

Corporate Social Responsibility Review

Chairman's Statement

Relevance of CSR to the Group

The Ferrexpo Board's commitment to corporate social responsibility ('CSR') derives from a shared belief that the Group's licence to operate will be underpinned by the Group's CSR performance. For many operations within former CIS countries, the traditional response has been to use legal requirements as the sole benchmark for CSR compliance. By contrast, the Board views legal standards for CSR as a minimum level and is striving to achieve the highest international standards of performance in CSR matters. During 2012 investment in health, safety and the environment will be maintained.

Company Values

The values that the Company strives to impart throughout its operations are set out below.

■ Ethical Standards

Ferrexpo aims to maintain high standards of behaviour with all those with whom it deals, both inside and outside the Group. Its employees' conduct and business dealings should be associated with honesty and integrity, making it an attractive and reliable business partner.

■ Community Relations

Ferrexpo's presence and activities should benefit those around it, and its operations will benefit if local communities are thriving. Any member company of the Group should be considered an attractive local employer.

■ Stewardship

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

■ Safety

Ferrexpo aims at all times to prevent injuries to its staff.

CSR Reporting

Ferrexpo is committed to improving its CSR reporting. This is a continuous process and we welcome feedback from interested parties on this CSR report.

Michael Abrahams
Chairman

About this Report

The Board and its Corporate Safety and Social Responsibility ('CSR') Committee (described below) are committed to continuing the drive to improve health and safety, environmental and social performance and reporting. As part of this programme the decision was taken during the year to adopt a more coherent structure for reporting which can be built on as the Company's monitoring procedures grow. To this end, this report uses the Global Reporting Initiative framework as a reference point, although at this stage it is not formally reporting against this index.

This report covers the reporting period 1 January 2011 – 31 December 2011, and reporting is on an annual basis. However, if there are any significant CSR issues or developments during the year, these are reported in the half-yearly report. The last annual CSR review was in the Company's 2010 Annual Report.

Report Content

The scope of this report covers all areas of Ferrexpo's activities and those of its operating subsidiaries.

The content of this report has been defined by consideration of:

- Company principles and policies
- Consideration of the Company's strategy and how this may be affected by sustainable development risks facing the Company
- Feedback from and interests of stakeholder groups
- Key CSR topics identified by senior management engaged with the CSR process
- Review against peer group companies
- Legislation and regulation that affects the Company.

The topics covered are those that have been assessed to be most material to the Company. We will take account of stakeholders' views in order to refine and build on our CSR reporting.

Report Audience

The report is aimed principally at existing and prospective shareholders and investment analysts. Other users may include local and national government, employees, communities affected by the Company's operations, contractors, suppliers, customers and the media.

External Assurance

This report has been self-reviewed, which is considered to be appropriate at this stage in the development of our CSR reporting.

Organisational Profile

Information on the Group and its activities may be found in the Business Review on pages 20 to 28 and employee numbers are detailed in note 35 to the Financial Statements. For information on the scale of organisation (revenues, assets, capitalisation, etc); please see notes 6, 18 to 21, and 28 to the Financial Statements.

Governance

The general governance structure of the Group is explained in the Corporate Governance Report on page 50.

CSR Governance

The Corporate Safety and Social Responsibility Committee

The Group has a Corporate Safety and Social Responsibility Committee (the 'CSR Committee') which is a sub-committee of the main Board and includes two Board members and two Board non-members. It monitors the implementation of CSR policies. The CSR Committee is chaired by Brian Maynard (Group Chief Operating Officer). The other members of the CSR Committee are Michael Abrahams (Chairman of the Board), Kostyantyn Zhevago (Chief Executive Officer) and Viktor Lotous (FPM Chief Operating Officer). To assist them in the exercise of their duties, the CSR Committee will, from time to time, engage specialist technical advisers.

During the year the matters considered by the CSR Committee and the Board included the following:

- Monitoring the review of targets and metrics to be set in relation to the CSR Performance Indicators; this work will continue in 2012.
- Reviewing the work being done to implement the Kyoto Protocol on greenhouse gas emissions (concentrating mainly on energy-saving measures).
- Overall review of safety in mining and processing operations, including analysis of industrial injuries and sickness, workplace conditions, and labour safety audits.
- Update on the work of DuPont Safety Resources ('DuPont') and their recommendations.

