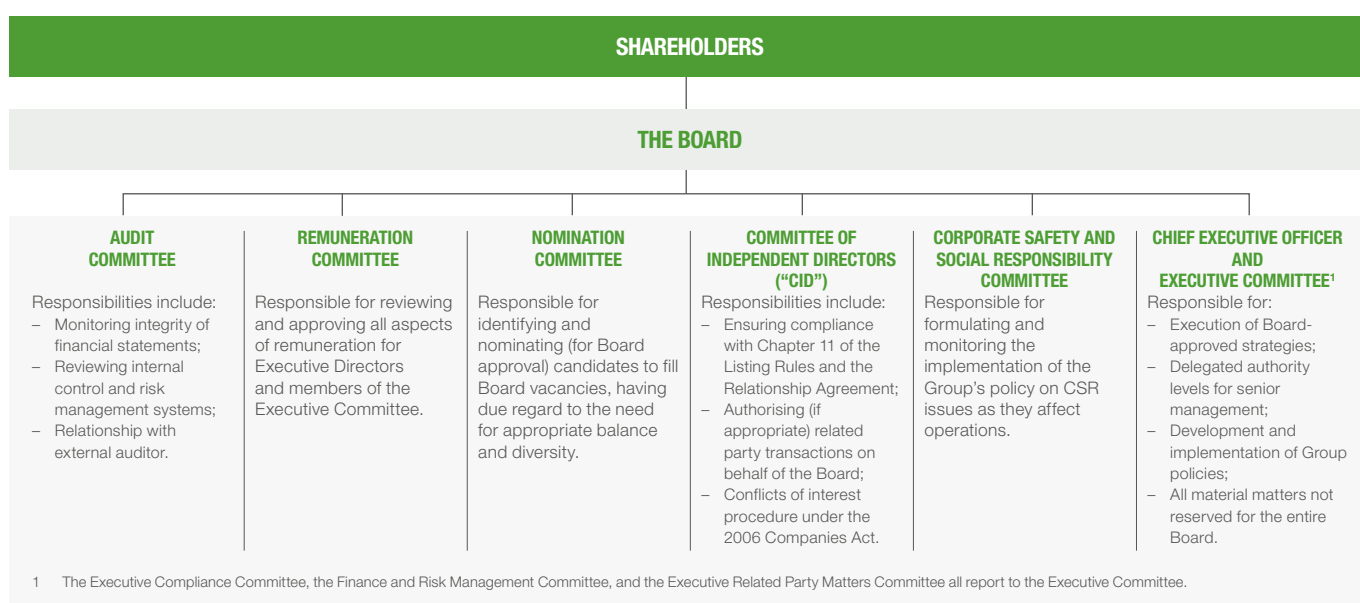
### Strong Ties with Local Communities

Ferrexpo plays an important role in community support, both locally and nationally. Blooming Land, the organisation through which the majority of the Company's community support expenditures are allocated, organised 129 clinics and other events covering three main areas of community support: diabetes awareness and diagnosis, eyesight diagnosis and preventative care, and general support and care for the elderly. Funding also focused on local initiatives through the Ferrexpo Charity Fund, with an inaugural survey of over 4,500 local residents taking place in September 2017, the results of which have highlighted a demand for renovations at the local hospital in Horishni Plavni.

# GOVERNANCE AND MANAGEMENT FRAMEWORK

Ferrexpo's reporting structure for responsible business matters is presented in the diagram below, with the Corporate Safety and Social Responsibility ("CSR") Committee responsible for reviewing issues that appear in this report, and reporting matters to the Board of Directors.

## GOVERNANCE STRUCTURE



The Board is responsible for setting the Group's objectives and policies, providing effective leadership within the framework of prudent and effective controls required for a public company. The Board has a formal schedule setting out the matters requiring Board approval and specifically reserved to it for decision. These include:

- approving the Group strategy and budget;
- annual and long-term capital expenditure plans;
- contracts for more than a certain monetary amount;
- monitoring financial performance and critical business issues;
- approval of major projects and contract awards;
- approval of key policies and procedures including for dividends, treasury, charitable donations and corporate social responsibility;
- approval of procedures for the prevention of fraud and bribery; and
- through the Committee of Independent Directors ("CID"), monitoring and authorising related party transactions.

All of the above matters are important factors in determining the Company's social licence to operate, as they have the potential to significantly affect key stakeholders.

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

### Risk Registers

The Company maintains a register of risks that is checked and updated on a monthly basis. Risks are broadly categorised into the following fields: financial risks, operations and strategy, and country risks (Ukraine). Changes to the risk register are proposed to, and agreed by, the Company's Executive Committee, in addition to the Board of Directors and Audit Committee, with risks reviewed

at each stage where appropriate. Risks are also reported in the Principal Risks section of the Company's Annual Report.

### Code of Conduct

Ferrexpo's Code of Conduct provides employees with contact details for the Company's internal compliance officers, should individuals have a question or concern regarding compliance. The Code also provides details of the Group's "Whistleblowing" procedures, including contact details for an externally hosted whistleblower site, where individuals can report concerns anonymously. In 2017, there were no critical concerns brought to the Audit Committee's attention as a result of whistleblowing.

The Code of Conduct is available on Ferrexpo's website at the following address: [www.ferrexpo.com/responsibility/governance](http://www.ferrexpo.com/responsibility/governance).

## CSR COMMITTEE

The CSR Committee was formed at the time of Ferrexpo's listing in 2007 and makes recommendations to the Board that it considers appropriate in relation to CSR policy, including recommendations concerning ethics and business practices, health and safety, environmental issues and communities.

The Committee's five members (including two Non-executive Directors) have a wide range of experience which includes the running of large-scale mining operations, managing substantial workforces and ensuring high standards of 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 wellbeing 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. Members of the CSR Committee are appointed by the Company's Board of Directors, with the composition and performance of the committee reviewed regularly. There were no changes to the composition of the CSR Committee during the course of 2017.

The terms of reference for the CSR Committee are available on the Company's website at the following address:

<http://www.ferrexpo.com/about-us/corporate-governance/board-committees>.



**VIKTOR LOTOUS**

FPM CHIEF OPERATING OFFICER AND HEAD OF MANAGING BOARD

Viktor Lotous became Chief Engineer in 1997 and General Director and Chief Operating Officer in April 2007.



**STEVE LUCAS**

NON-EXECUTIVE CHAIRMAN OF FERREXPO PLC BOARD

Steve Lucas is a Chartered Accountant with long and wide-ranging financial experience as an executive and non-executive director in the energy and extractive industries, including with Shell and National Grid.



**KOSTYANTIN ZHEVAGO**

FERREXPO PLC CHIEF EXECUTIVE OFFICER

Kostyantyn Zhevago has substantial management and investment experience gained over a 25-year business career in Ukraine. 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 Nacken is a mining engineer with experience of worldwide mining operations acquired over a 34-year career with BHP Billiton and Billiton International Metals.



**GREG NORTJE**

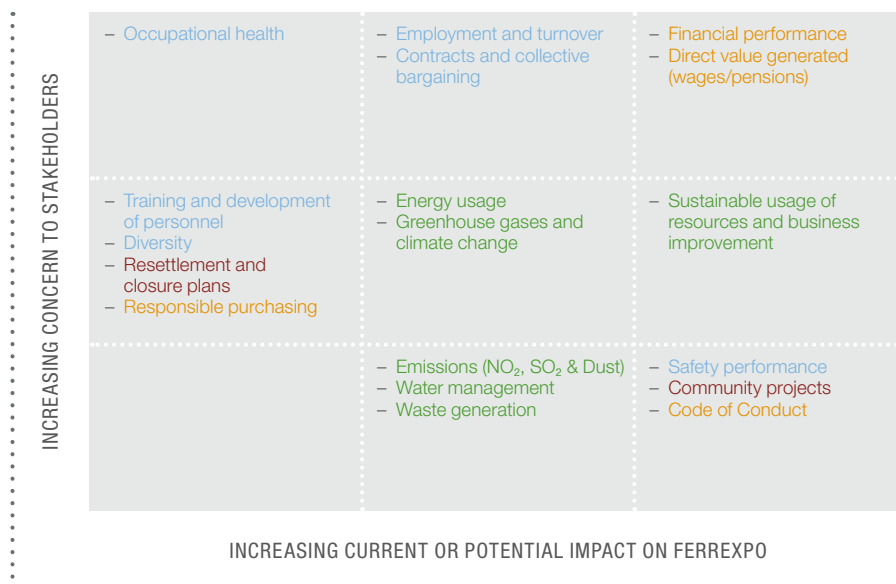
GROUP HEAD OF HUMAN RESOURCES

Greg Nortje is Group Head of Human Resources and has substantial people management experience gained in a variety of international human resource leadership positions with Anglo American, BHP Billiton, SMFG and De Beers.

