

2018

RESPONSIBLE BUSINESS REPORT



FTSE4Good



FERREXPO IS A MINING COMPANY WITH ASSETS IN UKRAINE AND HAS BEEN IN OPERATION FOR OVER 40 YEARS, PRODUCING HIGH GRADE IRON ORE PELLETS TO THE GLOBAL STEEL INDUSTRY.

Ferrexpo's operations comprise of two iron ore mines, a third mine in development, processing facilities in Ukraine as well as infrastructure for delivering the Company's pellets around the world. The Company has been premium listed on the London Stock Exchange since 2007 and is a member of the FTSE 250 Index of Companies.

The Company's Responsible Business Reporting covers four key areas: (1) its people; (2) the environment; (3) economic factors and business ethics and (4) local communities, which collectively demonstrate Ferrexpo's approach to operating in a responsible and sustainable manner. This report covers calendar year 2018 and provides additional information to that provided in the Company's Annual Report. This is the fourth year of the Company issuing a standalone Responsible Business Report, covering 2018. Information on Environmental, Social and

Governance ("ESG") issues have been consistently covered in the Company's Annual Reports since listing in 2007. Ferrexpo reports its Responsible Business activities, also referred to as ESG, to provide assurance of the Company's continued efforts to be a good corporate citizen. Strong performance in Responsible Business has also been shown to be increasingly preferential in the investor community, with over US\$20 billion of assets managed under responsible investment strategies in 2018¹, an increase of 25% since 2014.

The Company confirms that there were no material changes to the Company's size, structure or supply chain during 2018.

¹ <https://www.ipe.com/reports/special-reports/top-400-asset-managers/esg-evolution-of-sustainable-investing-and-modern-practice/10025008.article>

Image: Local contractors with Zeppelin Ukraine conducting scheduled maintenance on CAT D10 bulldozer at Ferrexpo's Poltava Mine.



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PEOPLE

Ferrexpo's success is derived from the continued productivity and effort of its workforce, operating continuously for over 40 years since the inception of the Poltava Mine in the 1960s. Ferrexpo understands the importance of recruiting and training individuals to maintain its position as one of the largest producers of iron ore pellets globally.

 **For more information**
See pages 10–15



ENVIRONMENT

The Company monitors its environmental footprint across a number of key areas, from waste management, to water quality and emissions, to minimising its impact and otherwise mitigating the effect that the Company has on the natural environment around its mining, processing and logistics operations.

 **For more information**
See pages 20–25



ECONOMIC INDICATORS AND BUSINESS ETHICS

Ferrexpo represented 2% of Ukrainian exports in 2018. Furthermore, over 85% of goods and services purchased by Ferrexpo in Ukraine came from Ukrainian suppliers, making it an important part of the economy where the Company operates.

 **For more information**
See pages 16–19



COMMUNITY

Ferrexpo's operations are based in Central Ukraine, located close to the town of Horishni Plavni, which was built in the 1960s in order to house the newly created mine's workforce. The mine and the local community have therefore grown and developed in tandem with each other, and the mine's continuous operation for over 40 years is testimony of this.

 **For more information**
See pages 26–30

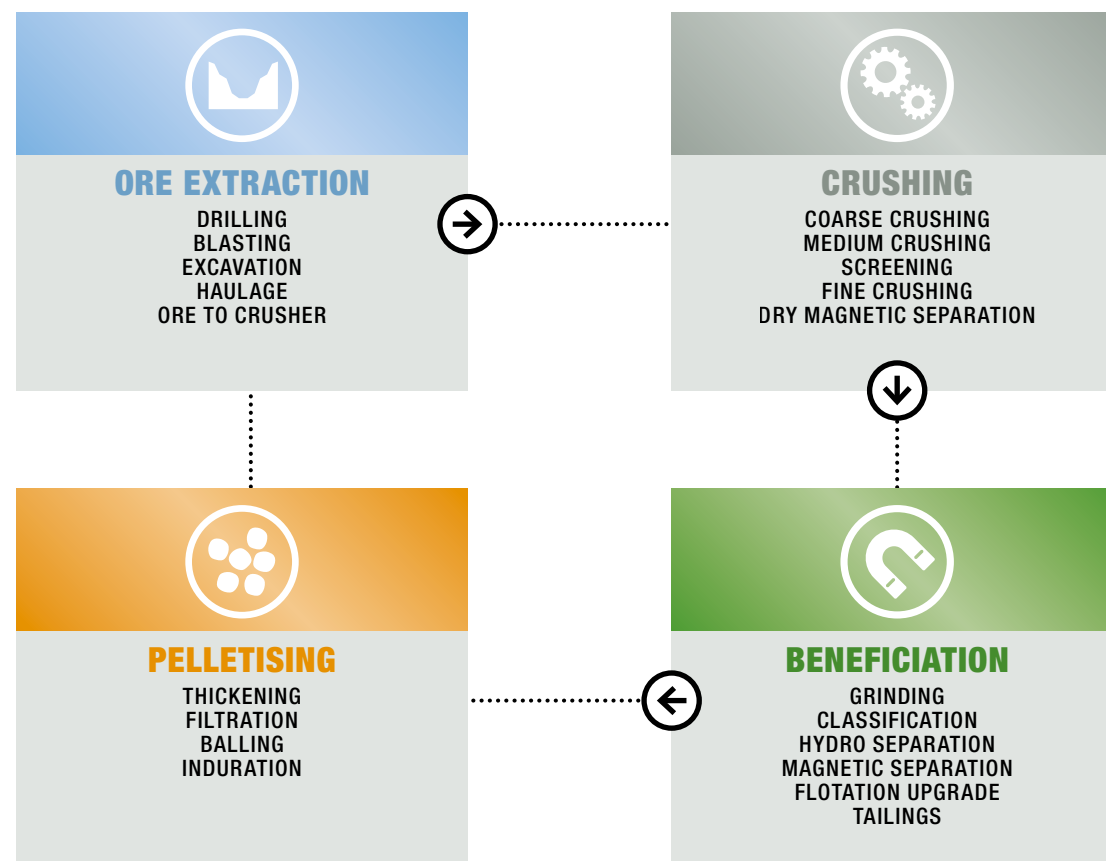
BUSINESS MODEL

We create value for our stakeholders through the careful development of our long-life iron ore deposit in Ukraine and subsequently processing into a high quality iron ore product. Vital to our ongoing success are the people that we employ, investment into our operations, our diversified global customer base and the support of our communities.

OUR KEY RESOURCES

- LONG-LIFE IRON ORE DEPOSIT IN UKRAINE
- WELL INVESTED PRODUCTION PROCESS
- SKILLED WORKFORCE
- INFRASTRUCTURE NETWORK
(WITH ACCESS TO WATER/ELECTRICITY/GAS)
- GLOBAL LOGISTICS CAPABILITY
- CUSTOMER RELATIONSHIPS
(WITH HIGH QUALITY ‘CRISIS-RESISTANT’ STEEL MILLS)
- FINANCIAL STABILITY

WHAT WE DO



SUSTAINABLE STAKEHOLDER RELATIONSHIPS

– CUSTOMERS	Revenue generated	US\$1.3BN
		(2017: US\$1.2BN)
– EMPLOYEES	Wages and salaries paid	US\$86M
		(2017: US\$64M)
– COMMUNITIES	Charitable donations made	US\$15M
		(2017: US\$28M)
– GOVERNMENT	Taxes and royalties paid	US\$73M
		(2017: US\$33M)
– INVESTORS	Dividends declared for the financial year	23.1¢ per share
		(2017: 16.5 US CENTS PER SHARE)
– SUPPLIERS	Money spent on suppliers	US\$844M
		(2017: US\$717M)

OUR MARKET POSITIONING

We operate in a niche market with high barriers to entry. Our significant capital and operational investments enable the business to be cash generative throughout the commodities cycle.

UNDERPINNED BY OUR VALUES

Ferrexpo as an organisation has five core values: (1) act responsibly; (2) make it happen; (3) integrity in what we do; (4) diversity in one team; and (5) continuous innovation.

SUSTAINABILITY REPORTING

MEASURING RESPONSIBLE BUSINESS

Ferrexpo continues to monitor the various aspects of the Company's business that are presented in this report, and the Company embraces the recent movement seen across the mining industry towards standalone Environmental, Social and Governance ("ESG") reporting. Ferrexpo began reporting its ESG progress in its Annual Reports when the Company listed in 2007, and it was then that the Company's Board of Directors' CSR Committee was formed to monitor the management of the Group's health and safety, environmental and community programmes. More recently, since 2015, the Company has added its standalone Responsible Business Reports to its reporting suite.

Ferrexpo follows the reporting framework devised by the Global Reporting Initiative ("GRI") as it is the most widely recognised framework in the mining industry, with the majority of the Company's mining peer group reporting in line with the GRI framework, which has standards published in 37 different areas, on a wide variety of topics. Ferrexpo has broadened the number of standards that it reports against in these Responsible Business Reports since it began reporting under the GRI framework in 2015, and intends to cover additional standards as the Company's reporting develops over time.

Where possible, the Company adheres to the UN's Precautionary Principle, applying cost-effective measures to protect the environment.

Terminology

Ferrexpo notes a recent trend amongst issuers, investors and market indices towards referring to the topics covered in this report as ESG reporting. For continuity, this report is titled as a Responsible Business Report, but the Company makes no distinction between CSR, ESG and Responsible Business reporting.

Peer Benchmarking

Ferrexpo understands the need to provide context to the data it presents in these

reports, to help the reader appreciate the relative size and scale of Ferrexpo's operations and its footprint. A number of its pellet producing peers also publish their performance on an annual basis, and this information is provided here on an anonymous basis as a comparison.

External Initiatives

GRI Standards

The GRI is an independent, international standards organisation that helps businesses, governments and other organisations understand and communicate their impacts on issues such as climate change, human rights and the eradication of corruption. Of the world's largest 250 corporations, 92% report on their sustainability performance, and 74% of these use the GRI Standards to do so. The information presented in this report has been compiled in line with the GRI Standards, which is the required framework for GRI Reports after July 2018 (also in line with Ferrexpo's Responsible Business Report for 2017). No external assurance has been sought for this report.

UN Sustainable Development Goals

The Sustainable Development Goals ("SDGs") are a collection of 17 global goals set by the United Nations General Assembly in 2015 for the year 2030. The SDGs are becoming an increasingly important tool for investors and other stakeholders to understand the relevance of a company's ESG efforts, and stakeholders are now using the goals as a tool for investing.

FTSE4Good

The FTSE4Good Index Series is a series of stock market indices published by the FTSE Group that are designed to measure the share price performance of companies demonstrating strong ESG practices, assessed annually on 168 ESG-related indicators. These Indices were launched in 2001, which Ferrexpo joined in June 2017 following the publication of its first standalone Responsible Business Report in November 2016.

ISO Certification

The International Organisation for Standardisation ("ISO") is an international standard-setting body that promotes proprietary, industrial and commercial standards and was founded in 1947. Ferrexpo embraces ISO Certification at its operations in Ukraine in order to assure stakeholders that the Company is committed to produce high quality iron ore products. ISO Certificates are granted following audits of the Company's business management practices by independent auditors.

MSCI

MSCI is a global provider of stock market indices that is headquartered in New York and has modelled ESG performance of listed companies for over 40 years. MSCI reports that it provides ESG Research on 7,000 companies worldwide and this research is used by 46 of the top 50 asset managers and over 1,200 investors globally. MSCI tracks performance over 37 ESG-related issues and provides ratings for each company covered. In December 2018, following a review of Ferrexpo's published information, MSCI confirmed an issuer upgrade to BB, from a rating of B.

