

Governance Review





Chairman's Introduction



Dear Shareholders,

This year will be remembered not only for the record results but for the turnaround and renewal of the organisation.

Although the positive results were largely supported by the favourable market conditions, the internal restructuring and implementation of a new growth vision and strategy by the Board and Management played a key role.

Throughout 2017, your Board empowered the different units around the world to start a renewal process aimed at securing new markets, improve productivity and efficiencies and also to launch an acquisition strategy. It is with pleasure to note the positive results across segments, particularly the mining unit in South Africa. The resumption of open-cast mining at Mecklenburg has been pivotal in our success. We also invested heavily across the Group and our smelter plant in Mogale has achieved further improvements in productivity.

Looking ahead, we are confident that the investments we approved throughout 2017, such as the acquisition of the Zeerust Chrome Mine, further beneficiation plants, the commencement of underground mining at Mecklenburg and the processing of foundry and chemical grade will continue making Afarak an important player in the ferrochrome industry.

Afarak's unique position as a vertically-integrated producer of speciality alloys; acting as a miner, producer and marketer of commodities, enables it to extract value at every stage of the commodity chain. Our ability to be specialist producers as well as volume miners, will further support our resilience and adaptability.

Although financial results are important, we are also mindful of our commitment to sustainability. Our focus remains on ensuring a "Zero Harm" policy and we are proud and thankful that no fatalities were registered in 2017. Throughout the year, we have invested heavily in ensuring the safety of our employees is prioritised across all our units. We have also supported health promotion.

We face many challenging situations at our operations, as we work to extract resources safely, profitably and responsibly, to mitigate our environmental impact and support our host communities. We recognize the value of multi-stakeholder engagement and we continue to tackle these challenges with Management, our employees, unions and also the host communities.

This year we have participated in a number of such initiatives across a number of areas including our host communities in South Africa and Turkey. Our support has extended beyond charitable donations towards assisting NGOs and educational services. I am proud with our efforts to invest in much needed

infrastructure including a system of water tanks and the building of roads in South Africa.

Further on in the report, we have set out the main activities of the Board and its Committees during the year. I would like to highlight in particular:

- the work of the Audit Committee, particularly with respect to the budgeting and investment appraisal work done during the year;
- the work with executive management and subsidiaries concerning the Group's ongoing strategy and performance improvement;
- the focus on sustainability issues, particularly health & safety by the Board across the Units.

As a business, we are committed to delivering shareholder value. Our distribution policy remains unchanged from last year and that includes prudence in deciding on our distributions. Following the exception result in quarter one 2017, the Board decided to give a capital redemption to our shareholders, totaling EUR5.2 million. The Board will propose to the Annual General Meeting that the Annual General Meeting would authorise the Board to resolve on its discretion on the payment of capital redemption up to a maximum of two cents per share in quarter four 2018.

Afarak Group follows the Finnish Corporate Governance Code. As a Board, we are committed to our obligations as a publicly listed company and management is focused on strengthening the Company's structure.

The Board and the Management team have been entrusted by the shareholders to plan for a delisting from the NASDAQ Helsinki Stock Exchange and to establish the London Stock Exchange as Afarak's primary listing. I am confident that the London Stock Exchange will provide the ideal platform for Afarak to expand its business and continue becoming a more vertically-integrated producer of ferrochrome.

There are many opportunities and challenges ahead for resource businesses. The market remains volatile but I believe that Afarak is well-placed to continue playing a key role in sustainable value creation for all our stakeholders. As a Board, we remain focused on and committed to operating efficient, low-cost and safe operations which give us confidence that the Company's medium and long-term fundamentals remain strong.

I, and my fellow Directors, thank you for your continued support.

DR JELENA MANOJLOVIC
Chairman

Information Presented by Reference

The Group's key financial figures, related party disclosures, information on share capital and option rights are presented in the notes to the consolidated financial statements. The share ownership of the parent company's Board members and Chief Executive Officer is presented in the notes to the parent company's financial statements.

The Corporate Governance Statement and the Remuneration Report are presented as separate reports in this Annual Report.

For the purposes of United Kingdom Listing Authority listing rules ("LR") 9.8.4C R, the information required to be disclosed by LR 9.8.4 R can be found in the following locations:

SECTOR	TOPIC	LOCATION
1	Interest capitalised	1.7. Notes to the consolidated statement of financial position, 10. Property, plant and equipment
2	Publication of unaudited financial information	Not applicable
4	Details of long-term incentive schemes	1.7. Notes to the consolidated statement of financial position, 19. Share-based payments
5	Waiver of emoluments by a director	Not applicable
6	Waiver of future emoluments by a director	Not applicable
7	Non pre-emptive issues of equity for cash	Not applicable
8	Item (7) in relation to major subsidiary undertakings	Not applicable
9	Parent participation in a placing by a listed subsidiary	Not applicable
10	Contracts of significance	1.7. Notes to the consolidated statement of financial position, 1.8.2 Related party transactions
11	Provision of services by a controlling shareholder	Not applicable
12	Shareholder waivers of dividends	Not applicable
13	Shareholder waivers of future dividends	Not applicable
14	Agreements with controlling shareholders	Not applicable

All the information cross-referenced above is hereby incorporated by reference into this Board of Directors report.



Our People

The Board of Directors

CHAIRMAN AND DEPENDENT NON-EXECUTIVE DIRECTOR



> **Dr Jelena Manojlovic**

Ph.D. (Medicine), Clin. D. (Psychology), MA (Psychotherapy)
Born 1950

Jelena Manojlovic has been a member of the Board since 11 July 2008, and has acted as Chairman of the Board since 16 June 2009. She is also a member of the Remuneration and Nomination Committee. She is an established university lecturer and organizational consultant and has 35 years' experience in the human resources field and 20 years' in management positions in a diverse range of organisations, including the UK's National Health Service, universities and other companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS



> **Barry Rourke**

FCA
Born 1950

Barry Rourke was a member of the Ruukki Board, the Chairman of the Audit Committee and a member of the Remuneration Committee from April 2010 to February 2013. He rejoined the Afarak Board on May 8, 2015. Previously, he was an Audit Partner at PWC for 17 years from 1984 to 2001 where he specialised in the Oil & Gas and Mining sectors. He currently holds a number of non-executive directorships and positions on the audit committees in other companies.



> **Ivan Jakovčić**

BA (Foreign Trade Faculty)
Born 1956

Ivan Jakovčić is a Croatian politician and a member of the European Parliament where he is in the Committee on Regional Development, Committee on Agriculture and Rural Development and the Committee of the Regions of the European Union. Prior to joining the European Parliament, Mr Jakovčić has held numerous political positions in Croatia where he has been a member of the Croatian Parliament, the President of the Istrian Democratic Assembly and served as Minister of European Integration. Mr Jakovčić was appointed to the Board of Afarak on 11 February 2013 and appointed Chairman on 11 May 2015.



> **Thorstein Abrahamsen**

M. Sc. (Electrochemical Engineering)
Born 1948

Thorstein Abrahamsen is an internationally respected stainless steel and ferroalloy industry professional. He has served as Chief Executive Officer of various manufacturing companies within stainless steel, ferroalloy, construction equipment and mining industries. He also served as Vice-President Sales & Distribution of a global stainless steel production company. Throughout his career he has served on over 30 boards including chairmanships of ferroalloy and steel trading & marketing companies around the world. He is currently Chairman of a construction industry company, a board member and partner of a management consultancy company and two investment companies.



