



Resilience & commitment

Ferrexpo plc
Annual Report & Accounts 2022

Contents & At a Glance

Looking towards a low emissions future and the shift to Green Steel¹

At Ferrexpo, we are focused on the future – both the future of Ukraine and the future of low emissions steelmaking. We are long-term investors in Ukraine, which has demonstrated its resilience throughout Russia's invasion, and we have demonstrated our resilience as a business in Ukraine. Despite the war, we have maintained supplies to our European customers throughout 2022, and we are committed to provide stability, where possible, for our stakeholders in these difficult times.

References to Ferrexpo plc

References in this report to "Ferrexpo", the "Company", the "Group", "we", "us" and "our" are all references to Ferrexpo, Ferrexpo subsidiaries and those that work for Ferrexpo, albeit not a singular entity or person. Such terms are provided as a writing style in this report, and are not indicative of how Ferrexpo or its subsidiaries are structured, managed or controlled.

Words with the symbol A are defined in the Alternative Performance Measures section of the Annual Report on pages 212 to 213.

1. "Green Steel" is considered to be the production of crude steel without greenhouse gas emissions. Please see page 15 of the Group's Climate Change Report for more information.

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High grade production continues

Despite the war in Ukraine, we continued to produce in 2022, demonstrating the resilience of our operational and marketing teams. We remain committed to high grade iron ore, which represented 100% of our production.

6.1^{MT}

See page 26 →

Pivoting to direct reduction pellets

Output of higher grade, 67% Fe direct reduction pellets, which represent a low emissions pathway to making steel, rose to 6% of total pellet production in 2022 (2021: 4%).

67% Fe

See page 6 →

Net cash position supports balance sheet resilience

Strong balance sheet metrics developed through resilient business model, prudent capital allocation and a focus on quality.

US\$106^M

See page 22 →

Our values

Responsibility

See page 32 →

Make it happen

See page 31 →

Integrity

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Diversity within one team

See page 42 →

Continuous innovation

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Chair's Statement

Resilience and a commitment to Ukraine

US\$3.3^{BN}

Committed to Ukraine with more than 15 years of investment since our IPO in 2007, amounting to over US\$3.3 billion.

3%

Generating 3% of Ukraine's export revenues in 2022 (2021: 4%), despite a decline in production and iron ore prices.

70⁺

The Ferrexpo Humanitarian Fund has supported more than 70 projects since the outset of the war in Ukraine, providing direct assistance.



Image on the cover:

**Championing selected
members of our
Ukrainian workforce**

Thank you to all members
of our Ukrainian workforce
for their resilience and
commitment since the start
of the Russian invasion.



The year 2022 will long be remembered as a consequence of Russia's escalation of its invasion of Ukraine. It is a significant moment in the history of our planet, and we remain committed to Ukraine and our people at this difficult time.

At Ferrexpo, we are proudly Ukrainian. Ferrexpo has successfully operated in Ukraine for more than 15 years since our listing, and we have consistently invested in Ukraine, our people and our assets. Over this time, our constructive relationships have helped us build a company that is capable of producing some of the highest quality forms of iron ore that are commercially available.

The world has supported Ukraine as it defends itself from Russia's invasion. We have remained committed to Ukraine throughout this conflict, through providing vital humanitarian support to those in need, whilst continuing production and our contribution to the Ukrainian economy. We have nearly 10,000 people in our workforce, with 95% normally based in Ukraine, and we have strived to support them, their families and local communities throughout this conflict. On a national scale, Ferrexpo represents a significant contributor to the Ukrainian economy through taxes and royalties, as well as our consistent use of Ukraine's infrastructure and serving as a major employer in our region of Ukraine. We are proud that our resilient business model, and focus on high quality products, has enabled us to continue shipments to our European customers throughout 2022.

Resilience and commitment

In reviewing what we have learnt from the past year, two key themes are evident: resilience and commitment. Ukraine's resilience has been apparent in newspapers around the world for more than 380 days. At our operations, we have seen our workforce come together with local communities.

In an effort to streamline our support, we established a dedicated humanitarian fund early in the conflict, as it quickly became apparent that large businesses would need to support communities. Through more than 70 individual projects, I am proud to reflect on the direct support that we have been able to provide, and will continue to offer, with over US\$19 million of humanitarian aid provided to date. I am also proud that Ferrexpo has supported 3,500 internally displaced people fleeing the war as they pass through our area.

As the war enters its second year, we are mindful of the wellbeing of our workforce and the effects of living in a war zone. As

such, we are offering free support services to those at our operations.

I am proud of the commitment that we have shown to our stakeholders, and indeed the commitment that they have shown us. In Ukraine, we have worked closely with communities to provide support through our newly formed humanitarian fund and the long-standing Ferrexpo Charity Fund. Resilience is also evident in our operations and marketing teams, with their efforts enabling us to continue shipping throughout 2022. As a modern company, we are increasingly reliant on electronic equipment for managing our operations, and therefore protecting our IT infrastructure from cyberattacks has been critical since the war began – more on our efforts here on page 72.

More broadly, we have also continued our decarbonisation strategy in publishing our Climate Change Report as scheduled in 4Q 2022, as well as providing clear and timely communications with stakeholders throughout the war. We are also grateful to our customers, who have shown commitment to our products, and I would like to thank them for their continued support, which is only possible through long-standing positive relationships.

Understanding our role in Ukraine

We are a major business in Ukraine and, as such, we are a significant contributor to the local economy and economy of Ukraine. In 2022, we contributed US\$164 million in taxes and royalties, and we have continued supporting our workforce through our continued operations. We are frequent and consistent users of Ukraine's utilities and infrastructure, helping to contribute to the functioning of Ukraine beyond our own operations. Through our position as one of the world's largest iron ore pellet producers, we are able to be a significant contributor to Ukraine's exports, representing 3% of total exports by value in 2022, despite a 46% decline in production and 25% lower iron ore prices in 2022.

Our footprint in Ukraine extends beyond our own operations, and we are proud to support local businesses and local communities. Of the people that we employ in Ukraine, almost all are based in local communities, and 79% of our recruitment in 2022 was from local communities.

Board developments

The past year has brought a number of changes to strengthen the Board; we welcomed Fiona MacAulay into the role of Senior Independent Director, Ann-Christin Andersen in the role of Chair of the Health, Safety, Environment and Community ("HSEC") Committee and Natalie Polischuk joined the Board in December 2021. Furthermore, Jim North was appointed as permanent CEO in February 2022. In addition, Non-executive Director Kostyantyn Zhevago stepped down from the Board in December 2022.

Looking to the future

Reflecting on our long-term strategy as a business, we remain committed to Ukraine and its potential. There is a significant challenge ahead, once the war ends, for companies and communities to help with the rebuilding and healing of Ukraine.

More broadly, we are pleased to see the global shift in the steel market towards higher grade, higher quality materials as a route to lower emissions across the steel value chain. High grade iron ore has been a strategic priority of Ferrexpo's since listing in 2007, and we are proud to be able to help facilitate decarbonisation in the steel industry, which accounts for 7% of global greenhouse gas emissions¹.

The coming period will be difficult given the continued war in Ukraine, but if we are to look beyond the war, we continue to be excited by Ukraine's potential and the future that lies ahead in Green Steel. Through working with our stakeholders, we are proud to have built the business that we have today, and the potential that it has for the future.

Finally, I would like to thank all of our stakeholders, particularly those in Ukraine, for their continued commitment to Ferrexpo. I am hopeful that we will soon see an end to the conflict, and then we can look towards a brighter future for Ukraine.

Slava Ukraini.

Lucio Genovese

Chair, Ferrexpo plc

1. Source: International Energy Agency ("IEA"), [link](#). (Accessed February 2023.)

Case Study: War in Ukraine

Effects of operating in a conflict

As a business operating in Ukraine at the current time, we have been significantly impacted by the ongoing war. Here we explore a selection of these impacts, and the outlook for further consequences.

Our people

Our first priority will always be the safety and wellbeing of our people. Currently, we have more than 1,500 people absent from our workforce, including approximately 650 members of our workforce serving in the Armed Forces of Ukraine¹, who we have supported with key protective equipment such as bulletproof vests. Certain areas of our business are affected more by absences than others, and the situation is helped by our operations running below capacity. We are increasingly working to assist wellbeing – including a programme to provide counselling to those returning from the armed forces, and a rehabilitation centre for those returning to work after service.

Regrettably, we are now aware of 20 members¹ of our team have died whilst serving in Ukraine's military, and we are supporting their families.

Local communities

It was quickly apparent in the early stages of the conflict that the people of Ukraine would need humanitarian support at this difficult time. The Ferrexpo Humanitarian Fund has helped channel support to more than 70 projects since the start of the war¹ – see page 44 for more details.

Logistics constraints

The closure of Ukraine's access to the Black Sea has severely restricted our access to seaborne markets and has therefore limited our ability to pivot sales according to regional demand around the world – as seen previously during the global Covid-19 pandemic. Access to the seaborne market

is possible today, but at an elevated cost and with additional restrictions.

Power supply

In late 2022, Russian attacks on civilian electrical infrastructure increased, with a significant impact on electricity generation and supply. Following the onset of this phase of the war, the Group was not able to achieve stable production for approximately ten weeks of 4Q 2022. As a means of reducing operational risk around further power shortages, we are replenishing pellet inventories at strategic locations, as well as exploring our options around self-generation of electricity.

Local currency and economy

The Ukrainian hryvnia depreciated by 34% during the course of 2022², and this has impacted operating costs and carrying value of assets – see page 22 for more details. Looking forward, it is expected that, should the war continue, the Ukrainian hryvnia will continue to depreciate further. Furthermore, the Ukrainian economy experienced an inflation rate of 27% in 2022³.

Supplier constraints

Throughout 2022, we have continuously adapted to an ever-changing operating environment, including changing suppliers for key inputs as individual suppliers are forced to close their operations or divert logistics paths. We expect to have to continue to adapt and evolve our supply arrangements, to ensure supply and reduce risk, for as long as the war continues.

1. Information as of 10 March 2023.
2. Source: National Bank of Ukraine ("NBU"), [link](#). (Accessed 3 March 2023.)
3. Source: Reuters, [link](#). (Accessed 3 March 2023.)



Image: School bell at Ferrexpo Class.



Image: Armoured ambulance donated.

Remembering those we have lost

As of 10 March 2023, we are aware of a total of 20 members of our team that have sadly died whilst serving in the Armed Forces of Ukraine, and we are supporting their families at this difficult time.

Dmytro Belikov Age 32
 Oleksiy Bridnya Age 33
 Andriy Chernya Age 37
 Oleksandr Chugainov Age 54
 Maksym Chystyakov Age 24
 Andrii Dukanych Age 33
 Oleksiy Khanilevych Age 24
 Serhiy Kharlamov Age 57
 Serhii Kondyk Age 31
 Denys Koshovyi Age 30
 Rostyslav Ledovskyy Age 25
 Dmytro Lysachenko Age 28
 Roman Lytvynenko Age 31
 Kostyantyn Orchikov Age 30
 Oleksandr Scherbakov Age 28
 Denys Svyrydov Age 50
 Yaroslav Taran Age 50
 Oleksandr Terlenko Age 48
 Oleksiy Yatskov Age 36
 Anatoliy Zakupets Age 37

Slava Ukraini.

Displaced workforce and communities

Currently c.650 members of our workforce are serving in the Armed Forces of Ukraine with additional numbers absent as they seek safety.

See page 44 →

Health and wellbeing

Mindful of the stress caused by long-term living in a war zone, we are offering a range of support to our workforce.

See page 32 →

Power supply

Attacks on state-owned electrical infrastructure resulted in ten weeks of intermittent power in 4Q 2022.

See page 26 →

Closure of Ukraine's Black Sea ports

Historically, we shipped around half of our output via Ukrainian ports, and closure limits the markets we can serve.

See page 11 →

Humanitarian support
US\$19^M

Local currency

The depreciation of Ukraine's currency and local inflation have impacted our accounts in a variety of areas.

See page 22 →

Customers

Clear communications have been required with our customers throughout the war.

See page 69 →

Impact on infrastructure

Ukraine's railways have come under constant attack and seen increased demand from displaced trade. Diverting sales via alternative logistics corridors comes at an increased cost.

See page 11 →

Supplier constraints

Suppliers' facilities have been attacked, and business partners have had to shut down.

See page 59 →

Local communities

The war has placed significant strain on the ability of local authorities to provide consistent support to communities.

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CEO's Review

Stakeholder support and looking ahead

The morning of 24 February 2022 will live long in the memory. Russia's invasion of Ukraine has defined our year, but we are proud of the resilience shown by our workforce in continuing to support Ukraine's economy.

We have a workforce of 10,000 people, with more than 95% of them based in central Ukraine and it is our duty to protect and support them. I am proud to have been a part of Ferrexpo in 2022, as we have sought to engage with our workforce and communities across Ukraine at such a difficult moment in history, to understand what we could do to help.

Supporting Ukraine

Through the creation of the Ferrexpo Humanitarian Fund, we have been in a position to provide direct support to those in need, as well as help our suppliers and customers provide contributions to fight the effects of the humanitarian crisis that is unfolding in Ukraine. Through this fund, and additional support projects provided directly by our subsidiaries, we have provided more than US\$19 million of targeted humanitarian assistance to date, supporting over 70 initiatives across eight regions of Ukraine. Each individual project is reviewed and approved by the Health, Safety, Environment and Community ("HSEC") Committee to ensure good governance practices remain, even in a war zone. For more on our humanitarian efforts, see page 45.

Despite the war in Ukraine and the difficulties our people have experienced in 2022, our safety performance has remained strong. We remain fatality-free for the second year running, and our lost time injury frequency rate continues to be materially below the level recorded by our peers. See page 32 for more on our safety performance.

Drive towards Green Steel

As a constituent of the steel value chain, we understand the importance of climate change and how this point in time represents a pivotal moment for the steel sector, with major investment planned in the coming decades. As a producer of a form of iron ore that helps steelmakers reduce emissions, we are in a position to supply the global steel industry with blast furnace pellets today to reduce emissions by 40%¹ as they switch away from sinter fines. In parallel, we are developing our offering of direct reduction pellets, which represent a potential pathway to low emissions Green Steel, positioning us well for the future.

Our progress in decarbonisation, which to date has seen us realise a 31% decrease in emissions since our baseline year, has begun well and we intend to maintain our positive momentum in reducing our emissions. We are excited by our stakeholders' desire to understand our decarbonisation pathway, and we are looking into ways to collaborate together going forward. Through our work with environmental consultants Ricardo Plc, we were also able to present expanded targets for our emissions reduction programme – please see our Climate Change Report, which was published in December 2022, for more details.

Operating in a time of war

Production volumes fell by 46% in 2022, primarily reflecting the constraints imposed by the war in Ukraine and the deterioration of the economic environment in Europe

as energy prices and inflationary risks rose throughout the year. The war's restrictions on our access to the Black Sea have made logistics routes for sales outside of Europe less cost effective, but this topic is a clear catalyst for 2023 should our Black Sea access resume.

Sales volumes in 2022 reflected accessible markets, with sales in the first quarter remaining buoyant as short-term supply disruption led to steelmakers building raw materials inventories. Subsequently, sales declined throughout the year as the complexity of the restrictions on our business increased. We did, however, continue to deliver our products to our European customers throughout the year, which is a testament to the resilience and commitment of our marketing and operations teams.

A committed leadership team

Given the conflict in Ukraine, it is easy to overlook our achievements in bolstering the management and governance of our business. My appointment as permanent Chief Executive Officer was announced in February 2022. In the same month, Fiona MacAulay and Ann-Christin Andersen were appointed as Senior Independent Director and Chair of the HSEC Committee respectively, and on 30 December 2021 we announced the appointment of an additional Independent Non-executive Director, Natalie Polischuk. The appointments of Fiona, Ann-Christin and Natalie bolster our leadership from a diversity perspective, and we are seeing progress in our executive management team – Yaroslava Blonska was appointed Acting Chief Marketing Officer in October 2022, and in 2022 the proportion of our management positions held by women increased to 20.9% (2021: 20.1%).

It is important to thank all of our stakeholders for their commitment to Ferrexpo in 2022. It is our committed workforce, the communities that grant us our licence to operate, our long-standing customer and supplier relationships, and other key relationships, that have helped to support us throughout this war. Through operating a resilient business model, we aim to come through this difficult time as a stronger company, and this would not be possible without this continued support.

Jim North

Chief Executive Officer, Ferrexpo

1. Source: Independent research provided by CRU.

Revenue generated in 2022

US\$1.2^{BN}

2021: US\$2.5^{BN}

Underlying EBITDA^A in 2022

US\$765^M

2021: US\$1,439^M

Underlying EBITDA^A margin in 2022

61%

2021: 57%

Market Review

Resilient pellet premiums amid lower iron ore price environment

Reduced levels of price volatility were seen in 2022 compared to 2021. Whilst iron ore prices declined by 25%, blast furnace pellet premiums rose by 20%, which reflects shifting demand for high quality products.



— **Yaroslavna Blonska,**
Acting Chief Marketing
Officer

The Group primarily generates its revenues through the sale of iron ore pellets, the pricing of which is governed by a number of quoted market benchmarks, generating a net realised pellet price. The main contributing components to the pricing of Ferrexpo's pellets are the high grade (65% iron, "Fe") iron ore fines index, the pellet premium, a rate applicable for the freight component of transporting material to customers, and any applicable additional premiums and discounts. The Group currently only produces high grade products, grading either 65% Fe or above, and therefore the following text focuses on the high grade index for iron ore fines pricing.

Iron ore fines prices

The index for high grade (65% Fe) iron ore fines began the year at US\$140 per tonne and rose to more than US\$190 per tonne as of early March, before steadily declining to a low of US\$91 per tonne in late October. The primary factor behind this initial rise during 1Q 2022 was the rising risk of conflict in Ukraine, ultimately followed by Russia's invasion commencing in February, which put pressure on global iron ore prices as steelmakers sought to source alternative suppliers to Russian iron ore. This short-term tightness in the iron ore market largely persisted into 2Q 2022, before the impact of elevated energy prices and concerns over the global economic outlook, particularly for the Chinese economy, began to erode confidence

in end-user markets. Prices declined by approximately US\$40 per tonne between early June and early July, before exhibiting a more gradual decline thereafter, with market commentators citing concerns over steel margins in China and local restrictions within China related to the global Covid-19 pandemic as the reasons for this decline¹.

Moving into 2H 2022, efforts by steel mills to stockpile material slowed, as they began to secure access to alternative raw material supply channels, and demand for iron ore started to normalise. As such, the drivers behind price movements returned to Chinese supply/demand dynamics for iron ore and steel, with China representing the largest market for seaborne iron ore and the main determinant of iron ore prices globally. The beginning of 2H 2022 coincided with weak demand for iron ore and steel, especially with sentiment dampened by strict Covid-19 restrictions in China. A key effect of these restrictions was the impact on consumer sentiment in local property markets, which is a major user of finished steel in China. This generated a gradual decline in iron ore pricing until early 4Q 2022. Expectations arose in October regarding a potential unlocking of restrictions in China, but these were short-lived after the Chinese government reiterated existing policies, sending prices to the full year low of US\$91 per tonne in late October. Iron ore prices did ultimately recover as restrictions in China were eventually eased

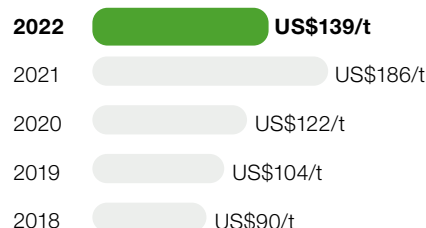
Customer sales in 2022

6.2^{MT}

Sales of 6.2 million tonnes (46% reduction), despite conflict-related restrictions in 2022. Shipments to Europe remained resilient, declining by a lower degree (23%).

Five years of iron ore prices (65% Fe Index)

US\$ per tonne



1. Source: S&P Global Commodity Insights.

Chart: Market indices 2022

towards the end of 4Q 2022, ending the year at US\$131 per tonne.

Overall, the full year iron ore price declined by 25% in 2022, broadly reflecting weaker demand as a consequence of the conflict in Ukraine and concerns over the Chinese economy. It should also be noted that the comparative period (2021) represented a robust year across the commodity space, as governments worldwide continued to supply fiscal stimulus in response to Covid-19, with iron ore pricing in 2019 and 2020 being US\$104 and US\$122 per tonne respectively – in line with the figure for 2022¹.

Towards the end of 2022, it was widely expected that 2023 would see a contraction in global markets, with economies worldwide already witnessing a slowdown in growth during 2H 2022, as energy prices remained elevated and central banks sought to contain inflationary pressures by raising interest rates. However, recent news and developments in China, such as reports of a potential easing of Covid-19 restrictions, have resulted in iron ore prices rising to US\$138 per tonne as at the end of February 2023. Futures contracts reflect the current uncertainty in the market, with contracts for December 2023 deliveries (62% Fe Index) trading at a level US\$8 per tonne below today's spot market².

The supply side of the iron ore fines market is widely expected to remain balanced in 2023, with supply from the major producers in Brazil and Australia expected to remain largely in line with the same level of output seen in 2022³.

High grade premiums

The premium for high grade iron ore, being the difference between the 65% Fe Index and the 62% Fe Index, contracted in 2022 in line with the benchmark indices, falling by 28%. This contraction is expected at times of steel market weakness, when steel margins are reduced and steelmakers seek to utilise lower grade inputs to reduce raw material costs,

reflecting a more conservative approach.

Similar to the fines index, the ferrum premium of US\$19 per tonne in 2022 was ahead of levels seen in recent years (2019 and 2020: US\$11 and US\$13 per tonne respectively) or in line with other recent years (2018: US\$21 per tonne). The year-on-year comparison, however, shows a 28% reduction, with 2021 being a relatively high year for commodities pricing (2021: US\$26 per tonne).

Given the correlation of the grade of iron ores and the degree of emissions produced by steelmakers, with higher grade ores requiring the production of lower emissions to generate steel, it is expected that the ferrum premium will continue to widen over the long term.

Pellet premiums

The pellet premium is a significant factor in the cash flow generation of a pellet producer, with this component of pricing typically representing a significant additional premium over and above the prevailing iron ore fines index. For example, the Atlantic Pellet Premium¹ represented a 60% premium above the 62% Fe iron ore fines index in 2022 (2021: 38%).

The high level of the pellet premium (relative to benchmark fines prices) reflects the scarcity of iron ore pellets relative to the global fines export market. In 2022, the global pellet export market represented approximately 111 million tonnes³, compared to global fines export trade of 1.1 billion tonnes⁴. In addition, iron ore pellets typically offer steelmakers the opportunity to raise mill productivity and lower emissions due to higher grades and the lack of a requirement for sintering, which is a process that typically utilises coal as its energy source.

Global exports of pellets decreased by approximately 15% in 2022³, reflecting a reduction in supply from almost all major iron ore pellet exporters for a variety of reasons. Pellet exports from Russia have seen the largest year-on-year decrease, falling by

approximately 7 million tonnes as steelmakers switch suppliers following Russia's invasion of Ukraine. Additionally, lower pellet demand from Chinese steel mills, with this demand down approximately 60% in 2022, has resulted in lower export volumes for pellet producers that have historically supplied this market – with Brazilian and Indian exporters accounting for approximately half of this decrease³.

Regionally, 2022 saw a clear split in the health of global steel markets, with those markets more closely correlated to Russian energy supply (such as Europe) seeing the greatest decline in demand for pellets. European steel mills imported approximately one third lower volumes of iron ore pellets in 2022, with this reduction seen in both Western and Eastern Europe. Outside of China, Asian steel mills saw a lower reduction in buying activity, with a 14% reduction year-on-year. The Middle East and North Africa ("MENA") region, which is a region less dependent on Russian energy supply, saw a 7% increase in pellet buying activity in 2022.

An additional factor helping to promote our exports to the MENA region is that this region typically purchases direct reduction ("DR") pellets. Since DR pellets have a lower emissions footprint than other forms of iron ore, we are directing our strategy towards this product and actively growing our footprint in this region.

As a result of tightness in pellet markets outside of China in 2022, both the Atlantic pellet premium and DR pellet premium rose materially during the year, and therefore trended in the opposite direction to iron ore fines prices. This divergence is due to iron ore fines and pellets having different key drivers – China accounted for 75% of iron ore fines imports in 2022 (2021: 76%)⁴, and is therefore the dominant market for this product. For pellets, the key markets are Europe and markets in North East Asia, where independent steelmakers⁵ in these two regions collectively accounted for 60% of defined pellet imports in 2022 (2021: 58%)³. Factors related to climate change and decarbonisation, with the pace of legislative change faster in Europe than other markets, are expected to have a greater bearing on the pricing of iron ore pellets as a result of this link to European buying.

Within the year, the Atlantic pellet premium¹ rose by 41% in 1H 2022 (in contrast to the iron ore fines price, which remained broadly flat). Stockpiling efforts, which were in response to increased risk of supply disruption following Russia's invasion of Ukraine in February 2022, resulted in an increase in pellet premiums in 1H 2022. This buying activity was, however, not matched by end-user demand and raw material stockpile inventories increased, particularly in Europe. With high prices for raw materials and energy inputs, steel margins in

1. Source: S&P Global Commodity Insights.

2. Source: CME Group, [Link](#) (accessed 23 February 2023).

3. Source: Management estimate.

4. Source: CRU.

5. Defined as steelmakers that do not have material volumes of integrated iron ore supply, excluding pellet imports listed without a defined destination (12% of the total pellet market, typically relating to exports from certain producers in the Commonwealth of Independent States ("CIS") and India).

Market Review continued

Summary of industry key statistics

(All figures US\$/tonne, unless stated otherwise)

	2022	2021	YoY change
Iron ore fines price (62% Fe, CFR China) ¹	120	160	(25%)
Iron ore fines price (65% Fe, CFR China) ¹	139	186	(25%)
Average 65% Fe spread over 62% Fe ¹	19	26	(28%)
Atlantic (blast furnace) pellet premium ¹	72	60 ⁴	+20%
Direct reduction pellet premium ¹	87	73 ⁴	+18%
C3 freight (Brazil – China) ²	24	27	(9%)
C2 freight (Brazil – Netherlands) ²	13	14 ⁴	(11%)
Global steel production (million tonnes) ³	1,832	1,912	(4%)

Europe decreased in the middle of 2022, subsequently prompting several blast furnaces to suspend operations in Europe. By October, a total of ten blast furnace steelmaking facilities in the region idled at least part of their operations⁵.

High pellet inventories, coupled with low blast furnace steel output, resulted in a reduction in pellet demand, and Atlantic pellet premiums fell to approximately US\$60 per tonne towards the end of 4Q 2022.

Whilst pellet buying in European and Asian regions declined in 2022, a significant proportion of pellet sales are conducted via long-term contract – providing an additional degree of stability (for example, 96% of Ferrexpo's pellet sales in 2022 were under long-term contract). This therefore provides stability for individual pellet producers, and the overall pellet market, throughout the commodity cycle.

Looking ahead to 2023, it is expected that the overall size of the pellet export market will revert to a similar size as seen in recent years (c.130 million tonnes), with the pace of this recovery dependent on the war in Ukraine and any resulting easing of constraints related to energy supply (particularly energy supply into Europe)⁶. China's expected easing of Covid-19 restrictions boosted iron ore fines pricing in late 2022, albeit with relatively little firm evidence of increased economic output. Should China deliver a recovery in its growth rate, which saw 3% growth in 2022 compared to 8% in 2021⁷, it should be expected that blast furnace pellet premiums will stabilise at current levels. Pellet demand from European steel mills in 2023 is expected to be linked to energy prices, inflation rates and the outlook of the war in Ukraine. To mitigate risks to the Ferrexpo business, it is important for the Group to resume access to ex-European markets in 2023 to provide support for realised pellet premiums.

Freight rates

During the year, the C3 freight rate, which describes the cost of shipping dry bulk materials from Brazil to China, rose from a low of US\$17 per tonne in January to a peak of US\$38 per tonne in May, with this increase associated with rising energy costs and buoyant commodity markets. In 2H 2022, the same freight index declined to US\$22 per tonne by the end of 3Q 2022, where it then largely remained for 4Q 2022. This decline in 2H 2022 can be attributed to an economic slowdown in China, partially related to local "zero Covid" rules, lower energy prices and lower commodity pricing driving reduced demand for shipping.

At US\$24 per tonne, the average C3 freight rate for 2022 represented a level US\$3 per tonne below the previous year as global demand for dry bulk cargoes weakened.

Looking ahead, freight rates are expected to remain above historical averages seen in years prior to the global Covid-19 pandemic, with elevated levels already seen in 2021 and 2022. This shift reflects higher energy costs and the potential for costs associated with stricter environmental regulation to be passed on to end users.

Steel

Ferrexpo's iron ore pellets are used by steelmakers to produce steel. Factors such as global steel production, pricing and margins therefore have a direct impact on the benchmark indices used in the pricing of pellets.

World steel production in 2022 fell by 4% to 1.8 billion tonnes, with a 2% contraction in China and larger declines in developing economies such as the European Union (11% decrease), Japan (7% decrease) and the United States (6% decrease)³. Even before the war in Ukraine started, production rates were slower at the start of the year than in 2021,

with global output down 6% as of February 2022. This deficit largely remained intact throughout the remainder of the year.

Pricing for hot rolled coil ("HRC") in Europe began the year at €960 per tonne, before rising sharply to over €1,400 in late March, as steelmakers were able to transfer the rising cost of raw material inputs to end users. European economies demonstrated slowing growth throughout 2022, as a consequence of Russia's invasion of Ukraine, elevated energy prices and inflationary pressures, and consequently have shown lower levels of end-user demand for steel. As a result, HRC steel prices declined to below €700 per tonne by the end of the year, representing a level 33% below the start of the year. A similar trend was seen in China throughout 2022, albeit to a less pronounced extent, due in part to a lower exposure to Russian energy. Chinese HRC prices rose in 1Q 2022 to approximately 10% above the start of the year, then declined to 21% below this level as of the end of the year⁸.

Looking ahead to 2023, the World Steel Association's Short Range Outlook, issued in October 2022, projects a small recovery in steel production, with 1% growth to 1.8 billion tonnes. This growth is attributed to infrastructure demand, despite concerns over high inflation, monetary tightening and China's slowdown.

Developments in Green Steel

A number of major steel producers announced initiatives to produce Green Steel in 2022, which is the manufacturing of steel without the use of fossil fuels⁹, often announcing agreements with end users (typically with the automotive sector) for the offtake of this material. The cost of Green Steel is estimated to be up to 60% higher than current prices, with this difference primarily related to the expected additional cost of producing and using green hydrogen¹⁰. Whilst trial quantities of Green Steel were produced in Sweden in 2022, widespread commercial production is not expected to commence until the medium to long term⁶.

1. Source: S&P Global Commodity Insights.

2. Source: Baltic Exchange.

3. Source: World Steel Association.

4. Figures restated compared to 2021 Annual Report.

5. Source: CRU (Iron ore outlook presentation, October 2022).

6. Management estimate.

7. Source: World Bank, [link](#). (Accessed 3 March 2023.)

8. Source: Bloomberg.

9. As defined by the World Economic Forum, [link](#). (Accessed 3 March 2023.)10. Source: SteelOrbis [link](#). (Accessed 3 March 2023.)

Case Study: Logistics flexibility in a war

Logistics flexibility in 2022

The war in Ukraine has highlighted the importance of having flexibility and diversity within our logistics chain, with Ukraine's railways and our inland waterway subsidiary providing essential services during the year.

Disruption due to conflict in 2022

As summarised on pages 4 to 5, the war in Ukraine in 2022 has resulted in several disruptive effects on Ukraine's logistics network, from the closure of Ukraine's access to the Black Sea, to targeted attacks on the railway network. Indirect effects of the war also included the diversion of Ukraine's grain shipments to non-Ukrainian ports, putting additional pressure on Ukraine's railway network.

Owner-operator model

At Ferrexpo, we have long sought to own and operate our logistics network, either through the purchase of our own rail wagons, operating our own inland waterway (barging) subsidiary First-DDSG, or owning a stake in a berth at a port in Ukraine. This practice lowers operating costs (as utilising state-owned railcars has an additional operating cost associated with them), improves product quality control (since we can manage the maintenance of our own railway wagons and vessels), and reduces operational risk. This final point has been key during the war in Ukraine, when accessing European customers has been periodically difficult via Ukraine's railway network.

Resilience in logistics

Whilst total shipments declined by 46% in 2022, shipments to Europe (being the only practical market for us during the majority of 2022) only declined by 23%, as we managed to maintain vital logistics pathways to European customers. This achievement is in part thanks to our strong relationship with Ukraine's railway operator, which has maintained its operations under exceptional circumstances, despite numerous attacks.

A key consideration for us to increase our production volumes will be when we will gain additional clarity on our ability to deliver our products to customers. A major development would be the reopening of Ukraine's ports, or the re-establishment of access to seaborne markets via an alternative port that is both cost effective and capable of handling material volumes. We are in advanced discussions with an alternative port operator and are looking to resume seaborne shipments in the near term.

3,033

Number of Ferrexpo's railcars operating on the Ukrainian railway network, providing operating flexibility and helping to maintain product quality. An additional 183 railcars were purchased in 2022, despite the war in Ukraine. Our railcars are purchased from Ukrainian producers, helping to provide investment and jobs in Ukraine.

218

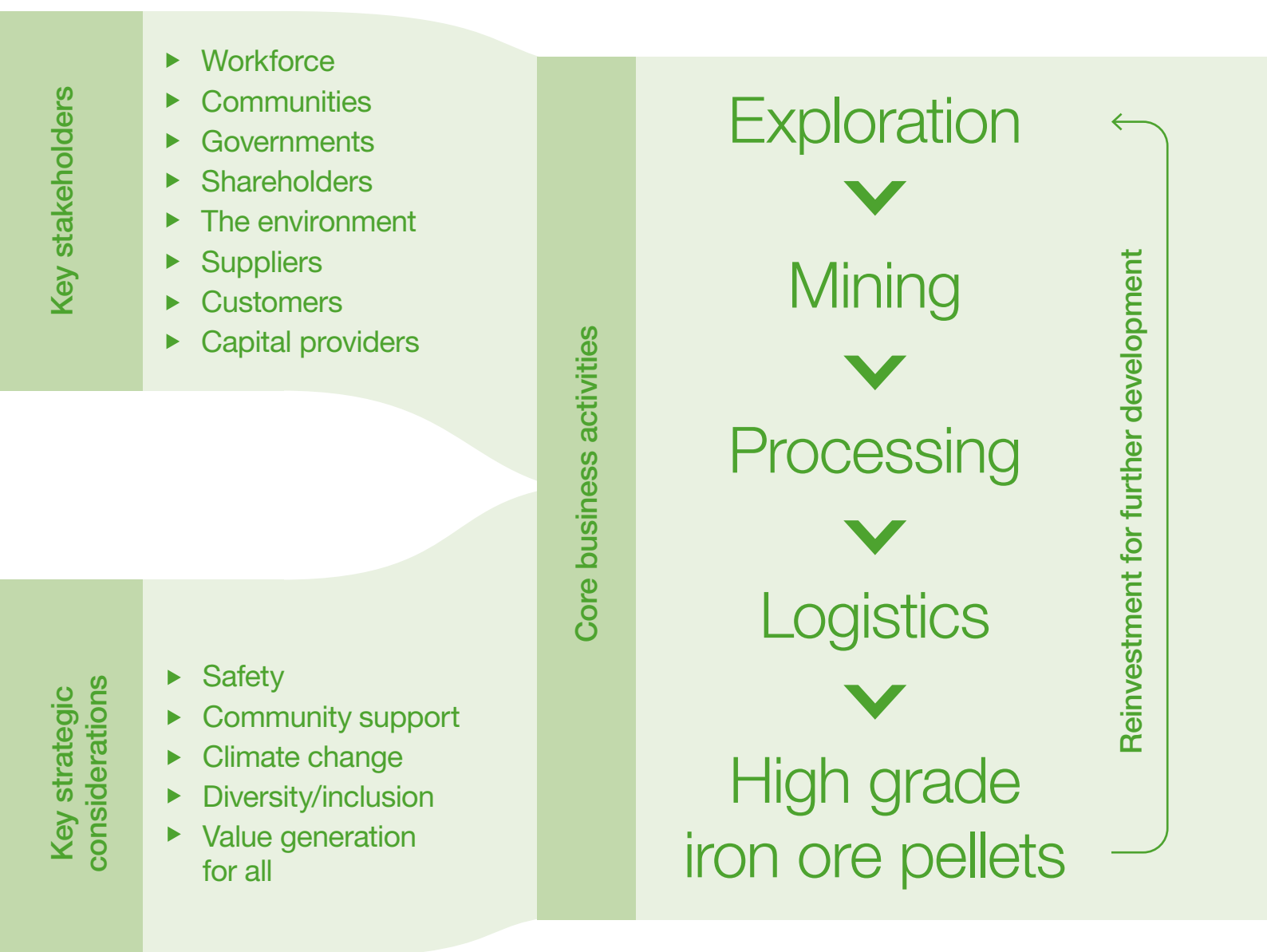
Number of First-DDSG vessels operating on the River Danube, helping transport Ferrexpo's products to European customers. Independent research shows that transport via inland waterway (barging) has a lower total environmental cost than road or rail transportation¹.

1. Source: PLANCO Consulting GmbH. Verkehrswirtschaftlicher und Ökologischer Vergleich der Verkehrsträger Straße, Bahn und Wasserstraße. 2007.

Image: Ferrexpo railcars loaded with iron ore pellets at our operations in Ukraine.

Our Business Model

A clear strategy to help grow stakeholder value



Underpinned by our values

→	→	→	→	→
Responsibility See page 32	Make it happen See page 31	Integrity See page 46	Diversity within one team See page 42	Continuous innovation See page 29

Ferrexpo's business model is to work with its stakeholders and their strategic priorities, to generate value for all stakeholders, from its core business activities.

Value generation

Employees

US\$98^M

(13%)

Wages and salaries paid
(2021: US\$113M)

Environment

US\$12^M

(35%)

Funding of environment initiatives
(2021: US\$19M)

Customers

US\$1.2^{BN}

(50%)

Revenue generated
(2021: US\$2.5BN)

Government

US\$164^M

(42%)

Taxes and royalties paid
(2021: US\$281M)

Suppliers

US\$912^M

(22%)

Suppliers of goods and services
(2021: US\$1.2BN)

Investors

US\$155^M

(75%)

Shareholder returns (paid during year)
(2021: US\$619M)

Communities

US\$15^M

+125%

Community support
(2021: US\$6M)

Capital providers

US\$49^M

(78%)

Debt repayments and interest
(2021: US\$221M)

Our Stakeholders

Future Positive +

Ferrexpo is part of the global steel value chain, producing the highest grades of iron ore that are commercially available, which help steelmakers to reduce emissions and improve productivity through higher iron ore grades and a lack of requirement for sintering. The steel industry is set to evolve rapidly, with companies adapting to produce low emissions products, and ultimately we see a world based on Green Steel. To succeed, we engage with our stakeholders, to understand the material issues that lie ahead and adapt our business for the future.

Read more on our Stakeholder Engagement on page 48 →

Image: Ferrexpo uses sunflower husks as a biofuel for natural gas substitution in our pelletiser, sourcing 21% of our pelletiser energy needs from husks in 2022 (2021: 18%).

Our workforce

Protecting a workforce operating in a war zone, helping their families to remain safe and providing wellbeing initiatives.

See page 32 →

0.51

Injury frequency rate of 0.51 in 2022, continuing below our historic average (0.83)¹.

Local communities

Providing direct support to communities and helping accommodate more than 3,500 internally displaced people.

See page 44 →

US\$19M

Total funding of assistance provided, including the Ferrexpo Humanitarian Fund.

Ukraine

Through building a resilient business model, Ferrexpo was able to continue selling throughout 2022, maintaining our contribution to Ukraine's economy.

See page 11 →

3%

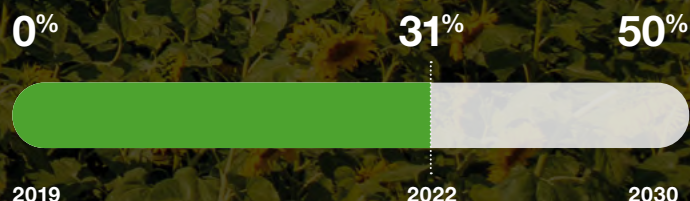
Ferrexpo represented 3% of Ukraine's export revenues in 2022 (2021: 4%)².

The environment

The environment represents a key stakeholder, reflecting the interests of future generations. Recent work has enabled us to upgrade and broaden our emissions reduction targets.

See page 34 →

Where we are today



Targeting a 50% reduction in Scope 1 and 2 emissions by 2030 (previously 30%)³.

1. Lost time injury frequency rate ("LTIFR"). Our historic average of 0.83 represents the five year full year average for previous years (2017-2021 inclusive).

2. Source: Government of Ukraine.

3. Scope 1 and 2 emissions combined, on a per unit of production basis.

Strategic Framework

Understanding our strategic direction

Strategic goal

Goals

01 High quality production

Future facing, high grade iron ore products for a low emissions future.

02 Elevating sustainability

Through sustainable, ethical partnerships, delivering value for all stakeholders. Prioritising support for Ukraine, where possible.

03 Low cost operations

Maintaining a competitive cost of production relative to global peer group.

04 A world class customer network

Selling our products to best in class steel producers, developing successful partnerships for the future.

05 Disciplined capital allocation

Managing our business in a prudent and sustainable manner, developing our assets for the future.

Achievements in 2022

- Quality improvement: Increasing direct reduction (“DR”) pellets to 6% of pellet production (2021: 4%), helping us to cut our Scope 3 emissions per tonne by 1% in 2022.
- High grade focus: 100% high grade output (65% Fe and above) for the third successive year.
- War in Ukraine: Resilience in operating, despite challenges faced in 2022, producing 6.1 million tonnes.

- Safety: Maintaining high safety standards in 2022, with low injury rates and zero fatalities.
- War in Ukraine: Initiating Ferrexpo Humanitarian Fund, providing direct support.
- Climate change: Lowering Scope 1 and 2 emissions at our operations by 1% (per unit of production basis). Simultaneously lowering Scope 3 emissions by 1%.

- Cost control: C1 costs⁴ rose by 49% amid conflict risks limiting production volumes, and diverting logistics, plus global factors (energy costs and inflation).
- Key driver: 64% decrease in total mining volumes driving 19% cut to productivity of diesel consumption.
- Key driver: 46% decrease in pellet production driving 6% cut to productivity of natural gas consumption.

- Long-term partners: Sales into accessible markets (Europe) only declined by 23% in 2022, despite the war in Ukraine, demonstrating our supportive customer relationships in this region.
- Future focus: Increasing offering of DR pellets to 6% of total pellet production, reflecting pivot to new markets.
- Customer engagement: Maintaining a customer portfolio with a lower carbon footprint¹.

- Balance sheet strength: Net cash position maintained.
- Capital investment continues: US\$161 million invested in operations in 2022, with growth projects completed (see page 29 for more information).
- Shareholder returns: 55% of free cash flow in 2022 (2021: 37%), reflecting the timing of distributions made during 2022.

Strategy for 2023

- Product portfolio: Continue to develop DR pellet offering, helping to maintain our portfolio of high quality customers.
- High grade focus: Continue to invest in high grade forms of iron ore.
- War in Ukraine: Resume Wave 1 Expansion once conflict risks subside.

- Health and safety: Continue to deliver strong safety performance.
- War in Ukraine: Continue to work with our workforce and local communities to respond to their needs; focus on wellbeing.
- Climate change: Publish life cycle assessment, representing a study into the environmental impact of steel made from pellets, benchmarked against steel production based on sinter fines.
- Community support: Initiatives via both the Ferrexpo Humanitarian Fund and Ferrexpo Charity Fund.

- War in Ukraine: Working within the confines of the war in Ukraine, adapt to new operating constraints and target strategic sales in a complex operating environment.
- Cost control: Balance supply risks for key consumables with effective cost control, targeting lowest quartile pellet production.
- Modernisation programme: Utilise available technologies to pivot away from hydrocarbon use and lower cost alternatives, helping to also reduce emissions.

- War in Ukraine: Review cost effective solutions for returning to the seaborne market, pending reopening of Ukraine's Black Sea ports.
- Decarbonisation: Continue to liaise with customers and suppliers on decarbonisation plans and pivot by steel producers towards electric arc furnace technology (relevant for DR pellets).
- Pellet quality: Look to partner with existing and prospective customers to help lower our Scope 3 emissions.

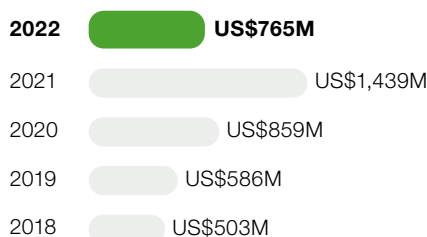
- Capital discipline: Ensure that the needs of all stakeholders are met through a measured approach to capital investment and shareholder returns, whilst maintaining the strong metrics of our balance sheet.
- War in Ukraine: Approach in 2023 to be driven by conflict risks in Ukraine, with the restart of investments in Wave 1 Expansion should conflict risks subside.

1. Source: CRU. Natural gas based direct reduction without carbon capture.

Key Performance Indicators (“KPIs”)

Measuring our performance in 2022

Financial KPIs

Underlying EBITDA^AUS\$765^M

[Link to strategy: 1, 2, 3, 4 and 5.](#)

Definition

Underlying EBITDA^A represents profit before tax and finance plus depreciation and amortisation, net gains and losses from disposal of investments and property, plant and equipment, share-based payments and write-offs and impairment losses. Underlying EBITDA^A measures the Group's ability to generate cash as well as providing a useful measure of operating performance excluding certain non-cash items.

Underlying EBITDA^A is an Alternative Performance Measure – please see page 212 for more details.

The remuneration packages of the Group's executive management team, including the Chief Executive Officer, include references to the Group's Underlying EBITDA^A. Please see page 124 for more details of the Group's incentive programme.

Our performance in 2022

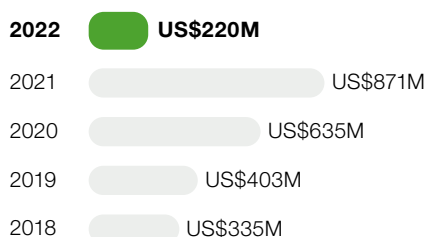
Underlying EBITDA^A declined by 47% to US\$765 million, in line with production volumes, which declined by 46% as a result

of restrictions related to Russia's invasion of Ukraine in 2022. Additional factors include the effect of lower production and sales on operating costs, with reduced economies of scale, as well as global factors, such as rising energy prices and inflation. The devaluation of the Ukrainian hryvnia is also reflected in this metric, providing a gain of US\$339 million in 2022.

Looking forward to 2023

The Group expects to maintain a similar level of Underlying EBITDA^A margin in 2023 as seen in previous years, which was 61% in 2022 and averaged 49% in the three years prior to the war in Ukraine (2019–2021). Production and sales volumes are largely dependent on the easing of conflict risks facing the Ferrexpo business, and therefore a wide range of outcomes are possible in the year ahead. Resumption of cost effective, consistent access to the seaborne market would be a potential trigger for increased production and sales, since it would enable us to deliver material quantities to a broader range of global markets.

Profit after tax

US\$220^M

[Link to strategy: 1, 2, 3, 4 and 5.](#)

Definition

In addition to Alternative Performance Measures, Ferrexpo considers the IFRS results of the Group to be an important measurement of profitability. Profit after tax is depicted in the Group's Consolidated Income Statement on page 151.

Profit after tax is the earnings of a business after all income taxes have been deducted.

Our performance in 2022

Profit after tax fell by 75% to US\$220 million in 2022, reflecting the factors discussed above (conflict risks and operational/logistical constraints related to the war in Ukraine, in addition to global factors).

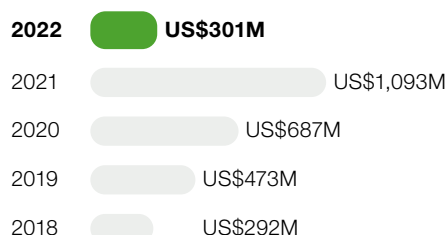
Looking forward to 2023

The Group's outlook for the year ahead is heavily dependent on the outlook for the war in Ukraine and any easing of constraints imposed by Russia's invasion.

In addition to the factors discussed above in the Underlying EBITDA^A section, profit after tax also considers the tax impact on the Group and other factors such as interest and finance expenses. Given that Ferrexpo remains in a net cash position, with no debt, these are currently not material in the Group's overall financial performance. In light of the Group's net cash position and location in Ukraine, the Group does not expect to undertake any new material debt facilities in 2023, but remains in contact with a number of potential capital providers.

Net cash flow from operating activities

US\$301^M



[Link to strategy: 1, 2, 3, 4 and 5.](#)

Definition

Net cash flow from operating activities represents the cash flow generation ability of the Group, and is a measure indicative of the funding a company brings in from its ongoing, regular business activities, such as pellet production and sales. It is depicted on the Group's Consolidated Statement of Cash Flows on page 154.

Net cash flow from operating activities indicates the level of cash flow available for investments, returns to shareholders and debt reduction.

Our performance in 2022

The primary factor in the Group's financial performance, as discussed under the other financial metrics presented in this section, is the war in Ukraine and the operational and logistical restrictions related to it. Net cash flow from operating activities declined by 72% to US\$301 million in 2022 following the impact of the war in Ukraine – see discussion opposite for Underlying EBITDA^A for the key drivers of the Group's financial performance.

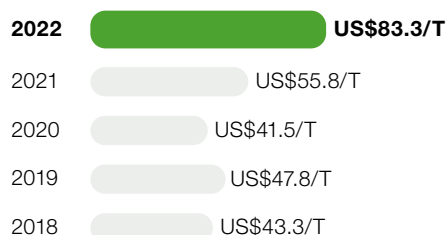
Looking forward to 2023

The Group's financial performance, including net cash flow from operating activities, is expected to be heavily reliant on the conflict risks facing the Group in 2023, with a wide range of potential outcomes. Despite the war, the Group has continued its focus on high grade, high quality forms of iron ore, as has been the Group's strategy since listing in 2007.

As a result of producing high margin products, the Group expects to remain competitive throughout the commodities cycle.

C1 cash cost of production^A ("C1 costs^A")

US\$83.3/T



[Link to strategy: 1, 2, 3, 4 and 5.](#)

Definition

The C1 cash cost of production^A is the cost of production processes to the factory gate, divided by production. This is an industry standard measurement and assesses Ferrexpo's relative competitiveness compared with other pellet producers.

C1 cash cost of production^A is an Alternative Performance Measure – please see page 212 for more details.

The remuneration packages of the Group's executive management team, including the Chief Executive Officer, include references to the Group's C1 cash cost of production^A. Please see page 124 for more details of the Group's incentive programme.

Our performance in 2022

The Group's C1 cash cost of production^A rose by 49% to US\$83 per tonne in 2022 (2021: US\$56 per tonne), reflecting conflict risks in 2022 and associated restrictions on the Group's ability to operate and ship at its nameplate level of capacity. Additional global factors, including rising energy prices and inflation, were key factors specific to 2022.

Looking forward to 2023

As discussed under the other financial metrics presented in this section, the war in Ukraine represents a material factor in the Group's outlook and a wide range of outcomes are possible depending on how the conflict evolves in 2023.

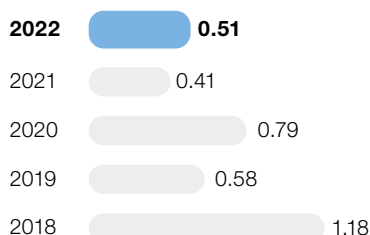
Should the conflict-related risks and restrictions ease in the coming year, the Group would expect its C1 cash cost of production^A to reduce, as the Group would benefit from economies of scale through operating at, or close to, its nameplate capacity. Energy costs and inflation persist, however, and therefore it is expected that costs will not fully return to historic levels until these global factors, amongst others, return to normal levels.

Key Performance Indicators (“KPIs”) continued

Non-financial KPIs

Lost time injury frequency rate (“LTIFR”)

0.51 LTIFR



[Link to strategy: 1, 2, 3, 4 and 5.](#)

Definition

Safety is the Group's highest priority. We aim to ensure that our workforce operates in a safe environment and is trained in safe working practices.

An organisation's LTIFR is a lagging indicator of safety, and is calculated as the number of lost time injuries incurred by an organisation's workforce (being employees and contractors) per million hours worked. LTIFR is an industry standard measurement and an important indicator of how safe the work environment is.

The remuneration packages of the Group's executive management team, including the Chief Executive Officer, include references to the Group's LTIFR. Please see page 124 for more details of the Group's incentive programme.

Our performance in 2022

The Group's LTIFR has remained at a relatively low level for approximately four years, falling from an average of 1.18 (2016–2018) to an average of 0.57 in subsequent years. The result for 2022 (0.51)

was in line with recent performance and ahead of the Group's historical (five year) trailing average of 0.83. For context, Ferrexpo's iron ore producing peers in the Pilbara region of Western Australia operated with a LTIFR of 1.1 in the year to June 2021¹ (most recently published data).

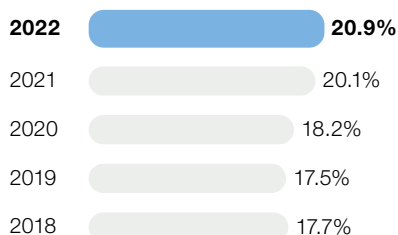
Safety performance is also measured via the number of fatalities at the Group's operations, which have remained fatality-free for more than two years.

Looking forward to 2023

The Group has maintained a low level of injuries and injury incidents in recent years, with an incidence rate materially below its industry peers. The Group aims to continue this progress, through targeting no lost time injuries. In 2022, Ferrexpo introduced a 'Zero Harm' policy that aims to ensure all workers return home safely from every shift. Please see page 32 for more on our approach to health and safety.

Diversity in management roles

20.9% female



[Link to strategy: 1, 2, 3 and 5.](#)

Definition

Diversity is an important aspect of any modern business, and Ferrexpo has initiatives to promote diversity in many forms – including diversity based on gender, disability, sexual orientation and cultural diversity.

Gender diversity is measured through a number of metrics, including total workforce and female representation in management positions, defined as roles that are grade 10 and above (based on the Group's internal grading system).

The Group prefers to focus on female representation in management roles as it is a reflection of women progressing their careers at Ferrexpo, rather than including entry-level roles.

The remuneration packages of the Group's executive management team, including the Chief Executive Officer, include references to the Group's workforce diversity. Please see page 124 for more details of the Group's incentive programme.

Our performance in 2022

The Group has seen significant progress in increasing the level of female representation in managerial positions, rising to 20.9% in 2022. This follows a multi-year trend, whereby this figure has increased from 18% in 2019 to the level seen today, with the Group setting a target of achieving 25% by 2030.

Looking forward to 2023

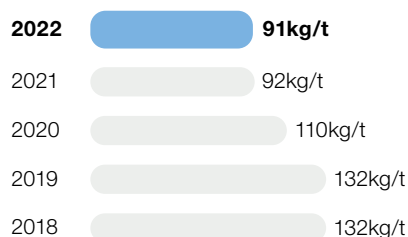
The Group's diversity programme is targeting female representation in a number of departments, at a range of levels within our organisation. Our lead programme for promoting gender diversity in management roles is our "Fe_munity" women in leadership programme, which is now in its third year of selecting and training high potential future female leaders of our business. This programme has trained more than 200 participants since this project's inception.

Please see page 42 for more on our approach to diversity in our workforce.

1. Source: Government of Western Australia ([link](#)).

Greenhouse gas emissions

91kg/t


[Link to strategy: 1, 2, 3, 4 and 5](#)

Definition

The Group understands the importance of climate change and we report emissions of greenhouse gases (Scope 1, 2 and 3) as a means of tracking progress in our decarbonisation efforts. Given the short-term volatility in our production due to the war in Ukraine, and our long-term growth ambitions for production, we consider emissions per tonne as the most representative metric for our performance.

The remuneration packages of the Group's executive management team, including the Chief Executive Officer, include references to the Group's greenhouse gas emissions. Please see page 124 for more details of the Group's incentive programme.

Our performance in 2022

Scope 1 and 2 emissions per tonne fell by 1% in 2022, reflecting a reduction in the ancillary activities as a result of the war. Total emissions (Scopes 1, 2 and 3) fell by 1% in 2022 as a result of the increased output of direct reduction pellets, with downstream

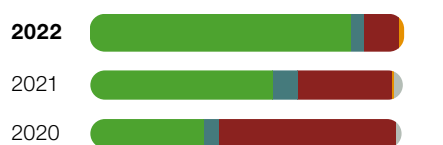
use of pellets (steelmaking) representing 89% of total emissions. Please see page 34 for more. To date, we have reduced Scope 1 and 2 emissions¹ by 31% since our baseline year (2019). Scope 3 emissions have been reduced by 3% during the same timeframe.

Looking forward to 2023

The Group expects to continue its decarbonisation pathway, aiming for a 50% reduction in Scope 1 and 2 emissions¹ by 2030. Individual years may vary depending on operational activities and restrictions relating to the war in Ukraine, but the Group retains its strategic goal of net zero production by 2050². The Group also announced Scope 3 emissions targets on page 8 of its Climate Change Report, published in December 2022.

Given the ongoing war in Ukraine and the wide range of potential production outcomes that could result in 2023, it is difficult to estimate short-term achievements in emissions reduction, but we remain focused on our goals for 2030.

Sales volume by region

83% to Europe³

Region	2022	2021	2020
► Europe, incl. Turkey (BF pellet market)	83%	58%	36%
► North East Asia (BF pellet market)	4%	8%	5%
► China & South East Asia (BF pellet market)	11%	30%	56%
► Middle East & North Africa (DR pellet market)	2%	0.4%	0%
► North America (DR pellet market)	-	3%	2%

[Link to strategy: 1, 2, 3, 4 and 5.](#)

Definition

Ferrexpo believes it is important to have a diversified customer base to be able to withstand periods of volatility in specific regions. Ferrexpo has, however, been restricted in its sales portfolio in 2022 due to the war in Ukraine, which has closed Ukraine's access to the Black Sea.

In the past, Ferrexpo has utilised its central geographic location between Europe, the Middle East and Asia, as a natural hedge against risk during periods of market upheaval. The global Covid-19 pandemic in 2020 is a clear example of this, whereby we successfully pivoted our sales portfolio towards China, increasing sales to this market to more than 50% of the total, in response to rising demand in this market.

Over time, this KPI will demonstrate the shift in our product portfolio towards greater quantities of direct reduction ("DR") pellets, which, as of today, are primarily bought by steelmakers in the Middle East and North Africa (collectively "MENA") and North America. In the medium to long term,

it is expected that buying of DR pellets will increase across global markets as steelmakers seek to lower their emissions of greenhouse gases.

Our performance in 2022

Given the Russian invasion of Ukraine in 2022, and related closure of Ukraine's access to the Black Sea, our sales portfolio pivoted to customers in Europe as a result. A proportion of our DR pellet production was sold to a European customer, for onward transport to a facility outside of this region.

Looking forward to 2023

The Group is seeking to re-establish a consistent and financially viable link to the seaborne export market via alternatives to Ukraine's ports. Should the Group be successful in this endeavour, or should the conflict in Ukraine ease in 2023, the Group expects to gradually return to a sales mix similar to previous years. In the event that this does not occur, the Group expects sales to be similarly weighted towards European customers in 2023.

1. Scope 1 and Scope 2 emissions on a combined basis, per tonne of production.

2. Net zero production for Scope 1 and Scope 2 emissions combined. The Group has a Scope 3 target of a 50% reduction by 2050 (per tonne basis).

3. Note 'Europe' category includes sales to Turkey.

Financial Review

Investments to create a resilient, high margin business

Through a focus on premium products and effective cost controls, the Group has maintained strong margins on our sales, facilitating a stable net cash position year-on-year.



— **Nikolay Kladiev,**
Chief Financial Officer

Summary

The war in Ukraine has shaped the operational and financial performance of our business in 2022, with production and sales volumes 46% lower as a result of the restrictions imposed by the conflict in Ukraine (see pages 4 to 5 for a summary of the impacts felt). Key drivers for the Group's financial performance in 2022 include a significant impairment of US\$254 million and a net foreign exchange gain of US\$276 million (operating gain less non-operating loss), both of which are related to the war in Ukraine.

The Group's lower production and sales, combined with escalating energy prices and global inflation, C1 cash cost of production^A ("C1 costs^A") rose by 49%, resulted in a decline in Underlying EBITDA^A and profit after tax by 47% and 75% respectively. Despite the war, we continued to invest in our assets in 2022, with a further US\$161 million of capital investment^A.

Revenue

Group revenues declined by 50% to US\$1.2 billion in 2022 (2021: US\$2.5 billion), which principally reflects the restrictions imposed on our business due to the war in Ukraine (see pages 4 to 5 for a summary of effects of the conflict), which reduced pellet production by 46% to 6.1 million tonnes in 2022 (2021: 11.2 million tonnes).

Additional factors governing the Group's revenue in 2022 include a 25% decline in the benchmark iron ore price (65% Fe), a

6% reduction in freight rates, and an increase in pellet premiums. For more information on the market factors governing pricing of the Group's products, please see pages 8 to 11.

Furthermore, during the course of the year the Group grew stockpiles of finished products during 1H 2022 as the war in Ukraine created instability in logistics pathways. Stockpiles were subsequently reduced in 2H 2022 as the operating environment for production deteriorated, but sales volumes generally continued. This pattern ultimately reflected in total production and sales volumes remaining broadly in line in 2022 (2021: in line).

Seaborne freight revenue arising from cost and freight ("CFR") sales decreased revenue by US\$94 million compared to 2021, reflecting the net effect of lower sales volumes to seaborne markets.

Revenues from the Group's barging and bunker operations, First-DDSG Logistics Holding, increased by US\$4 million in 2022 compared with 2021 as a result of higher freight rates and bunker volumes and prices.

C1 cash cost of production^A

The Group's average C1 costs^A for 2022 was US\$83.3 per tonne, compared with US\$55.8 per tonne in 2021, reflecting a 49% year-on-year increase. Key drivers behind the higher level of C1 costs^A include the 46% reduction in both iron ore pellet production and sales volumes, with the war resulting in an

Revenue

(50%)

Decline in revenues in line with 46% reduction in sales volumes.

Underlying EBITDA^A margin

61%

Growing our Underlying EBITDA^A margin by a further 4 percentage points in 2022 (2021: 57%).

Capital investment^A

US\$161^M

Continued investments in 2022, with a focus on near-term growth projects (2021: US\$361 million).

amended logistics landscape in 2022. The Group's higher unit C1 costs^A were impacted to a greater extent by the Group's fixed cost base in 2022, as a result of 46% lower pellet production volumes.

In addition to the factors discussed earlier in this section, 2022 saw significant cost inflation associated with energy prices and global inflation, driven in part by the war in Ukraine and restricted global energy supply. As an example of the variability of energy costs during the year, the Brent price of crude oil rose from US\$87 per barrel in January 2022 to a monthly peak of US\$123 per barrel in June 2022 (40% increase), before declining to US\$81 per barrel in December 2022¹. This escalation in energy pricing during the course of the year represents a significant factor in the Group's operating costs given that energy has historically represented more than 40% of the Group's C1 costs^A – see page 25 for more information.

In more detail, the energy-related components of the Group's C1 costs^A are electricity (primarily used in beneficiation operations), natural gas and biofuels (used in the Group's pelletiser) and liquid fuels such as diesel (principally used in mining operations). These energy costs represented a combined 49% of the Group's C1 costs^A in 2022 (2021: 45%), with natural gas prices in Ukraine increasing by 129% between 3Q 2021 (at a time when prices were in line with the average for 2021), and 1Q 2022, when supply risks relating to Russia's invasion of Ukraine were realised. Since this initial price spike, natural gas prices declined by 31% between 1Q and 4Q 2022, reflecting lower than expected demand in global markets. Electricity prices in Ukraine followed a similar trend in 2022, rising by 45% between 3Q 2021 and 1Q 2022, before prices subsequently retreated 18% by 4Q 2022².

As detailed in the Group's 2021 Annual Report and Accounts, Ukraine implemented a new royalty regime for iron ore producers that came into force in January 2022. This regime comprises a royalty payment based on the spot iron ore (62% Fe) fines price, with no reference to pellet premiums or freight rates, which is structured as follows: (1) at monthly iron ore prices (62% Fe) less than or equal to US\$100 per tonne, a royalty rate of 3.5% will apply to iron ore product sales, (2) at prices less than or equal to US\$200 per tonne, a royalty rate of 5% will apply and (3) at prices above US\$200 per tonne, a royalty rate of 10% will apply. Royalties are not tiered and therefore the rate applied will apply to the full price of the iron ore product being sold. The regime outlined above compares to the previous iron ore royalty calculation, whereby the Group paid a flat royalty rate of approximately US\$3.5 per tonne of all tonnes sold. As shown in the Market Review section (see table on page 10), benchmark iron ore fines

Key Financial Performance Indicators

US\$ million (unless stated otherwise)	2022	2021	YoY change
Total pellet production (kt)	6,053	11,220	(46%)
Sales volumes (kt)	6,183	11,350	(46%)
Iron ore price (65% Fe Index, US\$/t) ³	139	186	(25%)
Revenue	1,248	2,518	(50%)
C1 cash cost of production ^A (US\$/t)	83.3	55.8	+49%
Underlying EBITDA ^A	765	1,439	(47%)
Underlying EBITDA ^A margin	61%	57%	+4pp
Debt servicing	42	215	(80%)
Capital investment ^A	161	361	(55%)
Closing net cash	106	117	(9%)

prices for material grading 62% Fe averaged US\$120 per tonne in 2022 (2021: US\$160 per tonne)³. Given the level of monthly iron ore pricing in 2022, the impact of the royalty rate on C1 costs^A was US\$7 per tonne in 2022.

In line with previous years, the Group's C1 costs^A represent the cash costs of production of iron pellets from own ore (to the mine gate), divided by production volume from own ore, and excludes non-cash costs such as depreciation, pension costs and inventory movements, as well as the costs of purchased ore, concentrate and gravel. The C1 cash cost of production^A (US dollars per tonne) is regarded as an Alternative Performance Measure ("APM"). For further information, please see pages 212 to 213.

Selling and distribution costs

Total selling and distribution costs were US\$236 million in 2022 (2021: US\$340 million), reflecting lower sales to seaborne markets due to the war in Ukraine. As a result, international freight costs from CFR sales decreased by US\$120 million compared to 2021.

General and administrative expenses

General, administrative and other expenses in 2022 were US\$64 million (2021: US\$72 million), with this decrease mainly due to the net impact of higher inflation and lower production volumes, with the latter a direct consequence of the war in Ukraine.

Currency

Ferrexpo prepares its accounts in US dollars. The functional currency of the Group's operations in Ukraine is the Ukrainian hryvnia, which has historically represented approximately half of the Group's operating costs.

In 2022, the hryvnia depreciated by 34% from UAH 27 per US dollar as of 31 December 2021 to UAH 37 per US dollar as of 31 December 2022. The National Bank of Ukraine ("NBU") set the exchange rate at

Ukrainian hryvnia vs. US dollar⁴

UAH per USD

Spot 28.02.23

36.5686

Opening rate 01.01.22

27.2782

Closing rate 31.12.22

36.5686

Average 2022

32.3423

Average 2021

27.2862

approximately UAH 37 per US dollar as of 21 July 2022, within the framework of the Martial Law entered into force since 24 February 2022. As a result of the introduced Martial Law, the NBU has introduced significant currency and capital control restrictions in Ukraine. These measures limit the possibility to convert local currency into US dollars, and the ability to transfer US dollars between onshore and offshore accounts of the Group. See Note 30 (Commitments, contingencies and legal disputes) for further information.

Operating foreign exchange losses

Given that the functional currency of the Ukrainian subsidiaries is the hryvnia, a depreciation of the hryvnia against the US dollar results in foreign exchange gain on the Group's Ukrainian subsidiaries' US dollar denominated receivable balances (from the sale of pellets). The operating foreign exchange gain in 2022 was US\$339 million compared to a loss of US\$38 million in 2021, when the hryvnia appreciated.

1. Source: Bloomberg.

2. Movements shown are based on quarterly averages.

3. Source: S&P Global Commodity Insights.

4. Source: National Bank of Ukraine.

Financial Review continued

Non-operating foreign exchange gains/losses

Non-operating foreign exchange gains are mainly due to the reclassification of US dollar denominated inter-company loans from quasi equity to operating loans. In 2022, the Group recorded a non-operating foreign exchange loss of US\$63 million (2021: loss of US\$3 million), which was driven by a 34% depreciation of the hryvnia during the year against the US dollar, as well as fluctuations in the euro/US dollar exchange rate. For further information, please see Note 9 (Foreign exchange gains and losses) to the Consolidated Financial Statements.

Underlying EBITDA^A

Underlying EBITDA^A in 2022 decreased by 47% to US\$765 million, with this decrease reflecting a 46% reduction in sales volumes, lower market factors, including a 25% reduction in the benchmark iron ore fines price, and a 49% increase in C1 costs^A.

The Group's Underlying EBITDA^A for 2022 includes a non-cash operating forex gain of US\$339 million (2021: non-cash operating forex loss of US\$38 million).

Interest

Interest expense on loans and borrowings declined by 95% to US\$0.5 million compared to US\$10 million in 2021, due to the repayment of the Group's pre-export finance

("PXF") facility in June 2021. Other than trade finance lines (utilised only in Q1 2022 for an average cost of 2.19%), the Group did not have any financial debt in 2022 and, therefore, no related financial expense (2021: average cost of debt of 4.7% driven by the PXF that was fully repaid in June 2021).

Further details on finance expense are disclosed in Note 10 (Net finance expense) to the Consolidated Financial Statements.

At the same time, interest income increased by 46% to US\$0.9 million compared to US\$0.6 million in 2021, reflecting the higher global interest rate environment.

Tax

In 2022, the Group's income tax expense was US\$119 million (2021: US\$200 million). The effective tax rate for 2022 was 35.0% (2021: 18.7%). The increase in the effective tax rate was predominantly driven by an impairment loss of US\$254 million on the Group's non-current operating assets, which is not tax deductible.

In 2022, the Group paid income taxes of US\$110 million (2021: US\$228 million), of which US\$91 million were paid in Ukraine (2021: US\$221 million).

Further details on taxation are disclosed in Note 11 (Taxation) to the Consolidated Financial Statements.

Items excluded from underlying earnings

The Group has recognised an impairment charge of US\$254 million as a result of a reduction in the carrying value of the Group's assets in Ukraine, and the devaluation of the local currency exchange rate seen in 2022. Please see Note 13 (Plant, property and equipment) to the Consolidated Financial Statements for more information.

In the prior period, an impairment charge of US\$231 million was recognised as at 31 December 2021, with this relating to stockpiled low grade ore as it cannot be reliably predicted as to when this material will be processed.

Please see Note 17 (Inventories) to the Consolidated Financial Statements for more information.

Profit for the period

Profit for the period decreased by 75% to US\$220 million compared with US\$871 million in 2021, reflecting a 62% decrease in operating profit, as well as a foreign exchange gain of US\$339 million compared to a foreign exchange loss of US\$38 million in 2021.

Cash flows

Operating cash flow before changes in working capital decreased by 70% to US\$434 million, while the working capital outflow in

Case Study: Factors leading to the Group recording an impairment loss



Image: Iron ore pellet stockpile located at our assets in Ukraine, where the Ukrainian hryvnia devalued by 34% in 2022.

Despite the Russian invasion into Ukraine on 24 February 2022, the Group continued to operate throughout the majority of 2022, albeit at a much lower capacity. However, the situation in Ukraine continues to represent a significant risk to the Group's operations and the point of time of the recovery of the production and sales volumes to pre-war levels is currently uncertain. As a result, the Group continuously adjusts its long-term model in order to reflect the latest developments in terms of possible production and sales volumes as well as latest market prices and production costs, which are adversely affected by lower production volumes. These factors, combined with a higher discount rate to be used as a result of an increased Country Risk Premium for Ukraine, had an adverse impact on the value in use of the Group's non-current operating assets.

In accordance with IAS 36 Impairment of assets, the Group recorded an impairment loss of US\$254 million as of 30 June 2022 as the carrying value of the assets was exceeding the computed value in use by this amount.

2022 was US\$20 million (compared to an outflow of US\$139 million in 2021). The overall decrease in the working capital outflow largely reflects a balance of lower trade accounts receivable and higher inventories and VAT receivable, and a decrease in trade and other payables, which collectively provided a lower net effect in 2022.

As a result of lower operating cash flow, the net cash flow from operating activities decreased by 72% to US\$301 million in 2022 (2021: US\$1,094 million).

With respect to capital allocation, investment decreased by 55% to US\$161 million (2021: US\$361 million), while dividends paid during the 2022 calendar year decreased by 75% to 26.4 US cents compared to 105.6 US cents in 2021.

Capital investment^A

Capital expenditure in 2022 was US\$161 million compared to US\$361 million in 2021. Of this amount for 2022, sustaining and modernisation capex was US\$57 million (2021: US\$113 million), covering activities at all of Ferrexpo's major business units. Given operational and logistics constraints relating to Russia's invasion of Ukraine in 2022, the Group maintained its levels of investment relating to sustaining capital investment, and reduced activities relating to expansion capital investment^A, particularly in relation to projects that are expected to deliver returns in the medium to long term. As such, major projects advanced in 2022 include US\$25 million spent on stripping activities for future production growth, US\$17 million spent on the completion of the Group's press filtration complex and US\$2 million on completion of the MFC-2 project, which will help raise pelletising capacity in the near term once operations return to full capacity.

Ferrexpo continued to invest in the primary crushers upgrade project, investing US\$4 million. A total of US\$37 million was spent on the Group's concentrator and pelletiser as part of the Wave 1 Expansion Programme, and a further US\$4 million was invested in infrastructure facilities. The Group also spent US\$11 million in the development and exploration of the Belanovo, Galeschynske and Northern deposits, and US\$2 million in a hydrolysis plant for the trial of hydrogen use as a fuel in the Group's pelletiser. The Group also invested US\$3 million in the procurement of new railcars in 2022. For further information on the Group's activities to grow its business in 2022, please see page 29.

Shareholder returns

Total dividends paid to date in respect of 2022 are 13.2 US cents (2021 total: 52.8 US cents). The Group has a shareholder returns policy outlining the Group's intention to deliver 30% of free cash flows as dividends in

respect of a given year. To date, the Group has announced dividends in respect of the 2022 financial year representing 55% of the Group's free cash flow in 2022.

Debt and maturity profile

Ferrexpo has maintained a strong balance sheet in 2022, including low levels of gross debt and had a net cash position as of 31 December 2022. As of 31 December 2022, the Group's net cash position was US\$106 million (31 December 2021: US\$117 million net cash position). The Group had no debt facilities as of 31 December 2022, compared with US\$50 million as of 31 December 2021.

The balance of cash and cash equivalents held in Ukraine amounts to US\$45 million as at 31 December 2022 (31 December 2021: US\$52 million). Despite the foreign exchange control measures imposed under Martial Law in Ukraine (see Note 30 Commitments, contingencies and legal disputes), this balance is fully available to the Group for its operations in Ukraine and is therefore not considered restricted.