# ENGAGING WITH STAKEHOLDERS

## ASSESSING KEY ISSUES

### MATERIALITY INDEX



### OUR APPROACH TO BEING A RESPONSIBLE BUSINESS

#### OUR OPERATIONS

LOGISTICS

WORKFORCE

MARKETING

PROCESSING

RESOURCE BASE

MINING

#### OUR RESPONSIBLE APPROACH



##### OUR PEOPLE

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



##### COMMUNITY

- Community support donations
- Government relations
- Resettlement and closure plans



##### ECONOMIC INDICATORS AND BUSINESS ETHICS

- Financial performance
- Local investment (including purchasing) and recruitment
- Direct value generated
- Code of Conduct
- Responsible purchasing



##### ENVIRONMENT

- Energy
- Water
- Greenhouse gases
- Other air emissions
- Land use and rehabilitation

#### OUR STAKEHOLDERS

GOVERNMENT

INVESTORS

SUPPLIERS

WORKFORCE

COMMUNITIES

CUSTOMERS

CAPITAL PROVIDERS

# RESPONSIBLE BUSINESS PRIORITIES

## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS



### SAFEGUARDING OUR WORKFORCE

- Achieve zero fatalities across all operations (2017: one)
- Year-on-year reduction in Group LTIFR (2016/17: flat at 1.17x)

#### UN Sustainable Development Goals



### ENVIRONMENTAL STEWARDSHIP

- Maintain high level of natural gas substitution by biofuels, representing 19% of energy mix in pelletiser in 2017 (2016: 15%)
- Further reduce direct CO<sub>2</sub> emissions through sustainable initiatives (2017: +3% increase in intensity ratio)

#### UN Sustainable Development Goals



### MAINTAINING A SOCIAL LICENCE TO OPERATE THROUGH ETHICAL BUSINESS

- Build strong relationships through fair and transparent practices
- Maintain a risk register and identify counterparty risk in all business activities
- Maintain zero tolerance approach to corruption

#### UN Sustainable Development Goals



### PROMOTING DIVERSITY IN THE WORKPLACE

- Increase the representation of women in management to 24% by 2021 (2017: 20%)
- Maintain 4% of workforce registered as disabled at operations in Ukraine (legal requirement) (2017: 4.6%)
- Annually, support a CSR programme empowering women (see Women in Mining case study, page 15)

#### UN Sustainable Development Goals



### DECENT WORK AND COMBATING POVERTY

- Fair and decent employment, with 98% of employees on permanent contracts
- Average salaries at Ferrexpo's mines in 2017 were 48% above the official national average salary for Ukraine

#### UN Sustainable Development Goals



### ENGAGING WITH LOCAL COMMUNITIES

- Contribute to development, education and skills of local population (2017: projects ongoing in 11 local towns and villages)
- Provide targeted assistance to local communities (2017: 2.4% of revenue spent on community projects)

#### UN Sustainable Development Goals



### PROTECT HEALTHY WATER SUPPLIES

- Maintain high level of water reuse (2017: 39%)
- Protect environments by continuing to treat discharge water to meet standards
- Continue water supply projects for rural communities; Solonytsya water borehole completed in 2017

#### UN Sustainable Development Goals



### TAX RESPONSIBILITY

- Publishing clear and concise information on payments to governments, in line with industry best practice
- Ferrexpo Poltava Mining listed as one of the largest tax paying entities by the Ukrainian Fiscal Service in 2017

#### UN Sustainable Development Goals







## **PEOPLE**

# **AN ENGAGED AND SKILLED WORKFORCE**

One of Ferrexpo's core strengths is its committed, talented workforce, and regardless of whether individuals are directly employed or subcontractors, they are key stakeholders in the Company's continued success.





# 14%

INCREASE IN TRAINING  
EXPENDITURE

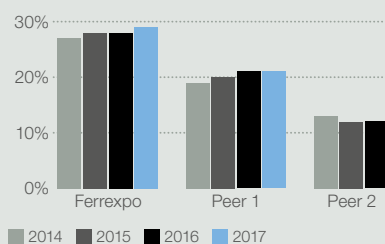
# 1.17

LOST TIME INJURY  
FREQUENCY RATE PER  
1,000,000 WORKING HOURS  
(2016: 1.17)

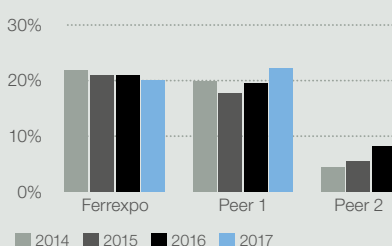
## BENCHMARKING PERFORMANCE – FEMALE REPRESENTATION

Ferrexpo continues to compare favourably with its peer group, increasing female representation in the workforce by a further percentage point between 2016 and 2017, to 29%. Female managers as a proportion of total management workforce decreased by 1% in 2017 as a result of an increase in recruitment in management roles in the mining department at FYM, a role which Ukrainian legislation has historically restricted to men.

### WOMEN AS A PROPORTION OF TOTAL EMPLOYEES



### FEMALE MANAGERS AS A PROPORTION OF TOTAL MANAGERS



## Safety

The health and safety of the Company's workforce is of paramount importance to the business. Health and safety practices are regularly reviewed throughout the business, with preventative measures taken to ensure a safe working environment and wellbeing for all employees and contractors, with the aim of achieving continuous improvement in all safety-related work practices. Policies relating to health and safety are reviewed by the Company's Executive Committee.

The Company's health and safety principles include:

- assessing employee exposure to hazards, and guarding against harm by providing training and protective equipment and clothing;
- ensuring that there are adequate emergency response procedures and equipment;
- following all applicable legal and regulatory requirements;
- providing suitable resources and training relating to health and safety management; and
- investigating harmful incidents, understanding their causes and putting in place risk mitigation measures.

Health and safety measures are applied to contractors and employees alike. Any safety incident is taken very seriously, and reports on such incidents are sent to the CEO, Executive Committee and Board of Directors for review. At the Company's operations, heads of departments chair safety committees within their operational

areas that check safety procedures on a weekly basis, with action points logged and passed to the relevant safety personnel.

All of Ferrexpo's operational sites are compliant with OHSAS 18001:2010 (Operational Health and Safety Systems).

## Safety Performance in 2017

The Company strives for a zero-harm culture, and risk assessments are conducted on each new activity. All safety-related incidents are subject to a thorough internal investigation, with action points to ensure that the key risk factors are well understood and managed in future.

It was with sincere regret that the Company reported one fatality at its operations in 2017 (2016: two).

In February 2017, a truck driver was fatally injured whilst conducting repairs on his vehicle in the maintenance department. The Company believes that all injuries are preventable and, accordingly, a thorough investigation has been undertaken and appropriate remedial actions have been implemented to ensure that this does not happen again.

## KPIs

GOAL	PERFORMANCE
To operate fatality free	One fatality in 2017
Maintain injury frequency rate below peers	LTIFR remains in line with 2016 and sustained at a level below peers

# PEOPLE

## CONTINUED

### CASE STUDY

#### LEADERSHIP CONFERENCE, KYIV (OCTOBER 2017)



Ferrexpo aims to train and develop its workforce at all levels. In October 2017, the Company held its second Senior Leadership Conference in Kyiv, bringing together the Group's long-term business strategy. As part of the Group's talent management strategy, an inaugural Business Leadership Programme was held in 2017, focusing on the development

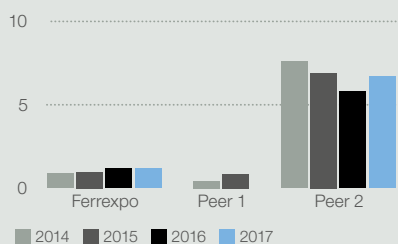
of senior leaders in business-critical positions and their potential successors, with 19 participants attending a ten-week inaugural programme. The programme was run in partnership with the House of Knowledge, a Kyiv-based training organisation affiliated to the Edinburgh Business School.