Extractive Industries Transparency Initiative

The Extractive Industries Transparency Initiative ("EITI") is a global standard for the good governance of oil, gas and mineral resources sectors, seeking to address the key governance issues in the extractive sectors. The EITI Standard is a country-level initiative and has been implemented in 52 countries worldwide, with Ukraine joining in 2013.



FTSE4Good



CHAIRMAN'S REVIEW

AIMING TO OUTPERFORM PEERS



Yuriy Khimich, Chairman, Corporate Safety and Social Responsibility Committee

Ferrexpo's policy towards Responsible Business covers its work on Environmental, Social and Governance ("ESG") matters. High ESG standards underpin a sustainable business that benefits all stakeholders of the Group.

Through community engagement, environmental monitoring, compliance training, and health and safety improvements, Ferrexpo aims to sustain a long-term future that not only develops its natural resources for its own benefit, but also for the shared benefit of those around us – employees and their families, local communities and businesses, the natural environment around the Company's operations, and tax revenues to national governments. Ferrexpo has once again been recognised in the Ukrainian government's published list of "top taxpayers" and through more than 40 years of continuous operation the Group has been able to maintain a constant presence in Central Ukraine, providing employment as the largest company in the Poltava Region.

During the year, the Group maintained a focus on product quality and increasing its output as well as further optimising its operating processes. It also focused on softer processes such as health and safety initiatives and compliance training, through which the Company continues to sustain its social licence to operate. Achievements celebrated during the year included the Company maintaining its strong health and safety performance, measured in terms of a Lost Time Injury Frequency Rate, at 1.18x. This is in line with Ferrexpo's performance last year, and crucially – in line with the world's largest iron ore miners in Western Australia. Our record was however significantly impacted by the tragic events of October 2018, when a contractor, Maxim Blinkov, fell from height whilst undertaking maintenance in the pelletiser. Our safety department has thoroughly reviewed this incident and made a number of recommendations for all future activities at height.

Since publishing the Company's first standalone Responsible Business Report in 2015, the Company has been recognised for its continued efforts in ESG reporting through inclusion in the FTSE4Good Index and was recently upgraded to a BB rating on the MSCI ESG Research, and this is a trend the Company intends to continue into 2019.

The Company also went through a process with internal stakeholders to define a new set of values for the business in 2018, which are as follows:

(1) Act Responsibly: at all times exercise self discipline, put health and safety

first, be environmentally responsible and accountable to communities.

(2) Make It Happen: take the initiative, be engaged, have no fear of failure, ensure work is done once and done well, achieve superior business results by stretching capabilities and by focusing efforts on adding value.

(3) Integrity: no double standards, be truthful, honest and open at all times, uphold high ethical standards and deliver on commitments.

(4) Diversity Within One Team: valuing difference, learning from each other, respecting other opinions, building on our strengths, harnessing the capabilities of the whole team and working collaboratively across boundaries for the benefit of "One Ferrexpo".

(5) Continuous Innovation: show courage, seek to improve not only the business but ourselves, to try something new, investigate if there is a better way, taking personal accountability and accept change.

The values are intended to be used as a framework for Ferrexpo's workforce to conduct themselves and the Company is moving to embed these throughout the organisation in 2019.

Early 2019 was marked by the terrible events surrounding the catastrophic failure of an iron ore tailings dam in Brazil, with significant loss of life. Ferrexpo routinely monitors the key risks facing its operations, and following this news, we moved to engage an independent consultant (Knight Piesold) to conduct a thorough review of our tailings dam as a precaution. It should be noted, however, that Ferrexpo's tailings dam is designed differently to the dams identified as unstable in Brazil, with Ferrexpo's tailings dam being built on flat land and compartmentalised into smaller 400x400 metre sub-sections, which would limit the potential for any mass failure to occur.

Finally, I would like to thank all of the Company's employees, contractors and other stakeholders for their collective efforts to ensure our progress in ESG reporting.

Yuriy Khimich

Chairman, Corporate Safety and Social Responsibility Committee

ENGAGING OUR STAKEHOLDERS

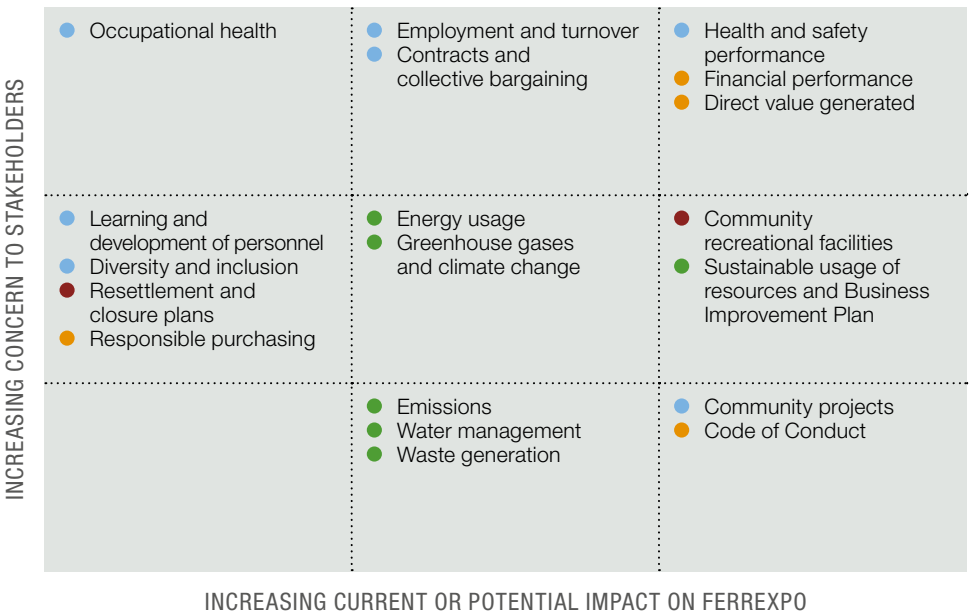
ASSESSING KEY ISSUES

MATERIALITY INDEX

Where issues are considered to be material to Ferrexpo stakeholders, they are included in the Group's priorities and managed as part of the responsible business strategy. The diagram opposite details the key issues:

Key to materiality matrix

- People
- Environment
- Economic and Business Ethics
- Communities



The issues covered in the above materiality matrix are then used to help direct the Company's approach to its responsible business activities, acknowledging how each area affects the Company's various stakeholders.












OUR APPROACH TO BEING A RESPONSIBLE BUSINESS

OUR OPERATIONS	OUR RESPONSIBLE APPROACH		OUR STAKEHOLDERS
LOGISTICS	 PEOPLE <ul style="list-style-type: none">SafetyOccupational healthDiversityLocal hiringTraining and developmentEmployment and turnoverContracts and collective bargaining	 ENVIRONMENT <ul style="list-style-type: none">EnergyWaterGreenhouse gasesOther air emissionsLand use and rehabilitation	GOVERNMENTS
WORKFORCE			INVESTORS
MARKETING			SUPPLIERS
PROCESSING			WORKFORCE
RESOURCE BASE	 ECONOMIC AND BUSINESS ETHICS <ul style="list-style-type: none">Financial performanceLocal investment (including purchasing) and recruitmentDirect value generatedCode of ConductResponsible purchasing	 COMMUNITIES <ul style="list-style-type: none">Community support donationsGovernment relationsResettlement and closure plans	COMMUNITIES
MINING			CUSTOMERS
			CAPITAL PROVIDERS















RESPONSIBLE BUSINESS PRIORITIES

UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS

PEOPLE

Employee health and wellbeing		<ul style="list-style-type: none">– Zero fatalities and maintain safety performance either in line with, or ahead of, industry peers.– Result: 1 fatality in 2018. Lost Time Injury Frequency Rate ("LTIFR") maintained at 1.18x.				
Diversity		<ul style="list-style-type: none">– Increase proportion of women in management roles to 24% by 2025 (2018: 18%).				

ENVIRONMENT








Reduce direct and indirect CO₂ emissions		<ul style="list-style-type: none">– Year-on-year reduction in carbon intensity ratio, with 3% reduction in 2018 (235kg CO₂ per tonne pellets produced).				
Increase percentage of renewable energy usage in fuel mix		<ul style="list-style-type: none">– Continue to utilise sustainable volumes of sunflower husks as fuel in Company's pelletiser. (2018: 19% of fuel mix, in line with 2017 result).				
Reduce environmental footprint		<ul style="list-style-type: none">– Manage, and reduce where possible, water usage, gaseous emissions and waste production.				 

ECONOMIC

Supporting local businesses where we operate	●	<ul style="list-style-type: none">To continue to increase percentage of business conducted with local companies.		
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Educate workforce in Code of Conduct and best practice principles	●	<ul style="list-style-type: none">Continue to target 100% completion rates for existing compliance training programmes and introduce new training programmes.			
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COMMUNITIES

Contribute to development, education and skills of local population		<ul style="list-style-type: none">– Total of 11,713 training courses provided in 2018, largely through Ferrexpo's training and development centre, an increase of 20% on 2017.			
Provide targeted assistance		<ul style="list-style-type: none">– Improving the lives of local people with direct donations to individuals in need of medical treatments and other social needs. 574 such individuals supported in 2018 (2017: 575).			

Key to UN SDG table
● Material progress made in 2018
● Progress in 2018
● Work in progress

AN ENGAGED AND SKILLED WORKFORCE



PEOPLE 

Image: Haul truck driver Vladyslav Kovalenko, Ferrexpo's Poltava Mine.

KPIs	
KPI	PERFORMANCE IN 2018
To operate fatality free	One fatality in 2018 (2017: 1)
Maintain injury frequency rate below peers	LTIFR maintained at same level as 2017 (1.18x)

+14%

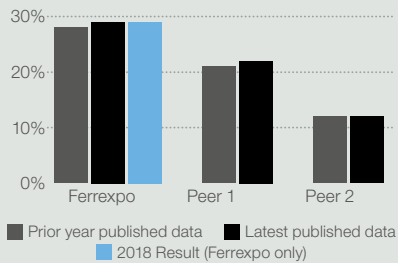
INCREASE IN TRAINING EXPENDITURE PER EMPLOYEE, WITH OVER 11,700 TRAINING COURSES UNDERTAKEN IN 2018 (+20% VS. 2017)

Ferrexpo is a major employer in the region of Poltava and the Company's workforce represents a large proportion of the population of the local town of Horishni Plavni. The success of Ferrexpo is therefore closely linked to the relationship it has with its workforce through promoting talent, providing training, and fostering diversity and inclusion within its workforce.

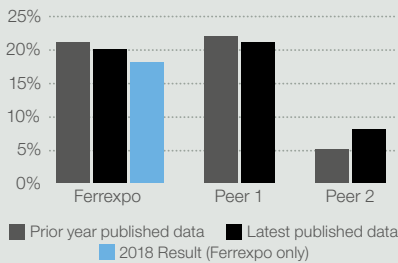
BENCHMARKING PERFORMANCE: FEMALE REPRESENTATION

Ferrexpo's employee workforce includes 2,665 women, representing 29% of the total, the third year of increasing female representation at Ferrexpo. The Company continues to operate ahead of its peer group on this metric. With management roles, Ferrexpo's grading programme in 2018 saw all roles graded across the Company, standardising the definition of management. This programme significantly reduced the number of people classified as managers at all three business units, with the overall proportion of female managers falling to 18% (down from 20%) as a result. The Company, however, remains in line with its peer group on this metric.