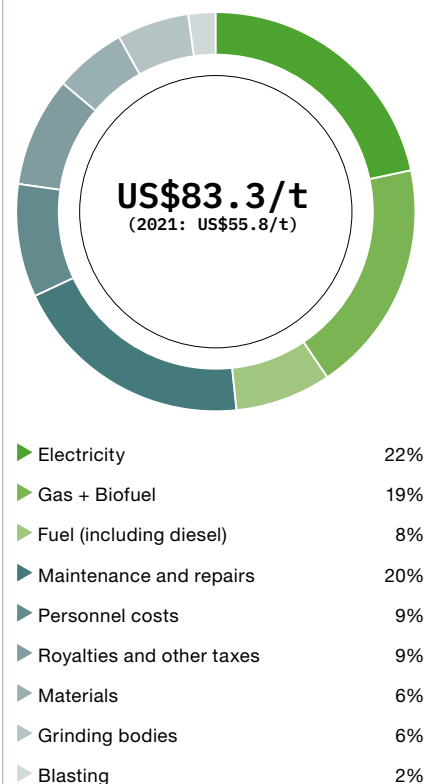
As of 31 December 2022, the credit ratings agency Moody's had a long-term corporate and debt rating for Ferrexpo of Caa2, with a negative outlook. The credit ratings agency Fitch maintains a CCC+ rating on the Group. While the credit rating of Ferrexpo is capped by the sovereign credit rating of Ukraine, the ceilings for credit ratings ascribed to Ferrexpo by both Moody's and Fitch are higher (one notch above sovereign, Caa3, for Moody's and three notches above sovereign, CC, for Fitch).

During the course of 2022, as risks relating to the Russian invasion of Ukraine escalated after 24 February 2022, the credit ratings agencies took a number of steps to update their assessments of Ukrainian issuers. As of 14 February 2023, Moody's had a long-term corporate and debt rating for Ferrexpo of Caa3, with a negative outlook. Similarly, as of 29 July 2022, Fitch had a long-term corporate and debt rating for Ferrexpo plc of CCC+. Whilst the credit rating of Ferrexpo is capped by the sovereign credit rating of Ukraine, the credit rating ascribed to Ferrexpo by Fitch is higher. The credit ratings agency Standard & Poor's has temporarily suspended the credit rating for Ferrexpo plc, following an action to suspend coverage of all Ukrainian issuers in March 2022.

Related party transactions

The Group enters into arm's length transactions with entities under the common control of Kostyantyn Zhevago and his associates. For further information, please see Note 34 (Related party disclosures).

Breakdown of C1 costs^A in 2022



Note: above numbers are rounded to nearest percentage.

Breakdown of C1 costs^A

C1 costs^A in 2022 increased by 49% in 2022 to US\$83 per tonne, with this increase principally related to the increasing unit cost of energy such as natural gas, fuel (principally diesel) and electricity. This change is demonstrated in the chart above, with energy-related costs comprising 49% of our C1 costs^A in 2022 (2021: 45%).

In light of the ongoing war in Ukraine, scaling back of production activities and devaluation of the local currency in Ukraine, maintenance and repair costs fell to 20% in 2022 (2021: 22%), and materials costs reduced to 6% in 2022 (2021: 8%). The Group's decision to continue paying its workforce despite lower production volumes resulted in a small increase in percentage terms to 9% in 2022 (2021: 8%).

Royalties increased from 6% in 2021 to 9% in 2022 – please see page 23 for details of the revised royalty regime that was implemented at the start of the year.

Operational Review

Scaling operations in line with accessible markets

The Group managed to maintain production throughout the majority of 2022, and continued shipments to customers for the entire year, despite the challenges posed by the ongoing Russian invasion of Ukraine.



— **Viktor Lotous,**
Head of Ferrexpo's
Operations in Ukraine
(FPM General Director)

As a producer of a bulk commodity, our access to logistics is key in our ability to produce and sell our products. As a consequence of the war in Ukraine, our activities in 2022 were therefore appropriately scaled throughout the year, according to the number of customers that were accessible at any given time. Furthermore, attacks on Ukraine's state-owned electricity network in 4Q 2022 limited our ability to produce. Shipments were, however, maintained throughout the year, which is testament to the commitment of our operating and marketing teams.

Health and safety

2022 represented our second successive year with no fatalities, and we maintained our strong performance in relation to our key safety metric (lost time injury frequency rate). Please see page 32 for more information on our safety performance in 2022.

Reserves and resources

Ferrexpo controls licences covering a number of deposits located along the Kremenchuk Magnetic Anomaly, which is a magnetite deposit that extends for more than 50 kilometres. The Group has active mines on three deposits and additional licences for deposits immediately to the north of our active operations.

Across the Group's three active mines, we have a JORC-compliant Ore Reserve estimate

of 1.6 billion tonnes of iron ore, with an iron ("Fe") content of 32% Fe (2021: 1.6 billion tonnes grading 32% Fe).

Our JORC-compliant Mineral Resource estimate across our three active mines is 5.7 billion tonnes of iron ore, with an iron ("Fe") content of 32% Fe (2021: 5.8 billion tonnes grading 32% Fe), which is inclusive of Ore Reserves.

In addition, at a number of exploration properties immediately north of our active mines, we have exploration stage properties with a combined non-JORC compliant Mineral Resource estimate of 14 billion tonnes of iron ore, grading 34% Fe (collectively referred to as the "Northern Deposits").

A table detailing the Group's JORC-compliant Ore Reserves and Mineral Resources as at 1 January 2023 is provided on page 28 of this report.

Mining activities

Throughout the year, we have scaled our mining operations according to the ore requirement of the processing plant, which has been set by the degree of accessible customer markets. See pages 4 to 5 for more information on the various impacts imposed by the conflict in 2022.

Overall mining volumes across the Group saw a total movement of 55 million tonnes across our three mines in 2022 (2021: 152 million tonnes), with this 64% decline in total

Resilient production

6.1^{MT}

Pellet production continues, despite more than 250 days of Russia's invasion during the course of 2022.

Focus on quality

100%

Output continues to be comprised entirely of high grade forms of iron ore.

Shifting to direct reduction pellets

6%

Increasing proportion of direct reduction pellets to 6% of total pellet production in 2022 (2021: 4%).

movement reflective of the war in Ukraine and the 46% decrease in sales volumes during the year.

Following the outbreak of Russia's invasion, mining activities initially focused on both the Poltava and Yeristovo mines, with strong European demand for iron ore, and therefore production volumes remained in line in 1Q 2022. Subsequently, production volumes in 2Q 2022 fell by 22% as logistics constraints increased and European steel mills curtailed buying activities having established larger raw inventories to mitigate supply risks.

With additional logistics restrictions in 3Q 2022, principally relating to attacks on the railway network and increased demand due to the grain season in Ukraine, the Group further lowered its production and focused its ore mining activities on the Yeristovo mine, to optimise mining costs.

Finally, in 4Q 2022, Russian attacks on state-owned electricity infrastructure resulted in a lack of power at our processing plant. In response, mining activities were paused given the lack of ore demand for production.

In light of the restrictions described above, mining tonnages at all three mines fell by between 50% and 80% during 2022, with a lower reduction of ore mining activities seen at both Poltava and Yeristovo mines (30–50% reduction).

Processing activities

As referenced above, processing activities were scaled according to accessible markets throughout the year, given the ongoing war in Ukraine. As such, processing volumes decreased by 44% during 2022 to 17 million tonnes, reflecting the above restrictions and reduced demand for iron ore pellets as a result of lower steel margins in Europe (being the main customer market for the Group given restricted access to seaborne markets).

A key area of focus of the Group's processing operations in 2022 was developing our offering of direct reduction ("DR") iron ore pellets, which is a product that is typically used in electric arc furnaces ("EAFs"). Since an EAF represents a more energy efficient process than the main alternative method of steelmaking (blast furnace), DR pellets have a materially lower Scope 3 carbon emissions footprint for the Group, whilst also generating higher pellet premiums for us through a higher iron ore grade.

In 2022, we produced 353 kilotonnes of DR pellets, which is a decrease of 18% on the previous year, but the proportion of total pellet output increased to 6% (2021: 4%). Through further developing our understanding of this product, as well as using 2022 as an opportunity to establish new relationships with potential customers, we are confident that we will emerge from the conflict in

Operational performance

(000't unless otherwise stated)	2022	2021	YoY change
Production			
Iron ore mined	18,837	33,764	(44%)
Strip ratio	1.9	3.5	(45%)
Iron ore processed	17,375	31,111	(44%)
Concentrate production	8,430	14,655	(42%)
Pellet production	6,053	11,220	(46%)
– Direct reduction pellets (67% Fe)	353	431	(18%)
– Premium blast furnace pellets (65% Fe)	5,700	10,790	(47%)
– Basic blast furnace pellets (62% Fe)	–	–	–
Commercial concentrate production	124	234	(47%)
Iron ore sales			
– Pellets	6,055	11,115	(46%)
– Concentrate	128	234	(45%)
– Total products sold	6,183	11,349	(46%)

Ukraine with a more developed footprint for global DR pellet markets.

The war in Ukraine has created delays and uncertainty over our ability to sell our production at specific points in 2022.

To maintain the strength of our balance sheet throughout the conflict, we have sought to avoid the creation of significant stockpiles of finished iron ore pellets, as these capture operating costs, but do not deliver immediate opportunities to realise revenues. However, iron ore pellets do not materially degrade if stockpiled, and therefore it is not detrimental to the Group if material is temporarily stockpiled.

Given fluctuations in logistics availability during 2022, the Group accumulated a stockpile inventory of 1.0 million tonnes by the middle of 2Q 2022, with production scaled in 2H 2022 to ensure an effective drawdown of these stockpiles. As a result, the Group ended the year with stockpiles similar in size to the Group's stockpiles as at 31 December 2021 (approximately 0.1 million tonnes larger as of January 2023). The Group's stockpiles are located at our operations in Ukraine or at staging points across our logistics network, either within Ukraine or at key rehandling locations overseas.

Growth programme

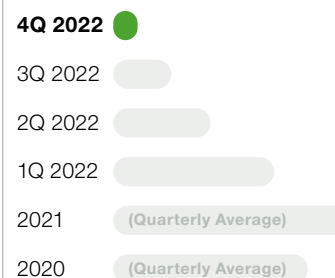
Our Wave 1 Expansion programme, which would see us increase our production capacity by an additional three million tonnes of iron ore pellets per annum, remains an objective of the Group. Significant investment in this programme remains on hold whilst there are elevated risks associated with the war in Ukraine, but it is our intention to resume activities once the risk profile of the Group normalises.

Iron ore mined volume

(44%)

Iron ore mining volumes fell by 44% in 2022, broadly in line with the level of reduction seen in iron ore pellet sales volumes.

Total movement by quarter: gradual impact of conflict in Ukraine



Read more on our KPIs on page 18

Operational Review continued

Despite the war in Ukraine, a number of growth projects were completed or continued in 2022. These projects principally relate to projects that were close to completion as of February 2022, or represent low cost, high value projects that were deemed suitable for completion during the year. Please see page 29 for more information on growth projects completed in 2022.

Sustainability programme

We continued to implement our various sustainability initiatives throughout 2022, reducing our Scope 1 and 2 emissions footprint (combined basis) by 1% (now 31% below our baseline year of 2019), and further increasing gender diversity amongst our management team. Please see pages 30 to 47 for more information on our sustainability programme.

Logistics activities

A major impact of the war in Ukraine in 2022 has been on our ability to ship our products. Please see pages 4 to 5 for a summary of the impacts incurred due to the conflict.

The Group's logistics network covers our use of the Ukrainian railway network, and beyond, for accessing European customers by rail. In addition, we have our inland waterway subsidiary First-DDSG for barging material along the River Danube. Our access to the seaborne market is typically via a berth at the Ukrainian port of Pivdennyi (formerly known as Yuzhny), but Russia's invasion in 2022 has limited Ukraine's access to the Black Sea. We have established potential routes into the seaborne market via alternative ports, and we are in advanced discussions to increase volumes of material shipped via these routes.

The logistics capacity of the Ukrainian railway network has remained under pressure during the year as a result of (a) Russia's attacks, and (b) the grain season in the summer of 2022, which reduced spare capacity across the network. Furthermore, power cuts across Ukraine in 4Q 2022 placed additional limits on the railway network's carrying capacity.

In terms of barging operations, First-DDSG's operations provided logistics flexibility at an important time for the business, helping facilitate shipments via an alternative logistics route.

Outlook

The Group expects that production volumes will continue to be linked to the volume of accessible sales in 2023.

We are currently operating with two of our four pelletiser lines, with this production predominantly being delivered to European customers. Should Ukraine's access to the Black Sea be restored, or should we be able to establish a port agreement that is consistent, scalable and economically viable, then returning to the seaborne market could potentially represent a catalyst for increasing output at our operations in the coming year. The Group demonstrated its flexibility in logistics during the global Covid-19 pandemic, when pellet sales to customers in China and South East Asia increased from 30% in 2019 to 56% in 2020, as demand in other regions fell. It would be the Group's intention to utilise this flexibility in global markets in 2023 if regular access to seaborne markets were to resume. An additional factor is the continued availability of the railway network in Ukraine, which is frequently subject to attacks by

Russia. Additional factors affecting the Group's access to the railway network in Ukraine may relate to demand from other railway users, with shifting demand patterns likely as Ukraine's economy adapts to a complex operating environment.

Furthermore, attacks on Ukraine's state-owned electricity infrastructure have previously impacted our ability to operate, and this is a factor that should be monitored in 2023, should these attacks continue.

It is our intention to maintain our global inventory of finished iron ore pellets at a stockpile level in line with previous years, but this may not be possible given periodic fluctuations in logistics availability. Should changes in the level of available logistics result in an increased inventory of pellets, the Group may elect to moderate production volumes in 2023 to ensure a stockpile drawdown, similar in scale to that seen in 2H 2022.

Given the wide range in potential logistics and production outcomes in 2023, it is difficult to provide a clear expectation on overall production volumes for 2023. Should, however, the conflict risks associated with the war in Ukraine subside during 2023, then the Group would expect to return to its nameplate capacity as soon as it is practical to do so.

JORC-Compliant Ore Reserves and Mineral Resources¹

				Proven			Probable			Total					
					Fe total %	Fe magnetic %		Fe total %	Fe magnetic %		Fe total %	Fe magnetic %			
JORC-compliant Ore Reserves				Mt			Mt			Mt					
Gorishne-Plavninske-Lavrykivske (“GPL”)				303	33	26	823	31	23	1,126	32	24			
Yerystivske				211	30	25	290	33	26	501	32	26			
Total				514	32	26	1,113	32	24	1,627	32	25			
				Measured			Indicated			Inferred			Total		
					Fe total %	Fe magnetic %		Fe total %	Fe magnetic %		Fe total %	Fe magnetic %		Fe total %	Fe magnetic %
JORC-compliant Mineral Resources				Mt			Mt			Mt			Mt		
Gorishne-Plavninske-Lavrykivske (“GPL”)				469	35	29	1,621	30	22	744	32	24	2,834	31	24
Yerystivske				260	35	29	571	34	27	382	33	27	1,213	34	27
Bilanivske				336	31	24	1,149	31	23	217	30	21	1,702	31	23
Total				1,065	34	27	3,341	31	23	1,343	32	24	5,749	32	24

1. The Group's JORC-compliant Ore Reserves and Mineral Resources shown above are based on an independent review completed by Bara Consulting, and are shown on a depleted basis as of 1 January 2023. The Group previously reported a resource estimate of 326Mt for the Galeschynske deposit, which is the subject of a legal dispute and is therefore not shown above; please see page 199 for more information.

Case Study: Investment in growth projects

Growth:

Continuing to expand and develop in 2022

In light of the ongoing war in Ukraine, we have paused our main expansion project – the Wave 1 Expansion Programme, which amounts to more than US\$600 million of total investment, growing our production capacity by approximately 25%. The Wave 1 Expansion continues to represent a significant growth project, and we intend to resume activities once the conflict risks in Ukraine are reduced.

The past year, however, did see a number of growth projects completed at our Ukrainian operations. Total investment during 2022 was US\$161 million, of which US\$104 million was in growth projects, and the majority of this expenditure was on projects either nearing completion as of February 2022 or those which represent low cost, high return opportunities.

The main project completed in 2022 is the press filtration project in our beneficiation plant, which will help deliver more efficient removal of moisture from concentrate as it exits the beneficiation plant. The equipment installed includes Metso press filtration technology, which represents a modern alternative to our existing vacuum filter system.

Benefits¹ are expected to include:

- Lower moisture levels will result in lower energy costs in the pelletiser, where we heat pellets to cure and harden them. Consequently, natural gas consumption rates are expected to be 3% lower on average across all pellet types, with associated benefits for C1 costs^A and Scope 1 greenhouse gas emissions.

3%

Newly completed press filtration complex expected to deliver a 3% reduction in natural gas consumption¹.

- Improved product quality, since excess moisture in green (unfired) pellets can lead to cracking as they are heated. The Cold Compression Strength (“CCS”) of our pellets, which is a key metric for pellet quality, is forecast to increase by 8% for our Ferrexpo Premium Pellets (65% Fe).
- Through more effective moisture removal, we will be able to increase throughput of material throughout our processing plant, resulting in 3% higher throughput rates (on average).
- A more efficient process will also result in lower losses of iron as concentrate is converted to pellets. This will result in a 0.2% Fe uplift in pellet grades (average).

1. Note that figures shown here in this case study are preliminary management estimates.

Image: The installation of an automated lathe in our maintenance department – an example of modern equipment – has helped improve safety and performance.

Responsible Business Review

Understanding the role of sustainability during a war

In reviewing the past year, our engagement with local stakeholders in Ukraine has been key to understanding our role. Companies have been essential to the local response during Russia's invasion in 2022, supporting workforces, their families and local communities.

US\$19^M

Total humanitarian support provided to date, including the Ferrexpo Humanitarian Fund, assisting more than 70 individual projects.

0.51

Strong safety performance continues with lost time injury frequency rate of 0.51 in 2022 (2021: 0.41).

1% Reduction

Our greenhouse gas emissions footprint fell by 1%¹ in 2022, despite the war in Ukraine.



Scan to read our latest
Responsible Business Report

01 Safety and Our People

See page 32 →

02 Environmental Stewardship

See page 34 →

03 TCFD Disclosures

See page 37 →

04 Diversity, Equity and Inclusion

See page 42 →

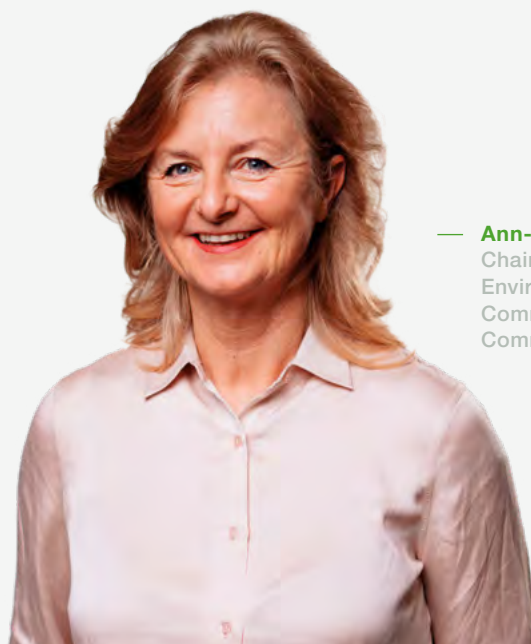
05 Supporting Communities

See page 44 →

06 Corporate Governance

See page 46 →

At Ferrexpo, we are proud to support Ukraine. Through our local presence and position as a long-term investor in the country, we have been able to provide targeted support throughout the war. However, our efforts in 2022 have not been limited to humanitarian aid, and we have continued to make good progress in a number of areas.



— **Ann-Christin Andersen**,
Chair, Health, Safety,
Environment and
Community (“HSEC”) Committee

As a responsible business, we understand our role in Ukraine today: supporting our people and communities across Ukraine, and providing this support through our experience and in-country presence. We are long-term investors in Ukraine, its people and its economy, which is only possible through positive, long-term partnerships with our Ukrainian stakeholders.

Our community engagement and support throughout the conflict in Ukraine has primarily been conducted via our Ferrexpo Humanitarian Fund (see page 44 for more details). We also have our long-standing Ferrexpo Charity Fund, which has been providing direct support to communities for more than 11 years now. In 2022, we were also proud to publish our seventh Responsible Business Report, which was published in both English and Ukrainian for the first time – an important step in us broadening our engagement with our local stakeholders.

Understanding the task ahead

It is clear that the war will have a long-lasting impact on Ukraine. At this point in time, it is important to understand the various impacts of the war on the people and communities of Ukraine, as well as Ferrexpo. Through this understanding, we can begin to tailor our approach to our Responsible Business activities in the future, in particular, our efforts in respect of the health and wellbeing of our people and local communities, as well as targeted humanitarian support.

With this in mind, we intend to revisit our materiality assessment of sustainability topics in the coming year, once the risks associated with the conflict have subsided. An assessment today would likely be skewed by a need for near-term humanitarian support, which we are already providing. With time, there will be an opportunity to

understand the longer-term needs of local communities, and we will tailor our approach according to the results of this work.

Safety and wellbeing

Health and safety is of paramount importance to us at Ferrexpo, and I am proud that our operations delivered another strong year in safety. We have taken numerous measures to protect our workforce from the threat of the conflict in Ukraine. As the war has progressed, we have also begun providing support for the wellbeing of our workforce, as we are conscious of the impact that living in a war might have on an individual's mental and physical health (see page 32 for more).

Levelling up our climate reporting

Understanding our environmental footprint and reducing our greenhouse gas emissions are key topics for modern companies. In 2022, despite the war in Ukraine, we continued to reduce our emissions, which fell by a further 1% in 2022, and this now puts us 31% below our baseline year of 2019¹. We also maintained our focus on developing our climate change strategy in 2022, publishing our inaugural Climate Change Report in December 2022, which serves to summarise our first phase of work with environmental consultants Ricardo Plc. In this report, we highlight a potential net zero pathway for our operations, as well as providing a detailed look at various climate change related risks and opportunities. Through this bespoke work, and our progress in reducing emissions to date, we were also able to upgrade our Scope 1 and 2 target for 2030 to 50% (from 30%)¹ and broaden our suite of targets to include Scope 3 emissions – setting reduction targets of 10% and 50% for 2030 and 2050 respectively². Our Scope 3 emissions are closely linked to our output of direct reduction (“DR”) pellets, and more can be found on this subject in our Climate Change Report.

Building an inclusive culture

We continue to make progress in our approach to diversity. Our gender diversity initiative – the “Fe_munity” women in leadership programme – has recently accepted its third intake of future female leaders of our business, and in 2022 we broadened this initiative to welcome women from across Ukraine. To help drive change, we are also now providing grants to aid career journeys – more on this on page 42.

Driving change and transformation is an integral part of being a sustainable business. This can be through embedding a culture of safety at our operations, which is now showing tangible progress, through to our approach to diversity, equity and inclusion (“DEI”), driven by our first diversity and inclusion officer at our operations. Looking forward, we are seeing an emerging phase of cultural change in biodiversity, with baseline studies underway.

I am proud to be a part of Ferrexpo, having seen the good work in sustainability being conducted in Ukraine during my most recent site visit in late 2021. We are proud to support communities across Ukraine at this time and look to a more positive future, when the war is over. It is a pleasure to witness the changes underway in sustainability at Ferrexpo, and I would like to thank everyone involved, from our workforce for their efforts to drive this change, to our customers, investors and suppliers for their engagement on sustainability topics.

Ann-Christin Andersen
Chair, HSEC Committee

1. Scope 1 and 2 emissions combined, on a per tonne of production basis.
2. Scope 3 emissions on a per tonne of production basis.

Responsible Business: Safety and Our People

Protecting the safety of our people

Our workforce comprises 10,000 employees and contractors; with more than 95% of our team located in Ukraine, it is critical that we protect our workforce from immediate dangers, but also help support their health and wellbeing at this difficult time.

Zero

Fatality-free for second successive year (2021–2022), targeting a zero harm working environment.

0.51

Ferrexpo achieved a lost time injury frequency rate of 0.51 in 2022 (2021: 0.41).

4

Four consecutive years of low injury rates, with results materially below our historic average and also below iron ore producing peers in Australia.

Case Study: Supporting wellbeing in a war zone

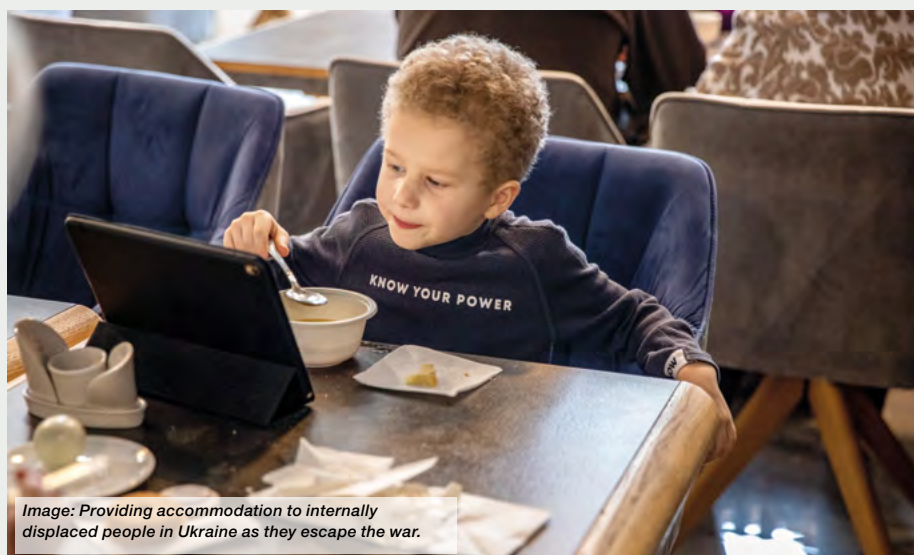


Image: Providing accommodation to internally displaced people in Ukraine as they escape the war.

Businesses in Ukraine at the present time are playing a critical role in supporting individuals and communities within Ukraine. As a business located outside of the main conflict zone, Ferrexpo has been able to support more than 3,500 internally displaced people as they relocate themselves and their families away from danger, with accommodation available at our hotels and other properties in the local area. For our workforce, we have provided psychological support, wellbeing classes and on-site yoga. For communities, we have trained local teachers to help extend our wellbeing programme to local schools, and are continuing to provide community support via the Ferrexpo Humanitarian Fund and Ferrexpo Charity Fund (see page 44 for more).

We are also supporting Ukrainian culture at this critical time, with initiatives such as marking Ukraine's first Statehood Day in July, hosting a poetry reading competition and publishing a book of employee poems to celebrate Ukrainian Writing and Language Day in November 2022.



Scan to watch our employees recite a Ukrainian poem, "I want to live without war".

Protecting our people

At Ferrexpo, we have a global workforce comprising almost 10,000 employees and contractors, with more than 95% based in Ukraine, and their safety is our first priority. Given the scale of our workforce, it was never an option to evacuate our people during the war in Ukraine, and therefore we have had to take extensive measures to protect our workforce with a war unfolding.

Measures taken have included remote working for those with suitable roles, to ensure that they were as far from the front line as possible. Measures for our on-site workforce have included the provision of air-raid shelters, adjusting shift patterns to align with night-time curfews and the provision of free meals in light of disruption to supply chains in local communities. In the early phase of the conflict, when uncertainty arose over the continued provision of social services, the Group commenced an on-site childcare facility for the children of employees, which was staffed by Ferrexpo volunteers, to ensure that children could be close by and safe during such an uncertain period of time. As the war evolved, the need for such facilities diminished as life began to resume in Ukraine, with schools opening and a 'new normal' beginning.

As the conflict evolved in 2022, so did our response – in 2H 2022, we focused our efforts on the supply of key equipment such as armoured ambulances and food packages to towns along the front line. We have also moved to provide wellbeing initiatives to help our workforce and community as they adapt to the stress of living in a war zone, with free psychological support.

We now have approximately 650 employees who are currently serving in the Armed Forces of Ukraine¹. We are proud of their efforts to defend Ukraine, and have supported them by providing personal protective equipment and other non-lethal equipment.

Operational safety initiatives maintained

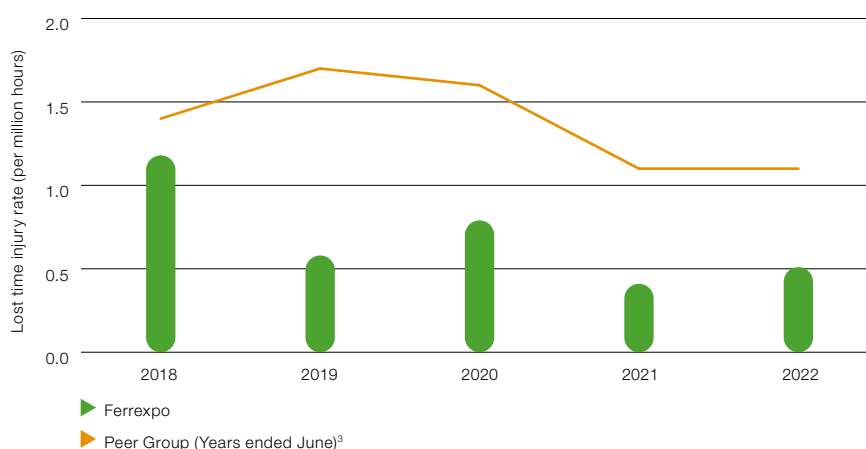
Despite the focus on the war in Ukraine, we are proud that our operations teams managed to record another year of excellent safety performance. In 2022, the Group recorded a second successive year without a fatality, and the Group's lost time injury frequency rate ("LTIFR") continues at a level materially below both our historic average² and the Group's iron ore producing peers in Western Australia³.

As demonstrated in the table above, the Group's performance in lagging indicators of safety remained largely in line with 2021 on lost time injuries and total injury frequency rates. Near miss events saw a significant decrease, as did significant incidents. In terms of leading indicators, the Group's adoption of ISO 45001:2019 in 2021 resulted

Health and safety performance (2021/2022)

	2022	2021	Change
Safety indicators (lagging)			
Fatalities ⁴	0	0	–
Lost time injuries ⁴	10	9	+11%
Lost time injury frequency rate ("LTIFR") ⁴	0.51	0.41	+24%
All injuries frequency rate ("AIFR") ^{5,6}	0.99	0.97	+2%
Near miss events ⁵	1	5	(80%)
Significant incidents ⁵	8	12	(33%)
Restricted work days ⁵	934	497	+88%
Severity rate (average lost days per incident) ⁵	104	55	+88%
Safety indicators (leading)⁵			
Health and safety inspections	5,413	3,293	+64%
Health and safety meetings	1,388	1,165	+19%
Health and safety inductions	5,332	11,602	(54%)
Training hours	6,828	11,786	(42%)
Hazard reports	740	595	+24%
High visibility management tours	157	124	+27%

Chart: Ferrexpo's five year safety record versus benchmark



in increased reporting of hazards in 2022 – demonstrating an improving culture for reporting and understanding the safety of the working environment. Health and safety inductions and training hours were both significantly reduced in 2022, reflecting the indirect effects of the war in Ukraine, with a large number of our workforce currently located off-site and lower levels of recruitment during the year.

External recognition for wellbeing programme

In January 2022, the Group learnt that it had passed a Sedex Members Ethical Trade Audit ("SMETA") social responsibility audit, which is a study into a company's occupational health and safety, environment, working conditions, and suppliers' goodwill, with the Group

undertaking this exercise for the first time. In passing this audit, the independent auditor highlighted the quality of medical care, management of social security and medical insurance provided by Ferrexpo to its employees.

1. Information as of 14 February 2023.
2. LTIFR full year average for 2017–2021.
3. Source: Government of Western Australia, [link](#). (Accessed 3 March 2023.)
4. Indicators shown on a Group basis.
5. Indicators shown for Ukrainian operations only.
6. Figure incorrectly provided as TRIFR in prior report.

Responsible Business: Environmental Stewardship

Developing our net zero pathway

Despite the war in Ukraine, we were able to publish an upgraded suite of carbon emissions targets following the publication of our inaugural Climate Change Report in December 2022. Work continues in our collaboration with environmental consultants Ricardo Plc, with a life cycle assessment to be published in 2023.

50%

Updated target for Scope 1 and 2 emissions reduction by 2030¹.

10%

Newly published target for Scope 3 (value chain) emissions reduction by 2030². See page 36 for more information on Scope 3 emissions.

2050

Targeting net zero production for Scope 1 and 2 emissions. Net zero is defined as operating with minimal avoidable emissions, as far as possible, and offsetting any unavoidable emissions.

Case Study: Net zero pathway developed in 2022



In October 2021, we announced our collaboration with environmental consultants Ricardo Plc, with work completed to date summarised in our first standalone Climate Change Report, which was published in December 2022. Details of this work are provided in this section, and as part of this bespoke piece of work, we were able to present a potential net zero pathway for us to achieve our carbon emissions goals for 2050 (covering all emissions except Scope 3 emissions from steelmaking). The pathway developed shows a potential route to reduce absolute emissions of carbon dioxide by 92%, despite a projected 100% increase in output of iron ore pellets in the same timeframe.

To achieve this pathway, we intend to investigate a number of key modern technologies across our operations, to minimise our consumption in three key areas: diesel (predominantly in mining), electricity (processing) and natural gas (pelletising). These three aspects of our business collectively accounted for 77% of Scope 1 emissions and 100% of Scope 2 emissions in 2022. Shown to the left are a number of the technologies we intend to investigate to help reduce our emissions and achieve our net zero ambitions.

1. Scope 1 and Scope 2 emissions are presented on a per tonne of production basis.
2. Scope 3 emissions savings are presented on a per tonne of production basis.

Climate Change Report published

Following the Group's announcement of our collaboration with environmental consultants Ricardo Plc, and work throughout 2022, the Group was able to publish its inaugural standalone Climate Change Report in December 2022. In this report, we cover climate change related legislation that is being enacted in the various jurisdictions into which we sell our products, and the risks and opportunities that these changes may present to our business model. Through this work, it is clear that legislative change is fastest in the European Union ("EU"), with an established emissions trading scheme setting €98 per tonne of CO₂ as the price of carbon emissions within the region as of early 2023¹. The EU's Carbon Border Adjustment Mechanism, due to begin its implementation phase in 2025, will result in significant, far-reaching effects, well beyond the borders of the EU. Further details of this legislation are provided on page 17 of our Climate Change Report (available at www.ferrexpo.com).

A second area of focus in the Climate Change Report looks at the risks and opportunities relating to climate change that are specific to Ferrexpo, and these are summarised in the Task Force on Climate-related Financial Disclosures ("TCFD") on page 37 of this report.

Our Climate Change Report also presents a potential net zero pathway for decarbonisation, highlighting the technologies required and timing of investments, to achieve net zero iron ore pellet production by 2050. Through this work, we have established an estimated capital cost of US\$3.3 billion and a carbon abatement

cost of US\$145 per tonne. The Group is able to have a relatively low carbon abatement cost due to the timing of capital expenditures for decarbonisation at its operations. Since more than 80% of the estimated capital cost of decarbonisation relates to the implementation of green hydrogen in our pelletiser and our own renewables power, both of which are projects that are predominantly implemented after 2030, and therefore the net present value of this capital investment^A is reduced due to its timing. In the meantime, we are fortunate to be able to rely on clean power sourced directly from the Ukrainian grid, as we have been able to selectively purchase low carbon forms of electricity since 2019.

Carbon targets upgraded

Through the work to develop our decarbonisation pathway that was completed as part of our Climate Change Report, we were able to announce updated and expanded carbon emissions reduction targets in December 2022. Following the success seen across 2019 and 2020, with Ferrexpo reducing its Scope 1 and 2 emissions footprint by 30% over this period, we were able to announce an increase to our 2030 goal, and we are now targeting a 50% reduction in this timeframe. Through greater understanding of our Scope 3 emissions, we have also been able to introduce targets for this category, and are now targeting a 10% reduction by 2030³.

A list of definitions for each Scope of carbon emissions is provided on page 40 of the Climate Change Report.

Scope 1 emissions

Our Scope 1 (direct) emissions principally relate to three activities at our operations – diesel consumption (primarily used in mining activities), natural gas (primarily used in pelletising activities) and gasoil (primarily used in inland waterway logistics activities). Collectively, these three sources of emissions represented 97% of Scope 1 emissions in 2022 (2021: 98%). In addition, we track a further 15 sources of Scope 1 emissions across our operations, ensuring that multiple aspects of our operations are covered in our emissions estimates.

Absolute Scope 1 emissions fell by 48% in 2022, reflecting the reduced level of production as a result of the war. Despite the conflict, we managed to reduce our emissions on a per unit of production basis by 3%, which reflects a reduction of stripping activities in the Group's mines and increased biofuel consumption in the pelletiser. In line with data for 2021, our calculations of our Scope 1 and Scope 2 emissions have been independently assured for a second successive year, with this work aimed at providing additional confidence in our climate change reporting. Please see page 36 for more information.

Scope 2 emissions

Our Scope 2 (indirect) emissions relate exclusively to our purchasing of electricity from third parties, with electricity predominantly used in our concentrator⁴. On an absolute basis, this category of emissions fell by 45%, in line with the lower level of production seen in 2022 due to the war in Ukraine. On a unit

SCOPE 1 ("S1") EMISSIONS ²	SCOPE 2 ("S2") EMISSIONS ²	SUBTOTAL (S1+S2) ²	SCOPE 3 ("S3") ³ EMISSIONS
Our performance in 2022			
(3%)	+2%	(1%)	(1%)
Our performance since benchmark year (2019–2022 inclusive)			
(1%)	(52%)	(31%)	(3%)
Our medium-term goals (2030)			
		(50%)	(10%)
Our long-term goals (2050)			
		Net zero	(50%)

- Source: European Union Emissions Trading System, [link](#). (Accessed 3 March 2023.)
- Scope 1 and Scope 2 emissions are presented on a per tonne of production basis.
- Scope 3 emissions savings are presented on a per tonne of production basis.
- Prior to the 2021 Annual Report and Account, Scope 2 calculations included the purchase of steam for heating purposes, which have subsequently been excluded following the independent assurance process completed in 2022. For more information, please see the Reporting Criteria document provided alongside the 2021 Annual Report and Accounts on the Group's website.

Responsible Business: Environmental Stewardship continued

basis, Scope 2 emissions rose by 2%, reflecting the impact of the war in Ukraine and associated power outages in 4Q 2022, in addition to the increased output of direct reduction pellets, which require additional processing compared to blast furnace pellets.

Scope 3 emissions

For Ferrexpo, this category of emissions primarily relates to the type of iron ore pellet produced, since the downstream processing of iron ore accounted for 95% of Scope 3 emissions in 2022. Through increasing the output of direct reduction ("DR") pellets to 6% of total pellet production (2021: 4%), we have seen a reduction in Scope 3 emissions on a unit basis by 3% since 2019, with DR pellets carrying a 49% lower carbon footprint than blast furnace pellets¹.

Independent assurance

In line with the process completed for 2021, the Group has completed an independent assurance process for its Scope 1 and Scope 2 carbon emissions for 2022 (in addition to key safety metrics). For more information, please see the Limited Assurance Report, which is provided alongside the Group's full year financial results. Our Scope 3 emissions are not yet independently assured, with an expansion of the remit of the independent assurance process to include this category expected to represent the next phase of this process.

Methodology

Ferrexpo's methodology for calculating its GHG emissions footprint utilises, where possible, emissions factors provided by the Greenhouse Gas Protocol, which is in line with reporting requirements under the Global Reporting Initiative's ("GRI") framework for reporting sustainability topics. Through using carbon factors provided by the Greenhouse Gas Protocol, the Group is able to provide carbon dioxide-equivalent emissions figures ("CO₂e") that also account for emissions of both methane (CH₄) and nitrogen oxide (N₂O).

Water

We operate in an environment where we have multiple interactions with the water cycle, from the water ingress into our mines, to recycling water in our processing operations, to the River Dnipro, which is located next to our operations. Testing of water quality has continued throughout 2022, despite the war in Ukraine, with any discharged water quality tested across more than 12 different chemical elements or attributes. In our processing plant, where water is utilised in the processing of iron ore, we once again recycled 98% of process water (2021: 98%). We are currently reviewing the possibility of removing water

Greenhouse gas emissions footprint and energy consumption (2021/2022)

	2022 Data (% change to 2021)		2021 Data	
	Absolute basis (kilotonnes CO ₂ e)	Unit basis (kg CO ₂ e per tonne)	Absolute basis (kilotonnes CO ₂ e)	Unit basis (kg CO ₂ e per tonne)
Scope 1 emissions	341 (-48%)	55 (-3%)	649	57
Scope 2 emissions	223 (-45%)	36 (+2%)	404	35
Subtotal (S1+S2) emissions	564 (-46%)	91 (-1%)	1,053	92
Scope 3 emissions	7,642 (-47%)	1,237 (-1%)	14,362	1,254
Total emissions	8,206 (-47%)	1,329 (-1%)	15,415	1,346
Biofuels emissions (reported separately)	6 (-37%)	1 (+18%)	10	1
Energy consumption (kWh)	3,052,942,993 (-44%)	–	5,489,232,550	–

prior to pumping material to our tailings dam, which would have the advantage of reducing water consumption as well as energy use, with operations needing to pump a significantly lower mass of material to our tailings dam if tailings are dry stacked. It is estimated that water consumption in the processing plant would decline by up to 20% through the use of this technology.

Waste generation

The Group generates waste in the form of solid waste in its mining operations (overburden in the form of waste rock and sand), as well as emissions of other gases and dust from our mines and processing operations.

Waste removal in our mines declined by 70% in 2022, which is as a result of the war in Ukraine and lower production volumes (see pages 4 and 5 for more details of the war's impact on our business in 2022). Overburden and waste removed from our mining operations is non-hazardous and is stored in on-site waste dumps designed by our mine planning department.

Aside from greenhouse gases, gaseous emissions include those emitted from our processing operations (NO₂, SO₂, and CO), with emissions from such sources declining by 50–60% during the year, in line with mining volumes. A range of projects related to dust suppression in our processing complex were completed in 2022, resulting in dust emissions falling by 62%, which represents a level ahead of the production decrease seen in 2022 (46% decrease).

Elsewhere in our operations, we expanded our domestic waste recycling programme to include additional operating subsidiaries in Ukraine (FYM, FBM and Ferrostroy), with collection bins and sorting facilities launched in 2022. All four of our main operating subsidiaries in Ukraine now have active recycling programmes, and the focus for 2023 will be encouraging cultural change to increase recycling rates throughout our business.

ISO-certified systems

Ferrexpo now has an ISO-compliant environment management system (ISO 14001:2015) at both FPM and FBM, with the latter achieving accreditation during 2022. This is in addition to accreditation of our Energy Management System (ISO 50001:2018) at the same two subsidiaries, with FBM also acquiring this accreditation in 2022.

Biodiversity baseline expanded

Despite the pressures imposed due to the war in Ukraine, our Environmental Department in Ukraine continues to make good progress on a range of initiatives at our operations, including an update to the Zoo-biota interactive map identifying species of animals in the vicinity of our operations, including 58 of more than 500 species listed in the Red Book of Ukraine. Furthermore, work was completed in 2022 on a second interactive map, covering species of plants located in the vicinity of our operations (including 24 out of 410 species in the Red Book of Ukraine).

Climate change: reporting journey

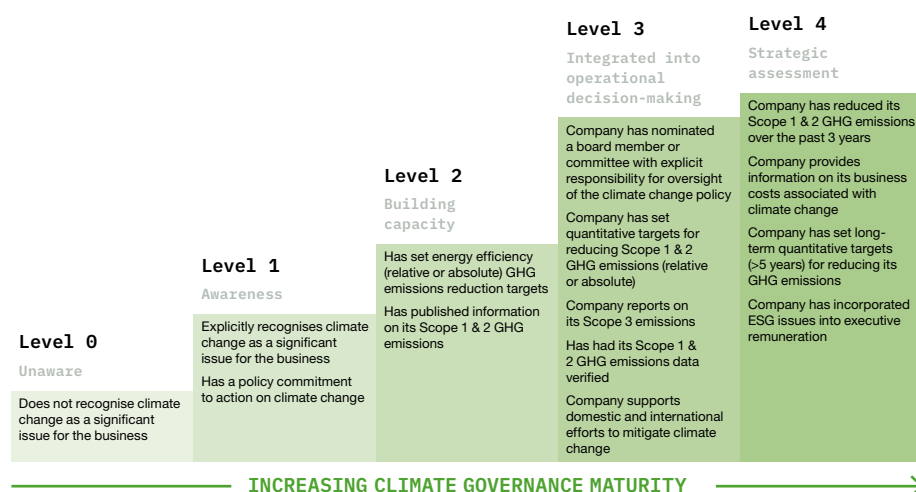
The Transition Pathway Initiative Global Climate Transition Centre ("TPI Centre", www.transitionpathwayinitiative.org/) is an independent, authoritative source of research and data on the progress of the financial and corporate world in transitioning to a low carbon economy. The TPI Centre publishes a "Management Quality Staircase"² that allows companies and stakeholders to map their progress in terms of climate governance maturity against five levels, as shown in the chart opposite. Following the publication of our Climate Change Report and Scope 3 targets in December 2022, in addition to independent assurance work completed in July 2022, we have assessed our progress to have reached Level 4 of reporting. The TPI Centre's Staircase is particularly helpful for understanding the forward-looking component of our reporting journey that lies ahead, and highlights a need for us to develop our understanding of the impact of climate change on our business costs as an area of focus for future work.

1. Source: CRU. Natural gas based direct reduction without carbon capture. See page 10 of the 2021 Annual Report for more information.
2. Source: TPI Centre, [link](http://www.transitionpathwayinitiative.org/). (Accessed 3 March 2023.)

Responsible Business: TCFD Disclosures

Broadening our reporting

Chart: TPI Centre's Management Quality Staircase



Recognising the need to provide reliable information on climate-related risks, opportunities and issues, and preparing disclosures throughout the year, including reporting informed by the recommendations and recommended disclosures produced by the TCFD.

Compliance Statement (FCA's Listing Rule 9.8.6(8)R)

For the purposes of Listing Rule 9.8.6(8)R, Ferrexpo considers that it has made climate-related financial disclosures consistent with the four TCFD recommendations and 11 TCFD recommended disclosures save in relation to the following areas, where full compliance remains a work in progress:

- Strategy Recommended Disclosure c) (strategic and organisational resilience).

In developing the Group's approach to climate-related risks, we intend to perform in-depth financial analysis of our operations' exposure to such risks to determine operational and strategic resilience once baseline studies have been completed. It is expected that future phases of work, which will lead into this financial modelling, will require site visits to our operations in Ukraine, which are not possible at the current time. We will provide further updates on this workstream in due course.

In determining this, we have taken into account the TCFD's Guidance for All Sectors and Supplemental Guidance for Non-Financial Groups, as well as other relevant materials. This assessment reflects the progress that Ferrexpo has made on its climate-related reporting over the course of the year, as well as those areas where full compliance with the TCFD's

recommended disclosures (and some aspects of the related guidance) forms part of our ongoing work streams.

The following recommended disclosures are set out in our Climate Change Report 2022 (published in December 2022), which is available on the Group's website at www.ferrexpo.com/investors/results-reports-and-presentations:

- Governance Recommended Disclosure a) (Board oversight of climate-related risks and opportunities) – see page 11.
- Governance Recommended Disclosure b) (management's role in assessing and managing climate-related risks and opportunities) – see pages 11 and 12.
- Strategy Recommended Disclosure a) (description of climate-related risks and opportunities identified over the short, medium and long term) – see pages 14 to 37.
- Strategy Recommended Disclosure b) (impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning) – see pages 20 to 21 and 28 to 37.
- Risk Management Recommended Disclosure a) (processes for identifying and assessing climate-related risks) – see pages 14 to 37.
- Risk Management Recommended Disclosure b) (processes for managing climate-related risks) – see pages 20 to 21 and 28 to 37.
- Metrics and Targets Recommended Disclosure a) (metrics used by the organisation to assess climate-related risks and opportunities) – see pages 8 and 42.
- Metrics and Targets Recommended Disclosure b) (Scope 1, 2 and 3 emissions disclosures) – see pages 8 to 10.

We have set out these recommended disclosures in this separate report to enable us to provide information for interested stakeholders in the context of our wider work on mapping the Group's carbon footprint and exposure to climate-related risks and opportunities, alongside details of the next steps we are taking.

The following recommended disclosures are set out in our Responsible Business Report 2021 (published August 2022), which is available on the Group's website at www.ferrexpo.com/investors/results-reports-and-presentations:

- Governance Recommended Disclosure b) (management's role in assessing and managing climate-related risks and opportunities) – see pages 77 to 81.
- Strategy Recommended Disclosure a) (description of climate-related risks and opportunities identified over the short, medium and long term) – see pages 77 to 81.
- Strategy Recommended Disclosure b) (impact of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning) – see pages 77 to 81.
- Risk Management Recommended Disclosure a) (processes for identifying and assessing climate-related risks) – see pages 77 to 81.
- Risk Management Recommended Disclosure b) (processes for managing climate-related risks) – see pages 77 to 81.
- Risk Management Recommended Disclosure c) (identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management) – see page 48.
- Metrics and Targets Recommended Disclosure a) (metrics used by the organisation to assess climate-related risks and opportunities) – page 43.
- Metrics and Targets Recommended Disclosure b) (Scope 1, 2 and 3 emissions disclosures) – page 43.

We have set out these recommended disclosures in this separate report to enable us to provide in more granular detail an overview of the various physical and transition risks the Group is facing, the time horizons over which these may emerge, their financial implications and our risk mitigation efforts.

Responsible Business: TCFD Disclosures continued

Scenario analysis selection

In undertaking our modelling exercise, climate scenarios were selected on the basis of giving a range of outcomes (rate of environmental change and severity of change) as a result of different levels of legislative ambition taken by governments in the coming years. Scenarios were also selected on the basis of being produced by a range of reputable independent authorities on climate change.

Source: Ricardo Plc.

1. International Energy Agency (“IEA”) Sustainable Development Scenario (“SDS”)

Description: a “well below” 2°C scenario, achieved through policies that adhere to the Paris Agreement.

Summary:

This path sets out a plausible path to concurrently achieve universal access to energy, the objectives of the Paris Agreement, and a reduction in air pollution.

Characteristics:

- A well below 2°C pathway.
- Surge in clean energy policies and green investment.
- All existing net zero pledges achieved in full.
- Extensive efforts to realise near-term emissions reductions.
- Number of western economies to reach net zero emissions by 2050, China by 2060, and a number of other countries by 2070 latest.
- In alignment with the United Nations Sustainable Development Goals.

Scenario metric	IEA SDS (Sustainable Development Scenario)
Average global temperature increase (°C) by 2050	1.7°C
Average global temperature increase (°C) by 2100	1.6°C
Policy intervention	Increased policy beyond what has already been committed to, from 2021
Time horizon	Present day to 2100
Transition risks (as a function of carbon price, with pricing correct as of studies completed in June 2022)	HIGH (US\$95/t) in 2050 Global carbon price
Transition risks (as a function of carbon intensity of steel production)	HIGH (0.6tCO ₂ /t) by 2050
Orderly or disorderly transition	Orderly

Potential overall impact on Ferrexpo (determined via stakeholder interviews and desktop studies, categorised on basis of occurrence and likelihood, see risk matrix on page 40 for more).

Low
 Medium
 High

“Well below” 2.0°C scenario (Paris Agreement aligned)

2. IEA Stated Policies Scenario (“STEPS”)

Description: a worst case, “business as usual scenario” (one of two modelled here). A more conservative benchmark whereby governments are assumed to not reach all announced goals.

Summary:

The STEPS scenario provides a more conservative benchmark for the future, because it does not take it for granted that governments will reach all announced goals. Instead, it takes a more granular, sector-by-sector look at what has actually been put in place to reach these and other energy-related objectives, taking account not just of existing policies and measures, but also a look at those that are under development.

Characteristics:

- Sector-by-sector look at what has actually been put in place to reach goals and other energy-related objectives.
- Takes into account not just existing policies and measures but also those under development.
- Includes “Fit for 55” measures announced by the European Commission in July 2021 (55% reduction in emissions by 2030 compared with 1990 baseline).

3. IPCC Shared Socioeconomic Pathway 4 (“SSP4”)

Description: a worst case, “business as usual scenario” (one of two modelled here). Divided approach to climate change continues to widen through unequal investments in human capital.

Summary:

Inequality (A Road Divided). Highly unequal investments in human capital, combined with increasing disparities in economic opportunity and political power, lead to increasing inequalities and stratification both across and within countries.

Characteristics:

- A gap widens between an internationally connected society that contributes to knowledge and capital intensive sectors of the global economy, and a fragmented collection of lower income, poorly educated societies that work in a labour intensive, low-tech economy.
- Social cohesion degrades, and conflict and unrest become increasingly common.
- Technology development is high in the high-tech economy and sectors.
- Globally connected energy sector diversifies, with investments in both intensive fuels like coal and unconventional oil, but also low carbon sources.

IEA STEPS (Stated Policies Scenario)	IPCC SSP4 (Shared Socioeconomic Pathway 4)
2.0°C	2.2°C
2.6°C	3.7°C
Only policies that are active in 2021, including what has been committed to and what has been proposed	Increased policy after 2030, demonstrating a rapid transition to decarbonisation
Present day to 2100	Present day to 2100
MEDIUM (US\$90/t) in 2050 Global carbon price	MEDIUM Regional carbon price in the short term, global carbon price in the long term
MEDIUM (1.1tCO ₂ /t) by 2050	N/A
Potential for orderly or disorderly	Disorderly



Worst case, “business as usual” scenarios

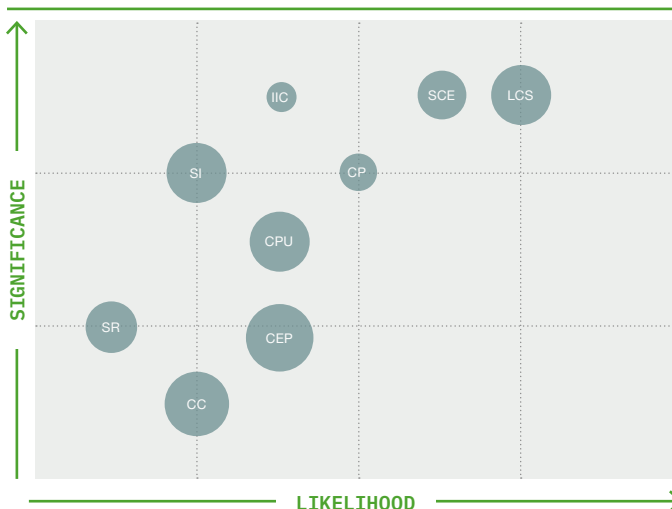
Responsible Business: TCFD Disclosures continued

Material topics

(Note: ✓ denotes key focus area for Ferrexpo.)

External factor	Key focus area?
Market and technology shift	
Increasing demand for low carbon emissions steelmaking	✓
Movement towards circular economy principles	✓
Mineral commodity shift: From iron ore to other minerals	
Policy and legal	
Shipping: Targets and regulations on carbon emissions	✓
Carbon pricing/tax: Targets and regulations on carbon emissions	✓
Energy crisis in Ukraine	✓
Reporting: Targets and regulations on carbon emissions	
Increase in insurance costs	
Reputation	
Increased consumer and investor climate consciousness	✓
Climate action transparency: Increased demand from consumer and investors	
Physical risks	
Water stress (chronic)	
Sea level rise (chronic)	✓
Increase in storm intensity (acute)	✓
Climate-induced conflict	✓
Surface temperature rise	
Opportunity for increased community and host country engagement over climate change related issues	

Risk matrix



(Note: Bubble size denotes the scale of the potential impact on the Ferrexpo business.)

Code	Issue area	Matrix score	Top risk areas identified
CC	Climate-induced conflict	Low	
CEP	Movement towards circular economy principles	Low	
CP	Carbon pricing/tax: Targets and regulations on carbon emissions	Low/Medium	#3
CPU	Energy crisis in Ukraine	Medium	
IIC	Increase in consumer and investor climate consciousness	Low/Medium	
LCS	Demand for low carbon emissions steelmaking	Medium/High	#1
SCE	Shipping: Targets and regulations on carbon emissions	Medium/High	#2
SI	Increase in storm intensity (acute)	Medium	
SR	Sea level rise (chronic)	Low	

■ Low
 ■ Low/Medium
 ■ Medium
 ■ Medium/High
 ■ High

The information above is taken from the work completed in our collaboration with environmental consultants Ricardo Plc, with a full summary provided in our inaugural Climate Change Report, which was published in December 2022 and is available on the Group's website (www.ferrexpo.com). The results presented above emerged from the scenario analysis described on pages 22 to 37 of this report.

As shown above, the top three risk areas identified are (1) low carbon steel (risk relating to market and technology shift), (2) shipping targets and regulations (policy and legal risk), and (3) carbon pricing and tax (also a policy and legal risk).

In respect of low carbon steel, we have commenced a process to produce greater volumes of direct reduction ("DR") pellets, which are a higher grade form of iron ore and are a known technological pathway to low emissions Green Steel (via the electric arc furnace method of steelmaking). Independent research shows that Ferrexpo's DR pellets have a 49% lower greenhouse gas emissions footprint than our blast furnace pellets, and therefore offer us a substantial Scope 3 emissions saving¹.

In respect of efforts to understand potential climate change related risks for the other key risk areas (shipping targets and regulations and carbon pricing), please see pages 31 and 32 of our Climate Change Report.

In terms of next steps with regard to climate change reporting, we are currently finalising a life cycle assessment of iron ore pellets, which will be a peer-reviewed study into the environmental emissions footprint of iron ore pellets during their entire life cycle, benchmarked against the most commonly traded form of iron ore (sinter fines). In order to capture the emissions generated through converting iron ore to steel, which account for more than 89% of our total emissions in 2022 (2021: 89%), this study will look at the footprint of iron ore from mining through to steel production, and will therefore cover the different emissions footprints of blast furnace and electric arc furnace steelmaking. This report is expected to be available in the first half of 2023.

1. Source: CRU. Natural gas based direct reduction without carbon capture.

Summary disclosure against TCFD recommendations

Strategy

Climate-related risks and opportunities over the short, medium and long term

Climate change is considered to be a Principal Risk to the Group, and this risk is detailed on page 73 of this report, alongside risk mitigation actions. A description of the specific climate-related issues potentially arising in the short, medium and long term that could have a material financial impact on the Group is included on pages 22-37 of the Group's Climate Change Report, available at www.ferrexpo.com. These include transition risks and physical risks associated with the transition to a lower carbon economy. The time horizons for these risks and opportunities to emerge are also described being short-term (less than two years), medium-term (more than two but less than ten years) or long-term (greater than ten years). The definition of each time horizon is broadly aligned to the Group's medium-term climate change targets for 2030, with a ten-year window for action following the Group's baseline year, with short-term and long-term horizons set at either side of this definition. The Group's risk identification process is described on pages 38 to 40 of this report.

Impact on the Ferrexpo business, strategy and financial planning

Consideration of topics relating to climate change is a fundamental aspect of Ferrexpo's business model (shown on page 12), with the Group releasing a standalone report on climate change in December 2022. Through the recent work completed with environmental consultants Ricardo Plc, the Group was able to upgrade and broaden its suite of carbon emissions reduction targets. The Group has a clear understanding of the likely technologies to help meet these targets, and these are shown on page 35 of this report. Climate-related risks and opportunities have directed the Group to increase its focus on direct reduction pellets, which have a lower emissions footprint and represent a pathway to low emissions steelmaking. In producing the Group's products, Ferrexpo is seeking to research and implement new technologies that will lower the Scope 1 and 2 emissions footprint of the Group's products, with the Group's solar power pilot plant to trial renewable power generation, and plans to build a hydrolysis plant to trial the use of hydrogen as a fuel in the Group's pelletiser as examples of such activities. A summary of potential technological pathways to lower emissions pellet production is provided on page 34 of this report. Climate-related issues input into financial planning processes through the consideration of the potential carbon emissions footprint of existing and proposed operating projects and capital investment^A projects. Given the current war in Ukraine and reduced level of operating activities in Ukraine, the Group is currently not assessing new operational or capital investment^A projects. Following a reduction in the risks associated with the war in Ukraine, it is expected that new investments will be assessed using a price of carbon that is reflective of the prevailing carbon price within the EU Emissions Trading System, as was the case prior to the war in Ukraine. Climate-related factors are expected to negatively impact financial performance in the short to medium term (operating costs and increased capital investment^A), but present opportunities in the long term through the expected rise in demand for iron ore products that are relevant for low emissions steelmaking (Green Steel).

Resilience based on climate change scenarios

The Group has included an analysis of climate change scenarios, which was conducted by environmental consultants Ricardo Plc as part of the work completed for the Group's Climate Change Report described in further detail on pages 38 to 40. The Group intends to perform in-depth financial analysis of our operations' exposure to such risks to determine operational and strategic resilience once baseline studies have been completed. It is expected that future phases of work will require site visits to our operations in Ukraine, which are not possible at the current time. The Group will provide further updates on this work stream in due course.

Governance

The Board's role in oversight of climate-related risks and opportunities

The Board of Directors has ultimate oversight of the Group's strategy, including its approach to the effect of climate change on the Group's business model. Climate change was a standing agenda item at all five scheduled Board meetings throughout the year. Further details of the Board's consideration of climate change and its oversight of the Group's

goals and targets for addressing climate-related issues are on page 35. The Health, Safety, Environment and Community ("HSEC") Committee has been delegated management of climate-related issues, which includes three members of the executive management team, and reports the Group's progress on climate change related matters to the Board of Directors. Independent Non-executive Director Ann-Christin Andersen is the Director primarily responsible for climate-related matters and Chair of the HSEC Committee, which met four times during the year (2021: four) and climate change has been a standing agenda item at all scheduled HSEC Committee meetings throughout the year.

Management's role in assessing risks and opportunities

In addition to the role of the HSEC Committee described above, the Group's executive management team monitors and assesses climate-related risks through its risk monitoring activities as part of the Group's Finance, Risk Management and Compliance Committee, which met ten times in 2022 (2021: ten). The Group's process for risk monitoring is described on page 56. The HSEC Committee receives information about climate-related issues through activities such as internal briefings by members of the executive management team and briefings from external advisors. Feedback from this Committee is provided to the Board on a regular basis.

Risk management

Processes for identifying and assessing climate-related risks

The Group regularly assesses risks applicable to the Group through its Finance, Risk Management and Compliance Committee, which assesses risks based on the probability of occurrence and severity of impact should an event occur. An overview of the Principal Risks facing the Group, and the risk mitigation measures that the Group has put in place in relation to these, is provided on pages 58 to 74, with climate change identified as a Principal Risk and detailed on page 73 of this report. Within the topic of climate change, the Group's management has identified specific risks and opportunities relating to climate change, ranging from policy and legal topics, physical effects, emerging technologies, market factors and reputational differentiators.

Managing climate-related risks

The Group's approach to managing and mitigating risks, including climate-related risks, is provided in the Principal Risks section, on page 73 of this report. Risks, including climate-related risks, are prioritised according to their assessment under the Group's materiality matrix set out on page 40.

How Ferrexpo integrates these risks into the Group's overall risk management

Ferrexpo's governance relating to climate change risks has been designed to ensure that the management of the financial risks from climate change are integrated across the whole governance system and embedded into the existing risk management framework. The Group's approach to assessing and managing risk, including climate-related risks, is described on page 56. Risks relating to climate change are determined in the same way as other principal and emerging risks, and the relative significance of climate risks is assessed based on monetary impact, probability, maximum foreseeable loss, trend and mitigating actions. A summary of the Group's approach to risk identification and risk mitigation activities is provided on pages 58 to 74 of this report.

Metrics and targets

Metrics used to assess climate-related risks and opportunities

The Group uses a wide range of climate-related metrics including GHG emissions (Scopes 1, 2 and 3 and emissions intensity), as well as consumption of diesel, electricity and natural gas – see further on pages 35 and 36. Metrics relating to carbon reduction progress are incorporated into remuneration policies, as described on page 124 of this report.

Greenhouse gas emissions

Details of the Group's Scope 1, 2 and 3 emissions are provided on page 36 of this report.

Targets

Our carbon emissions reduction targets are summarised on page 35 of this report.

Responsible Business: Diversity, Equity and Inclusion

Fostering diversity and inclusion

Ferrexpo has initiated a number of diversity, equity and inclusion (“DEI”) initiatives, which help us to form a baseline understanding of our workforce composition and to shape DEI efforts.



— **Greg Nortje**,
Group Chief Human
Resources Officer

Ferrexpo’s diversity initiatives are focused on helping us to develop a modern business with a diverse workforce and an inclusive working environment. Our efforts in DEI have increased significantly in recent years, with increased stakeholder focus and a greater focus on companies having a sustainable, inclusive culture. Our DEI efforts have continued in 2022, despite the war in Ukraine, as DEI helps to generate a positive working environment that supports people’s mental health and wellbeing, regardless of age, gender or other characteristics.

Progress continues to accelerate following the appointment of our first DEI officer in Ukraine in 2021, and we are continuing to gain a better understanding of our workforce and corporate culture.

DEI progress in 2022

In 2022, we made significant progress in advancing our strategy to implement a 360-degree approach to DEI. Further to the Group’s Diversity, Equity and Inclusion Policy that was established in 2019, our local operating entities adopted a policy to further define and understand definitions and behavioural patterns for fostering a more inclusive working environment. This policy is designed to prohibit all forms of discrimination (on the basis of disability, pregnancy and parenthood, race, national or ethnic origin, age, gender, sexual orientation, political opinion, and social origin). As part of this

policy, we now have an internal mechanism for addressing DEI-related concerns and resolving potential incidents of discrimination.

In February 2022, Ferrexpo hosted an event as part of the United Nations’ “HeForShe” movement, which is aimed at providing solidarity amongst the male population for gender diversity initiatives. More than three million men around the world signed declarations of support, with 135 Ferrexpo employees taking part at a mass-participation event. Through their participation, Ferrexpo aims to raise awareness of gender diversity topics and help to fight discrimination.

Our Inclusion School, which is a training programme for our employees in Ukraine, began in 2021, and restarted in late 2022. Topics covered in this programme are aimed at fostering inclusiveness and diversity, and how this can help Ferrexpo’s business model. More than 200 of Ferrexpo’s employees completed this course in 4Q 2022. Online learning covers topics such as identifying different forms of discrimination, why it is important to eliminate prejudice and how tolerance can help Ukraine to tackle its wartime challenges. Similarly, the expansion of our “Fe_munity” programme in 2022 (see Case Study opposite), our Inclusion School was also extended during 2022 to include local authority employees who are keen to learn more about challenging prejudice and discrimination.

28.7%

Positions held by women accounted for 28.7% of our total employee workforce in 2022 (2021: 29.2%)¹.

20.9%

Women in management roles across the Group increased to 20.9% in 2022 (2021: 20.1%)².

25%

Target of 25% of management positions to be held by women by 2030. Progress to date has seen an increase from 18% in 2019 to 21% in 2022.

1. Of the total employee workforce in 2022 (7,978), 2,290 positions were held by women and 5,688 held by men.
2. Of the total number of management roles workforce in 2022 (388), 81 positions were held by women and 307 were held by men.

Additionally, through the Ukrainian translation of the Group's 2021 Responsible Business Report, we have been able to communicate our recent progress in DEI to a broader audience within Ukraine – this report is available on our website at: www.ferrexpo.com/investors/results-reports-and-presentations/.

Gender diversity targets for 2030

At Ferrexpo, we have a gender diversity target of ensuring 25% of managerial roles are filled by women by 2030. To date, our diversity efforts have enabled us to progress the level of women in management roles from 18% in 2019 to 21% in 2022, which has been possible through a range of diversity initiatives in Ukraine and across the Group, as well as sustainability-linked incentives within the Group's remuneration policy (see page 124 for more details).

We are specifically targeting diversity at the managerial level, rather than total diversity, as this helps to encourage career progression and opportunities for women, which may not otherwise be available. Our workforce does, however, include a higher proportion of women (2022: 29%) than our mining-sector peers that operate in the developing world¹.

Women's Empowerment Principles

As part of our DEI implementation plan, Ferrexpo became a signatory to the Women's Empowerment Principles ("WEPs") in October 2022, which is a United Nations-supported initiative for business leaders to express support for advancing gender equality. In undertaking WEPs' Gender Gap Analysis Tool in 2022, Ferrexpo achieved a rank of "Leader" within this framework, with this assessment made on the basis of existing policies and our approach to 18 different aspects of DEI, including: addressing the gender pay gap, parental leave and initiatives to create a working environment free from violence, harassment and sexual exploitation.

External recognition in 2022

Our DEI efforts are not going unnoticed, with external recognition of the forward thinking that Ferrexpo is introducing to its business.

In October 2022, the Group was ranked in the top ten of employers in Ukraine for diversity, equity and inclusion by the Ukrainian Corporate Equality Index, which is a national survey of corporate policies, rules and practices of private companies to prohibit discrimination in the workplace.

Diversity inclusion

As a large company operating within Ukraine, we are subject to a local requirement for the employment of our people to include a minimum of 4% as those with a registered disability, which is a requirement that continues to be met through our employment of 321 individuals with disabilities in 2022 (4% of employee workforce). The majority of these individuals are located at our operations in central Ukraine, working at FPM and FYM.

Recently, we have published case studies celebrating the contribution of those with disabilities at our operations on our social media channels, including individuals working in our social services department, mining department and in the local museum, which we support through our Charity Fund. We also sponsor disabled athletes to help promote healthy lifestyles, and have previously sponsored individuals to attend World Championship canoeing events.

1. Comprising mining companies in the FTSE 350 Index where the main focus of mining is outside of Australia and Canada.

Case Study: DEI initiative expands in 2022

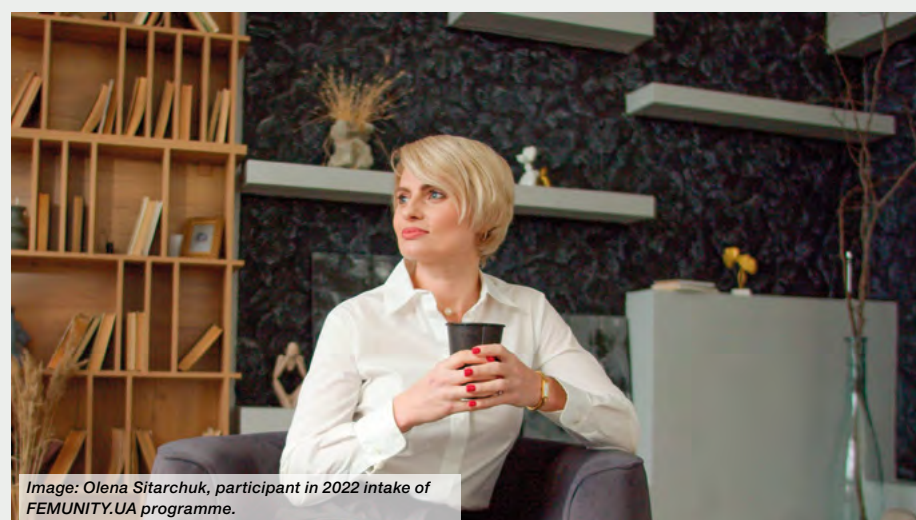


Image: Olena Sitarchuk, participant in 2022 intake of FEMUNITY.UA programme.

Our "Fe_munity" women in leadership programme expanded in 2022 to include women from across Ukraine.

The "Fe_munity" programme commenced in 2020 and over the course of three intakes of participants, has helped to form an integral aspect of our efforts to meet our goal of reaching 25% of managerial positions held by women by 2030.

Given the events of 2022, the Group was made aware of a need to support the careers of women across Ukraine, and we decided to open up enrolment into our "Fe_munity" programme to all participants, irrespective of the sector in which they work. In September 2022, the FEMUNITY.UA project hosted 50 female participants from all over Ukraine, with lectures over three months, led by eight guest speakers and 32 mentors.

In addition, "Progression Grants" are now being offered to participants to help accelerate their learning and career development.

Responsible Business: Communities

Direct support for communities across Ukraine

Ferrexpo's assets have a long association with local communities, and this connection has been important in 2022, enabling us to provide direct assistance to communities during Russia's invasion of Ukraine.

Ferrexpo Humanitarian Fund

In the early stages of the war, it quickly became apparent that large organisations within Ukraine would play an important part in supporting the people of Ukraine, particularly as the government of Ukraine focused on fighting a full scale invasion. As a result, the Board of Directors approved the formation of the Ferrexpo Humanitarian Fund early in the conflict, with the goal of providing direct assistance to communities affected by Russia's invasion in 2022. Each project is individually approved by the Health, Safety, Environment and Community ("HSEC") Committee members to ensure good governance in the approval process. To date, more than 70 projects have been implemented, and details of this work are provided in the Case Study opposite. Additional support has been provided throughout the war, with our help in funding the "Unbreakable Mother" programme, which offers residential stays and psychological support for women and children who have been affected by the war in Ukraine.

Ferrexpo Charity Fund

Our Ferrexpo Charity Fund has operated in Ukraine for more than 11 years, and aims to provide direct support to local communities situated close to our operations in central Ukraine. Funding for the Ferrexpo Charity Fund, which is in addition to the Ferrexpo Humanitarian Fund (see above), was UAH 77 million in 2022 (2021: UAH 87 million).

Work by the Ferrexpo Charity Fund focused on providing budgetary support for local authorities, support for educational and medical institutions and direct aid to individuals in the form of food and support packages.

Sustainability reporting for all stakeholders

In August 2022, we published our latest standalone Responsible Business Report, with this timing in line with previous years despite the impact of the war in Ukraine. This is a credit to our communications team in Ukraine, who managed to achieve this timing despite spending many days in air-raided shelters and in remote locations, sheltering from the conflict.

We also achieved a significant milestone in our sustainability reporting in 2022 – in November, we managed to publish our first official sustainability report in Ukrainian, helping our local stakeholders to understand the efforts being undertaken to support Ukraine and develop our business at the current time. We value all of our stakeholder groups, and are proud to reach a broader spectrum of stakeholders through reporting in Ukrainian.

US\$19^M

Total funding of humanitarian support, including support provided via Ferrexpo Humanitarian Fund.

70⁺ projects

Over 70 individual projects supported.

Eight regions

Humanitarian support across eight regions of Ukraine during 2022.

Case Study: Humanitarian efforts

Direct support for Ukraine

Across all initiatives, including direct donations provided by Ferrexpo subsidiaries, we have provided the equivalent of approximately US\$19 million of support for Ukrainian humanitarian causes since the outset of Russia's invasion in 2022. Examples of projects supported include:

- **Housing refugees:** More than 3,500 internally displaced people have been housed at our accommodation facilities.
- **Providing free meals:** Initially we dedicated our catering facilities to providing three free meals a day to employees. More recently, these efforts have been re-diverted to feeding local communities. In total, we have donated 528 tonnes of food to local communities.
- **Vehicle donations:** Equivalent of over US\$5 million of vehicles donated to the Ukrainian authorities (armed forces and local territorial defence units). Donations also include six armoured ambulances donated in November 2022.
- **Medical support:** Through liaison with local medical facilities, we have provided PPE for local hospitals, the equivalent of US\$600,000 of helmets and body armour for emergency response workers in the Poltava region and a total of nine ambulances.
- **On-site children's centre:** Throughout the early phase of the war, schools remained closed and children's learning was put on hold. In response, Ferrexpo facilitated an on-site childcare facility to keep employees' children close and allow children to continue their studies, with up to 120 children attending daily.
- **IT support:** We provided the equivalent of 6,000 items of modern technology, such as laptops, monitors, printers, mobile phones and modems, to help to support local authorities' efforts to coordinate the registration and housing of internally displaced people.