Business Conduct

A concern for high standards of business conduct informs the Group's approach to its activities. A Group Policy on Bribery and

CSR Strategy

Set out below are the short, medium and long-term strategic CSR goals for the Group.

| | Short-term | Medium-term | Long-term |
|--------------------------|---|---|--|
| Health and safety | Reduce/eliminate recurring injuries through improvement in safe workplace behaviour | Implement effective systems to ensure compliance with company safety standards | Implement hazardous operations analysis and risk assessment processes to drive best practice |
| Employees | Increase availability of improved living accommodation | Increase employee development programmes | Integrate recruitment & retention systems |
| Environment | Keep controlled emissions (dust, gas and effluent) below permitted limits and reduce further where possible Improve workplace conditions through the implementation of modern equipment and processes | Adapt production techniques so as to minimise use of inputs and minimise waste | Increase productive output while reducing the impact on the environment through new processes and technology |
| Community | Contribute to the development of the education and skills of the local population, and support the modernisation of local community infrastructure and services, in order to develop and maintain the local labour pool Conduct successful negotiations with local communities in order to facilitate land acquisition for mining infrastructure | Align the growth of operations with land acquisition and city planning processes for rural and urban living | Work jointly with local communities to create new infrastructure, social programmes, and leisure activities |

Corruption was introduced and circulated to all managers and commercial employees during the year, with training provided, in order to ensure best practice and compliance with the UK Bribery Act. It is the responsibility of the Chief Financial Officer to monitor the Group's anti-bribery policies and report to the Committee of Independent Directors on their effectiveness. The Committee of Independent Directors oversees the operation of business ethics and anti-bribery policies and makes any necessary recommendations for improvement.

Structure

Commitment to CSR is demonstrated through:

- Group policies
- Board and management focus
- Asset level management systems
- Performance management at all levels

The Board considers that Ferrexpo has continued to make good progress in 2011. The Group's values (see the Chairman's Statement at the beginning of this CSR review) are reflected in a Group-wide Code of Corporate Responsibility and Business Ethics.

The CSR Framework

Management recognises that reaching the highest standards will entail a continuous process of evaluation and improvement founded on a sound CSR framework. Ferrexpo has adopted a seven point CSR

framework covering values, strategy, policies, objectives, targets, monitoring and auditing, and communication.

CSR at FPM

As it is still much the largest asset within the Group, FPM provides the main focus for development and implementation of the Group's CSR procedures, based on established Group policies. Within FPM a single department has responsibility for all aspects of health and safety, security and environmental protection. This department is responsible for air and water testing laboratories, the medical centre, fire prevention service, gas service, civil defence and emergency response headquarters and workshops. This department reports directly to the FPM Chief Operating Officer.

CSR at FYM

The number of staff at FYM grew steadily during 2011, from 365 to 677. CSR matters form an increasing part of FYM's regular reporting procedures.

CSR at Helogistics Holdings

See section on Helogistics on page 47.

All Employees

All Group employees are expected to take personal responsibility for their conduct, and management recognises the need to create a cultural and behavioural environment among

the Group's workforce that will allow the policies agreed by the Board to be successfully implemented.

Adherence to External Charters Safety

Management continues to take into account best practice both in Ukraine and abroad. In 2011 there was further co-operation with the safety consultants DuPont in the area of labour safety training and auditing.

In 2006 FPM initiated the development of a health and safety management system consistent with the requirements of OHSAS 18001, the internationally recognised standard for health and safety management. This system was externally audited under the Ukrainian UkrSEPRO system in March 2007 and accreditation was obtained in April 2007. The accreditation is renewed each year after an audit, most recently in March 2011.