The Company measures day-to-day safety performance by recording lost time injuries ("LTIs"), which are incidents that result in an employee or contractor missing a day of work, per million hours worked, referred to as the Lost Time Injury Frequency Rate ("LTIFR"). Ferrexpo has published its LTIFR since listing in 2007 in order to provide a consistent benchmark for performance. Ferrexpo's Group LTIFR for 2017, covering employees and contractors at its operations in Ukraine and at its barging subsidiary, was 1.17, a result in line with 2016.

A total of 23 LTIs were recorded across Ferrexpo's operations in 2017 (2016: 22). The primary causal factor in the majority of incidents in 2017 was a failure to observe existing safety procedures. There was also a number of slip, trip and fall incidents. Across the Company's workforce, a total of 934 lost days were registered in 2017, a 26% decrease year on year.

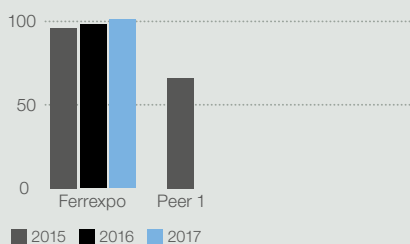
The Company has further increased its expenditure on safety in 2017, the second successive year expenditure per employee has increased by over 10%. An external safety audit was conducted in 2017 at FPM, with the review investigating the departments with the highest incident rates and the main contributing factors. The Group safety department arranged for 2,349 employees to participate in safety courses led by external safety trainers, and the Company aims to give first aid training to 20% of all employees.

#### BENCHMARKING PERFORMANCE – LTIFR (INJURIES PER MILLION HOURS WORKED)



Ferrexpo recorded a second successive year with a LTIFR of 1.17, which represents safety performance that is either comparable with, or ahead of, Ferrexpo's peers, as shown in the chart above. Ferrexpo's result is also ahead of the government of Western Australia's benchmark LTIFR rate of 5.6, used to evaluate performance of mining operations<sup>1</sup>.

#### BENCHMARKING PERFORMANCE – HEALTH CHECKS (% OF TOTAL EMPLOYEES)



Ferrexpo has an employee health screening programme that aims to provide annual health checks to 100% of employees at its operating subsidiaries in Ukraine. In 2017, 8,724 health checks were carried out on employees of FPM, FYM and FBM, representing the equivalent of over one health check per employee (2016: 98% of employees).

#### Behavioural Safety

Ferrexpo regularly undertakes behavioural safety audits to ensure best practice and identify areas for potential improvement. A total of 12,844 behavioural safety checks were carried out during the year (2016: 12,944), with the main areas of non-conformity including failure to utilise the correct personal protective equipment and failure to maintain workplace order in line with safety requirements. A total of 4,829 non-conformity notifications were issued during the year (2016: 5,381), underlining the Company's efforts to improve safety conditions and practices.

#### Occupational Health

One case of silicosis was reported during 2017, with the individual involved – a maintenance fitter at FPM – currently receiving the necessary care and treatment.

#### Global Health Issues

The Company does not operate in areas where workers are exposed to location-specific diseases such as malaria.

<sup>1</sup> [https://www.commerce.wa.gov.au/sites/default/files/atoms/files/industry\\_benchmarks\\_2015-16p\\_.pdf](https://www.commerce.wa.gov.au/sites/default/files/atoms/files/industry_benchmarks_2015-16p_.pdf)



## CASE STUDY

### WOMEN IN MINING



**In January 2018, the Ukrainian government passed laws that repealed a 25-year-old law that had banned women from certain workplaces and activities deemed to be hazardous, which included activities directly related to mining.**

Ferrexpo sees this as an opportunity to expand diversity into a new part of its operations, and has initiated a recruitment and training programme to attract women to apply for roles in mining, specifically as light vehicle and truck drivers.

A total of five women have been recruited for this purpose to date, with training underway for a 'C licence' for driving light vehicles in the mine, with this training expected to complete in the summer of 2018, and further training for 'B licences' for driving Belaz haul trucks by early 2019.

the local area. In 2017, 81% of new staff came from within 30 kilometres of Ferrexpo's operations (2016: 86%). The proportion of local hiring decreased in 2017 due to increased turnover amongst departments such as mining, maintenance, railway transport, and other areas where skill sets are readily transferable to other countries across Eastern Europe, with recent economic instability in Ukraine resulting in individuals seeking employment abroad, and these specialist workers are not readily replaceable within the mine's local area.

A total of 168 new positions were created in 2017, up from 74 in 2016.

#### Employee Turnover

A total of 192 employees resigned in 2017, an increase of 34 over 2016. 83 employees were either made redundant or resigned to avoid dismissal, and a further 815 individuals departed for reasons such as retirement or ill health. The total number of employee departures in 2017 was in line with 2016, and with the same gender split as seen in 2016 (23% female). The composition of the employees departing by gender and age is provided in the Supplement. The Company confirms that there were no major layoff events during the year.

#### Absenteeism

A total of 472 hours of unauthorised employee absence were recorded in 2017 (2016: 237), representing an employee absence rate of 0.003% (2016: 0.001%).

#### Workforce Composition

The Company measures workforce composition using a number of metrics, including gender and disability. The Company compares favourably with its peers in terms of gender diversity for the Company's workforce as a whole and for management positions, with 29% and 20% representation respectively. Additionally, following a change in Ukrainian legislation in December 2017 to remove restrictions on the deployment of women in specific operational roles, the Company is now seeking to lead the way in this field by hiring female heavy vehicle drivers for its operations and is targeting deployment by early 2019.

In terms of disability diversity, Ukrainian legislation requires companies with more than 25 employees to employ a minimum of 4% of its workforce as those with disabilities. Ferrexpo exceeds this requirement, with 4.6% of total employees registered as having disabled status in 2017 (2016: 4.5%).

# 9,063

**EMPLOYEES IN 2017, MAKING FERREXPO  
A MAJOR EMPLOYER IN CENTRAL UKRAINE**

#### Workforce

##### Total Workforce

Ferrexpo employed an average of 9,063 people in 2017 (2016: 9,121), with the overwhelming majority living in local communities surrounding its operations. Ferrexpo is dedicated to long-term engagement with its workforce; over 98% of employees are on permanent, full-time contracts, and 52% of employees at the Company's operating mines in Ukraine have been with the Company for at least five years. Ferrexpo is one of the largest employers in central Ukraine, employing the equivalent of 30% of the working age population of the local town of Horishni Plavni.

##### Recruitment

Ferrexpo aims to support local communities by hiring employees from

## PEOPLE

CONTINUED

## CASE STUDY

## EMPLOYEE TRAINING CASE STUDY



Oleg Kirnosov joined the Company full time in 2013, having successfully completed a two-month apprenticeship with Ferrexpo Poltava Mining in 2012 as part of his three-year mining degree at Ukraine's National Mining University in Dnipro, central Ukraine. Having initially joined the Company as an Assistant Drill Rig Operator in 2013, Oleg has completed a range of training courses, including drill rig operator training, safety

and fire safety training, equipment configuration and operating training, and he is also currently participating at the Company's latest initiative – "Master School". Oleg has recently progressed to become a Mine Foreman, whereby he is now responsible for managing production processes to achieve daily drilling targets, with a team of 30 people reporting to him.

## Training and Development

Vocational training courses were undertaken by employees in a total of 9,648 cases in 2017, representing a 49% increase in this area of employee development (2016: 6,489). This increase primarily reflects the Company's new initiatives in IT and supervisor training, an additional 536 employees undertaking safety training at FPM and the "Master School" programme that commenced in March 2017, whereby 127 employees in first-line supervisory roles were trained by specifically selected senior leaders on a range of courses including leadership, project management, finance for non-professionals, and risk management.

In addition, a total of 2,449 courses in compliance training were undertaken by employees during the year, on a range of topics from Code of Conduct training, to conflicts of interest and preventing bribery and corruption, with four out of five modules offered being introduced in 2017.

The proportion of the total workforce taking safety-related training was maintained at 42% (2016: 42%), with 3,791 employees taking such courses.

The proportion of contractor training courses taken during 2017 rose to the equivalent of 71% of the total number of contractors engaged at the Company's operations (2016: 69%), with courses mostly in skills and safety training.

A total of 7,773 employees had an annual training and development review in 2017 representing 86% of the Group's total employees (2016: 86%).

Full details of employee and contractor training courses given are in the Supplement.