In addition, to support Ukrainian culture, we recently asked employees to express their personal experiences of the war in poetry, and we collated their words to form a collective tribute: "I want to live without war". In honour of Defenders Day in Ukraine, we brought five of our colleagues together to recite the poem, spreading a message of hope for a peaceful future for Ukraine in these difficult times. Please see the link below for a video of this project.

We have also sought to preserve a record of this point in Ukraine's history, understanding the need for documenting the experiences of those suffering during Russia's invasion. We have invited displaced people to voluntarily record details of the war with our in-house communications team, with a goal of preserving a record of the acts of bravery and resilience in defending Ukraine for future generations. This project has to date recorded 45 hours of footage from 59 contributors, and we will continue to record people's reflections as the war continues.



Scan to watch the full story on LinkedIn

Image: Ferrexpo volunteers coordinating humanitarian aid to vulnerable families in local communities.

Responsible Business: Governance

Governance: Building trust

With good corporate governance, companies are able to build trust with their stakeholders. Through trust, companies can enjoy the benefits of a strong brand that stakeholders can associate with.

Board composition

Effective corporate governance starts with the Board of Directors ("Board"). As of the date of this document, Ferrexpo's Board comprises seven Directors – including one Executive Director (Jim North) and five Independent Non-executive Directors. For more details of the Board composition and activities during the year, please see the Corporate Governance section of this report (page 88).

Board changes

In December 2022, Non-executive Director Kostyantyn Zhevago resigned from the Board. Mr Zhevago is the ultimate beneficial owner of the Group's largest shareholder – Fevamotinic S.a.r.l ("Fevamotinic"). Due to the proportion of the Group's issued shares held by Fevamotinic, a relationship agreement exists between Ferrexpo and Fevamotinic, under which Mr Zhevago has the right to appoint a nominee to the Board. Further details are available on page 79 of this report.

Board position appointments

During the year, Independent Non-executive Director Fiona MacAulay was appointed as Senior Independent Director ("SID"), which is an important role that helps facilitate dialogue between fellow Directors and the Chair, and enables shareholders to speak directly with the Board.

In early 2022, following the appointment of Fiona MacAulay as SID, the Board underwent a number of changes. Independent Non-executive Director Ann-Christin Andersen moved to take up the role of Chair on the Health, Safety, Environment and Community ("HSEC") Committee. Independent Non-executive Director Natalie Polischuk, who

joined the Board in December 2021, was appointed as a member of the HSEC and Audit Committees in February 2022.

Finally, in February 2022, Jim North was appointed as Chief Executive Officer on a permanent basis, reflecting Mr North's successful period as Interim CEO, with Mr North already appointed as an Executive Director.

FTSE Women Leaders Review

The FTSE Women Leaders Review is an independent, business-led framework supported by the Government, which sets recommendations for Britain's largest companies to improve the representation of Women on Boards and in Leadership positions. As a result of this work, the FTSE Women Leaders Review recommends that companies listed within the FTSE 350 have at least 40% female representation at Board level by the end of 2025, as well as at least one woman appointed as chair, senior independent director ("SID"), CEO or CFO by the end of 2025.

As of the date of this report, Ferrexpo's Board is 43% female (31 December 2021: 38%), meaning that Ferrexpo satisfies the recommendation for Board gender diversity set by the FTSE Women Leaders Review, as well as the requirement for a female in one of the stated roles, with Fiona MacAulay as the Group's SID.

The Group is also focusing on increasing diversity further down its organisational structure; details of this work can be found on pages 42 to 43, and in the Corporate Governance Report on page 87.

20%

Female representation on the Group's Executive Committee (one out of five members).

43%

Female representation on the Group's Board of Directors (three out of seven Directors).

33%

Target for gender diversity at Board level, as set by the Hampton-Alexander Review.

5

Five of the Group's seven Directors appointed in the past four years.

Parker Review

The Parker Review was an independent review in 2021 led by Sir John Parker, which considered how to improve the ethnic and cultural diversity of UK Boards to better reflect their employee base and the communities they serve. In order to encourage progress in ethnic diversity, the Parker Review proposed a target of one Director from an ethnic minority group on the Boards of FTSE 250 companies by December 2024.

The search for an independent Non-executive Director from a minority ethnic group has been launched and is ongoing.

Corporate governance controls

The Group's financial advisors are Liberum Capital Limited ("Liberum"), which also provide broking services to the Group. As a London-listed company, it is best practice for the Company to have a Sponsor to provide advice and guidance on certain corporate matters, with BDO LLP appointed in this role.

Stakeholder engagement

As a responsible, modern company, we aim to engage with our shareholders, to understand their concerns and priorities. Shareholder engagement is conducted via a range of methods – from various reports published on an annual basis (Annual Report and Accounts, Responsible Business Report and Climate Change Report), to our corporate website and social media channels.

We also endeavour to engage with stakeholders located within Ukraine and overseas, with this made possible through communications in both Ukrainian and English. In 2022, we communicated in both languages across the majority of our social media channels and the 2021 Responsible Business Report, as well as selected press releases.

Please see page 48 for more details of how we engage with each of our stakeholder groups.

Related party matters

The Group has a controlling shareholder that also has a number of different businesses with which the Group has a commercial relationship.

In order to maintain strong levels of corporate governance, and to ensure that these business relationships are conducted on an arm's length basis, the Group has both the Committee of Independent Directors at the Board level and the Executive Related Party Matters Committee at the management level.

As discussed in previous Annual Report and Accounts, the Committee of Independent Directors ("CID") conducted a review in connection with the Group's sponsorship arrangements with FC Vorskla and concluded its enquiry in March 2021. Arrangements were put in place by Kostyantyn Zhevago and his associated entities, which were executed by 31 July 2022, and the CID can confirm that, as of the date of this Annual Report and Accounts, these arrangements have now been completed.

Non-financial information statement

The Ferrexpo Group complies with the non-financial reporting requirements contained in Sections 414CA and 414CB of the Companies Act 2006. The table below, and information it refers to, is intended to help stakeholders understand the Company's position on key non-financial matters. This builds on existing reporting that the Company already does under the following frameworks: Global Reporting Initiative, Guidance on the Strategic Report (UK Financial Reporting Council), UN Global Compact, UN Sustainable Development Goals and UN Guiding Principles. In addition to its Annual Reports, Ferrexpo also publishes a standalone report covering its Responsible Business activities, with the report for 2021 available on the Group's website and the report for 2022 expected to be released during the course of 2023.

Reporting requirements	Reports, policies and standards	Additional information	Risks
Environmental	Climate Change Report Tailings Management	Greenhouse gas emissions (pages 35 to 36) Energy consumption (page 36) www.ferrexpo.com/responsibility/protecting-environments	Principal Risks, pages 58 to 74
Employees	Ethics and Responsible Business Policy Code of Conduct Health and Safety Policy	Health and safety (page 32) Diversity, equity and inclusion (page 42) www.ferrexpo.com/responsibility/workforce-development www.ferrexpo.com/responsibility/safety-performance	Principal Risks, pages 58 to 74
Human rights	Human Rights Policy Data Privacy Policy Anti-Slavery and Trafficking Statement Information Security	Diversity, equity and inclusion (page 42) Ferrexpo Code of Conduct www.ferrexpo.com/about-ferrexpo/corporate-governance/policies-and-standards	Principal Risks, pages 58 to 74
Social matters	Donations Policy Community Policy	Chair's Statement (page 2) Social engagement (page 44) www.ferrexpo.com/responsibility/supporting-communities www.ferrexpo.com/responsibility/stakeholder-engagement	Principal Risks, pages 58 to 74
Anti-corruption and anti-bribery	Anti-Bribery Policy Anti-Money Laundering and Counter Terrorist Financing Policy Fraud Risk Management Whistleblowing Policy	Chair's Statement (page 2) Governance (page 46) Governance Report (pages 78 to 137) www.ferrexpo.com/about-ferrexpo/corporate-governance/policies-and-standards www.ferrexpo.com/whistleblowing	Principal Risks, pages 58 to 74
Principal risks and impact on business activities		Business model (page 12) Risk management (page 56) Viability Statement (page 73) Going Concern Statement (page 135)	Principal Risks, pages 58 to 74
Non-financial KPIs		Key Performance Indicators (page 18)	

Stakeholder Engagement – Section 172

Our stakeholders

Through stakeholder engagement and an understanding of materiality for each stakeholder, the Group can focus on generating value for everyone as well as limiting its environmental impact.

Employees and contractors

95%

More than 95% of our workforce is based in central Ukraine.

Customers

10⁺

Despite the war in Ukraine, we maintained a diverse number of customers in 2022, selling to a similar number of customers as seen in 2021.

Suppliers

US\$912^M

Total paid to suppliers of US\$912 million in 2022 (2021: US\$1.2 billion), reflecting value generation through our production processes.

Communities

70⁺

The Ferrexpo Humanitarian Fund has approved support for more than 70 initiatives across Ukraine, with approved funding of US\$15 million.

Environment

50%

Ferrexpo's inaugural Climate Change Report, published in December 2022, announced a 50% emissions reduction target by 2030 (previously 30%).

Government

3%

Ferrexpo continues to represent a significant proportion of Ukraine's export revenues, accounting for 3% in 2022 (2021: 4%).

Investors

55%

Shareholder returns in 2022 representing 55% of the Group's free cash flow, meeting the target set under the Group's Shareholder Returns Policy.

Capital providers

US\$106^M

Ferrexpo continues to remain in a net cash position, with US\$106 million as of 31 December 2022 (31 December 2021: US\$117 million).

Image: Our workforce at our operations marking Ukraine's national Unity Day on 22 January 2023.

Further details on the Group's approach to the matters outlined in Section 172 can be found in the following sections of this report:

Section 172 factor	Key examples	Page
Employees and wider workforce	<ul style="list-style-type: none"> – Case Study: War in Ukraine – Responsible Business: Safety & Our People – Responsible Business: DEI – Case Study: DEI programme expands across Ukraine in 2022 	<p>04</p> <p>32</p> <p>42</p> <p>43</p>
Suppliers and customers	<ul style="list-style-type: none"> – Market Review – Strategic Framework 	<p>08</p> <p>16</p>
Local communities	<ul style="list-style-type: none"> – Responsible Business: Communities – Case Study: Humanitarian efforts 	<p>44</p> <p>45</p>
Environment	<ul style="list-style-type: none"> – Responsible Business: Environmental Stewardship – Case Studies: Net zero pathway developed in 2022 – Scenario analysis selection and TCFD disclosures 	<p>34</p> <p>34</p> <p>37</p>
High standards of business	<ul style="list-style-type: none"> – Responsible Business Review – Responsible Business: Governance – Risk Management – Our Business Model 	<p>30</p> <p>46</p> <p>54</p> <p>12</p>
Investors	<ul style="list-style-type: none"> – Chair's Statement – CEO's Review – Our Business Model 	<p>02</p> <p>06</p> <p>12</p>

The Board of Directors acts to promote the long-term sustainable success of the Company for the benefit of shareholders as a whole, and in doing so recognises the importance of having due regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006, being:

- the likely consequences of any decision in the long term;
- the interests of the Company's employees;
- the need to foster the Company's business relationships with suppliers, customers and others;
- the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between members of the Company.

The Board receives regular training on directors' duties and briefings in relation to corporate governance developments and stakeholder engagement. New directors appointed to the Board receive tailored, individual briefings on their duties and obligations as part of their induction.

The following section outlines the Group's different stakeholder groups, engagement activities conducted in 2022 and feedback that was received as part of this work. Each section provides an overview of the work completed to date in response to this feedback, and any further plans that the Board has for the year ahead.

How considering stakeholders in decision-making works in practice

The Group engages regularly with stakeholders, with interactions largely led by the day-to-day management team with Board-level interactions where appropriate. Where management-level engagement has taken place, feedback is provided to the Board by way of regular updates at meetings to help inform decision-making and ensure stakeholder views and considerations are taken into account.

During Board discussions, the Board considers stakeholders' interests and the potential impact of decisions on relevant stakeholder groups for the purposes of Section 172 of the Companies Act 2006. This includes considering competing stakeholder interests and the differential impact certain decisions may have on different constituencies.

Those stakeholder groups the Board considers to be fundamental to the Group and their respective interests are set out on pages 14 to 15, together with an explanation of engagement activities undertaken during the past year and the impact this has had on Board-level decision-making. On page 55, there is a more detailed case study of the principal decisions taken by the Board during the year in the context of the war in Ukraine and how stakeholder interests were taken into account.

Section 172 continued

Employees and wider workforce

Ferrexpo's talented and engaged workforce is a key strength of Ferrexpo's business, which we continue to rely upon following Russia's invasion of Ukraine in 2022. Through a close working relationship between employer and employees, company and contractor, we are able to address the needs of our workforce.

Our engagement activities in 2022

Ferrexpo aims to communicate with its workforce, which is based in a number of geographic locations and a range of settings, in a variety of ways in order to communicate effectively with different individuals and groups in multiple languages. Traditional methods of communication, such as printed media and formal meetings may be effective in one setting, but may not be effective at reaching another stakeholder group particularly where lines of communication have been disrupted by the ongoing conflict. We use a range of methods – from electronic communications (email, online learning, electronic bulletins, corporate websites and social media channels) to printed newspapers at our operations in Ukraine, social media channels and national media in both Ukraine and international locations where we have corporate offices, including the United Kingdom and Switzerland.

We aim to engage throughout the calendar year. Given that more than 95% of our workforce is located in Ukraine, it is important that the Board maintains a strong presence in the country, both in Kyiv and in the region in which we operate.

In September 2022, Independent Non-executive Director Vitalii Lisovenko visited our operations and hosted a number of engagement sessions with a range of stakeholder groups within our workforce – including alumni of our “Fe_munity” women in leadership programme, employees at the Yeristovo mine, middle managers and people with disabilities. Over the course of two days, Mr Lisovenko met with more than 150 members from a cross-section of the workforce.

In addition to direct engagement, such as face-to-face meetings in the workplace, the Group utilises its website, public reports and social media channels. As of February 2023, the Group had approximately 25,000 followers across Facebook, LinkedIn and Instagram, with the majority of subscribers being located in Ukraine. The Group typically issues two to three posts on social media a week, with each post representing an opportunity to convey a key message to stakeholders, including messages from Board members – for example, an interview with Independent Non-executive Director Ann-Christin Andersen, which was posted on LinkedIn in December 2022.

Workforce engagement occurs across multiple languages, to ensure that the Group communicates with both its Ukrainian and international stakeholders. The Group has communicated on social media platforms in both English and Ukrainian for several years, and in 2022 published its Responsible Business Report in Ukrainian for the first time, helping to keep local stakeholders informed of the Group's sustainability initiatives.

Our response to feedback

The Board understands the importance of Ferrexpo having a strong presence within Ukraine, where more than 95% of our employees and contractors are based, in order to ensure effective engagement. As such, the Board includes two Independent Non-executive Directors who are Ukrainian. This has been of paramount importance during Russia's invasion of Ukraine in 2022, for maintaining engagement despite travel restrictions imposed as a consequence of the war. Through this presence, Vitalii Lisovenko, the Board's nominated representative for employee engagement, was able to visit our operations in September 2022.

The Board regularly interacts with the Group's executive management team through its various committees, and the Health, Safety, Environment and Community (“HSEC”) Committee comprises three Directors of the Group and two members of the executive management team.

Plans for engagement in 2023

Engagement activities will continue into 2023 to understand the evolving concerns and requirements of our workforce. The Group typically conducts an employee engagement survey every year and intends to complete such an exercise during 2023.

Customers

Our customers are key to the Ferrexpo business model, with investments in high grade and high quality forms of iron ore designed to meet their needs. Through constructive, long-term customer relationships, the Group is able to succeed in generating value for all stakeholder groups.

Our engagement activities in 2022

The past year has seen material disruption to the Group's logistics network and sales portfolio, with Russia's invasion of Ukraine in February 2022 resulting in restrictions in the Group's use of seaborne vessels, the Ukrainian railway network, our own railway wagons and our own inland waterway barging subsidiary (First-DDSG). Further details of the restrictions imposed as a consequence of the conflict are provided on pages 4 to 5.

As a result of the aforementioned operational and logistics constraints, our ability to deliver our products to customers was impaired in 2022, with 6.2 million tonnes sold during the year (2021: 11.2 million tonnes). In the early stage of the war, our marketing team held extensive discussions with customers, and through strong, long-standing relationships the Group was able to navigate continued sales to customers, which are typically located in Europe (given logistical constraints in accessing non-European markets).

Despite the war and its constraints, the Group has been able to continue discussions with prospective customers, particularly with buyers of direct reduction (“DR”) pellets, with the Group seeking to increase its presence in this particular market. Through engagement, we are developing our offering of DR pellets, meeting the quality demands of this market.

In the early stages of the conflict, the Group was forced to serve force majeure notices to a number of customers that are only accessible via seaborne markets. See page 8 for further information. Such activity requires significant engagement for customers to understand the nature of the situation and potential outlook (which may be updated on a frequent basis). The Group hopes to continue or renew these valued customer relationships in future when circumstances permit.

Through engagement, the Group was proud to raise awareness for humanitarian support caused by the invasion and encouraged customers to make donations directly to various relief funds. We are grateful for these acts of kindness. The Group is thankful for the strong and supportive relationships that it has with its customers.

Our response to feedback

Customers are increasingly focused on the topic of climate change and sustainability, which is particularly relevant in light of the advent of Green Steel (being the production of steel with low or zero associated emissions of greenhouse gases). In order to provide sufficient clarity to customers, the Board was proud to issue the Group's first standalone Climate Change Report in December 2022, and as part of this report, the Group was able to upgrade and expand its existing suite of carbon reduction targets. Changes included an increase to the medium-term (2030) emissions reduction target to 50% (from 30%) and inclusion of Scope 3 emissions targets within the Group's suite of forward-facing targets. For more information, please see page 34 of this report.

For more information on the marketing team's efforts during the year, please see pages 8 to 11 of this report.

Plans for engagement in 2023

The Group is in regular contact with its customer network, both in terms of existing customers in relation to existing or future orders, as well as potential new customers. One specific area of focus for the Group is the DR pellet market, which is a market typically relevant for steel mills in the Middle East and North Africa region ("MENA") and North America, but demand for DR pellets is also growing in other regions of the world due to the low emissions footprint associated with this form of iron ore. As such, the Group has recently hired a Regional Marketing Manager for its office located in Dubai, with a purpose of engaging with potential DR pellet customers in the MENA region and beyond.

Suppliers

The Group's suppliers are key to operating a successful, long-term sustainable business. Suppliers represent a principal aspect of the local and global footprint that the Group creates through its day-to-day business activities, which helps develop a positive local presence and a well-known international brand that is identifiable to other stakeholder groups such as potential investors and customers. Through conducting ourselves in a clear and transparent fashion, we hope to also promote Ukraine as a destination for other businesses.

Our engagement activities in 2022

The Group's operations paid a total of US\$912 million to suppliers in 2022 (2021: US\$1.2 billion). Given our the location of our operations and the nature of events in Ukraine, the Group has sought to engage extensively with its suppliers in 2022 – seeking clarification on the status of their operations during the conflict and identifying alternative suppliers where disruptions have occurred or the risk of disruption is perceived to be high.

Through engagement, the Group was proud to raise awareness for humanitarian support caused by the invasion and encouraged customers to make donations directly to various relief funds. We are grateful for these acts of kindness. The Group is proud to have long-standing relationships with a number of local and international suppliers, which have helped to support the Group during the ongoing war in Ukraine.

Our response to feedback

The Group is an integral part of the local economy in the region of Ukraine where the Group operates, and therefore it is important that it aims to develop constructive relationships with suppliers, for example by paying suppliers promptly.

By imposing a Code of Conduct and engaging with suppliers, the Group aims to reduce the risks associated to it through issues in the supply chain such as environmental concerns and modern slavery. The Group's Statement on the Modern Slavery Act is available at www.ferrexpo.com.

Furthermore, engagement helps suppliers improve their services, as well as gaining a better perception of the Ferrexpo business, in turn facilitating the Group's ability to operate.

Plans for engagement in 2023

Supplier engagement is expected to continue into 2023 with a similar focus as in previous years – seeking local goods and services where possible, to support the Ukrainian economy, and engaging to ensure supplier governance throughout Ferrexpo's supply chain. In addition, the Group is increasingly engaging to understand the greenhouse gas emissions footprint of suppliers, as this is directly relevant to Ferrexpo's Scope 3 emissions.

Communities

Without a social licence to operate, granted by host communities, no business can succeed. Ferrexpo has sought to develop close ties to local communities over many years.

Our engagement activities in 2022

Over several years, the Group has developed strong ties with local communities, since Ferrexpo is the main employer in the local area and a major employer and source of revenue in the region of Ukraine where our operations are located. We also understand the connection between our workforce in Ukraine and their families in local areas, meaning that many more people rely on Ferrexpo for the stability offered and value generated by the Group.

This close relationship and historic engagement was of paramount importance in 2022, enabling us to quickly connect with local communities and community leaders from the outset of Russia's invasion, to understand the material issues and risks facing communities during the conflict.

The Responsible Business Report was published in Ukrainian to help engagement with a wider audience on sustainability topics, which are particularly relevant for local stakeholders.

The Group regularly engages with communities through traditional forms of communication (for example, printed media and local television channels), and electronic media such as the Group's websites, public reports and dual-language social media channels.

Section 172 continued

Our response to feedback

The Group regularly provides direct support to local communities through the Ferrexpo Charity Fund, which has been in operation since 2011. During exceptional times, such as Russia's invasion of Ukraine in 2022 and the global Covid-19 pandemic, the Board has sought to provide additional support, specific to the needs of a situation.

In the early stages of Russia's invasion of Ukraine, the Board established the Ferrexpo Humanitarian Fund, which has been a dedicated platform for reviewing and approving funding and/or support of various humanitarian projects in local communities and across Ukraine. As the war in Ukraine has evolved during 2022, the Board has approved increasing levels of funding for the Ferrexpo Humanitarian Fund, and as of the date of this report, the Group has provided humanitarian support amounting to US\$19 million, either via the Ferrexpo Humanitarian Fund (with US\$15 million of approved funding) or via support provided directly by our subsidiaries. Projects are individually reviewed and approved by members of the HSEC Committee, to ensure that governance standards are maintained, with over 70 humanitarian projects approved in 2022. Many projects are raised by local community leaders and groups. The Group will continue to support Ukraine and communities throughout the country through the Ferrexpo Humanitarian Fund and the Ferrexpo Charity Fund during this difficult time.

Plans for engagement in 2023

The Board approved the 2023 Ferrexpo Charity Fund budget at UAH 77 million (approximately US\$1.8 million). This support is provided in parallel to the Ferrexpo Humanitarian Fund, which is specific to relief efforts associated with the war in Ukraine. To date, this fund has an approved expenditure limit of US\$15 million, with a total of US\$19 million of humanitarian support provided to date by the Group.

The Environment

The natural environment is a key stakeholder for the Group as it represents both the present day success of our business with multiple stakeholder groups and also that of future generations. The natural environment encompasses a number of spheres, from greenhouse gas emissions and emissions of other gases into the air, to our interactions with the water cycle, land rehabilitation and biodiversity around our operations, amongst others.

Our engagement activities in 2022

Climate change is a key focus area for a number of stakeholder groups, with rising pressure to act to limit the effects of climate change.

Engagement on the natural environment occurs with local and national government bodies to ensure compliance with local legislation and best practice. Engagement with local communities is conducted through regular meetings with community leaders and representatives. The Group interacts with its workforce via regular staff meetings and internal communications, which includes feedback mechanisms to ensure local voices are heard.

Our response to feedback

In response, the Board approved the publication of the inaugural Climate Change Report in December 2022. This report represents the culmination of our collaboration to date with environmental consultants Ricardo Plc ("Ricardo"), which was a project announced in October 2021. Through this work stream, the Group has developed a potential pathway to net zero iron ore pellet production, as well as climate scenario modelling to determine risks and opportunities related to Ferrexpo's business and industry sector. For more information, please see the Group's website (www.ferrexpo.com).

The Group has also set revised, more ambitious greenhouse gas emissions reduction targets. The Group is now targeting a 50% reduction in its Scope 1 and 2 emissions by 2030 (on a combined basis per unit of production). For more details of the Group's emissions reduction targets, please see page 35 of this report.

In addition, the HSEC Committee maintains climate change as a standing item on the agenda for all meetings, with meetings held on a quarterly basis.

Executive remuneration is also aligned to the Group's climate change goals, with the introduction of performance targets relating to climate-related matters, please see page 124 of this report.

Plans for engagement in 2023

The Group is continuing to expand its reporting of its environmental footprint in 2023 with the completion of the life cycle analysis that is currently being finalised. This work will serve to provide a peer-reviewed study of the environmental footprint of iron ore pellets, benchmarked against the most commonly traded form of iron ore (sinter fines).

Government

Ferrexpo engages with governments in the countries in which the Group operates through regular and clear dialogue with representatives of host governments and local authorities. In each jurisdiction, the Group aims to develop long-term, positive relationships through regular and transparent interactions.

Our engagement activities in 2022

The Group has a number of legal permits and licences required to operate in host countries, which are administered by the Group's internal legal and government liaison teams, as well as external advisors.

Engagement with the Ukrainian government has been particularly important in 2022 given the ongoing war in Ukraine. Well-developed lines of communication have been necessary to allow the Board and management to understand the numerous changes to the operating environment, which has changed significantly throughout the war, from port closures, limitations to rail access and the availability of electricity, amongst other effects. Additionally, we have needed to keep in constant contact with the government to understand the needs of communities across Ukraine as the war has evolved, helping to meet humanitarian requests wherever we are able to assist.

Our response to feedback

Through engagement, the Group aims to establish a constructive line of communication with host governments, to facilitate further investment and continued operations in each country. The Group has operations and corporate offices across seven different countries, in addition to marketing offices in a further three countries, ensuring the Group has a global presence in a global marketplace.

As part of the effort to raise awareness of Ukraine's needs during the Russian invasion of Ukraine, the Group has sponsored two policy papers, published in March and July 2022 "Global Britain and the Black Sea" and "Deepening British-Ukrainian relations in a more competitive era". Both are available to read at www.geostrategy.org.uk.

Plans for engagement in 2023

The Group aims to continue to proactively engage with government stakeholders in the jurisdictions where it operates, in line with previous years.

Investors

The investment community is a key pillar of the Group's corporate brand, and investment in Ferrexpo reflects both the financial performance and reputation of the Ferrexpo business. Through developing close ties with investors of all sizes, the Group can promote itself as well as raise awareness of Ukraine's potential.

Our engagement activities in 2022

The Group has maintained a premium listing on the London Stock Exchange since June 2007 and as a result has a large investor base, comprising more than 500 institutions or organisations representing retail shareholders as of January 2023, located in more than 30 countries or jurisdictions. The Group's independent shareholders range from international investment funds managing billions of dollars, to individual retail shareholders.

The Group regularly meets in person with investors in London and Europe, and regularly speaks to investors located around the world. Direct engagement with investors can take the form of ad hoc meetings, video calls or telephone calls, as well as results calls following either the full year or interim results in March and August respectively. Following each set of financial results, the Group will liaise with the sales team at its broker Liberum to arrange a series of investor meetings, referred to as an investor roadshow. Additionally, the Group regularly speaks to the analyst community at a number of investment banks, which for Ferrexpo, are typically located in London or Kyiv. Through this interaction, the Group is able to assist its analyst following to produce accurate and considered investment research on Ferrexpo.

In addition to the above activities, the Group also hosts its Annual General Meeting ("AGM") usually held in May each year, which represents an opportunity for all investors to meet and engage with the Board.

Our response to feedback received

The Group aims to communicate with all shareholders and uses a range of methods to do so. In 2022, we have published three formal reports for our stakeholders – an Annual Report and Accounts in April, a Responsible Business Report in August and a Climate Change Report in December. The Responsible Business Report was also published in Ukrainian to help engagement with a wider audience on sustainability topics, which are particularly relevant for local stakeholders. In January 2022, we unveiled a revamped corporate website (www.ferrexpo.com), which incorporates much of the content and commentary produced for the Group's social media channels, which are available in both English and Ukrainian (on Facebook and Instagram).

Given investors' increasing reliance on sustainability data in making investment decisions, it is evident that there is a need to ensure the quality of this information is high. As such, we have sought to undertake an independent assurance process of our safety and carbon emissions data for 2022, which mirrors a similar process on data for 2021 that was completed in July 2022.

Throughout the war in Ukraine, we have regularly updated our investors with clear and consistent press releases, aiming to keep them informed of the war's impact on our business. During 2022, we published 34 press releases, representing a 42% increase on the prior year. In addition, we provide corporate presentations for all stakeholders on our website, which also cross-references material produced for our social media channels.

At the AGM in June 2022, more than 20% of shareholders voted against two Board-proposed resolutions. Although both resolutions were passed, following the AGM, the Group has engaged with shareholders to understand the reasons for the voting patterns seen and address any concerns. For more information on this process, please see page 93.

Section 172 continued

Plans for engagement in 2023

The Group has a regular schedule of engagement activities throughout the calendar year, including (but not limited to) the Group's annual reporting suite, investor roadshows associated with financial results, quarterly production reports and a number of investor conferences. In addition, the Group provides numerous press releases, presentations and social media output on an ad hoc basis, which are produced as required for company news events or otherwise.

Capital providers

Since listing in 2007, the Group has consistently relied upon the banking community and providers of capital to help operate its business model on a day-to-day basis and to help finance our investments for future growth projects. Over this period of time, we have sourced multiple sources of funding, including the issuance of corporate bonds and engaging with lenders for pre-export finance ("PXF") facilities.

Our engagement activities in 2022

The Group's treasury department manages our liquidity position, which includes our various relationships within the landscape of banks, providers of capital and other relevant third parties. Relationships are also maintained with the main credit ratings agencies, with the Group's corporate ratings detailed on page 25 of this report.

Regular meetings and calls are held with the above lenders and ratings agencies, to maintain existing relationships, or develop relationships for future lending or banking arrangements. The above interactions involve the provision of the Group's press releases and corporate presentations, in addition to standalone presentations where required.

In addition to the normal course of business activities and meetings held with capital providers, additional engagement has been required in 2022 in light of Russia's ongoing invasion of Ukraine, and the resulting restrictions imposed on both Ukraine and the Group (see pages 4 to 5 for a summary of these effects).

As of 31 December 2022, the Group had a net cash position of US\$106 million with no debt facilities and minimal lease obligations (31 December 2021: net cash position of US\$117 million).

Our response to feedback

Key considerations for capital providers are the Group's liquidity position and strength of its balance sheet, as well as additional factors relating to corporate governance, growth plans and ESG practices, amongst other aspects of our business.

Providers of capital and ratings agencies are increasingly focused on ESG related topics, which is driving a requirement for broader and more detailed disclosures across a range of topics. Whilst we have provided detailed summaries of this work under the Global Reporting Initiative ("GRI") in our Responsible Business Reports since 2016, the Board determined that further action was required to remain in line with expectations. As such, in October 2021, we announced our collaboration with environmental consultants Ricardo Plc and our inaugural carbon emissions reduction targets. Following the completion of the first phase of this collaboration, we published our findings in our Climate Change Report.

In addition, good corporate governance is a matter of paramount importance for providers of capital and ratings agencies, and the Group's treasury department regularly engages with these parties on the various initiatives and frameworks that the Group has developed to bolster its governance practices. In certain instances, members of the Board have engaged directly capital providers to enable a greater degree of understanding on these topics.

Plans for engagement in 2023

It is expected the existing level of engagement, which is at an elevated level compared to previous periods, will continue as long as the war in Ukraine continues to restrict the Group's ability to operate, and factors specific to the Group and Ukraine, as detailed on page 60 (Principal Risks: Ukraine Country Risk), continue.

Typical engagement activities range from formal face-to-face meetings and video calls, to informal discussions on an ad hoc basis, which are conducted as part of the day-to-day operating of Ferrexpo's business. Additionally, in the past, the Group's treasury department has facilitated discussions with other functions within the Group (for example, Board members, CEO or CFO) and representatives of capital providers or ratings agencies, depending on the nature of topics being discussed.

Given the focus of capital providers on the Group's balance sheet, market factors represent an additional consideration given the direct impact of iron ore benchmark prices, pellet premiums and freight rates on our ability to remain profitable. Therefore, the Board is mindful of the need to ensure that capital providers and ratings agencies are suitably informed of such market factors, as well as expectations around production and sales volumes and the Group will continue to provide these updates in the coming year.

Case Study: Protecting stakeholder interests

Board decision making during the Russian invasion of Ukraine

The Board's agenda during 2022 has been primarily focused on dealing with the effects of the Russian invasion of Ukraine on the Group. This has required the Board to make many challenging, time-pressured decisions while considering multiple stakeholder interests.

Following the outbreak of the war, the management team and the Board acted swiftly to put in place appropriate measures to protect the Group's workforce based in Ukraine – with the safety of people being of the utmost importance, as well as ensuring clear and regular lines of communication with the workforce.

The Group also needed to take steps quickly to protect the business. The Board took the difficult decision to postpone performance of various contractual obligations, including suspending deliveries to seaborne customers who could no longer be serviced due to the closure of logistics routes. The Board and the management team were aware of the negative impacts this would have on the Group's customers, but sought to communicate clearly with customers so that they understood the steps being taken and to preserve (often long-standing) relationships where possible with a view to maintaining the Group's reputation for high standards of business conduct, even in exceptionally difficult circumstances.

The Board acted quickly to set up a dedicated Humanitarian Fund to support both the local communities surrounding the Group's operations and country-wide initiatives. With

input from the HSEC Committee, the Board approved terms of reference for the Fund to ensure there was clarity regarding the humanitarian projects which the Fund will support, and appropriate governance arrangements to approve any funding requests. Members of the workforce were also given the opportunity to put forward any proposals on how funds should be allocated and suggestions were taken into account by the Board and HSEC Committee. For further details see page 44.

Given the uncertainties surrounding the war, the Group has taken action to protect its financial position and preserve liquidity. This has involved suspending non-essential capital expenditure and minimising sustaining capex. The Board recognised the impact these decisions would have on the Group's suppliers, and their potential to impact the Group's operations in the future, but ultimately needed to prioritise the Group's financial stability. The Group also engaged with its customers to reduce existing payment terms where possible, to assist with cash flow management. Engaging with customers and suppliers has been key to maintaining existing relationships during these unprecedented times, and the Board has exercised oversight of these matters throughout the year.

The Board also carefully considered stakeholder factors at the time of declaring the dividends made to shareholders in 2022. In addition to their legal obligations concerning distributions, the Board also considered the Group's overall financial position at that time, forecast revenues and projected future expenditures (including payroll obligations, fixed overheads and supplier payments) over a defined period, as well as applying an additional buffer amount, to ensure that the likely consequences of the dividends over the long term had been assessed.

The Group and the Board continue to have stakeholder considerations front of mind when making decisions and recognise that many of the difficult decisions being taken by the Group during these unprecedented times will inevitably have an adverse impact on stakeholders, and that some stakeholder groups will be impacted more than others. Where feasible, the Board will continue to take mitigating steps to reduce these impacts.

Image: Flags flying outside Ferrexpo's administrative offices at FPM (L-R: Poltava Region, FPM, Ukraine).

Risk Management

Assessing and managing risk

Ferrexpo identifies and assesses risks based on each risk's probability of occurrence and the severity of any event. The Group aims to mitigate the potential impact of each risk through its management of day-to-day activities, taking a prudent approach to risk where possible.

Risk identification

Ferrexpo aims to manage risks across its business through the early identification of potential risks before they emerge, with senior managers and the Group's executive management team responsible for maintaining risk registers for each area of the Ferrexpo business. Risk registers are regularly reviewed and updated, with local risk owners reporting to senior management teams on a regular basis.

The Group risk register records risks on the basis of the likelihood of occurrence and level of potential impact on the Ferrexpo business. A total of 44 risks were included on the Group risk register as of December 2022, with risks ranging from the war in Ukraine (both direct and indirect), risks relating to operating in Ukraine, operational risks such as the risk of a pit wall failure, health and safety-related risks, and risks relating to information technology and climate change. Further to the Group risk register, which records the risks with the most serious potential impact and likelihood of occurrence, operating entities maintain their own local risk registers, which feed into the Group risk register. In late 2022, the Group implemented an enterprise risk management ("ERM") tool to help record and monitor risks, which is the platform for the reporting and assessment of risks within the Group.

The Group considers emerging risks to be risks that are newly developing, or increasing in potential severity of impact, or changing risks that are difficult to quantify.

The risks that are assessed by the Group's management to be Principal Risks are presented on pages 58 to 74.

Risk mitigation

Risks are inherent in operating a business and it is through effective risk identification, risk

management, prudent decision making and other risk mitigation measures, that the Group can understand and reduce the risks that the business faces. The Group's management team, however, understands that it cannot eliminate risk. The Group's approach to risk mitigation for each of the Group's Principal Risks is presented opposite.

Risk governance framework

Risks are reported internally on a monthly basis, as part of the Finance, Risk Management and Compliance ("FRMC") Committee, with the Group's senior leadership team reviewing the Group-level risk matrix, which plots the likelihood of occurrence against the potential severity of impact, and identifying material changes in either variable to all of the risks listed. Over 40 risks are reported on the Group risk register to the FRMC Committee on a monthly basis, with each risk attributed a potential monetary impact should an event occur. The FRMC Committee reports to the Group's Executive Committee, which in turn reports to the Board, which has the ultimate responsibility for the Group's approach to risk management. The Audit Committee, a sub-committee of the Board, assists the Board in its regular monitoring of the risks faced by the Group. The Group's internal audit function assists with the process of risk review, and conducts ad hoc reviews of risk management controls and procedures. For more information on the Audit Committee's monitoring and assessment of the effectiveness of the risk management and internal control systems, see the Audit Committee Report on page 98.

Risk assessment for 2023

The risk matrix opposite depicts the Principal Risks facing the Group.

Page 54 of the 2021 Annual Report and Accounts highlighted a rising risk profile

facing the Group in 2022, with significant uncertainty relating to rising tensions between Russia and Ukraine. Through the course of 2022, a number of these potential risks have eventuated, following Russia's invasion of Ukraine in February 2022, which has had a significant impact on the Group's ability to operate. Further details on the conflict risk facing the Group are provided on page 59 of this report.

In addition to the war in Ukraine, a secondary effect of the conflict is the increased political alignment within Ukraine. It is unclear as to the eventual impact of this change on the Group, which in turn creates a potential risk for the Group should the political landscape shift adversely. Further details of the risks associated with operating in Ukraine are provided on page 59.

The ongoing global Covid-19 pandemic remains a Principal Risk facing the Group, despite the gradual unwinding of government restrictions around the world relating to containing infection rates and treating those infected. Given the lower impact of more recent strains of Covid-19, the direct impact of this risk is seen as reduced compared to previous years. For further details on this risk, please see page 74.

Climate change is a rising Principal Risk, and the Group is facing both physical and transitional risks, with increased reporting requirements likely in the near term. This topic is covered on pages 34 and 73 of this report, with particular reference to climate change related risk reporting under the Task Force on Climate-related Financial Disclosures ("TCFD") framework.

Risk management process



Materiality matrix

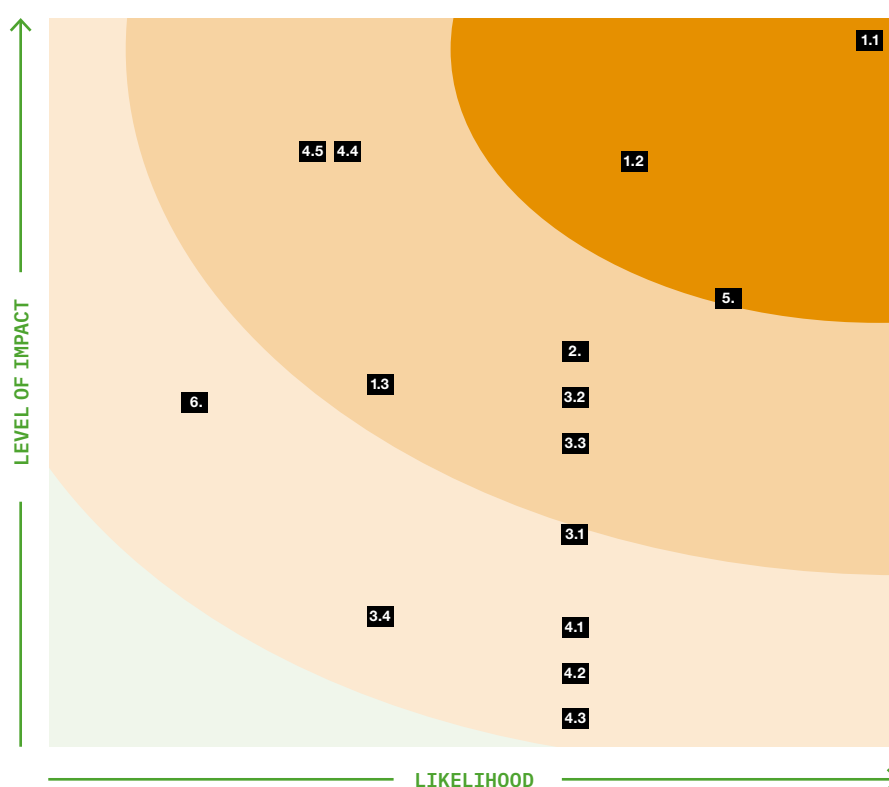
The Principal Risks identified in the heat map to the right highlight which risks could have the greatest severity of impact on the Group's operations and viability.

Key

- 1.1 Conflict risk
- 1.2 Ukraine country risk
- 1.3 Counterparty risk
- 2. Global demand for steel
- 3.1 Changes in pricing methodology
- 3.2 Lower iron ore prices
- 3.3 Pellet premiums
- 3.4 Seaborne freight rates
- 4.1 Risks relating to producing our products
- 4.2 Risks relating to the delivery of our products
- 4.3 Risks relating to health and safety
- 4.4 Risks relating to operating costs
- 4.5 Risks relating to information technology and cybersecurity
- 5. Risks relating to climate change
- 6. Risks relating to the Covid-19 pandemic



Please see pages 58 to 74 of this report for a full summary of Principal Risks



Principal Risks

Understanding risks and our business model

Principal Risks are those considered to have the greatest potential impact on the Ferrexpo business, assessed on the basis of impact and probability.

Introduction

This section outlines the Principal Risks facing the Group in 2022, each of which have the ability to negatively impact the Group, either in isolation or in tandem with other risk areas. Principal Risks are defined as factors that may negatively affect the Group's ability to operate in its normal course of business, and may be internal, in the form of risks derived through the Group's own operations and activities, or external, such as political risks, market risks or climate change related risks. The Principal Risks listed here are not exhaustive, nor are they mutually exclusive, and therefore one risk area may negatively impact another risk area.

Each Principal Risk is linked to the aspects of the Group's strategy that could be impacted if an event were to occur.

1. Produce high quality pellets.
2. Achieve low cost production.
3. Maintain strong relationships with a network of premium customers.
4. Conduct business in a safe and sustainable manner.
5. Retain a balanced approach to capital allocation.



Risk currently considered to be materially increasing in significance to the Group's activities.



Risk currently considered to be neither materially increasing nor materially decreasing in significance to the Group's activities.



Risk currently considered to be materially decreasing in significance to the Group's activities.

Principal Risks include, but are not necessarily limited to, those that could result in events or circumstances that might threaten the Group's business model, future performance, solvency or liquidity and reputation.

Risks are inherently unpredictable, and, therefore, the risks outlined in this report are considered the main risks facing the Group. New risks may emerge during the course of the coming year, and existing risks may also increase or decrease in severity of impact and/or likelihood of occurrence, and this is why it is important to conduct regular reviews of the Group's risk register throughout the year. The Group maintains a more extensive list of risks, covering over 40 different risks at the Group level, with additional risks considered in local risk registers at each operating entity. The Group risk register is reviewed on a monthly basis for completeness and relevance by the Group's Finance, Risk Management and Compliance ("FRMC") Committee, which ultimately reports into the Board for further review and approval of the risk register. The Group risk register is also reviewed by the Audit Committee at least four times a year. The members of the Executive Committee manage risk within the business on a day-to-day basis. The Committee includes the Chief Executive Officer, Chief Financial Officer, Chief Marketing Officer, Group Chief Human Resources Officer and General Director of Ferrexpo Poltava Mining.

The Group's management team continually reviews and updates its view on, and approach to, risks facing the Group. This section of the Annual Report and Accounts primarily covers risks facing the Group in 2022, but also early 2023, up until the publication date of this report. A further update on the Principal Risks will be provided in the Interim Financial Results, which is due to be published in August 2023.

Key theme: Russian invasion of Ukraine in 2022

On 24 February 2022, Russia launched a full scale military invasion of Ukraine, with the conflict continuing as of the date

of this report. This event has significantly changed the operating environment for businesses in Ukraine on an unprecedented scale. Please see page 59 for more information on this risk area.

Key theme: Ukraine country risk

This area has been listed as a Principal Risk facing the Group since listing in 2007, and the Group has successfully operated amid challenging circumstances for more than 15 years. The war in Ukraine has served to escalate a number of risks relating to Ukraine, including risks relating to the political environment and the independence of the legal system. Please see page 60 for more information on this risk area.

Key theme: climate change

An important topic for any modern business, with discussions with multiple stakeholder groups centring on the Group's efforts to reduce emissions both in the Ferrexpo business, but also in the Group's value chain (Scope 3 emissions). As a consequence of rising stakeholder focus on this topic, the Group published its first standalone report on climate change in December 2022. Please see page 73 for more information on this risk area.

Key theme: cybersecurity

As a business seeking to modernise, the Group is increasingly reliant on electronic software for the management of key operational and administrative activities. As a business primarily operating in Ukraine, the Group has faced heightened cybersecurity threats from malicious parties since 2014, coinciding with Russia's initial invasion of Ukraine's sovereignty. Please see page 72 for more information on this risk area.

Key theme: Covid-19

The war in Ukraine has resulted in significantly lower levels of testing for Covid-19 throughout the country, and therefore this represents a potentially unmonitored risk in the general population of Ukraine. Please see page 74 for more information on this risk area.

1. Country risk

1.1. Conflict risk (external risk)



Responsibility

Board of Directors and Chief Executive Officer

Risk appetite

Low

Link to strategy

1, 2, 3, 4 and 5

On 24 February 2022, Russia began a full scale invasion of Ukraine that has significantly impacted every layer of the Ukrainian state, including the focus of the government, companies' ability to operate and the health and wellbeing of each individual within Ukraine. Prior to this date, major concerns were raised about the possibility of an invasion, following a significant build-up of military equipment and personnel along Ukraine's borders. Following 24 February 2022, people and companies within Ukraine have faced direct military action in the form of damage and destruction caused by military conflict, as well as indirect impacts of the war, such as electricity blackouts and the closure of the Black Sea for Ukrainian ports.

Ferrexpo's main operations are in the Poltava region of central Ukraine, which has not seen any direct combat between Russian and Ukrainian forces. The entirety of Ukraine has, however, faced numerous missile strikes and power outages, and the Poltava region is no exception. The Group's facilities have not been directly targeted by Russian missile strikes, but a number of neighbouring third party facilities such as the Kremenchuk oil refinery and state owned electricity infrastructure have been damaged by such attacks. Such damage has materially affected the Group's ability to source fuel and receive electricity, with damage to electrical infrastructure in October 2022 resulting in the

partial suspension of production activities (as announced on 11 October 2022). Following repair work completed on the electrical grid in the fourth quarter of 2022, the Group resumed activities in December 2022, with sufficient power to operate one pelletiser line. This situation has continued, with the Group restarting a second pelletiser line in March 2023, and the Group able to ship its products throughout January and February 2023.

The war in Ukraine has placed an unprecedented strain on the economy of Ukraine, with a number of businesses closing, rising unemployment, and tax revenues falling, in addition to other factors negatively impacting revenues. At the same time, spending on the military and social programmes both increased significantly in 2022. Consequently, the government of Ukraine has sought to increase revenues through changes to its fiscal policies, such as increases to railway tariffs, as well as implementing measures to stabilise the economy, such as enacting laws for the repatriation of funds and currency controls. A number of these measures have the potential to either directly or indirectly impact Ferrexpo negatively through consequences such as lower revenues and/or a more restrictive operating environment. Furthermore, given the strain placed on the economy of Ukraine, the exchange rate for the Ukrainian hryvnia depreciated significantly in 2022, with the government introducing a peg for the hryvnia

to the US dollar. After the invasion of Ukraine in February 2022, this peg was set at UAH 29.25 per US dollar, and was subsequently moved to UAH 36.5 per US dollar in July 2022. Such a rapid devaluation of the local currency in Ukraine, which was approximately UAH 27.28 per US dollar as recently as the end of 2021, has had a significant impact on the Group's costs, assets and shareholders' equity. For more information, please see page 22.

As a result of the war, a proportion of the Group's workforce in Ukraine has enlisted in the Armed Forces of Ukraine, relocated to safer locations and/or moved to care for loved ones. Additionally, perceptions around the negative outlook for Ukraine and/or the Group may result in key individuals seeking employment outside the Group. As such, the Group faces potential risks around being able to adequately staff its operations and other functions within its business.

Additional risks related to the war in Ukraine include, but are not limited to, restrictions related to the cost effective and timely transport of the Group's products, restrictions in accessing markets, rising costs related to reduced output and/or alternative supply arrangements and the impact on employee wellbeing. A summary of the war's impacts is provided on page 4 of this report.

Risk mitigation

The health and safety of the Group's workforce, and those connected to the Ferrexpo business such as suppliers and logistics operators, is the primary concern.

Whilst it is difficult for a company such as Ferrexpo to defend itself from direct military activity such as Russia's invasion or a missile strike, the Group has taken several measures over the course of the year to help keep its workforce, and their families and local communities safe from the threat posed by Russia's invasion. Measures during the year have included remote working for those able to do so, timing of shift patterns to fit with curfew hours, the

provision of on-site childcare facilities to ensure children are close and employees are not having to travel unnecessarily, the provision of air-raid shelters and the provision of protective equipment such as armoured vests and helmets for employees serving in the Armed Forces of Ukraine. The Group has also engaged in extensive discussions with local authorities, and has stepped up to provide financial assistance through the Ferrexpo Humanitarian Fund, managed by the Ferrexpo Charity Fund, with oversight by the Board of Directors of Ferrexpo to ensure good governance in all support activities. Please see page 46 for more on this subject.

The Group will continue to take measures as required to protect its workforce, and their families and local communities, for the duration of the war, and during the post-war period where continued support is required. The Group has a long track record of providing direct support to the communities in which it operates, with the Ferrexpo Charity Fund in operation for more than 11 years.

Principal Risks continued

1. Country risk (continued)

1.2. Ukraine country risk (external risk)

**Responsibility**

Board of Directors and Chief Executive Officer

Risk appetite

Low

Link to strategy

1, 2, 3, 4 and 5

The considerations outlined here are separate to the risks relating to the ongoing war in Ukraine, but some or all of them may be exacerbated by the current conflict (see page 59 for risks relating specifically to the conflict in Ukraine).

Ferrexpo's main operations are in Ukraine, which is considered to be a developing economy under the classifications provided by the World Bank¹. Ukraine is a country that placed 77th in the United Nations' Development Programme's ("UNDP") Human Development Index², and is therefore classified as having a "high" level of human development (based on factors such as life expectancy and levels of education). This ranking places it in a similar bracket to China (79th) and Sri Lanka (73rd), other countries considered to be developing economies. As a result of operating in a developing economy, the Group is subject to a number of elevated risks, such as the fiscal and political stability of Ukraine, independence of the judiciary, access to key inputs and capital, exposure to monopolies and other influential businesses (particularly those that are related parties to the government of Ukraine), in addition to a range of other factors. As a result of being a business in a developing economy, the Group is exposed to heightened risks around corruption, with Ukraine placing 122nd in Transparency International's Corruption Perception Index ("CPI")³. Whilst Ukraine's score in the CPI has improved from a low of 25 in 2013 to 33 in 2022, and its global position has improved by 28 places (including an improvement of six places in 2022 alone), the country continues to remain below the global average.

Through the Group's exposure to an operating environment in a developing economy, Ferrexpo has been subject to a number of risk areas that are heightened relative to those expected of a developed economy. Risks associated with the war in Ukraine are covered on page 59 of this report, but there are indirect risks associated with the war, such as the increasing political unity within Ukraine and determination to drive political, fiscal or economic change, the latter of which is often associated with financial and military agreements struck with western governments and/or western organisations. This change can be exhibited in a number of practical applications, which can include, but are not limited to, changes to the regulatory environment, potential increases to tax and/or royalty rates, increased disclosure requirements or operational restrictions. Changes may be

made as a result of government decision making, a third party international partner and/or lender, or another party within Ukraine, and therefore the rationale for changes may not correlate with the official agenda of the government of Ukraine. As a result of this local instability, which is amplified by the war in Ukraine (see page 59), sources of capital for businesses deriving their revenues from Ukraine are limited at the present time, which in turn reduces the operational flexibility of the Group.

The independence of the judiciary in Ukraine has been frequently referenced in the Principal Risks section of the Group's Annual Report and Accounts, and this is a consideration that remains particularly relevant for the Group today. As described in Note 30 (Commitments, contingencies and legal disputes) to the Consolidated Financial Statements, the Group is currently subject to several legal proceedings in Ukraine that are similar in part to previously heard legal proceedings, and it cannot be guaranteed that the Ukrainian legal system will always provide a ruling in line with the laws of Ukraine or international law. As disclosed in the 2021 Annual Report and Accounts, the Group is currently subject to a claim pursuant to which the claimants are seeking to invalidate a share sale and purchase agreement dated 2002 relating to the acquisition of 40.19% of Ferrexpo Poltava Mining, the Group's main operating subsidiary in Ukraine (the "Claim"). Following a first hearing of the Claim in 2021, a court in Ukraine found in favour of the Group. An appeal was heard in September 2022, with the appeal court ruling in favour of the claimants and ordering that 40.19% of Ferrexpo Poltava Mining be transferred to the claimants (as announced by the Group on 20 September 2022). Subsequent to this ruling, the Group has moved to commence proceedings at the Supreme Court of Ukraine, with a preliminary hearing held on 1 December 2022 whereby it was agreed for the case to be transferred to the Grand Chamber of the Supreme Court, with the next hearing scheduled to take place on 15 March 2023. As at the date of this report the claimants have not sought to enforce the appeal court ruling, but it remains possible that they could seek to do so notwithstanding the on-going proceedings before the Grand Chamber of the Supreme Court. If the Group is unsuccessful at the hearing before the Grand Chamber of the Supreme Court, and the original 2002 share sale and purchase agreement is held to be invalid, this would have a material adverse impact on the

Group, including through the loss of a significant proportion of the Group's main operating asset in Ukraine.

As referenced in the Group's previous public reporting, including in the Group's Interim Results published in August 2022, there are outstanding allegations relating to the Group's controlling shareholder, Kostyantyn Zhevago, that remain unresolved, and there is a risk that assets owned or controlled (or alleged to be owned or controlled) by the Group's controlling shareholder may be subject to restrictions, in Ukraine or elsewhere, or that the Group may be impacted by, or become involved in, legal proceedings relating to these matters, in Ukraine or elsewhere.

On 27 December 2022, it was announced that Mr Zhevago had been detained whilst in France, and subsequently released on bail, at the request of the authorities in Ukraine, who are reportedly seeking his extradition to Ukraine in connection with allegations relating to a former Ukrainian bank owned by Mr Zhevago (Bank Finance & Credit). Following this event, Mr Zhevago resigned his position as Non-executive Director on the Board of Directors. The legal case relates to the potential extradition of Mr Zhevago, and associated legal claims being made in Ukraine, and remains outstanding as of the date of this report. The risks relating to the Group as a result of this legal action, and potential further legal action, cannot be accurately estimated at the present time, nor can the potential timeline for resolving any matters.

As a consequence of recent events relating to the Group's controlling shareholder, as outlined above, the Group may experience adverse effects, such as negative media attention for the Group, a reduced ability to operate within Ukraine and/or overseas due to negative perceptions of the Group, and a restricted operating environment for aspects of the Group's business, such as closure (or suspension) of relationships with stakeholder groups such as banking services. The Group's relationships both upstream and downstream may also be negatively impacted by events related to the Group's controlling shareholder, such that the Group is limited and/or impaired in its ability to do business overseas in a specific country and/or region. In addition, restrictions imposed on the Group's controlling shareholder (and/or negative perceptions of the Group's controlling shareholder) may potentially adversely impact the Group within Ukraine, with a restriction on

1. Country risk (continued)

1.2. Ukraine country risk (external risk) (continued)



the Group's ability to successfully operate its business model. A number of legal claims or legislative actions within Ukraine are known as of today – as detailed in this section, and further actions to restrict the Group's ability to operate may arise in the future. It is difficult for the Group to predict the scale or nature of such restrictions, and therefore the Group is limited in its ability to pre-empt and mitigate risks in this area.

The Group is subject to a number of actions by the government of Ukraine that threaten to destabilise, or have the effect of destabilising, the operating environment in which the Group exists. For example, in previous years, the government of Ukraine has cancelled exploration licences by Presidential decree, providing minimal detail in terms of an explanation or rationale.

As previously referenced in the Group's 2021 Annual Report and Accounts, in June 2021, the government of Ukraine cancelled a mining licence for an early-stage exploration project known as Galeschynske, which is a licence held by Ferrexpo Belanovo Mining and located to the north of the Belanovo mine (without forming part of this mine). This matter remains outstanding, and there remains a risk that this dispute may increase in scale and/or severity for the Group. The Group has been informed of other licence disputes by the government, which are similar in scale to the licence dispute discussed above. It is difficult for the Group to predict the outcome of existing licence disputes, and whether new claims and/or disputes may arise in relation to the Group's operating licences.

In 2022, the government of Ukraine questioned the documentation relating to the management of a now-dormant waste dump that was originally constructed and operated prior to Ukraine's independence in 1991. The Group continues to engage with local authorities and the national government of Ukraine, aiming to constructively resolve questions and concerns raised. Please see section titled "Ecological Claims" on page 199 for more information.

As previously referenced in the Group's 2021 Annual Report and Accounts, a number of the Group's subsidiaries in Ukraine received letters from the Office of the Prosecutor General, notifying them of an ongoing investigation into a potential underpayment of royalties between 2018 and 2021 (the "Investigation"). On 3 February 2023, one of the Group's senior managers in Ukraine received a notice of suspicion in relation to this Investigation. On 6 February 2023, as part of the Investigation, a court order was issued in Ukraine freezing the bank accounts of Ferrexpo Poltava Mining ("FPM"). These actions by the government of Ukraine mirror actions taken in similar investigations into other metals and mining companies in Ukraine, and therefore represent a scenario that the Group was aware of and able to partially mitigate the associated risks. The Group is engaging with the authorities in Ukraine and intends to appeal the court order issued as part of the Investigation. Stakeholders should note that the Group may not be able to successfully challenge this court order to freeze FPM's bank accounts and/or may not be able to successfully challenge the claims being

made as part of the Investigation. As of late February 2023, the Group has managed to get certain aspects of this court order to be repealed, enabling the Group to pay certain amounts such as salaries (but other restrictions remain in place).⁴

The Group's exposure to operating in Ukraine can result in high velocity risks. Risk velocity relates to how fast a risk may escalate in scale and affect an organisation, with high velocity risks considered to be those that move rapidly from a starting point of having a low likelihood and/or scale of impact, to having a high likelihood and/or scale of impact. Examples of high velocity risks would be natural disasters and armed conflict, both of which could be difficult to predict in advance and could have a significant impact on a business.

The risk factors discussed here in this section, either individually or in combination, have the ability to materially adversely impact the Group's ability to operate its pellet production and other facilities, ability to export its iron ore products, access to new debt facilities and ability to repay debt, ability to reinvest in the Group's asset base, either in the form of sustaining capital investment^A (to maintain production or expansion), capital investment^A for future growth, or the Group's ability to pay dividends, could result in a material financial loss for the Group and/or could result in a loss of control of the Group's assets.

Risk mitigation

Ferrexpo operates in accordance with relevant laws and utilises internal and external legal advisors as required to monitor and adapt to legislative changes or challenges.

The Group maintains a premium listing on the London Stock Exchange and as a result is subject to high standards of corporate governance, including the UK Corporate Governance Code and UK Market Abuse Regulation. Ferrexpo has a relationship agreement in place with Kostyantyn Zhevago, which stipulates that the majority of the Board of Directors must be independent of Mr Zhevago and his associates. For all related party transactions, appropriate

procedures, systems and controls are in place and adhered to.

Ferrexpo prioritises a strong internal control framework including high standards of compliance and ethics. The Group operates a centralised compliance structure that is supported and resourced locally at the Group's operations. Ferrexpo has implemented policies and procedures throughout the Group including regular training. Ferrexpo prioritises sufficient total liquidity^A levels and strong credit metrics to ensure smooth operations should geopolitical or economic weakness disrupt the financial system of Ukraine. Ferrexpo

looks to maintain a talented workforce through skills training and by offering competitive wages, taking into account movements of the Ukrainian hryvnia against the US dollar and local inflation levels.

Ferrexpo has a high profile given its international client base and London listing, and it is important that Ferrexpo's Board of Directors and relevant senior management continue to engage with the Group's stakeholders to effectively communicate the economic contribution that Ferrexpo makes to Ukraine and to show that it operates to high international standards.

1. Source: World Bank, [link](#). (Accessed 3 March 2023.)
2. Source: UNDP, [link](#). (Accessed 3 March 2023.)

3. Source: Transparency International, [link](#). (Accessed 3 March 2023.)
4. As of 28 February 2023.

Principal Risks continued

1. Country risk (continued)

1.3. Counterparty risk (external risk)



Responsibility

Board of Directors and Chief Executive Officer

Risk appetite

Low

Link to strategy

4

As a business operating in an emerging market, and also as a business operating in a country that is currently engaged in an armed conflict, there are significant risks in respect of the Group's business interactions with third party suppliers of goods and services. Risks may relate to a number of subject areas, including (but not limited to) governance and corruption risks, risk of collapse, risks relating to monopolies and/or situations whereby alternative suppliers may not be available, and counterparty risks relating to the conflict in Ukraine whereby counterparties may be exposed to Russia (with such relationships potentially not being known to the Group). The Russian invasion of Ukraine in 2022 has imposed a significant strain on the economy of Ukraine and has therefore heightened the counterparty risks facing the Group.

A secondary effect of the ongoing war in Ukraine is that the Group may be impacted in its ability to conduct effective due diligence on counterparties given the imposition of martial law in Ukraine, and other war-related restrictions. The Group has had to change a number of key suppliers in 2022, and in doing

so, has had to conduct due diligence checks as part of each new relationship, which carries inherent risk to the Group.

Counterparty risks may result in direct consequences for the Group such as financial harm and operational issues in sourcing material, and also include indirect consequences such as damage to the Group's reputation either within Ukraine or with international stakeholders, such as investors, lenders and customers.

Additionally, as outlined on page 60 (Ukraine Country Risk), recent events relating to the Ultimate Beneficial Owner ("UBO") of the Group have resulted in secondary effects on a number of business relationships of the Group. The Group is currently managing these risks either through existing relationships or through new relationships, and it should be noted that any new (or change of existing) business relationship carries an inherent counterparty risk to the Group.

In recent times, the global Covid-19 pandemic has placed a significant strain on the financial stability of third parties and has also

increased the risk of collapse of counterparties. Whilst the direct effects of Covid-19 are less evident in Ukraine and Europe in 2022, this remains a risk, particularly given the global footprint of Ferrexpo's business model. As referenced on page 74, risks relating to Covid-19 are heightened in Ukraine at the present time given the national government's focus on defending its sovereignty in light of Russia's ongoing invasion. Consequently, testing for Covid-19 has been significantly reduced, and the associated risks related to counterparty failure are heightened as a result.

Risk mitigation

In terms of supplier governance, the Group's Compliance Department conducts regular checks on all suppliers, screening entities for a number of risks and elevating those deemed to be higher risk for further checks and consideration as to their eligibility. For entities that the Group conducts business with, the Group has developed a Code of Conduct for Suppliers, which as of 2022 is referenced in 90% of all contracts and over 1,300 due diligence checks completed on potential third party suppliers (2021: 95%). Note that the decrease in proportion of contracts referencing compliance clauses is attributable to the ongoing conflict in Ukraine, and associated restrictions.

The Group's exposure to the failure of a counterparty, or the failure of a party to provide its contracted goods and services, is managed through the Group engaging with a range of suppliers, where possible, in addition to sufficient cash reserves to

maintain the Group's overall liquidity. Where it is not possible and/or practical to source goods and services from multiple providers, the Group considers alternative goods and services to meet its needs and to reduce single party risk.

With regard to the structures in place to monitor and manage counterparty risk, the Finance, Risk Management and Compliance ("FRMC") Committee, is an executive sub-committee of the Board charged with ensuring that systems and procedures are in place for the Group to comply with laws, regulations and ethical standards. The FRMC Committee met ten times in 2022 (2021: ten) and is attended by the Group Compliance Officer and, as necessary, by the local compliance officers from the operations, who present regular reports and ensure that the FRMC Committee is given prior warning of regulatory changes and their implications for the Group. The FRMC

Committee enquires into the ownership of potential suppliers deemed to be "high risk", and oversees the management of conflicts of interests below Board level and general compliance activities (including under the UK Bribery Act 2010, the Modern Slavery Act, the Criminal Finances Act, and the EU General Data Protection Regulation).

The Group aims to minimise risk around the timely provision of goods and services through maintaining sufficient cash reserves and liquidity, as well as maintaining alternative suppliers should one counterparty fail.

The Board aims to ensure adherence to the highest standards of diligence, oversight, governance and reporting with all charitable donations, with the Health, Safety, Environment and Community ("HSEC") Committee required to provide approval for community support expenditures.

2. Market related risks

2. Risks relating to the global demand for steel



Responsibility

Board of Directors and Chief Executive Officer

Risk appetite

Medium

Link to strategy

3 and 5

The Group is a constituent of the global steel value chain, which is a sector that is heavily reliant on global connectivity, and global factors that affect the supply and demand balance of both steel and the raw materials required for making steel.

Steel is typically made using processes that involve iron ore, a degree of scrap steel (depending on the process method) and a source of energy (which can include coal, natural gas and electricity). Prices for these key inputs can be volatile, and are factors that will move independently of any single steel producer's control, and will therefore have the ability to significantly impact the profitability of individual steel producers. Additional factors governing the input costs, and therefore profitability, of steelmakers include: the availability and cost of labour, requirements for capital investments to sustain and/or grow output, the availability of raw materials and energy sources (in addition to unit costs), the cost and availability of logistics routes and the presence of lower cost competitors in key markets.

Global steel demand varies considerably and can be significantly influenced by factors outside of the control of a steel producer, such as political instability (e.g. the war in Ukraine), global energy prices, and outlook for the global economy. In addition to these macro-economic environment factors,

individual steel producing facilities and regions may be impacted by national, regional and local factors such as political instability, political intervention, weather events, cybersecurity events, and climate change, amongst other factors.

Given that the factors listed here have the potential to materially impact the profitability of steel mills, individual companies and/or facilities may respond to higher costs and/or weaker market conditions by reducing or halting steel production, until more favourable market environment returns. This in turn could have a material effect on suppliers to such businesses, such as Ferrexpo.

A more recent trend has seen a surge in awareness of climate change related issues, which is driving increased changes within various levels of the operating environment for steel companies – from local and regional government enacting legislation related to climate change, to customers and local communities demanding that steel production involve lower emissions. Efforts to counter the effects of climate change in the steel industry, which typically focus on the reduction of carbon emissions in the production of steel, are likely to generate higher operating costs in the near term, and higher requirements for capital investment^A in the medium to long term. Furthermore, whilst steelmakers' operating costs are likely to increase in the

near term as a result of emissions reduction measures, end users of steel may not agree to higher steel prices, and therefore profit margins are likely to decrease until such costs are successfully passed through to end user markets.

The structure of the global steel industry relies on a consistent supply of materials to steel mills and a consistent offtake of finished steel by customers. As a consumer of bulk commodities, such as iron ore and coal, the timely and reliable delivery of these materials is required for stable steel prices, since any disruption in the delivery process can create short and medium-term spikes in steel prices. Equally, a scenario whereby global markets encounter an excessive supply of steel, either through an unforeseen downturn in end-user demand, or disruptive increases in steel supply, could have a negative effect on steel prices.

Global steel markets also rely on the consistent availability of logistics pathways, and events such as the Russian invasion of Ukraine in 2022 or the global Covid-19 pandemic, served to demonstrate the possibility of short-term pricing fluctuations (both positive and negative) when global logistics chains fail to function properly.

Risk mitigation

Under normal circumstances, the Group has the ability to mitigate risks around demand for steel through its global customer base, with the Group having the ability to shift sales to regions exhibiting higher demand for steel. This was demonstrated in 2020 during the global Covid-19 pandemic, when Ferrexpo's sales to China were increased significantly in response to a shift in demand away from Europe and North East Asia. At the present time, however, the Group has largely been unable to access the seaborne market for the majority of 2022 due to Russia closing Ukraine's access to the Black Sea. When the Group has been able to

access the seaborne market, it has not been in material quantities, or on financially favourable terms, and therefore the Group's ability to shift significant sales volumes to regions other than Europe has been impaired in 2022. The ability of the Group to pivot its sales is a measure that the Group intends to utilise once consistent and sizeable access to the seaborne market is re-established, either through a Ukrainian port, or otherwise.

Other risk mitigation activities include the Group's ability to produce high quality forms of iron ore, which typically command higher premiums with customers and also tend to

be more in demand throughout the economic cycle.

Ferrexpo operates in a country whereby the local currency, the Ukrainian hryvnia, is a currency that is linked to the performance of commodity prices, and historically the Group has experienced depreciation in the hryvnia at times of lower commodity prices, which in turn reduces the Group's dollar-denominated cost base. Movements in the hryvnia-dollar exchange rate can, however, be influenced by other factors and may not necessarily reduce costs at times of low iron ore prices.

Principal Risks continued

3. Risks related to realised pricing

3.1. Changes in pricing methodology (external risk)



Responsibility

Chief Executive Officer and
Chief Marketing Officer

Risk appetite

Medium

Link to strategy

1, 3 and 5

Pricing formulas for iron ore pellets are governed by a number of factors, including the iron ore fines price, a premium for additional ferrum content (if applicable), pellet premiums, freight rates and additional quality premiums and discounts depending on the type of iron ore pellet or concentrate supplied and its chemistry. Industry-wide factors, which are outside of the Group's control, can influence the methodology for pricing iron ore products, in addition to the various premiums and discounts that are applied by individual customers and individual regions. Premiums or discounts paid for specific characteristics may change and adversely impact the Group's ability to market specific products.

Should the standard method pricing methodology change in the future, it could have a negative impact on the Group in the form of lower realised prices for iron ore pellets and/or iron ore concentrate, and therefore resulting in a negative impact on the Group's financial performance. Additional potential impacts of changing perceptions around pricing methodology could include a restriction in the Group's ability to sell its products to specific customers and/or customer regions, should such stakeholders elect to pursue a different pricing methodology with an alternative supplier of iron ore products.

As a producer of high grade forms of iron ore (grading 65% Fe and above), over time, the Group has developed customer pricing agreements with customers on the basis of high grade benchmark fines indices (grading 65% Fe). Such agreements enable the Group to realise the value of the iron content in its products, with high grade (65% Fe) fines index trading an average of US\$19 per tonne above the medium grade (62% Fe) in 2022 (2021: US\$26 per tonne)¹. The premiums paid for material priced using the high grade benchmark index reflects the restricted supply of high grade iron ores into the global market, with the majority of supply being either low or medium grade iron ores. Premiums paid for higher grade iron ores (referred to as the "ferrum premium") also reflect the operational benefits to steel mills through higher blast furnace productivity and lower emissions profiles associated with higher grade input materials.

Should customer agreements return to pricing of its products using the medium grade benchmark, the Group could potentially experience lower net realised pricing for its products.

The Group also relies on pricing structures for its pellets to include a pellet premium, which reflects the high quality, pelletised nature of the iron ore delivered to customers.

Given the benefits of pellets to steelmakers (namely improved furnace productivity and/or reduced greenhouse gas emissions), it is accepted practice that steelmakers pay an additional premium for iron ore pellets (the "pellet premium"). Pellet premiums have varied significantly in recent years, which reflects both supply and demand-related factors. Given the scale of the pellet premium relative to the iron ore fines index and pelletising costs, any move away from the market paying pellet premiums would have a significant impact on our profitability and our differentiation within the global landscape of iron ore producers. Furthermore, a number of pellet premiums are quoted by third parties, which are computed in a variety of ways. Any switch from using one specified pellet premium to another quoted pellet premium, may also result in lower realised pricing for the Group.

Risk mitigation

The Group aims to price its products through clear and consistent engagement with customers, with the Group seeking to develop mutually beneficial long-term relationships. Through consistent supply and consistent high quality of the Group's products, Ferrexpo aims to maintain strong relationships with its customers.

Through strong customer relationships, the Group aims to ensure that the net realised prices received for its iron ore products are in line with the international benchmarks for pricing of similar products, in addition to premiums paid for the quality and/or form (i.e. pellet) of the iron ore being traded.

Ferrexpo endeavours to achieve the prevailing market price at all times, and the Group aims to be a low cost producer and therefore cash flow positive throughout the commodities cycle.

1. Source: S&P Global Commodity Insights.

3. Risks related to realised pricing (continued)

3.2. Lower iron ore prices (external risk)



Responsibility

n/a (Ferrexpo is not large enough to influence global demand)

Risk appetite

Medium

Link to strategy

1, 3 and 5

This factor is one that is connected to risks related to the global demand for steel (see page 59), since demand for steel directly impacts the pricing of raw materials used to produce steel, such as iron ore.

As a company that derives the majority of its revenues from iron ore products, Ferrexpo is inherently exposed to iron ore prices, either in the form of benchmark iron ore fines prices, or pellet premiums. Variations in iron ore prices come in a number of forms, from the underlying iron ore price, to the premium paid for the grade of iron ore (the “ferrum premium”), or discounts applied for the naturally occurring waste elements in each ore such as silica and alumina.

The iron ore fines price is the largest component of pricing for the Group’s products, which averaged US\$139 per tonne in 2022 (high grade iron ore fines index¹, 2021: US\$186 per tonne). As discussed in the Market Review section (see page 8, iron ore fines prices are predominantly affected by Chinese demand for iron ore, which represented 75% of global imports of iron ore fines in 2022 (2021: 76%), and the economic outlook for China².

The quoted price for iron ore fines is called the benchmark index, and is applicable for forms of iron ore that have a specified chemistry that is amenable for steelmaking, such as the percentage of each waste

material contained (e.g. silica, alumina, phosphorus). The Group’s products typically conform to the requirements of the benchmark index, and therefore tend not to have penalties applied as a result. Iron ores that do not comply with the benchmark index, however, will be subject to a range of penalties, which may vary significantly depending on a range of market factors and technical requirements of each steel mill. Any variation in the quality and/or chemistry of the Group’s iron ore that is mined in a given period could therefore result in penalties being incurred.