Environment

FPM and FYM are currently in compliance with all applicable standards under environmental laws in Ukraine, which set requirements for the protection of the natural environment, the use of natural resources, emissions into the atmosphere and water and waste disposal. FPM holds a number of environmental licences and permits, including permits for atmospheric emission control, solid waste disposal, tailings disposal, mine

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waste disposal and industrial use of fresh water. In 2006, the Environmental Department started to develop a full Environmental Management System ('EMS') in accordance with ISO 14001. The EMS was externally audited by the Ukrainian UkrSEPRO authority and given a certificate of conformity with ISO 14001 in the second quarter of 2007. The system was last audited in May 2011, and the accreditation was confirmed by external auditors. At FYM, which is at an earlier stage of development, preparations have been made for ISO 14001 certification which is expected to be achieved in 2012.

Stakeholder Engagement

Stakeholders

Stakeholders are those groups or individuals who are significantly affected by Ferrexpo's activities or those whose actions may affect the ability of the Group to implement its strategies and objectives.

The stakeholder groups that the Group engages with are described below.

Shareholders and the Investment Community

Directors and senior executives have frequent discussions with institutional investors and major shareholders on a range of issues including performance, strategy and governance. The Head of Investor Relations manages programmes and communications, particularly at the time of the full and half-year results announcements when presentations are given to analysts, brokers and major shareholders. The Annual General Meeting is an important event in the calendar, giving all shareholders the opportunity to engage directly with Directors and management.

Customers and Suppliers

Ferrexpo has had successful business relationships with several of its customers for over 20 years. Marketing plays an important role in developing new relationships in order to diversify the customer base in anticipation of the planned increase in production.

Employees

Successful communication with employees is crucial in helping Ferrexpo to achieve its objectives. Communication starts at a personal level when employees begin their employment through an induction programme, and continues throughout their time with Ferrexpo. It takes a variety of forms according to the circumstances – from face-to-face discussion to formal group training programmes, from job-specific training to programmes for ensuring compliance with legal or regulatory

HIGHLIGHTS OF 2011 AND CHALLENGES FOR 2012

Highlights

Safety

- A marked decline in the accident rate, and no work-related fatalities during 2011. This reflects constant efforts to increase safety standards and reduce injuries.
- No incidents requiring evacuation of staff or members of the local community.

Environment

- Emissions levels (NO₂, CO, SO₂, dust) fell in both absolute terms and per tonne of pellets produced.
- Further regulatory permits were obtained, allowing Ferrexpo to proceed with planned mine developments.

Community Initiatives (see also panel on page 47)

- Major overhaul of a retirement home in Dmytrivka village including insulation, windows and heating system.
- Renovation of the secondary schools in Pryshyb & Dmytrivka villages.
- Prospecting for water reserves, and construction of water pipeline to Pryshyb village.
- Provision of sports facilities in Komsomolsk.

Community Resettlement

- Successful resettlement of 10 homesteads at Voloshyno village away from the area in which the new Yeristovo Concentrator is planned to be built.

Medical Sponsorship

- Sponsorship of state-of-the-art X-ray diagnostic equipment for three operating theatres, and a fluorograph apparatus with digital data processing, for the Kremenchug District Hospital. So far this equipment has been used for examinations of more than 1,000 patients. Ferrexpo also sponsored the repair of the surgery department at the same hospital.

Challenges

Environment

- Maintain the trend towards lower emissions while continuing to develop the site and increase production.

Skills Availability

- In order to secure a large pool of labour, FYM runs a job placement programme for local residents (see 'Case Study' panel on page 47).

requirements (such as that undertaken in 2011 in implementing anti-bribery procedures across the Group). Communication is of course two-way, and employees are encouraged to give feedback either through their managers or occasional employee surveys (for example, a recent survey on employee perceptions of safety, conducted with DuPont).

Local Communities

Ferrexpo has a positive impact on local communities through being a major employer. As a mining company, it also recognises the sensitivities that surround the occasional necessary displacement of small communities by its operations, and those operations' impact on the physical landscape. It works hard to maintain dialogue with local communities, and has a dedicated department through which communications are channelled.

Local Training Institutions

Ferrexpo works towards establishing a closer relationship with the local training institutions, with a view to developing accelerated training programmes that improve the flow and quality of new recruits to its operations.