## Workforce Benefits

A summary of the workplace benefits available to employees, shown by location, is provided in the Supplement. Ferrexpo does not discriminate between full-time, part-time and fixed-term contracts in terms of employee benefits offered.

## Labour Unions, Collective Bargaining and Workforce Disputes

Approximately 86% of FPM's workforce is unionised and a new two-year collective agreement was concluded with the FPM union at the end of 2017. At FYM, the joint employee-management representative council also agreed new terms of reference for the next two years. These agreements include provisions for safety equipment and

9,648

INSTANCES OF VOCATIONAL TRAINING COURSES BEING COMPLETED IN 2017 BY EMPLOYEES, A 49% INCREASE COMPARED TO 2016.

IN ADDITION, EMPLOYEES COMPLETED COMPLIANCE TRAINING MODULES 2,449 TIMES IN 2017, AS 4 NEW COURSES WERE INTRODUCED.





workplace conditions, such as working environment, exposure limits and signage. The Company can confirm that there have been no strikes or lock-outs at any of its subsidiaries during 2017. This is in line with the Company's record since listing in 2007.

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.

### Human Rights

Ferrexpo believes in fundamental human rights and in dignity for all people, as set out in the Universal Declaration of Human Rights. Ferrexpo supports the UN Guiding Principles on Business and Human Rights which outline the duties and responsibilities of industry to address business-related human rights issues, and will take appropriate steps to ensure that its operations do not contribute to human rights abuses and will remedy any adverse human rights that are directly caused by its actions.

The Company aims to conduct its business in a way that supports the human rights of its stakeholders, and keeps its practices under review in support of this. The Company recognises that its activities may have human rights implications in areas such as labour conditions and local community programmes, and community engagement is conducted using community liaison officers, community-led committees and surveys in the local area. An example of this is the community survey carried out in Horishni Plavni in September 2017, which highlighted a number of areas for inclusion in the Company's community support strategy in 2018, including city improvements and medical infrastructure. Further details are provided in the case study on this page.

Ferrexpo does not permit the employment of child labour and does not allow forced or other forms of involuntary labour. The Company complies with the UK Modern Slavery Act 2015 and has taken steps to ensure that human trafficking and slavery are not involved in the Company's supply chain or business. For further details, please see the Company's statement on the Modern Slavery Act on the Company's website.

The Company aims to respect indigenous rights in its activities throughout the life cycle of a mine, principally through its community liaison efforts, carried

### CASE STUDY

#### FERREXPO AND THE CITY: "LET'S BUILD THE FUTURE TOGETHER!"



**In order to ensure the alignment of Ferrexpo's strategy with the actual needs of local residents, Ferrexpo's local CSR committees designed and implemented a community survey to gather local opinion.**

Over a six-week period in the third quarter, students from the Kremenchuk National University surveyed over 4,500 residents of Horishni Plavni, using a questionnaire designed by Ferrexpo's local CSR committee. Responses indicated a varying degree of local awareness of Ferrexpo's community efforts, with over half of respondents aware of the Company's

community work in schools and kindergartens, but less than 20% were aware of efforts to support public organisations and urban programmes.

Respondents listed the following as key areas of importance for future work (descending order): city improvement initiatives, such as road maintenance and cleaning; medical infrastructure; educational infrastructure; assistance for the vulnerable; and sports and leisure facilities. A number of specific projects were proposed by local residents, and some of the more popular of these are to be reviewed and potentially implemented from 2018 onwards.

out through impact assessments and baseline studies prior to new mining areas opening, a dialogue during mining so as to ensure free, prior and informed consent, and consultation with regard to end use as the mine comes to the end of its operating life, which, in the case of Ferrexpo's mines, is not expected to occur until after 2035. Through its community investment programme, the Company also helps fund the Cultural Heritage Museum in Horishni Plavni, which documents the history and culture of the local community.

The Company can confirm it was the subject of zero investigations into human rights violations in 2017 (2016: zero).

Any breach of the Company's Code of Conduct, which covers both internal

activities and external activities that affect external stakeholders, may either be reported to local compliance officers on [compliance@ferrexpo.ch](mailto:compliance@ferrexpo.ch), or alternatively concerns can be raised securely and confidentially through the following independently operated, confidential whistleblower website: <https://ferrexpo.alertline.eu/>.



## **ECONOMIC** **GENERATING VALUE RESPONSIBLY**

Ferrexpo represented 1.9% of total Ukrainian exports in 2017, with the Company an important business both on a local and national level. Good corporate governance and ethical practices are key to maintaining the Company's social licence to operate.





FERREXPO IS A MAJOR USER AND PAYER OF STATE INFRASTRUCTURE THROUGH ITS USAGE OF THE UKRAINIAN RAILWAY NETWORK AND YUZHNY PORT, AS WELL AS CONSUMPTION OF GAS AND ELECTRICITY DISTRIBUTED THROUGH THE UKRAINIAN GRID

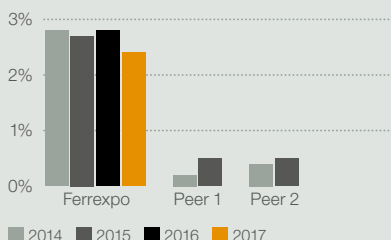
## KPIs

GOAL	PERFORMANCE
Supporting economies where we operate	Proportion of purchases from local suppliers up from 15% to 22% 
Educate workforce in Code of Conduct and best practice principles	Three additional courses launched for employee training in 2017 

## PEER BENCHMARK

Ferrexpo's 2.4% of gross revenue invested in community projects is significantly higher than the peer group companies that also declare community expenditure figures.

### COMMUNITY SUPPORT DONATIONS AS % OF GROSS REVENUE



## Corporate Level

In 2017 the Company generated revenues of US\$1,197 million (2016: US\$986 million), and a profit after tax of US\$394 million (2016: US\$189 million). Full financial statements are available in the Company's Annual Reports and Accounts, which are published on the Company's website here: <http://www.ferrexpo.com/investor-relations/news/results-reports-presentations>.

The Company generated 1.9% of Ukraine's total exports in 2017, and is a major tax payer in Ukraine. Since listing, Ferrexpo has contributed US\$526 million in taxes, such as corporation tax, land tax and environmental tax, in addition to US\$152 million in royalties and levies to the state, in addition to the taxes generated through being a major employer.

## Ukraine

The Company contributed US\$28 million to community support projects in 2017, a rise of 3% on 2016, and representing 2.4% of total Group revenue. Of this amount, approximately 88% of the expenditure related to activities coordinated at a national, regional and local level by the charity organisation Blooming Land. Blooming Land focuses on activities related to diabetes awareness and diagnosis, eyesight diagnosis and preventative care, and general support and care for the elderly.

## Payments to Governments

The Company published its payments to governments in a press release on its website in June 2017, covering the year to 31 December 2016. The Company published its data for 2017 in June 2018.

## Local Suppliers of Goods and Services

Information is presented in the charts on page 21 showing that Ferrexpo is a strong supporter of local businesses in the town of Horishni Plavni immediately

adjacent to the mine, as well as Kremenchuk and further afield in the Poltava region of Central Ukraine.

The Company's operations are compliant with ISO 9001:2009 (Quality Control Systems), which includes mutually beneficial supplier relationships as one of eight key aspects of its framework.

## Tax Responsibility

Ferrexpo is committed to complying with the tax laws in each jurisdiction in which it operates. The Company aims to respect the spirit as well as the letter of the laws of each operating country, with oversight of tax policy performed by the Company's Board of Directors.

Ferrexpo is one of the largest tax payers to the Ukrainian economy, with the Ukrainian State Fiscal Service announcing in January 2018 that Ferrexpo was in the top 100 tax payers in Ukraine during 2017.

As is standard practice for companies listed on the London Stock Exchange, Ferrexpo engages an external auditor to report on its financial statements, including tax charges and taxes paid, twice a year. The Company's audited financial statements are published on the Company's website ([www.ferrexpo.com](http://www.ferrexpo.com)). In accordance with EU Regulations, the Company rotates its auditor, and Deloitte LLP is currently the Company's external auditor (appointed 2017).



## ECONOMIC

CONTINUED

**Compliance Training**

Ferrexpo's success depends on building trust and strong relationships with its stakeholders by conducting business in a fair, transparent and ethical manner. That is why the Company requires that its employees and business partners follow the rules set out in the Company's Code of Conduct, which is available on the official website of Ferrexpo. The Code of Conduct, which was revised in 2015, sets out Ferrexpo's expectations in relation to a number of areas such as Conflicts of Interest, Bribery & Corruption, Health & Safety and Human Rights.