WOMEN AS A PROPORTION OF TOTAL EMPLOYEES



FEMALE MANAGERS AS A PROPORTION OF TOTAL MANAGERS



10 months

LTI-FREE ACHIEVED AT FERREXPO YERISTOVO MINING DURING 2018



Image: Yuliya Robota, dispatcher in the Company's processing plant.

The Company's approach to its workforce and human resources is to focus on ensuring the Company hires the best candidates for each role, preferentially hiring from local populations where feasible, and positioning itself as a top wage payer, where possible, to support local communities. The Company aims to create a positive working environment through diversity in its workforce and providing equal opportunities. Ferrexpo seeks to develop its workforce through training and education, to improve each individual's skills set and to enable career progression throughout the business. As outlined in the Company's Code of Conduct, which is available on the Company's website, Ferrexpo recognises every individual's fundamental human rights, and understands that a positive working environment is only achieved through good relations with labour management councils, zero tolerance to discrimination, freedom of association and collective bargaining, recognising the rights of local and indigenous peoples and by prohibiting the use of child labour and compulsory labour.

The Company can confirm that there were zero cases of discrimination brought against the Company in 2018 (2017: zero).

Safety Performance in 2018

It is with regret that the Company reports that a fatality occurred at its Ukrainian operations in October 2018, whereby Maxim Blinkov, a contractor engaged in maintenance work on the Company's pelletiser plant, was involved in a fall from height incident. A thorough investigation into this incident has resulted in stricter guidelines for the maintenance of raised walkways, in addition to greater oversight of contractor safety by Ferrexpo's onsite management team.

Lost Time Injury Frequency Rate ("LTIFR")

LTIFR	2018	2017
- FPM	1.25	1.03
- FYM	0.66	0.74
- FBM	0.00	0.00
Mining entities	1.15	0.98
Barging	1.83	4.32
Group	1.18	1.17

Ferrexpo's safety performance in terms of lost time injuries per million hours worked (LTIFR) saw the same level maintained as was seen in 2017 (2018: 1.18x, 2017: 1.17x).

This level of safety performance compares favourably when noted that Safe Work Australia, a government body in Australia, publishes an industry standard for LTIFR of 4.0x¹ – implying that Ferrexpo has significantly fewer Lost Time Injuries ("LTIs") than this benchmark would suggest for an operation of Ferrexpo's size. Furthermore, latest available data published by the government of Western Australia, where major iron ore miners Rio Tinto, BHP and Fortescue all operate, shows that the LTIFR for iron ore mines in this region was 1.1x between 2016 and 2017, indicating that Ferrexpo operates at a comparable safety level to that seen at the world's largest iron ore miners². Notwithstanding the Company continues to strive for zero harm at its operations. No workers have been excluded from the Company's LTIFR statistics, with all employees and contractors included.

In 2018, Ferrexpo implemented a number of new aspects to its safety systems, with improved hazard identification, a greater number of risk assessments and a faster turnaround in terms of incident

1 <https://www.safeworkaustralia.gov.au/statistics-and-research/lost-time-injury-frequency-rates-ltifr>
2 http://www.dmp.wa.gov.au/Documents/Safety/MSH_Stats_Reports_SafetyPerfWA_2016-17.pdf

PEOPLE CONTINUED



Image: plant operatives in Ferrexpo's concentrator.

investigations. Ferrexpo's safety systems now target publication of a preliminary report within 24 hours after any safety incident occurs, in order to develop preventative measures and corrective actions in the shortest possible time. Serious Incident Reports ("SIRs") are now produced for both actual and potential safety events, and this has led to a significant increase in the number of reports issued (rising from ten in 2017 to 25 in 2018), as awareness improves, and each report is issued with key learnings attached. Furthermore, employees at any level can now report an incident, in an effort to streamline reporting practices, without fear of reprisal on the part of the reporting party.

Whilst the Company's main measures of safety performance continue to be its performance with regard to fatalities and LTIFR, a useful lead indicator of future safety performance is the incident severity rate, which declined in 2018 by 30%. It is expected that this reduction in incident severity reflects two factors: (1) improved reporting of all potential incidents, meaning that the Company is gaining an improved understanding of day-to-day risks; and (2) fewer severe incidents; which have the potential to result in serious injury.

Ferrexpo's action plan for safety in 2019 is as follows:

- to expand the risk assessment procedure to cover normal risks as well as significant risks;
- tag out, lock out system for individuals to isolate machinery during maintenance;
- installation of seat belts on all vehicles operating on Ferrexpo's sites (not currently required under Ukrainian law);
- improvement in personal protective equipment – brighter and clearer clothing to improve visibility;
- installation of automatic braking system for haul trucks to avoid collisions;
- purchase of barricading to restrict access to areas under maintenance;

9,170

**FERREXPO GROUP EMPLOYEES IN 2018
IN ADDITION, FERREXPO ENGAGED 1,987
CONTRACTORS IN 2018**

- additional safety training for working at height; and
- vehicles to be fitted with speed limiters to decrease risk of road accidents.

Behavioural Safety

Ferrexpo's Behavioural Safety Programme oversaw 12,982 safety audits in 2018, in line with the prior year (2017: 12,844). An analysis of the key trends identified in these audits highlighted a need to focus in the coming year on the use of personal protective equipment by employees, ensuring the Company's workforce complies with existing labour safety rules and maintaining workplaces adequately.

Ferrexpo is compliant with OHSAS 18001, which is a British Standard for occupational health and safety management systems, and compliance demonstrates that the Company has in place an adequate system for occupational health and safety.

Promoting Workforce Health

As the major employer in the region, it is key that Ferrexpo helps promote healthy lifestyles within its workforce, for the long-term benefit of the individual, the Company and the local community. Ferrexpo's medical facilities provide annual checks for all employees, with 8,637 such checks performed in 2018.

Alcohol and drug addiction is a serious problem in Ukraine, and Ferrexpo offers a rehabilitation system for those employees willing to participate and eligible to join. In 2018, Ferrexpo had 66 individuals enrolled on this programme (2017: 64), which follows internationally recognised programmes such as Alcoholics Anonymous and the 12 Steps Programme.

Global Health Issues

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

Workforce Total Workforce

The Ferrexpo Group comprises employees and contractors across the globe, with employees in more than ten different countries engaged in the production, transportation and sale of Ferrexpo's pellets to its customers. In 2018, Ferrexpo's global workforce (employees and contractors) was 11,157 people (2017: 10,665).

The number of employees increased by 107 in 2018 to 9,170, primarily due to an increase in staff numbers involved in maintenance of the Company's railway wagons (Ferrotans). Contractor numbers increased in 2018 by 385 to 1,987, with 80% of this increase related to scheduled maintenance work on the Company's pelletiser, and growth programme.

WOMEN IN MINING (REVISITED)

Through its gender diversity programme, Ferrexpo aims to identify and address the gender-specific issues facing women in mining, to promote a more diverse and inclusive working environment.

In last year's Responsible Business Report, the Company reported that it had moved to hire women into the roles of truck drivers following the repeal in Ukraine of a 25-year old law that prevented women from participating in certain roles. In 2018, the Company can report that all five women originally recruited under this initiative are now employed as truck drivers and are currently operating ADT Bell trucks at the Company's latest mine, Ferrexpo Belanovo Mining.

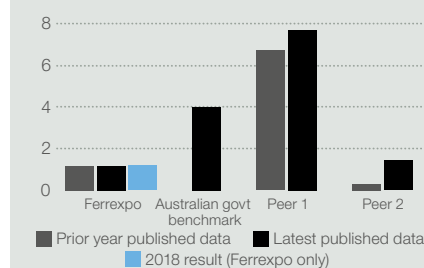


Other gender diversity initiatives commenced in 2018 include a leadership programme specifically targeted towards women and identifying potential future leaders of the business. The first class of future leaders comprised of 32 women, and the course includes training on engagement, leadership skills and competencies. The first group of women completed this course in November 2018, and it is intended to continue offering this course throughout 2019 as part of its long-term strategy.

Elsewhere in Ferrexpo's gender diversity programme, the Company has erected banners around its operating sites that highlight women currently working in roles seen as male-dominated areas, such as electricians and engineers, raising awareness that such careers are open to women at Ferrexpo. The Company has also initiated a project to provide medical support to women returning from maternity leave or long-term illness, and promoting awareness of the issues facing individuals in this position.

Image: N Onishchenko, H Zhyvora and O Tiutiunnyk, Surveyors, Ferrexpo's Poltava Mine.

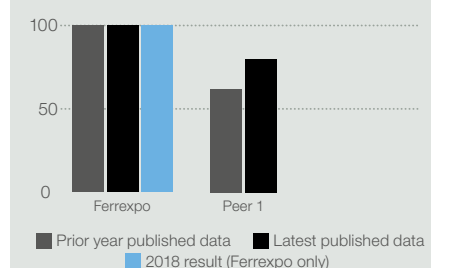
BENCHMARKING PERFORMANCE: LTIFR (INJURIES PER MILLION HOURS WORKED)



Ferrexpo recorded a second successive year with a LTIFR at the current level, 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 4.0, used to evaluate performance of mining operations¹.

¹ <https://www.safeworkaustralia.gov.au/statistics-and-research/lost-time-injury-frequency-rates-ltfr>

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 2018, 8,637 health checks were carried out on employees of FPM, FYM and FBM, representing the equivalent of over one health check per employee (2017: 100% of employees).

PEOPLE CONTINUED

Recruitment

Ferrexpo aims to recruit and retain the best individuals, attracting talent from across Ukraine for its operating entities. In 2018, the Company hired 884 individuals (2017: 1,284), with 79% of these individuals coming from local communities (2017: 81%). Of the 262 managers at Ferrexpo's operations in Ukraine, 97% are Ukrainian. A full breakdown of employee recruitment by age group, gender and region is provided in the Supplement to this report.

Employee Turnover

A total of 1,083 employees left the Group in 2018, a figure in line with the prior year (2017: 1,090). This figure includes 220 resignations, 384 instances of employees leaving by mutual consent, and 87 involuntary leavers. A full breakdown of those leaving Ferrexpo by age, gender and region is provided in the Supplement to this report.

Absenteeism

Absenteeism rose to 521 hours in 2018, a marginal increase on the prior year (2017: 472), and representing 0.003% of the total number of hours worked, in line with 2017.

79%

CULTIVATING TIES WITH LOCAL COMMUNITIES THROUGH RECRUITMENT, WITH 79% OF NEW RECRUITS IN 2018 COMING FROM LOCAL COMMUNITIES

Diversity and Equal Opportunity

In order to maintain a balanced workforce and sustainable working environment, the Company tracks the composition of its workforce. The Company has a number of diversity targets, including a target of 24% female representation in management positions by 2025, and the total number of disabled employees to be at least 4% of employees (legal requirement under Ukrainian legislation).

In 2018, women represented 29.1% of Ferrexpo's employees (2017: 28.6%). In terms of recruitment, 28.5% of new hires were women, whilst only 26.7% of those departing the Company were female, with this difference resulting in the above increase in female representation. Turnover in the female component of Ferrexpo's workforce was 10.6% in 2018, whereas the same figure for males was 12.3%.



For the first time in its history, in 2018 the Company undertook a job grading project across the organisation to ensure that all roles were benchmarked and graded across the Group, to promote alignment between the operating entities. This particular project resulted in the definition of a management role to be adjusted to be those jobs graded at Level 10 or above, which resulted in a 70% reduction in the number of individuals classified as managers, 150 of whom are women (21% of the total). This project has resulted in a reduction in the percentage of female managers to 18% (2017: 20%), but provides a sustainable solution for benchmarking the Company's management going forward, particularly as the Company grows its production base.