> **Thomas Hoyer**

Born 1974

Thomas Hoyer is a graduate in economics and a seasoned executive management professional. Starting his career as an investment manager with Allianz he took over the role of CFO of a leading French company before moving to Ruukki Group, Afarak Group's predecessor. During the time, he fulfilled the roles of CFO before becoming CEO. He also served as an Executive Director on the Board of Directors. He then occupied the role of CEO with Tantalus Rare Earths, a German company specialised in mine development. Today, Thomas Hoyer is a Director at Helsinki Capital Partners, a Finnish licensed fund management company. He also serves as a non-Executive Director at Gaia, an international sustainability and environmental consulting company. Mr Hoyer did not recontest the election of the Board during the Extraordinary General Meeting held on 5th February 2018.

Our People

The Executive Management Team

The Group's Executive Management Team ("EMT") assists the Group CEO in effectively accomplishing his duties. The EMT is an advisory body which was set up by the Board of Directors in November 2009. It has neither authority, based on laws or the Articles of Association,

nor any independent decision-making rights. Decisions on matters discussed by the EMT are taken by the CEO, the EMT member responsible for the matter in question or the Group's Board of Directors, as appropriate.



> **Guy Konsbruck**

CEO
BA (Hons); MBA (SHU Fairfield); MA
Born 1965

Guy Konsbruck was appointed Chief Executive Officer of Afarak on 15 January 2017. He has previously served as an Executive Vice-President of MFC Industrial since 2014. Before that he served as CEO of FESIL's global sales companies and was also the co-founder of Luxalloys. Mr Konsbruck was appointed to the Board during the Extraordinary General Meeting held on 5th February 2018.



> **Predrag Kovacevic**

CFO
BA (Hons), MA (Business Administration & Economics)
Born 1974

Predrag Kovacevic is a corporate finance, capital markets and financial industry professional with 18 years of broad international experience. Having held senior advisory and leadership positions in both government and private sector he joined Afarak at the beginning of 2016 working on finance and business development.



> **Dr Danko Koncar**

COO
Diploma (Engineering), M.Sc. (Engineering), Ph.D. (Engineering)
Born 1942

Dr Danko Koncar was appointed as a member of the Board at the Extraordinary General Meeting on 11 August 2010 and as the CEO on 11 February 2013. He was also the Acting Managing Director of the Company between October 2010 and April 2011. He has extensive experience in minerals processing and trading, including 20 years in ferrochrome processing with fourteen years of experience in application of direct current technology to ferrochrome processing.



Our People

The Corporate Management Team

The Company's Corporate Management includes, in addition to the Executive Management Team, the following personnel responsible for corporate functions:

> **Michael Lillja**

Head of Marketing and Sales
M.Sc (Economics); Born 1962

Michael Lillja is currently the Head of Marketing of Afarak Trading Limited, the marketing arm of Afarak. Prior to Afarak Trading, Mr. Lillja has served for decades in several different positions in the mining and metals industry, the energy sector, and in international trade for companies such as, Alloy 2000 SA/ENRC-Kazakhstan, International Ferro Metals Ltd, and SamChrome Ltd/Samancor Cr.

> **Melvin Grima**

Finance Director
FCCA, MIA, CPA; Born 1982

Melvin Grima joined Afarak in 2013 as Group Finance Manager. He was responsible of the relocation of the Group's corporate finance function to Malta and its setup. He was promoted to Finance Director in 2015. Prior to joining Afarak, he held a number of management positions including Group Accountant of a hotel Group and Finance Manager of a Group trading in the petroleum industry.

> **Bertus van der Merwe**

CEO Afarak South Africa
B Eng (Metallurgy), MBA (Heriot Watt Scotland); Born 1972

Bertus van der Merwe is a metallurgical engineer with extensive industry experience. He was a Gold Fields bursar and worked at Billiton's Samancor Manganese from 96-2001 and then joined Samancor Cr in 2001 as Manager low carbon and eventually became the COO of Samancor Cr. In 2012 he left to do consulting in the Ferroalloy and steel industry. He also has extensive reductant experience with Portnex. In June 2017 he joined Afarak SA.

> **Milan Djakov**

Deputy COO Afarak South Africa
M.SC (GLOBAL FINANCE); BA (Hons) International Banking Born 1982

Milan Djakov is a graduate in banking and finance. Following his studies, Milan gained considerable experience working in the public sector in Serbia particularly with the Ministry of Agriculture, Forestry and Water Management. Following his experience in the public-sector Milan moved to the private sector and joined Afarak Group. He has been actively involved in the running of the Company and worked on a number of diverse projects and also served as a Non-Executive Director between 2016 and 2017.

> **Willem Smith**

Managing Director, Afarak Mogale
B Eng (Metallurgy), MBA (Heriot Watt Scotland); Born 1976

Willem Smith is a metallurgist by profession and joined Afarak Mogale in 2006. He was appointed General Manager of Afarak Mogale 2012. Prior to joining Afarak Group, Willem gained extensive experience in the steel and ferroalloys sector working at ArcelorMittal and Samancor Chrome.





> **Seyda Caglayan**

Managing Director, Afarak TMS
MSc (Mining Engineering); Born 1958

Seyda Caglayan joined Afarak TMS in December 2007. Prior to joining Afarak, she held a number of senior management and directorate positions in the mining and chrome industry including the Istanbul Mineral Exporters' Association and the International Chromium Development Association (ICDA). Seyda currently serves as Member of the Board of Turkish Miners Association, Member of Chrome Committee of ICDA and Member of the Board of Trustees of the Turkish Mining Development Foundation.

> **Christoph Schneider**

Managing Director, Afarak EWW
MA (Economics); Born 1964

Christoph Schneider is currently the Managing Director of Afarak EWW. He joined EWW in 1992 as Sales Manager. Over the years, Christoph rose the ranks of EWW and was appointed as Managing Director in December 2003.