In 2017 the Company continued promoting its zero tolerance approach to corruption, achieving a 98.7% completion rate of the online training course focused on preventing bribery and corruption, which means 901 individuals, including Directors and managers, successfully trained on this topic. The Code of Conduct course was completed by 99.1% of online students. In addition, a system of online declarations of conflicts of interests was launched in April 2017, and a human rights training module aimed at raising awareness about modern slavery and ways to combat it started in December 2017. All modules are offered in English, Russian and Ukrainian. Refresher courses covering the prohibition of facilitation payments and the rules on gifts and hospitality have been developed and are scheduled for implementation in 2018.

In May 2017, the Company started a series of face-to-face training programmes for employees who do not have access to online training courses. 56 employees at the Company's Ukrainian operations were the first to undergo a face-to-face training session on the Code of Conduct and on combating bribery and corruption. A training session for the Marketing Department was held, with an emphasis made on the gifts and hospitality rules and "know your client" ("KYC") procedures. More face-to-face training is being planned for 2018 as this programme is developed.

**Extractive Industry Transparency Initiative ("EITI")**

The EITI is a standard relating to the publication of information on the oil, gas and mining industries. The EITI requires participating countries to promote transparency through disclosure of information on the natural resources sector, such as the process behind awarding contracts and licences, production volumes, revenue collection, revenue allocation, and social and economic spending. Ukraine was admitted as a candidate country to the EITI in 2013 and the country's second EITI report was published by Ernst & Young in 2017 (covering 2014-15). Validation of this report commenced in July 2017, which is an important step towards Ukraine becoming an EITI compliant country.

US\$526m

TAXES PAID  
IN UKRAINE SINCE IPO

US\$152m

TOTAL ROYALTIES PAID  
IN UKRAINE SINCE IPO

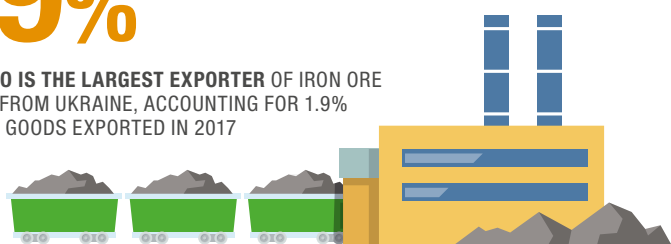
#3

FERREXPO WAS THE THIRD LARGEST  
EXPORTER OF IRON ORE PELLETS  
IN THE WORLD IN 2017, REPRESENTING OVER 8%  
OF THE PELLET EXPORT MARKET

98.7%

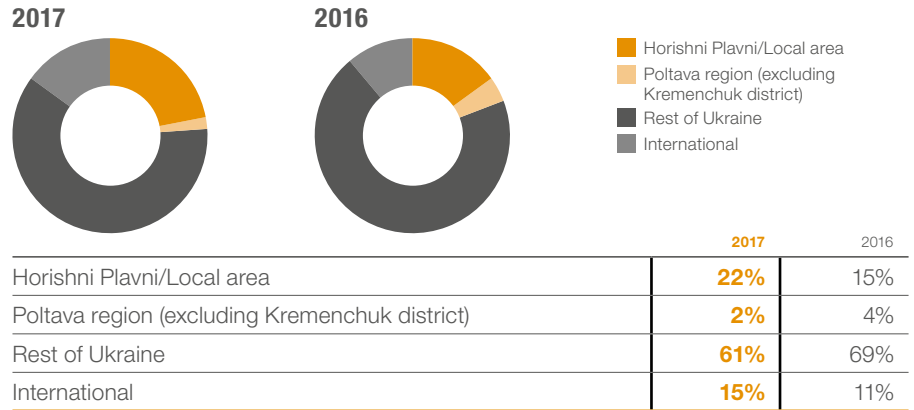
COMPLETION RATE OF ONLINE TRAINING  
MODULES IN ANTI-BRIBERY AND CONFLICTS  
OF INTEREST

1.9%

FERREXPO IS THE LARGEST EXPORTER OF IRON ORE  
PELLETS FROM UKRAINE, ACCOUNTING FOR 1.9%  
OF TOTAL GOODS EXPORTED IN 2017



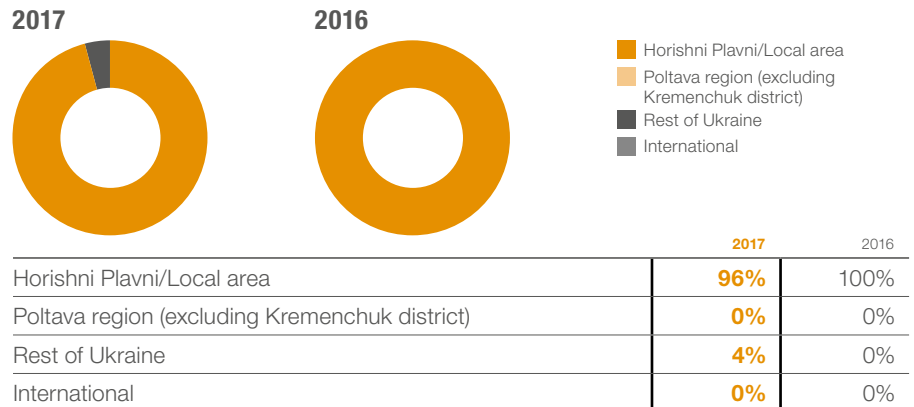
#### PURCHASES FROM SUPPLIERS, BY LOCATION (%)



Above figures may not add down to totals due to rounding.



#### PAYMENTS TO EMPLOYEES (SALARIES), BY LOCATION (%)



2016 figures restated to only include FPM and FYM, which represent the Group's main operating business units, and main subsidiaries local to Horishni Plavni.

# -19%

IN 2017 WE REDUCED GAS CONSUMPTION BY 19% THROUGH PARTIAL SUBSTITUTION OF NATURAL GAS WITH SUNFLOWER HUSKS IN THE PELLETISER

Ferrexpo strives to support local businesses and individuals through doing business with companies located close to the Company's mines. The Company spends over US\$700 million annually in producing its iron ore pellets, with the majority of goods and materials used for this process coming from suppliers within Ukraine. Ferrexpo's workforce in Ukraine is predominantly drawn from areas near to the Company's mines, with very few expatriate staff, with this approach key to developing local skills and retaining talent in Ukraine. As a result, over 95% of employee salaries are paid to individuals living in the mine's local area.

#### Pension Plan Obligations

The Company's arrangements with regard to pension plans and retirement plans for its employees remained materially unchanged in 2017. In some jurisdictions, for example the UK, Switzerland and Singapore, the Company has pension plans for employees, while in others, for example China and Ukraine, the Company contributes towards state retirement plans operating under the social benefit framework provided in the country in which the employee resides. A full, audited summary of the Company's pension plans for each location where these operate,

including any defined benefit liabilities, is provided in Note 22 of the Company's 2017 Annual Report (pages 123-127).

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.

#### Anti-Competitive Behaviour, Anti-Trust and Monopoly Practices

The Company can confirm that it is not subject to any legal actions regarding anti-competitive behaviour or any violations of anti-trust or anti-monopoly legislation.





## ENVIRONMENT

# MANAGING ENVIRONMENTAL IMPACT

Ferrexpo's operations cover over 5,000 hectares, and the Company carefully monitors its environmental footprint to manage and mitigate its impact on the natural environment. Examples of monitoring include energy and water usage, emissions, and waste generation.



Dust suppression measures on pellet stockpiles, Port of Yuzhny, Ukraine



# 55%

**REDUCTION IN NATURAL GAS CONSUMPTION PER PELLET PRODUCED SINCE LISTING IN 2007**

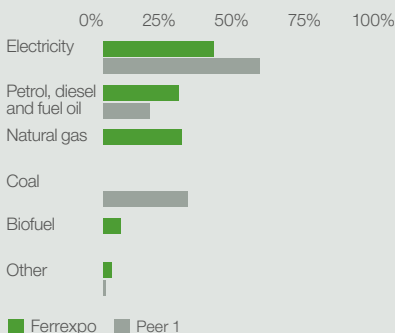
## KPIs

GOAL	PERFORMANCE
<b>Reduce direct and indirect CO<sub>2</sub> emissions</b>	Direct emissions rose by 1% and indirect fell by 5% →
<b>Increase percentage of renewable energy usage in fuel mix</b>	Rose by 1 percentage point to 6% ↗
<b>Reduce carbon footprint</b>	Total CO <sub>2</sub> emissions reduced by 3% ↗

## BENCHMARKING PERFORMANCE: ENERGY MIX

Ferrexpo's energy mix is in line with its peers, with the exception that it uses natural gas rather than coal or heavy fuel oil to operate its pelletiser. Ferrexpo is also introducing increasing quantities of biofuels to its pelletiser, reducing its reliance on natural gas.