Board Composition

As at the end of 2018, Ferrexpo's Board of Directors comprised of one woman and six men. The age composition of Ferrexpo's Board of Directors was as follows: 29% are 30 to 50 years of age and 71% are over 50 years old.

Training and Development

Ferrexpo takes its role in developing its workforce very seriously, and endeavours to train its people in not just their main functional area, but additional areas that supplement their day-to-day role. An example of this would be training truck drivers in mining operations to use different pieces of equipment, such as excavators and bulldozers. Through multi-skills training, Ferrexpo can improve its operational flexibility to meet the demands of each shift, and this also improves an individual's career prospects in the longer term. In 2018, the Company conducted 7,817 training and performance reviews, representing 85.2% of the Company's total employees (2017: 85.8%).

Through the Company's dedicated training centre, located in the local town of Horishni Plavni, Ferrexpo is able to provide bespoke training courses tailored to the needs of its workforce. A total of 11,713 training courses were undertaken by the Group's workforce in 2018 (2017: 9,648), with this increase principally relating to skills training (4,944 courses, +146% vs. 2017) and a 17% increase in safety related training (4,435 courses). This represents a significant step up in the Company's training efforts, with 1.28 training courses per employee in 2018, a 20% rise when compared to a figure of 1.06 in 2017. Similarly, the total number of training hours per employee also increased in 2018, rising by 26% to 27.2 hours per employee.

Specific training initiatives in 2018 were focused on safety and accident prevention, with the introduction of first aid training for operatives in the processing plant (940 employees trained), risk management and labour protection (129 employees) and training in emergency medical assistance (71 employees). Other courses introduced during the year included training in the Company's environmental management systems (132 employees) and multi-functional training for different equipment (385 employees).

Further details of training provided by Ferrexpo to its workforce in 2018, including a breakdown by location and role level, is provided in the Supplement to this report.

Workforce Benefits

A table of the benefits provided to the Company's workforce is provided in the Supplement to this report.

Parental Leave

Ferrexpo provides for those employees entitled to parental leave under the legislation for each jurisdiction that the Company operates in, and aims to support young families with their childcare arrangements.

Under Ukrainian legislation, parental leave is granted for the first three years of the child's life for mothers, with their carers (mother, father, grandparent) able to take parental leave after three years, depending on who is

looking after the child. In 2018, FPM saw 72 people depart on parental leave (including three males) and in the same period 103 employees (including one male) returned from parental leave. Those returning represented 100% of the individuals that were due to return to work. At Ferrexpo Yeristovo Mine ("FYM"), 12 individuals went on maternity leave during 2018, and nine individuals returned from maternity leave (representing a 100% return rate).

Labour Unions, Collective Bargaining and Workforce Disputes

The majority of Ferrexpo's employee workforce at its operating subsidiaries are members of a labour union (2018: 88% of the Company's workforce in Ukraine). The Company can confirm that there were no strikes or lock-outs at any of its subsidiaries during 2018.

2018 represented the first year of a two-year agreement with the union at Ferrexpo Poltava Mine ("FPM") that was agreed at the end of 2017. Discussions in relation to a new agreement at FPM are expected to commence in Q4 2019. The joint employee-management representative council at FYM also agreed terms of reference with the Group in late 2017 and discussions on a successor agreement are also expected to commence in late 2019.

Before any major changes are enacted within the employee structure, 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.

Where possible, Ferrexpo conducts due diligence with third parties that it does business with, to ensure its business partners operate to the same high standards of governance and compliance that Ferrexpo operates to. As part of this vetting process, Ferrexpo ensures that its business partners grant their workers the right to exercise freedom of association or collective bargaining, and the Company can confirm that it does not, and will not in future, do business with any parties that impinge on this fundamental right.

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. Ferrexpo trains its staff in human rights through its internal annual compliance programme, with over 950 individuals having completed an internal training course on human rights since the launch of this module in December 2017.

Ferrexpo does not permit the employment of child labour and does not allow forced or other forms of involuntary labour. The Company consistently reviews its supply chain to ensure it does not do business with businesses considered to be at risk of incidents of either: (1) child labour; or (2) young workers exposed to hazardous work.

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. This is achieved principally through community liaison efforts, carried out via impact assessments and baseline

studies prior to new mining areas opening, maintaining a continuous dialogue during the active mining phase, 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. In the case of Ferrexpo's mines, reserves are not expected to be depleted until after 2038. The Company can confirm that it was not involved in any violations of the rights of indigenous peoples in 2018 (2017: none).

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 2018 (2017: 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, or alternatively, concerns can be raised securely and confidentially through the following independently operated, confidential whistleblower website: <https://ferrexpo.alertline.eu/> or by telephone (numbers available via the same link).

83%

MAJOR CONTRACTS SIGNED WITH ANTI-SLAVERY CLAUSES AS OF THE END OF 2018



Image: Contractors from Epiroc performing scheduled maintenance on an Atlas Copco drill rig in Ferrexpo's Poltava Mine.



HELPING DEVELOP THE LOCAL ECONOMY



Image: Compliance event, FPM.

Ferrexpo operates in a business environment that increasingly requires higher standards from leadership teams and this is achieved through continuous improvements in compliance regulations and compliance training. Through good corporate governance, the Company can foster a strong bond with its stakeholders.

KPIs	
KPI	PERFORMANCE IN 2018
Supporting economies where we operate	87% of supplier spend with companies in Ukraine (2017: 85%)
Educate workforce in Code of Conduct and best practice principles	Further two compliance courses initiated in 2018, with completion rates reaching 84% to 85% for both.

FERREXPO'S PELLET EXPORTS ARE EXPECTED TO BE APPROXIMATELY 2.0% OF UKRAINE'S TOTAL EXPORT REVENUE¹

The Company's approach to ethical business is outlined in the Company's Code of Conduct, which is available on the Company's website at the following location: <http://www.ferrexpo.com/responsibility/governance>.

The Code of Conduct ("Code") provides guidance to Ferrexpo's employees and stakeholders as to the Company's approach in a number of compliance areas, and outlines the high level of standards expected by the Company of its workforce. Areas covered by the Code include the Company's zero tolerance approach to fraud, bribery and corruption, keeping information secure, and ensuring financial controls are maintained throughout the business. The Code also sets out Ferrexpo's policies on human rights, acknowledging the fundamental human rights and dignity for all individuals and encourages suppliers to follow the same practices (by contract where possible). Ferrexpo aims to comply with all applicable laws, regulations and other requirements in the countries in which it operates, and aims to demonstrate good corporate responsibility in its activities through risk identification, risk management and business improvement.

¹ <http://officevp.sfs.gov.ua/media-ark/news-ark/365564.html>

Corporate Level Indicators

The Company presented its financial results in line with IFRS guidelines in its Annual Report and Accounts, which is available on the Company's website (<http://www.ferrexpo.com>).

Direct Economic Value Generated in 2018 (revenue) was US\$1,274 million, a 6% increase on 2017.

The table below shows the items that are collectively defined by the Global Reporting Initiative ("GRI") Standards as Economic Value Distributed, as shown in Note 7 of the Company's Annual Report and Accounts.

Ferrexpo operates two mines and a processing complex in Ukraine, with sales operations around the world for its Ukrainian iron ore pellets. On this basis, it is therefore not applicable to provide a country by country breakdown of Economic Value Distributed. It is possible, however, to view the Company's sales by country in Note 6 of its Annual Report.

Payments to Governments

The Company publishes its annual report on payments to governments each year on its website, in line with reporting requirements. The report for payments made in the 12 months to 31 December 2017 was published on 27 June 2018 and the same report for payments in 2018 was published on 27 June 2019.

Local Presence

Whilst there is a minimum wage level set by legislation in Ukraine, the majority of Ferrexpo employees are compensated more than this legislation stipulates due to the complex nature of work conducted in mining and processing of iron ore into a premium product such as pellets. Only 0.03% of employees at FPM and 0.04% of employees at FYM were paid in line with the minimum wage, with these numbers largely reflecting the students undertaking vocational training at each business unit.

Following the grading project that was undertaken at Ferrexpo's operations in 2017, the Company defines managers as those with a grade of Level 10 and above, representing 262 individuals across the three main business units in Ukraine (FPM, FYM and FBM). Of these individuals classified as managers, 97% are from Ukraine.

(US\$, 000'S)	2018	2017
Direct Economic Value Generated (Revenue)	1,274,030	1,197,494
Operating Expenses	(844,470)	(717,354)
Included in Operating Expense: (but not limited to)		
- Employee costs	(79,471)	(53,293)
- Royalties and levies	(29,742)	(19,610)
- Community support donations	(15,130)	(28,384)
- Suppliers*	(481,366)	(367,161)
Operating Profit	427,579	490,039

* Inventories recognised as an expense upon sale of goods



Image: On site compliance training workshop with Maksym Baidak, Senior Compliance Officer.

Local Suppliers

Ferrexpo supports local communities where it operates, through employment of individuals, developing business relationships and through its charitable donations. In its business dealings, a preference is given to local suppliers, whenever possible, to boost local economies through the multiplier effect and provide additional economic benefits. Since the Company began reporting this data in its 2015 report, local expenditures have been at least two thirds of the total spent, increasing recently to over 85%. An example of a local business in Ukraine that Ferrexpo does business with is provided in the case study on the following page.

Ferrexpo understands that the need for ethical business practices does not stop at the perimeter of its own operations, but also in the practices of its business suppliers, contractors, customers and other partners. Ferrexpo therefore conducts due diligence

on all business-partners with either a minimum annual turnover of more than UAH 500,000 or US\$50,000, assessing each party for a number of regulatory, legal and reputational risk. Following assessment, if a counterparty is deemed to be high risk and no alternative suppliers exist, then approval is required from a combination of the following bodies within Ferrexpo: (1) local executive management; (2) Executive Compliance Committee; and (3) Group-level Executive Committee.

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 2019 that Ferrexpo was in the top 100 tax payers in Ukraine during 2018.¹

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. The Company's audited financial statements are published on the Company's website (<http://www.ferrexpo.com>).

¹ <http://officevp.sfs.gov.ua/media-ark/news-ark/365564.html>

ECONOMIC INDICATORS AND ETHICAL BUSINESS CONTINUED

Compliance Programme and Training

Ferrexpo’s success depends on building trust and strong relationships with internal and external stakeholders by conducting business in a fair, transparent, legally compliant and ethical manner. High ethical standards apply to everyone across the Group, without exceptions. It is important that Ferrexpo’s business partners and stakeholders can rely on the Company’s integrity and have confidence in their relationship with Ferrexpo.

Ferrexpo’s compliance programme has been designed to promote ethical standards and compliance. It is aligned with Ferrexpo’s strategy and business objectives, and clearly articulates and assigns responsibility for compliance outcomes. Ferrexpo directs its compliance efforts and resources in accordance with the risks that the Company faces, which are reviewed and prioritised through a biannual risk assessment process. The presence and effectiveness of existing controls are verified by an independent internal audit sub-committee, which reports to the Committee of the Independent Directors.

The Board of Directors oversees the Group’s compliance programme directly and, through its committees, receives regular compliance reports. The elements of the compliance programme, including Ferrexpo’s Code of Conduct and training, apply equally to the Board as well as to all Ferrexpo employees. In 2014, the Executive Compliance Committee was founded and meets regularly to oversee the compliance of the Group with applicable laws, regulations and ethical standards in relation to Ferrexpo’s employees, neighbours, the environment and other stakeholders. In 2018, a Local Compliance Committee was established to foster the culture of compliance at the Company’s operations in Ukraine.