A secondary component of the pricing structure of the Group’s products is the pellet premium, which is applied to the sale of iron ore pellets. This premium is significant to the Group, and can represent a premium in excess of 50% of the benchmark iron ore fines index. This component of the pricing structure of the Group’s products is discussed in detail on page 9.

Should reputational concerns over the Group and its UBO affect existing or potential relationships, the Group may no longer be able to realise the same level of product pricing as previously experienced.

Risk mitigation

The Group aims to mitigate price risk through producing high grade, low impurity iron ore products, which receive premiums when sold to customers, rather than penalties and/or discounts. Through such products, the Group has been able to build a high-margin business, which in turn enables further investment in the Group’s production facilities.

In addition, the Group aims to be a low cost producer of iron ore products. Through operating with a lower cost base than the Group’s peers, particularly when the premiums paid for grade and form

(pellets) are considered, Ferrexpo aims to remain competitive on a global basis.

Furthermore, Ferrexpo’s operating costs are partly correlated with commodity prices. When the commodities cycle is in a downward phase, Ferrexpo typically receives a lower selling price, but the Group’s cost base also tends to decline as a result of local currency devaluation. The Ukrainian hryvnia is a commodity-related currency and historically over the long-term it has depreciated during periods of low commodity prices, although movements of the Ukrainian hryvnia against the US

dollar can also be influenced by short-term political factors, in addition to other factors.

Ferrexpo regularly reviews its options in respect of hedging the price of its output. The Group’s current strategy is to not enter into such hedging agreements due to the relatively low liquidity of this market and high cost of entering into such arrangements. The Group will continue to review this strategy as the market for hedging iron ore pellets develops over time, which may eventually reduce the effective cost of such arrangements.

1. Source: S&P Global Commodity Insights.

2. Source: CRU.

Principal Risks continued

3. Risks related to realised pricing (continued)

3.3. Pellet premiums



Responsibility

Chief Executive Officer and
Chief Marketing Officer

Risk appetite

Medium

Link to strategy

1, 3 and 5

Pricing of the Group's products includes a component referred to as the pellet premium, which references the pelletised nature of Ferrexpo's products, which reduces the degree of processing required prior to steelmaking. As a consequence of this reduction in processing at the steelmaking stage, buyers of iron ore pellets will pay a premium over and above the prevailing iron ore fines price. The pellet premium is one of the principal factors that enables the Group to generate a significant margin on its products, and therefore allows for a higher degree of investment in the Ferrexpo business.

An example of a quoted pellet premium is the monthly Atlantic Pellet Premium, as quoted by S&P Global Commodity Insights, which averaged US\$72 per tonne in 2022 (2021: US\$60 per tonne¹) and therefore represented a significant premium to the benchmark iron ore fines price. Note, however, that numerous pellet premiums exist, and the Group may agree pellet premiums individually with customers that do not mirror quoted pellet premiums.

Factors governing the pellet premium in any given year include the overall supply of iron ore pellets, which tends to be a relatively stable industry, and the overall demand for iron ore pellets. Demand factors can be related to the health of the global economy

and steelmakers' desire to maximise output, which tends to result in higher pellet buying activity to increase a steel mill's productivity. Pellet demand can also be impacted by increasing regulation around emissions reduction, since iron ore pellets do not need to be sintered like other forms of iron ore. Since sintering is a process that typically involves the use of coal, steelmakers that utilise a greater proportion of pellets in a blast furnace's input materials (partially replacing sinter fines) can reduce the overall emissions footprint of steel production.

The overall supply of iron ore pellets is relatively constrained, with existing producers typically producing at their nameplate capacity and the construction of new pelletiser capacity usually requiring significant capital investment^A to build production facilities, in addition to the associated infrastructure required for delivering a bulk commodity to end users. As a consequence, limited new pelletising capacity has been built in the past five years. Supply-side disruption has been a more prominent factor in recent years, with the failure of two tailings dams in Brazil resulting in significant volatility in supply from two of the largest pellets exporters to the global steel industry. Both of the companies involved in these incidents have now resumed production from the affected production facilities, and therefore the market

has resumed a degree of supply-side balance not previously seen in recent years.

Should reputational concerns over the Group and its UBO affect existing or potential relationships, the Group may no longer be able to realise the same level of pellet premiums as previously experienced.

Risk mitigation

Despite being one of the largest iron ore pellet exporters, the Group is not sufficiently sized to be a price setting company when it comes to iron ore pellet premiums and therefore the Group's realised pellet premium tends to follow the level set by the main market participants.

It is the Group's strategy to target the low cost production of its iron ore products, thereby enabling the Group to remain profitable for a range of realised pellet premiums. More specifically, Ferrexpo has historically operated with one of the lower costs of pelletising across the spectrum of global iron ore pellet production, and

therefore swing producers have tended to moderate the pellet premium at times of low pricing, through removing pellet supply from the market. The Group uses natural gas in its pelletising operations and has had to operate below its nameplate capacity for a period of 2022 due to the ongoing war in Ukraine. As such, pelletising costs increased to US\$29 per tonne in 2022 (2021: approximately US\$19 per tonne). Despite this increase, the Group has managed to keep pelletising costs below the prevailing pellet premium for the year.

The strategy of targeting low cost production is enhanced through Ferrexpo's location

in Ukraine, with the Ukrainian hryvnia having a close correlation to commodity pricing, which therefore tends to devalue at times of low commodity pricing, reducing the Group's cost base.

1. Figure restated versus 2021 Annual Report and Accounts.

3. Risks related to realised pricing (continued)

3.4. Freight rates (external risk)



Responsibility	Risk appetite	Link to strategy
Chief Executive Officer and Chief Marketing Officer	Low	2, 3 and 5

The pricing of a bulk commodity, such as Ferrexpo's iron ore products, typically includes a component of the net realised pricing that considers the cost of transporting material to the customer. For Ferrexpo, this pricing typically refers to either the C3 or C2 freight indices (published by the Baltic Exchange), as these are reflective of the shipping cost for accessing either the Asian or European market (respectively). Freight rates are a deduction from the pricing received from the pellet, and therefore higher freight rates will result in lower net realised pricing for the Group, and vice versa.

The factors driving freight rates include the prevailing fuel cost for ships, the availability of vessels at a given point in time, and insurance policies required for ships to service the required route (the latter being a significant factor for chartering parties looking to ship via the Black Sea during the present time).

As a guide, the C3 freight index increased from below US\$20 per tonne in early 2022, to over US\$38 per tonne in May 2022, with this rise associated with the war in Ukraine and rising energy costs. Freight rates declined to US\$20 per tonne towards the end of the year, and averaged US\$24 per tonne for the full year (2021: US\$27 per tonne)¹.

Additionally, the war in Ukraine has had an effect on the Group's ability to charter vessels with shipowners, as the closure of Ukraine's access to the Black Sea has resulted in limited deliveries of the Group's iron ore pellets to the seaborne market, with external factors impacting freight rates. Whilst the increased costs associated with trading within the Black Sea have been reflected in freight rates since the outset of the war in Ukraine, the Group is still managing to charter vessels at market level due to the Group's strong relationships with shipowners.

Further freight-related realised effects, or potential risks, of the war in Ukraine include: an increase in the insurance premiums required for vessels travelling to Black Sea ports (Ukrainian ports or otherwise), the potential closure of the Bosphorus strait and the Black Sea potentially becoming non-committal for shipowners.

The Group is also aware of potential risks that relate to recent events with the Group's UBO (see page 60), which may affect Ferrexpo's ability to conduct business relationships with freight providers. Should third party concerns relating to these matters prevent Ferrexpo from engaging in business relationships with specific freight providers, then the Group may incur higher costs relating to booking of freight from a smaller group of providers.

Risk mitigation

The Group has its own in-house freight manager, which helps the Group to receive a competitive rate for freight cargoes. The Group's management team includes freight specialists based in Singapore, where many shipping brokers and owners are located, and it is therefore possible to maintain a detailed understanding of both the global freight market and shipowners.

As a result of the Group's operations being located in Ukraine, seaborne freight chartering has been reduced in 2022 (following Russia's closure of the Black Sea to Ukrainian ports – see page 4 for more), and as such the Group has increasingly

relied on its European customer network for sales. Despite this, the international freight rate is still relevant for the business, as many contracts reference a quoted freight rate.

The Group currently does not enter into hedging arrangements for freight rates, which is an approach consistent with the Group's strategy on other forms of hedging. This approach is continually reviewed by the Group's management team, and such arrangements may be entered into if it is deemed to be beneficial to the Group.

The Group's freight department regularly monitors freight-related risks associated with

the war in Ukraine, or otherwise, with an aim of ensuring effective decision making in light of changes to the operating landscape.

1. Source: Baltic Index.

Principal Risks continued

4. Operating risks

4.1. Risks relating to producing our products

**Responsibility**

Chief Executive Officer, Chief Operating Officer and Chief Marketing Officer

Risk appetite

Medium

Link to strategy

2, 3 and 5

The Group's operations involve the mining of iron ore, which requires detailed planning of blasting, excavation and transport operations, to deliver sufficient quantities of iron ore to the Group's processing plant, which crushes, grinds and beneficiates the material that it processes from native iron ore grades (ranging approximately 25-30% Fe) to high grade concentrate (either 65% or 67% Fe) for Ferrexpo's current product portfolio. Pelletising operations then subsequently convert high grade iron ore concentrate to pellets via a series of kilns that operate at approximately 1,300°C. The above processes are complex and carry inherent risks as a result. The Group is able to mitigate such risks through a range of activities and the collective experience of the Group's executive management team, but it may not be possible to eliminate all risk factors.

As a business with its main operating assets located in Ukraine, the Group has faced significant risks relating to the ongoing war in Ukraine, which are summarised in the Principal Risks shown on page 60 of this report. The Group has also faced a number of indirect consequences of the war in its operations, such as a number of skilled personnel departing Ferrexpo's operations to either serve in the Armed Forces of Ukraine or relocating away from the conflict, the Ukrainian authorities requiring the delivery of

specific equipment for military use (typically light vehicles), the reduced availability of specific materials relevant for the conflict such as detonators and fuel and restrictions on operating practices, such as scheduled blasting of in-situ rock in mining operations.

Outside of risks that directly relate to the war in Ukraine, the Group faces material risks relating to its mining operations that include (but are not limited to) health and safety-related risks, the risk of a pit wall failure or fall of ground incident in the Group's mines, equipment failure (either due to operator oversight, failures in maintenance practices or failure despite acceptable levels of maintenance), weather events preventing access to the Group's mines, poor planning processes resulting in a lack of high grade iron ore for processing, or the failure of drilling to identify the correct location of ore and waste material. Risks in the processing plant, covering the beneficiation and pelletisation of material, also include (but are not limited to) equipment failure and/or unscheduled equipment downtime, a lack of spare parts, a lack of key input materials, unsuitable equipment for processing of certain ore types, operating restrictions and extreme weather events (or other events potentially related to climate change) that may impact the ability to produce or store the Group's products. As operations continue to be

modernised, the Group also faces cybersecurity-related risks from cyber threats and other factors that may impair the Group's ability to operate its electronic equipment – see page 72 for more details.

The risks described above are typically short-term events and the Group also faces longer-term risks, such as climate change (see page 73) and country risks related to Ukraine (see page 60). Potential risks related to climate change are also detailed on pages 34 to 41 of this report, and have been identified through the Group's recent collaboration with environmental consultants Ricardo Plc.

The Group is also aware of potential risks that relate to recent events with the Group's UBO (see page 60), which may affect Ferrexpo's ability to source key input materials and labour either within Ukraine or overseas. Should third party concerns relating to these matters prevent Ferrexpo from engaging in business relationships with specific providers of materials and/or labour, then the Group may have challenges in its ability to produce, or incur higher costs relating to the sourcing of the same inputs from a smaller group of providers and/or smaller group of people.

Risk mitigation

The Group employs an experienced management team and has a management structure in place to monitor, and where necessary, manage risks as and when these risks escalate. The Group's business model is in a sector that has inherent risk in the mining and processing of materials, with these risks being manageable and, where possible, mitigation measures are utilised to ensure the safe operation of the Group's facilities to ensure the efficient production of the Group's iron ore products. The Group maintains a risk register of more than 40 risk areas (as of January 2023), which is monitored on a frequent basis by the

Group's operational teams and reported to the relevant management committees. Where an operational risk is deemed to be sufficiently significant in terms of potential impact and/or likelihood, appropriate risk mitigation measures are sought, often with the assistance of third party specialists, where relevant.

4. Operating risks (continued)

4.2. Risks relating to delivering our products to customers



Responsibility	Risk appetite	Link to strategy
Chief Executive Officer, Chief Operating Officer and Chief Marketing Officer	Medium	2, 3 and 5
<p>The Group is a producer of a bulk commodity, meaning that its business model relies on timely and consistent access to a logistics network with sufficient capacity to transfer a large volume of material to the Group's customer base around the world. Any interruption to the scale, availability or reliability of this logistics network has the potential to significantly impact the Group's ability to operate its business model and generate cash flow. The nature of being a producer of a bulk commodity means that should an interruption of logistics occur, there may be little time or excess funding available to efficiently remedy the situation and/or stockpile excess material, potentially resulting in a temporary suspension of the Group's production facilities and an associated impact on the Group's ability to generate revenues.</p> <p>The Group's logistics network is diverse in nature, covering the Group's use of the railway network in Ukraine and further afield across Europe, a stake in a berth at a port facility in south west Ukraine (used for loading vessels for the seaborne market), and an inland waterway logistics business along the River Danube.</p> <p>Examples of risks relating to the Group's logistics network, aside from those specifically relating to the ongoing Russian invasion of Ukraine (covered on page 59),</p>	<p>range from those potentially impacting railway logistics, which include (but are not limited to) the unexpected closure and/or suspension of sections of the railway network in Ukraine or Europe required for deliveries, a reduction in rail capacity related to the phasing out of outdated equipment and insufficient investment in replacement equipment, potential political interference in the Group's ability to book railway capacity and/or railway wagons, extreme weather events (either related to climate change or otherwise) and a lack of personnel to operate the railways effectively. The Group faces similar risks relating to its use of inland waterway logistics on the River Danube, and in addition includes risks relating to abnormally high and low water levels, which may impede passage of vessels. Such risks are expected to be exacerbated in the future by the potential impact of climate change. Similar risks are posed to the Group and its ability to access seaborne markets should extreme weather events (either climate change related or otherwise) impact operations at the port of Pivdennyi or other ports used by the Group, or shipping routes such as the Suez Canal.</p> <p>The Group is also aware of potential risks that relate to recent events with the Group's UBO (see page 60), which may affect Ferrexpo's ability to secure bookings on key logistics routes either within Ukraine or overseas.</p>	<p>Should third party concerns relating to these matters prevent Ferrexpo from engaging in business relationships with specific logistics providers, then the Group may incur difficulties in its ability to ship products, or may incur higher costs relating to the sourcing of logistics options along alternative routes.</p>

Risk mitigation

Since listing in 2007, the Group has sought to invest in its logistics capabilities and overall capacity, to ensure cost effective and sufficient access to a logistics network. This has involved the purchase of railcars, with the Group now operating a fleet of 3,033 railcars (with this figure increasing by 183 in 2022), which reduces operating costs and helps to ensure product quality whilst pellets are in transit to customers. Similarly, the Group owns a 49.9% stake in a berth at the port of Pivdennyi in south west Ukraine, along with a trans-shipment vessel ("Iron Destiny"), which previously enabled the Group to load trans-shipment vessels for

the seaborne market. Iron Destiny was outside of Ukrainian waters undergoing routine maintenance at the time of Russia's invasion of Ukraine on 24 February 2022, therefore ensuring that the Group still controls this asset. The Group also owns its inland waterway logistics provider (First-DDSG), which is based in Vienna, Austria, and has locations along the River Danube.

In order to maintain timely access to its logistics network, the Group also maintains close working relationships with logistics providers such as the Ukrainian railway operator, the port operator at Pivdennyi,

as well as government bodies in Ukraine that are relevant for the Group's logistics operations.

Principal Risks continued

4. Operating risks (continued)

4.3. Risks relating to health and safety

**Responsibility**

Chief Executive Officer, Chief Operating Officer and Chief Human Resources Officer

Risk appetite

Low

Link to strategy

1, 2, 3, 4 and 5

Without effective management of health and safety related risks, the nature of mining and processing of iron ore into iron ore pellets can involve inherent risks. The processes involved in the mining and processing of metalliferous rock has progressed significantly in recent years, but risks remain if policies and procedures are not followed correctly, or if equipment is not used correctly.

Mining activities involve the use of large equipment, such as haul trucks, excavators and bulldozers, with each item of equipment weighing a considerable number of tonnes and which are expected to regularly move around to a number of locations throughout a shift. The operation of mining equipment is inherently dangerous if operators are not correctly trained, or if due care and attention are not applied when operating each item of equipment. Activities within a mine include the drilling and blasting of native rock, excavation and transport of blasted rock to either the processing plant or waste dumps, watering of surfaces to reduce dust emissions and the construction of waste dumps to a specified design. Activities are typically conducted 24 hours a day, and whilst the Group has extensive lighting on equipment and around mining areas, low light conditions are a risk for operators.

Risk mitigation

The Group has a well trained workforce, comprising 7,978 individuals and 1,796 contractors, with an extensive training programme. In 2022, the Group provided 6,143 training courses to employees, 64% of which were safety-related courses (2021: 6,442 courses). The Group also trains contractors, as safety risks do not vary according to an individual's contract status, with 170 safety-related courses provided to contractors in 2022 (2021: 931 courses).

The Group's approach to mitigating safety risks is to understand the causal factors of safety incidents, through creating risk registers for each activity being undertaken

or area within the Group's main operations. The Group also records leading indicators of safety, with an aim to monitor and improve these factors, to reduce the risk of a safety-related incident occurring. Examples of leading indicators include the number of: training courses undertaken, high visibility safety tours by senior managers, safety inspections and hazard reports completed. In the instance of a safety-related event occurring, the Group aims to learn for each event, to reduce the risk of a repeat occurrence. Lagging indicators of safety help the Group's management team to record the effectiveness of safety measures being

implemented, and the main indicators used to track performance are the Group's lost time injury frequency rate ("LTIFR"), total recordable injury frequency rate and fatalities.

Throughout its operations, the Group is seeking to implement modern forms of technology, including autonomous equipment, which help to remove operators from hazardous working environments. Examples of such would be the Group's autonomous trucks in the Yeristovo mine.

4. Operating risks (continued)

4.4. Risks relating to operating costs



Responsibility	Risk appetite	Link to strategy
Chief Executive Officer and Chief Financial Officer	Low	2 and 5
<p>The Group's business comprises a number of open-pit mining operations, an iron ore processing complex and a range of ancillary activities related to the production of iron ore pellets and concentrate, which requires a range of input goods and services. The Group's costs are subject to a range of factors, some of which are controlled by the Group, whilst others are outside of the Group's control, meaning that resulting profitability may fluctuate.</p> <p>The Group operates in an energy intensive industry, and therefore requires a range of commodity-based inputs such as diesel and natural gas, as well as electricity, which are all subject to market factors outside of Ferrexpo's control that will influence the Group's overall profitability. Examples of such would be the movement of natural gas prices in 2022, which rose as a consequence of Russia's invasion of Ukraine from less than US\$600 per thousand cubic metres in 3Q 2021, to a peak of more than US\$1,200 per thousand cubic metres in 1Q 2022, before declining to below US\$900 per thousand cubic metres in 4Q 2022.</p> <p>Further to energy costs, inflationary pressures were seen on a global scale in 2022, with Ukraine no exception. Cost inflation has the potential to affect a wide range of the Group's input costs at its operations, with the Group</p>		
<p>potentially not able to effectively counter such pressures due to the benchmark pricing of the Group's products.</p> <p>A primary cause of cost inflation has been the Group's inability to operate at its nameplate capacity due to the war in Ukraine, resulting in higher unit costs. Additionally, inflationary pressures have been seen on a global basis in 2022, which are reflected in energy prices, capital costs for equipment and maintenance costs. Inflation in Ukraine in 2022 was estimated by the government of Ukraine to be 26.6%¹ (2021: 9.4%²), reflecting the exceptional circumstances experienced in 2022. Given that the Russian invasion of Ukraine remains ongoing, it is expected that the negative impacts of the war will continue to be experienced by the Group, such as lower production and higher unit costs.</p> <p>The use of natural gas is a key component of the Group's pelletising operations and its use is therefore essential for the production of iron ore pellets.</p> <p>The Group is also aware of potential risks that relate to recent events with the Group's UBO (see page 60), which may affect Ferrexpo's ability to source key input materials and labour either within Ukraine or overseas. Should third party concerns relating to these matters prevent Ferrexpo from engaging in business relationships with specific providers</p>		
<p>of materials and/or labour, then the Group may incur difficulties in its ability to produce, or incur higher costs relating to the sourcing of the same inputs from a smaller group of providers and/or smaller group of people.</p>		

Risk mitigation

The Group has operated through a number of commodity cycles and the Group's operations have been in production for more than 50 years, and through this experience of operating, the Group's management team has developed an understanding of cost effective production and the required level of goods and services to maximise the Group's profitability at any given level of production.

The Group has a number of measures in place to reduce and minimise operating costs, where possible, to ensure that the Group maintains its profitability throughout the commodity cycle. For input goods that are a requirement of the production of

pellets, the Group aims to minimise use and develop alternative materials (substitutes) for use in the Group's operations, which would help reduce reliance on a single input (or limited number of inputs), and therefore reduce risks relating to the cost and supply of individual inputs. As an example, a partial substitute would be the use of sunflower husks in the Group's pelletiser, which is used to fuel the pelletiser. In 2022, the Group successfully sourced 21% of the pelletiser's heating energy from sunflower husks (2021: 18%). Other examples of substitution of goods within the Group's operations include the use of different manufacturers of mining

equipment, with different suppliers of spare parts, which reduces operational risks and can reduce operational costs.

1. Source: Reuters, [link](#). (Accessed 3 March 2023.)

2. Source: World Bank, [link](#). (Accessed 3 March 2023.)

Principal Risks continued

4. Operating risks (continued)

4.5. Risks relating to information technology (“IT”) systems and cybersecurity

**Responsibility**

Chief Executive Officer

Risk appetite

Low

Link to strategy

1, 2 and 3

The Group is increasingly reliant on modern technology for the safe, efficient and cost effective production of its products. With IT systems becoming increasingly more important to the Group's business model, the risks associated with IT security and the continued availability of IT systems have increased in recent years, particularly in light of the increased complexity of cyberattacks on IT systems. Cybersecurity threats may take the form of, but are not limited to: malware, ransomware, phishing, denial-of-service attacks, and password attacks.

Cyberattacks, such as malware and ransomware, are often unreported in the mainstream media by companies and governments to avoid negative publicity. It is therefore difficult to ascertain the full extent to which the Group is facing cybersecurity risks. In the past, published cyberattacks affecting companies and governments have closed or limited a company's ability to produce, or have withheld or disclosed confidential information, and have withheld access to key operational infrastructure.

The Group is exposed to heightened risks related to cybersecurity at the present time given Russia's ongoing invasion of Ukraine, which is a conflict taking place in a number of environments, including attacks on IT systems in Ukraine. Attacks can be expected on any IT system in Ukraine

as a result of the conflict, and therefore, organisations such as Ferrexpo may be the target of an attack due to its location, rather than its business activities. Consequently, it is difficult for the Group to predict the source, scale or nature of any cyberattack, which may appear random in nature.

Risk mitigation

The Group's IT department conducts regular reviews of the general IT landscape and provides regular cyber awareness training for employees as well as ad hoc notification when new threats are identified. The Group also regularly reviews requirements on data protection, with email security bulletins circulated to ensure internal IT users are provided with up-to-date information on cybersecurity. The Group has also implemented a dynamic approach to anti-malware policies, to ensure an adaptive approach for new threats as they emerge.

Efforts in 2022 have had a focus on finalising an extensive third party audit (ISO 2700x,

"Information Security Standards") of cybersecurity and internal IT/automation processes. This audit had previously commenced in 2021, with a number of findings identified early on during the war in Ukraine in 2022 that helped to mitigate threats, which was achieved in part through members of the audit team acting as a "red team". As a result of this audit, immediate mitigation actions were taken across the Group's IT equipment and infrastructure, including upgrades to the latest standards. Purchases of specific software and hardware were made in 2022, with deployment to enhance cybersecurity.

In parallel, the Group has had to respond to the possibility of cyberwarfare and conventional warfare tactics, with the commissioning of additional IT infrastructure in bomb shelters a good example of that response. Other examples include the deployment of extensive power control systems, and urgent upgrades and migrations due to vulnerabilities.

Further to existing practices and protocols, the Group regularly updates the software and hardware in use throughout its business, to reduce the Group's exposure to known weaknesses in cybersecurity.

5. Risks relating to climate change



Responsibility

Board of Directors and Chief Executive Officer

Risk appetite

Low

Link to strategy

1, 2, 3, 4 and 5

Climate change represents a significant challenge for the modern world, with governments, business organisations, communities and individuals around the world seeking to adapt to a low-emissions future.

Climate change poses a number of physical and transition risks as the world seeks to reduce emissions and its reliance on technologies and activities that are relatively intensive for the emission of greenhouse gases. Physical risks are those that affect the physical environment – such as (but not limited to) increased heat events, prolonged droughts and low water levels, dust emissions, and the increased severity of precipitation events. Transition risks are those that relate to society's shift to a low emissions future, such as reputational risks and the risk of technologies becoming redundant in a low-emissions future, amongst other potential effects. A review of potential climate change related risks was conducted as part of the work carried out with environmental consultants Ricardo Plc in 2022, with this work detailed in the Group's Climate Change Report. A materiality assessment as part of this work identified the following as the main

risk areas facing Ferrexpo: (a) demand for low carbon emissions steelmaking, (b) shipping: targets and regulations on carbon emissions and (c) carbon pricing/tax: targets and regulations on carbon emissions. Further details of the work completed in collaboration with Ricardo Plc are available in Ferrexpo's Climate Change Report on the Group's website (www.ferrexpo.com).

At this stage in the global development curve on climate change science and decarbonisation efforts, there is a heightened degree of stakeholder focus on decarbonisation efforts. Given this focus, there is an associated expectation of progress being made that may not match the availability of relevant technology and equipment, or the financial viability of any technology, and therefore there is a risk of rising stakeholder concern if a company's decarbonisation plans and/or targets are not effectively communicated, or are deemed insufficient. Should stakeholders require further action or increased efforts for decarbonisation of a business, this may create additional financial, operational and reputational risks for the business.

Risk mitigation

The Group understands the importance of climate change, both in its impact on the business, as well as the Group's potential impact on climate change. The Group aims to reduce its emissions over time and has set a series of reduction targets for its greenhouse gases (principally carbon dioxide) for the medium and long term (2030 and 2050 respectively). In December 2022, the Group published its inaugural standalone Climate Change Report, which represents the first phase of work completed with environmental specialists Ricardo Plc. This report details a number of measures that the Group is either utilising today to reduce emissions, or plans to use in the future, in order to achieve these emissions targets. The full report is available on the Group's website (www.ferrexpo.com).

The Group has a streamlined approach to reducing emissions, focusing where possible

on activities that generate the greatest emissions, as well as identifying low cost solutions that may reduce the Group's activities. The main source of the Group's overall emissions (being Scopes 1, 2 and 3 collectively) is the downstream use of iron ore pellets in steelmaking, which accounted for 85% of total emissions in the Group's baseline year of 2019. In order to reduce this aspect of emissions, the Group is increasing its focus on production of direct reduction ("DR") pellets, which are used in an alternative method of steelmaking (the direct reduced iron – electric arc furnace process), which results in DR pellets generating 49% lower emissions when converted to steel, compared to the Group's blast furnace pellets, as assessed by independent consultants CRU.

With regard to Scope 1 and 2 emissions, the Group has initiated a number of projects to

reduce these categories of emissions. The project yielding the greatest impact is the Group's clean power purchasing strategy, which has resulted in Scope 2 emissions falling by 52% since 2019, helping to deliver a 31% saving in Scope 1 and 2 emissions combined. In addition, the Group is studying the electrification of its mining fleet and use of green hydrogen in the Group's pelletiser, with diesel and natural gas representing 80% of the Group's Scope 1 emissions in 2022 (2021: 85%).

Through these projects, the Group aims to produce iron ore pellets on a net zero basis by 2050. For further details of the net zero pathway identified through working with Ricardo Plc, as well as the Group's carbon emissions reduction targets, please see the Group's Climate Change Report for 2022 on the Group's website (www.ferrexpo.com).

Principal Risks continued

6. Risks relating to the global Covid-19 pandemic

**Responsibility**

Board of Directors and Chief Executive Officer

Risk appetite

Low

Link to strategy

1, 2, 3, 4 and 5

The global Covid-19 pandemic continues to affect communities around the world, with varying levels of infection in different countries resulting in a range of Covid-19 related measures in place with local and regional governments, which may impact the Group's ability to do business in individual countries, or conduct cross-border trade. Whilst governments around the world are gradually reducing Covid-19 related measures and restrictions, there are reports of elevated infection rates in a number of countries, particularly those that have recently reopened and/or have relatively low vaccination rates in sections of society, such as the elderly or specific regions within a country. The Covid-19 virus has demonstrated an ability to mutate into different strains and therefore it should be considered a risk that an as-yet unknown variant of Covid-19 may emerge that has the potential to significantly impact communities to a greater extent than previous variants.

As a business operating in Ukraine, Russia's continued invasion of Ukraine in 2022 has resulted in significantly lower testing for Covid-19 and as a result infection rates are largely unknown at the present time. As such, without widespread testing or active measures to prevent transmission, the spread of the Covid-19 virus in Ukraine represents a potential risk, particularly if more transmissible and/or severe strains of this virus were to emerge in the near term. Given the focus of

the government on the defence of its territorial integrity, it is unlikely that testing and/or preventative measures will resume until the war in Ukraine de-escalates or a ceasefire is called. The Group may therefore be required to increase its efforts to monitor and test for infections amongst its workforce, and increase efforts to assist local authorities with a community testing programme, should rates of infection increase and/or the impact of individual infections become more severe. Whilst the response to Covid-19 by both the Group and local authorities was proactive prior to the war in Ukraine commencing in February 2022, it should be expected that the response to Covid-19 may be now more reactive in nature, and therefore any impact of infections in the Group's workforce and/or local communities may be felt to a greater extent before counter-measures are successfully initiated to aid affected individuals and reduce infection rates.

Risk mitigation

The Group has maintained a number of Covid-19 measures that were introduced in 2020 and were successful in the Group maintaining low rates of infection at its operations in 2020 and 2021. Such measures include social distancing, mask wearing (where relevant) and electronic cameras capable of measuring an individual's body temperature. The Group maintains the ability to reintroduce other measures, such as changes to the timing of shift patterns, the dissemination of food outside of canteens and widespread testing of employees and contractors, should the risks associated with Covid-19, or the impact

of infections, increase to a material level of impact on the business.

The Group has also continued to support the local authorities' efforts to vaccinate the local population, including the Group's workforce. As of February 2022, over 6,000 of the Group's employees in Ukraine (out of a total employee workforce of 7,850) had received a single dose of a Covid-19 vaccination and over 5,400 had received a second dose. Following the outbreak of war in Ukraine, reporting of Covid-19 vaccinations has been reduced however.

The Group continues to support medical institutions in local communities through the Ferrexpo Charity Fund, which has been in operation for more than 11 years and represents one of the main avenues for the Group to provide direct community support (other avenues include direct support provided by the Group's own operating subsidiaries, FPM, FYM and FBM). Further details of community support funding are provided on page 44 of this report.

Viability Statement

Review of planning process and outlook

Assessing the Principal Risks to our business model and potential financial impact of an event occurring, protecting the equity value of our business for the benefit of all our stakeholders.

The Board monitors the Group's risk management and internal control systems on an ongoing basis, and confirms that during the year it carried out a robust assessment of the principal and emerging risks facing the Group, their potential impact and the mitigating strategies in place, as described on pages 58 to 74.

Time horizon

The Board has reviewed the long-term prospects of the business, which remain aligned with Ferrexpo's life of mine assumptions. For the purposes of assessing the Group's viability, the Board has elected to look at the Ferrexpo business on a five year time horizon, with a particular focus on the short-term time horizon of 12 to 18 months, in light of the current war in Ukraine, and the material uncertainties that this poses to the Group in terms of its going concern and long-term viability. The Group has historically reviewed the viability of its business model over a five year time period given the long life nature of mining assets, including the period required to invest in such assets and taking into account the cash flows generated by those assets, as well as the cyclical nature of the commodities industry. As such, a five year time period was considered an appropriate length for the Board's strategic planning period, with a heightened focus on additional risks in the coming 12 to 18 months.

Factors associated with the war in Ukraine

Due to the significance, scale and unpredictable nature of the war in Ukraine, specific attention has been applied in the Group's approach to assessing its viability. The war in Ukraine has represented, and will continue to represent, a significant risk to the Group's ability to continue its operations in future periods. Following the Russian invasion of Ukraine on 24 February 2022, the Group's executive management team has held regular meetings to assess the various risks that the business faces, including daily meetings during the initial weeks of the war.

Emerging and existing risks are reported on during these calls, with available risk mitigation procedures discussed, and the results of each meeting being reported to the Group's Board of Directors. Risks to Ferrexpo that have been identified as a consequence of the war in Ukraine include risks to the health, safety and wellbeing of the Group's workforce, the Group's ability to operate its assets, including the supply of key input materials required for the production process and the provision and availability of logistics capacity required for the delivery of the Group's products to customers in its key markets. For more information, please see the Principal Risks disclosed on pages 58 to 74 of this report.

Factors associated with climate change

The Group has considered a range of physical and transition risks, as outlined on page 40 of this report and depicted in detail in the Group's Climate Change Report. This process has identified that the transition to a low carbon economy and demand for low emissions steelmaking as being the main climate-related risk facing Ferrexpo and its business model. A range of additional transition and physical risks were considered as part of this review.

The Group has announced a range of climate-related emissions reduction targets for the years 2030 and 2050. The Group is yet to set a net zero target for 2050 that fully covers all categories of emissions, specifically the Group's Scope 3 emissions, and intends to continue working towards full coverage of Scope 3 emissions in order to align to the Paris Agreement.

In assessing the Group's ability to meet its 2030 goals within its existing business model and strategy, reference is made to the 31% reduction achieved since 2019 for Scope 1 and 2 emissions (combined basis, per tonne of production). The Group's management team understands that further reductions in these emissions are possible in the coming seven years in the form of additional clean electricity purchases and mining electrification, the latter of which will come in the form of incremental

capital investment^A to replace existing fleet as it is retired. On Scope 3 emissions, the Group intends to increase production of direct reduction pellets to more than 20% of total output by 2030, meeting the Group's target.

Business planning process

In response to the Russian invasion of Ukraine, the Group has temporarily revised its approach to its business activities and investments from its business model shown on pages 12 to 13. This approach has been implemented to concentrate on the Group's ability to generate cash in the revised operating environment, which will enable the Group to sustain its business. As a result, investments are currently focused on sustaining capital expenditure, with limited expenditure on growth capital projects, modernisation of existing equipment and other development projects. Prior to the beginning of the war, in order to maintain a clear strategic direction, the Group's management team regularly assessed the risks faced by the Group against the ability of the Group to conduct business in accordance with its business model.

This review is conducted regularly in order to maintain a clear understanding of the risks faced by the business and how these factors are influencing the business. Following the start of the war in Ukraine, the Group's management team has also focused on constantly assessing the risks that may directly, or indirectly, impair the Group's ability to manage the Ferrexpo business in light of the impact of the war on the business and operating environment in Ukraine.

Modelling process

In the normal course of business, the Group operates a detailed financial model of its business. Recently, this work stream has focused on the potential impacts arising from the ongoing war in Ukraine, in addition to the more traditional input factors such as the market factors that influence the price of the Group's products, and operational factors that influence the Group's ability to produce the

Viability Statement continued

required volume and quality of iron ore pellets demanded by the market, as determined in the Group's forward-looking sales plan.

In assessing the inputs into this model, the Group's management team has assessed the risks associated with the potential disruption of the supply of key consumables, which includes natural gas, electricity and diesel fuel, in addition to the supply of key pieces of equipment. The Group's modelling has also considered the risks surrounding a further interruption to the Group's logistics network, in addition to the existing disruption faced due to the closure of Ukraine's Black Sea ports. In addition to the assessed risk associated with continued production and shipment of the Group's products, the Group has also assessed market factors that represent the principal factors governing the pricing of the Group's iron ore products.

Stress testing

In determining the viability of the business, the Directors have stress tested the individual risks and combination of risks that could materially impact the future viability of the Ferrexpo business. At the present time, the risk that the Group is primarily exposed to is Russia's invasion of Ukraine in 2022 (see the Principal Risks section, pages 58 to 74). In addition, Ferrexpo's business model has historically also faced risks relating to changes in the iron ore fines price, pellet premiums and cost inflation, which are factors that continue to govern the Group's profitability.

The Group's ability to produce at full capacity in 2023 will be contingent on the war in Ukraine, and its impacts on the Group's ability to operate its assets in Ukraine, and deliver its products to the Group's customers. For a summary of the war's various impacts on the Group, please see pages 4 to 5.

The Group has adjusted its long-term financial model to reflect the lower production volume expected as a result of the uncertain level of available electricity and the sales volume forecasted as a result. The Group's sales volumes in future periods will depend on the possibility of seaborne sales to the Group's customers outside of Europe, with changes to forecasted production volumes varying accordingly. The Group's financial model anticipates that production and sales volumes will return pre-war levels by 2025, based on a range of operating assumptions relating to the war in Ukraine.

The Group's financial modelling indicates that a 10% reduction in the Group's received price in 2023 would, if not mitigated, reduce the Group's Underlying EBITDA^A by US\$15.3 per tonne. Modelling also indicates that a general production cost increase of 10% would decrease Group Underlying EBITDA^A by US\$7.2 per tonne, whilst a 10% decrease in production volumes, and an associated 5%

increase in production costs, would decrease Underlying EBITDA^A by US\$7.5 per tonne.

It should be noted that the impact of the factors discussed above apply for 2023. Any impact on additional years beyond 2023 will depend on the underlying sales and production volumes and the level of realised prices and production costs in each period.

As a result of the remaining material uncertainty outside of the Group's control, the Group has also prepared stress tests with more severe adverse changes, such as a combination of various sensitivities, which is however less likely to incur due to a natural hedge between iron prices and prices for key input material, and a prolonged period of lower production and sales volumes as seen during the months December 2022 to February 2023. In addition to stress testing associated with the ongoing conflict in Ukraine, the additional stress test scenarios performed include the following:

- operational incidents that could have a significant impact on production volumes;
- a deterioration in the Group's long-term cost position on the industry cost curve; and
- operating constraints due to Ukrainian country risk.

In respect of mitigating actions in response to the conflict in Ukraine, please see page 59 for more detail. In more general areas, mitigating actions implemented by the Group may include, but are not limited to, a reduction or cancellation of discretionary expenditure such as dividends, non-essential capital investment and repairs and maintenance, or other operating costs, adjusting capital allocation, reducing working capital requirements, altering mining schedules and accessing additional funding. The Directors take comfort in both the Group's historical cash generation ability, particularly in 2015 and 2016 at a time when the iron ore price was trading at a cyclical low, and the Group's ability to repay its debt facilities, with the early repayment of the Group's principal debt facility in June 2021. This ability to repay debt facilities is derived from the operational flexibility of the Group and level of cash generation, as demonstrated through the Group's ability to continued shipment of products in 2022, despite the war in Ukraine. As a result of the Group's flexibility and resilience, the Group's net cash position decreased by a relatively small amount during 2022 (c.9% decrease). Since the end of 2020, the Group has moved into a net cash position, and had a net cash position of approximately US\$106.4 million as of 31 December 2022 (as of 31 December 2021: US\$116.9 million). As at the date of the approval of the Group's Consolidated Financial Statements, the Group is in a net cash position of approximately US\$114.6

million and has an available cash balance of approximately US\$120.4 million.

Based on the assessment performed, the Directors have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the period of their assessment. This is, however, dependent on significant factors that are outside of the Group's control, and the Directors have assumed the following when assessing the Group's resilience to the potential threat from the war in Ukraine and its viability:

- the continued ability to operate in Ukraine;
- the ability to redesign the Group's mining and processing plans in order to align them to changing circumstances;
- the continued availability of stable electricity supply at the required level;
- the ability to secure supplies of key consumables and equipment; and
- the ability to use the Group's currently available logistics network or make use of alternative options, if needed.

In performing this assessment, the Directors have also considered the Group's resilience to climate change risks (covering a range of physical risks and transition risks).

As disclosed in Note 2 Basis of preparation in the Group's Consolidated Financial Statements on page 156, although the Group has managed to continue its operations since the beginning of the war, this continues to pose a significant threat to the Group's mining, processing and logistics operations within Ukraine. Having assessed the current situation of the war in Ukraine, all identified available mitigating actions and the results of management's assessment of the Group's going concern and long-term viability, a material uncertainty still remains as some of the uncertainties are outside of the Group management's control, such as the duration and the impact of the war, which cannot be predicted.

The Strategic Report was approved by the Board on 14 March 2023 and signed on behalf of the Board by:

Lucio Genovese

Chair

Corporate Governance

A strong core helps guide us

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Chair's Introduction

Dear Shareholder,

Continuing to deliver on our promises through resilience and commitment.

— **Lucio Genovese,**
Chair



Before reflecting on the progress made during 2022, it is important to acknowledge the devastating impacts which the Russian invasion of Ukraine is having on Ukraine and the people, local communities, businesses operating within the country and the day-to-day lives of Ukrainians. Now more than ever strong governance is essential to help see Ferrexpo through this very challenging time. As you would expect, the Board has been meeting regularly to discuss the ongoing situation in Ukraine, receiving regular updates from the management team as to the Group's response and scenario planning for different eventualities. Protecting the Group's workforce remains a key priority, as well as taking steps to protect the business and thereby the stakeholders of the business. This will remain a key priority during 2023 and the Board will continue to focus on exercising strong governance during these unprecedented and difficult times.

I am pleased to present the Corporate Governance Report, which sets out an overview of the means by which the Company is directed and controlled, our governance structure and highlights the governance activities of the Board and its principal committees during the course of the year.

The Board remains fully committed to maintaining good corporate governance practices throughout the Group which underpins all of its actions. The structure, policies and procedures we have adopted,

which are described in this report, the Directors' Report and reports from each of the Board Committees, reflect our commitment. We recognise the need to keep them under review and make changes where necessary to ensure that standards are maintained and reflect ever-evolving best practice. This report also explains how we have complied with the principles of the UK Corporate Governance Code during the year.

The Board's role includes managing the risks facing the business. This includes taking into account the risks associated with the country of operation, counterparties, operational and financial risks including health, safety, environmental and climate change risks, together with market volatility, pricing, financing and refinancing exposures. As new risks emerge our approach to evaluating risk appetite is reassessed. The Board's role is also to support and challenge management and to ensure that the way we operate promotes the long-term sustainable success of Ferrexpo plc.

Operation of the Board during the war in Ukraine and governance framework

Against the backdrop of the continuing Russian invasion of Ukraine, we remained focused on the health, safety and wellbeing of our people globally, who have continued to deliver for the Group and our stakeholders through the testing times over the last couple

of years. Our people have helped ensure business continuity and have safeguarded our operations, whilst maintaining good corporate governance practices and our system of internal control.

During the year, the Board has continued to operate effectively and without disruption notwithstanding the ongoing challenges facing the Group. Some Board members attended Board meetings virtually due to travel restrictions. All scheduled Board meetings were held and the Board continued to uphold and maintain good corporate governance, the corporate agenda and the flow of information across the Group.

We have also ensured Director's on-boarding programmes continued as planned, albeit in a virtual environment. The format of hybrid (combination of physical and virtual) Board meetings provided the Board with greater opportunities to engage with each other, management and employees. During 2022, the Board site visit to our operations in Horishni Plavni was cancelled due to the Russian invasion of Ukraine and as was the case in the previous two years due to the global Covid-19 pandemic. The Board site visit was replaced with a Board Strategy Day followed by an ESG upskilling and Climate Change Day, which focused on the pathway for decarbonisation of the Group.

Despite the challenges of remote working we continued to enhance our shareholder and

stakeholder engagement and we place their interests at the centre of our considerations for key decisions. Our Section 172 Statement set out on pages 48 to 55 provides further details on how the Board complied throughout the year.

The Russian invasion of Ukraine has not adversely impacted the operation of the Board or its Committees.

Supporting local communities during the war in Ukraine

During the year, in addition to our continued support for communities locally, the Ferrexpo Humanitarian Fund was set up as a dedicated fund, initially in the amount of US\$1.5 million and during the year the fund increased to US\$15 million, to support the communities in Ukraine as the humanitarian crisis quickly unfolded. This funding enabled the purchase of personal protective equipment and equipment for local hospitals amongst other things (see Responsible Business section of the Strategic Report on pages 30 to 47).

In addition to the Ferrexpo Humanitarian Fund, regular community support activities took place largely in Ukraine and donations were made within a Board-approved framework agreed annually at the time of setting the budget. All such community support and donations are subject to internal control and approval limits applicable within the individual subsidiaries of the Group, which are set by the Board.

The Board exercises control of the Ferrexpo Humanitarian Fund and local charitable spending via its Health, Safety, Environment and Community ("HSEC") Committee, which oversees and directs these activities and receives reports detailing the spend.

Board changes

The issue of diversity, both in the Boardroom and throughout the entire Group, is taken very seriously by the Board as we believe this improves effectiveness, encourages constructive debate, delivers strong performance and enhances the success of the business. Ensuring that we have a culture which promotes and values diversity, and one which is maintained throughout the business, is a continual prime focus and is underpinned by our Diversity, Equity and Inclusion Policy, which sets our objectives.

Further to significant Board changes and commitments made last year, we announced further changes to Board and Board Committee roles during the year. In accordance with best practice requirements of the UK Corporate Governance Code, the Board keeps its balance of skills, knowledge, experience, independence and diversity under review which is beneficial in itself in bringing new perspectives to the Board.

- On 14 February 2022, Jim North was appointed as permanent CEO having successfully transitioned the Group into a new phase of its corporate culture and overall growth ambitions. Jim brings a wealth of mining experience coupled with excellent leadership and an adept ability to refocus the Group's strategy, further promote an inclusive leadership model, deliver a clear message on key topics relevant to stakeholders, whilst also continuing to deliver strong operational performance across the Group.
- On 10 February 2022, the Board elected to appoint Fiona MacAulay as Senior Independent Director in place of Vitalii Lisovenko after completing two and half years in the role.
- Additionally, on 10 February 2022, Ann-Christin Andersen was appointed as Chair of the Group's HSEC Committee and Natalie Polischuk was appointed as a member of both the Audit Committee and HSEC Committee.
- On 29 December 2022, Kostyantyn Zhevago stepped down as a Non-executive Director of the Company.

Throughout the year, the Board committed to search for an Independent Non-executive Director from an ethnic minority group, led by the Nominations Committee and supported by external consultants.

Throughout 2022, there were three female Directors further strengthening Board independence and diversity. By the end of the year female representation on the Board increased to 43%, which is welcomed by the entire Board.

Board performance review

In line with the UK Corporate Governance Code, Board performance was assessed externally in 2021. Therefore, during the year, an internally assessed review of the performance and effectiveness of the Board, its Committees and each of the Directors was undertaken. A report on the process, activities, findings and actions of the evaluation can be found on pages 94 to 96.

Key highlights in 2022 and early 2023:

- supporting our workforce and the operations throughout the Russian invasion of Ukraine;
- Health and safety and employee wellbeing;
- zero fatalities;
- publication of Climate Change Report;
- improved Board diversity;
- commenced search for a Director from an ethnic minority group;
- appointment of permanent CEO;
- appointment of female Senior Independent Director;
- appointment of HSEC Chair;
- appointment of female Independent Non-executive director to Audit and HSEC Committees;
- appointment of female Acting Chief Marketing Officer;
- succession planning at Board and management level;
- strengthened cyber security; and
- focus on shareholder and key stakeholder engagement.

Key priorities for 2023:

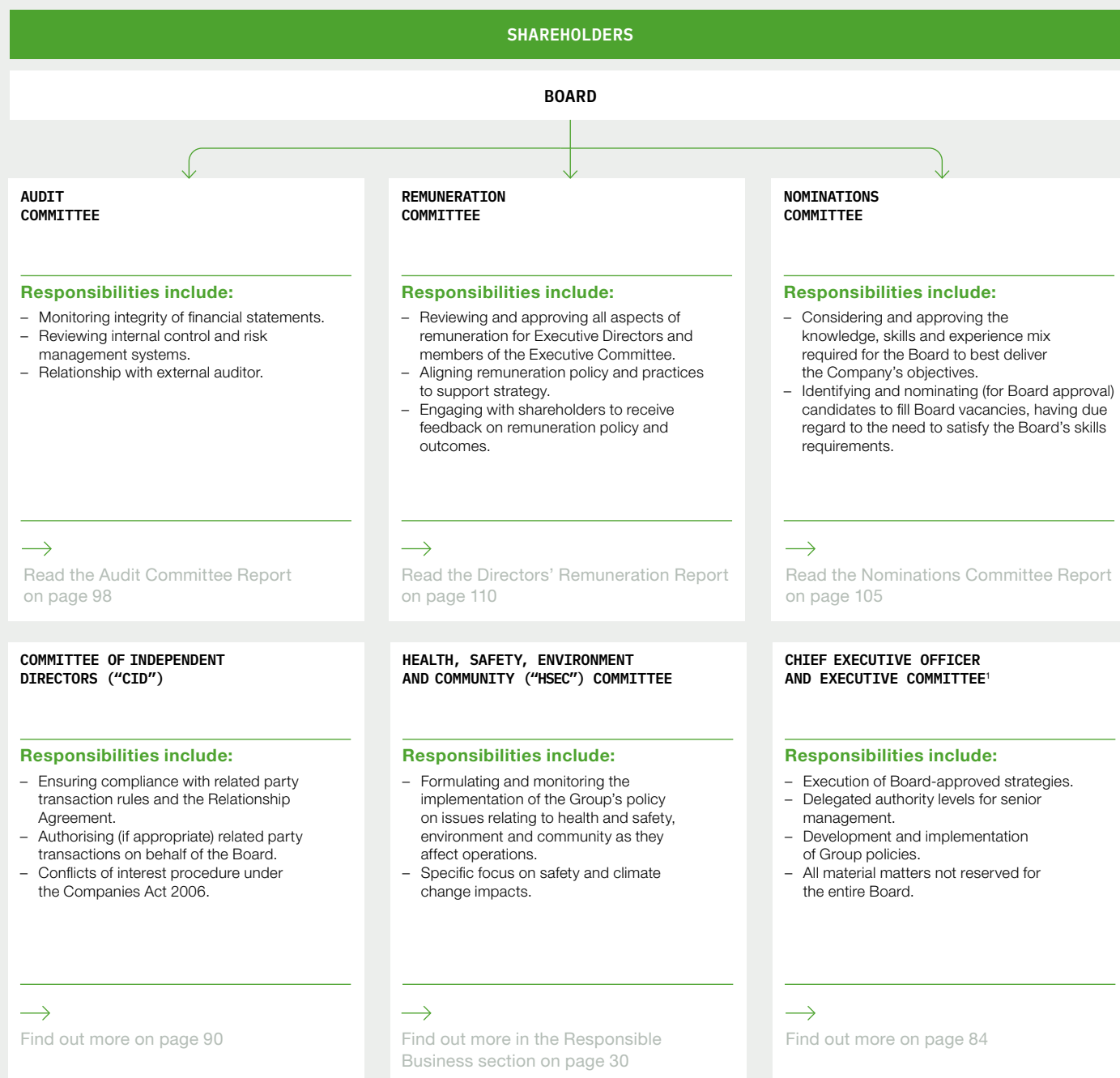
- supporting our workforce and the operations through the Russian invasion of Ukraine;
- Health and safety and employee wellbeing;
- climate change;
- recruit a Director from an ethnic minority group;
- succession planning at Board and diversity at management level;
- continue focus on shareholder and key stakeholder engagement; and
- continue to strengthen cyber security.

I hope you find this report useful and informative. I look forward to engaging with as many of you as possible at our 2023 AGM in person and would like to encourage you to vote your shares even if you cannot attend in person, so that we gain a better understanding of the views of our shareholders as a whole.

Lucio Genovese
Chair
14 March 2023

Governance at a Glance

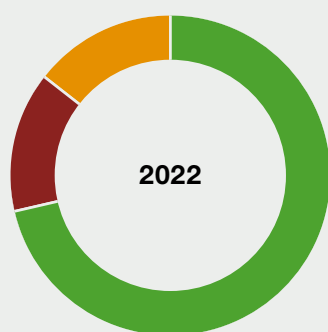
Group structure



1. The Finance, Risk Management and Compliance Committee, Investment Committee and the Executive Related Party Matters Committee all report to the Executive Committee.

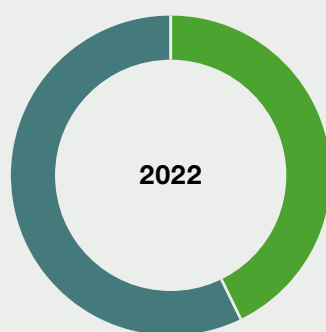
Board diversity, tenure and balance

Board balance



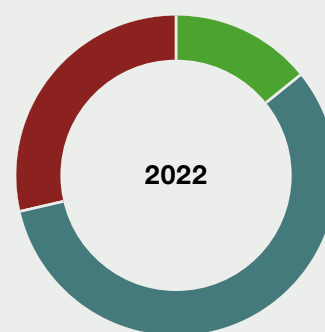
Independent:	5
Non-independent:	0
Chair:	1
Executive:	1

Board diversity – Gender



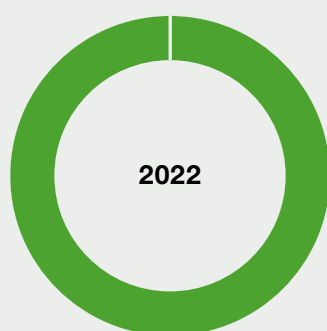
Female:	3
Male:	4

Board diversity – Age



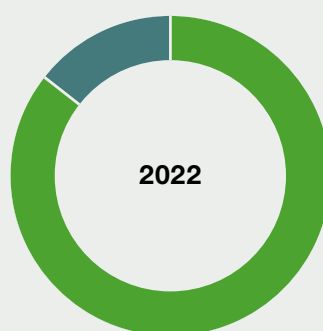
40-49:	1
50-59:	4
60+:	2

Board diversity – Ethnic group



White:	7
Mixed/Multiple Ethnic Group:	0

Board tenure



0-5 years:	6
9+ years:	1

Skills matrix

Expertise	100%	% of Board members
Mining, Global Resource Industry	<div></div>	58%
Business leadership and strategy	<div></div>	58%
Corporate governance	<div></div>	71%
ESG/Sustainability	<div></div>	54%
Financial, Audit & Risk	<div></div>	67%
CIS geographical experience	<div></div>	71%
Government and international relations	<div></div>	54%
HSEC	<div></div>	67%
Human capital management/Remuneration	<div></div>	71%
Investor relations management	<div></div>	67%
Risk management	<div></div>	79%

Board of Directors

An experienced and balanced Board



Raffaele (Lucio) Genovese
Non-executive Chair

Date of appointment
24 August 2020 as Chair

13 February 2019 as Non-independent Non-executive Director

Current external appointments
Currently, he serves as chair of CoTec Holdings, listed on NEX Board of the TSVX, since 2021; non-executive director of Nevada Copper Inc since 2016; and chief executive officer of Nage Capital Management AG, a Swiss based investment and advisory firm, since 2004.

Previous appointments
Previously, he was non-executive director of Mantos Copper SA, 2015-2022; independent non-executive director of Ferrous Resources Limited, 2014-2019; chair of Firestone Diamonds Plc, 2012-2020; an Independent Non-executive Director of Ferrexpo plc, 2007-2014; senior executive officer, Copper Division, Glencore International, 1996-1999 and chief executive officer, CIS Operations, Glencore International, 1992-1998.

Skills, expertise and contribution
Lucio contributes to Ferrexpo plc over 35 years' of commercial experience in the metals and mining industry. He worked at Glencore International AG where he held several senior positions including the CEO of the CIS region.

Lucio brings a deep knowledge across the Ferrous and Non-Ferrous Mining sector, including in iron ore. He has extensive experience of operating in emerging markets, specifically in the CIS states. As a previous Board member (from 2007 to 2014) and as a Board member of Ferrexpo AG, Lucio has in-depth knowledge of the Group which is extremely valuable to the Company at a Board level.

Committee membership



Fiona MacAulay
Senior Independent
Non-executive Director

Date of appointment
12 August 2019

10 February 2022 as Senior Independent Director

Current external appointments
Non-executive director of Costain Plc since April 2022; non-executive director of Chemring Group plc since 2020; non-executive chair of IOG Plc until 2 May 2023 when she will step down at the AGM.

Previous appointments
Previously, she was non-executive director of AIM listed Coro Energy, 2017-2022; chief executive officer of Echo Energy plc, 2017-2018; non-executive director, 2018-2019 and chief operating officer of Rockhopper Exploration plc, 2013-2017.

Skills, expertise and contribution
Fiona contributes to Ferrexpo plc over 35 years' experience in the upstream oil and gas sector including key roles in a number of leading oil and gas firms across the large, mid and small cap space including Mobil, BG Group, Amerada Hess, Echo Energy and Rockhopper.

Fiona brings a strong focus on health, safety, climate change and culture with a deep understanding of the factors influencing the management for safe, efficient and commercial operations. In 2022, she completed a Diligent Climate Leadership Certification programme. She has extensive operational experience in emerging energy which enables her to bring positive insight on a broad range of issues to Board and Committee discussions.

Committee membership



Fiona was the Chair of the HSEC Committee until February 2022.



Jim North
Chief Executive Officer
and Executive Director

Date of appointment
14 February 2022 as
Chief Executive Officer

5 July 2020 as
Executive Director

28 May 2020 as
Acting Chief Executive Officer

1 November 2014 as
Chief Operating Officer

Current external appointments
None.

Previous appointments
Previously, he was Chief Operating Officer of London Mining PLC, where he was accountable for setting the company's operational and investment strategy around the world. He has wide-ranging operational mining experience at a senior level with BHP Billiton, Rio Tinto and Mount Isa Mines in Africa, South America and Australia covering commodities including iron ore, coal, base metals and aluminium.

Skills, expertise and contribution
Jim joined the Company in November 2014 and since then he has successfully managed our operations, enhancing operating efficiency by introducing world-class operating practices. Over the past eight years, Jim has developed the strategic organic growth programme to expand and increase production through incremental brownfield expansions to FPM processing facilities significantly reducing the capital intensity required.

Jim brings multiple commodity experience across the resources value chain and extensive experience to bear in managing the Company.

Committee membership



Ann-Christin Andersen
Independent
Non-executive Director

Date of appointment
1 March 2021

Current external appointments
Since 2021, Ann-Christin has served as non-executive chair of Quantafuel AS, and since 2020 served as chair of the board of Å Energi AS (formerly Gltre Energi AS) (unlisted), having been appointed as a director in 2015.

Previous appointments
Previously, she has combined her executive career in the oil and gas industry with several board assignments, e.g. non-executive director for Maersk Drilling, Argeo AS, Veidekke ASA.

Skills, expertise and contribution
Ann-Christin is an engineer with more than 30 years' experience in the oil and gas industry.

Ann-Christin brings a wealth of resource based industrial experience in both mature and emerging markets together with real life experience on how to orchestrate business transformation. In addition to experience on how to implement a culture of safety in a high-risk industry, she brings knowledge of stepping up automation to become smarter, better, faster whilst driving digital transformation for business value.

Committee membership



Ann-Christin was appointed the Chair of HSEC Committee and as a member of the Nominations Committee in February 2022.

Gender breakdown



● Male	57.1%
● Female	42.9%

Key to committee membership

● Audit Committee	● Health, Safety, Environment and Community ("HSEC") Committee
● Remuneration Committee	● Chief Executive Officer and Executive Committee
● Nominations Committee	○ Committee Chair
● Committee of Independent Directors ("CID")	



Graeme Dacomb
Independent
Non-executive Director

Date of appointment
10 June 2019

Current external appointments
Currently, he serves as non-executive director of Ecora Resources Plc (formerly Anglo Pacific Group Plc) since 2019.

Previous appointments
Previously, he was an audit partner of Ernst & Young LLP for 26 years and a Member of the Financial Reporting Review Panel from 2011–2018.

Skills, expertise and contribution
Graeme contributes to Ferrexpo plc over 43 years' experience, of which he was a partner at Ernst & Young ("E&Y") for 26 years. At E&Y he was a senior partner in the extractive industry, responsible for coordinating the provision of a full suite of services to multinational mining and oil and gas clients including Xstrata, Fresnillo and BP across a broad range of countries including emerging markets. In addition to audit services, he provided critical advice for his clients on corporate governance structures, risk management and financial systems and controls.

Graeme brings extensive knowledge of the extractive industry and his financial expertise gained as senior audit partner provides a solid foundation for his role as Chair of the Audit Committee. He also brings an invaluable perspective and insights from his extensive international career.

Committee membership



Graeme is the Chair of the Audit Committee, where he acts as its Financial Expert.



Vitalii Lisovenko
Independent
Non-executive Director

Date of appointment
28 November 2016

Current external appointments
Currently, he serves as a non-executive advisor to the Minister of Finance of Ukraine, having previously served as an executive counsellor to the Minister of Finance. He also serves as a non-executive director of the Supervisory Board of National Depository of Ukraine since 2014.

Previous appointments
Previously, he was an executive director of Ukreximbank (Ukraine), 2006–2010; an executive director of Alfa Bank Ukraine, 2010–2014; a non-executive director of Amsterdam Trade Bank, 2013–2014; and a non-executive alternate director, Black Sea Trade and Development Bank (Greece), 2014–2019; and since 1994 held various positions in the Finance Ministry of Ukraine. He also was an Associate Professor of Finance at the Kyiv State Economic University.

Skills, expertise and contribution
Vitalii contributes to Ferrexpo plc over 25 years' experience in government finance. In 2005, he served as the head of the Trade and Economic Mission at the Ukrainian Embassy in London. He was an Associate Professor of Finance at the Kyiv State Economic University.

Vitalii brings extensive experience in the field of Ukrainian government finance together with a deep understanding of geopolitical developments in Ukraine which is valuable to the Group.

Committee membership



Non-executive Director designate for workforce engagement.



Natalie Polischuk
Independent
Non-executive Director

Date of appointment
29 December 2021

Current external appointments
Currently, she serves as non-executive director of Dobrobut (Ukraine), since 2018.

Previous appointments
Previously, she was non-executive director and treasurer of Lycée Français Anne de Kyiv, 2014–2020.

Skills, expertise and contribution
Natalie brings over 25 years of private equity experience in Eastern Europe, having held a number of senior roles at private equity funds in the region and having acted as an independent advisor on a number of M&A and due diligence projects in Ukraine.

Committee membership



Natalie was appointed as a member of the Audit Committee and HSEC Committee in February 2022 and the Committee of Independent Directors in February 2023.

Executive Committee

An experienced and focused Management Team

**Jim North**

Chief Executive Officer and Chief Operating Officer – combined role

For more information see page 82 for details.

**Nikolay Kladiev**

Chief Financial Officer

Nikolay was appointed Group Chief Financial Officer on 4 August 2021.

Nikolay joined the Group in 2005, and contributed significantly to the Group's IPO. Since 2007, Nikolay has served on the Board of FPM as CFO. During his 17 years with Ferrexpo, Nikolay has overseen FPM's finance function, and has been directly responsible for maintaining the Group's position as a low cost pellet producer during this time. Prior to Ferrexpo, Nikolay held a number of audit positions with Arthur Andersen and Ernst & Young in Ukraine and Eastern Europe.

Skills and experience

He is a Chartered Accountant (UK) and has a Masters in International Economic Relations from Kyiv National Economic University.

**Viktor Lotous**

Chief Operating Officer and Head of Managing Board, FPM

Viktor became Chief Engineer in 1997 and Head of the Managing Board and Chief Operating Officer in April 2007.

Skills and experience

He is a graduate of Kryvyi Rih Mining and Ore Institute, and of the Kyiv National Economic University, specialising in Finance.

**Greg Nortje**

Chief Human Resources Officer

Greg joined Ferrexpo in January 2014.

He previously held a variety of international Human Resources leadership positions with Anglo American and BHP Billiton before establishing his own human resources consultancy firm to a range of clients across the UK. Particular specialisms include project management and business change execution, organisational effectiveness, talent management, governance and compliance, and leadership development.

Skills and experience

He has Advanced Management qualifications from the University of Stellenbosch Business School and the Gordon Institute of Business Science, a Bachelor of Arts degree and a postgraduate Diploma in Education from the University of the Witwatersrand.

**Yaroslavna Blonska**

Acting Chief Marketing Officer

Yaroslavna was appointed the Acting Chief Marketing Officer on 22 August 2022.

Yaroslavna joined Ferrexpo in 2002.

Since joining Ferrexpo Yaroslavna has held a number of key roles within the Group's Marketing team, including Head of Sales for customers in Europe and Turkey, management of the Group's Asian and European customers, membership of the representative board for the Group's port loading subsidiary, TIS-Ruda. Yaroslavna has been acting as a focal point for the Group's government and public relations within Ukraine. She has also been managing Ferrexpo's office in Kyiv since 2006. Yaroslavna has been helping to facilitate the Group's "Fe_Munity" women in leadership programme as a speaker and a mentor.

Skills and experience

She holds a Master of Business Administration degree from Kyiv State Economic University and a post graduate Diploma in Law from Taras Shevchenko National University, Kyiv.

Corporate Governance Compliance

As a premium listed company on the London Stock Exchange, the Company is subject to the 2018 Corporate Governance Code. This section explains how we applied the principles of the 2018 Corporate Governance Code. A copy of the Corporate Governance Code can be found at frc.org.uk.

Statement of Compliance (in accordance with Listing Rule 9.8.6R(5))

The Board considers the Company has complied throughout the year ended 31 December 2022 with all the provisions of the 2018 Corporate Governance Code except as set out below:

- **Provision 9:** The Chair was not independent on appointment.
- **Provision 15:** The Chair's appointment as a director of Audley Capital GmbH on 9 June 2022 was ratified by the Board on 29 July 2022.
- **Provision 19:** The Chair has remained in post for more than nine years since his first appointment to the Board in June 2007. Mr Genovese's tenure ran from 12 June 2007 to 1 August 2014, and he rejoined the Board on 13 February 2019. Therefore, whilst the total tenure exceeds nine years there was a significant break in Mr Genovese's tenure between 2014 and 2019.

Explanations for not complying with provisions 9 and 19 of the Corporate Governance Code as the Chair was not independent on appointment and his tenure exceeds the recommended nine-year term are provided below. The non-compliance with provision 15 of the Corporate Governance Code has arisen due to an inadvertent mistake and following discovery of this the Board took steps promptly to formally ratify Mr Genovese's appointment as a director of Audley Capital GmbH. Each of the directors have also since been reminded of the need to seek prior Board approval before accepting any additional external appointments.

The Corporate Governance Code sets out the governance principles and provisions that applied to the Company during 2022. The Corporate Governance Code is not a rigid set of rules, and consists of principles and provisions. The Company complied with all the principles and detailed provisions of the Corporate Governance Code in 2022 except for Provisions 9, 15 and 19. Provision 9 recommends that the Chair be independent on appointment and Provision 19 recommends that the Chair should not remain in post beyond nine years from the date of first appointment to the Board. Provision 15 provides, amongst other things, that additional external appointments should not be undertaken by a Director without prior approval of the Board.

Mr Genovese was first appointed to the Board as a Director in June 2007 and retired in August 2014. After a near five-year break, he rejoined the Board in February 2019 as a non-Independent Non-executive Director and most recently was appointed as Chair of the Board in August 2020.

Independent mindset

The Board is satisfied that Mr Genovese is fully independent from all the Company's shareholders and has been during his entire tenure as a Non-executive Director. Additionally, upon his appointment as Chair the members of the Nominations Committee were comfortable based on their own experiences that Mr Genovese conducts himself with professional and personal integrity with an independent mindset and brings valuable challenge to the Board based on his in-depth understanding of the key drivers and challenges faced by the Group.

The Board is satisfied that Mr Genovese's continuance as Board Chair adds considerable value to the business given his experience, leadership qualities and detailed knowledge of the Group. He has more than 30 years' experience of Ukraine together with in-depth knowledge of the socio-political and economic environment. He has specific iron ore mining knowledge coupled with solid experience of UK plc corporate governance matters. These qualities enable him to provide sound leadership to the Board based on his personal experience and knowledge which facilitates constructive discussions and Board decisions.

Mr Genovese is committed to having a diverse and inclusive Board and workforce. He has overseen the design and implementation of succession plans to facilitate increased independence and diversity. The Board considers that Mr Genovese continues to demonstrate objective judgement and provides constructive challenge, and believes that his continued appointment is appropriate without fixing a time limit to his service.

Examples of the changes Mr Genovese has overseen during the last year include:

- appointment of permanent CEO;
- appointment of female Senior Independent Director;
- appointment of female Independent Non-executive Director to Audit and HSEC Committees;
- appointment of female Acting Chief Marketing Officer;
- succession planning at Board and senior management level;
- climate change – publication of Climate Change report;
- commenced search for a director from an ethnic minority group; and
- refocused the 2022 Board agenda to include Cyber Security, Climate Change and Environmental, Social and Governance matters.

Corporate Governance Compliance continued

Mr Genovese led the Board through the Russian invasion of Ukraine, ensuring continuity of the Board agenda and meetings together with ongoing corporate initiatives and the establishment of the Ferrexpo Humanitarian Fund to support communities in Ukraine.

The Board believes Mr Genovese is the right person to Chair the Board. To provide continuity of his sound leadership, the Board request your support to re-elect Mr Genovese at the 2023 AGM.

Further details on the composition of the Board and its Committees are set out on page 88 and further details of the role of the Senior Independent Director are set out on page 90.

The Board confirms that at the date of this report, unless otherwise explained above, the Company fully complied with all relevant provisions of the Corporate Governance Code. Further information on the Company's compliance with the Principles of the Corporate Governance Code can be found on the following pages:

Board leadership and Company purpose	Principle A:	Chair's Statement page 2, Stakeholder Engagement – Section 172 Statement pages 48 to 54, Skills Matrix page 81
	Principle B:	Chair's Statement page 2, CEO's Review page 6, Our Business Model pages 12 to 13, Understanding our Strategic Direction pages 16 to 17, Stakeholder Engagement – Section 172 Statement pages 48 to 54
	Principle C:	Key Performance Indicators pages 18 to 21, Risk Management pages 56 to 57, Principal risks pages 58 to 74, Internal Controls pages 103 to 104
	Principle D:	CEO's Review page 6, Our Stakeholders page 14 to 15, Responsible Business: Safety and our People pages 32 to 33, Responsible Business: Communities pages 44 to 45, Responsible Business: Governance pages 46 to 47, Stakeholder Engagement – Section 172 pages 48 to 54
	Principle E:	Non-Financial Information Statement page 47, Our engagement activities in 2022 page 49, Stakeholder and workforce engagement page 92, Whistleblowing Policy page 104
Division of responsibilities	Principle F:	Chair's Introduction page 78, Statement of Compliance page 85, Independent Mindset page 85, Role Descriptions page 90, Board Leadership page 91 to 93, Board Evaluation page 94 to 96
	Principle G:	Group Structure page 80, Board of Directors pages 82 to 83, Role Descriptions page 90
	Principle H:	Corporate Governance At a Glance page 80, Board of Directors pages 82 to 83, Time Commitment page 89, Role Descriptions page 90
	Principle I:	Skills Matrix page 81, Time commitment and Non-executive Director external appointments during 2022 page 89, Board Leadership pages 91 to 93
Composition, succession, evaluation	Principle J:	Independent Mindset page 85, Diversity page 87, Nominations Committee Report page 105
	Principle K:	Board Diversity, tenure and balance page 81, Board Composition page 88, Skills Matrix page 81, Succession Planning and Recruitment page 107
	Principle L:	Board Evaluation pages 94 to 96
Audit, risk, internal control	Principle M:	External Audit page 104, Internal Audit page 104
	Principle N:	Audit Committee Report pages 98 to 104, Responsibility statement of the Directors in respect of the Annual Reports and Accounts page 137
	Principle O:	Risk Management pages 56 to 57, Principal Risks pages 58 to 74, Internal Control and Risk Management page 103
Remuneration	Principle P:	Remuneration policy pages 110 to 131
	Principle Q:	Our approach to remuneration page 111, Performance and Reward pages 111 to 112, Implementation of the remuneration policy in 2023 page 112
	Principle R:	Remuneration Report pages 110 to 112

Disclosure Guidance and Transparency Rules

By virtue of the information included in this Corporate Governance Report and the Directors' Report, the Company complied with the corporate governance statement requirements of the FCA's Disclosure Guidance and Transparency Rules.

Diversity

We voluntarily report our Board and executive management diversity data as at 31 December 2022 in accordance with the new UK Listing Rules disclosure requirements and our progress in meeting the new UK Listing Rules board diversity targets.

As at 31 December 2022, women represented 43% of the Board see page 79. On 10 February 2022, the Board elected to appoint Fiona MacAulay as Senior Independent Director, see page 79 and therefore one of the senior Board positions was occupied by a woman; however, there were no Directors from an ethnic minority background. The Board remains committed to enhancing its ethnic diversity and has also committed to search for a further Independent Non-executive Director from an ethnic minority background, led by the Nominations Committee and supported by external consultants, see page 108.

The gender diversity of the Board and executive management as at 31 December 2022:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)*	Number in executive management	Percentage of executive management
Men	4	57%	3	5	83%
Women	3	43%	1	1	17%
Other categories	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

* CFO included although not a Board position.

The ethnic diversity of the Board executive management is as follows:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	7	100%	4	5	83%
Mixed/Multiple Ethnic Groups	–	–	–	1	17%
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

Notes:

- Executive management for these purposes includes the Company Secretary but excludes administrative and support staff (as defined by the UK Listing Rules).
- The Company confirms that the approach to collecting data forming the basis of the gender and ethnic diversity of the Board and senior management of the Company was consistent for the purposes of reporting under both LR 9.8.6R(9) and (10) and was consistent across all individuals in relation to whom data was reported. Board members, members of executive management and the Company Secretary were provided with a standard form questionnaire on a strictly confidential and voluntary basis to allow the individual to self-report on their gender and ethnicity (or to specify that they do not wish to report such data). The questionnaire was fully aligned to the definitions set out in the UK Listing Rules, with individuals asked to specify:
 - i. self-reported gender identity – selection from (a) male, (b) female, (c) other category/please specify and (d) not specified/prefer not to say; and
 - ii. self-reported ethnic background – selection from (a) White British or other White (including minority-white groups), (b) Mixed/Multiple Ethnic Groups, (c) Asian/Asian British, (d) Black/African/Caribbean/Black British, (e) Other ethnic group, including Arab and (f) not specified/prefer not to say.
- The Executive Committee includes the Company Secretary. For the purposes of the UK Corporate Governance Code, the gender balance of those in senior management (i.e. the Executive Committee and their direct reports) was 64.2% male and 35.8% female.