### ENERGY MIX % OF TOTAL ENERGY CONSUMED



## Volumes of Waste Material Moved

Whilst the production of waste material is an inevitable part of open pit mining, the Company aims to minimise the waste excavated in order to reduce the impact on the environment both in and around the mine. Ferrexpo will only disturb areas that are required as part of the mine plan, with no new areas of land disturbed for mining in 2017; operations focused instead on mining at depth within existing open pits.

Mining operations at Ferrexpo's two active mines requires a continual removal of overburden to reach each successive phase of ore. Overburden removal across the Group increased by 39% in 2017 (a reflection of improved market conditions for iron ore pellets), enabling the Company to increase overburden removal and increase the number of exposed ore benches to improve operational flexibility.

At FPM, rock waste mining activities increased by 20%, with an additional 1Mt of sand removed as mining progressed to areas adjacent to the south and south-east of the existing pit. At FYM, 23Mt of sand was removed, the highest level seen since 2014, which was carried out as part of a stripping campaign. In addition, 8Mt of rock waste was removed. All forms of waste are stored in designated areas in accordance with designs approved by external consultants Yuzhgiproruda.

Each year, the quantity of waste removed is dictated by the Company's long-term mine plan. The ore required for the processing plant each year is a relatively stable amount, but the volume of waste removal required to reach this quantity of ore varies according to geological conditions, particularly the depth of waste overlying

ore in the area being worked. It is therefore not possible to set waste reduction targets for a mining operation such as Ferrexpo's, but the Company aims to reduce its waste mining activities where possible.

## Energy Consumption

Ferrexpo's operations in Ukraine consumed a total of 17.7 Petajoules in 2017, representing a 2% decrease compared to 2016. Over 85% of this total energy consumption relates to diesel (20% of total), electricity (38%) and natural gas (27%), which in turn primarily correspond to mining, processing and pelletising activities respectively. Usage of both electricity and natural gas fell in 2017, in line with the Company's reduced production.

The Company's energy intensity ratio, measured in terms of the amount of energy used to create one tonne of iron ore pellets, rose 6% to 1.7 gigajoules per tonne of pellets. This rise can be attributed to the increase in mining activity that resulted in higher diesel consumption during the year (+22%), whilst scheduled maintenance on the pelletiser resulted in reduced pellet output (-7%) and associated natural gas consumption.

Ferrexpo commenced its Sunflower Husks Project in 2015, whereby sunflower husks are used in the Company's pelletiser as a partial replacement for natural gas. Ukraine is the largest producer of sunflower oil in the world, and husks are a byproduct of this process that would otherwise be considered waste. By consuming sunflower husks as a biofuel, Ferrexpo is reducing its carbon footprint and its reliance on fossil fuels. The Company has increased its biofuel substitution in 2017, with husks

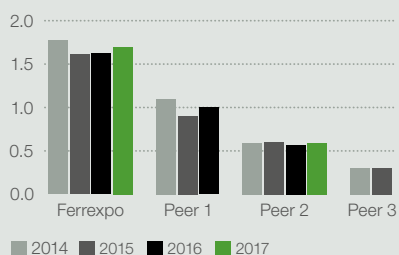
# ENVIRONMENT

CONTINUED

representing 19% of the energy used to harden our pellets (2016: 15%). Through this, and other efficiency initiatives, natural gas consumption per pellet produced has fallen by 55% since the Company listed on the London Stock Exchange. The Company's long-term goal is to maintain this level of biofuel usage in the pelletiser, in order to strike a balance between maximising biofuel substitution, whilst also maintaining pellet quality at current levels for Ferrexpo's premium quality pellets.

Further to its energy-saving initiatives, Ferrexpo's sites became compliant with ISO 50001:2011 (Energy Management Systems) in December 2017, following an external assessment. Ferrexpo is one of the first mining companies in Ukraine to achieve such accreditation. FPM is also certified compliant with ISO 14001:2006 (Environmental Management System).

## BENCHMARKING PERFORMANCE – ENERGY INTENSITY (GJ PER TONNE OF PELLETS)



Energy use is reduced through modernisation of processing equipment, improving efficiencies. This is, however, balanced by increasing automation in the processing plant and higher quality pellets, which require additional processing such as the new floatation circuits installed in 2015.

## CASE STUDY

### IDEAS BANK – EMPLOYEE-LED INITIATIVES



The Ideas Bank is an employee-led initiative to gather suggestions from employees for the improvement of the Company's operations in Ukraine, targeting operational efficiencies, reduced consumption of consumables and increased production. This initiative has attracted significant attention amongst employees of both the Company's operational mines, with over 400 proposals made during 2017.

One area of the Company's operations that has seen projects implemented is around the slurry pump stations, which are large pieces of equipment used to transfer crushed ores around

the processing plant. One employee proposal has identified that operations can utilise excess capacity in an existing pump for multiple sections of the plant, enabling another pump to be switched off. A second employee proposal in the same area has identified that the dredging units used to return waste water from the tailings facility do not operate continuously, and therefore a number of slurry pumps can be deactivated when dredger stoppages occur. Both projects originated from employee suggestions, and annual savings from these combined projects is expected to be 1,000 MW of electricity.

## Emissions

### CO<sub>2</sub> Emissions

The Company monitors the emission of a range of gases in Ukraine from both the fixed plant (processing plant and ancillary buildings) and mobile equipment (excavators, haul trucks, ancillary mining equipment and light vehicles).

(Figures shown on 100% basis)	2017	2016	% change
CO <sub>2</sub> emissions (Scope 1, 2 and 3)	2,614,449	2,703,272	-3%
Scope 1 (direct)	554,763	550,591	+1%
Scope 2 (indirect)	1,974,997	2,079,329	-5%
Scope 3 (biofuels)	84,689	73,352	+15%
Pellets produced	10,444	11,201	-7%
Intensity ratio (excl. Scope 3)	242	235	+3%

Overall CO<sub>2</sub> emissions declined by 3% in 2017. This decrease was, however, counterbalanced by a larger proportional decrease in pellet production (-7%), which resulted in a net increase in the intensity ratio. The dominant sources of direct CO<sub>2</sub> emissions are natural gas, diesel and gas oil, which collectively represent 98% of direct CO<sub>2</sub> emissions and relate to the Company's pelletiser, mining and barging operations respectively. Natural gas

consumption declined by 14% in 2017, as a result of the decreased pellet production and increased biofuel substitution. Diesel consumption increased by 22% in 2017, in line with Group mining volumes increasing by 22% during the same period. Barging operations moved similar tonnages along the Danube in 2017 compared to 2016 (-0.5%), with a 4% increase in gas oil consumption resulting from increased ice coverage in 2017 compared to 2016, which meant that additional pushing vessels were required.

References to indirect emissions in this report relate to electricity and steam consumption, which collectively represent 76% of the Company's total (direct and indirect) CO<sub>2</sub> output. Emissions from these sources fell by 5%, in line with the reduced production of pellets, with electricity consumption in the processing plant accounting for the majority of electricity usage.

### Emissions from Stationary Sources

	NO <sub>2</sub>	SO <sub>2</sub>	CO	Solid emissions
2016	3,117	1,550	1,763	2,612
<b>2017</b>	<b>2,879</b>	<b>1,345</b>	<b>1,528</b>	<b>3,946</b>
% change	-8%	-13%	-13%	+51%

Gaseous emissions from stationary sources are predominantly related to the Company's pelletiser at FPM in Ukraine, which processes concentrate into pellets. Gaseous emissions fell in 2017 due to a combination of (a) the reduction in pellet output during the year (-7%), and (b) biofuel substitution, which resulted in a 14% reduction in natural gas consumption.