Ferrexpo has an independent compliance function led by the Group Compliance Officer including four local compliance officers in Ukraine, and one at the Group’s logistics subsidiary. Compliance teams regularly attend national and international compliance conferences to keep up to date with best practices in this field. The Group Compliance Officer establishes, reviews and monitors the Group’s compliance programme.

The Company has instituted a Code of Conduct available publicly at Ferrexpo’s website, which sets out the Company’s requirements in relation to a number of areas such as anti-bribery and anti-corruption, conflicts of interest, health and safety, and human rights. Ferrexpo’s policies and procedures, developed and implemented across the Group, are founded on the Code of Conduct.

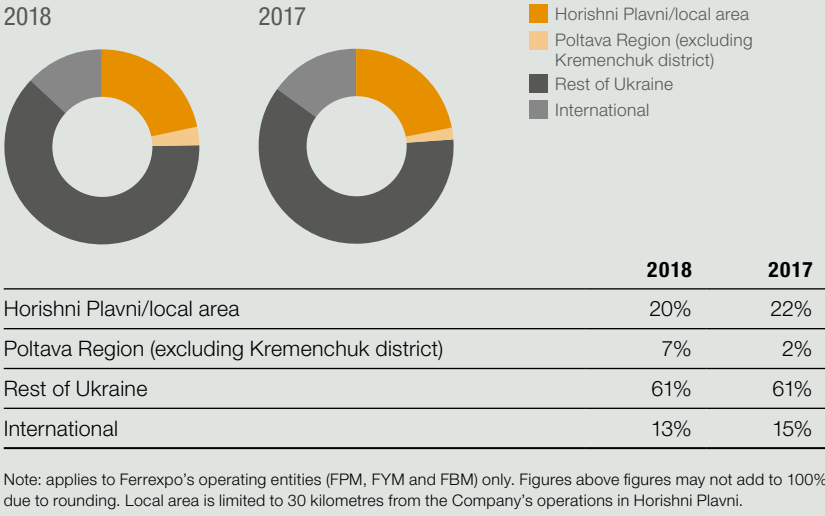
Ferrexpo believes that training is fundamental for an effective compliance programme. Ferrexpo’s employees, Directors and officers, as well as certain

DOING BUSINESS WITH LOCAL COMMUNITIES - GARMENT FACTORY “LEADER”

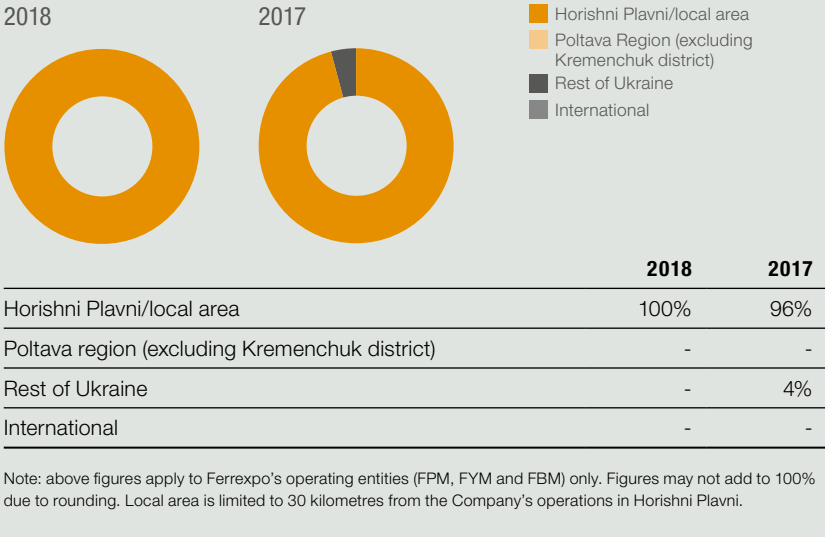
Ferrexpo aims to partner with local firms for successful partnerships with local communities, and in line with this objective, Ferrexpo sources its personal protective clothing for its operational staff from the garment factory “Leader” in the local city of Kremenchuk, located approximately 30 kilometres from the Company’s operations. Ferrexpo has

been engaged with Leader since 2015, which provides the Company with a wide range of products for various fields of activities, such as work suits, bib-overalls, suits for security staff, medical suits and gowns, high-visibility clothing and vests, welding suits, and cold-protective clothing.

PURCHASES FROM SUPPLIERS, BY LOCATION (%)



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



categories of contractors, receive training on various aspects of the Code of Conduct. Since the Company published its revised and updated Code on Corporate Responsibility and Business Ethics in 2015, a total of five newly created training courses in compliance have been introduced across the business, leading to the completion of over 2,500 modules by employees in 2018 alone. Two additional courses were initiated by Ferrexpo’s Compliance Department in 2018, relating to anti-bribery and data privacy. Completion rates for the courses introduced in 2018 reached 84%, with the completion of the remaining employees targeted for 2019. For those who do not have access to e-learning, Ferrexpo’s compliance teams convey compliance-related messages through posters, internal newspapers, intranet and other available communication channels.

Ferrexpo acknowledges that any improper conduct by its business partners could damage Ferrexpo’s reputation and potentially expose the Company and individual employees to liability and penalties. Ferrexpo therefore has procedures in place to ensure that its potential business partners are carefully selected and are following anti-corruption laws, observe human rights, and that relationships with them do not breach any applicable sanction laws and regulations. In 2018, the Group developed a Code of Conduct specifically for business partners, which will be rolled out in 2019.

The Group has a system of reporting compliance and ethics-related concerns, available to all employees and third parties. Ferrexpo encourages its employees to raise any questions or concerns with their managers, another manager or with the compliance team. It is also possible to submit a query to compliance@ferrexpo.ch or through the Ferrexpo Integrity Line available at <http://ferrexpo.com/IntegrityLine> and by telephone (with numbers for each country available via this link). Ferrexpo does not allow retaliation for raising concerns in good faith and will take disciplinary action up to and including dismissal for intimidation or harassment of individuals who report genuine business conduct concerns.

Anti-Corruption

The Company can confirm that there were no confirmed incidents of corruption in 2018 (2017: zero) either with employees or with Ferrexpo’s business partners. Nor were there any public legal cases brought against the Company.

Ethical Business

The Company confirms that it has not been subject to any legal actions, pending or completed, during the reporting period regarding anti-competitive behaviour, or any violations of anti-trust and monopoly legislation in which the Company has been identified as a participant. Ukraine continues to make progress with implementing the Extractive Industries Transparency Initiative (“EITI”) since it joined in 2013, with EITI determining that the country has made

meaningful progress in its review published in June 2018. In September 2018, the Ukrainian parliament also passed the law “On ensuring transparency in extractive industries”, which sets out legal principles for the collection, disclosure and dissemination of data on Ukraine’s extractive industries.

Pension Plan Obligations

The Company’s arrangements with regard to pension plans and retirement plans for its employees remained materially unchanged in 2018. In some jurisdictions, for example the UK and Switzerland, the Company has pension plans for employees, while in others, for example Ukraine and China, 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 21 of the Company’s 2018 Annual Report (pages 138 to 142).

A table providing an overview of the Company’s benefits for its employees, split by geographic location, is shown in the Supplement to this report.

Financial Assistance from Governments

The Company can confirm it did not receive any financial assistance from governments during the reporting period in the form of tax relief, subsidies, investment grants (or similar), awards, royalty holidays, or other financial incentives. The Company has, however, received loans in the form of Export Credit Agency (“ECA”) debt in the past, and continues to repay these loans in line with the terms of these facilities. As of 31 December 2018, the outstanding balance of ECA debt was US\$14 million (2017: US\$26 million). This ECA debt was provided by Sweden and the USA. The

Company can confirm that no government is present in its shareholding structure.

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.

Data Protection and Customer Privacy

The Company’s data retention policy sets out the Company’s approach to various key types of information stored by the Company, from Company records, to minutes of the Company’s meetings, to general tax papers. The same policy covers the security measures taken to ensure the same keeping of data and guidelines to prevent unauthorised access. Ferrexpo’s business partners’ data protection policy covers the obligations regarding data protection and the rights of the Company’s business partners under the Swiss Data Protection Act and the General Data Protection Regulation (“GDPR”).

Anti-Slavery and Modern Day Slavery Act

The Company’s Code of Conduct reflects the Company’s commitment to supporting human rights and to taking all possible steps to ensure that slavery and human trafficking are not taking place in any part of the Group’s supply chain or business.

The risk of modern slavery in Ferrexpo’s supply chain is routinely considered as part of the Group’s risk assessment process. There are no operations within the Ferrexpo Group which have been assessed as having a high or medium degree of risk of involuntary labour in any form occurring. As at the end of 2018, 82.6% of contracts with suppliers that have an annual turnover in excess of UAH 500,000 now include anti-slavery clauses.

COMPLIANCE WEEK

Ferrexpo’s compliance work in 2018 included face-to-face training sessions at the Company’s operations in Ukraine. This has the clear advantage over online-based training as it enables compliance officers to adapt compliance teaching materials to their audience. In November 2018, the Company held its first site-wide “Compliance Week”, with Compliance training sessions at each of Ferrexpo’s operating entities (FPM, FYM and FBM), together with the senior leaders of the Group holding daily briefings, which collectively resulted in face-to-face meetings with over 250 employees.

Other activities included anti-corruption lessons at local schools and an anti-corruption art exhibition. One of the highlights of the Compliance Week was a Compliance Forum entitled “Integrity in What We Do”, which was hosted by Ferrexpo in tandem with the Ukrainian Network of Integrity and Compliance and Business Ombudsman Council. The Forum featured presentations by Ferrexpo’s employees and guest speakers about ethical leadership, case studies on the cost of non-compliance, and best practices in compliance programmes.

MANAGING ENVIRONMENTAL IMPACT



ENVIRONMENT

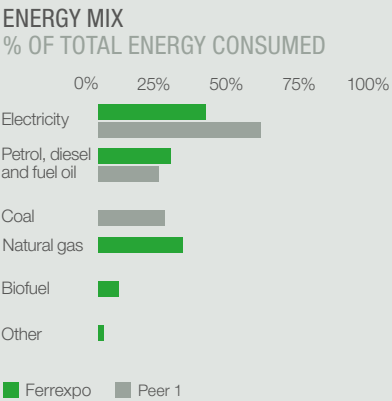


Image: Aerial view of Ferrexpo Yeristovo Mine.

Ferrexpo operations have a bearing on a wide range of environmental factors – air quality, water quality, land use and rehabilitation, and biodiversity, with the Company committed to monitoring each area and managing its footprint.

BENCHMARKING PERFORMANCE: ENERGY MIX

Ferrexpo monitors its energy consumption from producing its pellets, in areas such as diesel consumption in its mines, to natural gas in its pelletiser. The Company's energy mix is broadly spread between liquid fuels (mining and logistics), electricity (processing) and natural gas and biofuels (pelletising). Pellets can be produced in a variety of ways, with Ferrexpo's pelletisers consuming natural gas to fire its pellets. Other companies in Ferrexpo's peer group utilise other fuels, such as heavy fuel oil or coal (the latter in the case of the peer shown here). Ferrexpo's consumption of coal accounted for 0.04% of total energy consumption in 2018.