Corporate Governance Report

Controlling shareholder – Relationship Agreement

The Company's majority shareholder is Fevamotinic S.a.r.l., which as at date of this report holds 49.5% of the voting rights in Ferrexpo plc. Fevamotinic S.a.r.l. is wholly owned by The Minco Trust. The Minco Trust is a discretionary trust that has three beneficiaries, consisting of Kostyantyn Zhevago and two other members of his family. Mr Zhevago is therefore considered a controlling shareholder of the Company. In accordance with the UK Listing Rules, Mr Zhevago, The Minco Trust and Fevamotinic S.a.r.l. have entered into a Relationship Agreement with the Company (the "Relationship Agreement") to ensure that the Group is capable of carrying on its business independently, that transactions and arrangements between the Group, Fevamotinic S.a.r.l., The Minco Trust and Mr Zhevago (and each of their associates) are at arm's length and on normal commercial terms, and that at all times a majority of the Directors of the Company shall be independent of Fevamotinic S.a.r.l., The Minco Trust and Mr Zhevago. Under the Relationship Agreement, Mr Zhevago is entitled to appoint himself as a Director or another person as his representative Director, in each case in a non-executive capacity. The Relationship Agreement terminates if, inter alia, the shareholding of Mr Zhevago and his associates in the Company falls below 24.9%.

Statement of Compliance with UK Listing Rules, Rule 9.8.4 (14)

- Ferrexpo has complied with the independence provisions contained in UK Listing Rule 9.2.2ADR(1) during 2022.
- So far as Ferrexpo is aware, each of Mr Zhevago and Fevamotinic S.a.r.l. and their associates have also complied with the independence provisions contained in UK Listing Rule 9.2.2ADR(1) during 2022.
- So far as Ferrexpo is aware, the procurement obligation set out in LR 9.2.2B(2)(a) (which requires Mr Zhevago and Fevamotinic S.a.r.l. to procure that The Minco Trust, the non-signing controlling shareholders (being the beneficiaries of The Minco Trust other than Mr Zhevago) and their associates comply with the independence provisions contained in UK Listing Rule 9.2.2ADR(1)) has also been complied with during 2022.

The Board

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

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

Certain aspects of the Board's responsibilities have been delegated to the Committees shown in the chart on page 80 to ensure compliance with the Companies Act 2006, FCA Listing Rules and Disclosure Guidance and Transparency Rules and the UK Corporate Governance Code. The terms of reference for each of the Audit Committee, Nominations Committee, Remuneration Committee and HSEC Committee are available on the Company's website at www.ferrexpo.com/about-ferrexpo/corporate-governance/board-committees.

It is the responsibility of the CEO and the Executive Committee to manage the day-to-day running of the Group.

Board composition and independence

As of 31 December 2022, the Board (excluding the Chair) comprised one Executive Director and five Independent Non-executive Directors who are considered by the Board to be independent in accordance with the UK Corporate Governance Code. This structure ensures that the Executive Director is subject to appropriate independent and constructive challenge by the Non-executive Directors, and that no single Director can dominate or unduly influence decision-making.

Composition of the Board and Committees as of 31 December 2022 is presented in the table below:

Board member	Role	Audit	Remuneration	Nominations	CID	HSEC ¹
R L Genovese	Non-executive Chair			••		
F MacAulay	Senior Independent Non-executive Director	•	••	•	•	
V Lisovenko	Independent Non-executive Director and Designate for Employee engagement	•	•	•	••	
J North	Chief Executive Officer and Executive Director					•
G Dacomb	Independent Non-executive Director	••	•	•	•	
AC Andersen	Independent Non-executive Director		•	•	•	••
N Polischuk	Independent Non-executive Director	•				•

1. The HSEC Committee also includes some members of senior management.

• Committee member.

•• Committee Chair.

The Board considers that it is of a sufficient size to ensure that the requirements of the business are met without placing undue reliance on any one Director.

Biographical details of the Directors at the date of this report are set out on pages 82 and 83.

Time commitment

It is expected that a Non-executive Director of the Company will normally spend at least two and a half days a month, on average, on Ferrexpo's affairs. The expected time commitment for the Senior Independent Director, the Committee Chairs and, in particular, the Chair of the Board is considerably more than that. The Non-executive Directors are required to confirm at least annually that they are able to commit sufficient time to the affairs of the Company, and all of our Non-executive Directors have given this confirmation in respect of 2022.

All of the Non-executive Directors have been able to make themselves available for the majority of the ad hoc Board and Committee meetings and update calls held during the year, notwithstanding their external commitments. The attendance of the Directors at Board and Committee meetings during 2022 is shown in the table below.

Non-executive Director external appointments during 2022

During 2022, Ms MacAulay was appointed as non-executive director of Costain Group PLC, a company that is listed on the London Stock Exchange and a constituent of the FTSE Small Cap Index. This appointment was considered a significant appointment for Ms MacAulay for the purposes of the UK Corporate Governance Code, and, in advance of the appointment, Ms MacAulay sought the prior approval of the Board. As part of approving this additional appointment, the Board considered a range of factors, including the existing appointments of Ms MacAulay, the time commitment expected in the role as a Ferrexpo Director, attendance records at Ferrexpo Board and committee meetings, institutional investor guidance on the number of board roles in respect of over-boarding and the additional time commitment from the new role. The Board was satisfied having regard to these matters that the additional role would not adversely impact the ability of Ms MacAulay to perform her existing role on the Ferrexpo Board and its committees.

During 2022, Ann-Christin Andersen was appointed as a director of SDK Freja, a family owned non-listed business in Denmark, and Lucio Genovese was appointed as a director of Audley Capital GmbH, a private company registered in Switzerland. Whilst these appointments were not considered significant appointments for the purposes of the UK Corporate Governance Code, in providing its approval or confirmation of these appointments the Board had regard to the existing commitments of each of Ms Andersen and Mr Genovese, and was satisfied that the additional role would not adversely impact the ability of Ms Andersen or Mr Genovese to perform their existing role on the Ferrexpo Board and its committees.

Board and Committee meeting attendance in 2022

Director	Attended/Eligible to attend										
	Board		Audit	Remuneration		Nominations		CID		HSEC ⁴	
	Scheduled	Ad hoc	Scheduled	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc
AC Andersen ¹	4/5	16/17		5/5	1/1	3/3	1/1	3/4	13/13	4/4	1/1
G Dacomb	5/5	17/17	6/6	5/5	1/1	3/3	1/1	4/4	12/13		
R L Genovese	5/5	17/17				3/3	1/1				
V Lisovenko ²	4/5	17/17	5/6	4/5	1/1	3/3	1/1	4/4	13/13		
F MacAulay	5/5	17/17	6/6	5/5	1/1	3/3	1/1	4/4	13/13		
J North	5/5	17/17								4/4	1/1
N Polischuk ³	5/5	17/17	5/5							4/4	1/1
K Zhevago (until 29 December 2022)	5/5	15/17									

1. Ms Andersen was appointed as Chair of the Health, Safety, Environment and Community Committee on 10 February 2022.

2. Mr Lisovenko was unable to attend one scheduled Board meeting and a scheduled Audit Committee and Remuneration Committee meeting due to the Russian invasion of Ukraine.

3. Ms Polischuk was appointed as a member of both the Audit Committee and HSEC Committee on 10 February 2022.

4. During the year, the HSEC Committee approved 87 Written Resolutions as part of the Ferrexpo Humanitarian Fund.

During the year, there were a number of ad hoc Board and Committee meetings which dealt with (amongst other things) the Russian invasion of Ukraine.

Corporate Governance Report continued

Role descriptions

The division of responsibilities between the Chair and the CEO has been clearly established in writing and is agreed by the Board. A summary of the roles of the Chair, the CEO, the Senior Independent Director, the Non-executive Directors and the Company Secretary is set out in the following table. The table also includes an overview of the role of the Executive Committee and of the Committee of Independent Directors. The roles of the Audit and Nominations Committees are set out later in this Corporate Governance Report, the role of the HSEC Committee in the Strategic Report on page 30, and the role of the Remuneration Committee in the Remuneration Report on page 110.

Role	Description
Chair	The Chair is responsible for leadership of the Board, ensuring its effectiveness, setting its agenda, ensuring that it receives accurate, clear and timely information, and ensuring effective communication with shareholders. The Chair also ensures that there is a constructive relationship between the Executive and Non-executive Directors. At least once annually the Chair holds meetings with the Non-executive Directors without the Executive Director present. Mr Genovese's other current responsibilities are set out in the biographical notes on page 82. Due to the complexity of the jurisdictions in which the Group operates and in light of Russia's current invasion of Ukraine, the time commitment of the role significantly increased during the reporting period especially with the need to engage proactively with the broad range of stakeholders.
CEO	The role of the CEO is to provide leadership of the executive team, implement Group strategy through executive committees, chair the Executive Committee, and oversee and implement Board-approved actions. Mr North as CEO has no other directorships of quoted companies.
Senior Independent Director	The Senior Independent Director, in conjunction with the other Independent Non-executive Directors, assists in communications and meetings with shareholders and other stakeholders concerning corporate governance matters. At least once a year, the Senior Independent Director meets the Non-executive Directors, without the Chair present, to evaluate the Chair's performance. The Senior Independent Director is also available to discuss with shareholders any issues that the Chair has been unable to resolve to shareholders' satisfaction.
Non-executive Directors	The Non-executive Directors provide an independent and objective viewpoint to Board discussions and bring experience from a variety of industry backgrounds. Their role is to provide constructive support and challenge to executive management. Acting either as the Board or as members of its Committees, the Non-executive Directors approve budgets; discuss and contribute to strategic proposals and agree on corporate strategy; monitor the integrity, consistency and effectiveness of financial information, internal controls and risk management systems; monitor management's execution of strategy against agreed targets and determine their remuneration accordingly (see the Remuneration Report on page 110); and monitor executive succession planning (for Board succession planning, see the Nominations Committee Report on page 105). From time to time, where delegated by the Board, individual Non-executive Directors may take on additional functions in areas in which they have particular knowledge or expertise.
Company Secretary	The Company Secretary is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary is also responsible for advising the Board on all governance matters and for ensuring, with the Chair, that information reaches Board members in a timely fashion, so that they are alerted to issues and have time to reflect on them properly before deciding how to address them. All Directors have access to the advice and services of the Company Secretary.
Executive Committee	The Executive Committee is a key decision-making body of the Group, responsible for managing and taking all material decisions relating to the Group, apart from those set out in the Schedule of Matters Reserved for the Board. It has delegated responsibility from the Board for the execution of Board-approved strategies for the Group, for ensuring that appropriate levels of authority are delegated to senior management, for the review of organisational structures and for the development and implementation of Group policies. The Executive Committee meets regularly during the year.
Committee of Independent Directors ("CID")	The CID is composed of the Senior Independent Director and four other Independent Non-executive Directors. The CID considers and, if appropriate, authorises on behalf of the Board, related party transactions and otherwise ensures compliance with the related party transaction rules and the Relationship Agreement entered into between Fevamotinic S.a.r.l., Mr Zhevago, The Minco Trust and the Company. The CID holds delegated authority to consider and, if appropriate, approve situations which give rise to an actual or potential conflict of interest for any member of the Board in accordance with the Companies Act 2006. The CID keeps under review the authorisation and approval process relating to related party transactions (which are also reviewed in detail by the Executive Related Party Matters Committee ("ERPMC")) and satisfies itself that, as required under the Relationship Agreement, transactions with the Group's controlling shareholders or their associates are conducted at an arm's length basis and on normal commercial terms.

Board Leadership

Before setting out the Board's activities in 2022, it is important to note that since the Russian invasion of Ukraine, the Board has continued to meet regularly to discuss the ongoing situation in Ukraine, the execution of the Group's business continuity plans, planning for different eventualities and adjustments to the corporate calendar. The Board receives regular updates from the management team as to the Group's response and scenario planning for different eventualities. Protecting the Group's workforce is a key priority, as well as taking steps to protect the business and thereby the stakeholders of the business. This will remain a key priority for the Board during 2023.

Board activity in 2022

Five scheduled Board meetings were held in 2022 (supplemented by other ad hoc meetings, telephone or video conferences and written resolutions as required from time to time). Although physical meetings were resumed for scheduled Board meetings, some meetings were held via video conference with management team members and other Group personnel joining to discuss matters as appropriate. The Board intends to continue to hold its scheduled meetings in person during 2023 provided it is safe to do so.

The Board's programme of meetings allows key areas of focus to be established and reviewed on a regular basis. A review of the Board forward agenda was undertaken early in the year to align key focus areas with strategy. Rolling agendas have been developed within the Board forward agenda for the Board, Audit, Nominations and Remuneration Committees to ensure the necessary standing items are covered during the course of the year, and sufficient time is allocated to strategic discussions, with extra time factored in for ad hoc and additional items. Agendas are agreed with the Chair (or with the Chair of the relevant Committee) and timeframes set in advance for the various meetings, thereby ensuring that the full agenda can be covered in the time allotted.

Board and Committee meeting packs are prepared by management following input on the agendas formulated by the Company Secretary and the respective Chairs, and made available electronically prior to the meeting via a secure online Board portal, thereby allowing the Directors adequate time to consider the variety of issues to be presented and discussed. In the minutes of the meetings, issues identified for follow-up are set out, ensuring that matters raised by the Directors are actioned and reported back in a timely manner.

At each scheduled Board meeting, the Directors receive a report from each of the Chair, the Chief Executive Officer and the Chief Financial Officer and will review and approve the minutes from previous Board meetings and note Board Committee minutes. There is also an oral report from the Chair of each Board Committee, providing an overview of the matters discussed at the Committee meetings which are held before the scheduled Board meetings. The Board may also receive a report from the Chief Marketing Officer relating to updates on the Group's marketing strategy, product development and relationships with the Group's customers.

The Chief Executive Officer's report will include matters relating to production and operations, safety measures and performance against targets, iron ore market conditions, growth projects, implementation of diversity and inclusion policies and updates on the position in Ukraine. The Chief Financial Officer's report covers financial performance as compared to budget, financial forecasts and cash flow position, with a particular focus during 2022 on the going concern assessment given the situation in Ukraine. The Chair will report on developments relating to investor and stakeholder engagement (including shareholder feedback), relevant corporate governance matters and Board refreshment and succession planning.

In addition to formal Board and Committee meetings, the Chair holds meetings with the Independent Non-executive Directors as required, enabling open discussions without the Executive Director present.

The following sets out an overview of the key areas of focus for the Board during the year.

Russian invasion of Ukraine

The impact of the Russian invasion of Ukraine was the key area of focus during the year, with the Board undertaking regular reviews of the Group's response to the invasion. The Board received daily and regular updates from the Chief Executive Officer on the Group's response to the invasion, including the safety, protection and wellbeing of the workforce and details of the support provided to those affected by the invasion and their families. Updates on safety measures put in place at the mine sites and other locations to protect the Group's workforce and assets were also provided. The Board also established the Ferrexpo Humanitarian Fund to support communities across Ukraine. For further details see pages 44.

The Board had to respond quickly to make challenging decisions such as declaring force majeure on supply contracts due to the closure of Ukraine's access to the Black Sea. Due to the uncertainty the invasion presented, the Board reviewed and considered various financial re-modelling and forecasts under several scenarios together with appropriate actions to preserve the business. The Board took the difficult decision to suspend non-essential capital expenditure whilst minimising sustaining capital expenditure.

More information can be found throughout this Annual Report and Accounts.

Climate change and decarbonisation targets

Climate change has been a standing agenda item at all scheduled Board meetings and meetings of the HSEC Committee throughout the year and will continue to be a standing agenda item.

During the year, the Board approved the publication of the Company's inaugural standalone Climate Change Report in December 2022. The report covers the climate change related legislation being enacted in the various jurisdictions into which we sell our products, and the risks and opportunities that these changes may present to our business model. The risks and opportunities relating to climate change that are specific to Ferrexpo are summarised in the Task Force for Climate-related Financial Disclosures ("TCFD") on pages 37 to 41 of the Strategic Report.

Financial position and liquidity

The Board continuously reviews the financial position of the Group, including performance against targets, balance sheet strength and liquidity.

During the year, the Group has maintained a strong balance sheet, including low levels of gross debt and had a positive net cash position of US\$106 million as at 31 December 2022 (2021: US\$117 million). The Group has no debt facilities as at 31 December 2022 compared to US\$50 million as at 31 December 2021.

The Company's Preliminary and Interim results and Annual Report were scrutinised and approved by the Board.

Corporate Governance Report continued

Board Leadership (continued)

Cyber security strategy

In light of heightened cyber security risks facing the business following the Russian invasion, maximum protection against cyber security attack is a top priority for the Group.

The Board received detailed presentations from the Group's Head of Information Technology outlining the Group's procedures and controls in relation to cyber security. This included an overview of protective actions implemented. The outcomes of the 2021 audit helped mitigate threats at the onset of the invasion. Efforts in 2022 focused on finalising an extensive third party audit (ISO 2700x standard) of cyber security and internal IT/automation.

Stakeholders and workforce engagement

Stakeholder considerations and culture are an important part of the Board's discussions and decision-making. The information on pages 48 to 55 provides a review of stakeholder engagement activities during the year and explains how the Board considers stakeholders in decision-making.

In September 2022, over two days, Mr Lisovenko, Non-executive Director Designate for workforce engagement, visited our operations in Ukraine and hosted a number of engagement sessions with a range of stakeholder groups within our workforce, including operations personnel, a selection of middle managers from all three mines, senior female leaders, alumni of our "Fe_munity" women in leadership programmes and people with disabilities.

During the engagement sessions, employees made comments, suggestions and posed questions on a range of matters for response by the Board. In December 2022, the Board considered the comments, suggestions and questions and provided feedback to the employees. For example, employees requested more interactive engagement sessions made up of smaller groups as opposed to larger townhall style engagement sessions. For further details see page 49 Employees and wider workforce, Section 172 Statement.

The Group also engages with its employees through the biennial employee engagement survey, which was last conducted in 2021. These surveys are an integral aspect of understanding the priorities and concerns of our employees, and help to set priorities for the coming period. The Board considers the results of the survey and discusses feedback from the survey with the Chief Executive Officer and the Chief Human Resources Officer, including plans for further engagement by functional heads with their

teams to better understand the results of the survey and to develop joint action points focusing on areas of strength and areas for improvement. The third Employee Engagement Survey will take place in 2023.

Dividends

The Board considers proposed shareholder dividends, taking into account the financial performance and liquidity position of the Group and the Group's shareholder returns policy. As a result of the Group's financial performance, the Group paid out dividends during the year totalling US\$155 million. Given the uncertainties arising from the Russian invasion of Ukraine, ahead of approving and paying these dividends, the Board would meet to consider the Company's liquidity position and future financial commitments (including related to operating and development capital expenditure).

The Group has a shareholder returns policy outlining the Group's intention to distribute 30% of free cash flow as dividends in respect of a given year. The Group has declared dividends in respect of the 2022 financial year representing 55% of the Group's free cash flow in 2022.

For further details, see page 25 of the Strategic Report.

Board balance and independence

Ensuring the appropriate balance of skills, independence and diversity on the Board remains a key priority of the Group.

In line with best practice requirements of the UK Corporate Governance Code, during the year, the Board reviewed the balance of skills, knowledge, experience, independence and diversity and focused on improving and rebalancing Independent Non-executive Director Board and Board Committee roles. To that end:

- Fiona MacAulay was appointed as the Senior Independent Director on 10 February 2022 in place of Vitalii Lisovenko, who completed two and half years in this position.
- Ann-Christin Andersen was appointed as Chair of the Group's Health, Safety, Environment and Community ("HSEC") Committee on 10 February 2022.
- Natalie Polischuk was appointed as a member of both the Audit Committee and HSEC Committee on 10 February 2022.

For further details see page 105 of the Nominations Committee Report.

Governance and risk

Following on from the governance improvement work carried out in 2020, during the year the Board carried out an annual review of the terms of reference of each Board Committee. Updates to the terms of reference were incorporated to reflect current best practice.

During 2022, the Board also reviewed and approved the revised Related Party Policy, Group Treasury Policy and the Terms of Reference for the Committee of Independent Directors.

At each of its scheduled meetings the Board also considers any updates to the principal and emerging risks of the Group, and in particular during 2022 considered the new risks facing the Group as a result of the Russian invasion and also changes to existing country-related risks. For further details, see pages 59 to 61 of the Strategic Report.

The Board is supported by the Executive Committee, which meets approximately monthly. All information submitted to the Board by management is reviewed and approved by the Executive Committee prior to submission.

Modern Slavery Act Statement

During the year, the Board reviewed and approved the Group's Modern Slavery Act Statement for the year ended 31 December 2021 (a copy of which is available at www.ferrexpo.com).

Executive appointments and succession planning

Jim North was appointed permanent Chief Executive Officer on 14 February 2022 after stepping into the role of Acting CEO from May 2020.

Yaroslava Blonska was appointed Acting Chief Marketing Officer on 22 August 2022. This appointment underscores the Group's robust talent management process which identifies individuals with high potential for inclusion in succession plans for business critical roles.

For further details see page 107 of the Nominations Committee Report.

Other matters discussed were:

- oral reports from the Chair of Board Committee meetings held before the Board meeting;
- diversity and inclusion;
- internal succession planning – talent review;
- succession planning for Non-executive Director recruitment and appointments;
- review of agenda and approval of minutes from previous Board meeting and note Board Committee minutes;
- interactions with auditors;
- Chief Executive Officer's report including production and operations, iron ore market conditions, and updates on the Russian invasion of Ukraine and the position in Ukraine;
- logistics update;
- new growth markets;
- Chief Financial Officer's report including status vs. budget, forecasts, cash flow position, and funding update;
- related party matters (including Directors' interests/conflicts);
- investor relations report (including shareholder feedback);
- strategy, business plan and budget;
- formal risk review;
- compliance matters;
- HSEC Committee matters, including Health and Safety, carbon reduction and community spending; and
- Board refreshment, succession planning, Director independence and Committee composition.

Matters reviewed as required included:

- the Group's continued response to the Russian invasion of Ukraine and actions taken to protect the Group and its workforce;
- review of half-year or annual results, going concern and viability, dividend policy and recommendations, investor presentation;
- geopolitical matters;
- internal evaluation of the performance of the Board, Chair, Directors and Company Secretary;
- review of the AGM statement, and proxy agency comments and recommendations;
- annual review of bank relationships with the Group within and outside Ukraine;
- annual review of the Treasury Policy;
- approval of the 2021 Modern Slavery Statement; and
- the CSR budget.

During 2022, the Board also held sessions at which the relevant executive heads of department led detailed presentations on operations, finance, HR and management succession planning, sales and marketing, investor relations and communications.

Board virtual site visit and Strategy Day

Due to travel restrictions resulting from the Russian invasion of Ukraine, the Board was unable to conduct the planned visit of the Group's operations in Horishni Plavni, Ukraine. The alternative arrangement was a Board virtual site visit and Strategy Day.

The Board received a progress update on actions taken from 2021 and noted the achievements and completion of all 2021 actions during the year. This set the foundations for 'where we are now' and 'where we are going' against the backdrop of the Russian invasion of Ukraine.

The Board received presentations from executive management on:

- health, safety and environment;
- going concern;
- logistics update;
- organic growth projects; and
- future options.

All matters discussed aligned with the Ferrexpo strategic pillars: Health and Safety, Financial Strength, Technology and Innovation, Product Quality, Growth and Licence to Operate.

Although Health and Safety preformed well, it had reached a plateau so further impetus was needed to shift performance. A benchmark review from leading companies was presented together with a safety cultural review and a proposal to transition to a new approach to safety, known as "Just Culture".

Just Culture is a systems thinking concept which emphasises that, generally, mistakes are a product of faulty organisational cultures, rather than brought about by the person or persons directly involved. In a Just Culture, after an incident, the question asked is, "What went wrong?" rather than "Who caused the problem?". A Just Culture is the opposite of a Blame Culture and helps to create an environment where individuals feel free to report errors and help the business to learn from mistakes through self and shared responsibility and accountability.

The Board received a detailed and extensive update on going concern. This involved a rigorous assessment of the Group's going concern, which included assumptions, price forecasts and scenario planning of the long-term business model tested against various sensitivities for a variety of eventualities (including those related to the Russian invasion of Ukraine).

The Board received a comprehensive logistics update against the backdrop of no seaborne access through the port of Pivdennyi. Several logistics options were considered in the process to maintain sales volumes while maintaining economic feasibility.

The Board received an update on organic growth projects and noted the completion of three significant projects; Section 9 concentrator capacity, MFC-2 dry ore processing and Concentrate Stockyard to process concentrate from flotations as feed to the pellet plant or to railcars as sellable concentrate.

Current status updates on other capital expenditure projects, primarily Wave 1 Expansion were provided together with the Ferrexpo exploration drilling programme, noting suspension of capital expenditure during the Russian invasion.

Future options included an overview of inorganic growth options.

The actions from the Strategy Day were collated and disseminated to the relevant executives for execution during the year.

The Board virtual site visit and Strategy Day was preceded by a Carbon Reduction Strategy discussion including data collection, validation and benchmarking and the carbon reduction journey.

Post AGM engagement

During the year, we consulted with shareholders in person and in writing on a number of important corporate governance issues, four of which were following significant votes against Resolutions 6, 9, 10 and 12 at the 2022 AGM (re-election of Ann-Christin Andersen, Vitalii Lisovenko, Fiona MacAulay and Kostyantyn Zhevago). Based on the feedback received, the Board understands that the votes against arose as a result of concerns regarding over-boarding and certain historic corporate governance issues. The Board is satisfied with each Director's attendance and that each of the Directors has sufficient time to commit to the role and Ferrexpo's business.

Corporate Governance Report continued

Board Evaluation

Board performance evaluation

Under the UK Corporate Governance Code, the Board is required to undertake annually a formal and rigorous evaluation of its own performance and that of its Committees and individual Directors. This evaluation should be externally facilitated every three years.

Review of 2021 external Board performance

The Board and its Committees consider their effectiveness regularly and the outcome and findings from the 2021 external review were progressed throughout the year with the following actions taken:

Board evaluation cycle



► 2020: Internal
► 2021: External
► 2022: Internal

Action to be taken	Actions taken
Succession planning within the business and senior management including diversity	Appointment of a female Acting Chief Marketing Officer. This appointment demonstrates the Group's robust talent management process which identifies individuals with high potential for inclusion in succession plans for business critical roles. Appointment of female Senior Independent Director. Appointment of female Chair of HSEC Committee. Female representation on the Board up from 38% in 2021 to 43% as at 31 December 2022.
Ensure Non-executive Directors continue to bring the right skill set and to balance the workload of the Board Committees	Following on from a refresh of the Board skills matrix last year, during 2022 a Board training and development directory was established to facilitate individual director development plans to be populated, which will be progressed over the next two years to enhance the overall skill set of the Board.
Director training, upskill the Board on all ESG matters	The Board received training from external third party providers on: Part I, ESG background and legal framework, greenwashing and climate change; Part II, Decarbonisation pathway development, future commitments on project and implementation on carbon pathway and how to define strategy for implementation.
Explore ways to enhance workforce engagement and bring findings to the Boardroom	The Board reviewed and changed the format of employee engagement from large town hall sessions into smaller more intimate groups where employees felt more comfortable to open up and raise matters. Employees welcomed the change in format which was reflected in their feedback of the event.
Continue to improve Board reporting, particularly management report writing with externally facilitated training among all report writers	Board reporting has improved with some key management reports streamlined. Externally facilitated training among all report writers could not be carried out due to the Russian invasion of Ukraine.
Ensure bolstered resourcing for Secretariat and Internal Audit functions	Internal Audit is now adequately resourced, with increased resourcing in Secretariat continuing to be assessed.

2022 Internal Board performance

During 2022, the annual performance evaluation of the Board and its Committees was carried out internally using a questionnaire led by the Company Secretary with external input from Clare Chalmers Ltd. The purpose was to build on the recommendations and areas identified from the externally facilitated evaluation in 2021.

The evaluation process involved the completion of questionnaires by Board and Committee members, with responses collated anonymously and analysed by Clare Chalmers Ltd together with the Company Secretary.

The thematic evaluation focus areas included:

- Board composition, succession, development, leadership and dynamics;
- Board oversight: Strategy, performance, risk, people and culture;
- stakeholders and decision making;
- Board efficiency including secretarial support;
- leadership and succession decision making;
- Board planning; and
- the effectiveness of Board Committees.

Preparation, questionnaire design and content, formal interviews and reporting:

PREPARATION	<ul style="list-style-type: none"> – Chair and Company Secretary reviewed the 2021 recommendations and outcomes to set the scene for 2022. – Chair and Company Secretary held a scoping meeting to understand context and priorities. – Review of Board and Board Committee papers and other relevant documentation, including Strategy papers and the Board and Board Committee Forward Agenda Planner to identify key areas of focus. – Individual interviews were scheduled with the Chair and all the Non-executive Directors.
QUESTIONNAIRE DESIGN AND CONTENT	<p>A comprehensive questionnaire was designed covering:</p> <ul style="list-style-type: none"> – Board: Constitution and Commitment, Leadership, Efficiency of Board Process, Board's role, Development, Stakeholders, of which there were 35 questions. – Audit Committee: Constitution and Commitment, Leadership, Efficiency of Committee Process, Committee's role, Relationships, Development, of which there were 21 questions. – Remuneration Committee: Constitution and Commitment, Leadership, Efficiency of Committee Process, Committee's role, Development, of which there were 20 questions. – Progress/Achievement of 21 external evaluation recommendations, of which there were seven questions.
FORMAL INTERVIEWS	<ul style="list-style-type: none"> – Led by the Senior Independent Director, the other Directors also met without the Chair present to evaluate the Chair's performance and, separately, the Chair evaluated the performance of the Directors.
REPORTING	<ul style="list-style-type: none"> – The completed questionnaires were collated anonymously and analysed externally by Clare Chalmers Ltd together with the Company Secretary. – Key findings and recommendations were shared with the Chair and Company Secretary, and a draft report was prepared for review. – The report was circulated to the Board and the feedback and comments from the questionnaires were discussed at a Board meeting, before deciding which recommendations to take forward.

The review also included feedback on individual performance. This informed the annual process of individual Director evaluation, led by the Chair, which included one-to-one discussions with each Director on their performance, contribution and any additional training and development needs. The Senior Independent Director led the annual review of the Chair, holding a one-to-one discussion to provide feedback on his performance. This was informed by a closed session of the Non-executive Directors, excluding the Chair, led by the Senior Independent Director. The Senior Independent Director also engaged the CEO and Company Secretary to obtain their views on the Chair's performance.

Corporate Governance Report continued

Board Evaluation (continued)

Feedback and report findings

The report was circulated to the Board and the feedback and comments from the questionnaires were discussed at a Board meeting, before deciding which recommendations to take forward. Led by the Senior Independent Director, the other Directors also met without the Chair present to evaluate the Chair's performance and, separately, the Chair evaluated the performance of the Directors.

The questionnaire results demonstrated, despite the challenges associated with the war in Ukraine, progress has been made. Board members agreed that the Board is working effectively with the correct skills and experience to support and to deal with challenges faced by the business; and that there is an open culture which responds well to constructive challenge.

The Board has made progress over the past year, and there are some ideas on areas for development to ensure the Board works even more effectively. The evaluation process identified these development areas for focus in 2023. The Board will continue to consider and reflect on its composition and what may be required for a future Non-executive Director hire to include future roles, skills and Board diversity. Issues are discussed and debated with full and frank discussions encouraged, as the Board continues to develop, even further input to Board discussions would be welcome. One-to-one meetings with the Chair and Board members could be used to discuss tailored individual development plans. The Board Chair, CEO and Group Company Secretary will ensure appropriate time is allocated to all agenda topics.

The Board has considered the findings of the evaluation and, overall, the review concluded that the Board is well balanced in terms of Board dynamics. The Board is very well led by a proactive and fully engaged Chair. The environment in the boardroom encourages appropriate challenge and debate with no one voice dominating discussions. The Board and its Committees are well Chaired and run by committed Independent Non-executive Directors.

In response to the main recommendations of the evaluation report, the Board has agreed the following key areas for focus in 2023:

Key areas for focus in 2023

Area	Actions to be taken
Board composition	– Continue to improve Board diversity with a Director from an ethnic minority background.
Succession planning	– Succession planning within the business and senior management including diversity requirements.
Balanced skill set	– Ensure Non-executive Directors continue to bring the right skill set and to balance the workload of the Board Committees, planning early for future skills and experience for Board succession.
Workforce engagement	– Continue to explore ways to enhance workforce engagement and bring findings into the Boardroom, including additional Board visits to the operations when possible.
Board efficiency and processes	– Continue to improve Board reporting particularly management report writing. Further explore processes for reviewing past performance and decisions to enhance future decision making.
Corporate resourcing	– Ensure bolstered resourcing for Secretariat.

Board Training and Development

Training and professional development

The Chair is responsible for agreeing training and development requirements with each Director to ensure they have the necessary skills and knowledge to continue to contribute effectively to the Board's discussions. All Directors receive updates given to the Board as a whole on changes and proposed changes in laws and regulations affecting the Group, as and when necessary.

During 2022, the Board had a combined training session with its legal adviser Herbert Smith Freehills and broker Liberum Capital. This training session was held shortly after the Russian invasion of Ukraine, and covered key areas relevant to the Directors in responding to such unprecedented events including directors' duties in a time of armed conflict, workforce engagement and health and safety issues, ongoing market announcement obligations, listed company obligations, and scenario planning for a range of potential eventualities including suspension of operations.

Later in the year, the Board also received dedicated training on ESG issues from specialist advisers and the Group's legal advisers (for further information see page 94). An update was also given to the Board on market disclosure obligations and lessons arising from recent enforcement actions taken by the Financial Conduct Authority against other listed companies. Dedicated briefings are also given to the Board Committees as appropriate, for example updates given during the year to the Audit Committee on the UK government's proposed audit reforms.

Usually, site visits are held for the whole Board annually, so as to ensure that all Directors are familiar with the Group's operations, and Directors may also visit the operations of the Group independently to the extent they feel this is necessary. Due to the ongoing conflict in Ukraine, the physical Board site visit was cancelled and replaced with a virtual site visit, as set out on page 93. In addition, training was provided by the Group's advisors in respect of specific areas of interest to the Board, including general economic and market conditions, developments in corporate governance regulations and best practice and any other matters as agreed by the Chair.

All Directors may take independent professional advice at the expense of the Company in the furtherance of their duties.

Induction

Following appointment, all Directors are advised of their duties, responsibilities and liabilities as a director of a public listed company. In addition, an appropriate induction programme is provided to each Director upon appointment, taking into consideration the individual qualifications, experience and knowledge of the Director.

Induction training includes meeting senior executives of the Executive Committee, a detailed and structured site visit (or alternative arrangements, where required as a result of the ongoing conflict in Ukraine), meeting the Company Secretary, necessary training on corporate governance aspects, and receiving various key Company documentation and reports.

Ms Polischuk, who was appointed on 29 December 2021, received director induction training in early 2022 and followed a tailored induction programme covering a range of key areas of the business. She met with the Company Secretary, who provided a Board Induction pack containing Company and Board information to assist with building an understanding of the nature and structure of the Group, its business and markets. The Board Induction pack also included information to help facilitate a thorough understanding of the role of a Director, the framework which the Board operates, Group policies and procedures, constitutional documents and regulatory codes and guidelines. Ms Polischuk visited site operations in September 2022 and met with the three Mining General Directors, senior and operational management teams, who provided insight into the operational side of the business.

In 2021, Ferrexpo introduced a Buddy programme for newly appointed Directors. The role of a Buddy is to provide mentoring for the first three months during orientation with the Company and its business. During the year, Ms MacAulay completed her Buddy duties for Ms Polischuk.

Audit Committee Report



Graeme Dacomb
Chair of the Audit Committee

Membership and meeting attendance

Committee member	Scheduled meetings	
	Eligible to attend	Attended
Graeme Dacomb	6	6
Vitalii Lisoenko	6	5
Fiona MacAulay	6	6
Natalie Polischuk	5	5

Focused on management's going concern assessment while continuing to monitor the integrity of the financial results.

Dear Shareholder,

On behalf of the Board, I am pleased to present the Audit Committee Report for the financial year ending 31 December 2022. The aim of this report is to provide shareholders with insight into key areas that have been considered, how the Committee has discharged its responsibilities and lastly provide assurance on the integrity of the 2022 Annual Report and Accounts.

The situation for the Group during the financial year 2022 was strongly influenced by the ongoing war in Ukraine, which also led to a significantly increased involvement of the Committee to timely identify and analyse the additional risks in this unprecedented period for the Group.

The matters requiring increased involvement of the Committee were primarily the assessment of the Group's going concern and viability in light of the material uncertainties, but also the considerations required when preparing the Group's impairment test for its non-current operating assets as well as the escalation of a number of matters to be considered as a result of the change of the political environment in Ukraine.

The Committee agenda focuses on audit, compliance and risk management within the Group, working closely with finance, external audit, internal audit and management. During the year, the Committee has robustly assessed the principal and emerging risks facing the business. The Committee throughout the year took into account the regular financial and

internal audit reports made available to the Board, as well as discussing issues with management and the external auditors at intervals throughout the year.

A critical area of focus for the Committee since the year end, has been the going concern assessment itself and consequently the consideration of the preparation of the consolidated accounts on the going concern basis. On 24 February 2022, Russia began its invasion into Ukraine using direct military force and this has led to an intense armed conflict in Ukraine, which, as at the date of the approval of these Consolidated Financial Statements, is still ongoing. Although the Group has managed to continue its operations, the war continues to pose a significant threat to the Group's mining, processing and logistics operations within Ukraine and represents a material uncertainty in terms of the Group's ability to continue as a going concern.

As a result of the war, the local audit team could not be on-site in Ukraine. Our external auditor MHA MacIntyre Hudson was on-site at our office in Baar and was able to complete its annual audit procedures for the preliminary and year-end audits partly in person. Likewise, the Committee has been able to physically meet with both management and the auditors. The current situation in Ukraine required additional work from our external auditors, primarily in terms of the material uncertainty surrounding the Group's going concern and viability assessment in light of the ongoing war.

Key activities of the Committee in 2022

Key activities of the Audit Committee during 2022 are set out below.

February

- Considered assumptions used for the going concern and long-term viability assessment and impairment testing.
- Received an update on the progress of the 2021 audit and analysed further work required.
- Considered the draft Annual Report and Accounts for 2021.
- Reviewed the questionnaire to be used to assess the external auditor's performance.
- Reviewed Compliance Report including whistleblowing cases.
- Reviewed the Group's risk matrix and register.
- Reviewed an update on the Directors' Interests list and transactions with Related Parties.
- Reviewed the Audit Committee 2022 Forward Planner.
- Received an update on Audit Reform.
- Received an update on Cyber Security.

March

- Reviewed and discussed the status of key areas of focus and audit matters and disclosure provisions.
- Assessed material uncertainties and discussed potential mitigating actions.
- Considered the draft of the auditor's opinion.
- Reviewed the draft Annual Report and Accounts for 2021.
- Considered the going concern and viability statement.
- Reviewed Principal Risks and uncertainties.
- Reviewed the draft Audit Committee Report.
- Reviewed Compliance Report including whistleblowing cases.
- Reviewed the Group's risk matrix and register.
- Reviewed an update on the Directors' Interests list and transactions with Related Parties.

April

- Received the Report of the Auditors.
- Reviewed letters of representation.
- Reviewed the Audit opinion.
- Reviewed the auditor's Letter of Independence.
- Reviewed the 2021 Report and Financial Statements.
- Considered the going concern and viability statement.
- Discussed identified material uncertainties and assessment of mitigating actions.
- Reviewed the Audit Committee Report.
- Reviewed auditors 2021 performance (Statutory Audit Service Order) – analysis of scores.
- Reviewed the assessment of the low-grade iron ore.
- Held private meeting with the auditors.

During the year, the Committee considered the status of the proposed regulatory change of the BEIS Consultation on 'Restoring trust in audit and corporate governance: proposals on reforms'. The Committee reviewed the future potential impacts this could have on the Committee in order to understand developments and plan accordingly.

TCFD disclosure requirements were a focus for the Committee and environmental consultants Ricardo Plc were appointed to help enhance the Group's existing climate change reporting, scenario analysis and potential pathways to net zero iron ore pellet production. Through this work, Ricardo Plc's analysis has helped to enhance the Group's carbon reduction targets, as announced in the Group's Climate Change Report in December 2022. Further work is under way to complete a life cycle analysis, benchmarking the carbon footprint of iron ore pellets against the most commonly traded form of iron ore (sinter fines), with this study due to be published in 2023. The Group also completed its first independent assurance process with independent auditor MHA MacIntyre Hudson in 2022 on the Group's carbon emissions (Scope 1 and Scope 2 emissions) and safety data for 2021. A similar process has been completed for the same categories of data for 2022. Details of the independent assurance processes completed are provided on the Group's website.

Detailed below is further information on the role, structure and key activities of the Committee and significant judgements it has considered in 2022. I hope this additional information about the Committee and its activities is useful.

Graeme Dacomb

Chair of the Audit Committee

Role of the Committee

The Committee's objectives and responsibilities are set out in its terms of reference which are available to view online.

The Committee's main responsibilities are:

- Monitoring the integrity of the annual and interim financial statements and the accompanying reports to shareholders.
- Making recommendations to the Board concerning the approval of the annual and interim financial statements.
- Reviewing and monitoring the adequacy and effectiveness of the Group's risk management and internal control mechanisms. Details of the Principal Risks are contained on pages 56 to 74.
- Approving the terms of reference of the internal audit function and assessing its effectiveness.
- Approving the Internal Audit plan and receiving regular reports from the Group's Head of Internal Audit.
- Overseeing the Group's relations with the external auditor, including an assessment of their independence, effectiveness and objectivity.
- Overseeing completion of the Group's going concern and viability assessment and statements thereon.
- Reviewing and monitoring the Group's whistleblowing procedures and the Group's systems and controls for the prevention of bribery and corruption.

During the year ended 31 December 2022, the Committee has ensured that it has had oversight of all these areas listed. The Board also asked the Committee to advise it as to whether the Annual Report and Accounts are

fair, balanced and understandable and provide the information necessary for shareholders to assess the Group's position, performance, business model and strategy.

Committee membership and attendance

As at the year end, the Committee comprised four Independent Non-executive Directors:

- Graeme Dacomb (Chair of the Committee);
- Vitalii Lisovenko;
- Fiona MacAulay; and
- Natalie Polischuk.

Natalie Polischuk joined the Committee in February 2022. In addition to the six meetings held in 2022, the Audit Committee has met twice to date in 2023. All members of the Committee are considered to possess appropriate knowledge and skills relevant to the activities of the Group, and Graeme Dacomb has recent and relevant financial experience, including accounting and auditing, due to his career as an audit partner with Ernst & Young LLP.

In addition to its members, other individuals and external advisers, and the Chair of the Board, may be invited to attend meetings of the Committee at the request of the Committee Chair. Regular attendees at meetings include the Chief Financial Officer, Group Financial Controller, Company Secretary and audit partners of our external auditor MHA MacIntyre Hudson. The Committee has an opportunity to meet with the external auditors at the end of its scheduled meetings, without the Executive Director or management present.

May

- Reviewed auditors 2021 performance (Statutory Audit Service Order) – analysis of final detailed scores.
- Reviewed 2022 audit planning, key dates, preliminary audit plan.
- Reviewed an update on 2021 recommendations from Internal Audit.
- Received an update on proposed Audit Reform.
- Discussed the need for a risk assurance map.
- Reviewed a Compliance Report including whistleblowing cases.
- Reviewed the Group's risk matrix and register.
- Reviewed an update on Directors' Interests list and transactions with Related Parties.
- Reviewed the Audit Committee 2022 Forward Planner.

July

- Presentation and review of half-year accounts.
- Going concern assessment, including Covid-19 related reporting and impairment test.
- Auditor's Review Report to the Audit Committee.
- Reviewed the Group's risk matrix and register.
- Reviewed the Directors' Interests list and transactions with Related Parties.
- Received an update on Cyber Security and IT Security audit.
- Received an update on the ESG Disclosure Audit.
- Received an update on proposed Audit Reform.
- Reviewed a Compliance Report, including whistleblowing cases.

December

- Received a report on the outcome of the 2021 Internal Audit plan and progress update on 2022.
- Reviewed the preliminary Internal Audit plan for 2023.
- Considered the Group's work plan for the 2022 year end.
- Received an update on Cyber Security, on Audit results and ISO2700x compliance.
- Considered a report from the external auditors on progress of the preliminary audit for 2022.
- Reviewed an external audit planning report.
- Received an update on the planned process for the viability and going concern assessment.
- Received an update on proposed Audit Reform.
- Reviewed a Compliance Report including whistleblowing cases.
- Reviewed the Directors' Interests list and transactions with Related Parties.
- Reviewed the Group's risk matrix and register.
- Reviewed the Audit Committee 2023 Forward Planner.

Audit Committee Report continued

Significant issues and judgements

The significant issues and judgements considered by the Committee in respect of the 2022 Annual Report and Accounts are set out below:

Judgements/actions taken

Assessment of the Group's going concern and viability statements (Note 2 to the Consolidated Financial Statements)

The war in Ukraine that commenced with the Russian invasion into Ukraine on 24 February 2022 is still ongoing. Even though the Group managed to operate throughout the financial year 2022, albeit at a much lower capacity, the situation in the country continues to pose a significant threat to the Group's mining, processing and logistics operations.

As announced on 11 October 2022, the Group had to temporarily suspend its production of iron ore pellets as a result of Russian missile strikes on state-owned electrical infrastructure. Although the Group restarted production later in December 2022, the level of production remains critically dependent on the availability of power supplies which continue to be impacted by Russian attacks. The Group's operation also continues to be adversely affected by the fact that the Group's seaborne sales through the port of Pivdennyi are suspended with Ukraine's Black Sea ports closed as a result of the Russian invasion. Consequently, the Group currently operates between one and two of its four pelletiser lines, reflecting both the available guaranteed supply of power and the need to align production volumes with the volume of sales currently accessible to the Group.

Despite the unprecedented and challenging situation, the Group's net cash position has only decreased from US\$117 million at the beginning of the financial year to US\$106 million as of 31 December 2022, with the Group adjusting its business operation to the new environment to preserve as much liquidity as possible. As at the date of the approval of these Consolidated Financial Statements, the Group is in a net cash position of approximately US\$114 million with an available cash balance of approximately US\$120 million. In addition to the available cash balance, the Group has an outstanding trade receivable balance of approximately US\$21 million from its pellet and concentrate sales in January and February 2023, which are expected to be collected in the next few weeks.

The Audit Committee has reviewed management's going concern assessment, including the Group's long-term model which has been adjusted to reflect the latest developments in terms of currently possible production and sales volumes as well as latest market prices and production costs, which are adversely affected by lower production volumes. The latest base case of the long-term model shows that the Group has sufficient liquidity to continue its operations at a reduced level for the entire period of the management's going concern assessment, even allowing for reasonably possible or plausible adverse changes in respect of realised prices, lower production and sales volumes as well as higher production costs.

However, as mentioned above, the production and sales volumes are heavily dependent on the level of supply of power as well as the logistics network available to the Group.

The Audit Committee has also reviewed the Group's reverse stress tests reflecting more severe adverse changes, such as a combination of all reasonably possible or plausible adverse changes in respect of realised prices, lower production and sales volumes as well as higher production costs, which is unlikely to happen in combination as a result of the natural hedge of iron ore prices and prices for key input materials. Based on the stress tests performed, it is expected that the Group would have sufficient liquidity for up to 12 months before making use of any available mitigating actions within its control, such as further reductions of uncommitted development capital expenditures and operating costs.

However, as at the date of the approval of these Consolidated Financial Statements, the Group has assessed that, taking into account:

- its available cash and cash equivalents;
- its cash flow projections, adjusted for the effects caused by the war in Ukraine, for the period of management's going concern assessment covering a period of 18 months from the date of the approval of these Consolidated Financial Statements; and
- the feasibility and effectiveness of all available mitigating actions within the Group management's control for identified uncertainties, a material uncertainty still remains as some of the uncertainties remain outside of the Group management's control, with the duration and the impact of the war still unable to be predicted at this point of time.

As at the date of the approval of these Consolidated Financial Statements, the Group's operations, located adjacent to the city of Horishni Plavni, have not been involved in the conflict, but this remains a risk. Should the area surrounding the Group's operations become a focal point of the armed conflict, there would be a significant risk posed to the safety of the Group's workforce and the local community, as well as a significant risk to key assets and the infrastructure required for the Group to operate effectively. See the update on the Group's Principal Risks section on pages 56 to 74 for further information.

In addition to the war-related uncertainties described above, the Group is also exposed to the risks associated with operating in a developing economy, which may be exacerbated by the war. As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties. Although the Group has operated successfully in difficult circumstances in recent years, the war in Ukraine has led to an escalation of a number of risks, including risks relating to the political environment and the independence of the legal system, which could have a negative impact on the Group's business and reputation. For more information, see the update on the Group's Principal Risks section on pages 56 to 74 and Note 30 Commitments, contingencies and litigation to the Consolidated Financial Statements.

After consideration of the current situation of the war in Ukraine, all identified available mitigating actions addressing the uncertainties caused by the war, as outlined on pages 59 to 60, and the results of the management's going concern assessment, the Group continues to prepare its Consolidated Financial Statements on a going concern basis. However, the Committee concurs with management's view that, as a number of the identified uncertainties are outside of Group management's control and are of unpredictable duration and severity, these may cast significant doubt upon the Group's ability to continue as a going concern. See Note 2 Basis of preparation to the Consolidated Financial Statements on page 156 for further information.

The Committee also considered management's analysis of the impact of the war in Ukraine on the long-term viability assessment of the Group. Although the Group has managed to continue its operations since the beginning of the war, the war continues to pose a significant threat to the Group's mining, processing and logistics operations within Ukraine. The Committee concurs with management's conclusion that, notwithstanding all of the available mitigating actions, a material uncertainty still remains as some of the identified uncertainties are outside of Group Management's control. See Viability Statement on pages 75 to 76 for further information.

Judgements/actions taken

Impairment considerations of the Group's non-current operating assets as a result of the war (Note 13 to the Consolidated Financial Statements)

The beginning of full scale war on 24 February 2022 was treated as a non-adjusting post balance sheet event in the Consolidated Financial Statements for the year ended 31 December 2021, but became an adjusting event in the Consolidated Financial Statements for the period ended 30 June 2022. As disclosed under Assessment of the Group's going concern and viability statements on page 100, the war in Ukraine had a significant impact on the Group's operations during the financial year 2022. The Group's cash flow generation was heavily affected by the Group's seaborne sales through the port of Pivdennyi having been suspended as a result of closed Black Sea ports in Ukraine since the beginning of the war and the level of supply of power following severe Russian missile strikes on state-owned electrical infrastructure.

As a result, the Group had to adjust its long-term model based on the new facts and circumstances adversely affecting the business of the Group. Using the base case of the Group's updated long-term model prepared for the 2022 interim accounts, the value in use of the Group's single cash generating unit's operating non-current assets, including property, plant and equipment, goodwill and other intangibles as well as other non-current assets, was US\$254 million below the total carrying value of these assets, reflecting an impairment loss of this amount. As at the date of the approval of these Consolidated Financial Statements, the war in Ukraine is still ongoing. Even though the Group managed to operate throughout the financial year 2022, the ongoing war had an adverse impact on the Group's cash flow generation and it is expected that this will continue until the war comes to an end.

A number of significant judgements and estimates are used when preparing the financial long-term model of the Group, which are, together with the key assumptions used, reviewed by the Audit Committee with a specific consideration given to the realistically plausible production volumes in light of the disrupted supply of power and the logistics network available to the Group, sales price and production cost forecasts as well as the discount rate used. The Committee is aware that the level of judgement significantly increased, compared to previous years, when preparing the Group's long-term model and the impairment test for the Group's non-current operating assets as of 31 December 2022. Beside the normal judgement in terms of production and sales volumes, anticipated prices for iron ore products and costs for input material, the outcome of the impairment test is also heavily dependent on when the war is expected to end. Taking into consideration the ongoing disruption of the supply of power due to the war, management has assumed, for the cash flow projections, that the production capacity will be 50% and 25% below the pre-war level for the financial years 2023 and 2024, before recovering in 2025 to the pre-war level.

Based on the updated long-term model and impairment test, the impairment of US\$254 million recorded as of 30 June 2022 is not required to be adjusted as of 31 December 2022, as a result of various offsetting effects. Whilst the weighted average cost of capital has been increased to 23.4%, compared to 20.4% as of 30 June 2022, mainly due to a higher country risk premium for Ukraine, the carrying value of the assets to be tested for impairment was impacted by the devaluation of the Ukrainian hryvnia from 29.255 to 36.569 compared to the US dollar in July 2022, which reduced the carrying value by another US\$201 million.

As mentioned above, the preparation of the long-term model and the impairment testing in these unprecedented times involves a high degree of judgement and any adverse changes in key assumptions would further reduce the value in use of the Group's operating non-current assets. Based on the sensitivities prepared, a delay of the recovery of the production and sales volumes to a pre-war level by another year would reduce the value in use of the Group's non-current operating assets by approximately another US\$149 million, with all other assumptions remaining unchanged. A reduction of the realised price by US\$5 per tonne for the entire period covered by the long-term model would increase the impairment loss by approximately US\$224 million and a decrease of the production and sales volume by 10%, combined with an increase of the production costs by 5%, again for the entire period, would increase the impairment loss by approximately US\$308 million. An increase of the pre-tax real discount rate by 3.0% would result in an increase of US\$164 million with all other assumptions remaining unchanged.

The recorded impairment during the financial year 2022 will be reassessed at the end of any future reporting periods. If there are positive developments in the Group's future cash flow generation and the relevant macro-economic data, a portion of the impairment loss might reverse in future periods.

Taxation in general and tax legislation in Ukraine (Note 11 to the Consolidated Financial Statements)

On 27 June 2022, the Supreme Court of Ukraine ruled partially in favour of the State Fiscal Service of Ukraine ("SFS") in respect of a claim made by the SFS, despite two favourable verdicts received by the Group's subsidiary from lower court instances. The claim was in respect of a tax audit performed for the period from 1 September 2013 to 31 December 2015 at the Group's major subsidiary in Ukraine with a focus on cross-border transactions. As a result of this court decision, an amount of UAH 234 million (US\$8 million) became a legally binding obligation and was paid in July 2022.

The Group operates across a number of jurisdictions through its value chain and prices its sales between its subsidiaries using international benchmark prices for comparable products covering product quality and applicable freight costs. The Group judges these to be on terms which comply with applicable legislation in the jurisdictions in which the Group operates. The pricing of cross-border transactions is an inherent risk for any multinational group and regular audits are to be expected. On 18 February 2020, the State Tax Service of Ukraine ("STS"), formerly known as SFS, commenced two tax audits for cross-border transactions between the Group's major subsidiary in Ukraine and two subsidiaries of the Group outside of Ukraine in relation to the sale of iron ore products during the financial years 2015 to 2017. Further to that, on 14 June 2021, the STS commenced another tax audit for the financial years 2015 to 2017 for cross-border transactions of another Ukrainian subsidiary with the same two subsidiaries of the Group outside of Ukraine. Both audits have been affected by the Covid-19 related quarantine imposed in Ukraine during 2020 and the Martial Law declared by Ukraine in February 2022 as a result of the Russian invasion into Ukraine. The audits resumed on 25 January 2023 and the deadlines to provide the reports for the audits by the STS are now 10 June 2023 and 15 November 2023, respectively.

There is a potential risk that the partially negative verdict of the Supreme Court of Ukraine might have an adverse impact on the tax audits described above, as the STS might use the court verdict as a precedent for the currently ongoing tax audits. Having considered the background and history of the court proceedings in respect of the claim partially lost in the Supreme Court of Ukraine, the Committee shares management's view that the Group has complied with applicable legislation for all cross-border transactions undertaken and that the court did not appropriately consider relevant technical grounds and the applicable legislation when ruling on this case. The Group is exposed to the risks associated with operating in a developing economy, including an environment of political, fiscal and legal uncertainties. As a result, there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld. As of the approval of these Consolidated Financial Statements, no claims have been made by the STS in respect of the audits commenced in 2020 and 2021. As a consequence, no provision has been recorded as at 31 December 2022 for transactions and years subject to the audits commenced by the STS as it is impossible to reasonably quantify the potential exposure. Any potential claims will be again defended in the courts in Ukraine.

Audit Committee Report continued

Judgements/actions taken

Inventories: low-grade and weathered ore (Note 17 to the Consolidated Financial Statements)

Historically, inventories classified as non-current comprised low-grade and weathered ore that were, based on the Group's processing plans, not planned to be processed within the next 12 months. Following the approval of the Wave 1 Expansion project by the Board in October 2021, management has had to revisit its mining and processing plans and strategies as the growth project means that significant higher volumes of high grade ore are required to meet both future production needs and market expectations. Whilst the stockpiled ore was still seen as an asset for the Group, the changed circumstances have resulted in the calculation of the net realisable value of the existing stockpiled low-grade ore reducing to nil. As a consequence, a full impairment totalling US\$231 million of the stockpiled low-grade ore was recorded as of 31 December 2021.

As disclosed in the Group's 2021 Annual Report and Accounts, it is expected that some or all of the impairment loss might reverse in the future, once changed facts and circumstances can be considered in the net realisable value test of this asset. Whilst the stockpiled low-grade ore is still considered as an asset for the Group, the ongoing war in Ukraine has made it difficult to accelerate the commenced engineering studies for the exploration of possible options for new processing capabilities for the specific purpose of processing low-grade ore. As a result, the Committee concurs with management's view that there are no changes in facts and circumstances to be considered as of 31 December 2022 and the stockpiled low-grade ore remains fully impaired. Consequently, the volume of low-grade ore extracted during the year ended 31 December 2022 with a cost of US\$10 million was fully recognised in the Consolidated Income Statement and included in the cost of sales.

Completeness of contingencies and legal disputes (Note 30 to the Consolidated Financial Statements)

The Committee is aware that the Group is, in addition to the war-related uncertainties described under Assessment of the Group's going concern and viability statements on page 100, also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder. As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, including an environment of political, fiscal and legal uncertainties.

Although the Group has operated successfully in difficult circumstances in recent years, the war in Ukraine and other circumstances facing the Group has led to an escalation of a number of risks, including risks relating to the political environment and the independence of the legal system, which could have a material negative impact on the Group's business and reputation. The Group is currently facing the following ongoing legal proceedings, disputes and potential contingencies, which are disclosed in full detail in Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements:

- share dispute related to the Group's major subsidiary in Ukraine;
- royalty-related investigation and claim;
- currency control measures imposed in Ukraine;
- contested sureties claim;
- ecological claims; and
- cancellation of licence for Galeschynske deposit.

As mentioned above, the Group is operating in a developing economy and most of the matters to be considered by the Committee are seen to be a result of operating in such an environment. The Committee is aware that there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld, consequently Ukrainian legislation might be inconsistently applied to resolve the same or similar disputes.

As a result, the Committee thoroughly reviewed management's position and legal advice received for the matters listed above and concluded that the disclosures made in Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements provide an adequate level of detail to allow the reader of the accounts to understand the potential consequences and the related exposure. The Committee also concurs with management's view that no associated liabilities are required to be recognised in relation to these matters in the consolidated statement of financial position as at 31 December 2022.

Events after the reporting period (Note 35 to the Consolidated Financial Statements)

The following two events after the reporting period are summarised below.

On 9 March 2023, the Group received confirmation that the Kyiv Commercial Court had ordered the arrest (freeze) of 50.3% of Ferrexpo AG's ("FAG") shareholding in each of Ferrexpo Poltava Mining ("FPM"), Ferrexpo Yeristovo Mining ("FYM") and Ferrexpo Belanovo Mining ("FBM"). The court order also prohibits each of FPM, FYM and FBM making changes to the amount of its authorised capital and does not affect ownership of the shares in these three subsidiaries of the Group in Ukraine, but prohibits the disposal by FAG of 50.3% of its shareholding in each named subsidiary.

This court order was issued by the Kyiv Commercial Court during a hearing in the commercial litigation between the Deposit Guarantee Fund and Mr. Zhevago, the Group's controlling shareholder, in relation to the liquidation of Bank F&C in 2015.

The Group has no intention, and never has had any intention, of transferring the shares in FPM, FYM, FBM or FAG. In addition, no impact on the operations of the Group is expected as a result of this court order.

As announced on 10 March 2023, the Group transferred 9,513,000 shares from the treasury share reserves to the Group's employee benefit trust reserve. Following the transfer of the shares, the issued share capital of Ferrexpo plc consists of 613,967,956 ordinary shares of 10 pence each, of which 15,830,814 ordinary shares are held in treasury. As a result of this transfer, the interest of the Group's largest shareholder, Fevamotínico S.a.r.l, in the voting rights of Ferrexpo plc is now 49.5%.

For further details, see Note 35 Events after the reporting period of the Group's Consolidated Financial Statements.

Internal control and risk management

The Board, with assistance from the Audit Committee, regularly reviews the policies and procedures making up the internal control and risk management system, and any significant matters reported by the Executive Committee. The risk register is considered at every scheduled Board and Audit Committee meeting, with specific risks discussed in detail as and when required.

The Board has delegated its responsibility for reviewing the effectiveness of the internal control and risk management system to the Audit Committee. In making its assessment, the Audit Committee considers the reporting provided to it during the year in relation to internal control systems and procedures, including the risk matrix and register, and may request more detailed investigations into specific areas of concern if appropriate.

Internal controls – general

The Board, with assistance from the Audit Committee, regularly reviews the policies and procedures making up the internal control and risk management system, and any significant matters reported by the Executive Committee. The risk register is considered at every scheduled Board and Audit Committee meeting, with specific risks discussed in detail as and when required.

The Board has delegated its responsibility for reviewing the effectiveness of the internal control and risk management system to the Audit Committee. In making its assessment, the Audit Committee considers the reporting provided to it during the year in relation to internal control systems and procedures, including the risk matrix and register, and may request more detailed investigations into specific areas of concern if appropriate.

Key elements of the internal control and risk management system include:

- The Group has in place a series of policies, practices and controls in relation to the financial reporting and consolidation process, which are designed to address key financial reporting risks, including risks arising from changes in the business or accounting standards and to provide assurance of the completeness and accuracy of the content of the Annual Report.
- Regular review of risk and identification of key risks at the Executive Committee which are reviewed by the Audit Committee and by the Board.

- The FRMCC, an executive sub-committee, is charged, on behalf of the Executive Committee or Audit Committee, as appropriate, with ensuring that, inter alia, systems and procedures are in place to comply with laws, regulations and ethical standards. The Group Compliance Officer attends FRMCC meetings, and, as necessary, local compliance officers from the Group's operations, attend and present regular reports to ensure that the FRMCC is given prior warning of regulatory changes and their implications. The FRMCC enquires into the ownership of potential suppliers deemed to be "high risk", and oversees the management of conflicts of interests below Board level and general compliance activities (including under the UK Bribery Act, the Modern Slavery Act, the Criminal Finances Act, and the EU General Data Protection Regulation). The FRMCC also reviews financial information, management accounts, taxation, cash management, risk including counterparty risk, risk register and third party risks. The FRMCC met ten times in 2022.
- Clearly defined organisational and reporting structure and limits of authority for transaction and investment decisions, including any with related parties.
- Clearly defined processes for the review and approval of related party listings and transactions and appropriate review and approval from the CID and its delegated management sub-committee, the Executive Related Party Matters Committee ("ERPMC"). Additional procedures are in place locally to ensure the completeness and arm's length nature of related party transactions with related parties under common control, such as background checks and tender processes. The ERPMC met eight times in 2022.
- Clearly defined information and financial reporting systems, including regular forecasts and an annual budgeting process with reporting against key financial and operational milestones.
- Investment appraisal underpinned by the budgetary process, where capital expenditure limits are applied to delegated authority limits.
- The Investment Committee (an executive sub-committee) meets as required in order to consider and approve capital expenditures within limits delegated by the Executive Committee and the Board. The Investment Committee only met twice in 2022 as no investment decisions were required since the onset of the war.
- A budgetary process and authorisation levels to regulate capital expenditure. For expenditure beyond specified levels, detailed written proposals are submitted to the Investment Committee and Executive Committee and then, if necessary, to the Board for approval.
- Clearly defined Treasury Policy (details of which are given in Note 27 Financial Instruments to the Consolidated Financial Statements on pages 188 to 194), which is monitored and applied in accordance with pre-set limits for investment and management of the Group's liquid resources, including a separate treasury function.
- Internal audit by our in-house audit team based in Ukraine (see below), which monitors, tests and improves internal controls operating within the Group at all levels and reports directly to the Chair of the Audit Committee, and to the CFO for line management purposes.
- A standard accounting manual is used by the finance teams throughout the Group, which ensures that information is gathered and presented in a consistent way that facilitates the production of the Consolidated Financial Statements.
- A framework of transaction and entity-level controls to prevent and detect material error and loss.
- Anti-fraud measures through an internal security department operating in the Company's key operating subsidiaries.
- A whistleblowing policy is in place under which staff may in confidence, via an independent, secure website, raise concerns about financial or other impropriety, which are followed up by Internal Audit and reported on to the Board.

The Audit Committee and the Board continued to review ongoing litigation affecting the Company throughout the year (see Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements on pages 196 to 199), and received regular update reports and presentations from legal counsel.

Full details of the Group's policy on credit, liquidity and market risks and associated uncertainties are set out in Note 27 Financial Instruments to the Consolidated Financial Statements on pages 188 to 194. See also the Principal Risks section of the Strategic Report on page 56.

Audit Committee Report continued

Internal audit

The internal audit function has a Group-wide remit, and the Head of Internal Audit (who has mining experience) reports directly to the Chair of the Audit Committee and to the CFO.

The Committee reviews at least annually the effectiveness of the internal audit function by assessing outcomes against plan targets, and is satisfied, following its 2022 assessment, with the rigour of the internal audits and with management's response to the audit findings and recommendations. The resources of internal audit are also monitored to ensure appropriate expertise and experience. An Internal Audit plan for 2023 was approved by the Audit Committee in December 2022.

The Internal Audit plan for 2022 was approved by the Audit Committee. The full scope audits focused on the operational risks relating to Group sales for FAG and FME, Outbound logistics for FPM, FYM and FBM, Group Compliance audit, Fixed Assets Cycle (Capex) for FPM, FYM and FBM, Inventory Management – RM and MRO, FYM Repair and Maintenance, FYM and FBM Energy Management and First-DDSG Logistics Holding GmbH. The Committee received a report from the Head of Internal Audit twice during the year, and reviewed the progress of the Internal Audit plan with the external auditors and the Head of Internal Audit. The reports include the Head of Internal Audit's assessment of the operation and effectiveness of relevant elements of the Company's internal control systems, and formed part of the Committee's ongoing monitoring and assessment of such systems.

External audit

Auditor independence and assessment of audit process effectiveness

The Audit Committee and the Board place great emphasis on the independence and objectivity of the Company's external auditors when performing their role in the Company's reporting to shareholders.

The effectiveness of the audit process and the overall performance, independence and objectivity of the external auditors are reviewed annually at the end of the annual reporting cycle by the Audit Committee, taking into account the views of management. This review is undertaken through a structured questionnaire, assessing the auditor's performance under various headings: the robustness of the audit, the quality of delivery, the calibre of the audit team and value added advice. The results of the survey indicated that, overall, the external auditor's performance was considered very good by the respondents. Certain areas for improvement were noted but none impacted on the effectiveness of the audit. The outcome of the 2022 review in respect of the 2021 Annual Report and Accounts was

discussed with the relevant partners of MHA MacIntyre Hudson.

The auditors also provide to the Audit Committee information about policies and processes for maintaining independence and monitoring compliance with relevant current requirements, including those regarding the rotation of audit partners and staff, and the level of fees that the Company pays in proportion to the overall fee income of the firm. The Committee concluded that the auditors are providing the required quality in relation to the audit and that they have constructively challenged management where appropriate.

Taking into account the review of independence and performance of the external auditor, the Audit Committee has recommended to the Board the reappointment of MHA MacIntyre Hudson. Resolutions reappointing MHA MacIntyre Hudson as external auditor and authorising the Directors to set the Auditor's remuneration will be proposed at the 2023 AGM.

The Company has complied with the Statutory Audit Services Order issued by the UK Competition and Markets Authority for the financial year ended 31 December 2022.

The Committee meets at least once a year with the external Auditors without any representation from management being present.

Non-audit services

The Audit Committee operates policies in respect of the provision of non-audit services and the employment of former employees of the auditors. These policies ensure that the external auditors are restricted to providing only those services which do not compromise their independence under applicable guidance and the FRC's Ethical Standards.

The policy on the provision of non-audit services prohibits the use of the auditors for the provision of transaction or payroll accounting, outsourcing of internal audit and valuation of material financial statement amounts. Any assignment that is proposed to be given to the auditors above a value of US\$20,000 must first be approved by the Audit Committee (who are routinely notified of all non-audit services).

Fees for audit-related and non-audit related services performed by the external auditors during 2021 are shown in Note 7 Operating expenses to the Consolidated Financial Statements on page 158. For 2022, no material non-audit services were performed by MHA MacIntyre Hudson.

Audit-related assurance services as at 31 December 2022 include US\$51 thousand regarding ESG-related disclosures in the Annual Report and Accounts under International Standard on Assurance

Engagements ISAE (UK) 3000 (Revised) in respect of the process for reporting of selected safety and emissions data.

Financial reporting

The Board has asked the Audit Committee to advise whether it considers the 2022 Annual Report and Accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

In providing its advice, the Committee noted that the factual content of the Annual Report and Accounts has been carefully checked internally, and that the document has been reviewed by senior management in order to ensure consistency and overall balance. The Committee has also conducted its own detailed review of the disclosures in the Annual Report and Accounts, taking into account its own knowledge of Ferrexpo's strategy and performance, the consistency between different sections of the report, the accessibility of the structure and narrative of the report, and the use of key performance indicators.

The Committee is satisfied that, taken as a whole, the 2022 Annual Report and Accounts is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has advised the Board accordingly.

The Committee has also advised the Board on the process which has been undertaken in the year to support the longer-term Viability Statement required under the UK Corporate Governance Code. The Viability Statement is set out in the Strategic Report on page 75 and a statement setting out the Board's assessment of the Company as a going concern is contained in the Directors' Report on page 135 and Note 2 Basis of preparation to the Consolidated Financial Statements on page 156.

Whistleblowing policy

In accordance with the UK Corporate Governance Code, the Board is responsible for reviewing the Company's whistleblowing arrangements, and receives regular reports from the Audit Committee and the Head of Internal Audit which detail any new whistleblowing incidents and, where appropriate, steps taken to investigate such incidents.

Graeme Dacomb

Chair of the Audit Committee
14 March 2023

Nominations Committee Report



— **Lucio Genovese**
Chair of the Nominations Committee

Membership and meeting attendance

Committee member	Scheduled meetings	
	Eligible to attend	Attended
Lucio Genovese	3	3
Ann-Christin Andersen	3	3
Graeme Dacomb	3	3
Vitalii Lisovenko	3	3
Fiona MacAulay	3	3



Read the Committee's full objectives and responsibilities online: www.ferrexpo.com/about-ferrexpo/corporate-governance/board-committees/

The Committee is chaired by Lucio Genovese. The Committee consists of four Independent Non-executive Directors and, by invitation, is also attended by the Chief Executive Officer and the Chief Human Resources Officer.

Dear Shareholder,

I am pleased to present the Nominations Committee Report for 2022 and provide a summary of the work that the Committee completed in 2022. The role of the Nominations Committee is to assist the Board in regularly reviewing its composition and those of its Committees, to lead the process for Board appointments, and ensure effective succession planning for the Board and senior management. The key activities undertaken in the year are described in more detail in this report. The Committee's terms of reference are available to view online on the Company's website (www.ferrexpo.com).

In 2022, the Committee was formally convened three times (2021: five) where the following was considered:

- the composition and refreshment of the Board;
- developing a training portfolio aligned to a skills and experience matrix for directors to ensure Board effectiveness;
- reviewing and making recommendations as to the composition of the Board and its Committees in order to maintain a diverse Board with the appropriate mix of skills, experience, independence and knowledge;

- the criteria for Non-executive and Executive Director appointments;
- reviewing and making recommendations as to the composition and diversity of the Board, Executive Committee and direct reports to Executive Committee members;
- the engagement of executive search agencies to assist with Board appointments;
- reviewing candidates and making recommendations to the Board for the permanent appointment of Jim North as Chief Executive Officer, and the appointment of Yaroslava Blonska as Acting Chief Marketing Officer;
- approving actions to be taken in 2022 in support of the achievement of the Group's diversity and inclusion goals; and
- reviewing the results of the Group's annual talent review and succession plans for business critical roles.

The Committee also agreed to undertake an internal performance evaluation for the year to 31 December 2022 (for further information see the Board's Performance Evaluation on pages 94 to 96). The Company will conduct an external performance evaluation in 2024.

Nominations Committee Report continued

In 2022, the Committee continued its ongoing work to strengthen the overall governance agenda of the Board and ensure that the Board maintains an appropriate mix of skills and experience. In support of this objective, a training and development directory was agreed by the Committee to inform training and development for the Board. All Directors conducted a self-evaluation against the Board skills matrix to inform individual development plans which will be progressed over the next two years to enhance the overall skill set of the Board.

The Board places great importance on creating a workplace culture in which all contributions are valued, different perspectives are embraced, and biases are acknowledged and mitigated. This commitment is set out in the Company's Diversity, Equity and Inclusion policy which was approved by the Board in 2019. While the composition of the Board now exceeds the gender diversity target set by the Hampton-Alexander Review, the Board is mindful of the need to enhance diversity and foster inclusion below the Board. The Committee therefore continued to make recommendations to the Board on appointments to the Executive Committee as well as monitor senior appointments below the Executive Committee. The execution of these plans will remain a focus for the Committee to eliminate gender imbalances below the Board.

The Committee recommended the permanent appointment of Jim North as Group Chief Executive Officer effective from 14 February 2022, having acted in the role since May 2020. The Committee also participated in the process to find a Chief Marketing Officer following the resignation of Brett Salt. The Committee reviewed internal candidates and recommended the promotion and appointment of Yaroslava Blonska as Acting Chief Marketing Officer. This promotion enhanced the gender diversity of the Executive Committee and is a great reflection of the Company's commitment to internal progression which is explained further in this report.

The Group has formal policies in place to promote equality of opportunity across the whole organisation, regardless of gender, ethnicity, religion, disability, age or sexual orientation. In working towards greater diversity, Natalie Polischuk represented the Board at the launch of the third "Fe_munity" women in leadership programme at the Group's operations in Ukraine. This programme has been highly successful and seeks to accelerate the development of our senior female managers and to support them as they navigate the challenges and gender biases that might hinder their career progression in the workplace and within broader society. The Company also hosts regular talks by senior female leaders from inside and outside our business, along with a mentoring scheme as part of this same programme.

