



FERREXPO PLC
RESPONSIBLE
BUSINESS REPORT
2016

Ferrexpo is an iron ore pellet producer with mines in Ukraine and sales operations around the world.

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



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Our people

The well-being of the Company's workforce is paramount to a successful, well functioning business. The Group's workforce comprises over 10,000 individuals; to read more about the Company's efforts to engage with its workforce, see page 12.



Economic indicators and business ethics

Ferrexpo produced almost 2% of Ukraine's export revenue in 2016, and employs the equivalent of 30% of the working age people in the local area. To read more about the value generated by the Company, both direct and indirect, along with its policies on business ethics, see page 20.

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Community

Ferrexpo believes that strong, well supported local communities are key to successful and sustainable operations. To read more about the Company's community engagement strategy, see page 30.

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Environment

The Company monitors a wide range of environmental factors, such as energy use, water reuse and waste generated, in order to manage and reduce its environmental impact. To read more about the Company's work with respect to the environment, see page 24.



ABOUT OUR BUSINESS

Ferrexpo plc (Ferrexpo or the 'Company') has mining and processing operations in the Poltava region of central Ukraine. Ferrexpo's iron ore pellets are produced from ore mined at its two mines, Ferrexpo Poltava Mining ('FPM') and Ferrexpo Yeristovo Mining ('FYM'), and are processed into pellets at FPM's processing facilities. The Company has been premium listed on the London Stock Exchange ('LSE') since 2007 and it is currently a constituent of the FTSE 250 Index.

As a result of the Group's large iron ore deposit and significant capital investments, in excess of US\$2 billion since its IPO, the Group is an efficient and competitive supplier of high quality iron ore pellets to its premium customer base around the world. In 2016, Ferrexpo produced 11.2 million tonnes of iron ore pellets and exported 11.7 million tonnes, making it the third largest exporter of iron ore pellets globally, behind Vale of Brazil and LKAB of Sweden, having approximately 10% of the global export market.

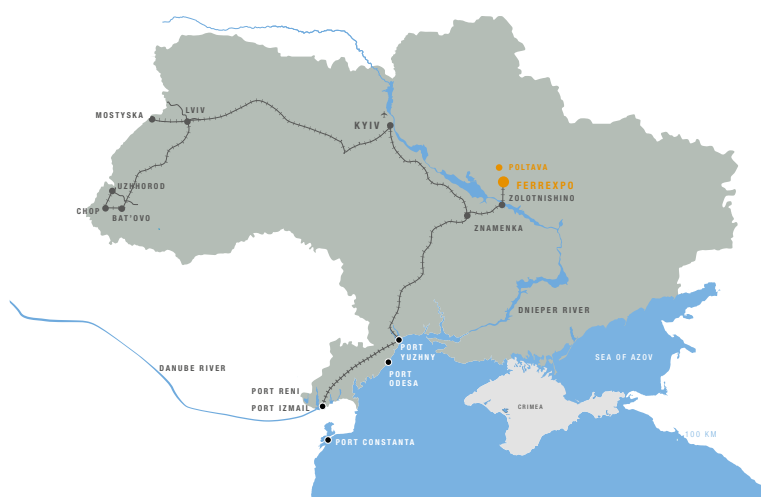
The primary products marketed by the Company are three varieties of pellet: Ferrexpo Basic Pellets ('FBP'), Ferrexpo Premium Pellets ('FPP'), and Ferrexpo Premium Plus Pellets ('FPP+'), with FPP and FPP+ pellet varieties having an iron content of 65%, and FBP an iron content of 62%. In 2016, FPP and FPP+ represented 65% and 29% of production respectively.

The Company has corporate offices in Baar (Switzerland) and London, and marketing offices in Kiev, Dubai, Singapore, Tokyo and Shanghai, which collectively service the Company's customer base of high quality steel mills across the globe. A breakdown of the Company's sales by country is provided in the data supplement to this report.

The Company's majority shareholder is Fevamotinic S.a.r.l., a wholly-owned subsidiary of The Minco Trust of which the Company's Chief Executive Officer Kostyantyn Zhevago is a beneficiary. The Company's shareholder register, showing shareholders that have notified the Company in accordance with the LSE's Disclosure and Transparency Rules, is presented in the data supplement.

A table providing an overview of the scale of the Company is also presented in the supplement. The Company confirms that there were no material changes to the Company's size, structure or supply chain during 2016.

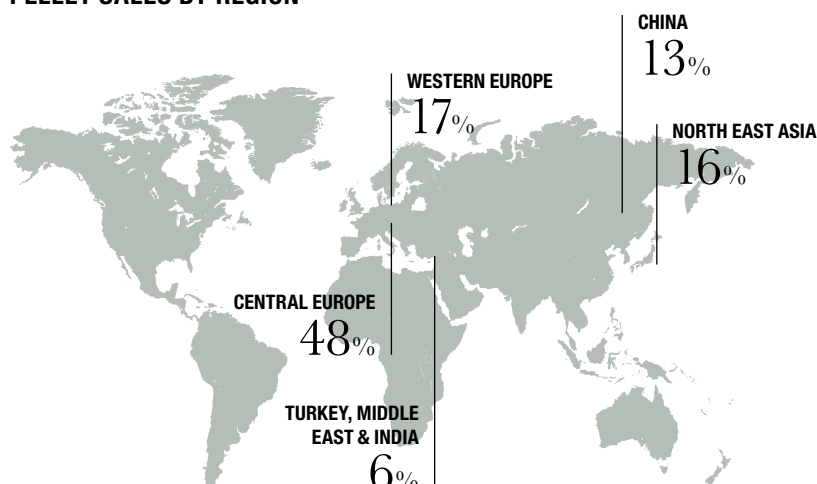
ESTABLISHED LOGISTICS INFRASTRUCTURE



OUR PRODUCTS



PELLET SALES BY REGION



OUR RESOURCES AS OF 31 DECEMBER 2016



Brovarkovskoye

4.0BT



Manuilovskoye

3.4BT



Kharchenkovskoye

2.8BT



Vasiliyevskoye

1.4BT



Zarudenskoye

1.5BT



Galeschinskoye

0.3BT



Belanovskoye

1.7BT



Yeristovskoye

1.1BT



Gorishne-Plavninskoye
& Lavrikovskoye

3.5BT

13.1BT

FORMER SOVIET UNION
CLASSIFIED RESOURCES

6.6BT

JORC CLASSIFIED RESOURCES

BUSINESS MODEL

Inputs: resource

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



Expertise:

WORKFORCE	MINING	PROCESSING	LOGISTICS	MARKETING

Competitive advantages:

Skilled workforce	Efficient and low cost	Niche value-added product	Reliable, controlled and flexible	Diversified, high quality customer portfolio
<p>Ferrexpo has been producing iron ore pellets for 40 years and has a deep knowledge of the skills required to consistently produce high quality pellets at a competitive cost and service its worldwide customer base.</p> <p>The majority of Ferrexpo's employees are based in Ukraine. Mining is part of Ukraine's history and culture. The country has a large and well educated workforce. The Group is committed to further developing the skills of its employees and to supporting the local community.</p> <p>Ferrexpo applies fair and consistent employment practices that demonstrate a commitment to human rights, non-discrimination, freedom of association and the right to engage in collective bargaining.</p>	<p>Ferrexpo is one of the lowest cost producers in the world of iron ore pellets on a delivered basis. It has consistently improved its position on the global cost curve since its IPO in 2007.</p> <p>The cornerstone of the cost reduction strategy is to increase production, develop its asset base with value accretive investments and continually reduce controllable costs through the Business Improvement Programme ('BIP') to improve mining productivity.</p>	<p>Ferrexpo produces iron ore pellets, which are a premium input used in the steel industry. Ferrexpo's product improves blast furnace productivity in the steel production process due to its form, substance and low level of impurities. Pellets also produce less air emissions during the steel making process compared to sinter fines.</p> <p>In 2016, 94% of the Group's product contained 65% iron content – this is a premium benchmark product used by the highest quality steel mills around the world. 65% Fe pellets command a price premium to the benchmark 62% Fe fines product, both in terms of quality and pellet premium.</p>	<p>Ferrexpo's central geographic location allows it to competitively deliver product to customers in Europe and Asia.</p> <p>Ferrexpo transports its finished products by rail to border dispatch points, predominantly using its own rail cars.</p> <p>From the border points, means of transportation include barges and rail to customers in Eastern and Central Europe and capsize vessels through its 49% owned port terminal at Port Yuzhny on the Black Sea. Ferrexpo charters ocean-going bulk carriers up to 210,000 tonnes to deliver to customers in Western Europe, the Middle East and Asia.</p>	<p>Ferrexpo has a geographically diversified portfolio of long term contracts with steel mills which are focused on producing high value-added steel products in niche markets. The Group has supplied some of these steel mills for a number of decades. These contracts follow internationally accepted terms for iron ore supplied into Europe and Asia. A small volume of product is allocated for the spot market to manage: (1) any production variability; (2) development of new customers; and (3) opportunistic sales into market spikes.</p>



Results in:

1. High quality assets

2. High quality products

3. Crisis resistant customers



Sustainable stakeholder relationships:

WORKFORCE	COMMUNITY	GOVERNMENT	CUSTOMERS	SUPPLIERS	CAPITAL PROVIDERS
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SUSTAINABILITY REPORTING

This report covers the calendar year 2016, and is the second dedicated report on the Company's Corporate Social Responsibility ('CSR') activities, after the release of Ferrexpo's inaugural report covering 2015, available on the Company's website (see www.ferrexpo.com). The report boundaries and reporting standards are unchanged, with data included for subsidiaries where Ferrexpo is the operator.

A full organisation chart showing the Company's subsidiaries is shown in the Responsible Business Report Supplement, which contains detailed information and data regarding Ferrexpo's performance in 2016. The supplement is designed to be reviewed in conjunction with this report. The supplement is available electronically on the Company's website (www.ferrexpo.com).

The materiality threshold applied in the drafting of this report is the same as that used by the Company's auditor Ernst & Young for the Company's financial statements, as outlined on page 90 of the 2016 Annual Report.

The Company has not sought external assurance for this report. It is the Company's intention to have future reports externally audited once reporting procedures are better established.

Any instances of restatement are noted in the particular section where data appears.

COMMITMENTS TO EXTERNAL INITIATIVES

For its work conducted throughout 2016, Ferrexpo was recognised by the Ukrainian initiative 'Change People's Lives for the Better' ('CPLB') for its efforts in Responsible Business, and in January 2017 received a Social Responsibility Mark. The CPLB is a non-governmental organisation with a stated goal of studying the quality of life, development and implementation of projects aimed at changing society for the better. Ferrexpo is one of 19 companies in Ukraine that have been awarded a Social Responsibility Mark.



PRECAUTIONARY PRINCIPLE

The United Nations introduced the Precautionary Principle at the Conference on Environment and Development in 1992, which states that where there is a threat of serious or irreversible damage to the environment, a lack of scientific understanding shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation. The Company acknowledges its role in managing its environmental impact, and, where possible, applies cost-effective measures to reduce or to avoid negative impacts on the environment, as outlined in this report.

PEER BENCHMARKING

In order to ensure that this report is as accessible as possible, the Company has utilised information throughout this report that has been previously published by other iron ore pellet producers, in order to provide a comparison for you as the reader, and to provide context to the Company's performance. The top five pellet exporters, based on historical performance, are as follows: Vale (Brazil), Samarco¹ (Brazil), LKAB (Sweden), IOC (Canada) and Ferrexpo (Ukraine). Data from these pellet producers, excluding Vale, is presented for comparative purposes on an anonymous basis. Vale is omitted as a peer for comparison purposes as iron ore pellets represented less than 15% of the company's total production tonnes in 2016, and it is therefore not directly comparable. Information is provided for the years 2014, 2015 and 2016 (where available), to illustrate relative performance. Peer group companies are presented anonymously in terms of 'Peer 1' and 'Peer 2', and the numbers assigned to each peer in each chart do not correlate between graphs.

USING THE GRI STANDARDS

GRI is an international independent organisation that helps businesses, governments and other organisations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. The GRI body was formed in Boston in 1997 and aims to oversee the development of sustainability reporting standards. As of 2016, approximately 10,000 organisations have collectively produced over 20,000 GRI-compliant reports, including reports from 92% of the world's largest 250 corporations and the majority of companies in Ferrexpo's peer group.