KPIs	
KPI	PERFORMANCE IN 2018
Reduce carbon footprint	Direct CO ₂ emissions rose 2% but total Scope 1 and 2 emissions per tonne of pellets decreased by 3%
Increase percentage of renewable energy usage in fuel mix	Sunflower husks continue to represent 19% of energy mix in pelletiser, in line with 2017

92%

WATER REUSE
92% OF WATER EXTRACTED AT FPM WAS REUSED IN 2018

In managing its day-to-day activities, Ferrexpo targets environmental compliance in all areas in which it operates. Ferrexpo believes that environmental compliance is not only achieved through adherence to local laws and regulations, but also through its relationship with local communities and the health of the local ecosystem.

Ferrexpo aims to minimise the materials used and waste produced in creating its iron ore pellets, and where waste is generated, that this material is stored or discharged in the correct manner. The Company aims to reduce its environmental footprint through improvements in the use of energy, through modernisation programmes, and also expects to reduce the Company's gaseous emissions, waste production and water consumption over time. It is a goal of Ferrexpo to produce carbon-neutral pellets through a number of operational improvements to the Company's mining, beneficiation and pelletising operations. For example, preliminary studies are underway for the installation of a 5MW solar power plant at Ferrexpo's operations in Ukraine that would reduce the Company's reliance on Ukraine's coal fired power plants for electricity.

-3%

CO₂ INTENSITY RATIO
CO₂ EMISSIONS PER TONNE FELL BY 3% IN 2018 TO 235 GRAMS PER TONNE OF PELLETS PRODUCED

The Company is certified ISO 14001 compliant, which demonstrates that it has an effective environmental management system in place, and is designed by the ISO to provide assurance to stakeholders that environmental impact is being measured and improved.

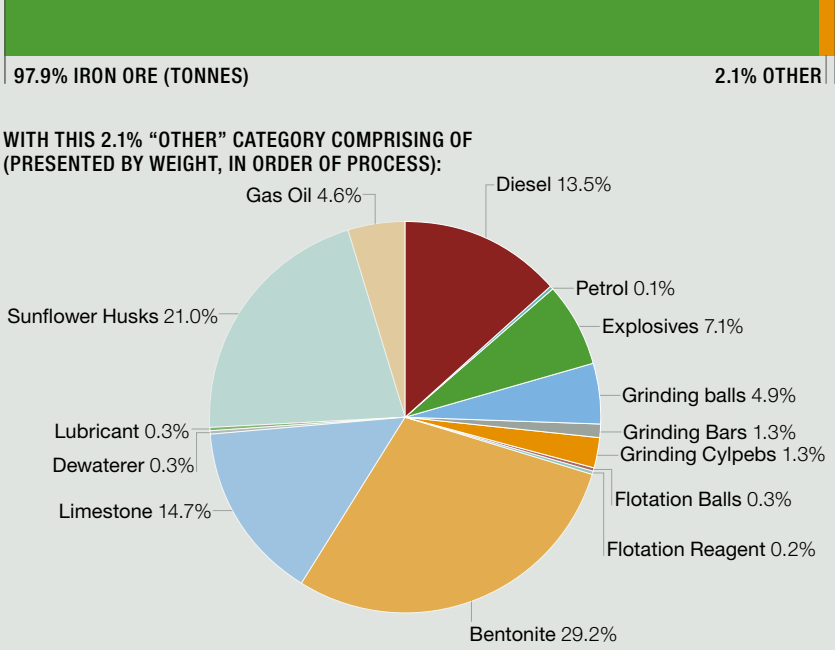
Key Consumables and Materials Used
For every one tonne of pellets produced in 2018, the Company processed 2.6 tonnes of raw iron ore (2017: 2.6 tonnes). In extracting iron ore from the ground and then processing it, the Company uses a number of key consumables such as diesel in its mining fleet and steel balls for grinding in its processing plant. On a tonne for tonne basis, the chart opposite shows a breakdown of all the materials used in producing each tonne of pellets in 2018.

The materials used in mining and processing the Company's iron ore are non-renewable, aside from the sunflower husks utilised in part to fuel the Company's pelletiser (0.4% of total tonnes used). The Company does not utilise any recycled materials in the production of its iron ore pellets. Iron ore pellets are sold unpackaged, and therefore the Company is not able to utilise any recycled packaging in its operations.



Image: Dust suppression measures by water cart, Ferrexpo's Poltava Mine.

WEIGHT OF MATERIALS USED IN PRODUCING AND DISTRIBUTING IRON ORE PELLETS (OWN OPERATIONS)



WITH THIS 2.1% "OTHER" CATEGORY COMPRISING OF (PRESENTED BY WEIGHT, IN ORDER OF PROCESS):

ENVIRONMENT CONTINUED

Energy Consumption

The total energy consumption by the Group in 2018 was 18.1 petajoules (“PJ”), or the equivalent of 1.70 gigajoules (“GJ”) per tonne of iron ore pellet produced (2017: 1.71GJ per tonne of pellets). A full breakdown of the energy consumed by source is provided in the Supplement to this report.

Energy consumption at Ferrexpo primarily relates to diesel consumption in mining activities, electricity in the processing plant, and natural gas in the pelletiser, which collectively account for 85% of all energy consumed by the Company. Energy efficiency programmes are therefore focused on these three areas, as they are likely to yield the best results. In mining, improved blasting techniques have led to better fragmentation which has reduced fuel consumption, as excavators and haul trucks transport more material that has been adequately sized. Through these improvements, Ferrexpo has seen excavation rates increase across all classes of excavator, and in 2018 the Company moved 3% more rock tonnes whilst consuming 3% less diesel. Efforts to reduce electricity consumption in the processing plant in 2018 centred on the replacement of lighting in the pelletiser with LED bulbs (with added safety benefit), power saving measures at the tailings dam with automatic shutdowns of pumps when not in use, and improved liners for grinding mills, which result in lower energy requirements for grinding ores. Collectively, energy saving project have saved over 2 million kilowatt-hours, representing 0.1% of the Company’s electricity consumption, or the equivalent of over 2,200 tonnes of CO₂.

The Company continues to study the best use of sunflower husks in fuelling its pelletiser, balancing a reduction in the Company’s reliance on natural gas with ensuring that the pelletiser operates at sufficiently high temperatures to ensure high quality pellets. Despite a move in 2018 to increase kiln temperatures above 1,300°C, with the associated increase in fuel consumption, the Company has maintained its consumption of sunflower husks at 19% of total energy consumed in the pelletiser for the second successive year. Since its inception in 2015, this project to partially substitute natural gas with sunflower husks has helped reduce the Company’s reliance on natural gas, saved the Company a significant amount of money and helped introduce a renewable energy source into the Company’s process in a sustainable manner.

Year-on-year consumption of natural gas per tonne of pellets produced increased by 4% as the Company increased kiln temperatures in its pelletisers to improve product quality. However, consumption of diesel and electricity per tonne of pellets produced both decreased by 3% each, as the Company continues to modernise equipment and improve operational efficiencies.

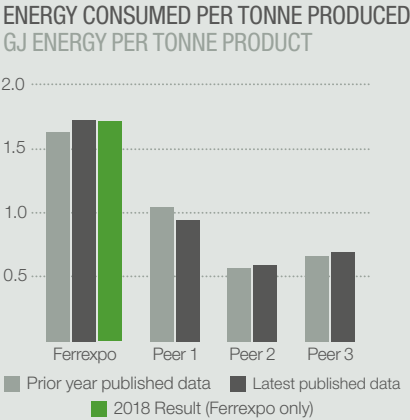
The Company is certified with ISO 50001:201 (Energy Management Systems), which is designed to enable companies to follow a systematic approach in achieving continual improvements to energy performance, including energy efficiency and energy security. The Company is currently not required by law to reduce its energy consumption, but understands the environmental reasons for doing so.

Emissions

CO₂ Emissions
Greenhouse gases included in the table opposite relate to emissions of CO₂. Ferrexpo’s usage of sunflower husks to partially fuel the Company’s pelletiser is considered as a biogenic fuel, and is therefore shown as a separate source of emissions as per GRI Guidelines (GRI 305-3). A full breakdown of CO₂ emissions by source is shown in the Supplement to this report, along with the independent source of

BENCHMARKING PERFORMANCE: ENERGY CONSUMPTION

Ferrexpo continues to modernise its mining and processing operations, with a long term view towards reducing its energy consumption. A key driver behind Ferrexpo’s higher energy consumption per tonne is due to the Company’s iron ore being harder and lower grade than its peers in Sweden and Canada, leading to higher energy requirements in its processing plant. The Company aims to reduce energy consumption through its projects such as the mine to mill project, which aims to optimise a number of mining and processing practices, such as blasting patterns, to ensure more efficient mining and reduced crushing requirements.



each conversion factor. Emissions are consolidated on a 100% basis and emissions relate to Ferrexpo’s operations in Ukraine and owner-operated distribution network in Central Europe.

Other Emissions

Ferrexpo records emissions of other gases, such as sulphur dioxide, nitrogen dioxide and particulates from its operations in Ukraine, and these are shown in the Supplement to this report.

Waste Management

Ferrexpo mines iron ore from two open pits, excavating the overlying waste in the process, and commenced stripping of waste at the Company’s third mine, Belanovo, in 2017. This “overburden” consists of sand and gravel, and siliceous rock, both of which are considered inert and are stored in pre-designed waste dumps located adjacent to the Company’s mines. Processing of the Company’s ore comprises of several crushing, grinding and magnetic separation stages, none of which utilise hazardous chemicals. Once the iron-rich content of the ore has been extracted, the leftover material (tailings) is pumped to a tailings storage facility for permanent storage. After a high degree of crushing and grinding, tailings are fine and silty in nature, meaning that it cannot be discharged into the environment as it would be disruptive to local ecosystems. Instead, tailings are allowed to settle in an engineered facility, where excess water is drained off and reused in the Company’s processing facilities, leaving behind a silty deposit that is contained within a dam structure. For more information, please see the case study on tailings disposal on the following page.

In 2018, the Company mined 72 million tonnes of rock overburden (+20% vs. 2017) and 10 million tonnes of sand overburden (-57%), with this shift in rock and sand reflecting a partial shift towards increased mining at FPM over FYM (the latter being where the overburden comprises more sand). This entire volume of waste has been permanently stored on the Company’s own site, where it will eventually be rehabilitated in situ with grasses and trees. The Company’s processing plant produced 10 million tonnes of waste material (tailings) in 2018, a reduction of 8% on 2017, as a result of processing higher grade ores. The processing plant also produced one million tonnes of gravel, which is a by-product of grinding hard ores, and this inert material is utilised in road construction around Ferrexpo’s site. The Company’s operations do not generate hazardous waste.