Since the inception of the "Fe_munity" programme three years ago, more than 200 women have been through the programme and the Committee was pleased to note that, in the same timeframe, the proportion of managerial roles held by women has risen from 17.5% in 2019 (62 female managers) to 20.9% in 2022 (81 female managers), with this upward trend expected to continue into 2023, despite the war in Ukraine. This trend means that the Group is tracking well to achieve its stated target of at least 25% of managerial roles to be held by women by 2030. However, the Committee noted that further work is needed below managerial level where the overall number of women in the workforce for 2022 has declined to 28.7% (2,290 female employees) due to a number of female employees leaving the country as a result of the invasion of Ukraine by Russia (2021: 29.2% (2,414 female employees)).

Following the success of the internal "Fe_munity" programme, 2022 also saw the inaugural launch of an external Ukraine-wide programme, involving 50 senior female business leaders from across Ukraine, working for other organisations and sectors of the economy with a further programme for teenagers planned for launch in 2023. These programmes are part of the Company's broader corporate social responsibility initiatives to support the overall development of Ukrainian society.

During the year, to demonstrate our commitment to Diversity, Equity and Inclusion, the Company signed the Women's Empowering Principles ("WEPs"), an initiative by UN Women and the UN Global Compact Office. WEPs are a set of principles providing guidance on the promotion of gender equality and women's empowerment in the workplace, marketplace and community. The WEPs are informed by international labour and human rights standards and grounded in the recognition that businesses have a stake in, and a responsibility for, gender equality and women's empowerment.

Aligned with the goals of the Parker Review, the Committee is committed to ensuring that the Board's composition reflects the Group's employee base and the communities where the Group operates. The Committee therefore commissioned an external search consultancy to conduct research into how comparable organisations are responding to the Parker Review. The outcome of this study was considered in the year which enabled the Board to chart a course to ensure a sustainable, diverse and ethnically representative Board. The Committee has therefore launched recruitment and expects to appoint a Non-executive Director from an ethnic minority group to the Board ahead of the Parker Review deadline of December 2024.

As at 31 December 2022, the Committee was composed of four Independent Non-executive Directors, Ann-Christin Andersen, Graeme Dacomb, Vitalii Lisovenko and Fiona MacAulay. I would like to thank the members of the Committee for all their work during the year.

Lucio Genovese

Chair of the Nominations Committee

14 March 2023

Membership and meetings

The Nominations Committee is chaired by Lucio Genovese and its other members are Vitalii Lisovenko, Fiona MacAulay, Graeme Dacomb and Ann-Christin Andersen. The Committee is required by its terms of reference to meet at least once a year and met on three scheduled occasions in 2022. All meetings were held face-to-face. All Non-executive Directors have a standing invitation to attend all Committee meetings, with the consent of the Committee Chair. In practice, most Directors generally attend all meetings. Discussions at the meetings covered the responsibilities outlined earlier, with particular focus on Board skills development and Non-executive and Executive succession planning and recruitment.

Succession planning and recruitment

The Nominations Committee is responsible for the composition, structure and size of the Board and its Committees, the appointment of Directors and executive management, and for ensuring effective succession planning for the Board and other business critical roles to fulfil the leadership needs of the organisation. The Committee also plays a vital role in ensuring that we continue to adhere to the high standards of corporate governance that our stakeholders rightly expect. It, therefore, works to ensure that the Board has the right members both now and in the future to deliver the Company's strategy and ensure its long-term success. The Committee plans ahead for future recruitment to make sure that the Board continues to have the diversity, skills and experience it needs. The roles of all Directors are summarised on page 90.

During 2022, the Committee agreed a directory of training and development interventions and activities to inform Board development planning and recruitment processes. This work followed on from the previous year where the Committee refreshed the Board skills matrix with all Directors completing a self-evaluation against the Board skills matrix (for further information see the Board's skills matrix on page 81) to inform their individual development plans. This year, the Board training and development directory allowed for individual development plans to be populated, which will be progressed over the next two years to enhance the overall skill set of the Board. It is anticipated that each Non-executive Director will receive training appropriate to their level of experience and knowledge which would consist of a combination of tailored training together with individual briefings with Executive Committee members and their teams to provide information about the Group's business, culture and values, and other relevant information to assist Non-executive Directors in effectively performing their duties. In addition, Non-executive Directors are expected to spend time at the Group's operations to engage with management and members of the workforce.

The Committee also participated in the process to find a replacement following the resignation of the Chief Marketing Officer ("CMO") for the Group. The Committee considered that attracting suitable external candidates could be impacted by the ongoing war in Ukraine, and therefore took a decision to postpone conducting a formal search of the market until the war ends. As an interim measure, the Committee conducted interviews with internal candidates in the company's marketing function and recommended the internal promotion of Ms Yaroslava Blonska and appointment as Acting CMO. This appointment underscores the Company's robust talent management process which identifies individuals with high potential for inclusion in succession plans for business critical roles.

Re-election

Except for Ann-Christin Andersen, who will not stand for re-election, in accordance with the UK Corporate Governance Code, all Directors will stand for re-election by shareholders at the Company's AGM scheduled for May 2023. The range of skills and experience offered by the current Board is mentioned in this report and is set out on pages 82 to 83. The Committee and the Board consider the performance of each of the Directors standing for re-election to be fully satisfactory and that they have demonstrated ongoing commitment to their respective roles. The Board, therefore, strongly supports the re-election of all Directors standing for re-election and recommends that shareholders vote in favour of the relevant resolutions at the Annual General Meeting.

Board diversity policy

The Board places great importance on having an inclusive and diverse Board and workforce and recognises the important leadership role that the Board needs to play in creating an environment in which all contributions are valued, different perspectives are embraced, and biases are acknowledged and mitigated. In support of this goal, the Board agreed a Diversity, Equity and Inclusion policy ("DEI Policy") in 2019 which is kept under review by the Nominations Committee. The DEI Policy aims to promote equality of opportunity across the whole organisation, regardless of gender, ethnicity, religion, disability, age or sexual orientation as well as address gender diversity imbalances in the workforce while also delivering sustainable talent pipelines for succession to senior leadership roles. The Board shares ownership with the Executive Committee of the DEI Policy and progress updates are presented to the Board for review every six months to assess progress against the targets and enable adjustments to be made to the programme where necessary. A summary of the Board's diversity information can be found on page 87.

Nominations Committee Report continued

In support of the Group's DEI goals, Natalie Polischuk represented the Board at the launch of the third "Fe_munity" women in leadership programme held at the Group's operations in Ukraine (for further details on the "Fe_munity" programme see page 43). This internal programme, which is run with the support of external consultants, seeks to accelerate the development of our senior female managers and to support them as they navigate the challenges and gender biases that might hinder their career progression in the workplace and within broader society. Since the inception of the "Fe_munity" programme three years ago, more than 200 women have been through the programme and the Committee was pleased to note that in the same timeframe, the proportion of managerial roles held by women has risen from 17.5% in 2019 (62 female managers) to 20.9% in 2022 (81 female managers), with this upward trend expected to continue into 2023, despite the war in Ukraine. This trend means that the Group is tracking well to achieve its stated target of at least 25% of managerial roles to be held by women by 2030. However, the Committee noted that further work is needed below managerial level where the overall number of women in the workforce for 2022 has declined to 27.8% (2,290 female employees) (2021: 29.2% (2,414 female employees)) as a result of a number of female employees resigning and leaving the country due to the invasion of Ukraine by Russia.

Following the success of the internal "Fe_munity" programme, 2022 also saw the inaugural launch of an external Ukraine-wide programme, involving 50 senior female business leaders from across Ukraine, working for other organisations and sectors of the economy with a further programme for teenagers planned for launch in 2023. These programmes are part of the Company's broader corporate social responsibility initiatives to support the overall development of Ukrainian society.

During the year, to demonstrate our commitment to Diversity, Equity and Inclusion, the company signed the Women's Empowering Principles ("WEPs"), an initiative by UN Women and the UN Global Compact Office. WEPs are a set of Principles providing guidance on the promotion of gender equality and women's empowerment in the workplace, marketplace and community. The WEPs are informed by international labour and human rights standards and grounded in the recognition that businesses have a stake in, and a responsibility for, gender equality and women's empowerment.

The Nominations Committee places high importance on having a diverse and inclusive Board and workforce and, to this end, the Committee reviews and approves succession plans each year for business critical roles, including reviewing succession plans for the Board. Following the appointment of two Independent Non-executive Directors in the year, the Committee is satisfied that the present composition of the Board takes account of the targets of the Hampton-Alexander Review and provides an appropriate mix of skills, experience, diversity and perspectives on the Board. However, the Committee is cognisant of the need to ensure that the Company's composition is congruent with the goals of the Parker Review and is reflective of the Group's employee base and the communities where the Group operates. To this end, the Committee commissioned Wilbury Stratton, an external search and research consultancy, to conduct research into how comparable organisations have responded to the Parker Review. The outcome of this study was considered by the Committee in 2022, resulting in plans being put in place that will ensure a sustainable, diverse and ethnically representative Board. These plans include launching a formal search for an Independent Non-executive Director from a minority ethnic group to advance the Company's ethnic and cultural diversity to reflect the demographic composition of communities surrounding the Group's operations. An appointment is expected ahead of the Parker Review deadline for FTSE 250 companies of December 2024.

When progressing recruitment, the Board seeks to ensure that a broad range of diverse candidates are taken into account when drawing up shortlists of candidates for appointment to the Board, and the Board will only engage executive search consultants who have signed up to the Voluntary Code of Conduct for executive search firms. The final decision to make appointments to the Board is, however, made on merit against objective criteria, so as to ensure that the strongest possible candidate for the role is recruited. However, the Committee will continue to ensure that the DEI Policy is considered when conducting all searches for Board positions, and will take account of the recommendations of the Hampton-Alexander and Parker reviews regarding gender balance and ethnic diversity on boards.

Board diversity policy update

Board objective

Progress in 2022

Foster a diverse and inclusive workplace culture aligned with the Company's Values, Purpose and Strategy

- Upgrading of facilities and access points continued at operations to enable accommodation of people with disabilities.
- Board-sponsored third “Fe_munity” women in leadership programme to foster the advancement of women into senior leadership roles hosted by Natalie Polischuk.
- Assessment of workforce technical skills in the plant continued and training conducted to ensure workforce capability supports business requirements.
- Unconscious bias training implemented for junior and middle managers at operations to enhance diversity awareness at leadership levels.

Increase Board gender diversity and women in management below the Board

- Board training and development directory implemented to enhance the current skills of the Board linked to the Board's skills matrix.
- Formal search launched for an additional Non-executive Director from a minority ethnic group to meet the requirements of the Parker Review.
- Initiatives progressed in 2022 advanced women in leadership to 20.9% (81 female managers) (2021: 20.1% (62 female managers)); target for 2023 (towards target of 25% by 2030) set at 21.5% by end of 2023.
- Total female representation as percentage of the workforce currently at 27.8% (2,290 female employees) (2021: 29.2% (2,414 female employees)).
- Board review conducted of the Group's talent pipeline and succession plans for senior business critical leadership roles, including identification of female candidates for accelerated development.
- Undergraduate bursary programme targeting women continued in 2022.

Monitor diversity programme outcomes and make adjustments to ensure overall objectives are met

New and repeat activities planned for 2023, subject to the cessation of the war in Ukraine, will include:

- Workforce Diversity and Inclusion education.
- Unconscious bias training for senior management.
- Science, technology, engineering and mathematics (“STEM”) ambassador visits to local schools and colleges.
- STEM streamers competition run online with students from local schools.
- “Fe_munity” programme for teenagers.
- Selection of bursary award school leavers.

Workforce diversity

Ferrexpo's policy is to employ a diverse workforce and thought is given to recruit as widely as possible, taking into account, amongst other things, gender, race, social background, education and disability. In 2019, the Board set a diversity target of 25% women in leadership to be achieved by 2030. Achieving this target remains a challenge in view of there being a very limited number of female applicants for technical jobs in the Resources sector historically while the Group's workforce is set to grow due to the Group's organic growth plans.

During the year, the Committee reviewed the progress made towards the Group's target and although the overall number of women in the workforce declined to 28.7% (2,290 female employees) (2021: 29.2% (2,414 female employees)), the number of women in leadership positions advanced to 20.9% (81 female managers (2021: 20.1% (62 female managers))). The Committee was gratified with this result and in order to sustain this upward trend in 2023 and beyond, the Committee approved diversity and inclusion actions for execution in 2023.

Gender diversity targets were included in the Executive Business Scorecard for the first time in 2021 to provide additional focus and attention on the achievement of this strategic imperative. A diversity target has again been included in the scorecard for 2023 of 21.5%. This target represents the appointment of an additional three women in senior leadership positions by the end of 2023.

Disability

Ferrexpo is proud to employ registered disabled staff representing more than 4% of our Ukrainian workforce. This helps us to reflect the diversity in wider society as well as deliver on our legal obligations.

The Corporate Governance Report was approved by the Board on 14 March 2023.

Lucio Genovese

Chair of the Nominations Committee
14 March 2023

Remuneration Report



— **Fiona MacAulay**
Chair of the Remuneration Committee

Membership and meeting attendance

Committee member	Scheduled meetings	
	Eligible to attend	Attended
Fiona MacAulay	5	5
Graeme Dacomb	5	5
Vitalii Lisovenko	5	4
Ann-Christin Andersen	5	5



Read the Committee's full objectives and responsibilities online: <https://www.ferrexpo.com/about-ferrexpo/corporate-governance/board-committees/>

The Committee is chaired by Fiona MacAulay. The Committee consists of three independent Non-executive Directors as required by the UK Corporate Governance Code and is also attended by the Chair of the Board and, by invitation, the Chief Executive Officer, the Chief Human Resources Officer, and a representative from Korn Ferry, the Committee's independent advisor.

Main objective

To establish and maintain on behalf of the Board a policy on executive remuneration to deliver the Company's strategy and value for shareholders; to agree, monitor and report on the remuneration of Directors and senior executives and to review wider workforce remuneration and other policies in accordance with the UK Corporate Governance Code.

A statement to shareholders from the Chair of the Remuneration Committee

As Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report¹ for the year ended 31 December 2022.

1. This report has been prepared by the Remuneration Committee (the "Committee") on behalf of the Board in accordance with the requirements of the Listing Rules of the UK Listing Authority, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013, 2018 and 2019) and the UK Corporate Governance Code. The elements subject to audit are highlighted throughout.

This report is split into the following sections:

1. this **Statement from the Chair of the Remuneration Committee** – summarising the decisions taken by the Committee;
2. an **"At a glance"** overview of remuneration;
3. the **Directors' Remuneration Policy** as approved by shareholders at the 2021 AGM with over 98% support from our shareholders;
4. the **Annual Report on Remuneration**, setting out how we have paid Directors in 2022 and how we intend to operate the policy in 2023.

Our approach to remuneration

The Committee strives to align the interests of the executives with shareholders, and the Board keeps under review the structure and level of remuneration afforded through short and long-term incentive schemes. It is the policy of the Board to align executive and shareholder interests by linking a substantial proportion of executive remuneration to performance, basing short-term rewards on a balanced portfolio of financial, operational, ESG and strategic performance targets with

Key activities of the Committee in 2022

The Committee's key activities during the 2022 financial year were:

February

- Planning stakeholder engagement for 2022.
- Determining the 2021 bonus outturn.
- Determining vesting of the 2019 Long-term Incentive Plan awards.
- Setting 2022 annual bonus targets.
- Reviewing 2022 LTIP TSR peer group constituents.

March

- Considering the impact of the war in Ukraine on 2022 remuneration.
- Approving the application of the Remuneration Policy for 2022.
- Determining the size of 2022 Long-term Incentive Plan awards and the performance conditions.
- Approving awards under the Company's share plans.
- Signing off the 2021 Remuneration Report.

long-term rewards earned subject to creating above average long-term total shareholder returns and, since 2021, achieving the Company's decarbonisation targets.

Our policy is purposefully weighted towards short-term performance targets given the Company's focus on operational excellence and the fact that Ferrexpo does not control the price of iron ore which is dictated by market conditions. As a result, setting performance targets that align to the factors directly within the control of the executive team is considered appropriate.

We ensure that remuneration packages are competitive through assessing remuneration packages against the relevant market comparables to ensure that Ferrexpo can attract, motivate and retain talented executives. We further enhance the alignment with shareholders through the performance conditions we set, share-based pay including through a combination of partial deferral of annual bonus into shares, annual awards under a performance share plan and market consistent share ownership guidelines. This approach applies across the executive leadership team and has resulted in a robust link between pay and performance to date.

Board changes during 2022

Mr North was permanently appointed to the position of Chief Executive Officer ("CEO") on 14 February 2022 and his base salary was increased by US\$100,000, equivalent to the "acting up" allowance that he received while serving as Acting CEO since May 2020. He continued to participate in the annual bonus scheme and remained eligible for annual awards under the LTIP. Details of his pay are set out pages 122 to 131.

Mr Zhevago resigned from his role as Non-executive Director and stepped down from the Board with effect from 29 December 2022. He received no further remuneration for his role on the Board from this date. Mr Zhevago maintains a consultancy arrangement with the Company and received a consultancy fee for providing strategic advice to the CEO and the acting Chief Marketing Officer ("CMO") and management of relationships with key stakeholders (in line with the agreement operated since and first disclosed in the 2020 Annual Report and Accounts). This consultancy arrangement reflects the time commitment associated with the role and is kept under review. Mr Zhevago does not receive any wider Company benefits in connection with this consultancy role.

Performance and reward in 2022

The war in Ukraine created significant uncertainty and necessitated that the Group be agile in its approach to remuneration in 2022. Given the effect on the Company's remuneration schemes, the Committee spent time overseeing Group-wide pay decisions as well as assessing the need to use discretion in exceptional circumstances to recognise changes and ensure that the Group's remuneration policy fulfils its original intent.

At the start of the invasion, the Company took steps to ensure that employees in Ukraine could access their salaries despite disruption to banking systems and increased overtime payments to compensate for changes in shift rosters resulting from employees being called up for military service and provided financial assistance to employees needing to relocate themselves and their families away from areas of intense fighting.

Restrictions on our access to Black Sea ports and increased logistics costs made sales outside of Europe less cost effective. Sales volumes in 1Q 2022 were buoyant, but declined over the year, most notably in the 2H 2022, following attacks by Russia on civilian energy infrastructure.

The economic consequences were also felt by employees in other Group office locations as soaring energy prices and higher inflation impacted households worldwide. Given these inflationary pressures, the Committee agreed adjustments in base salary for all employees aligned with CPI in Company's various locations.

The Group CEO and the senior leadership team faced continued and multiple challenges to which they have responded with resilience and rigour, but for their efforts, Group performance could have been far worse. Prior to the invasion by Russia, a Crisis Management Team was formed that initially met on a daily basis and continues to meet weekly to review the situation on the ground and take critical decisions and implement actions to safeguard business continuity and ensures that the safety and wellbeing of people remains paramount.

In the context of the operational, financial and strategic performance detailed above, the CEO achieved a bonus at 50% of the maximum (75.1% of salary) (2021: 67.1% of maximum; 100.7% of salary) for the year under review. This payment was consistent with the wider bonus awards in the Company and the Committee was comfortable that this bonus award reflected the challenging year for the Group and the wider stakeholder experience, and therefore did not apply discretion. Full details of the performance assessment are set out on page 125.

July

- Consideration of AGM feedback.
- Considering additional payments made to employees in Ukraine and across the Company in response to the war in Ukraine and the wider inflationary environment.
- Reviewing market pay benchmarking data and approving any proposed salary increases for members of the Executive Committee.
- Reviewing market developments and institutional investor issues raised during the 2022 AGM season.
- Considering the treatment of share awards for departing executives.

December

- Considering performance to date against 2022 annual bonus targets.
- Reviewing shareholder advisory body guideline updates for 2023 AGM Season.
- Approving amendment of the rules governing Long-term Incentive Plan awards.
- Approving the 2023 Remuneration Committee Planner.

Anticipated key activities of the Committee in 2023

- Consider AGM feedback.
- Confirm the 2021 Remuneration Policy continues to support the Company's strategy.
- Consider the evolution of performance targets in line with the implementation of the business strategy through the current challenging operating environment.
- Monitor senior management remuneration.
- Ensure remuneration decisions are taken in the context of the wider stakeholder experience through the period.

Remuneration Report continued

With regard to the 2020 LTIP, vesting was based on three-year total shareholder return performance over the period to 31 December 2022 with Ferrexpo's performance assessed relative to the performance of a bespoke Index of comparable Iron Ore and Composite Miners.

The Committee assessed the performance of the Company over the full three-year performance period and also to the period of the Russian invasion of Ukraine.

The Company had delivered exceptional relative performance against the comparator group until the start of 2022 and while the potential for a Russian invasion had started to weigh on the share price in the early months of the 2022, we remained well ahead of maximum vesting target at the time of the invasion on 24 February 2022. As a result, the Committee considered whether it was appropriate for the impact of the Russian invasion, over which participants had no control, to take vesting from full vesting to zero vesting with no change to the underlying performance of the Company through the period to the invasion.

Having considered the above, the Committee determined that it would make an adjustment to the basis of testing the performance condition and also make a corresponding reduction to the potential number of shares that were eligible to vest. The approach the Committee took to ensure that there was alignment between performance and reward was to test the Company's performance relative to the comparator group up until the day before the Russian invasion on 23 February (so consider actual performance from 1 January 2020 to 23 February 2022) and then to track the performance of the TSR peer group forward from 24 February to 31 December 2022. This achieved a fair proxy for the expected performance that the Company would have delivered for the balance of the performance period had the Russian invasion of Ukraine not taken place.

In light of this adjustment to the basis of testing the three year performance condition, which is possible as a result of the Russian invasion of Ukraine being considered a relevant event under the plan rules to enable the Committee to adjust the approach to testing the condition so that it fulfilled its original intent and remained no less challenging but for the event in the opinion of the Committee, the Committee decided that it would reduce the maximum number of shares eligible to vest. This reduction was proportionate to period of the performance period elapsed to the Russian invasion of Ukraine (i.e. the original award was reduced to 71.6% of the shares originally granted to reflect the number of months from 1 January 2020 to 24 February 2022 relative to the full three-year period). Full details are provided on page 126.

With remuneration outcomes aligned across the executive leadership of the Group and after considering wider stakeholder experience through the year, the Committee was comfortable with remuneration outcomes with the policy operating as intended.

Implementation of the remuneration policy in 2023

Whilst there are no changes proposed to the Directors' Remuneration Policy for 2023, the recommended application of the remuneration policy has been influenced by the ongoing impact of the war in Ukraine, in particular, with respect to the range of performance targets set for the 2023 STIP which have been set to reflect the current operating environment. The key points are:

- In 2023, the general approach to CEO and senior executive salary reviews will be to undertake a review against the relevant market data where the executive is located with any increases effective from 1 January. The factors considered as part of the review process include the role itself and any changes to that role, the performance in the post and the typical rate of increase awarded across the workforce. Salary budgets were set taking into account the rates of inflation in the locations in which Ferrexpo operates and ranged from 2% to 15%. Given the location of the CEO and his overall remuneration package, his salary was increased by 2% with effect from 1 January 2023.
- The annual bonus opportunity will be unchanged at 150% of salary for the CEO. Performance will continue to be measured against a balanced scorecard of structured financial, operational and ESG targets (60% of the total bonus) and tailored strategic targets (40% of the bonus). 25% of any bonus earned is deferred into shares for two years.
- The Committee's approach to long-term incentive awards is that these are less than 50% of salary and for 2023 the CEO is expected to equate to circa 45% of salary. Performance will continue to be measured based on Ferrexpo's relative total shareholder return compared against the performance of an index derived from a group of iron ore and composite miners and based on sustainability targets which are higher grade iron ore pellet production targets with higher grade iron ore pellets improving the productivity of blast furnaces such that their carbon footprint is reduced by 40% for every tonne of sinter fines replaced (Source: CRU). For the 2023 awards, we are replacing the carbon reduction target with an underpin that will enable the Committee to reduce vesting if progress in reducing carbon is not in line with the Board's carbon strategy having

had regard to the dynamic situation created by the Russian invasion of Ukraine which has resulted in the need to be flexible in terms of our sources of, and investment in, power and associated technologies. The revised weightings for 2023 are, therefore, 85% of the award based on TSR performance and 15% based on higher grade iron ore pellet production. It is the Committee's intention to reintroduce carbon reduction as a primary performance measure in the future.

Further details of the performance conditions and targets for 2023 are set out on page 128.

Consideration of shareholders and employees

We consulted with shareholders in 2021 in relation to the Directors' Remuneration Policy and were pleased to receive over 98% support for that resolution at the 2021 AGM and have received equally strong support for the remuneration report resolutions in recent years. The Committee receives any feedback provided by shareholders and considers it in the context of decisions made.

The Committee also noted feedback on remuneration provided by the Employee Engagement Non-executive Director, Vitalii Lisovenko, which was elicited directly from employees during a series of employee engagement sessions held with all levels of employees. These sessions tested a range of employee engagement elements including the effectiveness of remuneration and benefits policies and the understanding of the alignment between executive remuneration and wider company pay policy.

As in prior years, while policies are understood and are generally considered to be working effectively, work remains ongoing to improve the alignment between remuneration with individual performance outcomes. The progress made to date will be progressed further in 2023 by the Chief Human Resources Officer ("CHRO"). The CHRO will also work with the designated Employee Engagement Non-executive Director, Vitalii Lisovenko, to further develop two-way feedback in relation to remuneration policies and practices.

I hope you are able to support the rationale for the decisions we have taken during the year and support the resolution for the approval of the report at the 2023 AGM. If you have any question or comments, please feel free to reach out through the Group Chief Human Resources Officer (email: g.nortje@ferrexpo.ch).

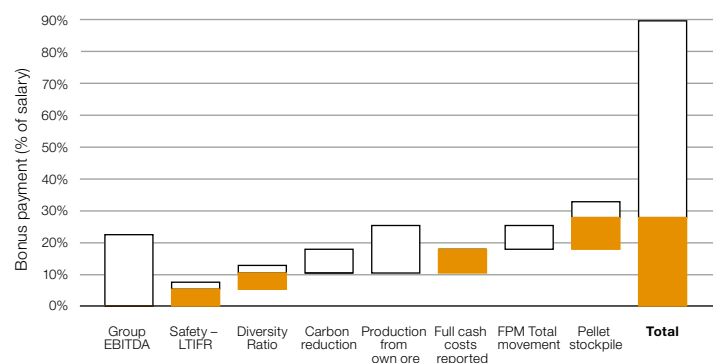
Fiona MacAulay

Chair of the Remuneration Committee
14 March 2023

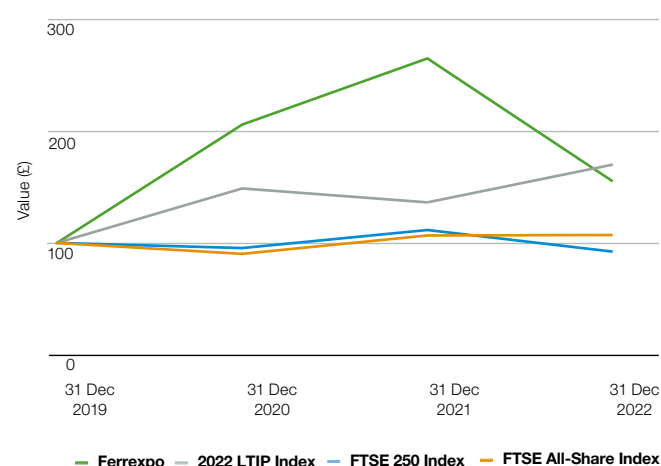
At a glance (not subject to audit)

Element	Operation	Time-horizon				
		2022	2023	2024	2025	2026
Salary: To attract and retain talent by ensuring base salaries are competitive in the market in which the individual is employed	<ul style="list-style-type: none"> Annual review by the Committee Increases typically in line with wider workforce 					
Pension and benefits: To provide market competitive benefits	<ul style="list-style-type: none"> Aligned with pension and benefits offered to local workforce 					
Short-Term Incentive Plan ("STIP"): To focus management on delivery of annual business priorities which tie into the long-term strategic objectives of the business	<ul style="list-style-type: none"> Maximum opportunity of 150% of salary Target opportunity of 75% of salary Performance conditions based on a scorecard of financial, operational and common strategic objectives Safety underpin 25% of bonus deferred into shares for two years 					
Long-Term Incentive Plan ("LTIP"): To motivate participants to deliver appropriate longer-term returns to shareholders by encouraging them to see themselves not just as managers, but as part-owners of the business	<ul style="list-style-type: none"> Policy maximum of 200% of salary Performance based primarily on relative TSR (75% weighting) in conjunction with production (12.5% weighting) and carbon emissions (12.5% weighting) Performance measured over three years with two-year post vesting holding period 					
Share ownership guideline: To provide alignment of interests between Executive Directors and shareholders	<ul style="list-style-type: none"> Executive Directors required to build and maintain a shareholding of 200% of salary Applies for two years post-cessation of employment 	200% of salary				

Business scorecard (60% of bonus)



Total Shareholder Return



Remuneration Report continued

Part A: policy section (not subject to audit)

This part of the Directors' Remuneration Report sets out the Remuneration Policy for the Directors of the Company. This Directors' Remuneration Policy was approved by shareholders at the Company's AGM on 27 May 2021 and is intended to apply for three years from that date, unless shareholder approval is sought for earlier changes. The Report has been reproduced here for ease of reference, with factual data updated where appropriate (e.g. scenario charts, contractual terms, and page references). The Policy as approved by shareholders can be found in the Ferrexpo plc Annual Report & Accounts 2020 available on the company's website.

Committee

The terms of reference for the Committee were updated during 2020 to comply with changes made to the UK Corporate Governance Code. The revised terms of reference were approved by the Board and its duties include the determination of the policy for the remuneration of the Chair of the Board, Executive Directors, the members of the Executive Committee, and the Company Secretary as well as their specific remuneration packages, including pension rights and, where applicable, any compensation payments. In determining such policy, the Committee is expected to take into account all factors which it deems necessary to ensure that members of the senior executive management of the Group are provided with appropriate incentives to encourage strong performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

The composition of the Committee and its terms of reference comply with the provisions of the UK Corporate Governance Code and are available for inspection on the Group's website at www.ferrexpo.com.

Key principles of the remuneration policy

Ferrexpo's remuneration policy is designed to help attract, motivate and retain talented executives to help drive the future growth and performance of the business. The policy aims to:

- align executive and shareholder interests;
- link an appropriate proportion of remuneration to performance;
- reward based on a balanced portfolio of performance conditions (e.g. Total Shareholder Return ("TSR") relative to sector peers, annual business priorities, financial and operational targets and individual performance); and
- provide rewards that are competitive in the relevant markets to help attract, motivate and retain talented executives.

In determining the Company's remuneration policy, the Committee takes into account the particular business context of the Group, the industry segment, the geography of its operations, the relevant talent market for each executive, the location of the executive and remuneration in that local market and best practice guidelines set by institutional shareholder bodies. The Committee will continue to give full consideration to the principles set out in the UK Corporate Governance Code in relation to Directors' remuneration and to the guidance of investor relations bodies.

From the policy review undertaken, the Committee is satisfied that the remuneration policy and its application takes due account of the six factors listed in the UK Corporate Governance Code:

- **Clarity** – our policy is well understood by our management team and has been clearly articulated to our shareholders. A key part of our Chief Human Resources Officer's role is engaging with our wider employee base on all our people matters (including remuneration) and we monitor the effectiveness of this process through the feedback received. The Board is comfortable that our remuneration policy is clearly understood by our employees.
- **Simplicity** – the Committee is very mindful of the need to avoid overly complex remuneration structures which can be misunderstood and deliver unintended outcomes. Therefore, one of the Committee's objectives is to ensure that our executive remuneration policies and practices are as simple to communicate and operate as possible, while also supporting our strategy.
- **Risk** – our remuneration policy is designed to ensure that inappropriate risk-taking is not encouraged and will not be rewarded via: (i) the use of a balanced scorecard in the short-term incentive plan which employs a blend of financial, operational and non-financial metrics; (ii) the use of equity in our long-term incentive plan (together with shareholding requirements); and (iii) malus/clawback provisions which the Executive Directors are required to accept to receive payments under the STIP and awards under the LTIP and which would normally be enforced by reducing the number of shares and/or cash subject to outstanding and unvested awards in the first instance.
- **Predictability** – our incentive plans are subject to individual caps, with our share plans also subject to market standard dilution limits. The scenario charts on page 119 illustrate how the rewards potentially receivable by our executives vary based on performance delivered and share price growth.
- **Proportionality** – there is a clear link between individual awards, delivery of strategy and our long-term performance. In addition, the significant role played by incentive/at-risk pay, together with the structure of Executive Directors' service contracts, ensures that poor performance is not rewarded.
- **Alignment to culture** – Ferrexpo has a strong operational focus which is reflected in its incentives with safety at the heart of its activities and this is supported through the use of a specific safety measure in the annual bonus and the ability to reduce the formula-based outcomes based on safety performance. Similarly, both the annual bonus and the LTIP incorporate climate-related performance targets linked to the Company's strategic climate goals as set out on pages 34 and 36.

Executive Director policy table

This section of our report summarises the policy for each component of Executive Director remuneration. The principles below also apply where appropriate to the members of the Executive Committee.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Fixed pay Base salary To attract and retain talent by ensuring base salaries are competitive in the market in which the individual is employed.	Base salaries are reviewed annually, with reference to the individual's role, experience and performance; business performance; salary levels for equivalent posts at relevant comparators; cost of living and inflation; and the range of salary increases applying across the Group.	Base salary increases are applied in line with the outcome of the review, which will not exceed 5% p.a. (or, if higher, the applicable inflation rate) on an annualised basis over the period over which this policy applies. Increases above this level may be applied where appropriate to reflect changes in the scale, scope and responsibility attaching to the role and market comparability.	Business and, where relevant for current Executive Directors, individual performance are considerations in setting base salary.
Pension To provide retirement benefits.	<p>Executive Directors will, as appropriate, be offered membership of a scheme which complies with relevant legislation (where necessary, additional pension entitlements will be provided) or cash in lieu of pension.</p> <p>For information, pension for UK-based employees is currently set at 5% of salary with pension for Swiss-based employees set at 10% of salary. Whilst pension in Dubai is not typically provided, a statutory lump sum gratuity is accrued each year and will be payable on termination in line with the relevant legislation.</p>	<p>Executive Directors will receive a pension that is aligned with the typical (i.e. most common) practice for employees in the location that the executive is based.</p> <p>The employer contribution will normally be limited to a percentage of base salary. Associated benefits and variable pay will only be included where there is a statutory requirement to do so.</p> <p>The employer contribution will be limited to 10% of salary or higher subject to compliance with local statutory requirements to reflect actual practice in the Company.</p>	Not performance related.
Benefits Competitive in the market in which the individual is employed.	Benefits are paid to comply with local statutory requirements and as applicable to attract or retain executives of a suitable calibre. They include life insurance and medical insurance. Where appropriate, additional benefits may be offered, including, but not limited to, accommodation allowances, travel, enhanced sick pay, relocation/expatriate relocation benefits, tax and legal advice.	Benefits' values vary by role and eligibility and costs are reviewed periodically. Increases to the existing benefits will not normally exceed applicable inflation. Increases above this level may be applied, where appropriate, to reflect changes in role, scope, location and responsibility.	Not performance related.

Remuneration Report continued

Purpose and link to strategy	Operation	Opportunity	Performance metrics
<p>Variable pay</p> <p>Short-term Incentive Plan (“STIP”)</p> <p>To focus management on delivery of annual business priorities which tie into the long-term strategic objectives of the business, which include, but are not limited to, developing the reserve base, increasing production, reducing costs, reducing the risk profile of the business, expanding the customer portfolio, and expanding geographically.</p>	<p>Targets are set at the start of the year against which performance is measured. The Committee determines the extent to which these have been achieved. The Committee can exercise discretion to adjust the formulaic outcome or amount of bonus payable, taking into account such factors as it determines to be relevant, including factors outside of management control or where it believes the outcome is not truly reflective of individual performance or in line with overall Company performance.</p> <p>Normally paid as a mixture of cash and deferred shares with the cash portion paid following the publication of the audited results. The deferred share portion will normally be a minimum of 25% of the total bonus (with after tax bonus used to acquire shares or the deferral taking place through a deferred share award) with the shares eligible for release after a period of two years. Dividend equivalents may accrue on deferred bonus shares.</p> <p>Malus and clawback provisions will apply in the case of individual gross misconduct, an error in assessing performance against the condition, corporate failure (for which the individual was partly or wholly responsible) and/or in the event that the individual is found legally responsible for:</p> <ul style="list-style-type: none"> – a material misstatement of the Annual Accounts; or – a failure of risk management or reputational damage to the Company. 	<p>Maximum opportunity of 150% of salary.</p> <p>The target opportunity is 50% of maximum and the threshold opportunity is one-third of maximum.</p>	<p>Performance related.</p> <p>Performance targets can include financial, non-financial and personal achievement criteria measured over one financial year.</p> <p>The Committee has discretion to make changes in future years to reflect the evolving nature of the strategic imperatives that may be facing the Company.</p>

Purpose and link to strategy	Operation	Opportunity	Performance metrics
<p>Long-term Incentive Plan (“LTIP”)</p> <p>To motivate participants to deliver appropriate longer-term returns to shareholders by encouraging them to see themselves not just as managers, but as part-owners of the business.</p>	<p>The LTIP framework was approved by shareholders at the 2018 AGM. To the extent that an LTIP award vests, this will include the applicable dividends on the shares earned during the vesting period. Subsequent dividends on shares held by participants are paid in shares.</p> <p>Vesting of LTIP awards is subject to performance measured over a period of at least three years. In addition, for any shares to vest, the Committee must be satisfied that the outcome is a fair reflection of Ferrexpo’s underlying business performance.</p> <p>For LTIP awards from 2018 onwards a two-year holding period applies to shares vesting under the LTIP.</p> <p>Malus and clawback provisions will apply in the case of individual gross misconduct, an error in assessing performance against the condition, corporate failure (for which the individual was partly or wholly responsible) and/or in the event that the individual is found legally responsible for:</p> <ul style="list-style-type: none"> – a material misstatement of the Annual Accounts; or – a failure of risk management or reputational damage to the Company. 	<p>The LTIP provides for annual awards of performance shares, options or cash up to an aggregate limit of 200% of salary in normal circumstances. This limit may be exceeded in exceptional circumstances but will not exceed 300% of salary. The threshold opportunity is 20% of maximum.</p>	<p>The Committee reviews the LTIP performance conditions, in advance of granting each LTIP cycle.</p> <p>Relative TSR will be the primary performance condition. Other performance conditions may, however, be used in combination with relative TSR.</p> <p>From 2021, the performance conditions were broadened to include both a sustainability (carbon reduction) and a production target (DR pellets as a proportion of annual volume) to operate alongside relative TSR.</p>
<p>Share ownership guideline</p> <p>To provide alignment of interests between Executive Directors and shareholders.</p>	<p>The Company operates a shareholding requirement which is subject to periodic review.</p> <p>As a minimum, Executive Directors are expected to retain all of the post-tax shares vesting under the LTIP and shares deferred under the annual bonus (from 2022 on an after tax basis) until the shareholding requirement is met.</p> <p>Following cessation of employment, Executive Directors are expected to hold the lower of 200% of salary and the value of shares held on cessation for two years.</p> <p>The Committee maintains discretion to disapply the policy as it considers appropriate in exceptional circumstances (e.g. death). The guideline will apply to shares deferred under the annual bonus (from 2022 on an after tax basis) and shares which vest under existing and future LTIP awards (after tax).</p>	<p>Executive Directors are required to build and maintain a shareholding to the value of at least 200% of salary.</p> <p>The lower of 200% of salary and the value of shares held on cessation must be held for two years post cessation.</p>	<p>Not performance related.</p>

Remuneration Report continued

Rationale for performance targets

The STIP is based on performance categories that are key to delivering on our long-term strategy. Performance targets are set at the beginning of the financial year to reflect business priorities and other corporate objectives, and can include financial, non-financial and personal achievement criteria.

Performance targets are set at such a level as to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given performance period. The STIP target is set with reference to the annual budget approved by the Board. Where appropriate, the Committee sets a performance zone (threshold to stretch) around the target, which it considers provides an appropriate degree of “stretch” challenge and an incentive to outperform. The Committee believes that using multiple targets for the purposes of the STIP provides for a balanced assessment of performance over the year.

For the LTIP, the Committee believes that relative TSR is the most objective external measure of the Company’s success over the longer term. Relative TSR helps align the interests of Executive Directors with shareholders by incentivising share price growth and, in the Committee’s view, provides an objective measure of long-term success. The Committee has discretion to review the comparator index if any of the constituent companies are affected by corporate events such as mergers and acquisitions. The Committee also reviews the constituents and their weightings prior to the start of each LTIP cycle in order to ensure that they remain appropriate. Details of the comparator group will be set out in Part B of the Remuneration Report for the year immediately following the year in which the grant is made. Part of the LTIP will normally also include other performance metrics (e.g. production or sustainability metrics) for a minority of the award to ensure that the long-term targets are appropriately balanced in light of the Company’s strategic objectives.

Remuneration of senior executives below the Board

The policy and practice with regard to the remuneration of senior executives below the Board is broadly aligned with that of the Executive Directors.

Senior executives participate in the LTIP with the same performance targets applied as for the CEO. Long-term incentive awards may be granted to participants below the Board without performance conditions, for example, if it is considered necessary to attract executives of the appropriate calibre.

Payments resulting from existing awards

Executive Directors are eligible to receive payment resulting from the vesting of any award made prior to the approval and implementation of the remuneration policy detailed in this report.

Non-executive Director policy table

This section of our report summarises the policy for each component of Non-executive Director remuneration.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
Fees	Annual fee for the Chair.	Changes to Non-executive Director fees are applied in line with the outcome of the review undertaken by the Chair and Executive Directors.	Not performance related.
To attract and retain talent by ensuring fees are market competitive and reflect the time commitment required of Non-executive Directors in different roles.	<p>Annual base fee for Non-executive Directors. Additional fees are paid to the Senior Independent Director and the Chairs of the Committees and/or in relation to the Non-executive Director who will be a representative of employees as well as for representation on subsidiary Boards, where appropriate, to reflect additional responsibility.</p> <p>Fees are reviewed from time to time, taking into account the time commitment, responsibilities and fees paid by comparable companies, and also taking into consideration geography and risk profile.</p>	<p>Additional remuneration may be provided in connection with fulfilling the Company’s business (e.g. any expenses incurred fulfilling Company business may be reimbursed including any associated tax).</p> <p>The maximum aggregate fees, per annum, for all Non-executive Directors allowed by the Company’s Articles of Association is £5 million.</p>	

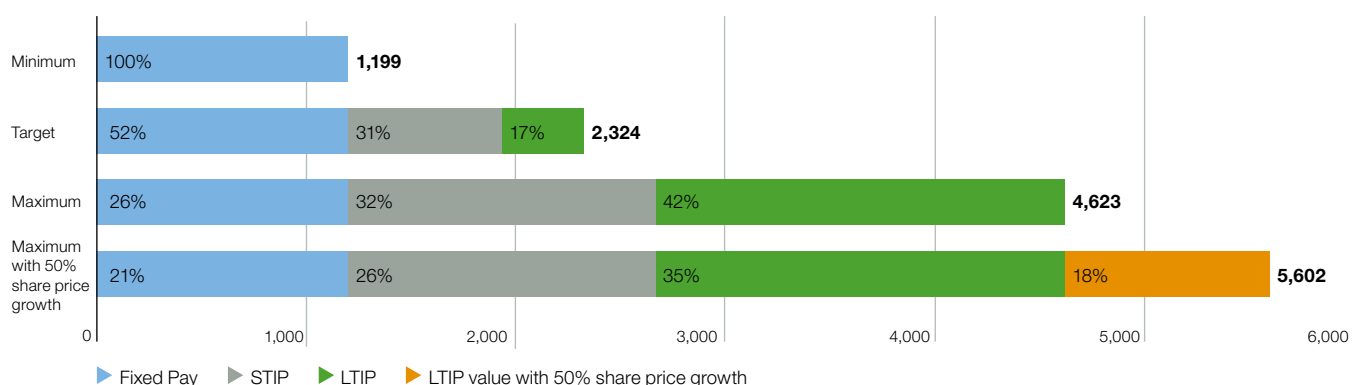
Pay-for-performance: scenario analysis

For the CEO, who is currently the sole Executive Director, the graph below provides estimates of the potential future reward opportunity and the potential split between the different elements of remuneration under four different performance scenarios: "Below threshold", "On-Target" and "Maximum" and "Maximum assuming 50% share price growth". In illustrating potential reward opportunities, the following assumptions have been made:

Scenario	Fixed pay	STIP	LTIP
Below threshold	Base salary, pension and benefits as applicable for 2023 financial year ¹	No STIP (0% of salary)	No LTIP vesting (0% of maximum)
On-target		On-target STIP (75% of salary)	On-target vesting of LTIP (40% of maximum)
Maximum		Maximum STIP (150% of salary)	Full vesting of LTIP (100% of maximum) – assumed normal policy maximum of 200% of salary although in practice awards to Executive Directors are significantly lower
Maximum, assuming 50% share price growth		Maximum STIP (150% of salary)	As for Maximum, but modelling the impact of a 50% increase to share price

1. Benefits have been included at US\$221,183 based on the annualised benefit provision to Executive Director.

CEO US\$ ('000)



Remuneration Report continued

Remuneration policy for new appointments

The Committee's approach to setting remuneration for new Executive Directors is to ensure that the Company's pay arrangements are in the best interests of Ferrexpo and its shareholders. To do this, the Company takes into account internal pay levels, the external market, location of the executive and remuneration received at the previous employer. The Committee reserves discretion to offer appropriate benefit arrangements, which may include the continuation of benefits received in a previous role. Variable pay awards (excluding any potential "buy-out" awards, described below) for a newly appointed Executive Director will be as described in the policy table, subject to the same maximum opportunities. Different performance targets and conditions may be set initially for the STIP and LTIP awards, taking into account the responsibilities of the individual, and the point in the financial year at which he or she joined, and subject to the rules of the plan. The rationale will be clearly explained in each case.

In addition, the Committee may make an award in respect of a new appointment to "buy out" existing incentive awards forfeited on leaving a previous employer. In such cases, the compensatory award would typically be on a like-for-like basis with similar time to vesting, performance conditions and likelihood of the targets being met. The fair value of the buy-out award would not be greater than the awards being replaced. To facilitate such a buy-out, the Committee may grant a bespoke award under the Listing Rules exemption available for this purpose.

In cases of appointing a new Executive Director by way of internal promotion, the Group will honour any contractual commitments made prior to his or her promotion to Executive Director.

In every case, the Board will pay both the appropriate, but also the necessary, rate of pay to attract an executive who in the view of the Board will contribute to shareholder value.

The approach to setting Non-executive Director fees on appointment is in line with the approach taken for the fee review set out in the Non-executive Director policy table earlier in this report and will also take into account fee levels for existing Non-executive Directors.

Details of Executive Director's service contract

The Executive Director is employed under a contract of employment with Ferrexpo Middle East FZE, a Group company (the "employer"). Due to changes in UAE employment law, the Executive Director's service contract will be converted in 2023 to a five-year fixed term contract (renewable).

The principal terms of Mr North's existing service contract will be mirrored in his new service contract. The principal terms not otherwise set out in this report are as follows: save in circumstances justifying summary termination, Mr North's service contract with the employer is terminable on not less than three months' notice to be given by the employer or not less than three months' notice to be given by Mr North, which is the maximum permissible period of notice in the UAE, and has no special provisions in the event of a change of control.

Executive Director	Position	Date of contract	Length of current contract	Notice period	
				From employer	From employee
J North	CEO	30 September 2015	5 years	3 months	3 months

Under his service contract, Mr North is entitled to 25 working days' paid holiday per year plus public holidays and other forms of leave in accordance with applicable legislation. The Executive Director's service contract contains a provision exercisable at the option of the employer to pay an amount on early termination of employment equal to the respective notice period. If the employer elects to make such a payment (which in practice it will do if the speed and certainty afforded by this provision are thought to be in the best interests of shareholders), the Executive Director will be entitled under his contract to receive all components of his base salary, and accrued but untaken holiday where applicable and required under law for the extent of the notice period. In addition to the contractual rights to a payment on loss of office, any employee, including the Executive Directors, may have additional statutory and/or common law rights to certain additional payments, for example, in a redundancy situation. Under UAE law, upon loss of office the Executive Director is entitled to a one-way business class ticket to his country of origin and the service gratuity payment referred to on page 123.

Policy for loss of office payments

The following principles apply when determining payments for loss of office for the Executive Director and any new Executive Directors.

The employer will take account of all relevant circumstances on a case-by-case basis including (but not limited to): the sums stipulated in the service contract (including base salary during his or her notice period, accrued but untaken holiday, and allowances/benefits but excluding STIP); whether the Executive Director has presided over an orderly handover; the contribution of the Executive Director to the success of the Company during his or her tenure; and the need to compromise any claims that the Executive Director may have. The Company may, for example, if the Committee considers it to be necessary:

- enter into agreements with Executive Directors which may include the provision of legal fees or the settlement of liabilities in return for a single one-off payment or subsequent payments subject to appropriate conditions;
- reimburse reasonable relocation costs where an Executive Director (and, where relevant, their family) had originally relocated to take up the appointment;
- terminate employment other than in accordance with the terms of the contract (bearing in mind the potential consequences of doing so); or
- enter into new arrangements with the departing Executive Director (for example, consultancy arrangements).

If the individual is considered a “good” leaver (e.g. for reasons of death, ill-health, injury or disability, retirement, redundancy, their employing company ceasing to be a member of the Group, the business (or part) of the business in which they are employed being transferred to a transferee which is not a member of the Group, or any other reason which the Committee in its absolute discretion permits) any outstanding LTIP awards will, except in the case of death, be pro-rated for time and performance conditions will be measured. The Committee retains discretion to alter these provisions (as permitted by the relevant plan rules) on a case-by-case basis following a review of circumstances, in order to ensure fairness to both shareholders and participants. In considering the exercise of discretion as set out above, the Committee will take into account all relevant circumstances which it considers are in the best interests of the Company, for example, ensuring an orderly handover, performance of the executive during his tenure as Director, performance of the Company as a whole and perception of the payment amongst the shareholders, general public and employee base. In the event of a change of control, the vesting period under the LTIP ends and awards may be exercised or released to the extent to which the performance conditions have, in the Committee’s opinion, been achieved up to that time. Pro-rating for time applies but the Committee has discretion to allow awards to be exercised or released to a greater extent if it considers it appropriate having regard to the circumstances of the transaction and the Company’s performance up to the date of the transaction.

It is the Committee’s policy to review contractual arrangements prior to new appointments in light of developments in best practice. The Executive Director’s service contract is available to view at the Company’s registered office.

External appointments

It is the Board’s policy to allow the Executive Directors to accept directorships of other quoted companies, provided that they have obtained the consent of both the CEO and Chair of the Board and which should be notified to the Board. No external directorships of quoted companies are currently held by the Executive Directors.

Details of Non-executive Directors’ letters of appointment

The Chair and Non-executive Directors have each entered into a letter of appointment with the Company. The Non-executive Directors are each appointed for an initial period of three years, and their appointments may then be renewed on a three-yearly basis, subject to re-election when appropriate by the Company in a general meeting; in 2011 the Company adopted the practice of annual re-election of all Non-executive Directors. The key terms of current letters of appointment are as follows:

Non-executive Director	Position	Date of first appointment	Date of election/re-election
L Genovese	Chair	12 February 2019	2023 AGM
AC Andersen	Non-executive Director	1 March 2021	Not standing
G Dacomb	Non-executive Director	10 June 2019	2023 AGM
V Lisovenko	Non-executive Director	28 November 2016	2023 AGM
F MacAulay	Non-executive Director	12 August 2019	2023 AGM
N Polischuk	Non-executive Director	29 December 2021	2023 AGM
K Zhevago ¹	Non-executive Director	1 December 2020	Not standing

1. Mr Zhevago resigned as a Non-executive Director with effect from 29 December 2022.

Employee context

In making remuneration decisions, the Committee also considers the pay and employment conditions throughout the Group. Prior to the annual pay review and throughout the year, the Committee receives reports from the CEO setting out the circumstances surrounding, and potential changes to, broader employee pay. The CEO consults as appropriate with key employees and the relevant professionals throughout the Group. This forms part of the basis for determining changes in Executive Director and senior executive remuneration which also takes into consideration factors detailed earlier in this report.

Consideration of shareholder views

The Committee takes into consideration views expressed by shareholders regarding remuneration, either at the AGM, or by correspondence, or at one-to-one or Group meetings and shareholder events or otherwise by considering these views at the relevant Committee meetings which are subsequently reported to and considered by the Board as a whole. The Committee takes shareholder feedback into careful consideration when reviewing remuneration and regularly reviews the Directors’ remuneration policy in the context of key institutional shareholder guidelines and best practice. It is the Committee’s policy to consult with major shareholders prior to making any major changes to its executive remuneration structure.

Remuneration Report continued

Part B: Annual Report on Remuneration (audited)

The following section provides details of how the remuneration policy was implemented during the year. Throughout this report, the remuneration of Directors who are paid in foreign currencies are disclosed in local currencies to facilitate year-on-year comparisons, uninfluenced by exchange rate fluctuations.

Committee membership in 2022

The Committee comprises four Independent Non-executive Directors. Fiona MacAulay is Chair of the Remuneration Committee, with the other members of the Committee during the year being Graeme Dacomb, Vitalii Lisovenko and Ann-Christin Andersen. The Committee met on five scheduled occasions in 2022. Attendance at meetings by individual members is detailed in the Corporate Governance Report on page 89. A summary of the topics discussed at meetings in 2022 is set out in the Chair's Introductory Statement on pages 110 to 112.

The CEO and the Chief Human Resources Officer (the "CHRO") usually attend meetings of the Committee at the invitation of the Chair of the Committee, and the Company Secretary acts as secretary to the Committee. The Company Chair, other Non-executive Directors and other members of management may also attend meetings by invitation where appropriate. No Director is present when their own remuneration is being discussed.

Advisors

Following a competitive tender, the Committee appointed Korn Ferry in October 2019 to provide advice to the Committee. Korn Ferry is a member of the Remuneration Consultants Group and adheres to its code of conduct.

Korn Ferry's fees for services provided to the Committee in 2022 totalled £65,856 which were charged based on the time spent advising the Committee. Korn Ferry also provides general remuneration advice to management in respect of remuneration elsewhere in the Group. The Committee evaluates the support provided by its advisors periodically and is satisfied that the advice received is independent and objective and that the advisors did not have any connections with Ferrexpo which may impair their independence.

The CEO and the CHRO provide guidance to the Committee on remuneration packages of senior executives employed by the Group (but not in respect of their own remuneration).

Single total figure of remuneration – audited

The table below sets out in a single figure for each currency of payment the total remuneration received by Mr North for the year ending 31 December 2022 and the prior year.

	Salary ¹	Benefits ²	STIP ³	LTIP ⁴	Pension ⁵	Total (single figure) ⁶	Total fixed remuneration (single figure) ⁶	Total variable remuneration (single figure) ⁶
Executive Directors								
J North (2022)	US\$959,050	US\$221,183	US\$720,000	US\$246,618	–	US\$2,146,851	US\$1,180,233	US\$966,618
J North (2021)	US\$959,050	US\$196,948	US\$965,544	US\$351,922	–	US\$2,473,464	US\$1,155,998	US\$1,317,466

The figures have been calculated as follows:

1. Base salary: amount earned for the year.
2. Benefits: the taxable value of benefits received in the year (accommodation allowance/provision and healthcare).
3. STIP: the total bonus earned based on performance during the year. Further details are provided on pages 123 to 125.
4. LTIP: the market value of shares that vested based on performance to 31 December of the relevant year (2022: 71.6% vested and 2021: 100% vested). LTIP value includes dividends of US\$89,845 over the performance period from 1 January 2020 to 31 December 2022.
5. Pension: Mr North does not participate in a pension scheme in line with normal practice in Dubai. Whilst working in Dubai, under local legislation he accrues a lump-sum gratuity payment which is paid on leaving employment and is equivalent to c.8.33% of salary per year of his service. Within the reporting period an amount of US\$80,088 (2021: US\$111,234) was accrued towards the statutory gratuity.
6. Average exchange rates: 2022 – £1=US\$1.2105; 2021 – £1=US\$1.3757.
7. Mr North assumed the role of Acting CEO from the 2020 AGM on 28 May 2020 and was appointed CEO on 14 February 2022. Mr North was appointed to the Board on 5 July 2020. Remuneration for 2022 is in respect of the period as Acting CEO from 1 January to 13 February 2022 and as CEO from 14 February to 31 December 2022.

The table below sets out in a single figure for each currency of payment the total remuneration received by each Non-executive Director for the year ending 31 December 2022 and the prior year.

	All figures shown in currency of payment, US\$000							
	2022				2021			
	Fees	Benefits	Pension	Total	Fees	Benefits	Pension	Total
Non-executive Directors								
L Genovese (Chair) ¹	500	–	–	500	500	–	–	500
V Lisovenko (Senior Independent Director) ²	190	–	–	190	190	–	–	190
F MacAulay (Senior Independent Director) ^{2,3}	188	–	–	188	175	–	–	175
AC Andersen ³	153	–	–	153	113	–	–	113
G Dacomb ⁴	161	–	–	161	155	–	–	155
N Polischuk	136	–	–	136	–	–	–	–
K Zhevago ⁵	135	–	–	135 ⁶	135	–	–	135 ⁶

- Mr Genovese retired from the Ferrexpo plc Board on 1 August 2014 and was subsequently reappointed on 12 February 2019. He was appointed Chair of Ferrexpo plc on 25 August 2020. Mr Genovese also serves as a Non-executive Director of Ferrexpo AG and, in 2022, received a fee of US\$80,000 p.a (2021: US\$80,000).
- Mr Lisovenko served as the SID until 10 February 2022, the post was then assumed by Ms MacAulay with effect from 10 February 2022.
- Ms MacAulay served as Chair of the HSEC Committee until 9 February 2022, the post was then assumed by Ms Andersen with effect from 9 February 2022.
- In addition to his base fee, Mr Dacomb received a one off payment of US\$30,000 for additional time spent overseeing the preparation of the Group's financial accounts and dealing with the Group's external auditors.
- Mr Zhevago stepped aside from the role of CEO on 25 October 2019 following which he was appointed a Non-independent Non-executive Director of the Company. He continued to receive an annualised fee of US\$240,000 until 31 December 2020 when it was agreed that Mr Zhevago will receive a fee in line with other Non-executive Directors (i.e. US\$135,000). Mr Zhevago resigned from his role of Non-executive Director with effect from 29 December 2022.
- In addition, and to reflect Mr Zhevago's wider role at the Company in providing strategic advice and managing key relationships with stakeholders, he receives a consultancy fee set at US\$90,000 per year. This fee reflects the time commitment of the role and is kept under review. Mr Zhevago does not receive any wider Company benefits in connection with his consultancy role.

Implementation of remuneration policy

Salary

Base salaries are reviewed annually with reference to the individual's role, experience and performance; business performance; salary levels at relevant comparators; and the range of salary increases applying across the Group.

On being appointed to the position of CEO on 14 February 2022, Mr North's annual base salary was increased by US\$100,000. This increase was equivalent to the "acting up" allowance that Mr North received while serving as Acting CEO since May 2020. Following the Company's annual pay review, with salary budgets varying between 2% and 15% of payroll, the CEO salary was increased by 2% with effect from 1 January 2023 after having regard to his location and remuneration package.

Executive Director	Position	Base salary at:	
		1 January 2023	1 January 2022 ¹
J North	CEO	US\$978,240	US\$959,050

- This included an "acting up" allowance of US\$100,000 referred to above.

Pensions and other benefits – audited

The Group does not operate a separate pension scheme for Executive Directors. In line with standard company practice in Dubai, Mr North does not participate in a pension scheme. Whilst working in Dubai, under local legislation he accrues a lump-sum gratuity payment which is paid on leaving employment in the country and is accrued at a rate equivalent to c.8.33% of salary per year of his service. In the reporting period, an amount of US\$80,089 was accrued towards the statutory gratuity (2021: US\$111,234).

Mr North is eligible for other benefits whilst he is an Executive Director as set out in the Executive Director remuneration policy earlier in the report. This includes an allowance toward the cost of accommodation, schooling for his dependent children and use of a car in Dubai up to a maximum of US\$225,000 p.a. In 2022, Mr North utilised US\$204,687 of the allowance (2021: US\$185,589).

2022 STIP outcome – audited

The Company, as a single product producer of iron ore pellets with a focused customer portfolio, sets its performance targets to ensure that the Directors and senior executives are motivated to enhance shareholder value both in the short term and over the longer term.

Key performance targets based on the budget and the Company's key strategic priorities for 2022 were set for the Directors and senior executives. Targets during the year related to financial performance, ESG and operational performance, as well as strategic targets relating to enhancing female diversity in leadership positions. Safety (behavioural safety initiatives and improvements in risk management) was included as a modifier, decreasing the total result in the event of a fatality.

Remuneration Report continued

The targets and performance against these for 2022 are shown in the table below. Financial and operational targets are normalised, as in previous years, to take account of actual iron ore prices and sales pricing outside of a 5% band, operating forex losses or gains, and other major raw material cost price items such as gas, electricity and fuel prices as appropriate, to the extent that these were not under the direct control of management. These adjustments ensure that the targets fulfil their original intent and are no more or less challenging than when set in light of the adjustments made. No adjustments were made to safety, sales or production indicators such as volumes and costs.

The Committee has discretion to manage bonus outcomes retrospectively; it can confirm, increase, reduce or cancel bonus payments to reflect current market conditions and affordability.

In 2022, the threshold performance equated to a bonus potential of 50% of salary, on-target performance to a bonus potential of 75% of salary and stretch performance to a bonus potential of 150% of salary. The level of achievement against each of the targets for 2022, as determined by the Committee for Mr North as CEO, is summarised below.

Business scorecard (60% of STIP)

KPI	Measure/target	Weighting %	Threshold 50%	Target 75%	Stretch 150%	Scorecard outcome	Assessment	Max as a % of salary	Bonus awarded as a % of salary
Financial	Group EBITDA (US\$, million)	15.0%	581	623	665	345	Below threshold	22.5%	0.0%
ESG	LTIFR <WA Mines trailing 5yr average (%)	5.0%	-10.0%	-30.0%	-50.0%	-38.2%	Above target	7.5%	5.3%
	Diversity Ratio (% Women in leadership (grade 10+))	5.0%	19.7%	20.7%	21.2%	20.1%	Below target	7.5%	5.1%
	Carbon reduction (reduction from 2019 as a base)	5.0%	-1.0%	-3.0%	-5.0%	-0.7%	Below threshold	7.5%	0.0%
Operational	Production from own ore (GPL+Y) (kt)	10.0%	11,450	12,091	12,200	6,053	Below threshold	15.0%	0.0%
	Full Cash Costs reported (C1 costs GPL+Y) (US\$/tonne)	5.0%	62.1	61.1	59.6	52.3	Stretch achieved	7.5%	7.5%
	FYM Total Movement Cost (US\$/tonne)	5.0%	3.4	3.2	3.1	3.7	Below threshold	7.5%	0.0%
Sales & Marketing	Pellet stockpile (kt)	10.0%	400	200	100	167	Above target	15.0%	10.0%
Total		60.0%						90.0%	27.9%
Scorecard outcome									27.9%

In determining the outcome for the Business scorecard, the Committee reflected that 2022 had been an unprecedented year for the Business. In response, management took appropriate steps to protect the workforce and maintain business continuity. In respect of financial targets, it was noted that the Company had been unable to fully run production as a result of attacks by Russia on electrical infrastructure. This together with higher primary energy costs, such as oil and electricity, as well as the cost maintenance spares were impacted by devaluation of the local currency against the dollar. These factors had all served to have a negative effect on the scorecard's EBITDA, and Operational results. Similarly, some of the positive progress made in respect of ESG targets in the previous year, had been eroded while safety had remained good, including exceeding safety, diversity and carbon reduction targets but mining volumes had to be flexed and therefore production volumes had not been achieved. This lower than threshold result had also impacted target pellet production which was consequently below threshold. Although lower than budget, the Committee considered that production volumes were notable given the context of the war. Reflecting on the impact of these items on the overall scorecard outcome, the Committee did not adjust the overall result and confirmed an outcome of 27.9% (against a maximum of 90%) for all participants.

Strategic objectives (40% of STIP)

Objective	Weighting	Threshold 50%	Target 75%	Stretch 150%	Outcome	Assessment	Max as a % of salary	Bonus awarded as a % of salary
Decarbonisation strategy	10.0%	Ricardo strategy confirmation completed	Mining fleet electrification approved	Ahead of carbon reduction profile	Between threshold and target	Pathway communicated to the market	15.0%	5.8%
One Ferrexpo and Optimise Group structures	10.0%	Implementation of operational One Ferrexpo planned objectives	Review and optimisation plan for future global tax regime	Approved and Implementation under way	Stretch	Optimisation plan developed and in execution	15.0%	15.0%
Effective Crisis Management	5.0%	CMT Response developed	Effective Management	Business Continuity maintained	Stretch	Business continuity maintained	15.0%	15.0%
Project Development	10.0%	Implementation of planned activities for 2022	Low grade processing strategy completed	External communication of growth plans as part of analyst site visit	Target	Strategy presented to Board & ready for approval when capital programme can be executed post war	7.5%	5.0%
Underground Mine Feasibility Study	5.0%	Strategy developed to recommence U/G drilling programme post conflict	Plan & progress with U/G feasibility study shared and actions agreed with Board	All FY2022 actions successfully completed arising from Board presentation	Between target and stretch	Drilling program continued with own resources due to withdrawal of external drillers due to war; studies presented to the Board with options and development and development prioritisations	7.5%	6.4%
Total	40.0%						60.0%	47.2%
Total STIP (Composite result of business scorecard and personal objectives achievement)							150.0%	75.1%
Outcome as a percentage of salary							75.1%	

The Committee considered Mr North's personal performance against his strategic targets during 2022 as shown above and confirmed that the CEO had made a significant contribution to maintaining business continuity in the very challenging and difficult operating environment of the invasion of Ukraine by Russia. This was largely due to the leadership and strong personal performance of the CEO. Despite most KPIs being directly impacted by the war, the CEO had nevertheless been able to achieve all but one strategic KPI at target or above. The Committee was therefore comfortable with confirming the payment of a bonus at 47.2% of salary in respect of his personal strategic objectives and did not use any discretion.

In light of the performance delivered against the targets set both from the business scorecard and from his personal strategic objectives, the Committee determined that a bonus of 50% of the maximum (75.1% of salary) was earned by the CEO. In determining that the final bonus amount was appropriate, the Committee had regard to the wider stakeholder experience during the year, including the returns generated for shareholders and the bonus awards made across the executive leadership team which were calculated on the same basis.

In line with the policy, 25% of the bonus (net of tax) will be deferred into shares which will be released after two years.

STIP framework for 2023

The CEO's 2023 STIP opportunity will remain at 150% of salary for maximum performance, calculated as a percentage of salary earned during the year. A balanced scorecard of financial, operational, ESG and strategic targets will again operate. Due to commercial sensitivity, details of performance targets will be disclosed retrospectively and in certain instances may be aggregated.

25% of any bonus earned, net of any tax, will either be required to be deferred into shares for two years, or alternatively, the Committee may determine that 25% of any bonus earned is deferred into a share award which vests after two years.

Remuneration Report continued

KPI	Weighting
Financial	
Underlying cash EBITDA	15.0%
ESG	
Safety	
Diversity	
Carbon reduction	15.0%
Operational	
Production	
C1 cost [^] management	
Total mining movement cost	20.0%
Sales and Marketing	
Pellets stockpile	10.0%
Strategic	
Organisational growth	
Organisational optimisation	
Project development	
Decarbonisation execution	40.0%
Total	100.0%

LTIP award vesting (audited)

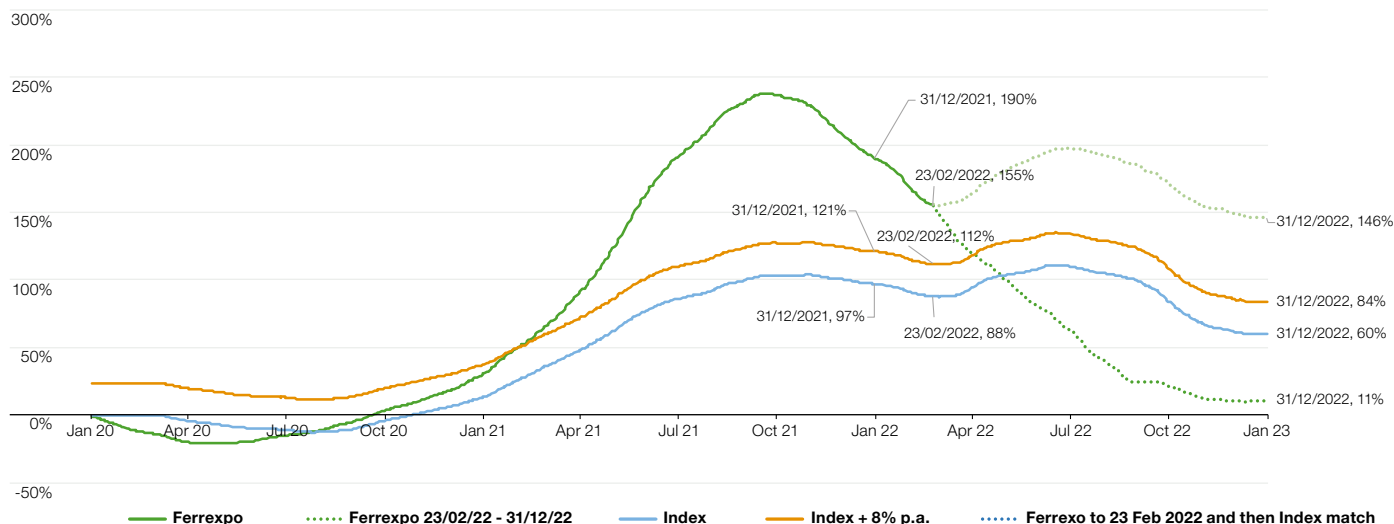
The performance period for the 2020 LTIP awards ended on 31 December 2022. The 2020 LTIP rewarded TSR outperformance of a tailored comparator group with 20% of the maximum award vests for TSR performance in line with the index, rising to full vesting for TSR outperformance of 8% p.a.

As detailed in the Chair's Introductory Statement, in light of the Russian invasion of Ukraine, the Committee considered this to be an exceptional event and determined that it was appropriate to adjust (i) the basis of testing the performance condition (i.e. to track Ferrexpo's TSR performance from the Russian invasion of Ukraine forward in line with Index of its TSR comparator group) and (ii) reduce the maximum potential vesting arising from the award proportionate to the start of the performance period to the Russian invasion of Ukraine on 24 February 2022 (i.e. the original number of shares was reduced to 71.6% of the initial award being the portion of the performance period elapsed prior to the Russian invasion of Ukraine on 24 February 2022).

If the TSR condition is tested based on Ferrexpo's TSR over the full performance period, the award would not vest with Ferrexpo delivering a TSR of 11% over the performance period versus the TSR of the Index of 60%. However, tracking performance forward from the date of the invasion results in an adjusted TSR of 146% as detailed in the chart below.

With the performance condition being met at 100% on the basis described above, 71.6% of the original award will vest.

For completeness, the chart below provides a summary of Ferrexpo's relative performance over the full three year performance period and the impact of the amendment to the basis on which the condition was tested (the dotted blue lines being Ferrexpo's actual TSR performance post the Russian invasion of Ukraine and also tracking performance forward in line with the Index). The chart is based on a six-month rolling average TSR which is consistent with how TSR performance condition is tested for awards prior to 2022).

Ferrexpo 2020 Award – TSR performance

For completeness, the Committee was comfortable with the vesting outcome at 71.6% for the following reasons:

- With Ferrexpo's assets solely in Ukraine, it was directly impacted by the Russian invasion in a way that did not apply to other comparator companies.
- The Committee took account of the overall shareholder experience which was an 11% TSR over the full performance period notwithstanding the Russian Invasion of Ukraine through reducing the maximum number of shares available to vest.
- At the point of the Russian invasion of Ukraine Ferrexpo's TSR was 67% above the TSR performance of the comparator Index and 43% above the maximum outperformance of the Index (+8% p.a.) required for maximum vesting as illustrated in the simplified performance test in the chart opposite. As with prior awards, the comparator companies in the Index had a 60% weighting on iron ore miners (Cleveland Cliffs, Fortescue Metals, Kumba Iron Ore and Mount Gibson Iron) and a 40% weighting on composite miners (BHP Billiton, Rio Tinto, Glencore and Vale).
- Tracking Ferrexpo forward in line with the Index from the date of the Russian invasion to the end of the performance period resulted sustained out-performance of the Index and the out-performance of the Index required for maximum vesting.
- All participants in the plan will be treated consistently since they are all considered by the Committee to have contributed to managing the Company through exceptional circumstances following the Russian invasion and supported the delivery of exceptional performance and shareholder value creation prior to the Russian invasion.
- The Committee did consider whether the CEO should be treated differently to wider participants in the 2020 LTIP, but noting his exceptional leadership, especially since his appointment as CEO in May 2020 and the fact that his 2020 LTIP award was granted prior to his appointment to the Board (being over shares worth 22% of salary at grant), the Committee concluded that the adjustment to the testing of the performance condition should apply to the CEO as well as wider participants.
- The Committee considered the potential for windfall gains in relation to the vesting of the 2020 award and noted that (i) the awards were granted based on a share price of £1.43 which was a share price taken prior to the onset of COVID (i.e. it predated the general market fall from February through May 2020) and (ii) the impact of the Russian invasion has been to reduce the share price at vesting. As result, the Committee was comfortable that there was no potential for windfall gains in the 2020 award vesting.

Overall, the Committee is comfortable with the use of discretion noted above to adjust the basis of testing the TSR target and the overall relationship between performance and reward achieved in 2020 in what have been exceptional circumstances.

Mr North was granted the 2020 LTIP award in respect of his role as Chief Operating Officer. Details of the number of shares vesting are set out in the table below.

	Date of grant	Number of shares	Award share price ¹	Value awarded based on grant price	Vesting percentage	Number of shares vesting	Value vesting based on grant price	Share price at date of vesting ²	Value based on vesting price ³	Impact of share price appreciation
J North	27.03.20	117,000	142.7p	£166,959	72%	83,772	£119,543	136.8p	£114,600	(4%)

1. Based on the average share price over the three-month period from 1 October to 31 December 2019 preceding the start of the performance period.

2. Based on the three-month average share price to 31 December 2022 of 136.8 pence.

3. Excludes value of 35,540 shares in lieu of dividends throughout 2022.

LTIP granted in 2022 (audited)

Mr North was granted a 2022 LTIP award in respect of 152,400 shares, which had a face value of 45.7% of salary based on the share price on the date of grant of 186.9 pence.

Executive Director	Date of grant	Number of shares	Face value	Face value (% of salary)	Vesting for minimum performance (% of maximum)	End of performance period
J North	01.06.22	152,400	£376,580	46%	20%	31.05.25

The 2022 LTIP award will vest to the extent that the performance conditions set out below are met. Given the uncertainty created by the initial impact of the invasion of Ukraine by Russia on the business in early 2022, the Committee deferred the grant of the award until June to enable an assessment of the scale of the conflict to be undertaken. Concluding that the conflict was unlikely to be a short term event, the Committee resolved to grant the 2022 awards on similar terms as in prior years. However, reflecting the delay to the award, the performance period over which TSR will be tested was set to run from 1 June 2022 to 31 May 2025 as opposed to the three years ending 31 December 2024. The Production and Carbon emission reduction measures will continue to be assessed over the three financial years to 31 December 2024 to align with reported numbers included in the year end Annual Report and Accounts.