Government (National and Local)

Engagement with local and national government is open and proactive. Communication often revolves around project implementation and land acquisition, as well as routine submission of information as required by the authorities. Recent activities included sponsored development of future town planning in the Kremenchuk district.

Risks and Opportunities

The main CSR-related business risks are:

- Mining risks and hazards
- Licences
- Governmental approvals for expansion-related projects
- Relocation of communities

Mining Risks and Hazards

The Group's mining operations are subject to risks and hazards including industrial accidents, equipment failure, unusual or unexpected geological conditions, environmental hazards, extreme weather conditions (especially in winter) and other natural phenomena. Many of these risks are outside management's control.

Mitigation: The Group is dedicated to a zero-harm objective, and the mitigation

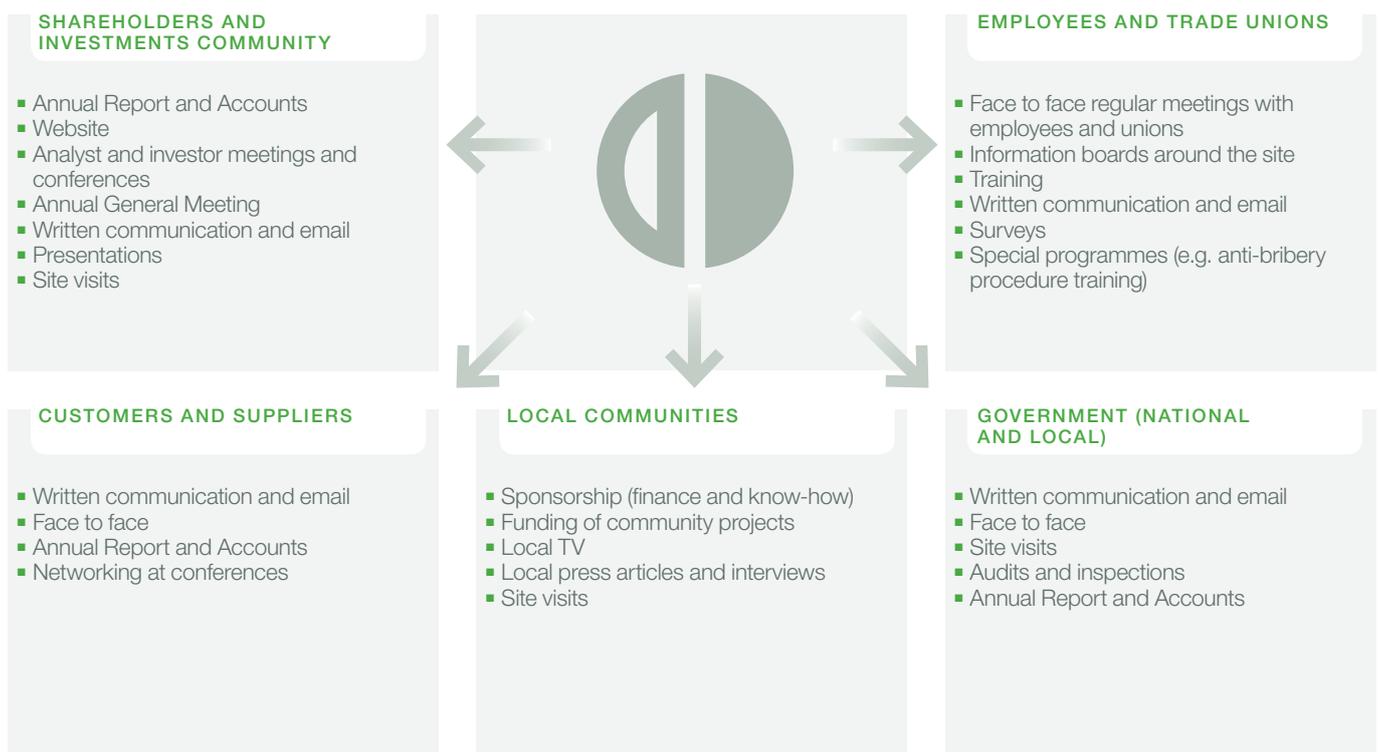
of mining risk is one of its primary operational goals. All safety initiatives and processes are regularly reviewed by management and adjusted to changing circumstances, with the support of third-party service providers (i.e. DuPont). Appropriate safety training and re-training is given to all relevant employees, and their remuneration is partly linked to safety performance. The modernisation of plant and equipment has also allowed safer working practices and improved environmental performance. Accidents are fully investigated and remedies proposed and implemented. However, given the nature of mining operations there can be no guarantee that accidents and fatalities will not occur.