In addition, environmental initiatives have helped to reduce sulphur emissions. These include a project to add lime to the slurry water used to transport concentrate throughout the concentrator to the pelletiser. The addition of lime raises the pH of this water, which partially neutralises a portion of the sulphur present in the ores, helping to reduce emissions of SO<sub>2</sub>. This activity has the additional benefit of reducing wear and tear on the sections of plant that are exposed to these SO<sub>2</sub> gases.

The level of solid emissions (dust) from stationary sources principally relates to dust emitted by mining activity and stockpiles, as defined by Ukrainian government legislation. The Group's solid emissions rose by 51% in 2017, largely in relation to the 45% increase in mining activity at FYM. A further increase in dust emissions relates to the inclusion of the Eastern Waste Dumps at FYM in the calculation for 2017, due to changes to Ukrainian legislation in 2017. FPM dust emissions rose 8% in 2017, broadly in line with mining volumes (+10%).

### Emissions from Mobile Sources

	NO <sub>2</sub>	SO <sub>2</sub>	CO	Solid emissions	NMVOCs	Other
2016	2,036	273	3,169	359	530	33
<b>2017</b>	<b>2,459</b>	<b>333</b>	<b>3,786</b>	<b>430</b>	<b>610</b>	<b>39</b>
% change	+21%	+22%	+19%	+20%	+15%	+21%

Gaseous emissions from mobile sources are primarily emitted by mobile mining equipment, such as haul trucks and excavators. Combined mining tonnages across the Group increased by 20% in 2017, resulting in a similar increase in gaseous emissions. Emissions of non-methane volatile organic compounds ("NMVOCs") rose by a lesser amount (+15%), due to a readjustment by the Ukrainian authorities in 2017 to the methodology for calculating emissions of this particular category of gases.



# -12%

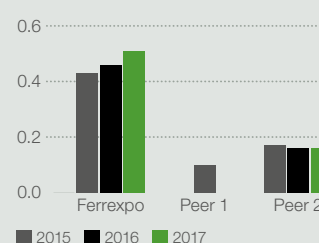
**32.2 MILLION M<sup>3</sup> OF WATER EXTRACTED –  
4<sup>TH</sup> SUCCESSIVE YEAR IN WHICH OVERALL  
WATER EXTRACTION BY THE COMPANY FELL**

### BENCHMARKING PERFORMANCE

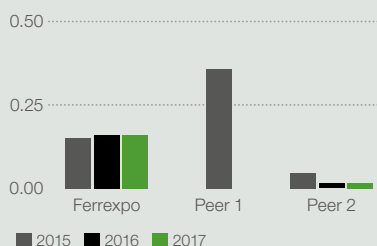
Despite a 7% decrease in pellet production, intensity ratios for NO<sub>2</sub> and SO<sub>2</sub> both decreased in 2017, with Ferrexpo positioned behind its peer group for its performance in emitting NO<sub>2</sub> and in line for SO<sub>2</sub>.

For CO<sub>2</sub>, Ferrexpo's direct emissions remain in line with the Company's peer group, but the Company is positioned behind its peer group when indirect CO<sub>2</sub> emissions are included, due to the higher proportion of coal-fired power stations in Ukraine than in the countries where peers are based, such as Canada, Brazil and Sweden, where hydroelectric power sources are more common.

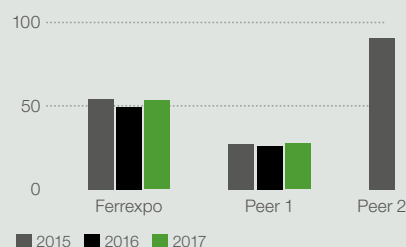
### EMISSIONS, NO<sub>2</sub> KG PER TONNE PRODUCED



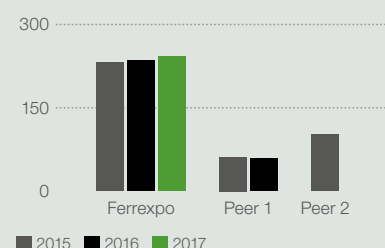
### EMISSIONS, SO<sub>2</sub> KG PER TONNE PRODUCED



### EMISSIONS, CO<sub>2</sub> DIRECT KG PER TONNE PRODUCED



### EMISSIONS, CO<sub>2</sub> DIRECT + INDIRECT KG PER TONNE PRODUCED





# ENVIRONMENT

## CONTINUED

Volumes of solid emissions (dust) from mobile equipment also increased by 20%, which is in line with the 20% increase in Group mining tonnages. The difference here is due to the increasing depth of mining at both operations during the year (for example, the depth of Yeristovo increased from 75 metres to 90 metres during 2017).

### Key Consumables and Materials Used

Ferrexpo aims to minimise its usage of key consumables in the production of its iron ore pellets. Examples of consumables used throughout the mining operation include grinding media (steel balls, bars and cylpebs), limestone and bentonite. Consumption of these consumables generally fell in line with the 7% decrease in production seen between 2016 and 2017.

The Company did not record any significant spillage of chemicals, oils, fuel, tailings or slimes in the past 12 months. The Group

does not utilise any material quantities of renewable or recycled materials currently in the production of its iron ore pellets.

### Water Management

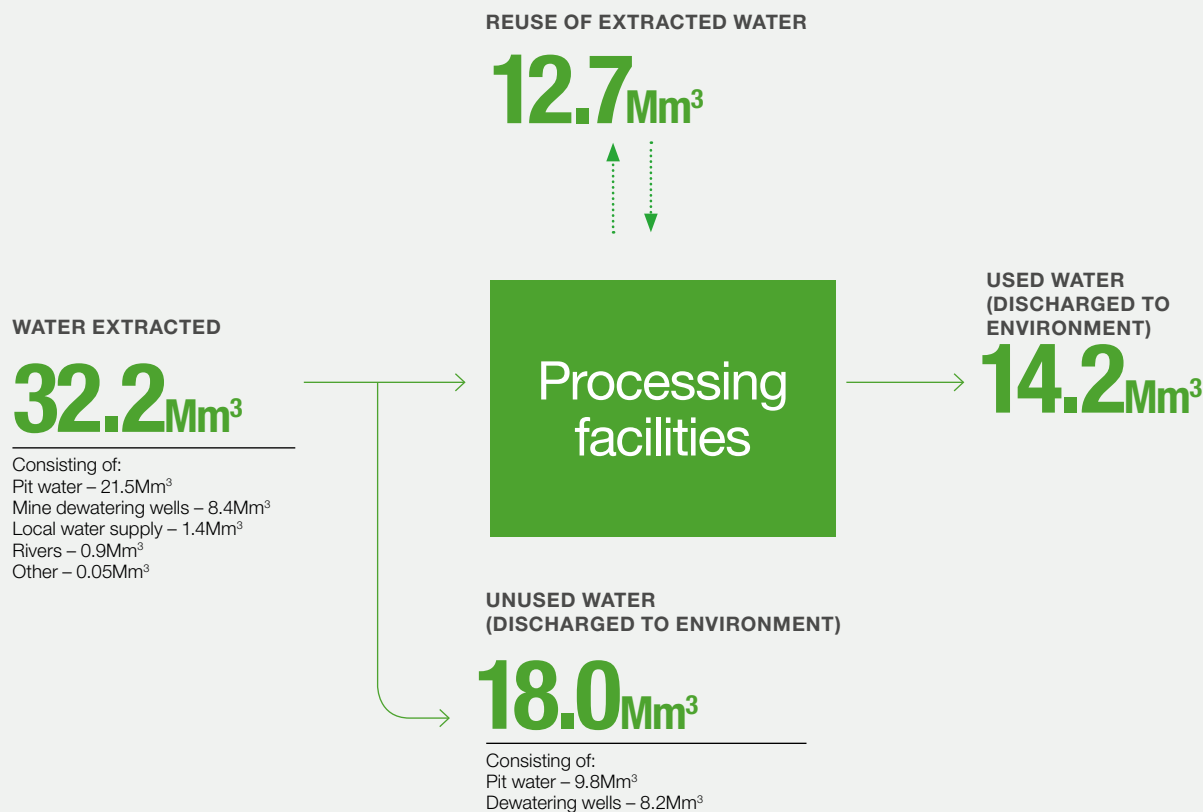
Goal 6 of the UN Sustainable Development Goals relates to access to clean water and sanitation for all, and whilst Ukraine is not a country facing water scarcity, water supply and water quality can vary considerably between regions, as a result of a lack of funding for water infrastructure over many years. The geographical area in which Ferrexpo operates is classified for its overall water risk by the World Resources Institute as being a combination of “Low to Medium Risk” and “Medium to High Risk”<sup>1</sup>, and therefore it is important that the Company takes a proactive, sustainable approach to its water use.