The change to the performance period for measuring TSR resulted in the Committee changing the base averaging period for TSR prior to the start and end of the performance period from six to three months for all companies. This ensured that the impact of the Russian invasion of Ukraine was captured in the performance condition. At the same time as making these changes, the Committee also introduced a windfall gain provision to ensure that if there was an immediate bounce back in the Company's share price due to the conflict being resolved quickly, that this could be taken into account in any vesting. This provision also took into account the lower average share price at the time of grant used to determine the number of shares in the awards being £1.87 for 2022 versus £2.16 for 2021. Other factors noted by the Committee when the awards were granted were the exceptional circumstances in place, the application of consistent principles to all participants in determining the size of individual awards and the fact that this was the first award granted to Jim North following his appointment as permanent CEO and the relatively modest headline grant levels (e.g. 45.7% of salary) at a time when the retention and motivation of key talent was critical to the Company.

Consistent with the inclusion of the windfall gain provision, and the Committee's broader discretion, at the time of vesting the Committee will consider whether any adjustments to the awards are required for example to ensure that the formulaic outcome is in line with underlying intent of the performance conditions (e.g. did lower production than planned impact the achievability of carbon reduction targets).

Remuneration Report continued

A two-year holding period will apply to any shares that vest and in line with the policy, malus and clawback provisions also apply to the award.

Performance condition	Weighting	Threshold target (20% vests)	Maximum target (100% vests)	Straight line vesting takes place between performance points
TSR ¹	75.0%	Index	Index + 8.0% p.a.	
Production of 67% Fe pellets ²	12.5%	3.0% over period	7.0% over period	
Carbon emissions reduction	12.5%	3.0% p.a.	5.0% p.a.	

1. TSR is measured against an index of iron ore and diversified miners. The constituents of the index for the recent awards are summarised in the table below.

2. Subject to the re-opening of export port facilities enabling delivery to DR-pellet customers.

		2019	2020	2021	2022
Focused iron ore miners	Weighting	60%	60%	60%	60%
Cleveland-Cliffs		✓	✓	✓	✓
Fortescue Metals		✓	✓	✓	✓
Kumba Iron Ore		✓	✓	✓	✓
Mount Gibson		✓	✓	✓	✓
Mineral Resources ¹		–	–	✓	✓
Global diversified miners	Weighting	40%	40%	40%	40%
Anglo American ¹		–	–	✓	✓
BHP		✓	✓	✓	✓
Rio Tinto		✓	✓	✓	✓
Vale		✓	✓	✓	✓
Glencore		✓	✓	✓	✓

1. The Committee reviewed the constituents of the comparator index in 2021 and included Mineral Resources in the Focused iron ore miners and Anglo American in the Global diversified miners given the nature and scale of their operations

TSR is calculated on a common currency basis to ensure that comparisons with international comparators listed overseas are fair, with a TSR share price averaging period of three months for the 2022 award to ensure short-term movements in Ferrexpo's share price or the share price of comparator companies does not unduly impact the performance assessment and the impact of the war in Ukraine was captured by the TSR target.

Dividends accrue on performance shares over the vesting period and are paid on shares that vest. Dividends that arise post vesting are paid to participants in shares.

LTIP framework for 2023

This Directors' Remuneration Report is published prior to the grant date of awards under the LTIP. The Committee intends to grant Mr North an LTIP award which is expected to have a face value of c.45% of his CEO salary which sits at the lower end of the award possible under the policy.

The number of shares under Mr North's LTIP award for 2023 will be based on the share price prevailing at the time the size of his LTIP award is set and the Committee will retain the ability to adjust the number of shares vesting in the event that there was to be a perceived windfall gain.

The performance metrics for the 2023 LTIP awards will be based on a mix of TSR, production and sustainability targets.

- The relative TSR target will determine 85% of the 2023 LTIP award based on our performance measured relative to the performance of an index derived from a group of iron ore and composite miners with vesting taking place between matching the index and outperforming the index by 8% p.a. (see above for details of the index constituents which will be the same as per the 2022 award).
- The production target will relate to 15% of the 2023 LTIP award and directly aligns with the core strategic objective of improving the product mix to higher grade iron ore pellets. We are targeting increased production in pellets above 65% Fe (i.e. DR pellets) of between 3% and 7% over the period to the end of 2025.

The 2023 TSR and production targets detailed above are aligned with those used for the 2022 award but the weightings have been increased from 75% and 12.5% respectively. The carbon reduction targets used in 2022 had been removed for 2023. Given the impact of the Russian invasion on the Company's energy usage and ability to invest in new technologies, the Committee considers it more appropriate to retain discretion to reduce vesting if progress in delivering the Board's carbon reduction objectives is not achieved, allowing for the dynamic circumstances in place as a result of the Russian invasion. This is envisaged as a temporary change to the current application of the Remuneration policy.

Under the TSR and production metrics, 20% of the award vests at the threshold performance level rising to 100% at maximum performance levels. Each target operates independently.

Any shares vesting from these awards will be subject to a two-year holding period and recovery provisions (as detailed in the Remuneration Policy on page 117 will apply should it be required).

Non-executive Directors (including the Chair)

The fee for the Chair, Lucio Genovese, was reviewed in 2022 considering the time commitment of the role, noting that additional time above and beyond that of the typical FTSE 250 Board Chair is required at Ferrexpo given the jurisdictions in which the Company operates, especially in light of Russia's current invasion of Ukraine and the need to engage proactively with the broad range of Company stakeholders. For 2023, the Remuneration Committee determined that the Chair fee should increase by 5% and be set at US\$525,000 per year. This level of fee was recommended given the time commitment involved and considering that fees for the Chair and the Non-executive Directors have not risen for a considerable period of time and, with inflation, have declined in real terms and not kept up with increases in remuneration for the wider workforce. The Board was comfortable that this level of fee for the Chair was appropriate and reflected the additional time commitment and requirements of the role.

The Non-executive Directors' fees were also reviewed in light of the workload and time commitment increasing and taking into account all relevant factors including external market levels and considering the level of involvement that Non-executive Directors are required to devote to the activities of the Board and its Committees. For 2023, the Board (excluding the Non-executive Directors) determined that all Non-executive Directors should receive a base fee of US\$142,000 p.a. Given the time commitment involved, the Board was comfortable this was an appropriate base fee for all Non-executive Directors.

Role	Current fee levels	Change
Chair fee	US\$525,000	+5.0%
Non-executive Director base fee	US\$142,000	+5.2%
Committee Chair fee ¹	US\$20,000	N/A
Senior Independent Director fee	US\$35,000	N/A
Audit Chair fee ²	US\$35,000	+75.0%
Remuneration Chair fee ³	US\$25,000	+25.0%
Employee Engagement Director fee	US\$35,000	N/A

1. The fee applies to the Chairs of Committee of Independent Directors, Health, Safety, Environment and Community Committee and Nominations Committee.

2. Audit Chair fee increased from US\$20,000 to US\$35,000 with effect from 1 August 2022.

3. Remuneration Chair fee increased from US\$20,000 to US\$25,000 with effect from 1 March 2023.

In addition to his fee for Chair of the Board, Mr Genovese serves as a Non-executive Director of Ferrexpo AG for which he received a fee of US\$80,000 in 2022.

As previously disclosed, Mr Zhevago stepped aside from the role of CEO in October 2019 and from this time served as a Non-independent Non-executive Director. During 2020, his remuneration arrangements were reviewed and from 1 December 2020 Mr Zhevago received a fee in line with other Non-executive Directors (i.e. US\$135,000 p.a.). Mr Zhevago stepped down from the Board with effect from 29 December 2022. He received no further remuneration for his role on the Board from this date. Mr Zhevago receives a consultancy fee for providing strategic advice to the CEO and the Acting Chief Marketing Officer ("CMO") and for management of relationships with stakeholders. The consultancy fee is set at US\$90,000 p.a. and reflects the expected time commitment of the role and is kept under review. He does not receive any wider Company benefits in connection with this role.

Directors' shareholdings (audited)

Total interests of the Directors in office (and connected persons) as at 31 December 2022:

	At 31 December 2022	At 31 December 2021
AC Andersen	–	–
G Dacomb	–	–
L Genovese	233,651	233,651
V Lisovenko	–	–
F MacAulay	3,536	–
J North	566,233	336,364
K Zhevago ¹	296,077,944	296,077,944

1. Mr Zhevago is interested in these shares as a beneficiary of The Minco Trust, which is the ultimate shareholder of Fevamotoinico S.a.r.l., which owns 296,077,944 shares in the Company. Mr Zhevago resigned from the Board on 29 December 2022.

Executive Directors are subject to shareholding requirements under which they are required to build up a holding of shares of equivalent value to 200% of salary. Executive Directors will be expected to retain their vested LTIP shares on an after tax basis until the required level is achieved. Shares deferred under the annual bonus (from 2022) and shares that have vested under the LTIP but which are still subject to the two-year holding period will also count towards the guideline, on a net of tax basis if applicable.

A post-employment share ownership guideline applies under which departing Executive Directors will be expected to retain the lower of their share ownership at cessation of employment and 200% of salary for a minimum period of two years. As with the 'in service' share ownership guideline, shares deferred under the annual bonus (from 2022, on an after-tax basis) and all shares which vest under existing and future long-term incentive plan awards (after tax) will count for the purposes of the post-cessation guideline. The Committee will retain discretion to disapply the guideline in exceptional circumstances (e.g. death).

Remuneration Report continued

Mr North's shareholding against the guideline as at 31 December 2022 was as follows:

	Shareholding requirement (% salary)	Owned outright	Subject to performance ¹	Current shareholding ² (% salary)	Requirement met?
J North	200%	566,233	240,200	112.4%	In progress

1. Performance awards are conditional awards. Further details of shares subject to performance are provided below.
2. Based only on shares owned outright at 31 December 2022 and a share price of 157.2 pence on 31 December 2022 and an exchange rate of £1=US\$1.21.

Details of LTIP awards held by Mr North (which are subject to performance) are provided below.

	Award	At 1 January 2022	Granted (2022 award)	Vested	Lapsed	Total at 31 December 2022	Award share price (pence) ¹	End of performance period
J North	2020 Award ²	117,000	–	83,772	33,228	0	142.7	01.01.23
	2021 Award	87,800	–	–	–	87,800	216.4	01.01.24
	2022 Award	–	152,400	–	–	152,400	247.1	30.05.25
Total		204,800	152,400	83,772	33,228	240,200		

1. Based on the average share price over the three-month period preceding the start of the performance period. For the 2022 Award, based on the three-month volume weighted average price prior to 28 February 2022 of 247.1 pence.
2. The number of shares for the 2020 award was reduced to 71.6% of the initial award being the portion of the performance period elapsed prior to the Russian invasion of Ukraine 24 February 2022.

There have been no changes in the interests of the Directors from the end of the period under review to 14 March 2023 being a date not more than one month prior to the date of notice of the AGM. Total outstanding (i.e. awarded but not yet vested) awards granted under the LTIP as at the end of 2022 are equivalent to 0.040% of issued share capital.

Payments to past Directors and for loss of office (audited)

Mr Genovese serves as a Non-executive Director of Ferrexpo AG and, in 2021, received a fee of US\$80,000 p.a. Wolfram Kuoni retired from the Ferrexpo plc Board on 28 November 2016 and serves as the Chair of Ferrexpo AG, for which he received a fee of US\$100,000 p.a. in 2022.

No other payments were made to past Directors in the year.

Percentage change in Directors' remuneration compared to employees

The table below sets out the percentage change in salary, taxable benefits and annual bonus between 2021 and 2020, and prior periods for the Directors of the Company and the average for an all-employee population.

	2021 vs 2022			2020 vs 2021			2019 vs 2020		
	Change in salary/fees	Change in benefits	Change in bonus	Change in salary/fees	Change in benefits	Change in bonus	Change in salary/fees	Change in benefits	Change in bonus
All employee average¹	3.0%	0%	-16.8%	13.4%	0%	37.1%	24.0%	0%	2.9%
J North (CEO) ²	0%	9.8%	-25.5%	0%	1,703.4%	-0.5%	11.6%	0%	12.8%
L Genovese (Chair) ³	0%	0%	0%	0%	0%	0%	400.0%	0%	0%
V Lisovenko (EED/SID) ⁴	0%	0%	0%	0%	0%	0%	0%	0%	0%
AC Andersen ⁵	0%	0%	0%	–	–	–	–	–	–
G Dacomb ⁶	9.7%	0%	0%	0%	0%	0%	35.0%	0%	0%
F MacAulay ⁷ (SID)	0%	0%	0%	0%	0%	0%	35.0%	0%	0%
N Polischuk ⁸	0%	0%	0%	–	–	–	–	–	–
K Zhevago ⁹	0%	0%	0%	0%	0%	0%	-44.0%	-100.0%	0%

1. The All Employee population is based on the remuneration for the Executive Committee excluding the CEO. This population is being used as Ferrexpo plc does not have any employees. The chosen population is considered the most relevant employee comparative group given the Group-wide nature of roles performed by incumbents.
2. Mr North, the CEO, was appointed to the Board in July 2020. In 2022, Mr North received Company-provided healthcare and a location allowance totalling US\$221,183.
3. Mr Genovese was appointed to the Board in February 2019 and appointed Chair in August 2020.
4. Mr Lisovenko served as SID from August 2019 until February 2022 when he was appointed Employee Engagement Director ("EED") and received the same additional fee as when he served as SID.
5. Ms Andersen was appointed to the Board in March 2021. There is no comparable information for prior years and therefore percentage changes are not shown above.
6. Mr Dacomb was appointed to the Board in June 2019. In August 2022, his fee was increased as a Chair of the Audit Committee.
7. Ms MacAulay was appointed to the Board in August 2019, and was appointed SID in February 2022.
8. Ms Polischuk was appointed to the Board in December 2021.
9. Mr Zhevago stepped aside from the role of CEO in October 2019 and served as a Non-executive Director until he resigned from the role with effect from 29 December 2022.

Relative importance of spending on pay

The table below shows Ferrexpo's dividend and total employee pay expenditure (this includes pension and variable pay, including STIP and fair value of LTIP, but not social security) for the financial years ended 31 December 2021 and 31 December 2022, and the percentage change.

US\$ million	2022	2021	Year-on-year change
All-employee remuneration	84	95	-11.4%
Distributions to shareholders ¹	155	619	-75.0%

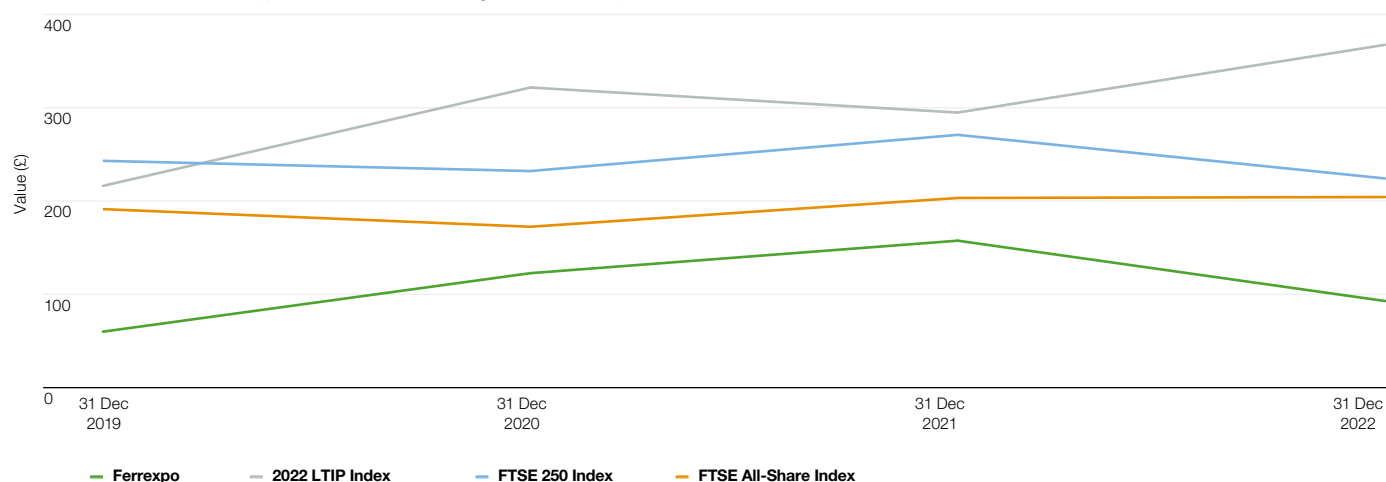
1. Includes dividends and share buy-backs.

Comparison of Company performance and Executive Director pay

The graph shows the value, at 31 December 2022, of £100 invested in Ferrexpo's shares on 31 December 2012 compared with the current value of the same amount invested in the FTSE 250 and All-Share indices and in the shares of the LTIP comparator group. The FTSE 250 and All-Share indices are chosen because Ferrexpo was a constituent member of the FTSE 250 for the majority of the period.

Historical TSR performance

Growth in the value of a hypothetical £100 holding over the ten years to 31 December 2022.



Chief Executive Officer's pay

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
	KZ	KZ	KZ	KZ	KZ	KZ	KZ	CM/JN	JN	JN
Single figure total remuneration (US\$000) ¹	243	243	243	243	255	251	257	595/1,147	2,473	2,147
STIP vesting (% max)								36/67	67	50
LTIP vesting (% max)								0/0	100	72

1. 2020 single figure remuneration total based on the total for Mr Mawe in the period from 1 January to 28 May 2020 and for Mr North in the period between 28 May and 31 December 2020.

Statement of shareholder voting

The following table shows the results of the binding vote on the remuneration policy and the advisory vote on the 2021 Remuneration Report at the 2021 and 2022 AGMs, respectively.

	For		Against		Withheld
	Shares (millions)	%	Shares (millions)	%	Shares (millions)
Remuneration Policy (at 2021 AGM)	499	98.1%	10	1.9%	0
2021 Remuneration Report (at 2022 AGM)	492	99.2%	4	0.8%	0

This report was approved by the Board on 14 March 2023.

Signed on behalf of the Board

Fiona MacAulay

Chair of the Remuneration Committee

14 March 2023

Directors' Report

Introduction

The Company was incorporated under the name Ferrexpo plc as a public company limited by shares on 22 April 2005. Ferrexpo plc listed on the London Stock Exchange in June 2007 and is a member of the FTSE 250 Index.

The Directors present their Annual Report and Accounts on the affairs of the Group, together with the financial statements and auditor's report, for the year ended 31 December 2022.

The Russian invasion into Ukraine on 24 February 2022, which is ongoing, has resulted in a significant impairment loss on the Group's non-current assets as at 31 December 2022 and there could be a further financial impact on the Group's non-current assets in the future (see Notes 13 Property, plant and equipment for further details), which is predominantly dependent on the Group's cash flow generation and the macro-economic environment at the point of time of future impairment tests.

In addition, the war poses a material uncertainty in respect of the Group's going concern assessment (see Note 2 Basis of preparation to the Consolidated Financial Statements on page 156 for further details).

Information about the use of financial instruments by the Group is given in Note 27 Financial instruments to the Consolidated Financial Statements on page 188.

Dividends

Results for the year are set out in the Consolidated Income Statement on page 151.

Overall, in 2022 the Group paid out dividends of US\$155 million, a 75% decrease compared to 2021 (US\$619 million).

In view of Russia's invasion of Ukraine, the Board has decided not to declare an interim dividend in conjunction with the Group's full year results for 2022. The Board will continue to assess the situation and, when appropriate, will make a decision in relation to shareholder returns.

Directors

The Directors of the Company who served during the year and up to the date of approval were:

- Ann-Christin Andersen
- Graeme Dacomb
- Lucio Genovese
- Vitalii Lisovenko
- Fiona MacAulay
- Jim North
- Natalie Polischuk
- Kostyantyn Zhevago (resigned 29 December 2022)

Except for Ann-Christin Andersen, who will not stand for re-election at the forthcoming AGM, all of the current Directors will retire at the forthcoming AGM and, being eligible, will offer themselves for re-election.

Further details about the Directors and their roles within the Group are set out in the Directors' biographies on pages 82 to 83. Details of the remuneration of the Directors, their interests in shares of the Company and their service contracts or letters of appointment are contained in the Remuneration Report on pages 110 to 131.

Appointment and replacement of Directors

Directors may be elected by the shareholders (by ordinary resolution) or appointed by the Board. A Director appointed by the Board holds office only until the next AGM and is then eligible for election by the shareholders.

Powers of the Directors

Subject to the Articles, the Act and any directions given by special resolution, the business of the Company will be managed by the Board which may exercise all the powers of the Company.

Directors' and officers' insurance

The Company maintains Directors' and Officers' Liability Insurance in respect of legal action that may be brought against its Directors and Officers.

Directors' indemnity provision

During the period under review, the Group had in force a qualifying third party indemnity provision in favour of each of the Directors of Ferrexpo plc against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Act.

Additional disclosures

Additional disclosures which are incorporated by reference into this Directors' Report, including any information required in accordance with Listing Rule 9.8.4R of the FCA's Listing Rules or the Act can be located as set out in the following table:

		Page
Capitalised interest (LR 9.8.4R (1))	See Note 10 Net finance expense to the Consolidated Financial Statements	164
Details of long-term incentive schemes (LR 9.8.4R (4))	Remuneration Report	117
Contracts of significance (LR 9.8.4R (10))	See Note 30 Commitments, contingencies and legal disputes and Note 34 Related party disclosures to the Consolidated Financial Statements. Transactions with FC Vorskla are considered to be contracts of significance under the Listing Rules	199
Contracts for the provision of services by a controlling shareholder (LR 9.8.4R(11))	See Remuneration Report for details of the consultancy agreement entered into with Mr Zhevago	129
Details of waivers of dividends by shareholders (LR 9.8.4R (12) and (13))	As at 14 March 2023, the Employee Benefit Trusts contain 10,090,370 Ferrexpo Ordinary Shares for satisfying existing and future awards under management incentive schemes. A dividend waiver is in place in respect of these shares.	–
Relationship Agreement with controlling shareholder (LR 9.8.4R (14)). Also see Note 34 Related party disclosures	Corporate Governance Report	88
Disclosures concerning greenhouse gas emissions	Strategic Report	36
Engagement with suppliers, customers and others	Strategic Report and pages 50 to 51	
Financial instruments	The Group does not hold any derivative financial instruments. Group policy on financial instruments is set out in Note 27 Financial instruments to the Consolidated Financial Statements	188
Events since the balance sheet date	See Note 35 Events after the reporting period to the Consolidated Financial Statements	204
Statement of Directors' responsibilities in respect of the Annual Report and Accounts	Corporate Governance Report	137
Information that fulfils the requirements of DTR 7.2 (other than DTR 7.2.6)	Corporate Governance Report	78

Disclosures required by statute

Employees

Information on the Group's employment policies can be found in the Strategic Report on pages 42 to 43. Employee numbers are stated in Note 29 Employees to the Consolidated Financial Statements on page 196. The Group employs fewer than 250 staff in the United Kingdom and therefore it does not disclose its policies on employee involvement or employing disabled people. However, the Group gives fair consideration to applications for employment from disabled people.

Political donations

The Group made no political donations, political expenditure or political contributions during the year.

Energy consumption and greenhouse gas emissions reporting

In the UK, our energy consumption is less than 40,000kWh, which is below the threshold for energy and greenhouse gas emissions disclosure. The Group does report on its global energy consumption and greenhouse gas emissions and this information can be found in the Strategic Report on page 36. UK energy consumption was the equivalent of less than 0.001% (2021: 0.001%) of the Group's energy consumption in 2022 and UK greenhouse gas emissions were the equivalent of less than 0.001% (2021: 0.001%) of the Group's greenhouse gas emissions in 2022.

Share capital and rights attaching to the Company's shares

The Company has a single class of Ordinary Shares of 10 pence each.

Subject to applicable statutes and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. At each AGM, the Board proposes to put in place annual shareholder authority for the Company's Directors to allot new shares in accordance with relevant institutional investor guidelines.

Details of the issued share capital of the Company are shown in Note 31 Share capital and reserves to the Consolidated Financial Statements on page 199.

Directors' Report continued

Variation of rights

Subject to the provisions of the Act, the rights attached to a class of shares may be varied or abrogated either with the consent in writing of the holders of at least three-quarters of the nominal amount of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the Articles.

Transfer of shares

Any share in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the Uncertificated Securities Regulations 2001 and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Subject to the Articles, any member may transfer all or any of their certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The Board may decline to register a transfer of a certificated share if it is not in the approved form. The Board may also decline to register any transfer of any share which is not a fully paid share. The Board may decline to register a transfer of any of the Company's certificated shares by a person with a 0.25% or greater interest if such a person has been served with a notice and has failed within 14 days to provide the Company with information concerning interests in those shares required to be provided under the Act, unless the transfer is shown to the Board to be pursuant to an arm's length sale.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

Repurchase of shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Act. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

The Company was given authority to make market purchases of up to approximately 10% of its existing Ordinary Share capital by a resolution passed on 15 June 2022. This authority will expire at the conclusion of the Company's 2023 AGM. A special resolution to renew the authority will be proposed at the forthcoming AGM. Details of the resolution renewing the authority to purchase Ordinary Shares will be set out in the Notice of AGM.

The Company did not make use of the authority mentioned above during 2022.

Dividends and distributions

Subject to the provisions of the Act, the shareholders may by ordinary resolution, from time to time, declare dividends not exceeding the amount recommended by the Board. The Board may pay interim dividends and also any fixed rate dividends whenever the financial position of the Group, in the opinion of the Board, justifies their payment.

Under the Company's Articles, the Board may withhold payment of all or any part of any dividends or other monies payable in respect of the Company's shares from a person with a 0.25% or greater interest (as defined in the Articles) if such person has been served with a notice under Section 793 of the Act and has failed within 14 days to provide the Company with information concerning interests in those shares required to be provided under the Act.

Voting

At a general meeting of the Company, every member has one vote on a show of hands and, on a poll, one vote for each share held. Under the Act, members are entitled to appoint a proxy or proxies to exercise all or any of their rights to attend, speak and vote at a general meeting. A member that is a corporation may appoint one or more individuals to act on its behalf at a general meeting as a corporate representative.

Restrictions on voting

No member is entitled to vote at any general meeting in respect of any shares held by them if any call or other sum outstanding in respect of that share remains unpaid. Currently, all issued shares are fully paid. In addition, subject to the Articles, no member shall be entitled to vote if they have failed to provide the Company with information concerning interests in those shares required to be provided under the Act.

Shares held in the Employee Benefit Trust ("EBT")

The trustees of the Company's EBT may vote or abstain from voting on shares held in the EBT as they think fit and in doing so may take into account both financial and non-financial interests of the beneficiaries of the EBT or their dependants.

Deadline for voting rights

The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the meeting. The Directors will also specify in the notice of any general meeting a time, being not more than 48 hours before the meeting, by which a person must be entered in the register of members in order to have the right to attend and vote at the meeting. The Directors may decide, at their discretion, that no account should be taken of any day that is not a working day when calculating the 48-hour period.

Substantial shareholdings

As at 31 December 2022, the Company had been advised, in accordance with the Disclosure Guidance and Transparency Rules, of the following notifiable interests in its voting rights.

Name of shareholder	Ordinary Shares	Number of voting rights	% of the Company's total voting rights at date of notification
Fevamotinico S.a.r.l. ¹	296,077,944	296,077,944	50.30%
Schroder Investment Management	32,100,540	32,100,540	5.45%
BlackRock, Inc.	29,449,440	29,449,440	5.00%

As at 14 March 2023, the latest practicable date prior to publication of the Annual Report and Accounts, the following interests in voting rights had been notified to the Company.

Name of shareholder	Ordinary Shares	Number of voting rights	% of the Company's total voting rights at date of notification
Fevamotinico S.a.r.l. ^{1 2}	296,077,944	296,077,944	49.50%
Schroder Investment Management	32,100,540	32,100,540	5.45%

1. Fevamotinico S.a.r.l. is a wholly owned subsidiary of The Minco Trust of which Kostyantyn Zhevago is a beneficiary.

2. The above holding is based on the Company's understanding of Fevamotinico S.a.r.l.'s interest in voting rights following the treasury share transfer on 9 March 2023.

Significant agreements – change of control

The Company does not have any agreements with Directors or employees that would provide for compensation for loss of office or employment resulting from a takeover. There are no circumstances connected with any other significant agreements to which the Company is a party that would take effect, alter or terminate upon a change of control following a takeover bid, except those referred to below:

LTIP

The rules of the Company's LTIP set out the consequences of a change of control of the Company on employee rights under the plan. Generally, such rights will vest on a change of control to the extent that the performance conditions have been satisfied and on a time pro-rated basis, subject to the discretion of the Remuneration Committee. Participants will become entitled to acquire shares in the Company, or in some cases, to the payment of a cash sum of equivalent basis.

Relationship Agreement

Details of the Relationship Agreement entered into between Fevamotinico S.a.r.l., Kostyantyn Zhevago, The Minco Trust and the Company can be found in the Corporate Governance Report on page 88. The Relationship Agreement ceases to apply if Ferrexpo's shares cease to be listed and traded on the London Stock Exchange, or if the holding of Fevamotinico S.a.r.l., The Minco Trust or Mr Zhevago individually or collectively falls below 24.9% of the issued share capital of the Company and they are no longer a controlling shareholder for the purposes of the UK Listing Rules.

Going concern

As at the date of the approval of these Consolidated Financial Statements, the war in Ukraine that commenced with the Russian invasion into Ukraine on 24 February 2022 is still ongoing. Even though the Group managed to operate throughout the financial year 2022, albeit at a much lower capacity, the situation in the country continues to pose a threat to the Group's mining, processing and logistics operations and represents a material uncertainty in terms of the Group's ability to continue as a going concern.

As part of management's going concern assessment, the Group continuously adjusts its long-term model in order to reflect the latest developments in terms of possible production and sales volumes as well as latest market prices and production costs, which are adversely affected by lower production volumes.

Considering the threats caused by the ongoing war, the Group prepared also sensitivities for reasonably possible or plausible adverse changes, but also reverse stress tests for more severe adverse changes. See Note 2 Basis of preparation to the Consolidated Financial Statements for further information.

As at the date of the approval of these Consolidated Financial Statements, the Group has assessed that, taking into account:

- its available cash and cash equivalents;
- its cash flow projections, adjusted for the effects caused by the war in Ukraine, for the period of management's going concern assessment covering a period of 18 months from the date of the approval of these Consolidated Financial Statements; and
- the feasibility and effectiveness of all available mitigating actions within the Group management's control for identified uncertainties,

a material uncertainty still remains as some of the uncertainties remain outside of the Group management's control, with the duration and the impact of the war still unable to be predicted at this point of time.

Considering the current situation of the war in Ukraine, all identified available mitigating actions addressing the uncertainties caused by the war and the results of the management's going concern assessment, the Group continues to prepare its Consolidated Financial Statements on a going concern basis. However, many of the identified uncertainties are outside of the Group management's control and are of unpredictable duration and severity, which may cast significant doubt upon the Group's ability to continue as a going concern.

Directors' Report continued

In addition to the war-related uncertainties described above, the Group is also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on page 60). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties. Although the Group has operated successfully in difficult circumstances in recent years, the war in Ukraine and other circumstances facing the Group has led to an escalation of a number of risks, including risks relating to the political environment and the independence of the legal system, which could have a material negative impact on the Group's business and reputation. For more information on critical judgements made by management in preparing these Consolidated Financial Statements, see also Note 30 Commitments, contingencies and legal disputes. The critical judgements made are predominantly in respect of the ongoing share dispute relating to Ferrexpo Poltava Mining and the imposed currency control measures in Ukraine under the Martial Law.

Statement on disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in the Act) of which the Group's auditors are unaware, and that each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information (as defined) and to establish that the Group's auditors are aware of that information.

Amendments to Articles of Association

The Articles may be amended by special resolution in accordance with the Act.

AGM

The Board currently intends to hold the AGM of the Company on Thursday 25 May 2023 at 11.00am. Further information will be sent to shareholders in a separate letter from the Chair summarising the business of the meeting together with the Notice convening the AGM.

The Strategic Report on pages 2 to 76 and this Directors' Report have been drawn up and presented in accordance with, and in reliance upon, applicable English company law, and any liability of the Directors in connection with these reports shall be subject to the limitations and restrictions provided by such law.

The Directors' Report was approved by the Board on 14 March 2023.

For and on behalf of the Board

Lucio Genovese

Chair

14 March 2023

Statement of Directors' Responsibilities

Statement by the Directors under the UK Corporate Governance Code

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare such financial statements for each financial year. Under that law the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted in the United Kingdom ("UK adopted IFRS") and have also chosen to prepare the Parent Company financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK adopted International Financial Reporting Standards have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Group and Parent Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Annual Report and Accounts

We confirm that to the best of our knowledge:

- (a) the Group financial statements, prepared in accordance with UK adopted IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the subsidiary undertakings included in the consolidation taken as a whole and attention is drawn to the material uncertainty in terms of the Group's ability to continue as a going concern on page 135 of the Directors' Report and Note 2 Basis of preparation of the Consolidated Financial Statements on page 156;
- (b) the Parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, give a true and fair view of the Company's assets, liabilities and financial position of the Parent Company;
- (c) the Strategic Report includes a fair review of the development and performance of the business and the position of the Company and the subsidiary undertakings included in the consolidation taken as a whole, together with a description of the Principal Risks and uncertainties that they face; and
- (d) the Annual Report and financial statements, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's and Company's position, performance, business model and strategy.

The Directors' Report (including Corporate Governance Report) comprises the information on pages 78 to 137.

This responsibility statement was approved by the Board of Directors on 14 March 2023 and is signed on its behalf by:

Lucio Genovese
Chair

Jim North
Chief Executive Officer
14 March 2023

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Independent Auditor's Report

To the members of Ferrexpo plc

For the purpose of this report, the terms “we” and “our” denote MHA MacIntyre Hudson in relation to UK legal, professional and regulatory responsibilities and reporting obligations to the members of Ferrexpo plc. For the purposes of the table on pages 142 to 145 that sets out the key audit matters and how our audit addressed the key audit matters, the terms “we” and “our” refer to MHA MacIntyre Hudson. The Group financial statements, as defined below, consolidate the accounts of Ferrexpo plc and its subsidiaries (the “Group”) and include the Group’s share of associates. The “Parent Company” is defined as Ferrexpo plc, as an individual entity. The relevant legislation governing the Parent Company is the United Kingdom Companies Act 2006 (“Companies Act 2006”).

Opinion

We have audited the financial statements of Ferrexpo plc and its subsidiaries for the year ended 31 December 2022 which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of cash flows;
- the consolidated statement of changes in equity;
- the notes to the consolidated financial statements, including significant accounting policies;
- the Parent Company statement of financial position;
- the Parent Company statement of changes in equity; and
- the notes to the parent Company financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards adopted for use in the United Kingdom (“UK adopted IFRS”). The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group’s and Parent Company’s affairs as at 31 December 2022 and of the Group’s profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted IFRS;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (“ISAs (UK)”) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report continued

To the members of Ferrexpo plc

Material uncertainty relating to going concern

We draw your attention to Note 2 to the consolidated financial statements on pages 156 and 157, which indicates that the ongoing armed conflict in Ukraine poses a threat to the Group's mining, processing and logistics operations within Ukraine and may cast significant doubt on the ability of the Group to continue as a going concern. As stated in Note 2, management has assessed that the unpredictable duration and severity of the impact of the war in Ukraine indicate that a material uncertainty exists as some of the uncertainties identified are outside of the Group management's control. In addition to the war-related uncertainties, management has indicated that the Group is also exposed to the risks associated with operating in a developing economy like Ukraine. As such, the Group is exposed to a number of risks such as an environment of political, fiscal and legal uncertainties which could have a material negative impact on the Group's business and reputation. Some of these risks are outlined in Note 30. These circumstances indicate the existence of a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

For further details, refer to the Audit Committee's Report on page 100 and other areas of the Annual Report (including the Chair's Statement on page 3 the CEO's Statement on page 6, Principal Risks on page 59 and longer-term Viability Statement on pages 75 and 76).

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting, having considered the impact of the war in Ukraine and of the general risks related to the political, fiscal and legal uncertainties of operating in Ukraine, included:

- challenging management's assessment of the potential risks and uncertainties relevant to the Group as a result of the ongoing war;
- challenging whether the Group's further mitigating actions are reasonable and within the Group's control;
- assessing for reasonableness the assumptions applied in the going concern assessment cash flow forecast, evaluating the potential future impact of the war on the cash available to the Group, including the ability to continue its operations in case of disruption to supplies and to its logistics network, as well as assessing management's downside scenarios;
- reviewing recent production and trading activity to verify the operational results following the year end, to verify the underlying data on which the going concern assessment is based;
- testing the mathematical accuracy and appropriateness of the model used to prepare the forecasts;
- reviewed management's assessment of the legal proceedings in which the Group is involved, including the probability of outflows of resources, as detailed in the key audit matter "Contingencies and completeness of litigations and claims"; and
- assessing the Group's going concern related financial statement disclosures.

In relation to the Group's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' Statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Scope	<p>We directed and supervised Baker Tilly member firms (“Component Auditors”) to report on the operations of the two main mining and processing entities in Ukraine and we directly performed work over the two other material subsidiaries being the Swiss and Middle East sales and marketing companies and we also performed the work over the Parent Company.</p> <p>Material subsidiaries were determined based on:</p> <ul style="list-style-type: none"> – financial significance of the component to the Group as a whole; and – assessment of the risk of material misstatements applicable to each component. <p>Our audit scope results in all major operations of the Group being subject to audit work, covering 99% of the Group's revenue, 99% of the Group's profit and 95% of the net assets.</p>
Materiality	<p>The materiality that we used for the Group financial statements was US\$35.7 million (2021: US\$42 million), which was determined as 5% of the three-year average of profit before tax (“PBT”) (2021: 5%).</p> <p>The materiality used for the Parent Company financial statements was US\$8.2 million (2021: \$US9 million), which was determined as 2% of the Company's net assets (2021: 2%).</p> <p>Performance materiality was set at 60% of materiality for both the Group and Company financial statements (2021: 60%).</p>
Key audit matters	<p>The key audit matters that we identified in the current year were:</p> <ul style="list-style-type: none"> – impairment of PPE and other intangibles; – completeness of related party transactions; – taxation – IFRIC 23 and critical judgements of transfer pricing and the international structure; – management override of controls; and – completeness of provisions for litigations and claims. <p>Our assessment of the Group's key audit matters is consistent with 2021 except for the removal of the accounting treatment and valuation of low-grade ore and the addition of the impairment of PPE and other intangibles.</p>

Independent Auditor's Report continued

To the members of Ferrexpo plc

The scope of our audit and our key audit matters

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements and the financial report. In particular, we looked at where the Directors made subjective judgments, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on:

- the overall audit strategy;
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of PPE and other intangibles

Key audit matter description	<p>Due to the ongoing war in Ukraine, management does not expect the Group to be operating and trading at full capacity for an uncertain period in the future, resulting in reduced expected cash flows from the Group's assets over the period of uncertainty. The increased country risk for Ukraine has also been reflected in a higher discount rate than in previous years to be applied to the expected cash flows.</p> <p>The calculation of the value in use to assess the recoverable amount of the Group's cash generating unit ("CGU") as at the year-end date is derived from management long-term model and is driven by a number of key inputs which are obtained either from external sources or management's best estimates. Therefore, this is an area subject to a high level of estimation uncertainty and judgement.</p> <p>Furthermore, the allocation of the impairment loss needs to be considered in accordance with the requirements in IAS 36, which mandates that the carrying amount of any goodwill is reduced first, and then the loss is allocated to the other CGU assets pro rata on the basis of the carrying amount of each asset in the unit.</p> <p>We draw attention to Note 13 to the consolidated financial statements which describes the uncertainty related to the estimate of the recoverable amount of the Group's CGU. Our opinion is not modified in respect of this matter.</p>
How the scope of our audit responded to the key audit matter	<p>Reviewed the mathematical accuracy of the calculation and that there are no computational errors which have fed into the forecasts.</p> <p>We have challenged management as to the source and selection of the data used in the Group's forecasts to ensure that these are relevant and reasonable in light of the Group's circumstances and the ongoing war in Ukraine.</p> <p>We have challenged the key judgements and assumptions underpinning the forecasts to ensure that these are appropriate and reasonable based on our understanding of the Group's circumstances and the ongoing war in Ukraine.</p> <p>We have reviewed, with the help of our valuation expert, the determination of the discount rate applied in the value in use calculation and considered whether it is reasonable in the Group's circumstances.</p> <p>We have considered whether the value in use calculation has considered all available relevant information and verified whether it is mathematically accurate.</p> <p>We have considered whether the assets included in the carrying amount of the CGU were accurate and verified the amount of the impairment loss.</p> <p>We have reviewed the allocation of the impairment loss across the Group's assets to ensure this is in line with IAS 36.</p> <p>We have reviewed the disclosures in respect of the impairment assessment including the appropriateness of the sensitivities detailed and the accuracy of their financial impact.</p>
Key observations	<p>The results of our audit regarding the Impairment of PPE and other intangibles were satisfactory, and we concur that the recorded impairment and disclosures are materially appropriate.</p>

Completeness of related party relationships and transactions

Key audit matter description	<p>The Group enters into a number of related party transactions and has reported an expense of US\$29.1 million (2021: US\$42.2 million) and other income of US\$0.6 million (2021: US\$0.7 million) in 2022.</p> <p>Our risk assessment and audit approach reflected the identification of a significant risk in respect of the existence of unidentified or undisclosed related parties and transactions, including the risk relating to significant transactions outside the normal course of business that could involve related parties.</p> <p>We therefore considered completeness of related party transactions to be a key audit matter in light of the potential for unidentified or undisclosed related party transactions. This risk was considered greatest in respect of transactions outside the normal course of business.</p> <p>The related party disclosures are set out in Note 34 to the consolidated financial statements and the Group's controls are described in the Report of the Audit Committee on page 103.</p>
How the scope of our audit responded to the key audit matter	<p>We reviewed and evaluated management's process for identifying and recording related parties into its register and recording transactions with those related parties.</p> <p>We reviewed the minutes of meetings of the Board of Directors and relevant sub-committees to assess whether there are new related party transactions entered into in 2022 that are significant or outside the normal course of business.</p> <p>We used our data analytics tool to search for transactions with related parties which had not been included in the related party disclosures.</p> <p>We completed a reconciliation of related party transactions extracted from management's system for the related party disclosures to ensure that it was complete.</p> <p>We tested a sample of suppliers in Ukraine to establish whether they are genuine businesses against information held on public record.</p> <p>We performed independent searches of the Board of Directors' other appointments and shareholdings and to identify any counterparties on the list which were not included in the related party disclosures.</p> <p>Obtained representation from the Board of Directors as to the completeness of the list of related parties and transactions with those related parties.</p> <p>Reviewed the Related Party disclosures in the consolidated financial statements against the relevant reporting requirements and the results of our work.</p>
Key observations	<p>We are satisfied that the related party transactions and balances are appropriately disclosed in the financial statements.</p>

Independent Auditor's Report continued

To the members of Ferrexpo plc

Taxation – IFRIC 23 and critical judgements of transfer pricing and the international structure

Key audit matter description	<p>A key area in which the Group has applied critical judgement is transfer pricing and international taxation.</p> <p>The Group conducts significant business across the globe through a complex value chain and prices its sales between its subsidiaries using international benchmark prices for comparable products covering product quality and applicable freight costs. The Group judges these to be on terms, that comply with applicable legislation.</p> <p>In August 2017, the State Tax Service of Ukraine ("STS"), previously known as the State Fiscal Service commenced a tax audit for the period from 1 September 2013 to 31 December 2015 at the Group's major subsidiary in Ukraine with a focus on cross-border transactions in terms of its pellet sales to another subsidiary of the Group. The STS made a formal claim for UAH448 million (US\$16.4million) as at 31 December 2021 (2020: US\$15.8 million).</p> <p>The Group's subsidiary initiated legal proceedings and this case passed through the Poltava court of first court instance and the Northern Commercial Court of Appeal. Both cases were ruled in favour of the Group. The STS subsequently filed an appeal of cassation to the Supreme Court of Ukraine in December 2019. On 27 June 2022, the Supreme Court of Ukraine ruled partially in favour of the STS. As a result of this court decision, an amount of UAH234 million (US\$7,999 thousand) became a legally binding obligation and was paid in July 2022.</p> <p>The STS launched two additional tax audits on 18 February 2020 into the cross-border pricing arrangements with other Group subsidiaries and for other financial periods. In addition to the above cases, the State Bureau of Investigation ("SBI") has launched a pre-trial investigation into the sale of iron ore products between Group subsidiaries for the financial years 2013 to 2019.</p> <p>As of the date of approval of these financial statements, the results of the subsequent tax audits as well as the SBI investigation have not been made available by the relevant authorities.</p> <p>Significant judgement is required in applying the transfer pricing and international taxation rules, with the interpretation of the taxpayer differing from that of the tax authorities which leads to uncertainty in the correct tax treatment. It is therefore necessary to determine the probability of any loss particularly in connection with the Ukrainian tax audits in accordance with the IFRIC 23 reporting standard.</p> <p>This matter is described in Note 11 to the consolidated financial statements and considered by the Audit Committee on page 101 of the Annual Report and Accounts.</p> <p>The IFRIC 23 framework can be challenging to apply in the context of international taxation and contentious transfer pricing matters, in particular regarding the fact that the treatment of transfer pricing cases will typically shift from matters of policy and application in an enquiry to matters of evidence and jurisprudence in an adjudication by a court. In an enquiry, a tax authority has the disadvantage of not knowing the full facts and circumstances upfront in the same way as a taxpayer. The framework therefore asks the taxpayer to equalise this dynamic by basing any IFRIC 23 analysis on the assumption that there is no information asymmetry as between the taxpayer and the tax authority. Further, in an enquiry, it is accepted that any disagreement will likely be settled by a negotiation in the first instance. There will be many factors to account for in predicting the outcome of a negotiation such as the nature of the dispute as well as wider commercial and policy pressures. The nature of court proceedings is that there is a need for clear adjudication on matters of law and jurisprudence. This means that negotiation does not come into it at all, albeit the parties are free to settle the dispute at any time. Rather the court process is an impartial evidence-based process that involves judges applying the law to the facts. The lower courts will usually resolve points of fact and the higher courts will usually address points of law. Adjudication of points of law tends to be a more technically involved process whose outcome is extremely difficult to predict. Consequently, the higher the level of court hearing a matter, the more difficult it becomes to apply the IFRIC 23 framework. This is because the highest courts operate at the highest levels of discretion.</p>
How the scope of our audit responded to the key audit matter	<p>We have involved transfer pricing and international tax specialists to assess appropriateness of various international matters potentially impacting the Group. In particular, this included the key risk regarding the transfer pricing policies and documentation in place prepared by management.</p> <p>We have reviewed key correspondence and calculation of the assessed risk with assistance from international tax and transfer pricing specialists. In addition, we have reviewed recent similar cases in Ukraine and the results of the court proceedings. We have relied on experts to assess the risk of an adverse ruling taking place based on their knowledge of the Ukrainian legal system.</p> <p>The consideration of IFRIC 23 requires the Group to consider the position at each financial year end based upon the information as at that date. We have challenged management and considered a sensitivity analysis upon the application of IFRIC 23 to consider the significant judgements made in relation to both transfer pricing and international taxation matters impacting the Group. This included a detailed IFRIC 23 assessment for the inherent risks in the international structure.</p>
Key observations	<p>The results of our audit regarding transfer pricing and international taxation were satisfactory, and we concur that the recorded tax provisions and disclosures are materially appropriate.</p>

Management override of controls

Key audit matter description	In accordance with ISA 240 (UK) management override is presumed to be a significant risk. The ability to override controls puts management in a unique position to perpetrate or conceal the effects of fraud. This may take a number of forms, such as falsifying accounting entries in order to conceal misappropriation of assets or other manipulation of accounting entries intended to result in the production of financial statements which give a misleading view of the entity's financial position or performance.
How the scope of our audit responded to the key audit matter	<p>We have performed the following procedures in addition to other specific procedures performed which are outlined in the other key audit matters and basis of opinion section of this report:</p> <ul style="list-style-type: none"> – We held discussions with a broader range of senior management, being the Chief Executive Officer and Acting Chief Marketing Officer, Group Legal Counsel and with lower-level operational management throughout the organisation and at different levels and in different functions to identify if they are aware of any instances of override of controls. – We evaluated the design and implementation of key controls including, in particular, high-level management review controls and controls over purchase-to-pay procurement processes, as part of our risk assessment. – We reviewed internal audit reports to help identify significant control deficiencies and the whistleblower reports for any actual or suspected non-compliance with controls. – We tested the appropriateness of journal entries and other adjustments recorded in the general ledger and other adjustments in the preparation of the financial statements at both the Parent Company and consolidated Group level. – We evaluated whether the judgments and decisions made in determining the accounting estimates included in the financial statements, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. – We evaluated the business rationale for significant transactions that are outside the normal course of the business for the entity. – We held discussions with the Audit Committee, senior management and internal audit regarding the risk of fraud, effectiveness of key oversight controls and any fraud or suspected fraud identified during the year.
Key observations	We did not identify any instances of management override of controls.

Contingencies and completeness of litigations and claims

Key audit matter description	<p>As indicated in Note 30 to the consolidated financial statements, the Group is subject to a number of legal proceedings. Management has assessed the probability of an outflow of resources in the various proceedings and considered how to account and/or disclose the claims in accordance with IAS 37.</p> <p>The Group has disclosed the contingencies which exist as a result of past transactions or events in Note 30 to the consolidated financial statements. Our audit has given particular consideration to the three main claims in which the Group is involved, being the FPM share dispute, the royalty related investigation and the currency control measures imposed in Ukraine.</p> <p>Management judgement is involved in assessing the accounting for contingencies and claims. Particular judgement is required in considering the probability of any claim against the Group being successful and we have accordingly designated this as a key audit matter of the audit.</p> <p>The key risk related to the claims and contingencies is mainly associated with the completeness of the disclosure and provisions in the financial statements.</p> <p>We draw attention to Note 30 to the consolidated financial statements which describes the uncertainty in the application of local legislation in Ukraine in respect of the outcome of the proceedings in which the Group is involved. Our opinion is not modified in respect of this matter.</p>
How the scope of our audit responded to the key audit matter	<p>In response to the risk of the completeness of litigations and claims in the financial statements, we completed the following audit procedures:</p> <ul style="list-style-type: none"> – We enquired directly and obtained documentation from the Group's internal and external legal advisors and counsel about their assessment of the various claims to evaluate the appropriateness of management's conclusions. – We discussed the cases with management and reviewed correspondence and other documents exchanged between the Group and the other parties involved. – We considered and assessed the likelihood of an outflow of resources arising as a result of each individual claim on the basis of the information obtained. – We used the component auditor's in-house legal specialists to review certain cases to conclude on the likelihood of the claims' outcome. – We read the minutes of the Board meetings and inspected the Group's legal expenses, in order to ensure all cases have been identified. – We discussed and challenged the disclosures for completeness and accuracy of any financial impact based on our procedures detailed above.
Key observations	The results of our audit regarding contingencies and the completeness of litigations and claims were satisfactory, and we concur that the disclosures are materially appropriate.

Independent Auditor's Report continued

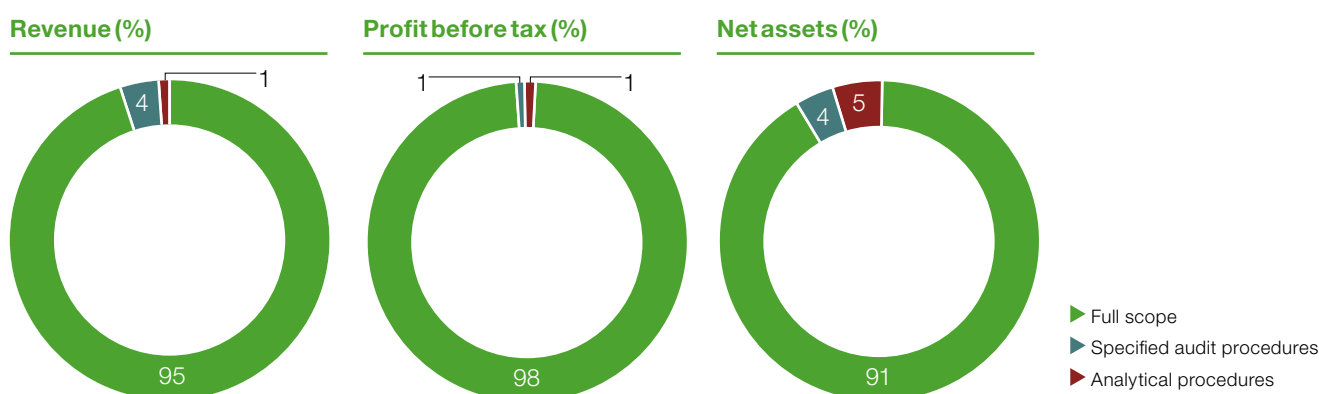
To the members of Ferrexpo plc

How we tailored the audit scope

Our Group audit was scoped by obtaining an understanding of the Group and the Parent Company and their environments, including internal control, and assessing the risks of material misstatement. The Group's Parent entity and finance companies are in the UK, while the head office and marketing companies are based in Switzerland and the primary mining operations are located in Ukraine.

Considering operational and financial performance and risk factors, we focused our assessment on the significant components and performed full scope audits of the Ukrainian Ferrexpo Poltava Mining and Ferrexpo Yeristovo Mining components; the sales and marketing entities Ferrexpo AG and Ferrexpo Middle East; Ferrexpo Finance plc; and Ferrexpo plc entity; along with specified Group-level audit procedures over the assets of the non-operating Ukrainian Ferrexpo Belanovo Mining component; the assets of the Hungarian Helogistics Asset Leasing Kft entity including the vessels; and revenue of the Hungarian DDSG Mahart Kft entity. Our full scope and specified audit procedures cover revenue (99% of Group total), profit before tax (99% of Group total) and net assets (95% of Group total).

The remaining 20 components represent 1% of the Group's profit before tax and individually do not represent more than 1% of the Group's profit before tax. The work performed by the component audit teams is guided by the Group audit team and is executed at levels of materiality applicable to each individual entity, which were lower than Group materiality and ranged from US\$1.4 million to US\$7.0 million (2021: US\$0.9 million to US\$16 million).



The Group audit team was involved in the audit work performed by the component auditor in Ukraine through a combination of our Group planning meetings and calls, provision of Group instructions (including detailed supplemented procedures), review and challenge of related component interoffice reporting and of findings from their work (which included the audit procedures performed to respond to risks of material misstatement), attendance at component audit closing conference calls and weekly interaction on audit and accounting matters which arose. As a visit to the Ukrainian team was not practicable due to the ongoing war in Ukraine, the Group audit team intensified the interaction with that local team through video conferences to review and direct the audit approach taken in respect of significant risks and a number of other relevant risks of material misstatement.

Ferrexpo plc and Ferrexpo Finance plc are registered in the UK; hence the audits were carried out by the Group audit team.

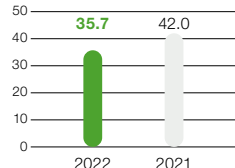
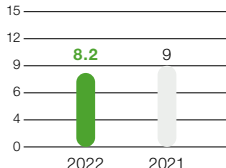
The Swiss and Middle East sales and marketing entities have a common finance function with the Group finance team and as such the audits of these components were carried out by the Group audit team.

At the Parent entity level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

Our application of materiality

The scope of our audit was influenced by our application of materiality. Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	Parent Company financial statements
Overall materiality	Group materiality (US\$ Million) 	Parent Company materiality (US\$ Million) 
How we determined it	We have determined materiality by using 5% of a three-year average of profit before tax (2021: 5%)	2% of Parent Company's net assets (2021: 2%)
Rationale for the benchmark applied	<p>The profit before tax for the years 2020–2022 has been normalised in determining materiality to exclude items which, due to their variable financial impact and/or expected infrequency of the underlying events, are not considered indicative of continuing operations of the Group. The impact of the war in Ukraine has had a significant impact on the Group's operations in the current year, and the continued use of a three-year average has assisted in normalising the materiality benchmark.</p> <p>These items do not form part of the Group's internally or externally monitored primary key performance indicators, and which if included, would distort materiality year-on-year. We consider this approach of using a three-year average to be more appropriate than an assessment based on current-year results alone given the nature of the mining industry which is exposed to cyclical commodity price fluctuations and to therefore provide a more stable base reflective of the scale of the Group's size and operations.</p> <p>We set our 2022 performance materiality at 60% of overall materiality (2021: 60%), amounting to US\$21.4 million (2021: US\$25.2 million) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered a number of factors – the history of misstatements, our risk assessment and the strength and robustness of the control environment.</p>	<p>We consider the chosen benchmark to be appropriate due to the nature of Parent Company's operations being a holding company of the Group.</p> <p>We set our 2022 performance materiality at 60% of overall materiality (2021: 60%), amounting to US\$4.9 million (2021: US\$5.4 million) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered a number of factors – the history of misstatements, our risk assessment and the strength and robustness of the control environment.</p>

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality.

We agreed with the Audit Committee that we would report to them all audit differences in excess of US\$1.8 million (2021: US\$2.1 million) for the Group as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. All differences in excess of US\$410,000 (2021: US\$450,000) are reported for the Parent Company.

We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

The control environment

We evaluated the design and implementation of those internal controls of the Company which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness, but did not place reliance on certain controls over several of the key business cycles.

We deployed our internal IT audit specialists to gain an understanding of general IT controls and perform walkthroughs of the key operating cycles.

Independent Auditor's Report continued

To the members of Ferrexpo plc

Climate-related risks

In planning our audit and gaining an understanding of the Group, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment, along with relevant documentation and reports relating to management's assessment and held discussions with management to understand its process for identifying and assessing the related risks.

We engaged internal specialists to assess, amongst other factors, the benchmarks used by management, the nature of the Group's business activities, its processes and the geographic distribution of its activities.

We critically reviewed management's assessment and challenged the assumptions underlying its assessment. We made enquiries to understand the extent of the potential impact of climate change risks on the Group's financial statements. This has included a review of critical accounting estimates and judgements, and the effect on the MHA audit approach. We also considered the ongoing viability of the business in respect both to direct climate risks and changes in legislation as nations grapple with their commitments to reduce emissions.

Other information

The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' Remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a Corporate Governance Statement has not been prepared by the Parent Company.

Corporate governance statement

We have reviewed the Directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 135 and 136;
- Directors' explanation as to its assessment of the entity's prospects, the period this assessment covers and why the period is appropriate set out on pages 75 and 76;
- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on pages 75 and 76;
- Directors' statement on fair, balanced and understandable set out on page 137;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 75;
- section of the 2022 Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems set out on page 103; and
- section describing the work of the Audit Committee set out on pages 98 and 99.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 137, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the mining industry and sector on the control environment, business performance including remuneration policies and the Company's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the Directors and legal advisors, we obtained an understanding of the legal and regulatory frameworks applicable to the Company focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, Listing Rules and tax legislation. In addition, we considered compliance with the UK Bribery Act, employee legislation, terms of the Group's mining licences and environmental regulations as fundamental to the Group's operations.
- We enquired of the Directors and management, including the in-house legal counsel and Audit Committee, concerning the Company's policies and procedures relating to:
 - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates, particularly in the value in use calculation for the Group's assets and in significant accounting judgements in respect of the assessment of contingencies and legal claims and uncertain tax treatments. The Group engagement team shared this risk assessment with the significant subsidiaries auditors so that they could include appropriate audit procedures in response to such risks in their work.

Independent Auditor's Report continued

To the members of Ferrexpo plc

Audit response to risks identified

In respect of the above procedures:

- We corroborated the results of our enquiries through our review of the minutes of the Company's Board and Audit Committee meetings as well as the minutes of the meetings of the Finance, Risk Management and Compliance Committee.
- Audit procedures performed by the engagement team in connection with the risks identified included:
 - reviewing financial statement disclosures and testing supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements;
 - testing journal entries, including those processed late for financial statements preparation and those posted by infrequent or unexpected users and those posted to unusual account combinations;
 - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
 - enquiry of management and legal advisors around actual and potential litigation and claims;
 - challenging the assumptions made by management in measuring significant accounting estimates, in particular those included in the Group's value in use calculation and the going concern long-term model, as well as the judgments made in respect of contingencies and legal claims and IFRIC 23 assessment of tax liabilities;
 - obtaining confirmations from third parties to confirm existence of a sample of transactions and balances;
 - the audit team in Ukraine visiting the mines in December 2022 and observing the progress of key capital projects, the mining operations, and physical verification of the inventory; and
 - the use of data analytics software to interrogate the journals posted in the year and to review areas where the incentive to override controls may be greatest. We also used our data analytics tool to identify potential transactions with related parties.
- The Company operates in a specialised mining industry. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities.
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Other matters which we are required to address

Following the recommendation of the Audit Committee, we were appointed by the members of the Company by ordinary resolution at the Annual General Meeting held on 15 June 2022 to audit the financial statements for the year ending 31 December 2022. Our total uninterrupted engagement is four years, covering the years ending 31 December 2019 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Parent Company and we remain independent of the Group and the Parent Company in conducting our audit.

Our audit opinion is consistent with the additional report to the Audit Committee.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority ("FCA") Disclosure Guidance and Transparency Rule ("DTR") 4.1.14R, these financial statements form part of the European Single Electronic Format ("ESEF") prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ("ESEF RTS"). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

Rakesh Shaunak FCA

Senior Statutory Auditor

For and on behalf of MHA MacIntyre Hudson

Statutory Auditor

London, United Kingdom

14 March 2023

Consolidated Income Statement

US\$000	Notes	Year ended 31.12.22	Year ended 31.12.21
Revenue	6	1,248,490	2,518,230
Operating expenses	5/7	(1,192,046)	(1,411,911)
Other operating income	8	9,233	9,499
Operating foreign exchange gains/(losses)	9	339,439	(37,808)
Operating profit		405,116	1,078,010
Share of profit from associates	33	557	4,468
Profit before tax and finance		405,673	1,082,478
Finance income	10	929	637
Finance expense	10	(4,446)	(8,940)
Non-operating foreign exchange losses	9	(63,497)	(3,200)
Profit before tax		338,659	1,070,975
Income tax expense	11	(118,662)	(199,982)
Profit for the year		219,997	870,993
<i>Profit attributable to:</i>			
Equity shareholders of Ferrexpo plc		219,995	870,987
Non-controlling interests		2	6
Profit for the year		219,997	870,993
<i>Earnings per share:</i>			
Basic (US cents)	12	37.41	148.2
Diluted (US cents)	12	37.35	147.9

Consolidated Statement of Comprehensive Income

US\$000	Notes	Year ended 31.12.22	Year ended 31.12.21
Profit for the year		219,997	870,993
<i>Items that may subsequently be reclassified to profit or loss:</i>			
Exchange differences on translating foreign operations		(664,296)	82,196
Income tax effect	11	13,036	(3,313)
Net other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods		(651,260)	78,883
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Remeasurement gains on defined benefit pension liability	22	5,336	9,882
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		5,336	9,882
Other comprehensive (loss)/income for the year, net of tax		(645,924)	88,765
Total comprehensive (loss)/income for the year, net of tax		(425,927)	959,758
<i>Total comprehensive (loss)/income attributable to:</i>			
Equity shareholders of Ferrexpo plc		(425,919)	959,778
Non-controlling interests		(8)	(20)
		(425,927)	959,758

Consolidated Statement of Financial Position

US\$'000	Notes	As at 31.12.22	As at 31.12.21
Assets			
Property, plant and equipment	13	807,861	1,216,693
Right-of-use assets	14	6,342	7,776
Goodwill and other intangible assets	15	8,249	43,586
Investments in associates	33	5,167	7,034
Inventories	17	6,277	8,414
Other non-current assets	16	37,451	96,484
Deferred tax assets	11	14,471	32,946
Total non-current assets		885,818	1,412,933
Inventories	17	224,454	202,399
Trade and other receivables	18	24,699	192,363
Prepayments and other current assets	19	13,352	68,162
Income taxes recoverable and prepaid	11	4,674	636
Other taxes recoverable and prepaid	20	88,762	48,040
Cash and cash equivalents	25	112,945	167,291
Total current assets		468,886	678,891
Total assets		1,354,704	2,091,824
Equity and liabilities			
Issued capital	31	121,628	121,628
Share premium		185,112	185,112
Other reserves	31	(2,636,891)	(1,986,131)
Retained earnings		3,580,329	3,510,793
Equity attributable to equity shareholders of Ferrexpo plc		1,250,178	1,831,402
Non-controlling interests		67	75
Total equity		1,250,245	1,831,477
Interest-bearing loans and borrowings	5/26	1,354	2,143
Defined benefit pension liability	22	16,456	26,074
Provision for site restoration	23	4,284	3,873
Deferred tax liabilities	11	1,347	141
Total non-current liabilities		23,441	32,231
Interest-bearing loans and borrowings	5/26	5,194	48,206
Trade and other payables	21	30,509	72,824
Accrued and contract liabilities	24	19,593	52,613
Income taxes payable	11	20,564	37,138
Other taxes payable	20	5,158	17,335
Total current liabilities		81,018	228,116
Total liabilities		104,459	260,347
Total equity and liabilities		1,354,704	2,091,824

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2023 and signed on behalf of the Board.

Lucio Genovese
Non-executive Chair

Jim North
Chief Executive Officer & Executive Director

Consolidated Statement of Cash Flows

US\$000	Notes	Year ended 31.12.22	Year ended 31.12.21
Profit before tax		338,659	1,070,975
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets		96,977	115,111
Finance expense	10	1,675	5,729
Finance income	10	(929)	(637)
Losses on disposal and liquidation of property, plant and equipment		1,665	4,695
Write-offs and impairments	7	260,308	235,618
Share of profit from associates	33	(557)	(4,468)
Movement in allowance for doubtful receivables	18	6,729	690
Movement in site restoration provision	23	1,578	551
Employee benefits	22	3,745	4,936
Share-based payments	28	490	856
Operating foreign exchange (gains)/losses	9	(339,439)	37,808
Non-operating foreign exchange losses	9	63,497	3,200
Other adjustments		–	(4,914)
Operating cash flow before working capital changes		434,398	1,470,150
<i>Changes in working capital:</i>			
Decrease/(increase) in trade and other receivables		210,267	(102,827)
Increase in inventories		(90,385)	(65,170)
(Decrease)/increase in trade and other payables (incl. accrued and contract liabilities)		(55,529)	40,186
Increase in other taxes recoverable and payable (incl. VAT)	20	(84,110)	(11,073)
Cash generated from operating activities		414,641	1,331,266
Interest paid		(918)	(7,031)
Income tax paid	11	(110,243)	(227,930)
Post-employment benefits paid		(2,220)	(2,475)
Net cash flows from operating activities		301,260	1,093,830
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	13/15	(161,010)	(360,869)
Proceeds from disposal of property, plant and equipment and intangible assets		103	1,030
Interest received		894	583
Dividends from associates		711	3,967
Net cash flows used in investing activities		(159,302)	(355,289)
Cash flows from financing activities			
Proceeds from loans and borrowings	26	–	42,146
Repayment of loans and borrowings	26	(42,209)	(257,430)
Principal elements of lease payments	26	(5,786)	(5,517)
Dividends paid to equity shareholders of Ferrexpo plc	12	(155,095)	(619,377)
Net cash flows used in financing activities		(203,090)	(840,178)
Net decrease in cash and cash equivalents		(61,132)	(101,637)
Cash and cash equivalents at the beginning of the year		167,291	270,006
Currency translation differences		6,786	(1,078)
Cash and cash equivalents at the end of the year	25	112,945	167,291

Consolidated Statement of Changes in Equity

US\$000	Attributable to equity shareholders of Ferrexpo plc					Non-controlling interests (Note 32)	Total equity
	Issued capital (Note 31)	Share premium (Note 31)	Other reserves (Note 31)	Retained earnings	Total capital and reserves		
At 1 January 2021	121,628	185,112	(2,065,896)	3,250,534	1,491,378	95	1,491,473
Profit for the year	–	–	–	870,987	870,987	6	870,993
Other comprehensive income/(loss)	–	–	78,909	9,882	88,791	(26)	88,765
Total comprehensive income/(loss) for the year	–	–	78,909	880,869	959,778	(20)	959,758
Share-based payments (Note 28)	–	–	856	–	856	–	856
Equity dividends to shareholders of Ferrexpo plc	–	–	–	(620,610)	(620,610)	–	(620,610)
At 31 December 2021	121,628	185,112	(1,986,131)	3,510,793	1,831,402	75	1,831,477
Profit for the year	–	–	–	219,995	219,995	2	219,997
Other comprehensive (loss)/income	–	–	(651,250)	5,336	(645,914)	(10)	(645,924)
Total comprehensive (loss)/income for the year	–	–	(651,250)	225,331	(425,919)	(8)	(425,927)
Share-based payments (Note 28)	–	–	490	–	490	–	490
Equity dividends to shareholders of Ferrexpo plc (Note 12)	–	–	–	(155,795)	(155,795)	–	(155,795)
At 31 December 2022	121,628	185,112	(2,636,891)	3,580,329	1,250,178	67	1,250,245

Although accounts are published in US dollars and dividends are declared in US dollars, the shares are denominated in UK pounds sterling and dividends are therefore paid in UK pounds sterling. See Note 12 Earnings per share and dividends paid and proposed for dividends paid during the year.

Notes to the Consolidated Financial Statements

Note 1: Corporate information

Ferrexpo plc (the "Company") is incorporated and registered in England, which is considered to be the country of domicile, with its registered office at 55 St James's Street, London SW1A 1LA, UK. The Company is listed on the London Stock Exchange and is a member of the FTSE 250 Index. Ferrexpo plc and its subsidiaries (the "Group") operate two mines and a processing plant near Kremenchuk in Ukraine, have an interest in a port in Odessa and sales and marketing activities around the world including offices in Switzerland, Dubai, Japan, China, Singapore and Ukraine. The Group also owns logistics assets in Austria, which operate a fleet of vessels operating on the Rhine and Danube waterways and an ocean-going vessel, which provides top-off services. The Group's operations are vertically integrated from iron ore mining through to iron ore concentrate and pellet production and subsequent logistics. The Group's mineral properties lie within the Kremenchuk Magnetic Anomaly and are currently being extracted at the Gorishne-Plavynske-Lavrykivske ("GPL") and Yerystivske deposits.

Despite the ongoing war in Ukraine, the Group has managed to continue its operations, although on a significantly lower level. The Group had first to redesign its mining and processing plans in order to align them to available logistics network for the sales to its customers in the different markets. In the last quarter of the financial year 2022, after the intensified Russian attacks on the critical infrastructure in Ukraine, the Group's production was also dependent on the available power supply. The war continues to pose a threat to the Group's mining, processing and logistics operations within Ukraine. See Note 2 Basis of preparation, Note 6 Revenue and Note 13 Property, plant and equipment for further information.

The largest shareholder of the Group is Fevamotoinico S.a.r.l. ("Fevamotoinico"), a company incorporated in Luxembourg. Fevamotoinico is ultimately wholly owned by The Minco Trust, of which Kostyantyn Zhevago and two other members of his family are the beneficiaries. At the time this report was published, Fevamotoinico held 49.5% (2021: 50.3%) of Ferrexpo plc's issued voting share capital (excluding treasury shares).

Note 2: Basis of preparation

The consolidated financial statements of Ferrexpo plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards adopted for use in the United Kingdom ("UK adopted IFRS") and with the Companies Act 2006, as applicable to companies reporting under international accounting standards. Entities are included in the consolidated financial statements from the date of obtaining control and the inclusion in the consolidated financial statements is consequently ceased when the control over an entity is lost. For the definition of control see Note 32 Consolidated subsidiaries.

The consolidated financial statements have been prepared on a historical cost basis, except for post-employment benefits measured in accordance with IAS 19 revised **Employee benefits**. The consolidated financial statements are presented in thousands of US dollars and all values are rounded to the nearest thousand except where otherwise indicated.

The detailed accounting policies are included in the disclosure notes to the specific financial statement accounts.

Going concern

As at the date of the approval of these consolidated financial statements, the war in Ukraine that commenced with the Russian invasion into Ukraine on 24 February 2022 is still ongoing. Even though the Group managed to operate throughout the financial year 2022, albeit at a much lower capacity, the situation in the country continues to pose a threat to the Group's mining, processing and logistics operations and represents a material uncertainty in terms of the Group's ability to continue as a going concern.

The material uncertainty is predominantly related to the recent level of supply of power to the Group's operations in Ukraine, compounded by the risks to the health, safety and wellbeing of the Group's workforce, the Group's ability to operate its assets, the supply of key input materials required for the production process and the provision and availability of logistics capacity required for the delivery of the Group's products to customers in its key markets, as indicated in the Viability Statement on pages 75 and 76, and outlined in more detail in the Principal Risks on page 59. These risks might have an adverse impact on the Group's cash generation during the period covered by the going concern assessment. As announced on 11 October 2022, the Group had to temporarily suspend its production of iron ore pellets as a result of Russian missile strikes on state-owned electrical infrastructure. Although the Group restarted production in December 2022, the level of the production remains dependent on Russian attacks on critical infrastructure in Ukraine, which affects the level of supply of power. In addition to the supply of power, the Group's operation continues to be adversely affected by the fact that the Group's seaborne sales through the port of Pivdennyi are still suspended as Ukraine's Black Sea ports are closed as a result of the Russian invasion. Therefore, the Group currently operates between one and two of its four pelletiser lines based on the available guaranteed supply of power and in order to align production volumes to meet the volume of sales that are currently accessible to the Group.

As at 31 December 2022, the Group had produced 6,053 thousand tonnes of iron ore pellets, representing a decrease of 46% compared to the comparative year ended 31 December 2021, and sold 6,183 thousand tonnes of its products, compared to 11,350 thousand tonnes during the comparative year.

Despite this unprecedented and challenging situation during the financial year 2022, the Group's net cash position has only decreased from US\$116,942 thousand at the beginning of the year to US\$106,397 thousand as of 31 December 2022, demonstrating that the Group managed to adjust its business operation to the new environment in order to preserve the available liquidity as much as possible. As at the date of the approval of these consolidated financial statements, the Group is in a net cash position of approximately US\$114,600 thousand with an available cash balance of approximately US\$120,400 thousand. In addition to the available cash balance, the Group has an outstanding trade receivable balance of approximately US\$34,100 thousand from its pellet and concentrate sales in January and February 2023, which are expected to be collected in the next few weeks.

In addition to the outstanding trade receivable balance and as a result of the congestions at the different border crossings relevant to the Group, pellet volumes at a value of approximately US\$21,300 thousand loaded on rail cars are waiting for the border crossing. The revenue for these volumes will only be recognised upon the border crossing when control is passed to the customer. The Group's finished goods inventory, including the volumes subject to border crossing, is 555 thousand tonnes as of 31 December 2022, compared to 568 thousand tonnes as of 31 December 2021, and is expected to reduce over time once the logistics constraints within Ukraine ease.