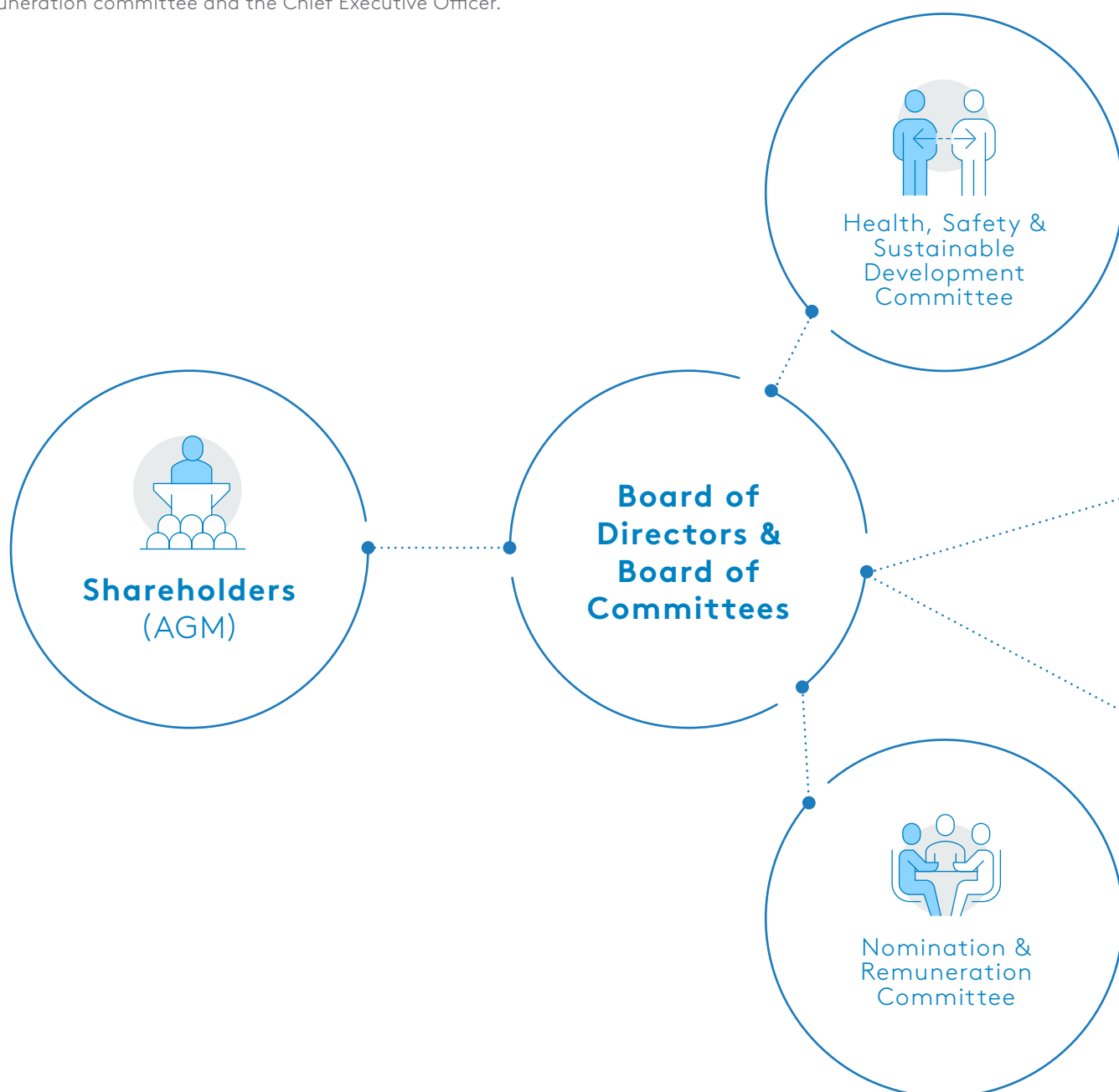
> **Dr Kurt Maske**

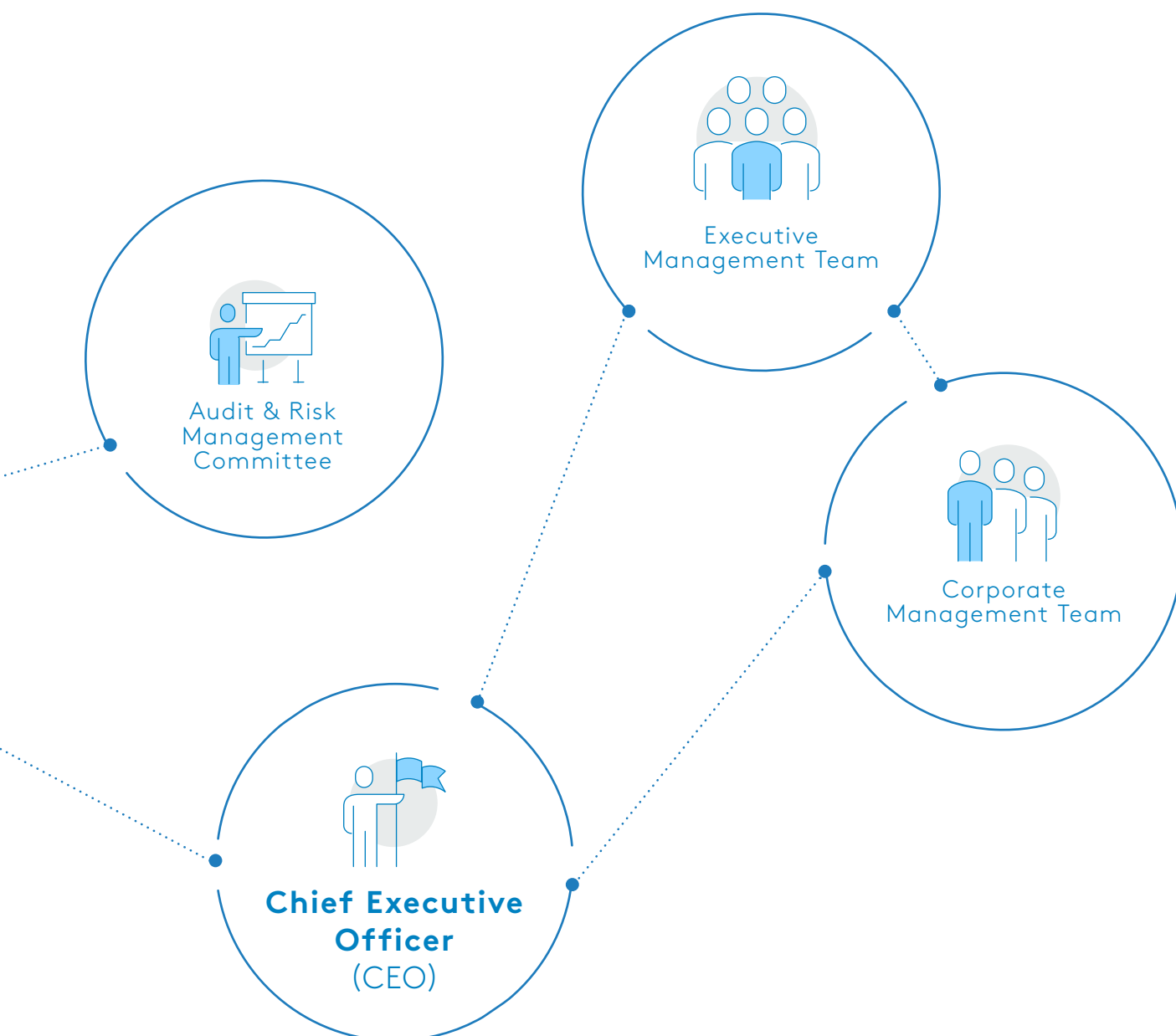
Acting Managing Director, Afarak SA Mining
PhD (Minerals Engineering); Born 1955

Kurt Maske is the acting Managing Director for the SA Mining Operations and manages the South African marketing and logistics processes. Prior to joining Afarak in 2011, Kurt was with BHP Billiton for nearly 25 years where he started his career as a Process Engineer responsible for developing the DC arc furnace technology for FeCr production at what is now Mogale Alloys. After serving as Works Manager he was transferred to Samancor's marketing team to globally manage the sale of the group's low and medium carbon ferrochrome products.

Governance Structure

The management and control of Afarak Group Plc and its subsidiaries ("Group") is divided between the shareholders, the Board of Directors ("Board"), supported by the Board's audit and risk management committee, nomination and remuneration committee and the Chief Executive Officer.





ANNUAL GENERAL MEETING

Afarak's ultimate decision-making body is the shareholders' Annual General Meeting which convenes once a year and is held within six months of the end of the financial year. Pursuant to the Company's Articles of Association, the convening notice for a General Meeting will be published on the Group's website and in a stock exchange release no earlier than two months, and no later than 21 days, prior to the General Meeting or nine days prior to the record date of the General Meeting.

The notice of a General Meeting, the proposals for resolutions, and the documents to be submitted to the General Meeting, such as the financial statements, the annual report and the auditor's report, will be available on the Group's website and at the Group's office in Helsinki at least three weeks before the meeting. The resolutions passed by the General Meeting are published as a stock exchange release without undue delay and will be available on the Group's website, along with the minutes of the General Meeting, no later than two weeks after the meeting.