Publishing a Responsible Business Report under GRI Guidelines is currently a voluntary process, and the Company views Responsible Business Reports as an important segment of its sustainable development programme. This report has been prepared in accordance with the GRI Standards: Core option.

SUSTAINABLE DEVELOPMENT GOALS (SDGs)

The United Nations (UN) has set 17 global goals to be achieved by 2030 that aim to end poverty, promote equality and well-being, and preserve the environment. Ferrexpo is committed to supporting the SDGs and has initially identified the following goals below to be most relevant to our business: 8. Decent Work and Economic Growth; 9. Industry, Innovation and Infrastructure; and 12. Responsible Consumption and Production. Going forward, we will communicate our performance and initiatives in relation to the SDGs that are most applicable to our operations and strategic focus.

¹ Samarco is currently not in operation following a tailing dam accident in November 2015.

SUSTAINABLE DEVELOPMENT GOALS



CHAIRMAN'S REVIEW



This report marks Ferrexpo's second Responsible Business Report, showcasing our efforts to engage constructively with the environment, our workforce, local society and wider Ukraine, to be a good corporate citizen.

In April 2017 Ferrexpo Poltava Mining will celebrate 40 years of successfully producing pellets. This achievement would not have been possible without the support of Ferrexpo's employees, local communities and government. Throughout this time the Group has had no major labour actions or production stoppages. Ferrexpo's ability to create a competitive world class operating asset has ensured consistent demand for its product enabling the Group to be a stable and reliable employer as well as a dependable tax payer to the government.

As a result Ferrexpo is the largest exporter of iron ore pellets in Ukraine and proudly provides a premium raw material to the best steel mills in the world. The Group is a major employer in Ukraine, employing over 10,000 staff and contractors in the Poltava region of the country. We strive to improve local living standards and ensure responsible management of the natural environment.

Ferrexpo looks to be a role model for companies with assets in Ukraine including attracting international investors and capital, setting the standards for mining performance, operating efficiencies, sustainable business and remaining a good corporate citizen. Ferrexpo intends to further develop its responsible business understanding and reporting mechanisms to best in class levels. Our approach to Responsible Business is broadly grouped into four key areas, which can be summarised as follows:

A STRONG HEALTH AND SAFETY TRACK RECORD

Our first objective is to ensure each employee or contractor returns home safely at the end of their shift. Safety is closely monitored and any incident is promptly reported in order to learn, adapt and minimise risk.

Whilst we continue to perform better than our peers in terms of our overall lost time injury frequency rate, with an average rate since IPO of less than 1.0, our safety performance in 2016 was marked by the tragic loss of two lives. We must continue to learn from such incidents and work with our staff to eliminate accidents and near miss events, as zero harm can be the only acceptable result. Budgetary expenditure on safety training is set to increase for the second successive year, as we attempt to further align our workforce's mindset towards a culture of safety first.

MINIMISED ENVIRONMENTAL IMPACT

Ferrexpo's operations in Ukraine have a physical footprint of over 5,000 hectares; the Company's environmental footprint, however, has the potential to affect a far wider area if not carefully managed. The Group therefore closely monitors a range of factors, such as water use, emissions, energy consumption and biodiversity, in order to better understand our influence on the natural environment and to mitigate any impacts. Key environmental priorities include reducing our reliance on fossil fuels and maintaining a high level of water reuse.

The sunflower husks project, which commenced in late 2015, continues to deliver results, with total natural gas consumption reduced by 19% in 2016, primarily as the result of this fuel substitution project in the pelletiser. Such activities reduce our reliance on hydrocarbons and introduce renewable energy sources into

our business. As a result, greenhouse gas emissions from fossil fuels fell by 12% in 2016.

A SUPPORTIVE COMMUNITY THAT ATTRACTS AND RETAINS EMPLOYEES

We continue to support our local communities, through contracts with local suppliers of goods and services worth US\$51 million in 2016 alone. In addition, we invested US\$28 million in community support projects, which represents 2.8% of Group revenues. Community projects are numerous and varied in nature, but can broadly be categorised into the areas of education, medical support, care for the elderly and vulnerable, infrastructure and sports facilities.

In terms of our workforce, we aim to provide practical training to help advance the careers of our people, with over 7,000 courses undertaken in 2016.

A POSITIVE SIGNIFICANT ECONOMIC CONTRIBUTION

Iron ore is the fifth largest export industry in Ukraine¹, accounting for over US\$2 billion of exports, with Ferrexpo the main exporter in this sector. Through continued investment in our assets, we have generated approximately US\$630 million of tax and royalty revenues for the Ukrainian government since the Company's listing in 2007.

CONCLUSION

Through peer benchmarking in this report, we are aiming to provide transparency to our stakeholders to show where we are performing well, as well as areas where we can improve, and to underline our commitment to Responsible Business. We continue to work with our stakeholders to ensure we maintain our social licence to operate and to prioritise a sustainable approach to our activities. This report provides an overview of the broad variety of areas in which we monitor our progress. I am pleased with what we have accomplished so far and look forward to continuing to create and share value with all associated with Ferrexpo.

VIKTOR LOTOUS
CHAIRMAN, CORPORATE SOCIAL
RESPONSIBILITY COMMITTEE

¹ World Trade Organisation, most recent available data (2015).

GOVERNANCE AND MANAGEMENT FRAMEWORK

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

GOVERNANCE STRUCTURE



1 Viktor Lotous – FPM Chief Operating Officer and Head of Managing Board; Steve Lucas – Ferrexpo PLC Non-Executive Chairman; Bert Nacken – independent Non-Executive Director; Greg Nortje – Group Head of Human Resources; Kostyantyn Zhevago – Ferrexpo PLC CEO.

The diagram above depicts the Group's governance structure and reflects the Group's approach to Responsible Business, whereby a range of strategic relationships exist that feed into the various areas covered by this report. Each relationship can be affected by a variety of areas: health and safety, community, workforce and environment, and each represents an important part of the Group's social licence to operate.

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

The CSR Committee also oversees the preparation of the Responsible Business section of Ferrexpo's Annual Report. The health and safety, community, employee and environment (including sustainable resources and Business Improvement Programme) teams support the leadership of the Group by developing and implementing management procedures

for focusing on the prevention of catastrophic and fatal accidents, identifying relevant responsible business trends, tracking performance and reporting against targets, and identifying opportunities for improvement.

The age and gender composition of the Group's governance groups (Board and Exco) are shown in the supplement.

RISK REGISTERS

Ferrexpo monitors the risks facing the business on a continuous basis. Risks include financial risk, risks relating to Ukraine and risks relating to the Group's mining and processing operations. Risk registers are presented monthly to the Company's Executive Committee, and to the Board and Audit Committee at each of their meetings, with actions recommended to mitigate risks when necessary.

The Group continues to refine its understanding of the risks the business faces. Examples of risks that could harm the Group and its Responsible Business reputation include:

- Risks relating to industrial action;
- Mining and processing risks and hazards;
- Risks relating to health and safety;

- Community relationships and risks relating to relocation of communities so as to enable future development of the Group's mining assets.

CODE OF CONDUCT

Ferrexpo's Code of Conduct provides employees with contact details for the Company's internal compliance officers, should individuals have a question or concern regarding compliance. The Code also provides details of the Group's 'Whistle blowing' procedures, including contact details for an externally hosted Whistle blower site, where individuals can report concerns anonymously. In 2016, there were no critical concerns raised to the Audit Committee's attention. The Code of Conduct is available on Ferrexpo's website at the following address: www.ferrexpo.com/responsibility/governance.

CSR COMMITTEE

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

The Committee's five members (including two non-executive Directors) have a wide range of experience which includes the running of large-scale mining operations, managing substantial workforces and ensuring high standards of corporate governance. The Committee supports the Board of Directors of the Group by reviewing and approving management's efforts to implement the responsible business framework, with a focus on

the prevention of significant and fatal accidents, workforce well-being and training, progress against CSR priorities set for each year, spending on social projects, and environmental performance, including waste management. The Committee usually meets four times a year. Members of the CSR Committee are appointed by the Company's Board of Directors, with the composition and performance of the committee reviewed annually.

The Terms of Reference for the CSR Committee are available on the Company's website at the following address: <http://www.ferrexpo.com/about-us/corporate-governance/board-committees>.

There was one change to the CSR Committee during 2016, with Michael Abrahams retiring during the year and being replaced on the Board of Directors and the CSR Committee by Steve Lucas, who is also the Group's Chairman.



VIKTOR LOTOUS
FPM CHIEF OPERATING OFFICER AND HEAD
OF MANAGING BOARD

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



STEVE LUCAS
NON-EXECUTIVE CHAIRMAN OF FERREXPO PLC BOARD

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



KOSTYANTYN ZHEVAGO
FERREXPO PLC CHIEF EXECUTIVE OFFICER

Kostyantyn Zhevago has substantial management and investment experience gained over a 25-year business career in Ukraine.

He is ultimately the controlling shareholder of Ferrexpo. He has been a member of the Ukrainian Parliament since 1998.



BERT NACKEN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Bert Nacken is a mining engineer with experience of worldwide mining operations acquired over a 34-year career with BHP Billiton and Billiton International Metals.



GREG NORTJE
GROUP HEAD OF HUMAN RESOURCES

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

The Terms of Reference for both the CSR Committee and the Nominations Committee, both of which outline the processes for nomination and selection of committee members, are available on the Company's website at: <http://www.ferrexpo.ch/about-us/corporate-governance/board-committees>.

APPROACH TO RESPONSIBLE BUSINESS

The diagram below shows the different aspects of the Company's business, linking these aspects to the various areas of Responsible Business that are covered by this report. Stakeholders, both internal and external, are parties that interact with the business, with stakeholders present across Horishni Plavni, further afield in Ukraine, and beyond.

Ferrexpo's Responsible Business activities are closely linked to the Company's ability to do business, and are an important aspect of day to day operations. As outlined in the diagram below, Responsible business has a role in a wide range of functions within the Group.

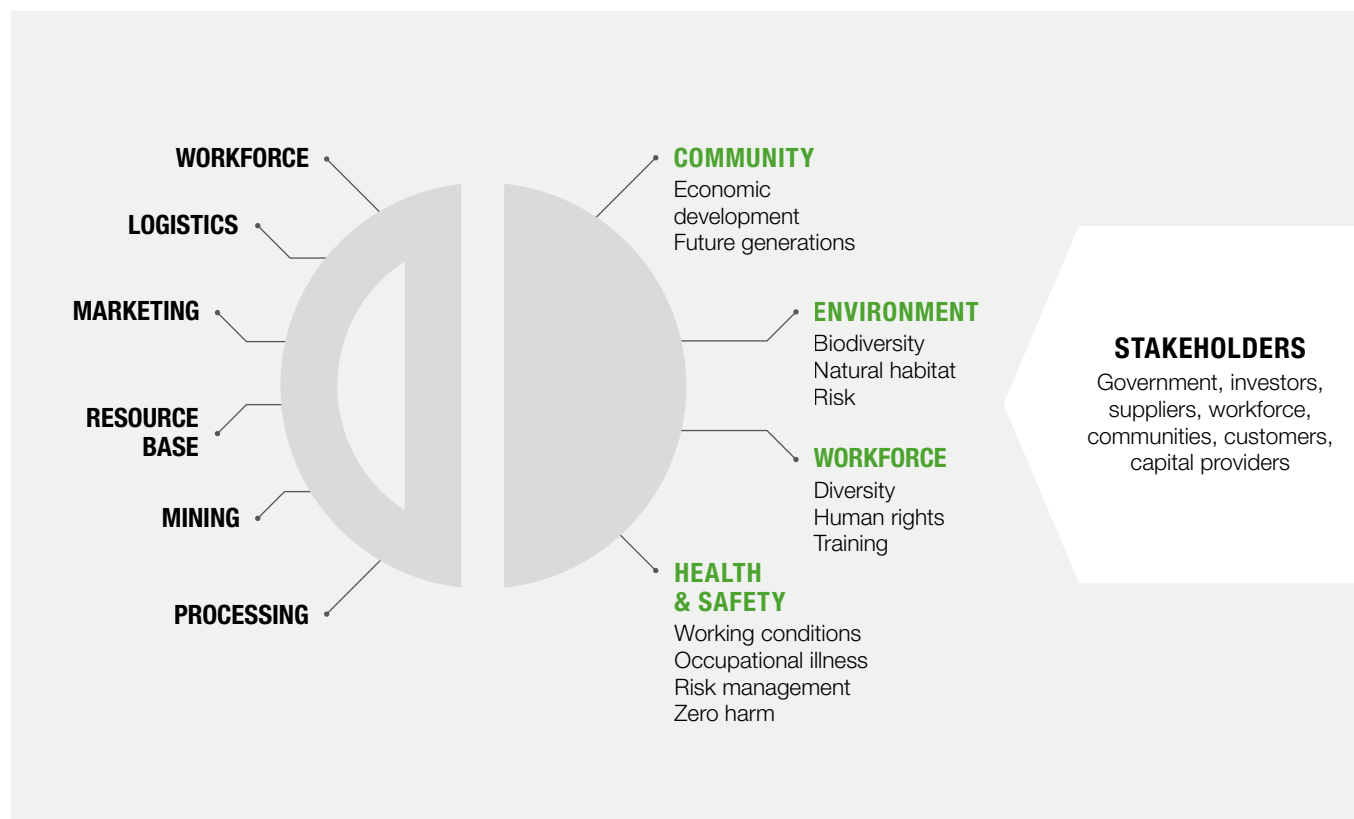
The best companies globally have fully integrated, well designed and well implemented responsible business policies and practices, and Ferrexpo's approach is aimed at joining such ranks. Correctly managed, Responsible Business can provide a series of competitive advantages to the business, from increased access to capital and markets, to improved brand image and reputation.