Water Management

Ferrexpo interacts with water at a wide variety of different stages in its operations: from dewatering of the Company’s open pits mines, to water used in processing its iron ore and potable water consumed by Ferrexpo’s workforce. The Company understands the importance of the water cycle in the area around its operations, particularly with the close proximity of Ukraine’s largest river, the Dnieper River,

(TONNES)	2018	2017	% CHANGE
CO ₂ emissions	2,583,178	2,614,449	-1.2%
Scope 1 (direct)	566,877	554,763	+2.2%
Scope 2 (indirect)	1,925,670	1,974,997	-2.5%
Pellets produced	10,607	10,444	+1.6%
Intensity ratio	235	242	-3.0%
Biofuels (reported separately under GRI)	90,631	84,689	+7.0%

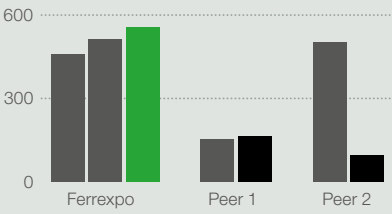


BENCHMARKING PERFORMANCE: EMISSIONS

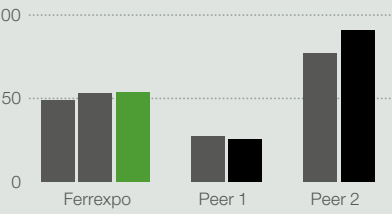
In terms of CO₂, the Company’s direct CO₂ emissions (for which it is directly responsible, such as diesel and natural gas consumption) are in line with its peers. If indirect emissions are included, however, Ferrexpo is a greater producer of this gas, with this difference due to the increased availability of hydroelectric power in Brazil and Canada, which reduces the carbon footprint for electricity generation in these countries, whereas the Ukrainian

network relies more on coal fired power stations. Ferrexpo’s NO₂ emissions were 566g per tonne of product in 2018, which is above its peer group and relates to the Company’s greater reliance on diesel powered mining fleet than its competitors, and the increase in kiln temperatures in 2018 to improve pellet quality. Emissions of SO₂ depend on the sulphur content of the ores. The Company produced 209g per tonne of production in 2018, in line with a pellet producing peer.

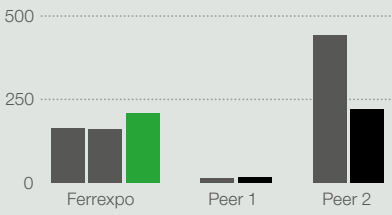
EMISSIONS, NO₂
GRAMS PER TONNE PRODUCED



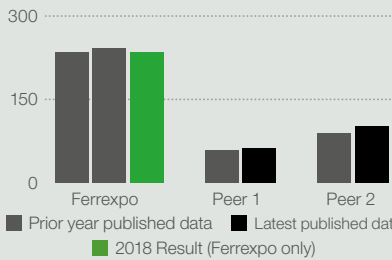
EMISSIONS, CO₂ DIRECT
GRAMS PER TONNE PRODUCED



EMISSIONS, SO₂
GRAMS PER TONNE PRODUCED



EMISSIONS, CO₂ DIRECT + INDIRECT
GRAMS PER TONNE PRODUCED



ENVIRONMENT CONTINUED

to the Company’s processing plant. It is on this basis, therefore, that the Company monitors the water it extracts, reuses, stores and discharges, on a regular basis. Water quality is measured at both the Company’s mines, as well as extensive testing of water quality prior to the discharge of any water that has been used in processing.

Water that has been used is discharged from the Company’s processing plant via a bioengineered facility, which filters and cleans water to an acceptable quality before release. Water quality is monitored across 13 different variables, from water chemistry, such as nitrate and magnesium content, to total suspended solids and biological oxygen demand. The majority of water that the Company interacts with however is unused water that is removed through dewatering pumps located in the two open pits that the Company operates. These pumps are required to remove rainwater and groundwater that encroaches into the open pits, and this represents 94% of the water handled by the Company (2017: 93%).

A full breakdown of the volume of water extracted, discharged without use and discharged after use is shown in the Supplement to this report.

As reported in the Company’s 2017 Responsible Business Report, Ferrexpo operates in an area considered by the World Resources Institute to have low- to medium-level of water risk (processing and tailings facilities) and medium- to high-level risk (mining operations). Whilst water is not scarce in Central Ukraine,



Image: aerial view looking east over Ferrexpo's tailings facility.

TAILINGS DISPOSAL

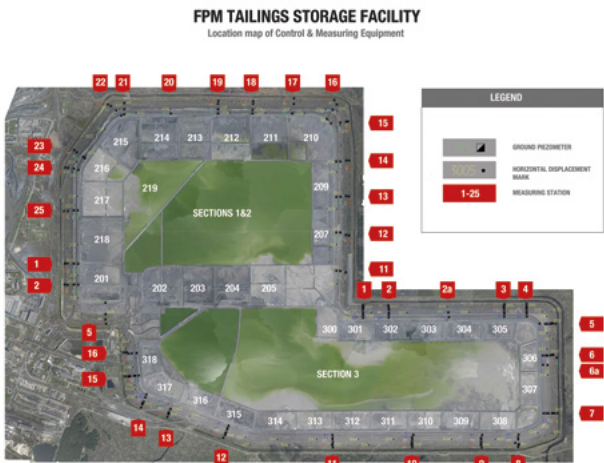
Ferrexpo’s tailings dam is situated on flat land adjacent to the Company’s processing plant, and comprises of multiple sections, with the first section commencing operation in 1974. On a day-to-day basis, tailings are deposited in smaller paddocks, each measuring 400 metres by 400 metres, as shown in the diagram below. This construction design enables tailings deposition to be compartmentalised and helps reduce the risk of large sections of the facility failing in one event. The facility is built using engineered fill material, which includes siliceous rock waste from the Company’s mines, and is capable of forming competent wall structures to contain fine, silty tailings.

The Company can confirm that there have been no leakage events since listing in 2007, and the dam structure is routinely inspected on a biannual basis by the relevant authorities. In addition, following the tailings-related incident in Brazil in 2015, the Company engaged external consultants

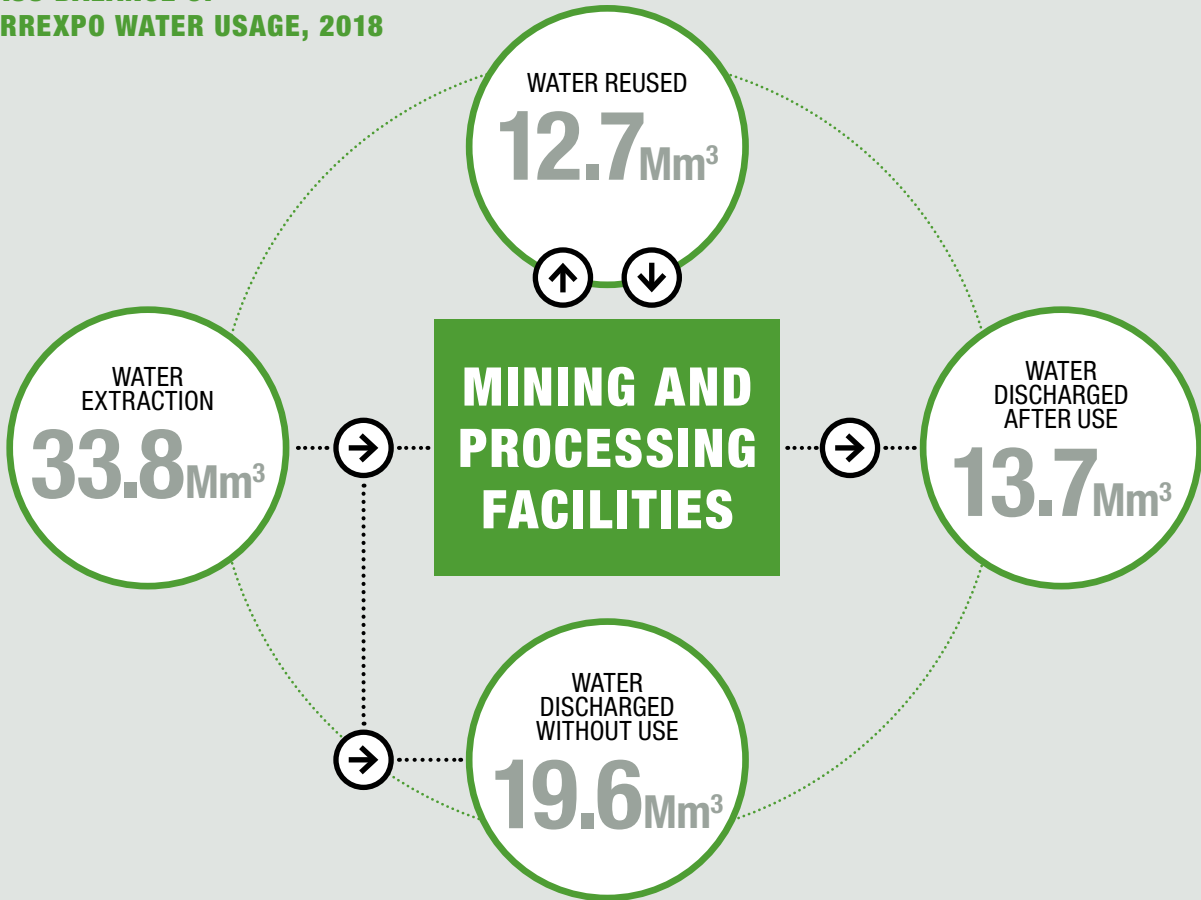
to inspect its tailings facility as a precaution, who confirmed no material concerns with the Company’s design or current operations.

In addition, following the January 2019 dam failure in Brazil, the Company has again

engaged external consultants (Knight Piesold) to review its tailings facility, which has again confirmed that there are no material concerns relating to the Company’s tailings facility.



MASS BALANCE OF FERREXPO WATER USAGE, 2018



water infrastructure remains under-invested and therefore access to clean water for local residents can be difficult. It is with this in mind, therefore, that the Company has drilled new wells to provide drinking water for local communities, and FYM has provided new water pipelines to supply villages surrounding its operations, and details of such activities can be found in the Community Section. Ferrexpo reports water usage and quality data to the Ukrainian Regional Administration on Water Resources.

Discharged water can be subdivided into two categories: (1) water previously used in processing activities; and (2) unused water. At FPM, where the Company’s processing facilities are located, water discharged after use was 670,000 litres, with this water passing through a bioengineered facility before discharge, with water quality monitored through 13 different chemical indicators before water is deemed safe for discharge. Once treated and checked for cleanliness, water is discharged by FPM to the Sukhyi Kobelyachok River, in line with Ferrexpo’s operating licences. At FYM, the water table is considerably higher and, therefore, water ingress into this operation is much greater. The absence of a processing facility at FYM also means that 100% of the total volume extracted

in 2018 was discharged immediately without use. For its water discharge, FYM utilises the same infrastructure as FPM. Despite FYM not utilising this water for its operations, FYM still monitors water quality to ensure that local wildlife ecosystems are not adversely affected by its discharge. Ferrexpo can confirm that throughout 2018, the Company remained within all required quality requirements.

Ozone Depleting Substances
The Company’s operations consumed 159kg of substances classified under the Kyoto Protocol in 2018, representing a 12% decrease on 2017. The Company utilised a further 79kg of substances categorised under the Montreal Protocol in 2018, representing a 60% decrease year on year. It is the Company’s intention to phase out its CFC and HCFC use over time, and it is working with its suppliers to find suitable alternatives.

Biodiversity
Ferrexpo’s mining operations and tailings facility in Ukraine lie within the area referred to as “Psel river valley near Komsomol’sk”, which is an area classified by Birdlife International as an Important Bird Area (“IBA”). This IBA covers 4,700 hectares, and covers ground beyond Ferrexpo’s operations.

In 2016 and 2017, the Company initiated a baseline survey and various measures to help local birdlife through the installation of bird nesting boxes platforms, and an education programme with local schools. This work continued in 2018, and further community work is planned for 2019, in the form of educational programmes in local schools and posters in the towns and villages close to the mine.

Environmental Compliance
The Company can confirm that it was not subject to any environmental fines, sanctions or disputes relating to its environmental footprint in 2018 (2017: none).

Closure Plans
The Company has a closure plan in place for when the existing ore reserve is fully depleted, which is expected to occur after 2038, in line with Ukrainian legislative requirements.

MAKING A MEANINGFUL CONTRIBUTION



Image: local community event, Horishni Plavni.