Shareholders have the right to add items falling within the scope of the Annual General Meeting to the meeting's agenda. The request must be submitted to the Board of Directors in advance so that the item can be included to the notice. Afarak publishes the details of how and when to submit the requests to the Board on its website.

The Company uses the Annual General Meeting to develop an understanding of the views of its shareholders about the Company.

An Extraordinary General Meeting can be convened if the Board of Directors deems it necessary or if the auditor of the Company or the shareholders owning at least 10 percent of the shares demand one in writing in order to deal with a specific matter, or if it is required by law or other regulations.

The most significant items on the Annual General Meeting's agenda include:

- Approving the year's financial statements;
- Confirming the financial year's profit or loss, the dividend distribution or other distribution, such as capital redemption;
- Determining the number of directors on the Board of Directors, their remuneration and electing those directors to the Board; and
- Electing the auditor or auditors and approving their fees.

In addition, certain significant matters (such as amending the Articles of Association or deciding on a capital increase) require a resolution by the shareholders in a General Meeting.

General Meetings are organised in a manner that permits shareholders to exercise their ownership rights effectively. A shareholder wishing to exercise his or her ownership rights shall register for a General Meeting in the manner stated in the notice of meeting. All the shareholders who have been registered in the Company's shareholder register, maintained by Euroclear Finland Ltd, on the record date of the meeting have the right to attend a General Meeting, provided they have delivered a proper notice to attend the meeting. Holders of nominee registered shares may be registered temporarily on the shareholder register, and they are advised to request further instructions from their custodian bank regarding the temporary registration and issuing of a proxy document.

Resolutions by a General Meeting usually require a simple majority. Certain resolutions, however, such as amending the Articles of Association and directed share issues require a qualified majority represented by shares, and the votes conferred by the shares, at the General Meeting.

The majority of the Board members, if not all, attend General Meetings together with the CEO and the auditor. In addition, if a person is proposed for election as a director for the first time, he or she will also attend the General Meeting.

ANNUAL GENERAL MEETINGS IN 2017

The Annual General Meeting was held on May 23, 2017 at Klaus K Hotel in Helsinki, Finland.

All the resolutions of the above-mentioned General Meeting can be found at:
<http://www.afarak.com/en/investors/shareholder-meetings/2017/>

EXTRAORDINARY GENERAL MEETINGS

An Extraordinary General Meeting was held on February 5, 2018 at Union Square Auditorium, Helsinki, Finland.

All the resolutions of the above-mentioned General Meeting can be found at:
<http://www.afarak.com/en/investors/shareholder-meetings/2018/>



The Board of Directors

TASKS AND RESPONSIBILITIES

The Board of Directors is composed of between three and nine members who are elected by the General Meeting of shareholders, which also approves their remuneration. The tenure of each Board member is for one year and expires at the end of the next annual General Meeting immediately following their election. The Board elects a Chairman from among its members. None of the non-executive directors has a service contract with the Company and none of the directors has waived or agreed to waive any emoluments from the Company or any subsidiary undertaking.

The duties of a Board member are specified in the Finnish Companies Act. The Afarak Board also has a written charter governing its functions.

The Board of Directors oversees the administration of the Group and is responsible for the internal control of its assets, finances and accounts on behalf of shareholders. Its specific responsibilities include:

- Formulating the Group's business strategy and overseeing its implementation;
- Deciding on the Group's capital structure;
- Making decisions on significant investments, divestments, credits and collaterals, guarantees and other commitments;
- Approving the quarterly interim reports, the Board of Directors Report, the annual financial results and future forecasts and/or outlook;
- Deciding on the Group's organisational structure;
- Appointing the CEO and approving his or her service agreement and remuneration; and
- Convening and submitting proposals to the shareholders' General Meeting.

Key elements of the Board's charter and operations are:

- It convenes on prearranged dates, with a view to meeting approximately once a month, or more often if necessary. Meetings can be arranged as conference calls;
- Matters to be dealt with by the Board are presented by the Chairman, the CEO or another person who has participated directly in assessing and preparing the issue for consideration;
- It aims to make unanimous decisions;
- It prepares an annual plan for its operation; and
- It acts at all times in the interest of the Group and all of its shareholders.

The Board oversees all communications and other requirements stipulated by the rules of the relevant stock exchanges and

financial supervision authorities and conducts regular self-assessments to ensure these requirements continue to be fulfilled. The Group has established specific targets for the development of its administrative functions and processes, and continues to implement these.

The Board also evaluates and decides on acquisitions and disposals of subsidiaries and associated companies. To ensure the efficiency of board and committee work, the Board regularly evaluates the operations and working methods of each committee and the Board. The evaluation is conducted as internal self-evaluation. The Board is also regularly in contact with the major shareholders of the Company to ensure that the Board is aware of their views.

The 2017 Annual General Meeting elected five members to the board: Dr Jelena Manojlovic, Mr Barry Rourke and Mr Ivan Jakovic were re-elected and Mr Thomas Hoyer and Mr Thorstein Abrahamsen were newly elected. Mr Markku Kankaala resigned from the Board in March 2017. Mr Thomas Hoyer did not seek re-election at the Extraordinary General Meeting in February 2018.

DIVERSITY OF THE BOARD OF DIRECTORS - SKILLS, EXPERIENCE AND ATTRIBUTES

The Board considers that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities and gender is required to effectively govern the business. The Board and its Nomination and Remuneration Committee work to ensure that the Board continues to have the right balance of skills, experience, independence and Group knowledge necessary to discharge its responsibilities in accordance with the highest standards of governance.

To govern the Group effectively, Non-Executive Directors must have a clear understanding of the Group's overall strategy, together with knowledge about the Group and the industries in which it operates. Non-Executive Directors must be sufficiently familiar with the Group's core business to be effective contributors to the development of strategy and to monitor performance.

The Board requires that Directors commit to the collective decision-making processes of the Board. Individual Directors are required to debate issues openly and constructively, and are free to question or challenge the opinions of others. Each Director must ensure that no decision or action is taken that places his or her interests in front of the interests of the Company.

CURRENT BOARD PROFILE

The Board considers that each of the Non-Executive Directors has the following attributes:

- time to undertake the responsibilities of the role;
- unquestioned honesty and integrity;
- a willingness to understand and commit to the highest standards of governance;
- knowledge of commodity markets and mining
- an ability to think strategically
- a preparedness to question, challenge and critique
- experience of managing in the context of uncertainty, and an
- understanding of the risk environment of the Group, including the potential for risk to impact our health and safety, environment, community, reputation, regulatory, market and financial performance; and a
- knowledge of world capital markets.

SENIOR INDEPENDENT DIRECTOR

During the year under review, Barry Rourke held the role of Senior Independent Director of Afarak Group in

accordance with the UK Corporate Governance Code. He acted independently in the best interests of the Group. His expertise and broad international experience materially enhanced the skills and experience profile of the Board. He is available to shareholders who have concerns that cannot be addressed through the Chairman, CEO or CFO. As Senior Independent Director, he also provides a sounding board for the Chairman and serves as an intermediary for other Directors if necessary.

BOARD INDEPENDENCE

The Finnish Corporate Governance Code requires that the majority of the directors are independent of the Company. In addition, at least two of the directors representing this majority must be independent of the significant shareholders of the Company. The Company believes that Mr Barry Rourke, Mr Ivan Jakovcic, Mr Thomas Hoyer and Mr Thorstein Abrahamsen are independent of the Company and significant shareholders whilst Dr Jelena Manojlovic is dependent of the Company.