REPORT BOUNDARIES

This report covers the Ferrexpo Group of companies, including the Group's operating mines, processing facilities, development stage assets, marketing offices and corporate head offices. This report considers the town of Horishni Plavni (population approximately 55,000), where the Group's mines are based, as the 'local' region, as well as any other settlements located within 10 km of the mines. The wider region includes the city of Kremenchuk (population 225,000). Elsewhere in Ukraine, this report does not cover the activities of TIS Ruda, a logistics company in which Ferrexpo is a minority partner (49%). This report does, however, cover the Company's bargaining operations in Central Europe, as Ferrexpo

is the operator. A full company structure, highlighting the business units that are included in the scope of this report, is provided in the supplement to this report.

The only materiality threshold applied was the one used by the Company's auditor Ernst & Young for the Company's financial statements, as outlined the Independent Auditor's Report on pages 84–93 of the 2016 Annual Report.



ENGAGING WITH OUR STAKEHOLDERS

Ferrexpo plays a significant part in the local communities surrounding the Company's mines, with work predominantly conducted in the town of Horishni Plavni, which is the largest town in the area local to the mine.

Projects were carried out in a further 10 other towns and villages in 2016, with these projects depicted on page 32. Through employees in the Company's community liaison team, key stakeholders are identified and consulted as part of the project identification process.

For the purposes of stakeholder engagement, local stakeholders are defined as a local parties that are either directly or indirectly affected by the decisions and activities of the Company's operations in Ukraine. Stakeholders can be as varied as labour unions that represent the Group's employees, residents of local villages and regional council members.

Following a review in 2016, the following parties were included as stakeholders:

- Employees
- Shareholders and investors
- Suppliers and contractors
- Customers and buyers
- Educational institutions
- Horishni Plavni municipal town council
- Poltava regional council
- State and national authorities
- Labour unions
- Mass media.

Stakeholders are consulted as part of a project identification phase, ahead of planning the Company's community projects for the year. In total, over 50 local initiatives were undertaken in a wide variety of fields, in a total of 11 towns and villages.

2017 STAKEHOLDER ENGAGEMENT PROGRAMME

The Company has undertaken a new initiative for 2017, titled 'Ferrexpo and the Town: Let's build the future together'. For the first time, the Company's community liaison team will implement a stakeholder survey to target the specific needs of local citizens, aiming to identify new important areas for community projects. Once the initial survey phase is complete, the Company will use this information in conjunction with the municipal authorities to define a project scope and budget. The programme will be initiated in the local town of Horishni Plavni in the first quarter of 2017, with a view to rolling out a similar programme in other communities in the second half of 2017.

DETERMINING KEY ISSUES

The key issues as determined by Ferrexpo's operations are depicted in the matrix opposite, with colour coding to show the categories into which each issue sits within this report. As shown, mining has a wide range of impacts, with Ferrexpo and its stakeholders potentially assessing the relative importance of each impact differently. It is therefore important that the Company tailors its approach to Responsible Business to understand the different needs of stakeholders.

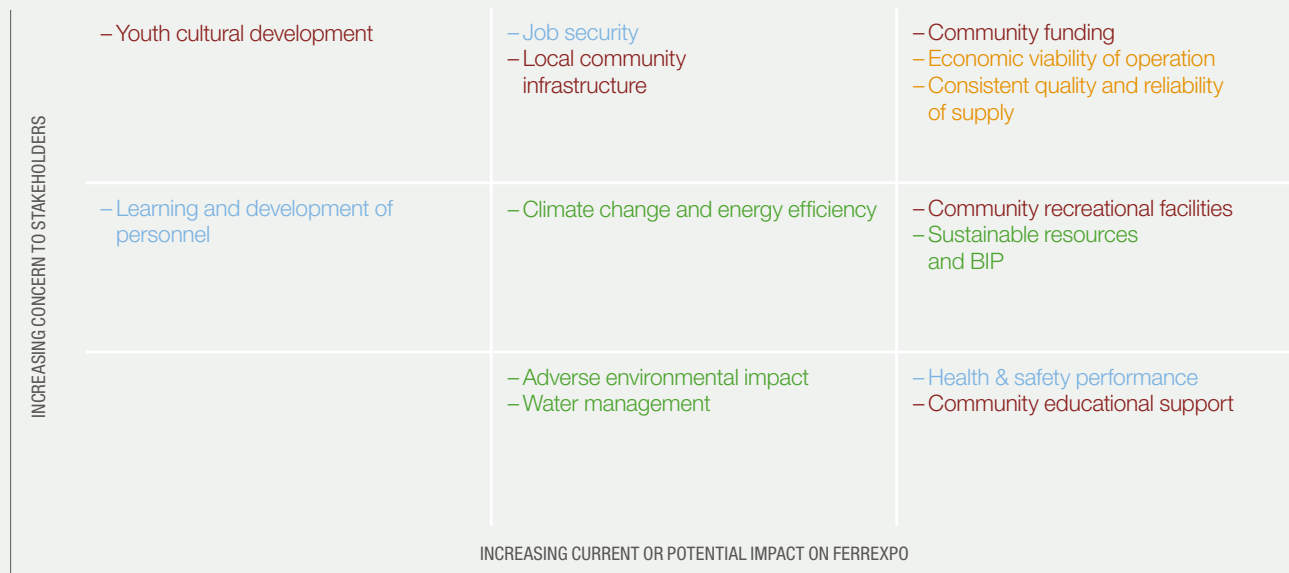
Within its Responsible Business programme, Ferrexpo's strategy is to maintain a social licence to operate. This is made possible through the following:

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

Ferrexpo has additional programmes, such as the Business Improvement Programme, which is operated in parallel to its Responsible Business activities and assist the Company in achieving its Responsible Business goals, from improving efficiencies to lowering overall consumption of key consumables such as tyres, grinding media and non-renewable fuels and reducing the processing plant's electricity usage. Improvement projects such as these help the Company reduce its environmental impact.

ASSESSING KEY ISSUES

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



OUR RESPONSIBLE BUSINESS PRIORITIES



Our people

P. 12

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



Environment

P. 24

Energy
Water
Greenhouse gases
Other air emissions
Land use and rehabilitation



Economic indicators and business ethics

P. 20

Financial performance
Local investment (including purchasing) and recruitment
Direct value generated

- Wages
- Pensions

Code of conduct
Responsible purchasing



Community

P. 30

Building strong communities
Community priorities
Resettlement and closure plans
Artisanal mining
Government relations



Our people

A central aim of Ferrexpo's business model is to develop an engaged, motivated and diverse workforce. To foster this approach, the Company tracks safety, occupational health, recruitment trends, diversity and training, with a goal of continuous improvement in each area.

**INCREASE IN
EXPENDITURE
ON SAFETY TRAINING**

+16%



OUR PEOPLE

Through the application of fair labour practices, the Group sets high expectations of ethical conduct and is committed to assuring employees and contractors a workplace free from discrimination and harassment, freedom of association and the right to a safe and healthy work environment.

KPIs (SAFETY & PEOPLE)		
GOAL	PERFORMANCE	
<i>Operate fatality free</i>	Two fatalities occurred in 2016.	↓
<i>Maintain an injury frequency rate below peer group</i>	LTIFR of 1.17 is below the average of the peer group, calculated to be 3.88, and includes iron ore miners based in Canada, Brazil, Sweden and USA, but is an increase on 2015 result, reflecting a rise in incidents from 19 to 22.	→
<i>Improve workforce productivity (measured in terms of tonnes per employee)</i>	Productivity rose 3% in 2016, but remains behind industry peers.	→

Through pro-active talent management and succession planning, the Company aims to identify current and potential future leaders, work with them to achieve their potential, and source and select new talent to increase our 'bench strength' and the diversity of our talent pool. During 2016, as a result of normal retirements, key internal appointments were made at FPM into senior leadership positions in the railway, the pelletiser and the crushing and beneficiation plants, as well as appointing a senior manager to support FPM's Chief Engineer with managing production areas.

The ongoing strategy is to attract, where practicable, from the communities close to the Company's operations, a culturally versatile and diverse workforce, and then focus on developing a multi-skilled and technically capable workforce at all levels. During the year we continued to provide health and safety, technical and functional skills training. Apprentice numbers were slightly down in comparison with 2015 given the Group's efforts to conserve cash in the low iron ore price environment. Safety expenditure per person was increased from the equivalent of UAH 10.1 per person to UAH 11.7 per person in 2016.

A performance management system for senior operational leaders and their direct reports was introduced during the year with the aim of ensuring that business goals

are cascaded down the organisational hierarchy and that mechanisms are in place to allow formal tracking of performance and individual feedback and reward. The system will continue to be embedded within operational areas in the coming year.

During the year, management completed the planning stage for centralised recruitment services across our Ukrainian operations and intend standardising employee life cycle processes, and improving HR system capabilities across business units.

Work was also commenced to build a senior leadership development programme which will focus on providing senior operational leaders with the skills and exposure required to strengthen their management and leadership abilities and facilitate their career development. A pilot programme is expected to be run in Q2 2017.

Looking ahead, Ferrexpo intends to continue to embed its talent management processes and our leadership competency framework into the operational performance of all employees and managers, as well as driving efficiencies in human resource delivery through implementing shared services where appropriate.

1.17

**LOST TIME INJURY FREQUENCY RATE
IN 2016, REPRESENTING A LOWER INCIDENT
RATE THAN FERREXPO'S PEER GROUP.**

SAFETY

Ferrexpo remains committed to ensuring each member of its workforce returns home safely at the end of their shift. Mining by its very nature has inherent risks and it is Ferrexpo's responsibility to identify potential risks and take appropriate actions to mitigate them. This is achieved through the following activities:

- Education on health and safety risks;
- Provision of health and safety related equipment and procedures;
- Prompt reporting of any safety incidents to ensure that lessons are learnt;
- Rewarding improved safety through key performance objectives; and
- Monitoring to ensure the long term health of the workforce.

Health and safety performance is reported to the Board of Directors, the CSR Committee and the Executive Committee, with recommendations made when a safety incident occurs.

It is with regret that safety in 2016 was marred by two incidents at the Company's operations that resulted in the loss of life.

In February 2016, a light vehicle being driven in the FPM pit by a security contractor overturned, and the driver suffered fatal injuries. The Group is now in the process of ensuring all contractor security vehicles have improved safety features.

In October 2016, a contractor was overcome by fumes whilst cleaning the interior of a fuel storage tank. An internal investigation found the individual involved did not follow the safety procedures in place for such activities and did not utilise the safety equipment provided. Further training has been provided for operators involved in such activities, and the contract supervisor associated with this incident is barred from future work at the Company's sites.