There were no fatalities in 2011, and the accident rate has fallen during the year. Throughout the Group's 40-year history of operation it has not experienced any significant shutdowns.

Licences

All licences for FPM's operations have been renewed upon expiry. The risk of licences being revoked is low, but requires timely and close monitoring in order to prepare for all externally controlled situations.

How Ferrexpo Engages with its Stakeholders



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Mitigation: The Group continues to monitor and review its commitments under its various licences in order to ensure that the conditions contained within the licences are fulfilled or the appropriate waivers obtained. There is careful assessment of the situation regarding transfers of licences.

Government Approvals of Expansion

The process of obtaining governmental approvals is time-consuming. The Yeristovo mine is being developed according to plan, which should mean that there will be no problem with the extension of the current mining licence. The Group does not yet hold all governmental approvals required to conduct all of its future expansion projects that are under study, although none of the approvals applied for to date has been refused by the authorities. The risk is kept under careful review.

Mitigation: The Group continues to maintain an open and proactive relationship with various governmental authorities and is aware of the importance of compliance with local legislation and standards. The Group maintains strict compliance with the National Resources Code of Ukraine and execution of work in accordance with the project design, through the active engagement of Ukrainian and international legal advisers.

Relocation of Communities (this is a subsidiary risk, and for that reason is not included in the Principal Risks on pages 34 to 37)

Certain small rural settlements will have to be relocated in order to allow us to proceed with some of our mine expansion projects. Potential solutions have been explored, and progress has been made during the recent months.

Mitigation: The resolution of the issue is supported by strong activity at the local level including continual meetings and dialogue with community representatives, pointing out to them the benefits of relocation in terms of improved accommodation and utilities and better access to transport infrastructure and social services. Communities are paid a fair price for their land and compensation for disruption. As it is included in the approved funding of the Capital Project, the topic is under constant review, including weekly meetings at site, and when necessary at monthly Executive Committee meetings. (See also 'Community Resettlement' under 'Highlights' above.)

Ferrexpo's Approach

Health and Safety

Policy

- The prevention of injuries to employees is the highest priority of the Board and management. Policies and practices at all levels reflect this.
- Within the operating assets, accountability for health and safety performance lies with senior line management.
- All operating assets are required to develop and implement health and safety management systems in line with Group policy, including performance management.
- Performance metrics will reflect the Group's commitment to strive to achieve the highest standards of health and safety performance.
- Senior line management is responsible for ensuring that adequate resources are committed to health and safety. They have an obligation to secure their resources through the Group's planning and budgeting processes.
- Adequate health and safety training will be given to all employees and contractors.
- Specific focus needs to be applied to behavioural safety at all levels, to fatal risk prevention and to the major industrial health hazards associated with our operations.
- Employees are personally responsible for their own safety and that of their colleagues.

Goals

Ferrexpo's goal is to develop a culture in which safe production is recognised as cost-effective, and which leads to improved workplace conditions and behaviour. The objective (originally set in 2009) of achieving the best mining safety record in Ukraine is supported by targets including a reduction of 20% in the lost-time injury frequency rate. For 2011 management set itself the task of further reinforcing the safety culture at Ferrexpo, through an increase in safety spending as a proportion of sales revenue, through the development of the safety training programme, and through a continuing link between safety performance and staff remuneration (safety KPIs now apply to all staff down to middle management level).

Performance

Monitoring the effectiveness of health and safety policies includes the review of health and safety performance, as measured by key KPIs as shown below:

| | 2011 | 2010 | 2009 |
|--|-------------|------|------|
| Lost Time Injury Frequency Rate (LTIFR – see note) | 0.77 | 1.46 | 1.11 |
| Fatal accidents | 0 | 1 | 0 |
| Total accidents | 11 | 20 | 15 |
| Lost days | 469 | 916 | 530 |

Notes

LTIFR – Number of work-related lost time injuries per million man hours.