	Current Position	Appointed to the Board	Status	Audit & Risk Management Committee	Nomination & Remuneration Committee	Health & Safety Committee
Jelena Manojlovic	Chairman	11 July 2008	Dependent	-	Member	
Barry Rourke	NED	08 May 2015	Independent	Chair	Member	
Ivan Jakovcic	NED	11 February 2013	Independent		Chair	
Thomas Hoyer	NED	23 May 2017	Independent	Member		
Thorstein Abrahamsen	NED	23 May 2017	Independent	Member		Chair



The Board in 2017

The new Board of Directors made it a priority to review various elements relating to the operation and corporate governance of Afarak. Highlights of the main discussions and decisions are presented below. A strategic workshop was held by the Board soon after election and various elements relating to Afarak's core business were reviewed.

STRATEGIC VISION

The new leadership of the Company presented a revised Strategic Vision for Afarak focusing on integrating sustainability across all our business unit; growing the organisation organically as well as through M&A and on achieving strong profitability through operational efficiencies and cost controls. Throughout the year, the Board implemented various initiatives of this Vision.

RISK MANAGEMENT

The Board continued enhancing the Group's risk management function and appointed a Group Controller to handle the risk reporting and management function. A new reporting framework was implemented across the main units and various measures mitigating the identified risks were implemented.

SUSTAINABILITY

The Board highlighted health & safety as a key priority. The Board is working closely with the respective units to strengthen the health & safety culture within the Company. The Board remains committed to continue investing in training, equipment and reporting to ensure that its policy of 'Zero Harm' is practiced throughout the Company. In addition, the Board supported further environmental initiatives and investments within the Group. The Board continued the Company's support towards host communities in South Africa.

COMPANY PERFORMANCE

The Board supported various initiatives to make the Company more resilient and responsive to the market. Throughout the year, the Board agreed on various projects, especially in South Africa and Germany, which made the units able to respond to changing market conditions and trends. Today the Company is leaner and focused on enhancing its vertical-integration. The Board also supported various capital investments including the addition of further beneficiation stages, increasing high-walls at the mines and the acquisition of new mining assets.

A total of 10 meetings of the Board were held during the reporting period and the attendance of the directors is tabled below.

Meetings attended

Jelena Manojlovic	10/10
Barry Rourke	10/10
Ivan Jakovcic	09/10
Thomas Hoyer	07/07
Thorstein Abrahamsen	07/07
Milan Djakov	03/03
Markku Kankaala	01/01

A total of 10 meetings were held during the reporting period. The differences in the meetings attended, related to the changes in Board composition.

REMUNERATION

The Annual General Meeting resolved the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 and all Board Members are paid EUR 3,500 per month. Non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work.

During the financial year 2017, the Board members received a total of EUR328,000

Board Committees

AUDIT AND RISK MANAGEMENT COMMITTEE

Until 5 February 2018, the Audit and Risk Management Committee was composed of three members: Barry Rourke (Chairman), Thomas Hoyer and Thorstein Abrahamsen. Thomas Hoyer did not contest re-election during the Extraordinary General Meeting on February 5, 2018.

The Board has defined the Committee's duties in accordance with the recommendations of the Finnish and the UK Corporate Governance Codes. The Audit and Risk Management Committee reviews the auditors' work and monitors the Group's financial position and the appropriateness of its financial reporting. The Committee oversees risk management procedures and internal controls, maintaining contact with auditors and evaluating their reports. The Committee reports regularly to the Board.

In 2017, the Committee continued to oversee the Group's financial performance and reporting. The Committee also worked with management to continuously improve the reporting function of the Group, both internally and externally. Regular scrutiny of the Group's compliance with laws, regulations and best practice continued being an area of focus during the year.

The Committee assessed various growth options, strategies and investments. It worked with Management on the acquisition of the Zeerust Chrome Mine. The Committee also assessed various external financing facilities. Throughout the year, the Committee worked on improving the internal budgeting and forecasting models and processes.

The Committee also reviewed each quarterly report before release and recommended changes where necessary, before recommending the reports to the Board.

NOMINATION AND REMUNERATION COMMITTEE

The combined Nomination and Remuneration Committee of the Company currently has three members: Ivan Jakovcic (Committee Chairman), Dr Jelena Manojlovic and Barry Rourke.

The Committee leads the process for making appointments to the Board and the executive management and submits recommendations to the Board in this regard. The Committee also leads the process relating to the remuneration of the executive management and the Board, and makes recommendations to the Board and to the General Meeting in relation to the Board's remuneration.

The Committee worked on and approved the incentive scheme to corporate and operational management, not including the CEO.

THE COMMITTEE FOR HEALTH, SAFETY AND SUSTAINABLE DEVELOPMENT

The Committee is currently led by Thorstein Abrahamsen and includes management members from the respective Units.

The Committee's stated mission is to ensure that Afarak conducts its business in a responsible and ethical manner for the benefit of all its stakeholders. Throughout 2017, the Committee implemented new reporting frameworks across the Units and various initiatives were implemented. It also supported a safety and performance improvement programme at Mogale.

Afarak is continuously investing in environmental initiatives and projects. It supported investments that will allow the Group to rehabilitate its mines and to invest in alternative energy sources. It continued supporting the business units in their efforts to improve water management and dust reduction. The Committee also continued to monitor Afarak's work and social investment programmes with local communities, particularly in South Africa.

Corporate Governance Statement

Afarak Group Plc ("Afarak", the "Company" or the "Group") is a Finnish public limited company listed on the NASDAQ Helsinki Stock Exchange (AFAGR) and the Main Market of the London Stock Exchange (AFRK).

Afarak's corporate governance is based on, and complies with, the laws of Finland, the Articles of Association of the Company, the Finnish Corporate Governance Code and the regulations of the Finnish Financial Supervisory

Authority, the UK Listing, Disclosure and Transparency Rules, the NASDAQ Helsinki Stock Exchange and the London Stock Exchange. As Afarak primarily follows the Finnish Corporate Governance Code, certain sections of the UK Corporate Governance Code issued in September 2012 ("UK CG") are not strictly complied with. However, in the areas that the Company diverges from the UK CG the Company believes that its policies are acceptable for the reasons which are set out below.

UK CG Section	Description	The Reason for Non-Compliance
C.3.8	A separate section of the annual report should describe the work of the Audit committee in discharging its responsibilities.	While this report includes a description of the work of the audit and risk management committee, the contents requirements of this section under the UK GC are not the same as those under the Finnish CG and, therefore some information required under the UK GC is not included.
E.2.1	For each resolution, proxy appointment forms should provide shareholders with the option to direct their proxy to vote either for or against the resolution or to withhold their vote.	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation. The Company does not provide proxy voting forms.
E.2.2	Miscellaneous general meeting procedures	The Company's AGM is arranged in accordance with the Finnish Companies Act so certain procedural and other matters differ from the UK CG recommendation.

Afarak's foreign subsidiaries operate under the local laws and regulations of the countries in which they are located, including but not limited to local accounting and tax legislation as well as exchange controls. This Corporate Governance Statement for the financial period 1 January to 31 December 2017 is issued as a separate report to the Board of Directors' Report and is available on the Group's website at www.afarak.com. It has

been prepared pursuant to the Finnish Corporate Governance Code 2015 and the guideline of the Securities Market Association dated 1 December 2010. Afarak complies with the Finnish Corporate Governance Code which can be found on the Securities Market Association's website at www.cgfinland.fi. Afarak has made no exceptions in its Finnish Corporate Governance Code compliance.