CASE STUDY: SAFETY INVESTIGATION WORKSHOP

In April 2016, Ferrexpo held a Safety Investigation Workshop, which aimed to highlight significant risk at the Company's operations, with a specific focus on the following:

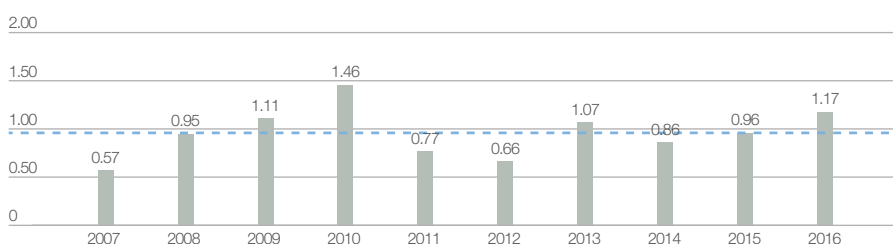
- Explaining what a significant incident is;
- How to determine if an incident is significant;
- How to categorise the incident in terms of severity;
- Reporting requirements i.e. report to the Group within 24 hours of the incident occurrence;
- Investigation techniques to ensure that we can eliminate recurrence of these types of events.

The workshop also aimed to introduce the Incident Cause Analysis Method (ICAM) to the Company's operations, which is an investigative tool for identifying the reasons behind incidents in order to prevent future events, rather than focus on identifying errors and violations by operations personnel. The most critical discussions during the workshops were to explain that reporting of high risk near miss events is not seen as a negative that reflects badly on the leader involved, but instead as a learning opportunity for employees and management to put in place relevant measures to avoid future reoccurrences.



GROUP LTIFR (2007–2016)

(LTIs per million man hours)



--- Average LTIFR since IPO.

15,255

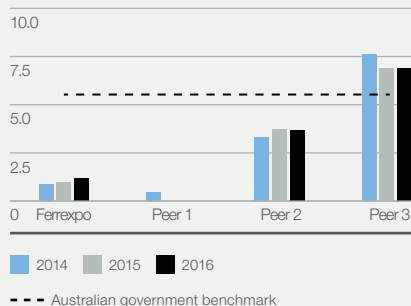
BEHAVIOURAL SAFETY AUDITS CARRIED OUT ACROSS 28 DEPARTMENTS IN 2016, AN 8% INCREASE ON 2015.

BENCHMARKING PERFORMANCE

Since listing, the Company has recorded an average LTIFR of 0.96, and whilst this result for 2016 is above average, it remains below Ferrexpo's peers – as shown in the chart below. It is possible to benchmark a mining company's LTIFR against other mining companies, and Ferrexpo is pleased to acknowledge its LTIFR continues to be below a number of its industry peers. For example, the Government of Western Australia publishes Industry Benchmarks for a number of different industries, with the three year average LTIFR benchmark for metal ore mining industry being 5.51.¹ Nevertheless, Ferrexpo is firmly focussed on further decreasing the incidence of LTIs.

LTIFR PERFORMANCE

(most recent reported)



¹ https://www.commerce.wa.gov.au/sites/default/files/atoms/files/industry_benchmark.pdf

LOST TIME INJURIES

The Company records the incidence of Lost Time Injuries ('LTIs'), defined as injuries sustained in the workplace that result in an employee or contractor being unable to work for at least one day, and also records the frequency with which LTIs occur. The LTI frequency rate (LTIFR) is a measure of the number of LTIs per million man hours worked across the Company's mining and processing operations in Ukraine and its barging subsidiary on the River Danube. The chart on the previous page denotes the Company's safety performance on an annual basis since listing.

There were a total of 22 LTIs across the Group in 2016 (2015: 19), equating to a LTIFR of 1.17 (2015: 0.96). An analysis of these LTI incidents at Ferrexpo's operation in Ukraine shows that 6 incidents occurred in the Company's open pit mining operations and 18 of the 22 were the direct result of operators failing to comply with existing safety procedures. Initiatives implemented on the mining side include a new set of procedures for vehicles entering active production areas within both mines, with a view to reducing vehicle collisions, and the Company is currently investigating collision prevention systems in all haul trucks that will sound an alarm to the driver should that vehicle be in danger of a collision. With regards to the non-compliance of safety procedures, the

Company is continuing to train operators and provide adequate supervision. Expenditure on health and safety training per employee was increased by 16% in 2016 and is expected to increase by a further 3% in 2017.

A full breakdown of safety performance by region is provided in the supplement.

BEHAVIOURAL SAFETY

A total of 15,255 behavioural safety audits were carried out in 2016 by 711 internal personnel with audit responsibilities, an 8% increase on the number of audits in 2015. Within the framework of preventive measures, monitoring and risk assessment of work places, the Company's safety specialists carried out comprehensive, targeted and operational inspections. The primary issues revealed by the inspections were as follows:

- failure to comply with requirements of labour safety rules and regulations;
- failure to use PPE by employees;
- failure to maintain work place order according to safety requirements.

In 2016, 5,381 non-conformance issues were identified, resulting in 1,063 compliance notices, with each notice reported to the relevant head of department for further action.



OCCUPATIONAL HEALTH

As part of the Company's efforts to ensure a healthy workforce, Ferrexpo's medical department at FPM conducted 8,792 medical examinations in 2016, the equivalent of 98% of Ferrexpo's employees in Ukraine (2015: 9,222¹, 97%¹ of employees).

98%

EQUIVALENT PROPORTION OF EMPLOYEES AT OPERATIONS IN UKRAINE THAT RECEIVED A HEALTH CHECK.

OCCUPATIONAL HEALTH GOALS AND PERFORMANCE IN 2016

GOAL

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

PERFORMANCE

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



In 2016, the statutory annual review was carried out by representatives of the Scientific and Research Institute of Preventative Medicine, assessing individuals for occupational illnesses and injuries. If an occupational illness is identified or suspected, employees are referred to the Department of Occupational Health and Illnesses at the Kharkov National Medical University. There were no occupational illnesses or diseases identified during the period.

Employees who have worked for over ten years in conditions that exceed the exposure limits recommended are on prophylactic monitoring and undergo sanatorium-resort treatment in the specialised resorts of Ukraine. In 2016, a total of 450 Ferrexpo employees attended these sanatorium resorts (2015: 750).

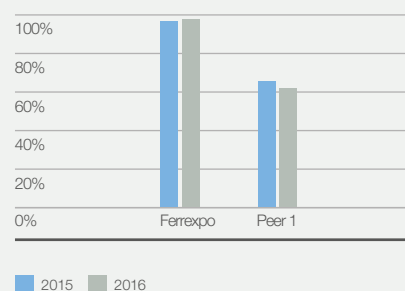
None of the Company's operations are located in a geographical location where occupational activities would expose workers to a high risk of a location-specific disease, such as malaria.

BENCHMARKING PERFORMANCE

In 2016, Ferrexpo's medical centre in Ukraine performed health checks on the equivalent of 98% of Ferrexpo's employees located in Ukraine, which compares favourably with the Company's peers.

EMPLOYEE HEALTH MONITORING

Medical checks (% of total employees)



¹ 2015 figure restated to include Ferrotrans employees.

WORKFORCE

Ferrexpo aims to sustain an appropriately sized and diverse workforce, with training and succession planning to promote effective leadership.

WORKFORCE GOALS AND PERFORMANCE IN 2016

GOAL	PERFORMANCE
<i>Increase employee productivity</i>	Productivity, in terms of pellets produced per full-time-equivalent employee, showed a 3% increase in 2016 compared to 2015. →
<i>Provide continuous training for the workforce and improve leadership standards</i>	6,489 employees undertook training during 2016, representing 71% of total employees, a figure down from 81% in 2015. The proportion of employees that undertook safety training was, however, maintained at the same level as in 2015. →

TOTAL WORKFORCE

Ferrexpo's total workforce, comprising employees and contractors, averaged 10,441¹ in 2016 (2015: 11,016). This reduction in head count was achieved mainly through natural attrition, and was primarily driven by improvements in operational efficiencies.

A breakdown of the Company's workforce in 2016 is as follows: 9,780 are in operations, 633 in logistics and marketing, and 28 in corporate roles. A detailed table including this information is presented in the supplement.

10,441

TOTAL WORK FORCE, COMPRISING 9,121 EMPLOYEES AND 1,320 CONTRACTORS.

RECRUITMENT

A total of 726 individuals were hired in 2016, with a large proportion (86%) continuing to come from the area local to the Company's operations, considered as being less than 30 kilometres from the Company's operations. This local hire rate is a decrease on 2015, when 98% of new hires were from local areas. This decrease was due to net migration of skilled workers away from the local area and wider Ukraine, following the ongoing conflict in the east of Ukraine and weak economy since 2014. Of those hired in 2016, 32% were female. A full breakdown of new hires by gender, age and location is provided in the supplement. The chart overleaf shows the age range of those hired.

¹ Figure amended from previous reports.

OUR PEOPLE

EMPLOYEE TURNOVER

A total of 1,087 employees left the business in 2016 (2015: 962). Voluntary turnover of employees was 1.7% (2015: 2.6%), involuntary turnover was 0.9% (2015: 1.1%) and retirements, including those taken to avoid redundancy, accounted for 9.3% (2015: 6.5%). Total turnover of male employees was 12.7% (2015: 11.2%), whilst the same figure for women was 9.9% (2015: 7.4%). The age demographic of those departing from the business was evenly split between age groups, as shown in the graph opposite.

ABSENTEEISM

A total of 237 hours of unauthorised absenteeism was recorded in 2016 (2015: 230 hours). This represents an employee absentee rate of 0.001%.

DIVERSITY

An inclusive, diverse workforce is the basis of a successful, balanced business. Through diversity we hope to achieve a balanced workforce, improve our employee engagement and retain key staff. Listed below are the various areas where Ferrexpo measures diversity in its workforce.

GENDER DIVERSITY

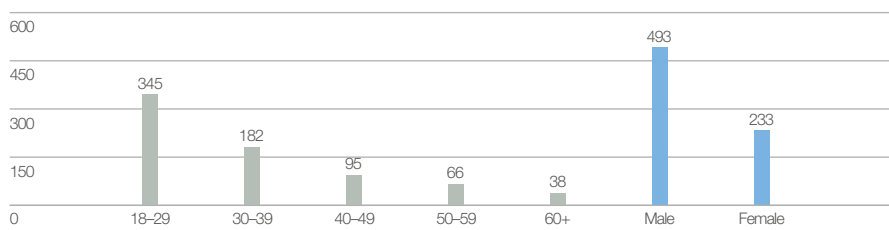
Ferrexpo employs a total of 2,555 women, representing 28% of the total number of employees (2015: 28%). Of the company's 1,044 managerial level employees, 218 are female, representing 21% of the total (2015: 21%).

DISABILITY DIVERSITY

Under Ukrainian legislation, any business employing more than 25 workers must have 4% of its workforce registered as having disability status. Ferrexpo can confirm it is in compliance with this legislation, with 4.5% of the Group workforce registered disabled, amounting to 407 individuals (2015: 4.4%).

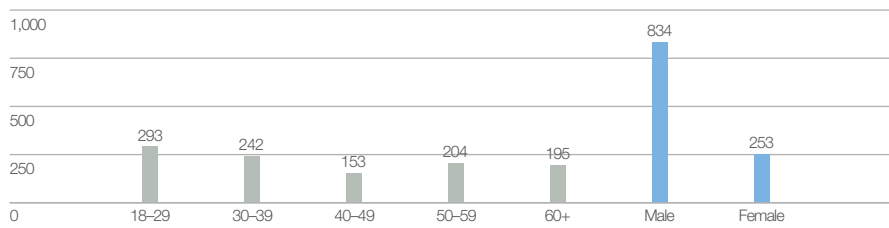
NEW HIRES (2016)

(Company-wide)



EMPLOYEE DEPARTURES (2016)

(Company-wide)



TRAINING

Training in skills, safety and other functional areas continued in 2016, with the Company committed to developing the careers of its workforce. A total of 7,836 employees had an annual training and development review in 2016, representing 86% of the Group's total employees (2015: 84%). A breakdown of training provided in 2016 across the Group is presented in the table below.