Ferrexpo's footprint in Ukraine is much more than mining and processing iron ore. The towns and villages located close to the mine rely on the Company for employment, as well as support for both local businesses and communities.

Ferrexpo regards community engagement as one of its primarily activities, to develop a strong bond with local communities through engagement, proactive planning and a diverse engagement plan. Evidence of this link with communities can be seen in Ferrexpo's ongoing community outreach activities, its stable and long-serving workforce, and its record of continuous operation since listing in 2007. The Company regularly monitors its impact on both communities and the environment, to understand the ever-changing environment in which the Company operates, and endeavours to publicly disclose its performance in its Annual Reports and Responsible Business Reports, the latter of which is now in its fourth year of publication.

Where possible, the Company partners with local business for the supply of goods and services to its operations, in order to promote a healthy local economy through

the multiplier effect – whereby Ferrexpo's investment in local industry and service providers has the effect of generating wealth throughout the community through jobs, taxes paid and investment in local infrastructure. In choosing its business partners, Ferrexpo aims to do business with responsible companies that share its values. As such, the Company conducts third-party due diligence on its suppliers to maintain high standards of ethical compliance in its supply chain. Business partners are also an area covered by Ferrexpo's Code of Conduct, aimed at identifying and avoiding conflicts of interest in the Company's day-to-day business.

Previous Responsible Business Reports have detailed stakeholder engagement activities, including the local community survey that was conducted in 2017, which continues to help direct the Company's community investment programme.

KPIs	
KPI	PERFORMANCE IN 2018
Contribute to development, education and skills of local population	Direct assistance through Ferrexpo Charitable Fund of US\$15.1 million (2017: US\$28.4 million)
Provide targeted assistance	574 families and individuals provided with direct aid in 2018, in line with 2017 (575)

574

COMMUNITY SUPPORT: INDIVIDUALS AND FAMILIES SUPPORTED THROUGH DIRECT AID SUPPORT

To date, the Company has not identified any local communities that have incurred a significant negative impact from the Company's operations. Ferrexpo's operational footprint at FPM has been established since the 1960s and at FYM has been in place for ten years, with all local dwellings and communities relocated prior to mining activities commencing at both sites. Small-scale mining at FBM commenced in the trial mining area in 2017, located in the southern portion of the mining licence, with discussions ongoing in relation to the remaining dwellings that are located within the larger footprint of the mining licence further north.

Ferrexpo Charity Fund
Ferrexpo's directly managed charitable activities are directed through its charitable funds, with the majority of activities conducted through the FPM Charity Fund ("Charity Fund"), which was founded in 2007. The Charity Fund is supervised by the local CSR committees for each Ferrexpo operating entity (FPM, FYM and FBM), which in turn collectively report to the Group-level CSR Committee, the composition of which is detailed on page 7 of this report.

The Charity Fund participates in the local community in a number of different initiatives, with priority given to projects



40 years

RESERVES SET TO LAST ANOTHER 40 YEARS BASED ON CURRENT RATE OF DEPLETION, A FURTHER 40 YEARS OF COMMUNITY SUPPORT PROJECTS AHEAD

that are deemed to be of high value for the local community as well as the Company itself. Examples of high priority projects include educational institutions and sports facilities in the local area, both of which are important aspects of local life and help foster a close bond between the local community and the Company. Other areas of activity for the Charity Fund include the Palace of Culture in the local town of Horishni Plavni, where local history and traditions are preserved in the form of a museum and exhibitions, maintenance of local infrastructure and medical aid. The Charity Fund also provides food packages for disadvantaged members of the local community, often pensioners whose regular pension payments are insufficient to cover heating and food bills. A total of 14,117 food packages were provided in 2018, in line with 2017 (2017: 14,322), with these packages assisting a total of 4,741 individuals (2017: 5,004 individuals).

Political Donations
The Company can confirm that it made no political donations during the reporting year.

Resettlement and Closure Plans
Ferrexpo undertakes impact assessments prior to expanding mining activities into new areas, with a view to minimising the

COMMUNITY SUPPORT THROUGH MODERNISING EQUIPMENT

At the request of the local council in the village of Kozelshchyna, Ferrexpo's charity fund and Ferrexpo Belanovo Mining jointly purchased a modern wheeled tractor (MTZ-82.1) for use by the council for improving farmland around the village, clearing snow from public roads in the village and for waste removal, which

was previously left to individual villagers for disposal. The purchase of modern equipment such as this is an important part of the Company's community engagement policy, addressing specific concerns and needs raised through dialogue with each community.



Image: Aerial view of tractor purchased for local community of Kozelshchyna.

Company's impact on local communities. No new areas were disturbed in 2018, with operations continuing within the 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 2038.

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 conducted on 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.

Blooming Land
In 2013, given the severe upheaval in the country and to support its general social licence to operate, the Group

established a CSR programme on a national basis. Blooming Land (the "Charity") was used for this programme and its activities included diabetes prevention, eyesight care and support for the elderly. For further information see the Company's Annual Report, published on the Company's website.

During the reporting year, Ferrexpo donated US\$9.5 million (2017: US\$24.0 million) to the Charity. As previously announced, following an independent review in relation to the Group's relationship with the Charity, Ferrexpo has now terminated its relationship with the Charity.

The Group will continue its current programme of charitable donations at a local level supporting individuals and communities surrounding the mines. These programmes are managed by FPM and supervised by the CSR Committee.

COMMUNITY CONTINUED

COMMUNITY OUTREACH ACTIVITIES - EXAMPLES OF LOCAL PROJECTS DIRECTLY FUNDED BY FERREXPO



Image: Anti-corruption lessons at local schools as part of Ferrexpo's first Compliance and Business Ethics Week.



Image: Refurbished modern languages classroom at School Number 6, Horishni Plavni.



Image: Support is provided for the acquisition of agricultural machinery for rural communities close to Ferrexpo.



Image: Ferrexpo sponsors athletes who complete in national and international competitions in a number of sports.



Image: Robot Fest, sponsored by Ferrexpo, became international in 2018, with competitors from Belarus and Poland.



FTSE4Good



Image: Local schoolchildren receiving gifts on their first day at school, known locally as Knowledge Day (1st September).



Image: First aid training for Ferrexpo employees and local residents.



Image: Viktor Lotous meets the current students in the "Ferrexpo Class", which prepares future employees of Ferrexpo.



Image: Kostyantyn Zhevago with the concentrator plant's dragonboat team on Metallurgical Day.



Image: Refurbished physics laboratory, School Number 2, Horishni Plavni.

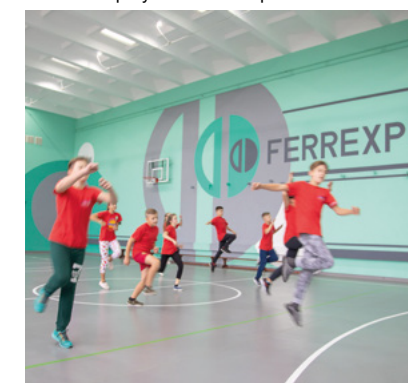


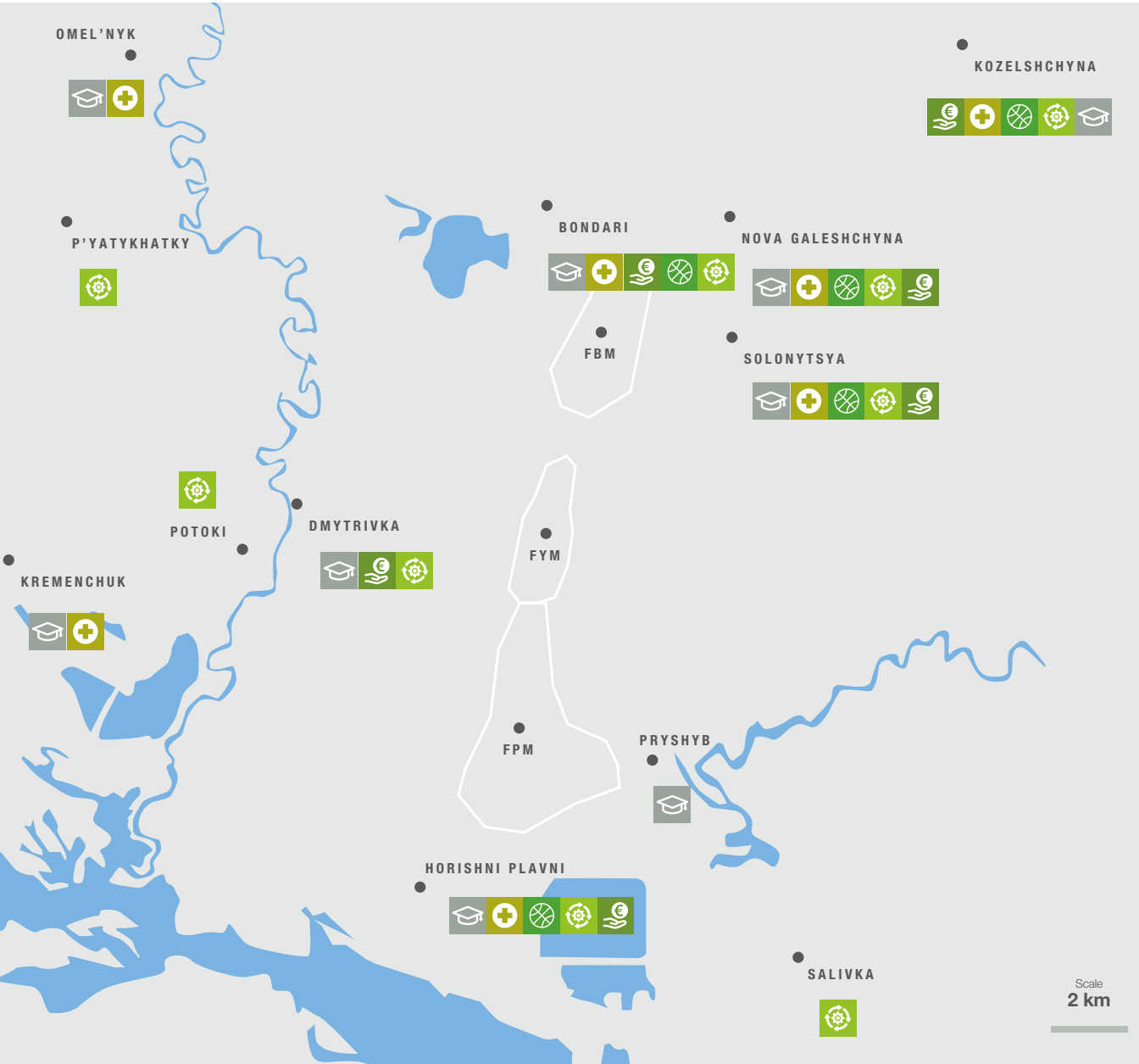
Image: Modernised gymnasium, School Number 3, Horishni Plavni.



Image: New ambulance provided to Kremenchuk district hospital.

COMMUNITY CONTINUED

OUTREACH INITIATIVES



KEY

	Schools/children		Sport/leisure
	Medical		Infrastructure
	Pensioners/vulnerable people		

GRI INDEX

The following table outlines where to find each aspect of Ferrexpo's reporting of each GRI Standard under GRI Guidelines.

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– Geographic locations	Inside Cover
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– Total number of operations	7
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– Geographic location of suppliers	18
102-10 Material changes to organisation and/or supply chain	Inside Cover
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– Significant impacts on stakeholders	
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102-53 Contact point	Back Page
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