Internal Control

The principles of internal control are confirmed by the Board. The Group's EMT members are in charge of the day-to-day business management and administrative control in their respective responsibility areas.

MAIN PRINCIPLES OF RISK MANAGEMENT AND INTERNAL CONTROL

The purpose of risk management is to identify, evaluate and mitigate the potential risks that could impact the Group's business and the implementation of its strategy, and to ensure that risks are proportional to the Group's risk-bearing capacity.

The Group's risk management policy is approved by the Board of Directors and defines the objectives, approaches and areas of responsibility of risk management activities. The Group's key risks are reviewed and assessed by the Board on a regular basis. The Group's business segments, and the business units within those segments, are primarily responsible for managing their risks, their financial performance and their compliance with the Group's risk management policies and internal control procedures.

The Board of Directors is responsible for organising and maintaining adequate and effective internal control performed by the senior and executive management as well as other Afarak personnel, and assisted by third-party experts when appropriate.

The Board of Directors decides on the Group's management system and the corporate and organisational structure required by each business unit with a view to providing solid foundations for effective internal control. Internal control and risk management related to financial reporting at the Group level are performed in a coordinated way by a function independent of the business areas. Each subsidiary's executive management is responsible for the implementation of internal control and risk management to the agreed Group principles and guidelines.

The system of internal control provides reasonable rather than absolute assurance that Afarak's business objectives will be achieved within the risk tolerance levels defined by the Board.

Internal control refers to elements of financial and operational management which are designed to ensure:

- Achievement of defined performance targets;
- Efficient use of resources and protection of assets;
- Effective management of risks;
- Accurate, timely and continuous delivery of financial and operational information;
- Full compliance with laws and regulations as well as internal policies; and
- Business continuity through secure systems and stable operating procedures.

THE STRUCTURE OF INTERNAL CONTROL SYSTEMS

The main structural elements of the Group's internal control system are:

- The risk management and internal control policies and principles defined by the Board;
- Implementation of the policies and principles under the supervision of Group management;
- Supervision of the efficiency and functionality of the business operations by Group management;
- Supervision of the quality and compliance of the financial reporting by the Group finance department;
- An effective control environment within all organisational levels and business units, including tailored controls for each business process; and
- Internal audits conducted as and when needed.

THE INTERNAL CONTROL OF THE FINANCIAL REPORTING PROCESS

The Group's financial organisation is structured so that each business unit has its own finance function, but overall financial management including accounting, taxation and financing is centralised within the Group's parent company.

The Group finance department is responsible for ensuring the compliance, quality and timeliness of the Group's external and internal financial reporting. The internal control mechanisms are based on the policies, procedures and authorisations established and approved by the Board. In addition to control mechanisms, training and sharing of knowledge are also significant tools of internal control.



Each business unit has its own finance function which reports to the Group Finance. The business unit's finance function is responsible for the unit's accounting and daily financial operations and internal reporting. The finance function and administration is overseen by the unit's management team and reports to the head of the business unit's segment.

The tasks of the Group Finance consist, among other things, of monthly consolidation of the Group's accounts, preparation of the quarterly interim reports and consolidated financial statements, financing of the Group, and tax planning.

Consolidated financial statements are prepared by using consolidation software. The accounting of the Company's subsidiaries is carried out by accounting systems and the accountants within each subsidiary enter the accounting information directly into the consolidation system, or in some cases send the information in a predefined format to the Group's financial administration to be consolidated.

ROLES AND RESPONSIBILITIES REGARDING RISK MANAGEMENT AND INTERNAL CONTROL

Board of Directors

The Board of Directors is ultimately responsible for the administration and the proper organisation of the Group's operations and approves all internal control, risk management and corporate governance policies. The Board establishes the risk-taking level and risk-bearing capacity of the Group and reassess them on a regular basis as part of the Group's strategy and goal-setting process. The Board reports to the shareholders of the Company.

Audit and Risk Management Committee

The Audit and Risk Management Committee is responsible

for the following internal control related activities:

- Monitoring the reporting process of the financial statements;
- Supervising the financial reporting process;
- Monitoring the efficiency of the Group's internal control, internal audit and risk management systems; and
- Monitoring the statutory audit of the financial statements and consolidated financial statements.

Group Management

The Group's management is in charge of the day-to-day management of the Group in accordance with the instructions and orders given by the Board. It sets the framework of the internal control environment and is in charge of the Group's risk management process and its continuous development. This includes allocation of resources to the work and continuous review of the risk management policies, as well as defining the principles of operation and overall processes.

External Audit

According to the Articles of Association, the Annual General Meeting of shareholders elects the Company's auditor, which must be a firm authorised by the Finnish Central Chamber of Commerce; otherwise the Company will have one main auditor and one deputy auditor. The auditor's term is for one year and finishes at the end of the first General Meeting following election.

On Afarak's General Meeting elected Authorised Public Accountant Ernst & Young Oy ("EY") as auditor, with Authorised Public Accountant Erkka Talvinko having the principal responsibility. EY is also the local auditor of all of the Group companies.

In 2017, the Company paid EUR 348,000 for audit fees and EUR 4,000 for non-audit services to EY.



Insider Administration

The Company complies with the legal provisions applying to the management of insiders as defined by the Market Abuse Regulations (EU) No. 596/2014, the Guidelines for Insiders issued by the NASDAQ Helsinki Stock Exchange and the stipulations and guidelines of the Finnish Financial Supervision Authority.

PUBLIC INSIDER REGISTER

The Company's permanent public insiders comprise the Board members, the CEO, the Executive Management Team and the auditors. All permanent public insiders and the statutory information about them, their related parties and the entities controlled by them or in which they exercise influence, have been entered into the Company's public insider register which is published on the Group's website.

Afarak imposes a restriction on trading for insiders which forbids trading in the Company's shares for 30 days before the publication of financial reports. Prior to the preliminary announcement of the Company's annual results and the publication of its annual financial report the closed period is 60 days or, if shorter, the period from the end of the relevant financial year up to and including the time of the announcement.

Compliance with the insider regulations is monitored by taking samples at certain intervals of trading by insiders in the Company's shares.

COMPANY-SPECIFIC INSIDER REGISTER

In addition to the public insider register, the Company holds a company-specific insider register of persons who regularly receive information that can have material impact on the value of its securities. These persons include all Afarak Group Plc employees, corporate management and subsidiary and other third-party service providers who regularly obtain insider information.

When necessary, the Company sets up a separate project-specific insider register. Project-specific insiders are those who, in connection with the insider project receive information that might have material impact on the value of the Company's shares. The establishment of a project is decided by the Board or the CEO.

Shareholdings of the Public Insiders at 31 December 2017

	Title	Shares	Related Party Shares	Options
Members of the Board				
Jelena Manojlovic	Chairman & Dependent Non-Executive Director	150,000	0	0
Barry Rourke	Non-Executive Director	150,000	0	0
Ivan Jakovcic	Non-Executive Director	0	0	0
Thomas Hoyer	Non-Executive Director	25,000	0	0
Thorstein Abrahamsen	Non-Executive Director	0	0	0
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other Insiders				
Guy Konsbruck	Chief Executive Officer	0	0	0
Predrag Kovacevic	Chief Financial Officer	0	0	0
Danko Koncar	Chief Operating Officer	0	70,945,967	0
		325,000	70,945,967	0

These insiders had no other interests in or options over shares in the Company.