Whilst the table below shows a decrease in the proportion of employees trained in 2016, the proportion of the total workforce undertaking safety training did not materially change. The proportion of employees undertaking skills training decreased as a result of budget constraints, following continued volatility in the spot iron ore market in 2016.

Employee Training 2016	2016	2015
Safety Training	3,820	4,255
Skills Training	1,747	2,409
Functional Training	922	978
Total	6,489	7,642
Average hours training provided	30.7	55.4
Equivalent % of total employees	71%	81%

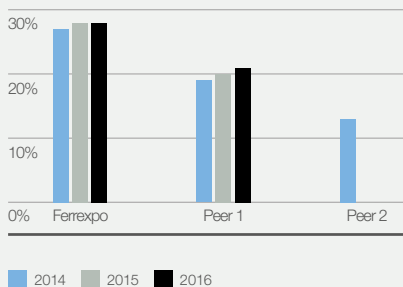
1 Figure restated from 2015 Responsible Business Report. Retirees now excluded from involuntary turnover.



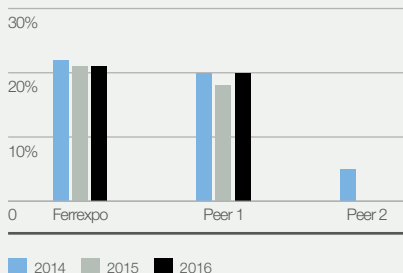
BENCHMARKING PERFORMANCE – DIVERSITY

Ferrexpo compares favourably to the three pellet-producing peers that publish their data on gender diversity, with a higher rate of female employees across the Group, and the Company also ranks first for women in management roles amongst its peers.

GENDER DIVERSITY (female employees)



GENDER DIVERSITY (female managers)



WORKFORCE BENEFITS

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

LABOUR UNIONS AND COLLECTIVE BARGAINING

A recognised labour union operates at the Group's main operating subsidiary, FPM, and represents 78% of the FPM's workforce (2015: 87%). The Company can confirm that the relationship between management and the union remains good, and that there has been no major industrial action or labour dispute at the Company's Ukrainian operations since its privatisation in 1995. Salaries and wages, as well as some other conditions of employment, are determined by a single collective bargaining agreement. The current agreement expires in July 2017, and whilst the Company is in the process of introducing an updated grading system across its workforce, it has entered into an interim agreement with the labour union to extend the existing agreement until January 2018.

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

At FYM an employee representative council, comprised of employees and managers, which represents 99% of all employees at FYM (2015: 99%). This body has been tasked to consult with, and get input from employees on matters affecting the workforce. Meetings of the council are governed by formal terms of reference which are similar in structure to a collective agreement.

A number of employees at DDSG, the Company's bargaining subsidiary, and the Ferrexpo marketing office in Kiev, have their pay set by a labour union collective agreement. The figures for these companies are 25% and 100% respectively.

The Company's remaining subsidiaries do not have an active labour union or collective bargaining agreement.

WORKFORCE DISPUTES

The Company can confirm that there have been no strikes or lock-outs of any duration at any of its subsidiaries during the reporting period. This is in line with the Company's record in 2015.

HUMAN RIGHTS

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

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



Economic indicators and business ethics

In 2016 steel related exports represented approximately 17% of total exports from Ukraine. Ferrexpo was the largest exporter of iron ore products, representing approximately 2% of total exports.

TAXES AND ROYALTIES
+\$630m

PAID SINCE IPO LISTING

ECONOMIC INDICATORS AND BUSINESS ETHICS

The Company aims to support local communities through local hiring where possible, with 86% of new hires in 2016 coming from communities located less than 30 kilometres from the Company's operations, including 100% of managerial positions.

ECONOMIC INDICATORS AND BUSINESS ETHICS GOALS AND PERFORMANCE IN 2016

GOAL	PERFORMANCE
<i>Continue to support the economy in Horishni Plavni</i>	Spending on goods and services from Horishni Plavni was maintained at approximately 10% of the total. →
<i>Educate workforce on the Code of Conduct and best practice business principles</i>	Training on the Code of Conduct and anti-bribery commenced in 2016, with over 1,000 employees invited to undertake courses in the initial phase. ↑

ECONOMIC INDICATORS (CORPORATE LEVEL)

The Company's total revenue in 2016 was US\$986 million, of which US\$922 million was generated from the sale of its iron ore pellets. A breakdown of the Company's cost of sales is presented in the Notes to the Consolidated Financial Statements, which can be found on pages 83 to 168 of the 2016 Annual Report. The Company reports its financial results in line with the International Financial Reporting Standards ('IFRS'), with Ernst & Young being the Company's independent auditor.

The Company is also a major customer of state-run infrastructure. For example, in 2016, Ferrexpo was the largest customer of the Ukrainian rail network for exported goods.

Since listing in 2007, the Company has contributed over US\$500 million in taxes to the Ukrainian government, in addition to over US\$130 million of royalty payments. A further US\$2 billion has been invested in the Company's assets during this time, representing 47% of profits.

Ferrexpo supplies its pellets to a global array of customers, many of which are Fortune 500 companies. A listing of the main revenues by country is provided in the Responsible Business Report Supplement.

COMMUNITY INVESTMENT (UKRAINE)

Ferrexpo holds a strategic view that the Company cannot operate without a positive relationship with its local community, and has long operated a community outreach programme to provide targeted assistance,

specifically in areas such as providing education, medical and leisure facilities, in addition to financial support for pensioners. Total expenditure on community projects in 2016 was US\$28 million (2015: US\$26 million).

DIRECT ECONOMIC VALUE GENERATED

The Company generated revenue of US\$986 million in 2016 (2015: US\$961 million), and this is shown in the Company's Consolidated Income Statement, on page 94 of the Company's 2016 Annual Report. The Company's revenue is entirely generated from the sale of pellets that are produced in Ukraine.

The Company's operating costs in producing its iron ore pellets are incurred entirely in Ukraine. Operating costs (cost of sales) in 2016 were US\$400 million (2015: US\$447 million). Employee wages and benefits expenses for the years ended 31 December 2016 and 31 December 2015 are shown in Note 33 of the 2016 Annual Report (page 140).

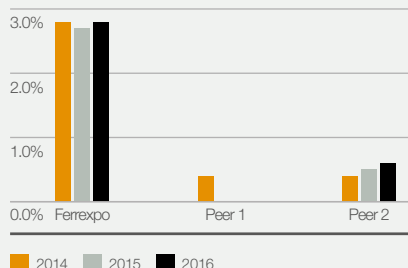
PAYMENTS TO GOVERNMENTS DURING THE YEAR ENDED 31 DECEMBER 2016

The Company disclosed its payments to government for 2016 in a press release on 30 June 2016. The Company's press releases can be found at the following location: <http://www.ferrexpo.com/investor-relations/news/press-releases>.

PEER BENCHMARK

Ferrexpo's 2.8% of gross revenue invested in community projects is significantly higher than the peer group companies that also declare community expenditure figures.

PEER BENCHMARKING – COMMUNITY INVESTMENT (% of gross revenue)



74%

COMPLETION RATE OF EMPLOYEES INVITED TO UNDERTAKE NEW COMPLIANCE TRAINING AS OF 31 DECEMBER 2016.

LOCAL SUPPLIERS OF GOODS AND SERVICES

Where possible, the Company aims to support local businesses through the provision of goods and services. The charts and tables on the opposite page depict the Company's spend in each area.

Examples of local companies in Horishni Plavni that Ferrexpo did business with in 2016 include a repair and construction firm, suppliers of compressed gas, steel and industrial equipment, and maintainers for the Company's mobile mining fleet.

ANTI-BRIBERY TRAINING AND BUSINESS ETHICS

The Company's revised Code of Conduct was published in 2015 and establishes the standards that apply across Ferrexpo and its Group companies, and the minimum standards expected of its employees, both permanent and temporary, in their duties and dealings with other employees, stakeholders and business partners. The Code of Conduct covers issues of bribery and corruption, as well as confidentiality, workplace practices such as health and safety and equality, market abuse and insider trading, human rights, charity contributions, conflicts of interest and hospitality.

In 2016, the Company implemented training modules to promote best practice in employees' day to day activities, with bespoke training in both our Code of Conduct and preventing bribery and corruption. It is intended that all employees will complete both learning modules, which are available in both English and Russian, the latter of which is the main language spoken at our Ukrainian operations. A total of 781 individuals had completed at least one module as of 31 December 2016, representing 74% of the individuals invited to complete the training. Both modules were introduced to the business in 2016 and are being implemented in further departments in 2017. It is the Company's intention for all employees to complete both training modules.

EXTRACTIVE INDUSTRY TRANSPARENCY INITIATIVE (EITI)

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

Ukraine joined EITI in 2013, with its first EITI report published in December 2015, covering the oil and gas sector in 2013. Ukraine has produced its second EITI report in February 2017 and has also recently published documents covering an Open Data Policy and a Beneficial Ownership Roadmap. These initiatives represent excellent progress towards greater transparency.

PENSION PLAN OBLIGATIONS

The Company's arrangements with regards to pension plans and retirement plans for its employees remained materially unchanged in 2016. The Company has pension plans for employees in some jurisdictions, for example the UK and Singapore, while in others the Company contributes towards state retirement plans operating under the social benefit framework provided in the country in which the employee resides, for example Switzerland and Ukraine. A full, audited summary of the Company's pension plans for each location where these operate, including any defined benefit liabilities, is provided in Note 25 of the Company's 2016 Annual Report (page 124).

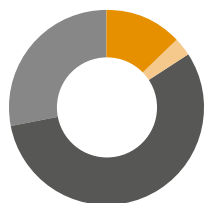
A table providing an overview of the Company's benefits for its employees, split by geographic location, is shown in the Responsible Business Report Supplement.

ANTI-COMPETITIVE BEHAVIOUR, ANTI-TRUST, AND MONOPOLY PRACTICES

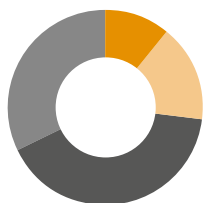
The Company can firm that it is not subject to any legal actions regarding anti-competitive behaviour or any violations of anti-trust or monopoly legislation.

PAYMENTS TO SUPPLIERS (%)

2016



2015

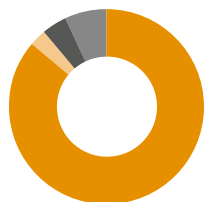


■ Horishni Plavni/Local area
■ Poltava region
■ Rest of Ukraine
■ International

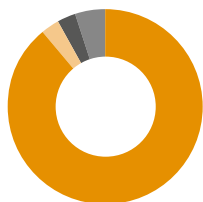
	2016	2015
Horishni Plavni/Local area	13%	11%
Poltava region	3%	16%
Rest of Ukraine	56%	41%
International	28%	32%

PAYMENTS TO EMPLOYEES (%)

2016



2015



■ Horishni Plavni/Local area
■ Poltava region
■ Rest of Ukraine
■ International

	2016	2015
Horishni Plavni/Local area	87%	89%
Poltava Region	3%	3%
Rest of Ukraine	4%	3%
International	7%	5%





Environment

The Company measures and, where possible, benchmarks its performance against its peer group, for a range of environmental impacts, including emissions, water use, waste generation and energy consumption.

REDUCTION IN
CO₂
FROM NATURAL GAS

19%

ENVIRONMENT

As the Company further develops and modernises its operations, a key target is to reduce its environmental footprint through a number of initiatives such as introducing renewable energy sources, improving energy and CO₂ intensity ratios and studying biodiversity.

ENVIRONMENTAL GOALS AND PERFORMANCE IN 2016

GOAL	PERFORMANCE	
<i>Reduce direct and indirect CO₂ emissions</i>	CO ₂ emissions fell 3%.	↑
<i>Increase percentage of renewable energy usage in fuel mix</i>	Biofuels now represent 5% of total energy mix.	↑

Covering over 5,000 hectares, with operations that annually move over 100 million tonnes of material and process over 30 million tonnes, Ferrexpo's activities have the potential to materially impact a number of environmental factors, such as air quality, water quality, biodiversity and local communities, where it operates. Ferrexpo therefore closely monitors a wide range of these factors at its operations, to ensure compliance with local laws and to limit environmental impacts, with the aim of showing year on year progress in each area.