The Company measures water extraction, consumption, reuse and discharge at both mines and in its processing plant, with

the aim of minimising Ferrexpo’s impact on the natural environment. The chart below demonstrates the flow of water as measured at the Company’s operations.

The total volume of water extracted by the Company fell for the fourth successive year, reaching 32.2 million cubic metres in 2017 (-4%). Water is primarily extracted as pit water, which collects naturally in the Company’s open pits from rainfall and groundwater inflows, and dewatering wells associated with the open pits, collectively accounting for 93% of water extracted. The amount of water extracted from open pit mines depends mainly on rainfall, groundwater inflows and the overall depth of mining. Whilst precipitation (rainfall and snowfall) around the mines fell by 53% in 2017, mining progressed deeper, resulting in greater extraction of groundwater.

### MASS BALANCE OF FERREXPO WATER USAGE, 2017



<sup>1</sup> <http://www.wri.org/>

The total volume of water extracted, and subsequently discharged without being used, remained constant at 18.0Mm<sup>3</sup> in 2017 (+1%).

The proportion of overall water reuse also remained broadly in line in 2017 compared to 2016 at 39% (2016: 42%), with the reuse of both potable water and water extracted from the Dnieper River recording higher levels of reuse (84% and 75% respectively).

Any water discharged after use, such as excess process water and water used in dust suppression, is tested to ensure that water quality does not harm the natural environment into which it is discharged.

Due to the strong influence that rainfall has on the volume of water extracted at Ferrexpo's open pit mines, it is not possible to set fixed targets for reducing water consumption. The Company does, however, aim to minimise its water consumption, targeting a year-on-year reduction of water extracted, for years with comparable precipitation levels.

### Biodiversity

Following an initial study in 2016, which identified 151 species of birds present at Ferrexpo's operations in Ukraine, in October 2017 the Company's Environmental Protection Department installed 38 bird nesting boxes and 10 bird feeders in a variety of locations, including FPM's Eastern Waste Dumps, which are between 20 and 40 years old and are covered in woodland, tailings facilities and in the local town of Horishni Plavni. During the year, Ferrexpo also hosted events for local students to learn about the nesting birds, with children of all ages attending. The Company has also commissioned a series of posters for children and installed bird tables at local schools in order to encourage children to study and distinguish the different breeds of bird present near the mine and to promote conservation.



Local school children invited to watch bird box installation on eastern waste dumps. FPM





## COMMUNITY

# MAKING A MEANINGFUL CONTRIBUTION

Ferrexpo is an integral part of the local community, employing over 30% of the local population of working age; it is therefore important that the Company is an active participant in the local community, supporting key institutions such as medical and educational facilities.



Local school children visit operations at Ferrexpo Yeristovo Mining



# +3%

INCREASE IN COMMUNITY EXPENDITURE  
IN 2017, REPRESENTING 2.4% OF GROUP  
REVENUE INVESTED IN LOCAL COMMUNITY  
PROJECTS

## FERREXPO FAMILY DAY 2017

On the 3 September 2017, the "Ferrexpo Family Day" was held for the fourth year in a row at the "Aist" recreation centre, with 1,500 in attendance. At the beginning of the event, Ferrexpo management greeted everyone and handed out backpacks to the students studying at School No. 5. Seminars were also held to encourage and inspire children in the fields of history, chemistry and geography.

## Community Priorities

In 2017, Ferrexpo contributed US\$28 million, or approximately 2.4% of total Group revenue, for community projects across the country, a 3% increase compared to 2016. Of this amount, approximately 88% of the expenditure related to activities coordinated by the charity organisation Blooming Land. Blooming Land is a charity established to coordinate the Group's national CSR programme operating independently of Ferrexpo. It focuses on activities related to diabetes awareness and diagnosis, eyesight diagnosis and preventative care, and general support and care for the elderly on a national basis.

Ferrexpo's Charity Fund operates with four key focus areas, principally the support of health and educational facilities, local public bodies such as the Palace of Culture, sports associations, and support for the vulnerable in society. Funds are allocated by Ferrexpo's Charity Fund according to a committee involving Ferrexpo employees and a number of representatives from local communities.

Sport has an important role in community life as well as individual wellbeing, and Ferrexpo strives to support sports facilities and initiatives where possible. Ferrexpo has recently completed construction of an indoor tennis complex, which now provides a second venue during the winter months, when temperatures can dip as low as minus 20°C.

Ferrexpo also supports local medical institutions in a number of ways, from the supply of 20 electric bicycles in 2017, to enable doctors and nurses to provide care in the rural communities surrounding the mine, to the provision of electrosurgical instruments for the oncology department of the hospital in Horishni Plavni to conduct lifesaving surgeries daily.

Education facilities are supported through the supply of teaching equipment and sponsorship of conferences at Kremenchuk National University and Krivoy Rog University, to the maintenance and updating of heating systems in local primary and secondary schools.

The area in which Ferrexpo operates is classified by the World Resources Institute for its overall water risk as being a combination of "Low to Medium Risk" and "Medium to High Risk", due to long-term underinvestment in Ukraine's

## KPIs

GOAL	PERFORMANCE
<b>Contribute to development, education and skills of local population</b>	Charitable donations increased by 3% in 2017 →
<b>Provide targeted assistance</b>	Over 4,500 local residents surveyed in order to align charitable activities with needs of local population, in inaugural Ferrexpo survey ↗

It is estimated that approximately 3 million people, or 7% of the population, in Ukraine suffer from diabetes, while 40% of these individuals are believed to be unaware of their condition. Through its work to raise awareness and testing for diabetes, 40 events were hosted across Ukraine during 2017, which included talks from endocrinologists, testing of blood sugar levels and the provision of diabetic food products. In addition, 47 events were held to provide health-related consultations and support for the elderly, while 42 events related to eye care. This included free eyesight examinations by opticians using high quality ophthalmology equipment as well as the provision of glasses to suit an individual's requirements.

## Ferrexpo Charity Fund

In addition to the funds allocated to Blooming Land, Ferrexpo allocated approximately US\$3.2 million (2016: US\$2.8 million) to directly finance local community projects within 25 kilometres of the operations through a charity fund controlled by FPM (the "FPM Charity Fund").



# COMMUNITY

CONTINUED

water infrastructure. Adequate water supply is therefore a priority for local communities, and in 2017 Ferrexpo drilled water boreholes to supply the residents of the village of Solonytsya.

## Employee Volunteering

The Company also encourages employee engagement and involvement with charity partners, with employees able to volunteer their time to the “Let’s give the good to children” programme, which organises the children’s health camp “Slavutich”, in addition to providing aid to local children and medical equipment to specialised educational institutions. In addition to funding from the Company, a further UAH100,000 was generously donated by Ferrexpo employees at events organised through the Group’s volunteering programme, with funds used to purchase medical equipment for two local educational institutions. Ferrexpo’s volunteers also donated their time to help distribute aid to 200 families in five local towns and villages during 2017.

## Resettlement and Closure Plans

Ferrexpo undertakes impact assessments prior to expanding mining activities into new areas, with a view to minimising the Company’s impact on local communities. No new areas were disturbed in 2017, with operations continuing within their existing footprint. The Company has a closure plan in place for when the existing ore reserve is fully depleted, which is expected to occur after 2035.

## Artisanal Mining

The ores that Ferrexpo mines typically have an iron ore content of less than 40%, which requires significant beneficiation before it reaches a saleable grade. There is therefore no artisanal mining present across Ferrexpo’s properties.

## Government Relations

Ferrexpo remains in full compliance with all local laws and regulations, both in Ukraine and in 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. The Company can also confirm that it has not been subject to any legal action for anti-competitive behaviour or violations of anti-trust or monopoly legislation.



## OUTREACH INITIATIVES



### KEY

	Schools/Children		Sport/Leisure
	Medical		Infrastructure
	Pensioners/Vulnerable people		

# GRI INDEX

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

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102-4 Location of operations	2
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– Geographic locations	2
– Sectors	Inside Cover
– Types of customers and beneficiaries	Inside Cover
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– Total number of operations	Inside Cover
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– Quantity of products provided	Supplement
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– Total number of employees by employment contract by region	Supplement
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– List any assumptions made	n/a
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