Resolutions of the Annual General Meeting

RESOLUTIONS OF 2017 ANNUAL GENERAL MEETING

The Company's Annual General Meeting ("AGM") was held on 23 May 2017. The AGM adopted the financial statements and the consolidated financial statements and discharged the members of the Board of Directors and the CEO from liability for the financial period 2017.

The AGM resolved that no dividend would be paid for 2017. However, given the exceptional result attained in quarter one 2017, the AGM resolved that a capital redemption of EUR 0.02 per share would be paid for the year ended on 31 December 2017. The payment was made from the company's fund for invested unrestricted equity on 9 June 2017.

The AGM resolved the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 and all Board Members are paid EUR 3,500 per month. Non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work.

The AGM resolved that the Board of Directors would comprise of five members: Dr Jelena Manojlovic, Mr Barry Rourke and Mr Ivan Jakovcic were re-elected. Mr Thomas Hoyer and Mr Thorstein Abrahamsen were elected. The Board appointed from among its members the following members to the Committees:

Audit and Risk Management Committee

Barry Rourke, (Chair)
Thomas Hoyer
Thorstein Abrahamsen

Nomination and Remuneration Committee

Ivan Jakovcic (Chair)
Dr Jelena Manojlovic
Barry Rourke

Safety, Health and Environment Committee

Thorstein Abrahamsen (Chair)
Members of Management

The AGM resolved that authorised public accountant firm Ernst & Young Oy was re-elected as the Auditor of the Group for the year 2017.

The AGM authorised the Board of Directors to resolve upon acquiring a maximum of 15,000,000 of the Company's own shares. The authorisation replaces all previous authorisations and it is valid for 18 months from the decision of the Annual General Meeting.

2018 ANNUAL GENERAL MEETING

Afarak's 2018 Annual General Meeting will be held on 29 May 2018.

DISTRIBUTION PROPOSAL

The Board of Directors will propose to the Annual General Meeting that the Annual General Meeting would authorise the Board to resolve on its discretion on the payment of capital redemption up to a maximum of two cents per share in quarter four 2018.

Additional Information

SHARE INFORMATION

Afarak Group Plc's shares are listed on NASDAQ Helsinki (AFAGR) and on the Main Market of the London Stock Exchange (AFRK).

On 31 December 2017, the registered number of Afarak Group Plc shares was 263,040,695 (263,040,695) and the share capital was EUR 23,642,049.59 (23,642,049.59).

On 31 December 2017, the Company had 3,354,161 (3,744,717) own shares in treasury, which was equivalent to 1.27% (1.42%) of the issued share capital. The total amount of shares outstanding, excluding the treasury shares held by the Company on 31 December 2017, was 259,686,534 (259,295,978).

At the beginning of the period under review, the Company's share price was EUR 0.78 on NASDAQ Helsinki and GBP 0.38 on the London Stock Exchange. At the end of the review period, the share price was EUR 0.85 and GBP 0.73 respectively. During 2017 the Company's share price on NASDAQ Helsinki ranged from EUR 0.72 to 1.15 per share and the market capitalisation, as at 31 December 2017, was EUR 222.3 (1 January 2017: 203.9) million. For the same period on the London Stock Exchange the share price range was GBP 0.55 to GBP 0.93 per share and the market

capitalisation, as at 31 December 2017 was GBP 190.7 (1 January 2017: 98.6) million.

FLAGGING NOTIFICATIONS

On 17 March 2017, Afarak received a flagging notification in accordance with Chapter 9, Section 5 of the Finnish Securities Markets Act from shareholders Joensuun Kauppa ja Kone Oy and Esa Hukkanen (the "shareholders"). In accordance with the flagging notification, the shareholders have agreed to use their voting rights together in Afarak Group Plc and their agreement has resulted in them having their shareholding to be above 5%, becoming a 6.05% per cent holder of the shares and voting rights in Afarak.

On 22 March 2017, Afarak received a flagging notification in accordance with Chapter 9, Section 5 of the Finnish Securities Markets Act from a group of shareholders ("the shareholders"). In accordance with the flagging notification, the shareholders have agreed to use their voting rights together in Afarak Group Plc and their agreement has resulted in them having their shareholding to be above the 10% benchmark, becoming a 10.01% per cent holder of the shares and voting rights in Afarak. Their total of shares and voting rights stands at 26,325,048.



Remuneration Report

This report sets out the remuneration policy and practices for Afarak's Board and Executive Management Team ("EMT"), and provides details of their remuneration and share interests for the year ended 31 December 2017.

REMUNERATION POLICY

Afarak operates in a very competitive sector in terms of human capital with a shortage of highly qualified and experienced executives. The Group's remuneration policy is designed to attract, retain and incentivise high-calibre executives to implement its business strategy and enhance shareholder value.

The policy seeks to align the interests of the business and shareholders by rewarding executives appropriately for achieving individual and group targets and thereby ensuring long-term value creation for the benefit of all shareholders.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee makes recommendations to the Board regarding executive remuneration, and submits proposals to the Annual General Meeting of shareholders regarding the Board's remuneration.

The committee is responsible for the overall direction of the remuneration policy, as well as determining, within agreed terms of reference, the specific remuneration packages of the EMT. This includes pension rights, executive incentive schemes and any compensation payments. To ensure that the Group's remuneration packages are both appropriate and competitive, the committee evaluates information on market-based remuneration levels for comparable companies.

The members of the committee in 2017 were Ivan Jakovcic (Committee Chairman), Dr Jelena Manojlovic and Barry Rourke.

CEO SERVICE AGREEMENT

The Board appoints the Chief Executive Officer (CEO) to manage, develop, guide and supervise the Group's activities and lead the EMT. The Board decides upon the CEO's remuneration based on the recommendations made by the Committee.

The CEO receive a service fee of EUR 360,000. He shall also receive 500,000 Company shares as an incentive for each completed year of service acting as CEO. In 2017, the CEO received a signing bonus of EUR 70,000.