VOLUMES OF MATERIAL WASTE GENERATED THROUGH MINING ACTIVITIES

In order to access ore in its mining operations, the Company removes waste rock that surrounds the ore and places it in designated dumps adjacent to the open pits, which are designed according to plans provided by specialist external consultants Yuzhgiproruda, and are planned on an annual basis.

Waste dumps are rehabilitated over time through seeding. There is also a 70-metre layer of sand present at the Company's second mine, FYM, and this is removed and

stored in waste dumps prior to ore mining taking place.

Mining of waste rock or sand in advance of ore mining represents a cash investment ahead of any activities that generate revenue for the Company, therefore reducing the waste stripping volumes ahead of ore mining represents a more streamlined, cash flow optimised business. As reported in last year's report, the mining of waste rock to access the ore at Ferrexpo's operations was actively reduced in 2015 in response to the lower market price of iron ore. This lower level of waste stripping was sustained in 2016, with waste rock mining reduced by 3% to 48.8 million tonnes – see the chart below for more detail.

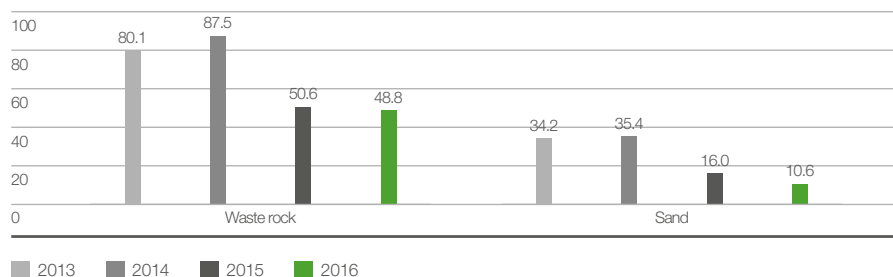
Sand mining fell by 34% in 2016, to 10.6 million tonnes, with this material decrease coming as a result of FYM reaching steady state following its initial ramp up phase between 2012 and 2015. Mining of sand was higher during the initial ramp up phase as a number of benches of ore needed to be opened during this period.

MATERIALS USED IN PROCESSING

Additional materials utilised in the production of iron ore pellets include

WASTE VOLUMES MINED (2013–2016)

(Millions tonnes mined per annum)



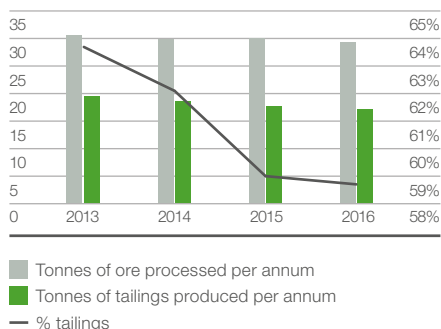
grinding media (steel balls, bars and cylpebs), flotation reagent, limestone and bentonite. The quantity of these particular items is given in detail in the Responsible Business Report Supplement.

The Company did not record any significant spill of any chemicals, oils, fuel, tailings or slimes in the past 12 months. The Group currently does not utilise any renewable or recycled materials in material quantities as part of the production of its iron ore pellets.

WASTE GENERATED THROUGH PROCESSING ACTIVITIES

The capacity of Ferrexpo's processing plant has remained at 30 million tonnes a year for the past four years. Since 2013, improvements to the processing method, in addition to increasing quantities of higher grade ore from the Company's second mine, FYM, have resulted in a drop in total tonnes of tailings produced. Included within this figure is a drop of 3% between 2015 and 2016, with 17.2 million tonnes sent to the tailings facility in 2016.

WASTE PRODUCED FROM PROCESSING (2013–2016)

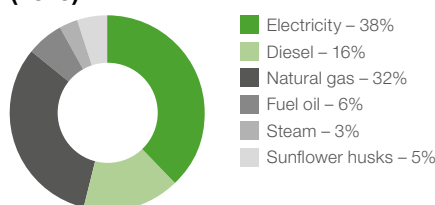


As shown in the chart above, the percentage of material processed being dispatched to the tailings facility as waste has fallen by five percentage points from 64% to 59%, indicating that the Company's process to produce iron ore pellets has improved over this time period and is now more efficient. Tailings from the Company's operations are non-hazardous and stored on site in a purpose built tailings storage facility.

ENERGY CONSUMPTION

Total energy consumption, combining all forms of fuel, including natural gas, diesel, coal, and electricity purchased from the national grid, fell 3% in 2016 to 18.1 petajoules. The main sources of energy are shown in the chart below, with hydrocarbons representing 53% of the total energy mix (2015: 59%).

ENERGY CONSUMPTION – SOURCES (2016)



The 3% decrease in total energy consumption in 2016 can be primarily attributed to a 19% decrease in the volume of natural gas consumed in the Company's pelletiser, and a 5% reduction in diesel consumption.

Natural gas is utilised in the pelletiser to heat and indurate the pellets after they are formed. The Company has four rotary kilns in which gas is burnt to heat the pellets to several hundred degrees centigrade. As reported in the Company's 2015 Responsible Business Report, FPM trialled the partial substitution of natural gas with sunflower husks, which are a waste product from the farming of sunflower seeds in Ukraine. In 2016, this trial continued and resulted in a further reduction in natural gas consumption – see the case study opposite for more details. The Company's intensity ratio for the consumption of natural gas was 13,346 m³ per tonne of iron ore pellets produced, compared to 15,876 m³ per tonne in 2015.

In 2016 the Group consumed 77 million litres of diesel, a year on year drop of 5% (2015: 81 million). Diesel is primarily used to fuel the Company's mining fleet, in addition to powering generators for lighting waste dumps and in pit dewatering pumps. The decrease in consumption reflects a 33% reduction in waste volumes mined at FYM.

Other direct sources of energy consumed across the Group's operations include coal, petrol, gas oil and the explosives used in mining. Indirect energy used includes the company's purchases of electricity and steam, with the latter used to heat the Company's buildings.

Energy calculations were completed using the US government's Energy Information Administration (www.eia.org). The Company does not sell any energy produced to third parties.

CASE STUDY: UPDATE ON THE SUNFLOWER HUSKS PROJECT

As part of the Company's efforts to reduce its reliance on natural gas to pelletise its iron ore concentrate, the Company has continued to progress the previously announced Sunflower Husks Project (see 2015 company reports), whereby Ferrexpo utilises sunflower husks as a biofuel in the heating of its pellets in the pelletiser. Ukraine is the largest producer of sunflower oil in the world¹ and therefore sunflower husks represent an abundant source of bioenergy that would otherwise be classified as waste.

In 2016, the Company partially substituted natural gas with 100,000 tonnes of sunflower husks in the heating of the kilns in its pelletiser (2015: 10,000 tonnes over three months). This initiative helped reduce natural gas consumption by 35.7 Mm³, or 19%. The Company continues to pursue this biofuel initiative for the dual benefit of cost savings and the associated reduction in emissions, with the long term goal of 30% gas substitution.

ENERGY INTENSITY

Ferrexpo's energy intensity rate for 2016 was 1.62 GJ per tonne of pellets produced, which was in line with performance in 2015 (FY15: 1.61 GJ per tonne), and maintained the significant drop in intensity seen since 2014, when rates of energy usage were 9% higher.

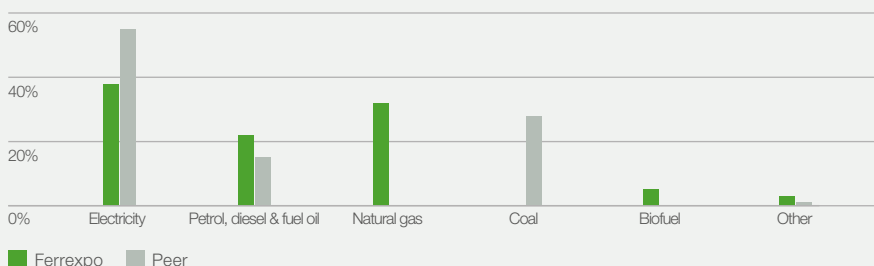
¹ <http://www.indexmundi.com/agriculture/?commodity=sunflowerseed-oil>.

PEER BENCHMARKING

Only one peer company provides a breakdown of its energy sources, with a comparison of energy sources depicted in the chart opposite. The key difference shown is that Ferrexpo utilises gas in its pelletisation process, whereas this peer company utilises coal. The other major energy sources (electricity/liquid fuels) are represented by similar proportions of the total. A company's choice of fuel to pelletise its products relates to that particular company's access to either natural gas, coal or some cases heavy fuel oil, with all three fuels representing viable options.

ENERGY MIX

Energy sources (% of total energy consumed)



EMISSIONS

Ferrexpo monitors its usage of hydrocarbons and tracks its carbon dioxide (CO₂) as a source of greenhouse gas emissions. CO₂ sources range from diesel used to fuel haul trucks in the Group's mines, to natural gas used to harden green/soft pellets into a final pelletised product. Sources are categorised according to whether Ferrexpo is in direct control of the gas being produced (e.g. fuel consumption on site), or whether Ferrexpo is indirectly responsible for emissions (e.g. electricity purchased from the Ukrainian national grid). Additional sources of CO₂ included in this calculation include biofuels, explosives and lubricants.

The table below shows the Group's CO₂ intensity ratio was 1% higher in 2016 at 0.235 tonnes per tonne compared to 0.232 tonnes per tonne in 2015. Whilst the absolute level of consumption of CO₂ reduced marginally during the year, the intensity ratio was impacted by a 4% decline in production.

The Company acknowledges its role in reducing its carbon footprint and has implemented initiatives in this regard. One such project that has reduced output of CO₂ is the partial substitution of natural gas in FPM's pelletiser for sunflower husks, which has reduced natural gas consumption by 19% in 2016; further details of this project are on page 26. Similar projects that the Company has pursued in previous years include switching the mining fleet at FPM to operate excavators and haul trucks that use electricity supplied by the national grid, rather than diesel, which is the traditional method of fuelling such vehicles. The Company continues to utilise these electric vehicles today.

The primary sources of CO₂ from activities across the Ferrexpo group (direct emissions) are natural gas, diesel and gas oil, which represent 51%, 31% and 16% of direct CO₂ emissions respectively. Total direct emissions amounted to 550,591 tonnes, representing a 12% decrease on the prior year. The primary driver behind this decrease is the 19% reduction in natural

gas consumption, which has fallen as the result of the Company's efforts to substitute gas in the pelletiser with sunflower husks, a byproduct of the sunflower oil industry in Ukraine. Consequently, biogenic CO₂, which is produced from the use of biofuels (sunflower husks) in the Company's pelletiser, rose to 73,352 tonnes in 2016 (2015: 7,382 tonnes).

The European Bank for Reconstruction and Development ('EBRD') has conducted research into the carbon emission factors for Ukraine's national grid, which utilises tools provided by the United Nations Framework Convention on Climate Change ('UNFCCC')¹. In this work, the EBRD forecasts Ukraine's carbon emission factor for its national grid to be 1.059t CO₂ per MWh in both 2015 and 2016. During 2016, electricity and steam consumption comprised the two sources of the Company's indirect CO₂ emissions, with both in line with the prior year.

The EBRD forecasts a long term reduction in the carbon emission factor for Ukraine by 2020, with the figure falling as power stations are modernised and the mix of power sources transitions away from coal and towards nuclear power. The forecast 11% reduction in the emission factor will have a significant impact on Ferrexpo's indirect CO₂ emissions, which represent 76% of total emissions (2015: 76%).

A breakdown of CO₂ emissions by source is presented in the supplement, along with the source of the emissions factors used.

The Company utilised 92 kg of ozone depleting substances in 2016, with CFC and HCFC consumption in refrigeration units now up to 67% non-ozone-depleting substances, up from 38% in 2014.

Emissions in tonnes (figures presented on 100% basis)	2016	2015	% change
CO ₂ emissions	2,629,920	2,706,617	-3%
– direct	550,591	625,190	-12%
– indirect	2,079,329	2,081,427	-0.1%
Pellets produced (kt)	11,200	11,662	-4%
Intensity ratio (t per t pellet)	0.235	0.232	+1%

Note: includes emissions of CO₂, hydrofluorocarbons and hydrochlorofluorocarbons.