The prevention of injuries to employees is the highest priority of the Board and management, who follow the principle that all accidents are avoidable. There were no work-related fatalities within the Group during 2011, and the accident rate in Ferrexpo's operations has fallen.

In line with policy, all accidents are investigated to determine the cause and identify appropriate remedial action. This analysis, which also covers minor accidents not involving time spent off work ('microtraumas') is carried out according to a methodology agreed with DuPont. Fatalities and other serious accidents are additionally investigated by the State authority. The Board, the CSR Committee and the Executive Committee require senior management to provide full reports on the causes of fatal and serious accidents, details of corrective actions to prevent these types of accident from recurring, and plans for enhancing overall safety management based on the lessons learnt. Senior managers are expected to present these reports, in person, at the first Executive Committee meeting after the accident concerned.

In accordance with Ukrainian compulsory social insurance laws, compensation equivalent to up to five times annual salary is payable to the victims of accidents (or their families in the case of fatalities). Workers contribute to a statutory insurance fund which is responsible for paying the compensation. FPM is aware that it has a moral as well as a legal responsibility towards the families of employees affected by accidents at work and will also make additional voluntary payments to the family of employees on a case-by-case basis to ensure that they do not suffer hardship.

Organisational Responsibility

In accordance with the legal requirements of the jurisdictions within which Ferrexpo operates, it has developed health and safety policies appropriate to its operations and types of activity. Compliance with these policies is monitored via a three-tiered system: daily control is conducted by operating personnel, engineers and technicians; production managers carry out weekly inspections; senior management conducts periodic inspections in conjunction with government personnel.

There is a centralised Directorate for Industrial Labour Safety and Environmental Protection taking the place of the previous more localised structure; in this Directorate the remuneration of safety engineers is no longer directly linked to operational output (thereby contributing to the maintenance of health and safety standards). Procedural manuals on labour safety and environmental protection at the operational level continue to be developed.

Training

Staff are trained in Health and Safety matters as part of their general technical training. In 2011 safety training at the FPM Training Centre was provided to 4,717 employees at all levels of the Group (see 'Training and Development' under 'Employees' below).

Employees

Policy

Ferrexpo's employment principles include policies and practices on company standards, security, recruitment, remuneration, equal opportunities and training and development. These are backed up by subsidiary company employment manuals to cover local legal and regulatory requirements.

Goals

Ferrexpo is aware of the increasing demand for staff with mining expertise in the CIS countries and elsewhere, and is constantly looking for ways to motivate and retain its employees by involving an increasing number of staff in its employee development programmes and by providing competitive compensation packages.

Ferrexpo also aims to combine employees' local knowledge with modern technology so as to enhance the capacity and utilisation of its physical plant and equipment.

Ferrexpo also intends to implement more up-to-date HR systems.

Performance

In 2011 56 staff were able to join the employee housing programme, which enables selected employees to take out loans for the purchase of accommodation in Komsomolsk, at a highly subsidised rate of interest and without the normal requirement in Ukraine of a substantial down payment. This plays an important part in Ferrexpo's strategy for retaining key employees.

Further information on employee numbers is set out in note 35 to the accounts.

Organisational Responsibility – Trade Unions and Industrial Relations

The Group does not have individual contracts with its employees in Ukraine other than with its senior managers. Every year a Collective Labour Agreement is signed which states, inter alia, that individual salaries will be increased at least in line with inflation. Management believes, having conducted market research, that wages paid by the Group are higher than average wages in Ukraine. There has been no major industrial action or labour dispute at Poltava since its privatisation in 1995.

Training and Development

The Group is committed to developing its employees. The Group provides technical training for all employees consistent with their duties and responsibilities. In particular, investment has been made in facilities for health and safety training. Training takes the form of basic and specialised training, retraining and refresher training courses, both internal and external. In 2011, 152 employees and 3 high school graduates were sponsored by Ferrexpo at institutes of higher education. Total educational spending for employees in higher educational establishments was UAH675 thousand (US\$85 thousand). In 2011 a total of 6,611 employees received various forms of in-house and external training, at a cost of UAH4.5m (US\$565 thousand).