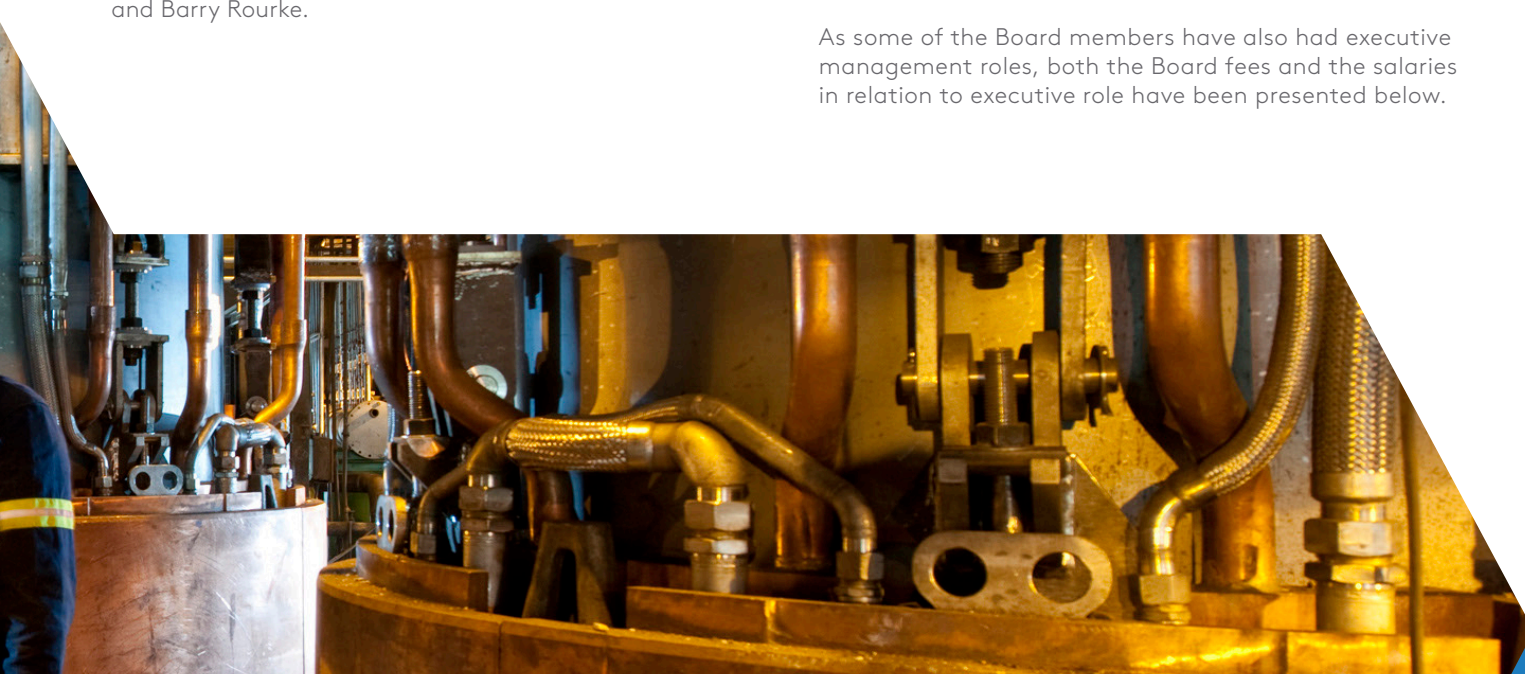
The Group makes no pension arrangements for the CEO beyond the statutory pension coverage and there is no set retirement age.

NON-EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The remuneration of members of the Board of Directors is agreed at the Company's General Meetings. Directors' remuneration consists of monthly fixed fees. The Annual General Meeting held on May 23, 2017 resolved the Chairman of the Board shall be paid EUR 4,500 per month, the Chairman of the Audit and Risk Management Committee shall be paid EUR 5,550 and all Board Members are paid EUR 3,500 per month. Non-executive Board Members who serve on the Board's Committees shall be paid additional EUR 1,500 per month for committee work. Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board membership.

Those members of the Board of Directors that are executives of the Company are not entitled to receive any remuneration for Board or committee membership.

As some of the Board members have also had executive management roles, both the Board fees and the salaries in relation to executive role have been presented below.



RELATED PARTY TRANSACTION WITH PERSONS BELONGING TO GROUP BOARD AND MANAGEMENT

EUR '000		2017			2016		
		Salaries	Fees	Share-based remuneration	Salaries	Fees	Share-based remuneration
CEO							
Ruiters Alistair	Board member 8.5.2015 - 23.5.2017, CEO 21.5.2015 - 15.1.2017	14		145	360		178
Konsbruck Guy	CEO 15.1.2017 onwards		415	583			
BOARD MEMBERS							
Abrahamsen Thorstein	Board member 23.5.2017 onwards		36				
Djakov Milan	Board member 12.5.2016 - 23.5.2017		24			35	
Hoyer Thomas	Board member 23.5.2017 onwards		36				
Jakovic Ivan	Board member 8.5.2015 onwards, Chairman 12.5.2016 - 5.2.2018		65			68	
Kankaala Markku	Board member 30.6.2003 -17.3.2017		15			60	
Lillja Michael	Board member 11.2.2013 - 12.5.2016				54		
Jelena Manojlovic	Board member 11.7.2008 onwards, Chairman 5.2.2018 onwards		67			60	
Parodi Alfredo	Board member 11.2.2013 - 12.5.2016, Chairman 8.5.2015 - 12.5.2016					26	
Rourke Barry	Board member 8.5.2015 onwards		85			80	
Scott Keith	Board member 12.5.2016 - 9.12.2016					35	
Total		14	743	728	414	363	178

OTHER EMT MEMBERS' SERVICE CONTRACTS

As Afarak operates within highly competitive environment, its performance depends on the individual contributions of the executive directors and other senior employees. The remuneration packages are designed to attract, motivate and retain executives to manage the Group's operations effectively and to reward them for enhancing shareholder value.

The EMT remuneration package is a combination of a base salary and long-term based incentives, fringe benefits include

liability insurance, traveller's insurance and telephony services. There are no early retirement options in the EMT's employment contracts and the notice period and/or non-compete period is normally six months, unless otherwise agreed.

The table below includes the EMT but excludes the CEO since the compensation for Board members and CEO has been presented separately.

None of Afarak's executive directors have received any compensation for serving as a NED in other companies.

Management remuneration

EUR '000	2017	2016
Fixed salaries and fees	482	366
Variable performance related compensation	195	0
Total	677	366

SHARE-BASED COMPENSATION

Share options

The Company had an incentive-related option scheme, I/2011 which expired on 1 August 2017 and no options were exercised. The scheme was granted to the key personnel of the Company, as recommended by the Board. The scheme entitled the option holders to subscribe for a maximum of 6,900,000 shares in the Company. The vesting period was from 1 July 2014 to 1 August 2017 for various option series denoted with different letters and years. The share subscription price was calculated by a formula based on the Volume Weighted Average Price of the Company's share and varied between the option series. All options have been treated according to the principles set forth in IFRS 2 Share-based Payments standard. The main terms of the option arrangements are detailed in the table below.

In May 2015 the Group granted the outgoing CEO, Alistair Ruiters 1,000,000 shares in the Company. The agreement provided that these would be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares have effectively been received on 14 September 2016. The second 500,000 Company shares had to be received by the employee on 22 May 2017 after

completing his second year as CEO. As the full term was not completed the second 500,000 were given in December 2017 prorata over the second year which resulted to 335,000 shares. These shares have a lock-up period of two years from subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.40 per share.

In December 2016 the Group has granted the new CEO, Guy Konsbruck 1,000,000 shares in the Company. These will be awarded in two tranches and vested based on completed year of service. The first 500,000 Company shares fell due to be received on 15 January 2018. The second 500,000 Company shares shall be received by the employee on 15 January 2019. These shares have a lock-up period of two years from subscription date. The fair value of the granted shares is determined based on the market price of Afarak Group share at the grant date which was EUR 0.81 per share. The value at year end was EUR 582,534.25.

In July 2017 the Group has granted Alistair Ruiters Incentive shares in the company amounting to 400,000 shares, which will be given pa on each completed year of service commencing on the effective date. The value at year end was EUR 173,413.70.

DIRECTORS' AND EMT MEMBERS' SHAREHOLDINGS AND OPTIONS AT 31 DECEMBER 2017

	Title	Shares	Related Party Shares	Options
Members of the Board				
Jelena Manojlovic	Chairman & Dependent Non-Executive Director	150,000	0	0
Barry Rourke	Non-Executive Director	150,000	0	0
Ivan Jakovcic	Non-Executive Director	0	0	0
Thomas Hoyer	Non-Executive Director	25,000	0	0
Thorstein Abrahamsen	Non-Executive Director	0	0	0
Auditors				
Erkka Talvinko	Auditor	0	0	0
Other Insiders				
Danko Koncar	Executive	0	70,945,967	0
		325,000	70,945,967	0