¹ Development of the electricity carbon emission factors for Ukraine, Baseline Study for Ukraine (October 2010).

EMISSIONS OF GASES FROM PROCESSING PLANT AND ASSOCIATED BUILDINGS

(tonnes emitted)	NO ₂	SO ₂	CO	Solid emissions
2015	2,814	1,397	1,650	3,125
2016	2,909	1,596	1,628	2,583
% change	3.4%	14.3%	-1.3%	-17.4%

The increase in emissions of SO₂ from the processing facilities and associated buildings resulted from processing of ores with a greater proportion of iron pyrite, which releases such gases during the pelletising process when the pellets are heated. Furthermore, SO₂ is released from the burning of sunflower husks in the pellet plant, which are substituted for natural gas. Coal consumption, for heating also contributes to the emission of SO₂, and this increased 30% to 276 tonnes in 2016.

Almost 80% of coal consumption occurs between November and March, when temperatures are lowest during the year. The increase in coal consumption relates to the winter months of 2016 being on average 3°C cooler than the comparable period in 2015.¹

Readings for the emission of solid particulates are linked to meteorological conditions, with years with higher precipitation linked to reduced dust generation. The reduction in solid

emissions in 2016 is attributed to greater rainfall at 'uncontrolled sources' of dust, such as the tailings dam.⁴

Emissions of NO₂ and CO remain in line with the prior year.

Around half of the above reduction in emissions can be attributed to a 20% reduction in the overall tonnes mined at Yeristovo in 2016, the result of a re-optimisation of the mine's design and scheduled output.

EMISSIONS FROM MINING EQUIPMENT AND LIGHT VEHICLES

(tonnes emitted)	NO ₂	SO ₂	CO	Solid emissions	NMVOCs	Other
2015	2,243	298	3,494	383	586	36
2016	2,036	273	3,169	359	530	33
% change	-9.2%	-8.5%	-9.3%	-6.4%	-9.5%	-9.4%

1 <https://www.wunderground.com>.

PEER BENCHMARK

Of the pellet producing peers that publish information on direct CO₂ emissions, which are the emissions emitted by the Company's own operations, Ferrexpo is positioned in line with its peer group. In terms of total emissions (direct and indirect combined), Ferrexpo is behind its peer group. This difference in performance is primarily the result of other pellet producers being located in jurisdictions where renewable energy represents a far greater proportion of energy mix than in Ukraine. For example, hydrocarbon-based energy sources only represent approximately 16% of the Brazilian government's electricity generation¹, with this reducing the carbon emission factor for Brazil's national grid as a result. For Ukraine however, the equivalent figure is approximately 40%².

In terms of the emission of other gases, such as nitrous oxides ('NO_x') and sulphur oxides ('SO_x'), Ferrexpo is comparable to its peer group, ranking third amongst the peer companies that publish such information.

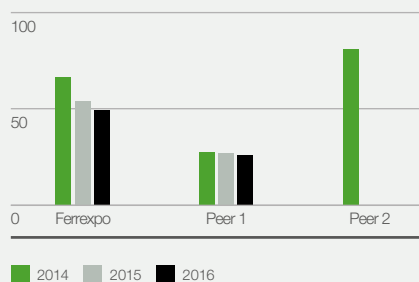
1 https://en.wikipedia.org/wiki/Electricity_sector_in_Brazil.

2 Source: EBRD.

Note: peer numbers do not correlate to the same companies between graphs.

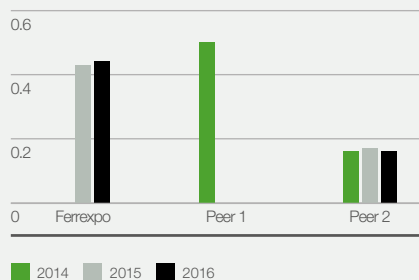
DIRECT CO₂ PERFORMANCE

Direct CO₂ emissions
(kg CO₂ per tonne of product)



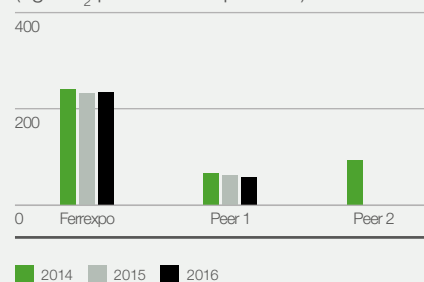
NO_x PERFORMANCE

NO_x emissions
(kg NO_x per tonne of product)



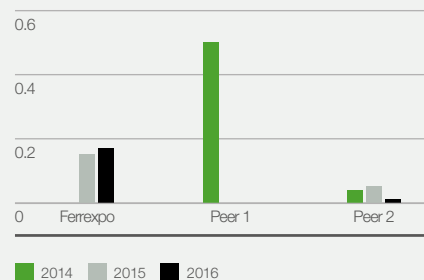
TOTAL CO₂ EMISSIONS (DIRECT + INDIRECT)

Total (direct+indirect) CO₂ emissions
(kg CO₂ per tonne of product)



SO_x PERFORMANCE

SO_x emissions
(kg SO_x per tonne of product)



WATER MANAGEMENT

Ferrexpo utilises water across its operations, in both mining and processing, and aims to minimise the impact of water withdrawal on the environment through monitoring of water extracted and reuse of water where possible.

Water extraction at the Group's operations in Ukraine totalled 33.4 Mm³ in 2016, representing a decrease of 6% on 2015. A large proportion of this decrease was due to a reduction in the volume of water extracted by dewatering wells at the Company's newest mine, FYM, as it becomes more established and requires less dewatering. 93% of the total extracted amount was water that either collected naturally in the Company's open pits or was extracted via dewatering wells that are required for open pit mining.

The Company reused a total of 14.1Mm³ in 2016, representing 42% of total water extracted (2015: 41%). Reused water is typically water that is recycled through the processing plant, with water collected from the tailings facility and utilised for pumping concentrate through the processing plant.

Of the water that the Group discharged in 2016, a total of 17.8Mm³ of water was discharged without use, representing 53% of the total water extracted (2015: 54%).

This volume of water was comprised of water extracted from the open pits and water from groundwater wells.

Discharged water is treated prior to release in bioengineered facilities and the quality of this water is monitored for its chemical composition. The Company can confirm it remained in compliance with local legislation for water quality in 2016.

Water volumes presented here are based on data provided by flow meters on individual pumps.

PEER BENCHMARK

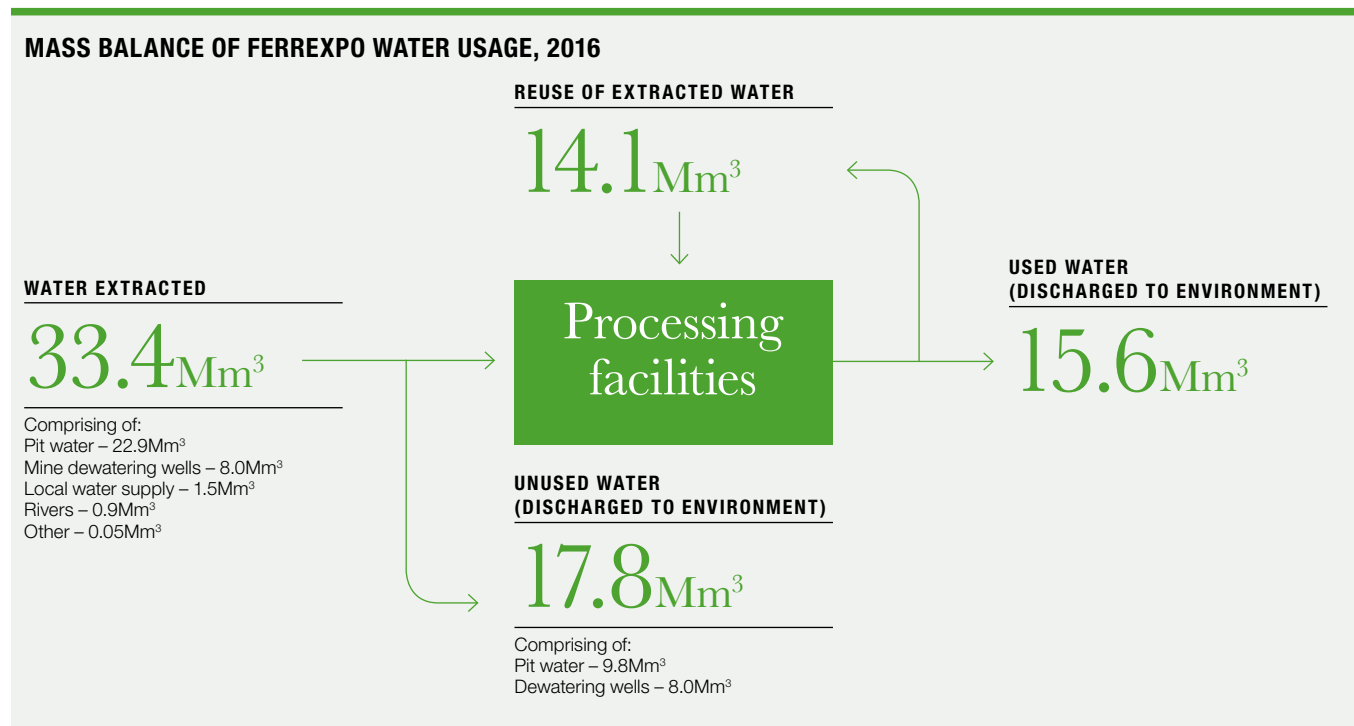
The Company is unable to benchmark its performance in water management, as each mine site around the globe is subject to a variety of factors outside of the operating company's control, such as the level of rainfall, depth of water table and local groundwater flows. Therefore direct comparisons between different companies are not possible.

BIODIVERSITY

Ferrexpo's mines and tailings facility in Ukraine are located within an Important Bird Area ('IBA'), which is an area identified using an internationally agreed set of criteria as being globally important for the conservation of bird populations, with sites identified by Bird Life International.

Currently there are over 12,000 IBAs worldwide. The name of the IBA in which Ferrexpo operates is the 'Psel River Valley near Komsomol's'k' (Horishni Plavni), which covers 4,700 hectares. A study was initiated in 2016 into the biodiversity of bird species at Ferrexpo's operations in Ukraine, regarding 'Important Bird Areas'. In April 2016, the Company engaged an external consultant to conduct a baseline study of nesting birds and propose activities to improve the conservation and protection of the birds studied. A total of 151 bird species were recorded around Ferrexpo's operations during the study period, including 18 species listed in the Ukrainian Red Data Book, a government published document containing a list of endangered species in Ukraine. In addition, the study noted 7 species of bird listed on the International Union for Conservation of Nature's red list, with those sighted classified as 'Least Concern' (lowest category) and either stable or increasing populations. The one exception is the Eurasian Oystercatcher, considered 'Near Threatened', and was sighted around the local town and river. The Company intends to implement the study's recommendations for installing bird boxes and platforms for nesting sites, and awareness building initiatives in local schools.

¹ <http://datazone.birdlife.org/site/factsheet/psel-river-valley-near-komsomolsk-iba-ukraine>





Community

Ferrexpo is actively involved in the local communities surrounding its operations in Ukraine. Projects are maintained from previous years to provide continuity where possible, with initiatives in the areas of education, medical support, support for the vulnerable and elderly, sport and infrastructure.

INVESTMENT IN COMMUNITY PROJECTS

2.8%
OF GROUP REVENUE



COMMUNITY

Ferrexpo believes that strong, well supported local communities are key to successful and sustainable operations.

It is important to ensure that Ferrexpo makes a meaningful contribution to the society in which it operates, assisting with the long term development of Ukraine and creating a stable operating environment for the Group. 90% of the Company's community investments are made through Blooming Land, a charity organisation. With the remaining 10%, Ferrexpo undertakes a broad array of social programmes in the towns and villages surrounding the mines. Examples in 2016 included the upgrade of school infrastructure and the modernisation of classrooms, development and maintenance of sporting facilities, purchase of state of the art equipment for hospitals, provision of medical care for the elderly and the vulnerable, and financial support for the arts and other cultural events. These programmes underpin Ferrexpo's licence to operate and ensure that the community is supported in times when state funding is under strain.