Environment

Policy

- Operating practices and growth plans will be implemented in a manner consistent with the principles underlying long-term sustainable resource development; Ferrexpo will always bear in mind the long-term environmental consequences of its actions.
- All operating assets are required to develop and implement environmental management systems, in line with Group policy.
- All new capital projects will include environmental risk assessments (according to IFC Environmental and Social Performance Standards) and mitigation plans.

Goals

- Maximise recovery of iron from ore, tailings, and concentrate so as to ensure the best use of Ferrexpo's natural resource.
- Minimise use of production consumables such as water, electricity, natural gas, diesel fuel, and explosives in order to reduce demand for externally-sourced natural resources.
- Use timely investment to sustain existing operations, and develop new projects so as to allow mineral resource to be converted into new iron ore reserves.
- Utilise stripping materials (topsoil, sand, clay, rock) to support the creation of new plant and transport infrastructure.
- Eliminate workplace waste through improved management systems, and utilise plant facilities to re-use scrap materials.

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- Monitor processes and employee behaviour in order to minimise waste and by-product contaminants and improve the condition of plant and equipment.
- Monitor dust and gas emissions and waste effluents in order to keep them below the permitted limits and reduce them further wherever possible.
- Work with engineers and National Design Institutes to ensure that modernisation and production growth plans include designs and documentation that reduce their overall impact on the environment.
- Monitor new technologies that could assist in the re-processing of iron ore tailings.

Performance

Monitoring the effectiveness of environmental policy includes the review of key KPIs for emissions which are shown below.

Emissions in Tonnes

| | 2009 | 2010 | 2011 |
|-------------------------|-------|-------|--------------|
| Total gas emissions | 6,167 | 6,294 | 5,803 |
| <i>Of which:</i> | | | |
| <i>Nitrogen dioxide</i> | 2,876 | 2,922 | 2,475 |
| <i>Carbon monoxide</i> | 2,306 | 2,336 | 2,345 |
| <i>Sulphur dioxide</i> | 886 | 937 | 887 |
| Total solid emissions | 3,212 | 3,575 | 3,968 |
| Total emissions | 9,379 | 9,869 | 9,771 |

In 2011, FPM spent UAH76m (US\$9.5m) (2010: UAH46m (US\$5.8m)) on the implementation of environmental protection measures; this increase was due mainly to work on the tailings slurry storage area. Additionally, UAH69m (US\$8.7m) (2010: UAH63m (US\$7.9m)) was spent on environmental monitoring and maintenance activities. Charges payable under emissions regulations increased from UAH23m (US\$2.9m) in 2010 to UAH32m (US\$4.0m) in 2011, largely because of an increase in tariffs rather than in emissions.

Ongoing environmental management activities in 2011 included the building of reservoirs for water conservation (using mining overburden to build dams), further development of the closed water cycle for production activities, and landscaping work.

Organisational responsibility

Ferrexpo has a dedicated Environmental Department the primary responsibility for which is to ensure that all necessary permits are in place, to undertake monitoring in accordance with the prevailing regulatory requirements and to supervise the implementation of an agreed programme of environmental improvements based on the Department's own assessments.

Communities

Policy

- Ferrexpo's presence should benefit those communities around its operations; operations will benefit if local communities are thriving.
- Ferrexpo strives to be recognised as an attractive local employer and a concerned corporate citizen.
- Ferrexpo will assist in the development of the micro-economic environment within the communities in which it operates, so as to ensure that their dependence on us for their livelihood is reduced.
- Ferrexpo aims to have a positive relationship with and enhance the communities around it; to hold an open dialogue with those communities; and to ensure that its involvement with them is cost effective and relevant to their needs.