COMMUNITY GOALS AND PERFORMANCE IN 2016

GOAL	PERFORMANCE	
<i>Contribute to the development, education and skills of the local population</i>	6,489 employees undertook training in 2016, equivalent to 71% of the workforce.	➔
<i>Provide targeted assistance to community projects</i>	Continued to support community projects.	➔

BUILDING STRONG COMMUNITIES

Ukraine is currently rebuilding its economy following recent troubles and Ferrexpo supports communities throughout Ukraine where it can, in health, education and other related projects. In 2016, Ferrexpo invested US\$28 million or 2.8% of total Group revenue on such projects (2015: US\$26 million). Of this amount, approximately 90% related to activities at a national, regional and local level through the charity organisation Blooming Land. Blooming Land performs the majority of its activities through three charities: 'Ukraine – Healthy Country (Diabetes A to Z)', 'Healthy Sight (To See It All)' and 'Institute of Social Programmes (Happy Old Age)'.

FERREXPO'S COMMUNITY PRIORITIES

In addition to the funds allocated to Blooming Land, Ferrexpo finances local community projects within 25 kilometres of the operations through FPM's charity fund. These projects are identified and prioritised by dedicated committees which are best placed to understand the needs of the local communities adjacent to each business unit. Where possible, existing successful projects were sustained to provide continuity and a consistent approach. Project expenditure relating to these activities in 2016 was allocated as follows: medical care 59%, infrastructure 22%, financial support to the vulnerable 15%, education 1% and sport 3%.

CASE STUDY: HELPING HANDS PROJECT

Jointly with German charity organisations, during 2016 Ferrexpo organised for delivery of humanitarian aid and supplies to hospitals and kindergartens in the area local to Ferrexpo's operations. Two consignments of medical equipment, furniture, wheelchairs and children's toys, kindly provided by German charities, were delivered to Ukraine with logistical assistance from Ferrexpo. Specific examples of aid provided include a ventilation machine for the emergency

room in Horishni Plavni's municipal hospital, as well as 15 boxes of toys for children in the Solnyshko kindergarten in the village of Dmytrivka, located 3 kilometres to the west of the company's Yeristovo mine.

CASE STUDY: DRAGON BOAT RACING

Ferrexpo provided financial assistance to six company employees who participated in the 2016 European Dragon Boat Championships in Rome during June 2016, helping the team to win the prestigious European Nations Cup for the first time in Ukraine's history. The Company subsequently provided assistance to the four employees who were selected to represent their country at the Dragon Boat World Championship in Moscow in September.

RESETTLEMENT AND CLOSURE PLANS

Ferrexpo continues to operate the existing mines at FPM and FYM, and did not amend its existing footprint during 2016. The Company therefore did not undertake any resettlement or closure activities during the reporting period.

ARTISANAL MINING

The Company can confirm that there was no artisanal mining at the Company's operations in 2016. Ferrexpo is able to process the ore present along the Kremenchuk Magnetic Anomaly as the result of billions of dollars of infrastructure investment. Artisanal miners do not have the ability to upgrade magnetite ore through processing in the same manner.


GOVERNMENT RELATIONS


Ferrexpo remains in full compliance with all local laws and regulations, both in Ukraine and in the other jurisdictions in which it operates, and has not been subject to any significant fines (monetary or otherwise) for non-compliance with any laws. The Company can also confirm that it has not been subject to any legal action for anti-competitive behaviour or violations of anti-trust or monopoly legislation.


OUTREACH INITIATIVES


Ferrexpo operates a number of community outreach initiatives, based around the areas of medical assistance, education support, help for the aged, infrastructure and sports funding. Examples of this work are shown in the diagram below.


KEY


 Schools/Children

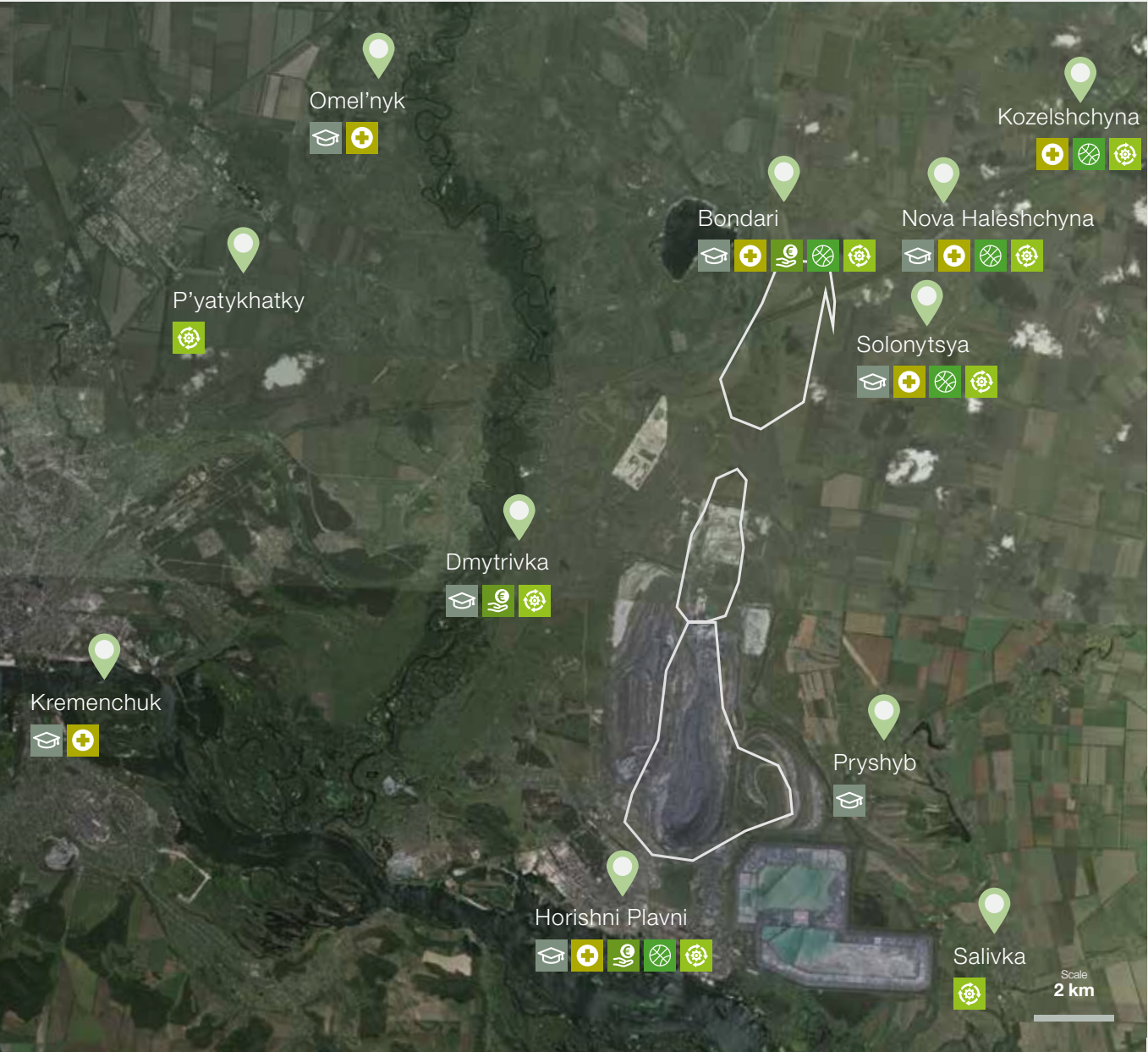
 Medical

 Pensioners/Vulnerable people

 Sport/Leisure

 Infrastructure

 Settlements



GRI INDEX

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

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NOTES

NOTES

SHAREHOLDER INFORMATION

REGISTERED OFFICE

55 St James's Street
London
SW1A 1LA
www.ferrexpo.com

ADVISERS

SHARE REGISTRARS

Equiniti

Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

FINANCIAL

J.P. Morgan Cazenove Ltd

25 Bank Street
London
E14 5JP

CORPORATE BROKERS

J.P. Morgan Cazenove Ltd

25 Bank Street
London
E14 5JP

DEUTSCHE BANK AG

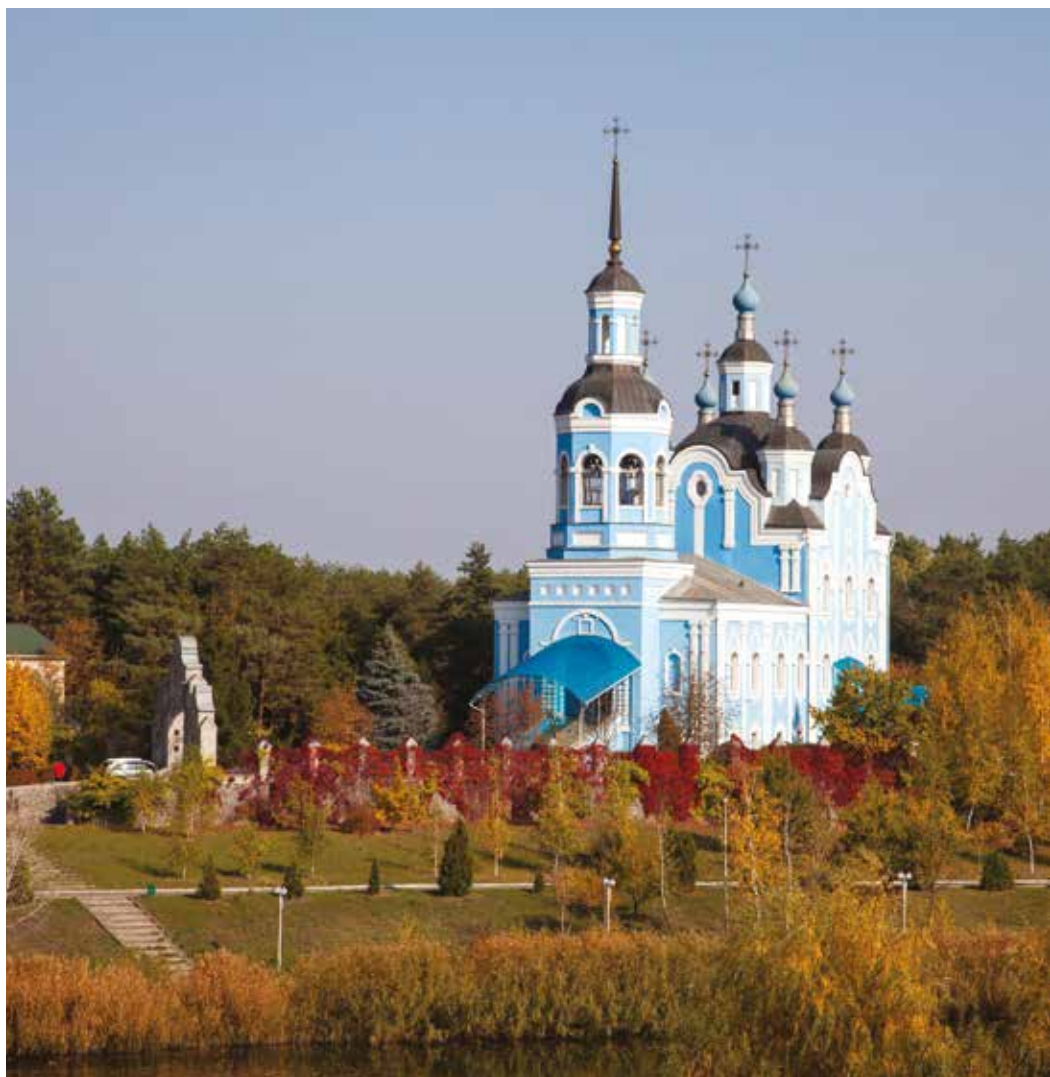
Winchester House
1 Great Winchester Street
London
EC2N 2DB

LEGAL

Herbert Smith Freehills

Exchange House
Primrose Street
London
EC2A 2EG

FERREXPO PLC
55 ST JAMES'S STREET
LONDON
SW1A 1LA
+44 207 389 8300



WWW.FERREXPO.COM