Community Context

The Poltava region, in which Ferrexpo's mining operations are situated, is an area of predominantly flat agricultural land close to the River Dnieper, one of the largest European river systems and an important transport artery for Ukraine, Belarus and Russia. Iron ore mining in the area dates from the 19th century, although the major expansion of mining activity occurred in the early 20th century. The town of Komsomolsk was established adjacent to the mine to support the mining operation and ancillary industries (transport, power etc.). Ferrexpo is still by far the largest employer in the town, which has a population of around 55,000 people, with approximately 47% of the working population of Komsomolsk being employed by the mine in one capacity or another.

Goals

- Make operational leadership accessible to the various local citizen groups and organisations, so as to allow Ferrexpo to assess and prioritise their concerns about its various initiatives.
- Provide expertise and voluntary services in order to sustain and/or improve community infrastructure, supplying financial assistance where appropriate.
- Participate in the development of modern cultural and social programmes and activities in the local area (Ferrexpo's employees and their families form the majority of the local population).
- Work consistently with local town and village councils in order to understand their expectations of Ferrexpo, so that Ferrexpo can within reason provide value added solutions or alternatives.
- Give preference to suitably-qualified local residents when hiring to fill vacancies.

CASE STUDY

Community initiatives achieved in 2011

During 2011, FPM and FYM continued to pursue the policy of fostering relationships with the communities around the perimeter of the site. At the village of Pryshyb this included:

- Modernising the water supply; and
- Repair and modernisation work at the village school and kindergarten

Work in Komsomolsk, the town where FPM and FYM are based and where much of the workforce lives, has concentrated on initiatives designed to increase its attractions as a place in which to live, and thus create favourable conditions for the development of the pool of labour on which Ferrexpo relies:

- Renovations and repairs to schools and sports facilities, and hostel accommodation for families;
- Job placements with FPM under the 'My First Job' scheme for 118 graduates of the local technical schools; and
- Purchase of advanced equipment for local hospitals

Performance

Community Initiatives

FPM

FPM has been a significant investor in local community initiatives from the outset, investing substantial funds in the social infrastructure of Komsomolsk and the surrounding area. These funds have been spent on charities, medical facilities, social services, education, religion, culture and sporting activities, as well as on the maintenance of certain of the city's social and cultural structures.

Links with the local community are strengthened by meetings of senior management with heads of schools and colleges, supporting local celebration days, giving vocational guidance and vacation work to the students of local schools (including providing financial sponsorship to individual students whom FPM may subsequently employ) and organising student excursions to FPM and its museum.

Historically, FPM has employed a significant number of people in providing support services to the Group's mining activities. In many cases, these services could be made available on a commercial basis to other enterprises within the local community which in turn improves the viability and sustainability of the local economy. To encourage this process, FPM has offered financial and other support to employees who provide these in-house services so as to encourage them to transform internal departments into stand-alone businesses.

FYM

FYM strives to contribute to all spheres of the life of the local community, believing that a healthy and flourishing community is of crucial importance for sustainable growth in its operations. As a rapidly expanding company, FYM has been able to provide significant employment opportunities for local people and aims to have good relationships with the communities near its operations.

Helogistics

The Group acquired the river transport company Helogistics Holding GmbH ('Helogistics') at the end of 2010. Because of the different nature of its activities its CSR is reported on separately from that of the Group's mining operations. Ferrexpo's strategy is to integrate Helogistics fully into Ferrexpo's CSR culture.

(a) Health and Safety

The accident rate at Helogistics during 2011 was 13 lost-time accidents, equating to a LTFIR of 12.14 accidents per million man hours and a total of 468 lost days, with no work-related fatalities. Accidents were mainly due to injuries caused by slipping and falling on wet or icy decks or by handling equipment during frequent mooring operations. Accidents are reported to and discussed at monthly meetings with the senior management of the Group, and steps are under way to improve the safety culture.

(b) Employees

Helogistics provides training for staff so that they can develop the knowledge, skills and values necessary for the performance of their roles.

(c) Environmental

Helogistics complies with the applicable environmental regulations of the countries along the Danube in which it operates (for example, regarding the prevention of fuel leakages and the grounding of barges).

(d) Community

As a transport company operating over a wide area rather than concentrated in one place, Helogistics does not at present consider it appropriate to incur significant expenditure on community initiatives.