Note 2: Basis of preparation continued

As part of management's going concern assessment, the Group continuously adjusts its long-term model in order to reflect the latest developments in terms of possible production and sales volumes as well as latest market prices and production costs, which are adversely affected by lower production volumes. This long-term model is also used for the impairment test of the Group's non-current operating assets and the key assumptions used when preparing this model are disclosed in Note 13 Property, plant and equipment on page 173.

The latest base case of the long-term model shows that the Group has sufficient liquidity to continue its operations at a reduced level for the entire period of the management's going concern assessment, covering a period of 18 months from the date of the approval of these consolidated financial statements, even allowing for reasonably possible or plausible adverse changes in respect of realised prices, lower production and sales volumes as well as higher production costs. This base case assumes a production and sales volume of 50% and 75% of the pre-war level for the financial years 2023 and 2024, before recovering in 2025 to pre-war levels. However, as mentioned above, the production and sales volumes are heavily dependent on the level of supply of power as well as the logistics network available to the Group. The sensitivities prepared for reasonable adverse changes show tighter available liquidity under some scenarios, but sufficient available liquidity to operate as planned for the next 18 months.

The Group also prepared reverse stress tests for more severe adverse changes, such as a combination of all reasonably possible or plausible adverse changes in respect of realised prices and production costs, which is unlikely to happen in combination as a result of the natural hedge of iron ore prices and prices for key input materials, as well as lower production and sales volumes, but also for a further delay of the full recovery by another year. The stress test for the most severe adverse changes shows that the Group would have depleted all its liquidity by the end of the financial year 2023, without making use of any available mitigating actions within its control, such as further reductions of uncommitted development capital expenditures and operating costs. The use of these mitigating actions would allow the Group to be cash positive for almost 18 months after the approval of these consolidated financial statements.

The Group has assessed that, taking into account:

- i) its available cash and cash equivalents;
- ii) its cash flow projections, adjusted for the effects caused by the war in Ukraine, for the period of management's going concern assessment covering a period of 18 months from the date of the approval of these consolidated financial statements; and
- iii) the feasibility and effectiveness of all available mitigating actions within the Group management's control for identified uncertainties,

a material uncertainty still remains as some of the uncertainties remain outside of the Group management's control, with the duration and the impact of the war still unable to be predicted at this point of time.

As at the date of the approval of these consolidated financial statements, the Group's operations, located adjacent to the city of Horishni Plavni, have not been directly targeted by Russian missile strikes, but this remains a risk. Should the area surrounding the Group's operations become subject to the armed conflict, there would be a significant risk posed to the safety of the Group's workforce and the local community, as well as a significant risk to key assets and the infrastructure required for the Group to operate effectively. See the update on the Group's Principal Risks section on page 59 for further information.

Considering the current situation of the war in Ukraine, all identified available mitigating actions addressing the uncertainties caused by the war, as outlined on page 59, and the results of the management's going concern assessment, the Group continues to prepare its consolidated financial statements on a going concern basis. However, many of the identified uncertainties are outside of the Group management's control and are of unpredictable duration and severity, which may cast significant doubt upon the Group's ability to continue as a going concern.

In addition to the war-related uncertainties described above, the Group is also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 60 and 61). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties. Although the Group has operated successfully in difficult circumstances in recent years, the war in Ukraine and other circumstances facing the Group have led to an escalation of a number of risks, including risks relating to the political environment and the independence of the legal system, which could have a material negative impact on the Group's business and reputation. For more information on critical judgements made by management in preparing these consolidated financial statements, see also Note 30 Commitments, contingencies and legal disputes. The critical judgements made are predominantly in respect of the ongoing share dispute relating to Ferrexpo Poltava Mining and the imposed currency control measures in Ukraine under the Martial Law.

If the Group is unable to continue to realise assets and discharge liabilities in the normal course of business, it would be necessary to adjust the amounts in the statement of financial position in the future to reflect these circumstances, which may materially change the measurement and classification of certain figures contained in these consolidated financial statements.

Basis of consolidation

The consolidated financial statements comprise the financial statements for Ferrexpo plc and its subsidiaries as at 31 December each year. The financial statements of the subsidiaries are prepared as at the same reporting date as Ferrexpo plc's, using consistent accounting policies.

Subsidiaries are fully consolidated from the date the Group obtains control, which exists from the point of time when the Group is exposed to, or has rights to, variable returns from an entity and the Group has the ability to affect those returns through its power to direct the activities of an entity. Similarly, subsidiaries disposed of are deconsolidated from the date on which the Group ceases to hold control. A change in the ownership interest of an entity without obtaining or losing control is accounted for as an equity transaction.

All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Notes to the Consolidated Financial Statements continued

Note 2: Basis of preparation continued**Business combinations**

On the acquisition of a subsidiary, the business combination is accounted for using the acquisition method. The cost of an acquisition is measured as the aggregated amount of the fair value of the consideration transferred, measured at the date of acquisition. The consideration paid is allocated to the assets acquired and liabilities (including contingent liabilities) assumed on the basis of fair values at the date of acquisition.

Acquisition costs are expensed when incurred and included in general and administrative expenses.

Functional and presentational currencies

Based on the economic substance of the underlying business transactions and circumstances relevant to the parent, the functional currency of the parent has been determined to be the US dollar, with each subsidiary determining its own functional currency based on its own circumstances. The Group has chosen the US dollar as its presentational currency. The functional currency of Ukrainian subsidiaries, which is where the Group's main operations are based, is the Ukrainian hryvnia.

Foreign currency translation

For individual subsidiary company accounts, transactions in foreign currencies (i.e. other than the functional currency) are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to the functional currency at the rate of exchange ruling at the reporting date and non-monetary assets and liabilities at the historic rate. Foreign exchange differences arising on translation are recognised in the consolidated income statement.

For presentation of the Group's consolidated accounts, if the functional currency of a subsidiary is different to the presentational currency as at the reporting date, the assets and liabilities of this entity are translated into the presentational currency at the rate ruling at the reporting date and the consolidated income statement is translated using the average exchange rate for the year based on the officially published rates by the National Bank of Ukraine ("NBU"). The foreign exchange differences arising are recognised in other comprehensive income and taken directly to a separate component of equity. On disposal of a foreign entity the deferred cumulative amount of exchange differences recognised in equity relating to the particular foreign operation is recognised in the consolidated income statement.

Note 3: New accounting policies**New standards and interpretations adopted**

The accounting policies and methods of computation adopted in the preparation of the consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021 except for the adoption of new standards, interpretations and amendments to UK adopted IFRS effective as of 1 January 2022.

New standards, interpretations and amendments adopted without an impact on the Group's consolidated financial statements

Amendments to IAS 16 *Property, Plant and Equipment* prohibit the deduction from the cost of an item of property, plant and equipment of any proceeds from selling items produced while bringing that asset into operation and clarify that these proceeds (and the corresponding costs of production) are recognised in profit or loss.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* clarify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These can either be incremental costs of fulfilling that contract or the allocation of other costs that relate directly to fulfilling contracts.

New standards, interpretations and amendments not yet adopted

The Group has elected not to adopt early any revised and amended standards or interpretations that are not yet mandatory in the UK. The standards and interpretations below could have an impact on the consolidated financial statements of the Group in future periods.

Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* were issued in January 2020 and are effective for the financial year beginning on 1 January 2024 subject to endorsement by the UK Endorsement Board. The amendments clarify that the classification of liabilities as current or non-current should be based on the rights to defer the settlement of a liability by at least 12 months in existence at the end of the reporting period and not on future expectations about whether these rights will be exercised. Furthermore, the amendments clarify that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The Group does not expect a material impact in its consolidated financial statements as a consequence of these amendments.

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting policies* were issued in February 2021 and are effective for the financial year beginning on 1 January 2023. They require the disclosures of material accounting policies rather than significant accounting policies. The amendments to IAS 1 clarify that accounting policy information may be material because of its nature, even if it relates to immaterial amounts, that accounting policy information is material when it is needed by users of financial statements to understand other material information in the financial statements and that the disclosure of immaterial accounting policy information shall not obscure material accounting policy information. The amendments to IFRS Practice Statement 2 include guidance and examples to the amendments to IAS 1 and illustrate, in particular, the "four-step materiality process" to accounting policy information. The Group does not expect that these amendments will have a material impact on its consolidated financial statements.

Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* were issued in February 2021 and are effective for the financial year beginning on 1 January 2023. The amendments replace the definition of change in accounting estimates with the definition of accounting estimates as monetary amounts subject to measurement uncertainty following accounting policies requirements. A change in accounting estimate resulting from new information or developments is not the correction of an error and changes in an input or a measurement technique of an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. The effect of the change relating to the current period is recognised as income or expense in the current period while the effect, if any, on future periods is recognised as income or expense in those future periods. The Group does not expect that these amendments will have a material impact on its consolidated financial statements.

Note 3: New accounting policies continued

Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* were issued in May 2021 and are effective for the financial year beginning on 1 January 2023. The amendments clarify that the recognition exemption in paragraphs 15 and 24 of IAS 12 does not apply to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. For these transactions, such as leases or decommissioning obligations, deferred tax has to be recognised upon accounting of both an asset and a liability. The Group does not expect that these amendments will have a material impact on its consolidated financial statements.

Furthermore, the Group does not expect an impact on its consolidated financial statements from all other standards, interpretations and amendments issued at the reporting date, but not yet to be adopted for these financial statements.

Note 4: Use of critical estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make estimates and judgements that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and judgements are based on information available as at the date of authorising the consolidated financial statements for issue. Actual results could therefore differ from those estimates and judgements. The Group identified a number of areas involving the use of critical estimates and judgements made by management in preparing the consolidated financial statements and supporting information is embedded within the following disclosure notes:

Critical estimates

- Note 13 Property, plant and equipment – impairment consideration as a result of Russian invasion into Ukraine
- Note 15 Goodwill and other intangible assets – impairment consideration as a result of Russian invasion into Ukraine
- Note 17 Inventories – net realisable value of stockpiled low-grade and weathered ore

Critical judgements

- Note 2 Basis of preparation – going concern assumption
- Note 11 Taxation – tax legislation in Ukraine and development in international tax environment
- Note 30 Commitments, contingencies and legal disputes – assessment of matters in an environment of political, fiscal and legal uncertainties

Note 5: Segment information

The Group is managed as a single segment, which produces, develops and markets its principal product, iron ore pellets, for sale to the metallurgical industry. While the revenue generated by the Group is monitored at a more detailed level, there are no separate measures of profit reported to the Group's Chief Operating Decision-Maker ("CODM"). In accordance with IFRS 8 *Operating segments*, the Group presents its results in a single segment, which are disclosed in the consolidated income statement for the Group.

Management monitors the operating result of the Group based on a number of measures, including underlying EBITDA, gross profit and net cash.

Underlying EBITDA and gross profit

The Group presents the underlying EBITDA as it is a useful measure for evaluating its ability to generate cash and its operating performance. The Group's full definition of underlying EBITDA is disclosed in the Glossary on page 212.

US\$000	Notes	Year ended 31.12.22	Year ended 31.12.21
Profit before tax and finance		405,673	1,082,478
Losses on disposal and liquidation of property, plant and equipment		1,665	4,695
Share-based payments	28	490	856
Write-offs and impairments	7	260,308	235,618
Depreciation and amortisation		96,977	115,112
Underlying EBITDA		765,113	1,438,759
US\$000	Notes	Year ended 31.12.22	Year ended 31.12.21
Revenue	6	1,248,490	2,518,230
Cost of sales	7	(582,445)	(727,818)
Gross profit		666,045	1,790,412

Net cash

Net cash as defined by the Group comprises cash and cash equivalents less interest-bearing loans and borrowings.

US\$000	Notes	As at 31.12.22	As at 31.12.21
Cash and cash equivalents	25	112,945	167,291
Interest-bearing loans and borrowings – current	26	(5,194)	(48,206)
Interest-bearing loans and borrowings – non-current	26	(1,354)	(2,143)
Net cash		106,397	116,942

Notes to the Consolidated Financial Statements continued

Note 5: Segment information continued

Net cash is an Alternative Performance Measure ("APM"). Further information on the APMs used by the Group, including the definitions, is provided on pages 212 and 213.

Disclosure of revenue and non-current assets

The Group does not generate significant revenues from external customers attributable to the UK, the Company's country of domicile. The information on the revenues from external customers attributed to the individual foreign countries is given in Note 6 Revenue. The Group does not have any significant non-current assets that are located in the country of domicile of the Company. The vast majority of the non-current assets are located in Ukraine.

Note 6: Revenue**Accounting policy****Revenue recognition**

Revenue is recognised to the extent that it is probable that the Group will collect the consideration to which it expects to be entitled in exchange for transferring promised goods or services to a customer. The following specific recognition criteria are to be met before revenue is recognised.

Sale of goods including sales of pellets and fuel from bunker business

Revenue is recognised when the control of the goods has passed to the buyer and can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes. The Group does not have any material variable considerations, such as retrospective volume rebates and rights of returns, in the contracts with its customers. Revenues related to provisionally priced sales are initially recognised at the estimated fair value of the consideration receivable based on the forward price at each reporting date for the relevant period outlined in the different contracts. In terms of the associated commodity risk, see Note 27 Financial instruments for further information.

The control of goods passes when title for the goods passes to the customer as determined by the contractual sales terms based on the International Commercial Terms ("Incoterms"). The sales are typically made under CIF ("Cost Insurance and Freight"), CFR ("Cost and Freight", DAP ("Delivery At Place") and FOB ("Free on Board") terms.

Under DAP Incoterms, revenue is recognised when goods arrive at the agreed destination or at the border crossing, whereas under the other above-mentioned terms the title passes on the date of the bill of lading. If the sales agreement allows for adjustment of the sales prices based on survey of the goods by the customer (e.g. ore content) the revenue is recognised based on the most recent determined product specification.

The Group enters into long-term contracts with some of its customers, which become subject to either renewal or extension when about to expire. As the performance obligations under the old contracts are not affected by the renewal or extension, the new modified contracts are accounted for as separate contracts.

The Group has no unsatisfied or partially unsatisfied performance obligations relating to contracts with customers with original expected duration of more than one year. The Group has therefore taken advantage of the practical expedient provided in IFRS 15 and needs not disclose the transaction price allocated to the remaining performance obligations.

Freight services related to sales of pellets and concentrate

For CIF and CFR contracts the Group must contract for and pay the freight necessary to bring the goods to the named port of destination. Consequently, the freight services under CIF and CFR Incoterms meet the criteria of a separate performance obligation and the corresponding revenue is shown separate from the revenue from sales of iron ore pellets and concentrate.

Freight revenue is recognised over time, as the obligation to perform freight services is fulfilled, along with the associated costs.

For the separate presentation of the freight revenue as required under IFRS 15 *Revenue from contracts with customers*, the Group measures freight revenue based on the average freight rates of the relevant pricing period for specific shipments as outlined in the contracts with its customers. In case the relevant pricing period is after the end of the reporting period (normally within 60 days), revenue is measured based on forward freight rates at the reporting date.

Actual freight costs recognised for specific shipments might differ from the presented freight revenue due to movements in market rates between the timing of fixture of vessels and the relevant pricing periods outlined in the contracts with customers.

Logistic services

Revenue from logistic services rendered is measured at the transaction price contractually agreed between the parties based on applicable market rates for the specific freight services to be provided. The timing of satisfaction of the performance obligation is over time as services are completed. Where services are invoiced in advance of discharge, amounts attributable to the time between the end of the reporting period and the discharge date are deferred as contract liabilities.

Other sales

Other sales and services provided include predominantly the revenue generated from the sale of other materials and repair and maintenance works provided to third parties. The revenues are recognised when the title passes for material sold or services provided are completed.

Note 6: Revenue continued

Revenue for the year ended 31 December 2022 consisted of the following:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Revenue from sales of iron ore pellets and concentrate	1,144,079	2,323,238
Freight revenue related to sales of iron ore pellets and concentrate	43,557	137,595
Total revenue from sales of iron ore pellets and concentrate	1,187,636	2,460,833
Revenue from logistics and bunker business	54,491	50,393
Revenue from other sales and services provided	6,363	7,004
Total revenue	1,248,490	2,518,230

Since February 2022, the Group's seaborne sales through the port of Pivdennyi have been suspended as Ukraine's Black Sea ports are closed due to the war with Russia. Historically, the sales through the port of Pivdennyi have represented approximately half of the Group's sales. As a result, the Group has had to divert its iron ore pellet sales to the European market through the available railway network and its barging operations on the Danube. The market in Europe was however not able to absorb all the volumes that would have been sold to other markets with ocean-going vessels.

Revenue for the year ended 31 December 2022 includes the effect from the derecognition of contract liabilities of US\$7,648 thousand (2021: US\$8,487 thousand) deferred as revenue in the comparative year ended 31 December 2021. As at 31 December 2022, freight-related revenue in the amount of US\$75 thousand was deferred as the performance obligations were not fulfilled and included in the balance of the contract liabilities. See Note 24 Accrued and contract liabilities for further information.

Export sales of iron ore pellets and concentrate by geographical destination showing separately countries that individually represented 10% or more of export sales in either the current or prior year were as follows:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Europe, including Turkey	944,859	1,354,048
<i>Austria</i>	460,492	527,200
<i>Czech Republic</i>	148,128	106,350
<i>Slovakia</i>	138,302	80,288
<i>Turkey</i>	86,640	270,514
<i>Germany</i>	38,195	291,235
<i>Others</i>	73,102	78,461
China & South East Asia	164,397	770,584
<i>China</i>	71,041	549,885
<i>Others</i>	93,356	220,699
North East Asia	47,496	223,409
Middle East & North Africa	29,982	23,928
North America	902	88,864
Total exports	1,187,636	2,460,833

The Group markets its products across various regions. The disclosure of the segmentation reflects how the Group makes its business decisions and monitors its sales. Information about the composition of the regions is provided in the Glossary on pages 214 and 215. During the financial year 2022, the Group's sales of iron ore pellets and concentrate were significantly impacted by the ongoing war in Ukraine. Due to the ongoing war, the Group's seaborne sales through the port of Pivdennyi have been suspended and sales had to be diverted to the market in Europe.

During the year ended 31 December 2022, sales made to five customers accounted for 66% of the revenues from export sales of ore pellets and concentrate (2021: 53%).

Sales to customers that individually represented more than 10% of total sales in either current or prior year are as follows:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Customer A	461,394	616,064
Customer B	148,128	106,350
Customer C	138,302	80,288
Customer D	38,195	290,511
Customer E	2,492	211,231

Notes to the Consolidated Financial Statements continued

Note 7: Operating expenses

Accounting policy

Operating expenses arise in the course of the ordinary activities of the Group and are recognised in the consolidated income statement when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably.

Expenses are recognised in the consolidated income statement on the basis of a direct association between costs incurred and specific items of income. When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined, expenses are systematically allocated to the accounting period in which the economic benefits are expected to arise.

Royalties are outflows of resources embodying economic benefits and imposed by governments on entities, in accordance with legislation.

The obligating event that gives rise to a liability to pay royalties is the activity, identified by the legislation, that triggers the payment of royalties. The liability to pay royalties is recognised as the obligating event occurs. Mining royalties payable are presented within operating expenses.

Operating expenses for the year ended 31 December 2022 consisted of the following:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Cost of sales	582,445	727,818
Selling and distribution expenses	236,085	340,301
General and administrative expenses	63,847	72,163
Other operating expenses	309,669	271,629
Total operating expenses	1,192,046	1,411,911

Total operating expenses include:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Inventories recognised as an expense upon sale of goods	540,010	697,900
Employee costs (excl. logistics and bunker business)	92,144	104,018
Inventory movements	(52,953)	(51,603)
Depreciation of property, plant and equipment and right-of-use assets	95,127	113,429
Amortisation of intangible assets	1,851	1,682
Royalties	43,461	40,871
Costs of logistics and bunker business	55,916	47,254
Audit and non-audit services	2,073	1,694
Community support donations	14,536	6,449
Write-offs and impairments	260,308	235,618
Losses on disposal and liquidation of property, plant and equipment	1,665	4,695

US\$000	Notes	As at 31.12.22	As at 31.12.21
Write-off of inventories		269	247
Write-off of property, plant and equipment	13	5,562	3,233
Write-off of intangible assets	15	–	931
Write-off of receivables and prepayments		–	96
Total write-offs		5,831	4,507
Impairment of property, plant and equipment	13	219,931	–
Impairment of goodwill and other intangible assets	15	29,103	–
Impairment of other non-current assets	16	5,443	–
Impairment of inventories	17	–	231,111
Total impairments		254,477	231,111
Total write-offs and impairments		260,308	235,618

Note 7: Operating expenses continued

Impairment of property, plant and equipment, goodwill and other intangible assets as well as of other non-current assets are caused by the Russian invasion into Ukraine in February 2022, which was considered as a non-adjusting post balance sheet event as at 31 December 2021 and became an adjusting event for the year ended 31 December 2022. See Note 13 Property, plant and equipment, Note 15 Goodwill and other intangible assets and Note 16 Other non-current assets for further information.

Impairment of inventories for the comparative year ended 31 December 2021 is related to the stockpiled low-grade ore for which the start of the processing and the volume expected to be utilised could not be reliably estimated. As at the date of the approval of the consolidated financial statements as at 31 December 2022, the start of the processing and the volume expected to be utilised cannot be reliably estimated. Further information is provided in Note 17 Inventories.

Write-offs of property, plant and equipment and intangible assets for the comparative year ended 31 December 2021 is primarily related to the cancellation of the licence for the Galeschynske project, which is in the exploration phase. Whilst the Group is focused on returning this licence to its previous state, all capitalised costs associated with this licence have been written off as the outcome is currently uncertain. For further information see Note 30 Commitments, contingencies and legal disputes and the update on the Group's Principal Risks on pages 60 and 61 in terms of the Ukraine country risk.

Auditor remuneration

US\$000	Year ended 31.12.22	Year ended 31.12.21
Audit services		
Ferrexpo plc Annual Report and Accounts	1,631	1,269
Subsidiary entities	185	196
Total audit services	1,816	1,465
Audit-related assurance services	255	229
Total audit and audit-related assurance services	2,071	1,694
Non-audit services		
Other services	2	–
Total non-audit services	2	–
Total auditor remuneration	2,073	1,694

Auditor remuneration paid is in respect of the audit of the financial statements of the Group and its subsidiary companies and, when applicable, for the provision of other services not in connection with the audit. Audit services for the year ended 31 December 2022 include US\$242 thousand relating to year-end audit for the financial year 2021 incurred as a result of the war in Ukraine.

Note 8: Other income**Accounting policy**

Other income mainly includes lease income generated from rail cars, mining equipment and premises, and the proceeds from the sale of spare parts, scrap metal and fuel and compensations received from insurance companies. Lease income is recognised based on the underlying contractual basis over the term of the lease. Other income from the sale of consumable materials is recognised as revenue when the title passes.

Other income for the year ended 31 December 2022 consisted of the following:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Lease income	704	916
Other income	8,529	8,583
Total other income	9,233	9,499

Notes to the Consolidated Financial Statements continued

Note 9: Foreign exchange gains and losses

Accounting policy

Foreign exchange gains and losses are reported on a net basis. Operating foreign exchange gains and losses are those resulting directly from the Group's operating activities. Non-operating gains and losses are predominantly those associated with the Group's financing and treasury activities, including the translation of interest-bearing loans and borrowings denominated in currencies different from the respective functional currencies and transactional gains and losses from the conversion of cash balances in currencies different from the local functional currencies at exchange rates different from those at the initial recognition date.

Foreign exchange gains and losses for the year ended 31 December 2022 consisted of the following:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Operating foreign exchange gains/(losses)		
Conversion of trade receivables	340,189	(37,791)
Conversion of trade payables	(623)	38
Other	(127)	(55)
Total operating foreign exchange gains/(losses)	339,439	(37,808)
Non-operating foreign exchange losses		
Conversion of interest-bearing loans	(77,678)	(3,229)
Conversion of cash and cash equivalents	9,711	(181)
Other	4,470	210
Total non-operating foreign exchange losses	(63,497)	(3,200)
Total foreign exchange gains/(losses)	275,942	(41,008)

The translation differences and foreign exchange gains and losses are predominantly dependent on the fluctuation of the exchange rate of the Ukrainian hryvnia against the US dollar and the outstanding US dollar denominated receivable balances in Ukraine. Following the Russian invasion into Ukraine on 24 February 2022, the National Bank of Ukraine pegged the Ukrainian hryvnia at 29.255 to the US dollar in order to mitigate the adverse impact from the war on the local financial system. On 21 July 2022, the National Bank of Ukraine devalued the local currency to 36.568 to the US dollar with immediate effect. This devaluation of the local currency had a positive effect on the Group's production costs and resulted in operating foreign exchange gains on the conversion of the Ukrainian subsidiaries' trade receivables denominated in US dollar. The depreciation of the Ukrainian hryvnia of c. 34% also reduces the Group's net assets as assets and liabilities of the Ukrainian subsidiaries are denominated in the local currency. The exchange differences arising on translation of non-US dollar functional currency operations (mainly in Ukrainian hryvnia) are included in the translation reserve. See Note 31 Share capital and reserves for further details.

The table below shows the closing and average rates of the most relevant currencies of the Group compared to the US dollar.

Against US\$	Average exchange rates		Closing exchange rates	
	As at 31.12.22	As at 31.12.21	Year ended 31.12.22	Year ended 31.12.21
UAH	32.342	27.286	36.569	27.278
EUR	0.951	0.845	0.934	0.882

Note 10: Net finance expense

Accounting policy

Finance expense

Finance expense is expensed as incurred with the exception of interest on loans and borrowings measured at amortised cost, which is recognised in the consolidated income statement using the effective interest method. Finance expense includes interest on defined benefit plans.

Borrowing costs incurred in respect of the financing of construction or production of a qualifying asset are capitalised up to the date when the asset is ready for its intended use. See also Note 13 Property, plant and equipment for further details.

Finance income

Finance income comprises interest income on funds invested and the effect of unwinding discounts recorded in previous years. Interest income is recognised as it accrues using the effective interest method.

Note 10: Net finance expense continued

Finance expense and income for the year ended 31 December 2022 consisted of the following:

US\$000	Notes	Year ended 31.12.22	Year ended 31.12.21
Finance expense			
Interest expense on loans and borrowings		(479)	(9,567)
Less capitalised borrowing costs		479	5,343
Net interest on defined benefit plans	22	(2,678)	(3,211)
Bank charges		(871)	(632)
Interest expense on lease liabilities		(233)	(474)
Other finance costs		(664)	(399)
Total finance expense		(4,446)	(8,940)
Finance income			
Interest income		888	609
Other finance income		41	28
Total finance income		929	637
Net finance expense		(3,517)	(8,303)

Note 11: Taxation**Accounting policy****Current income tax**

Current income taxes are computed based on enacted or substantively enacted local tax rates and laws at the reporting date and the expected taxable income of the entities of the Group for the respective period.

Current income taxes are recognised as an expense or income in the consolidated income statement unless related to items directly recognised in other comprehensive income or equity or if related to the initial accounting for a business combination.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for taxable temporary differences that will become taxable. Deferred income tax assets are generally recognised for deductible temporary differences, carry forwards of available unused tax credits and tax losses, to the extent that it is more likely than not that they will be recovered in a future period against taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

No deferred assets or liabilities are recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction, other than in a business combination, which affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognised in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets in relation to temporary differences on such investments and interests are recognised to the extent that it is probable that there are sufficient taxable profits available against which the benefits of the temporary differences can be utilised and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax assets to be utilised. Additionally, unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

Income tax effects on items directly recognised in other comprehensive income or equity are also recognised in other comprehensive income or equity, respectively.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Notes to the Consolidated Financial Statements continued

Note 11: Taxation continued

Critical judgements

Tax legislation

The Group operates across a number of jurisdictions through its value chain and prices its sales between its subsidiaries using international benchmark prices for comparable products covering product quality and applicable freight costs. The Group judges these to be on terms which comply with applicable legislation in the jurisdictions in which the Group operates.

On 27 June 2022, the Supreme Court of Ukraine ruled partially in favour of the State Fiscal Service of Ukraine ("SFS") in respect of a claim made by the SFS, despite two favourable verdicts received by the Group's subsidiary from lower court instances. The claim was in respect of a tax audit performed for the period from 1 September 2013 to 31 December 2015 at the Group's major subsidiary in Ukraine with a focus on cross-border transactions. As a result of this court decision, an amount of UAH234 million (US\$7,999 thousand) became a legally binding obligation and was paid in July 2022. The partially negative verdict of the Supreme Court of Ukraine might have an adverse impact on the tax audits described below as the STS might use the court verdict as a precedent.

On 18 February 2020, the State Tax Service of Ukraine ("STS"), formerly known as SFS, commenced two tax audits for cross-border transactions between the Group's major subsidiary in Ukraine and two subsidiaries of the Group outside of Ukraine in relation to the sale of iron ore products during the financial years 2015 to 2017. The audits were halted in March 2020 due to a Covid-19 related quarantine imposed in Ukraine and resumed on 10 February 2021. On 14 June 2021, the STS commenced another tax audit for the financial years 2015 to 2017 for cross-border transactions of another Ukrainian subsidiary with the same two subsidiaries of the Group outside of Ukraine. Both audits have been suspended when Ukraine declared Martial Law, but resumed again on 25 January 2023. Based on legislation in Ukraine, the results of these audits are to be provided by the STS within 18 months after commencement. The period for both audits has been interrupted first by the Covid-19 related quarantine imposed between March 2020 and February 2021 and then on 24 February 2022 due to the declaration of Martial Law as a result of the Russian invasion into Ukraine. The deadlines to provide the reports for the audits have not expired as of 31 December 2022 and are 10 June 2023 and 15 November 2023, respectively.

Despite the verdict received from the Supreme Court of Ukraine, the Group still considers that it has complied with applicable legislation for all cross-border transactions undertaken and is of the opinion that the court did not appropriately consider relevant technical grounds and the applicable legislation when ruling on this case. In the case of new claims, the Group will continue to defend its methodology applied to determine the prices between its subsidiaries, but is aware that there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld. As of the approval of these consolidated financial statements, no claims have been made by the STS in respect of the audits commenced in 2020 and 2021. As a consequence, no provision has been recorded as at 31 December 2022 for transactions and years subject to the audits commenced by the STS as it is impossible to reasonably quantify the potential exposure.

Separate from the cases mentioned above, on 23 June 2020 Ferrexpo Poltava Mining ("FPM") received a court ruling, which grants access to information and documents to the State Bureau of Investigation in Ukraine ("SBI") in relation to the sale of iron ore products to two subsidiaries of the Group outside of Ukraine during the years 2013 to 2019. The court ruling relates to pre-trial investigations carried out by the SBI in relation to potential tax evasion by the Group in Ukraine. At the time of the approval of these consolidated financial statements, there is very little information provided in the court ruling in respect of the alleged offences. There is no quantified claim made by the SBI and the ruling is primarily seeking disclosure of information in order to allow the SBI to determine whether there have potentially been any offences. The Ukrainian subsidiaries cooperated with the SBI and provided the requested information as per the court ruling in order to support these pre-trial investigations. As of the date of approval of these consolidated financial statements, there have been no actions or any new requests received from the SBI.

As required by IFRIC 23 *Uncertainty over income tax treatments*, the Group reviewed and reassessed its exposure in respect of all uncertain tax positions, including the audits of cross-border transactions in Ukraine under the provisions of this interpretation. The Ukrainian legislation and regulations on taxation are not always clearly written and are therefore subject to varying interpretations and inconsistent enforcement by local, regional and national tax authorities. In case of any claims made by the STS and considering the uncertainties of the legal and tax framework in Ukraine, the Group will defend its pricing methodology applied during these years in the courts in Ukraine. An unfavourable outcome of any future court proceedings would have an adverse impact on the Group's total income tax expense and effective tax rate in future periods. See also the Principal Risks section on pages 60 and 61 for further information on the Ukraine country risk.

Except for the matters in Ukraine mentioned above, the Group is not aware of any significant challenges by local tax authorities in any jurisdictions in which the Group operates. However, the application of international and local tax legislation and regulations can be complex and requires judgement to assess possible associated risks, particularly in relation to the Group's cross-border operations and transactions.

The income tax expense for the year ended 31 December 2022 consisted of the following:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Current income tax		
Current income tax charge	100,064	202,335
Amounts related to previous years	6,389	(1,010)
Total current income tax	106,453	201,325
Deferred income tax		
Origination and reversal of temporary differences	12,209	(1,343)
Total deferred income tax	12,209	(1,343)
Total income tax expense	118,662	199,982

Note 11: Taxation continued

Tax effects on items recognised in other comprehensive income consisted of the following for the year ended 31 December 2022:

US\$000	Notes	Year ended 31.12.22	Year ended 31.12.21
Tax effect of exchange differences arising on translating foreign operations	31	(13,036)	3,313
Total income tax effects recognised in other comprehensive (credit)/charge		(13,036)	3,313

The weighted average statutory corporate income tax rate is calculated as the average of the statutory tax rates applicable in the countries in which the Group operates, weighted by the profits and losses before tax of the subsidiaries in the respective countries, as included in the consolidated financial information. The weighted average statutory corporate income tax rate was 13.8% for the financial year 2022 (2021: 15.5%). A reconciliation between the income tax charged in the accompanying financial information and income before taxes multiplied by the weighted average statutory tax rate for the year ended 31 December 2022 is as follows:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Profit before tax	338,659	1,070,975
Notional tax charge computed at the weighted average statutory tax rate of 13.8% (2021: 15.5%)	46,769	166,330
Derecognition of deferred tax assets ¹	14,757	1,107
Expenses not deductible for local tax purposes ²	4,615	721
Income exempted for local tax purposes ³	(158)	(238)
Effect from utilisation of non-recognised deferred taxes ⁴	–	(5,852)
Effect from capitalised tax loss carry forwards on historic tax losses ⁴	–	(1,578)
Effect from non-recognition of deferred taxes ⁵	34,882	41,442
Effect from non-recognition of deferred taxes on current year losses ⁶	2,884	–
Effect of different tax rates on local profit streams ⁷	(3,412)	(1,131)
Withholding tax on dividends ⁸	11,540	–
Prior year adjustments to current tax ⁹	6,389	(1,010)
Effect from share of profit from associates ¹⁰	(100)	(803)
Other (including translation differences)	496	994
Total income tax expense	118,662	199,982

- The majority of the derecognition in 2022 is an allowance of US\$10,749 thousand booked on deferred tax assets recognised by two of the Group's subsidiaries in Ukraine as a result of uncertainties as some of the temporary differences are not expected to unwind in the near future. Considering the material uncertainty in terms of the Group's going concern, the relevant period for the recovery of the recognised net balance of deferred tax assets has been aligned to the period of the going concern assessment. The remaining amount in 2022 is primarily related to deferred tax assets recognised in 2019 in light of the change of the tax law in Switzerland and the derecognition of deferred taxes initially recognised at one of the Group's subsidiaries in Ukraine. As a result of the ongoing war in Ukraine, it is currently not expected that this specific subsidiary will have taxable profits in the near future. The amount derecognised in 2021 is related to deferred tax assets recognised in Switzerland in light of the mentioned change of the tax law. These deferred tax assets recognised were in connection with available transitional measures for companies losing the special tax status available under the old tax law. The derecognition is due to the fact that the taxable profits of the Swiss subsidiaries were lower than forecasted. Whilst the initial recognition is considered of a non-recurring nature, the derecognition might recur depending on the taxable profits of the Swiss subsidiaries in the future.
- The effects in 2022 and 2021 predominantly relate to expenses not deductible in Ukraine. This effect is expected to be of a recurring nature as a portion of operating expenses in Ukraine is historically not deductible for tax purposes according to the enacted local tax legislation.
- The effects in 2022 and 2021 relate to income expected to be tax exempted in the United Kingdom as primarily related to the adoption of IFRS 9. This effect is considered to be of a recurring nature.
- The effect relates to a subsidiary in Ukraine, for which no deferred tax asset was recognised for available tax losses at the end of the comparative year ended 31 December 2021. During the financial year 2021, the subsidiary became profitable and available tax losses incurred in previous years were used to offset the profit. As all available losses are either used or recognised as a deferred tax asset as at 31 December 2021, this effect is considered to be of a non-recurring nature.
- The effect in 2022 predominantly relates to the impairment loss of US\$254,477 thousand on the Group's non-current operating assets as a result of the war in Ukraine, net of the effect from the changed depreciation pattern for the impaired assets. In 2021, the effect relates to the impairment loss of US\$231,111 thousand on stockpiled low-grade ore recorded in one of the Group's subsidiaries in Ukraine. Both impairment losses are not tax deductible in Ukraine. Whilst the effect in 2022 could be of a recurring nature, also depending on the situation in Ukraine, the effect in 2021 is considered to be of a non-recurring nature. In the case that the situation in Ukraine will significantly improve, there is a chance that the recorded impairment losses will reverse in a future period. Such potential positive effects are expected to be tax exempted. There are other expenses in Ukraine and the United Kingdom, which are historically not deductible for tax purposes according to the enacted local tax legislation and considered to be of a recurring nature.
- The effect relates mainly to a subsidiary in Ukraine. Due to the uncertainty in respect of the timing of the subsidiary becoming profitable for local tax purposes, no deferred tax asset has been recognised. This effect was considered to be of a recurring nature until this subsidiary becomes operative and profitable.
- The effects relate to the different tax rates applying to different income streams in Swiss subsidiaries as a result of their specific tax status. The effect is of a recurring nature.
- The effect in 2022 relates to effects of dividends paid by one of the subsidiaries in Ukraine, which are subject to withholding tax, whereas the dividend income was not subject to income taxes under the participation exemption regime in place in Switzerland. The effect in future years depends on the level of dividend payments made.
- The effect in 2022 primarily relates to a negative decision received in respect of the transfer pricing claim for the financial year 2015, for which a final decision was received from the relevant court instance in 2022. The effect in 2021 relates to final tax assessments received in Switzerland. Similar effects, irrespective of the jurisdiction, are likely to occur in the future. In addition to the effect in Switzerland in 2021, included therein is the release and recognition of provisions, which are expected to be non-recurring.
- Share of profit from associates is generally recognised net of taxes of the associates. This effect is of a recurring nature.

The Group operates across a number of jurisdictions and its effective tax rate is subject to various factors outside of the Group's control. This includes the volatility in the global iron ore pellet market and foreign exchange rate movements, primarily between the Ukrainian hryvnia and the US dollar. The effective tax rate of the financial year 2022 was 35.0% as a result of the recorded impairment loss totalling US\$254,477 thousand on the Group's non-current operating assets which is not tax deductible in Ukraine (see Note 13 Property, plant and equipment for further information)

Notes to the Consolidated Financial Statements continued

Note 11: Taxation continued

and due to the fact that no deferred tax asset was recognised for the resulting temporary differences. Further to that, the Group recorded an allowance of US\$10,749 thousand on deferred tax assets recognised by two of the Group's subsidiaries in Ukraine. Without these two effects, the effective tax rate would have been 18.2%.

The effective tax rate of 18.7% for the financial year 2021, was affected by the impairment loss on the stockpiled low-grade ore, which was also not tax deductible in Ukraine, compared to the weighted average statutory corporate income tax rate of 15.5%.

The net balance of income tax payable changed as follows during the financial year 2022:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Opening balance	(36,502)	(57,132)
Charge in the consolidated income statement	(106,453)	(201,325)
Booked through other comprehensive income/(loss)	13,036	(3,313)
Tax paid	110,243	227,930
Translation differences	3,786	(2,662)
Closing balance	(15,890)	(36,502)

The net income tax payable as at 31 December 2022 consisted of the following:

US\$000	As at 31.12.22	As at 31.12.21
Income tax receivable balance	4,674	636
Income tax payable balance	(20,564)	(37,138)
Net income tax payable	(15,890)	(36,502)

Temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes and the recognition of available tax loss carry forwards result in the following deferred income tax assets and liabilities at 31 December 2022:

US\$000	Consolidated statement of financial position		Consolidated income statement	
	As at 31.12.22	As at 31.12.21	Year ended 31.12.22	Year ended 31.12.21
Property, plant and equipment	13,474	23,757	(4,106)	895
Right-of-use assets	526	532	129	92
Intangible assets	3,956	5,942	(1,944)	(1,456)
Inventories	205	478	(152)	123
Allowance for restricted cash and deposits	–	3,837	(2,862)	–
Defined benefit pension liability	459	537	(77)	(560)
Other	1,325	1,679	177	450
Tax losses recognised	255	2,157	(1,901)	1,657
Total deferred tax assets/change	20,200	38,919	(10,736)	1,201
Thereof netted against deferred tax liabilities	(5,729)	(5,973)		
Total deferred tax assets as per the statement of financial position	14,471	32,946		
Property, plant and equipment	(320)	(559)	239	33
Intangible assets	(384)	(470)	(33)	(472)
Financial assets	(4,076)	(4,133)	56	289
Inventories	(1,334)	–	(1,334)	–
Lease obligations	(503)	(590)	(305)	(53)
Other	(459)	(362)	(96)	345
Total deferred tax liabilities/change	(7,076)	(6,114)	(1,473)	142
Thereof netted against deferred tax assets	5,729	5,973		
Total deferred tax liabilities as per the statement of financial position	(1,347)	(141)		
Net deferred tax assets/net change	13,124	32,805	(12,209)	1,343

Note 11: Taxation continued

The movement in the deferred income tax balance is as follows:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Opening balance	32,805	30,473
Charge in consolidated income statement	(12,209)	1,343
Translation differences	(7,472)	989
Closing balance	13,124	32,805

The net deferred tax asset balance of US\$13,124 thousand includes deferred tax assets totalling US\$14,448 thousand related to temporary differences of the Group's two major subsidiaries in Ukraine, with the remaining balance reflecting deferred tax liabilities of subsidiaries outside of Ukraine. The recoverability of these deferred tax assets depends on the level of taxable profits realised by the two subsidiaries in future periods and the duration of the unwind of the temporary differences. Considering the material uncertainty in terms of the Group's going concern, the relevant period for the recovery of the recognised net balance of deferred tax assets has been aligned to the period of the going concern assessment. Despite the fact that the two Ukrainian subsidiaries realised taxable profits for the financial year 2022 and taxable profits are also expected for the period covered by the going concern assessment, an allowance of US\$10,749 thousand was booked as at 31 December 2022 as a result of uncertainties in terms of the timing of the unwind of some of the temporary differences. The level of taxable profits in Ukraine depends on many factors, such as the level of supply of power, the volatility in the global iron pellet market and foreign exchange rate changes, but also on the implications of the ongoing war in Ukraine as a whole.

As at 31 December 2022, the Group had available tax loss carry forwards in the amount of US\$68,691 thousand (2021: US\$78,188 thousand) for which no deferred tax assets were recognised. US\$41,687 thousand (2021: US\$44,591 thousand) are related to losses incurred in Ukraine and Austria and those losses do not expire. The remaining balance totalling US\$27,004 thousand (2021: US\$33,598 thousand) relates to losses incurred in Hungary, of which US\$13,736 thousand (2021: US\$19,545 thousand) expire after more than eight years.

No deferred tax liabilities have been recognised on temporary differences in the amount of US\$663,536 thousand (2021: US\$1,282,355 thousand) arising from undistributed profits from subsidiaries as no distributions are planned. Other temporary differences of US\$270,939 thousand have not been recognised as of 31 December 2022 (2021: US\$7,765 thousand), of which the vast majority relates to temporary differences on property, plant and equipment in Ukraine. The increase compared to the comparative period is primarily due to non-recognised deferred tax assets on the impairment loss of US\$254,477 thousand during the financial year 2022.

Future developments

Following an agreement reached by the Finance Ministers from the G7 in July 2021 backing the creation of a global minimum corporate tax rate of at least 15%, over 140 countries and jurisdictions have agreed to the OECD/G20 Inclusive Framework on BEPS, also referred to as BEPS 2.0, including Ukraine, United Arab Emirates and Switzerland. The new framework aims to ensure that large multinational enterprises pay a fair share of tax wherever they operate and to set a global minimum tax rate. Earliest possible implementation is in 2024 and it is expected that implementation in key countries will commence soon. Whilst some details are still unknown, the United Arab Emirates and Switzerland announced the adjustment of their local tax legislation by 1 June 2023 and 1 January 2024 respectively, resulting in an increase of the local corporate tax rate.

Based on the current understanding of the anticipated changes to the global tax landscape, the Group expects an increase of its future effective tax rate once adjustments are made to relevant local tax legislation. The Group's future effective tax rate is expected to be in a range of 15.0% to 19.0%. As mentioned above, this effective tax rate is also dependent on the volatility in the global iron ore pellet market and on foreign exchange rate movements, primarily between the Ukrainian hryvnia and the US dollar, and any one-off events, such as impairment losses that might not be tax deductible in some jurisdictions.

Note 12: Earnings per share and dividends paid and proposed**Accounting policy****Basic number of Ordinary Shares outstanding**

The basic number of Ordinary Shares is calculated by reducing the total number of Ordinary Shares in issue by the weighted average of shares held in treasury and employee benefit trust reserve. The basic earnings per share ("EPS") are calculated by dividing the net profit for the year attributable to ordinary equity shareholders of Ferrexpo plc by the weighted average number of Ordinary Shares.

Dilutive potential Ordinary Shares

The dilutive potential Ordinary Shares outstanding are calculated by adjusting the weighted average number of Ordinary Shares in issue on the assumption of conversion of all potentially dilutive Ordinary Shares. All share awards that are potentially dilutive are considered in the calculation of diluted earnings per share.

Distributable reserves

Ferrexpo plc (the "Company") is the Group's holding company, with no direct operating business, so its ability to make distributions to its shareholders is dependent on its ability to access profits held in the subsidiaries. The Group's consolidated retained earnings shown in the consolidated statement of changes in equity do not reflect the profits available for distribution in the Group as of 31 December 2022.

Notes to the Consolidated Financial Statements continued

Note 12: Earnings per share and dividends paid and proposed continued

	Year ended 31.12.22	Year ended 31.12.21
Earnings for the year attributable to equity shareholders – per share in US cents		
Basic	37.41	148.2
Diluted	37.35	147.9
Profit for the year attributable to equity shareholders – US\$000		
Basic and diluted earnings	219,997	870,993
Weighted average number of shares – thousands		
Basic number of Ordinary Shares outstanding	588,017	587,699
Effect of dilutive potential Ordinary Shares	931	1,028
Diluted number of Ordinary Shares outstanding	588,948	588,727

Dividends proposed and paid

Considering the continued unpredictable situation in Ukraine, no further dividends are proposed for the financial year 2022 as at the date of the approval of these consolidated financial statements. Taking into account the provisions of the Companies Act 2006 and relevant thin capitalisation rules, the total available distributable reserves of Ferrexpo plc is US\$118,624 thousand as of 31 December 2022 (2021: US\$170,800 thousand). Future distributable reserves at the Ferrexpo plc level are also dependent on the payment of dividends by the subsidiaries to the respective parent companies within the Group and certain Group companies are currently restricted from paying dividends outside of Ukraine as a result of Ukrainian currency control measures imposed under the Martial Law. The recorded impairment loss as of 31 December 2022 and the war-related uncertainties, as well as the uncertainties related to the political environment and the independence of the legal system and other circumstances facing the Group (see Note 30 Commitments, contingencies and legal disputes) could have a negative impact on the potential for future dividend payments.

	Year ended 31.12.22
US\$000	
Dividends paid during the year	
Final dividend for 2021: 6.6 US cents per Ordinary Share	38,679
Interim dividend for 2022: 13.2 US cents per Ordinary Share	76,899
Interim dividend for 2021: 6.6 US cents per Ordinary Share	39,517
Total dividends paid during the year	155,095

Although accounts are published in US dollars and dividends are declared in US dollars, the shares are denominated in UK pounds sterling and dividends are therefore paid in UK pounds sterling.

Companies Act requirements in respect of dividend payments

During the financial year 2021, the Directors became aware of a technical issue in respect of the interim dividend declared on 4 August 2021 and, following investigations of the issue, of technical issues in respect of dividend payments made by the Company in 2010 and 2011. The technical issues were ratified by a shareholders' resolution passed at the general meeting of the shareholders of Ferrexpo Plc on 15 June 2022. Further details are included in the Directors' Report in the 2021 Annual Report & Accounts on page 128.

	Year ended 31.12.21
US\$000	
Dividends proposed	
Interim dividend for 2021: 6.6 US cents per Ordinary Share	38,788
Total dividends proposed	38,788

The interim dividend for 2021 was declared on 22 December 2021 and paid on 28 January 2022.

	Year ended 31.12.21
US\$000	
Dividends paid during the year	
Interim dividend for 2021: 39.6 US cents per Ordinary Share	231,011
Final dividend for 2020: 13.2 US cents per Ordinary Share	77,890
Special interim dividend for 2020: 39.6 US cents per Ordinary Share	233,097
Special interim dividend for 2020: 13.2 US cents per Ordinary Share	77,379
Total dividends paid during the year	619,377

Note 13: Property, plant and equipment

Accounting policy

Property, plant and equipment

Property, plant and equipment is stated at cost, net of accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs for qualifying assets (see below) if the recognition criteria are met. The cost of self-constructed assets includes the cost of materials, direct labour and an appropriate proportion of production overheads.

Major spare parts, stand-by and servicing equipment qualify as property, plant and equipment when they are expected to be used during more than one period. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance and overhaul costs, are charged to the consolidated income statement in the period the costs are incurred unless it can be demonstrated that the expenditure results in future economic benefits, when the expenditure is capitalised as an additional cost.

Upon recognition, items of property, plant and equipment are divided into components, which represent items with a significant value that have different useful lives. Assets included in property, plant and equipment are depreciated over their estimated useful life taking into account their own physical life limitations and the present assessment of economically recoverable reserves of the mine property at which the assets are located. The remaining useful lives for major assets are reassessed on a regular basis. Mining assets are depreciated using the unit of production method. Changes in expected resources, which affect the unit of production calculations, are accounted for prospectively.

Except for mining assets, which are depreciated using the unit of production method, depreciation is calculated on a straight-line basis over the estimated useful life of the asset, as follows:

- Buildings: 20–50 years
- Vessels: 8–40 years
- Plant and equipment: 3–15 years
- Vehicles: 7–15 years
- Fixtures and fittings: 2.5–10 years

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the period the item is derecognised.

Assets in the course of construction are initially recognised in assets under construction. Assets under construction are not depreciated. On completion of the asset and when available for use, the cost of construction is transferred to the appropriate asset category in property, plant and equipment and depreciation commences.

Freehold land is not depreciated.

Deferred stripping costs

Rock, soil and other waste materials are typically to be removed to access an ore body, which is known as stripping activity. Stripping work comprises overburden removal at pre-production, mine extension and production stages.

Pre-production stripping costs incurred in the development of a component of a mine before commercial production commences are capitalised as part of assets under construction. After the commencement of commercial production, the respective capitalised pre-production stripping costs are transferred to mining assets and depreciated over the life of the respective component of the ore body on a unit of production ("UOP") basis.

Production stripping costs are generally charged to the consolidated income statement as variable production costs unless these costs are related to gaining improved access to an identified component of the ore body to be mined in future periods. Such production stripping costs are capitalised within mining assets provided all the following conditions are met:

- it is probable that the future economic benefit associated with the stripping activity will be realised;
- the component of the ore body for which access has been improved can be identified; and
- the costs relating to the stripping activity associated with the improved access can be reliably measured.

Once the commercial production of the specific component of the ore body commences, the capitalised production stripping costs are depreciated on a UOP basis over the life of the respective identified component. No production stripping costs were capitalised as at 31 December 2022 and as at the end of the comparative year ended 31 December 2021.

Mining assets

Any capitalised stripping activities, either of a pre-production or production nature, are reclassified to mining assets at the point of time when the extraction of the ore body of the specific component starts. Mining assets are depreciated using the UOP method based on the estimated economically recoverable reserves to which they relate.

Notes to the Consolidated Financial Statements continued

Note 13: Property, plant and equipment continued

Exploration and evaluation assets

Costs incurred in relation to the exploration and evaluation of potential iron ore deposits are capitalised and classified as tangible or intangible assets depending on the nature of the expenditures. Costs associated with exploratory drilling, researching and analysing of exploration data and costs of pre-feasibility studies are included in tangible assets whereas those associated with the acquisition of licences are included in intangible assets.

Capitalised exploration and evaluation expenditures are carried forward as an asset as long as these costs are expected to be recouped in full through successful development and exploration in a future period.

Exploration and evaluation assets are measured at cost and are neither amortised nor depreciated, but monitored for indications of impairment. To the extent that the capitalised expenditures are not expected to be recouped, the excess is fully provided for in the financial year in which this is determined.

Upon reaching the development stage, exploration and evaluation assets are either transferred to assets under construction or other intangible assets, if those costs were associated with the acquisition of licences.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale ("qualifying asset") are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of the funds. In the case of general borrowings used to fund the acquisition or construction of a qualifying asset, the borrowing costs to be capitalised are calculated based on a weighted average interest rate applicable to the relevant general borrowings of the Group during a specific period.

Impairment testing

Property, plant and equipment is considered to be part of a single cash-generating unit ("CGU"). The recoverable amount of the CGU is determined to be the fair value less cost of disposal. The Group assesses at each reporting date whether there are indications that assets may be impaired or previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' recoverable amounts. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment losses are recognised in the consolidated income statement.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount, but not exceeding the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement and the basis for future depreciation is adjusted accordingly.

Capitalised stripping costs

Stripping costs are deferred and capitalised if related to gaining improved access to an identified component of an ore body to be mined in future periods. The capitalised amount is determined based on the volume of waste extracted, compared with expected ore volume in the identified component of the ore body. As at 31 December 2022, deferred pre-production stripping costs totalling US\$111,608 thousand relate to components in operation and are included in mining assets (2021: US\$159,141 thousand). Deferred pre-production stripping costs in relation to components expected to be put into operation in a future period totalled US\$111,621 thousand and are included in assets under construction (2021: US\$156,975 thousand). No production stripping costs are capitalised as of this point in time.

Critical estimates

As at the date of the approval of these consolidated financial statements, the war in Ukraine that commenced with the Russian invasion into Ukraine on 24 February 2022 is still ongoing. Even though the Group managed to operate throughout the financial year 2022, the ongoing war had an adverse impact on the Group's cash flow generation and it is expected that this will continue to be the case until the war comes to an end. During the financial year 2022, the Group's cash flow generation was heavily affected by the fact that the Group's seaborne sales through the port of Pivdennyi have been suspended as a result of closed Black Sea ports in Ukraine since the beginning of the war and the level of supply of power following severe Russian missile strikes on state-owned electrical infrastructure.

The beginning of the war on 24 February 2022 was treated as a non-adjusting post balance sheet event in the consolidated financial statements for the year ended 31 December 2021, but became an adjusting event in the consolidated financial statements for the period ended 30 June 2022.

The Group's impairment test is based on cash flow projections over the remaining estimated lives of the GPL and the Yerystivske deposits, which are expected to expire in 2058 and 2048, respectively, according to the current approved mine plans. The cash flow projection is based on a financial long-term model approved by senior management and the estimated production volumes do not take into account the effects of expected future mine life extension programmes. A number of significant judgements and estimates are used when preparing the financial long-term model of the Group, which are, together with the key assumptions used, reviewed by the Audit Committee with a specific consideration given to the realistically plausible production volumes in light of the disrupted supply of power and the logistics network available to the Group, sales price and production cost forecasts as well as the used discount rate.

Based on the base case of the Group's updated long-term model prepared for 2022 interim accounts, the value in use of the Group's single cash generating unit's operating non-current assets, including property, plant and equipment, goodwill and other intangibles as well as other non-current assets, was US\$254,477 thousand below the total carrying value of these assets, reflecting an impairment loss in this amount. US\$219,931 thousand of the total impairment loss was allocated to various asset categories within property, plant and equipment, US\$27,340 thousand to goodwill, which was then fully impaired as of 30 June 2022 and US\$1,763 thousand to various asset categories within intangible assets. The remaining US\$5,443 thousand reduced the carrying amount of assets included within other non-current assets.

Note 13: Property, plant and equipment continued

The impairment test as of 31 December 2022 was prepared based on a long-term model updated in February 2023. Based on the cash flow generation forecasted in the new model and a nominal pre-tax discount rate of 23.4%, compared to 20.4% as at 30 June 2022 and a pre-war WACC of 13.8% as of 31 December 2021, no further impairment has to be recorded as of 31 December 2022. The carrying value as of 31 December 2022 reflects the impairment of US\$254,477 thousand recorded as of 30 June 2022 and the devaluation of the Ukrainian hryvnia from 29.255 to 36.569 compared to the US dollar in July 2022, which reduced the carrying value by US\$201,375 thousand.

An average iron ore price of US\$105 per tonne of 65% Fe fines CFR North China was used in the assumptions for the cash flow projection for the next five years. In determining the future long-term selling price, the Group takes into account external and internal analysis of the longer-term and shorter-term supply and demand dynamics throughout the world and considers local supply and demand balances affecting its major customers and the effects this could have on the longer-term price. In light of the ongoing disruption of the supply of power due to the war, the production capacity used for the cash flow projections is expected to be 50% and 75% of the pre-war level for the financial years 2023 and 2024, before recovering in 2025 to the pre-war level. As mentioned above, the Group's operation in 2022 was also affected by the absence of a significant portion of seaborne sales due to the closed Black Sea ports in Ukraine. It is expected that currently available logistic networks will be sufficient to transport the lower level of produced pellets to the Group's international customers, predominantly in Europe for the time being, but also to customers in Asia. The increase of the available production capacity assumed in the past for the years covered by the long-term model has been adversely affected by the Russian invasion into Ukraine as the work on certain growth projects had to be halted or slowed down. There is no perpetual growth rate applied for the cash flow projections beyond the last year covered by the Group's long-term model. Cost of production and shipping is considered taking into account local inflationary pressures, major exchange rate developments between the Ukrainian hryvnia and the US dollar, the longer-term and shorter-term trends in energy supply and demand and the effect on costs along with the expected movements in steel-related commodity prices, which affect the cost of certain production inputs. An average devaluation of the hryvnia of 9.7% per year was assumed over the next 5 years in the Group's cash flow projection. For the purpose of the impairment test, the future cash flows were discounted using a nominal pre-tax discount rate of 23.4% (2021: 13.8%) per annum, reflecting the current situation in the country as underlying macro-economic data used for the computation of the WACC was also adversely affected by the war in Ukraine resulting in a significant increase of Ukraine's country risk premium. The key assumptions in respect of production and sales volumes, and of production costs, are largely dependent on the easing of conflict risks facing the Group business, and therefore a wide range of alternative outcomes are possible, reflecting a high level of uncertainty.

The key assumptions used for the preparation of the Group's long-term model are:

Key assumptions	Basis
Future production	Proved and probable reserves and power expected to be available
Commodity prices	Contract prices and longer-term price estimates
Capital expenditures	Future sustaining capital expenditures
Cost of raw materials and other production/distribution costs	Expected future cost of production
Exchange rates	Longer-term predictions of market exchange rates
Nominal pre-tax discount rate	Cost of capital risk adjusted for the resource concerned

The recorded impairment during the financial year 2022 will be re-assessed at the end of any future reporting periods. If there are positive developments in the Group's future cash flow generation and the relevant macro-economic data, a portion of the impairment loss might reverse in future periods. Conversely, an adverse change in the above key assumptions would further reduce the value in use of the Group's operating non-current assets.

A delay of the recovery of the production and sales volumes to a pre-war level by another year, with all other assumptions remaining unchanged, would reduce the value in use of the Group's non-current operating assets by approximately another US\$149,000 thousand. A reduction of the realised price by US\$5 per tonne for the entire period covered by the long-term model would increase the impairment loss by approximately US\$224,000 thousand and a decrease of the production and sales volume by 10%, combined with an increase of the production costs by 5%, again for the entire period, would increase the impairment loss by approximately US\$308,000 thousand. An increase of the pre-tax real discount rate by 3.0% would result in an increase of US\$164,000 thousand, with all other assumptions remaining unchanged.

Notes to the Consolidated Financial Statements continued

Note 13: Property, plant and equipment continued

As at 31 December 2022, property, plant and equipment comprised:

US\$000	Exploration and evaluation	Land	Mining assets	Buildings and tailings dam	Vessels	Plant and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
Cost:										
At 1 January 2021	1,606	8,338	189,779	238,334	133,972	369,546	224,897	10,165	351,626	1,528,263
Additions	–	1,827	587	1	1,044	764	447	169	312,059	316,898
Transfers	–	56	76,620	26,256	4,005	66,330	33,188	1,909	(208,364)	–
Disposals	–	7	–	(2,910)	–	(6,415)	(1,245)	(1,634)	(6,918)	(19,115)
Translation differences	59	302	9,574	8,219	(7,520)	13,266	7,535	272	9,683	41,390
At 31 December 2021	1,665	10,530	276,560	269,900	131,501	443,491	264,822	10,881	458,086	1,867,436
Additions	258	155	1,316	19	6,334	179	217	9	191,842	200,329
Transfers	–	77	–	17,147	83	55,498	17,147	880	(90,832)	–
Disposals	–	–	–	(635)	(1)	(778)	(1,208)	(679)	(22,274)	(25,575)
Translation differences	(424)	(2,694)	(70,261)	(69,225)	(5,340)	(111,360)	(55,115)	(2,223)	(123,629)	(440,271)
At 31 December 2022	1,499	8,068	207,615	217,206	132,577	387,030	225,863	8,868	413,193	1,601,919
Accumulated depreciation and impairment:										
At 1 January 2021	–	15	68,732	84,067	75,858	168,230	117,340	6,065	3,571	523,878
Depreciation charge	–	3	7,797	25,231	5,648	48,192	32,216	1,664	–	120,751
Disposals	–	–	–	(2,043)	–	(4,095)	(924)	(1,741)	–	(8,803)
(Write-backs)/write-offs and impairments	–	–	–	5	–	(13)	(4)	1	3,244	3,233
Translation differences	–	(1)	2,506	3,004	(3,791)	5,915	3,850	149	52	11,684
At 31 December 2021	–	17	79,035	110,264	77,715	218,229	152,478	6,138	6,867	650,743
Depreciation charge	–	19	4,030	17,276	4,242	40,949	26,714	932	–	94,162
Disposals	–	–	–	(253)	–	(949)	(986)	(365)	(223)	(2,776)
(Write-backs)/write-offs and impairments	–	–	34,320	26,418	9,881	47,316	22,059	49	87,102	227,145
Translation differences	–	–	(27,807)	(35,112)	(2,708)	(58,317)	(32,109)	(1,104)	(18,059)	(175,216)
At 31 December 2022	–	36	89,578	118,593	89,130	247,228	168,156	5,650	75,687	794,058
Net book value:										
At 31 December 2021	1,665	10,513	197,525	159,636	53,786	225,262	112,344	4,743	451,219	1,216,693
At 31 December 2022	1,499	8,032	118,037	98,613	43,447	139,802	57,707	3,218	337,506	807,861

Assets under construction consist of ongoing capital projects amounting to US\$225,885 thousand (2021: US\$294,244 thousand) and capitalised pre-production stripping costs of US\$111,621 thousand (2021: US\$156,975 thousand). Once production commences, stripping costs are transferred to mining assets.

Property, plant and equipment includes capitalised borrowing costs on qualifying assets of US\$35,694 thousand (2021: US\$55,768 thousand). The capitalised borrowing costs on general borrowings were determined based on the capitalisation rate of 6.51% (2021: 6.51%), which is the average effective interest rate on general borrowings for the comparative year ended 31 December 2021 until the full repayment of the Group's major debt facility in June 2021. The Group has no specific borrowings in relation to qualifying assets during either reporting period.

No property, plant and equipment have been pledged as security for liabilities as at 31 December 2022 (2021: US\$2,620 thousand).

The gross value of fully depreciated property, plant and equipment that is still in use is US\$103,553 thousand (2021: US\$119,706 thousand).

Note 14: Leases

Accounting policy

The Group leases buildings, equipment and land not used for the direct extraction of ore. The leases for land used for the extraction of ore are not within the scope of IFRS 16 according to the scope exemptions set out in the standard.

The right-of-use assets and corresponding lease liabilities recognised as at 31 December 2022 primarily refer to long-term rental contracts for several of the Group's office premises with rental periods of five to ten years, leased equipment and land not used for the direct extraction of ore.

The lease agreements for land in Ukraine are with the Ukrainian government and have typically a duration of up to 49 years requiring land lease payments in the form of rental taxes based on annually determined rates by the government. Consequently, related right-of-use assets and lease liabilities are recognised over a lease term of 12 months only, reflecting the period over which substantially fixed lease payments are expected. Beyond this period, payments are subject to non-market driven changes in either the normative value of land and/or in the rental tax rate and are disclosed as commitments as they cannot be considered in-substance fixed payments or as variable lease payments that depend on an index or a rate.

Right-of-use assets

The right-of-use asset is recognised at the commencement date of the lease (when the asset is ready for use) and initially measured at cost. The cost includes the balance of the lease liability recognised, initial direct costs and lease payments made at or before the commencement date.

In subsequent periods, the value of the right-of-use assets is adjusted for accumulated depreciation, impairment losses and remeasurement of the lease liability, if any. The depreciation is on a straight-line basis over the shorter of the estimated useful life of the underlying asset and the lease term.

Payments for short-term leases or leases for assets of a low value are recognised as an expense on a systematic basis over the lease term.

Lease liabilities

At the commencement date, lease liabilities are measured at the net present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, when not available, the incremental borrowing rate computed for a group of leases with similar characteristics as regards to type of asset, lease term, contract currency and economic environment.

The carrying amount of the lease liabilities is subsequently increased to reflect the interest on the lease liability and decreased by the lease payments made during the period. Lease payments are split between principal elements and interest and are allocated to net cash flows from financing activities and operating activities, respectively. The carrying amount is subject to remeasurement in subsequent periods to reflect any lease modifications.

Commitments

Future minimum rental payments

These commitments relate to leases under the scope of IFRS 16 to which the lessee is committed, but not commenced.

Future commitments for contingent rental payments

These commitments include future cash flows dependent on non-fixed rates related to the long-term portion of leases of land not used for the direct extraction of ore and accounted for under IFRS 16, whereas the short-term portion is recognised as a lease liability in the statement of financial position.

As at 31 December 2022, the net book value of the right-of-use assets included in the consolidated statement of financial position and the associated depreciation charge included in the consolidated income statement comprised:

US\$000	Exploration and evaluation	Land	Mining assets	Buildings and tailings dam	Vessels	Plant and equipment	Vehicles	Fixtures and fittings	Assets under construction	Total
Net book value:										
At 31 December 2021	–	3,830	–	3,072	–	872	–	2	–	7,776
At 31 December 2022	–	4,375	–	1,967	–	–	–	–	–	6,342
Depreciation charge:										
Year ended 31 December 2021	–	2,890	–	990	–	1,299	11	6	–	5,196
Year ended 31 December 2022	–	3,633	–	1,093	–	708	–	2	–	5,436

During the year ended 31 December 2022, the additions to right-of-use assets totalled US\$5,034 thousand (2021: US\$4,504 thousand).

Leased assets and assets under hire purchase contracts are pledged as security for the related finance leases and hire purchase liabilities.

As at 31 December 2022, the carrying amount of the lease liabilities consisted of the following:

US\$000	Notes	Year ended 31.12.22	Year ended 31.12.21
Non-current	26	1,354	2,143
Current	26	5,194	6,060

Notes to the Consolidated Financial Statements continued

Note 14: Leases continued

The total cash outflow for leases falling under the scope of IFRS 16 **Leases** during the year ended 31 December 2022 was US\$6,103 thousand (2021: US\$5,904 thousand). During the year ended 31 December 2022, US\$576 thousand was recognised as an expense in the consolidated income statement in respect of short-term leases with a corresponding impact on the net cash flows from operating activities (2021: US\$746 thousand). Furthermore, interest expense on lease liabilities in the amount of US\$233 thousand was recognised in the consolidated income statement during the year ended 31 December 2022 (2021: US\$474 thousand).

Lease related commitments for future contingent rental payments were US\$88,910 thousand as at 31 December 2022 (2021: US\$51,034 thousand).

Note 15: Goodwill and other intangible assets**Accounting policy****Goodwill**

If the cost of acquisition in a business combination exceeds the identifiable net assets attributable to the Group, the difference is considered as purchased goodwill, which is not amortised. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the detailed accounting policy on impairment testing see Note 13 Property, plant and equipment.

Impairment testing

The goodwill acquired through business combinations in previous periods has been allocated for impairment purposes to a single cash-generating unit, as the Group only has one operating segment, being the production and sale of iron ore products. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes. See Note 13 Property, plant and equipment for information on key assumptions used when preparing the Group's long-term model used for the impairment test.

Goodwill is subject to an annual impairment review and a further review is made when indicators of impairment arise following the initial review. An impairment loss recognised for goodwill is never reversed in a subsequent period. In the case that the identifiable net assets attributable to the Group exceed the cost of acquisition, the difference is recognised in profit and loss as a gain on bargain purchase. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. If the initial accounting for a business combination cannot be completed by the end of the reporting period in which the combination occurs, only provisional amounts are reported, which can be adjusted during the measurement period of 12 months after acquisition date.

Exploration and evaluation assets

See the policy disclosed in Note 13 Property, plant and equipment.

Patents and licenses, computer software and other intangible assets

Patents and licenses, computer software and other intangible assets acquired separately are measured on initial recognition at cost and the useful lives are assessed as either finite or indefinite. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. If amortised, the intangible assets are amortised on a straight-line basis over the estimated useful life of the asset, ranging between one and three years. Capitalised mineral licences are amortised on a unit of production basis.

The cost of other intangible assets acquired in a business combination is its fair value as at the date of acquisition.

Critical estimates

The Russian invasion into Ukraine and the ongoing war resulted in an impairment loss of US\$254,477 thousand on the Group's operating non-current assets, of which US\$27,340 thousand were allocated to goodwill, which was then fully impaired as of 30 June 2022, and US\$1,763 thousand to various asset categories within intangible assets. See Note 13 Property, plant and equipment for further information on the impairment test performed as at 31 December 2022.

Note 15: Goodwill and other intangible assets continued

As at 31 December 2022, goodwill and other intangible assets comprised:

US\$000	Goodwill	Exploration and evaluation	Patents and licences	Computer software	Other intangible assets	Total
Cost:						
At 1 January 2021	28,259	3,490	4,488	9,928	490	46,655
Additions	–	1,269	–	19	2,697	3,985
Disposals	–	–	(5)	(107)	(2)	(114)
Transfers	–	(17)	202	2,528	(2,713)	–
Translation differences	989	158	119	164	42	1,472
At 31 December 2021	29,248	4,900	4,804	12,532	514	51,998
Additions	–	–	–	6	542	548
Disposals	–	–	(6)	(5)	(11)	(22)
Transfers	–	–	352	56	(408)	–
Translation differences	(1,908)	(1,266)	(1,216)	(2,906)	(140)	(7,436)
At 31 December 2022	27,340	3,634	3,934	9,683	497	45,088
Accumulated amortisation and impairment:						
At 1 January 2021	–	–	1,568	4,353	–	5,921
Amortisation charge	–	–	242	1,427	12	1,681
Write-offs and impairments	–	931	–	–	–	931
Disposals	–	–	(5)	(106)	–	(111)
Translation differences	–	1	16	(27)	–	(10)
At 31 December 2021	–	932	1,821	5,647	12	8,412
Amortisation charge	–	–	308	1,543	–	1,851
Write-offs and impairments	27,340	709	–	1,054	–	29,103
Disposals	–	–	(6)	(96)	(11)	(113)
Translation differences	–	(399)	(406)	(1,608)	(1)	(2,414)
At 31 December 2022	27,340	1,242	1,717	6,540	–	36,839
Net book value:						
At 31 December 2021	29,248	3,968	2,983	6,885	502	43,586
At 31 December 2022	–	2,392	2,217	3,143	497	8,249

Impairment testing

See Note 13 Property, plant and equipment for detailed information on the impairment test performed on goodwill and other intangible assets as at 31 December 2022.

Sensitivity to changes in assumptions

The Group's goodwill and other intangible assets were subject to an impairment loss totalling US\$29,103 thousand as of 31 December 2022, which was predominantly caused by the lower cash flow generation of the Group and a higher discount rate to be applied as a result of the war in Ukraine. An adverse change of certain key assumptions would further reduce the value in use of the Group's operating non-current assets. See Note 13 Property, plant and equipment on page 173 in terms of the impact of changes in key assumptions on the impairment in future periods.

Notes to the Consolidated Financial Statements continued

Note 16: Other non-current assets

As at 31 December 2022, other non-current assets comprised:

US\$000	As at 31.12.22	As at 31.12.21
Prepayments for property, plant and equipment	32,184	91,132
Other non-current assets	5,267	5,352
Total other non-current assets	37,451	96,484

Prepayments for property, plant and equipment as at 31 December 2022 are presented net of a total impairment loss of US\$5,443 thousand caused by the Russian invasion into Ukraine in February 2022. See Note 13 Property, plant and equipment for further information.

Other non-current assets include a prepayment of US\$5,000 thousand in relation to an investment in a joint venture with an expected closing date of the transaction later in 2023, which is however also dependent on the situation in Ukraine.

Note 17: Inventories**Accounting policy**

Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – at cost on a first-in, first-out basis.
- Finished goods and work in progress – at cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.
- Low-grade and weathered ore – at cost, if lower than net realisable value.

The net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion (conversion into pellets or concentrate) and the estimated costs necessary to sell the product or goods.

Major spare parts and servicing equipment that meet the definition of property, plant and equipment are, in accordance with IAS 16, included in property, plant and equipment and not in inventory.

Critical estimates**Low-grade and weathered ore**

Historically, inventories classified as non-current comprised low-grade and weathered ore that were, based on the Group's processing plans, not planned to be processed within the next 12 months. As at the date of the approval of the consolidated financial statements as at 31 December 2022, it cannot be reliably predicted when additional processing capabilities will be available to specifically process the stockpiled low-grade ore, which was fully impaired as at the end of the comparative year ended 31 December 2021.

The stockpiled low-grade ore is still considered as an asset for the Group and some or all of the impairment loss of US\$231,111 thousand might reverse in the future, once changed facts and circumstances can be considered in the net realisable value test of this asset. As at 31 December 2022, there are no changes in facts and circumstances to be considered. The ongoing war in Ukraine makes it currently difficult to accelerate the commenced engineering studies for the exploration of possible options for new processing capabilities for the specific purpose of processing low-grade ore.

The remaining balance of non-current inventories as at 31 December 2022 relates to weathered ore, which is expected to be processed after more than 12 months.

At 31 December 2022, inventories comprised:

US\$000	As at 31.12.22	As at 31.12.21
Raw materials and consumables	51,437	57,575
Spare parts	91,334	80,886
Finished ore pellets	52,625	48,058
Work in progress	25,832	13,496
Other	3,226	2,384
Total inventories – current	224,454	202,399
Weathered ore	6,277	8,414
Total inventories – non-current	6,277	8,414
Total inventories	230,731	210,813

Inventories classified as non-current comprise low-grade and weathered ore that are, based on the Group's current processing plans, not planned to be processed within the next 12 months. The processing of this stockpile will take more than 12 months and the beginning and duration of the processing depend on the Group's future mining activities, processing capabilities and anticipated market conditions.

Following the impairment loss recorded at the end of the financial year 2021, the volume of low-grade ore extracted during the year ended 31 December 2022 in the amount of US\$9,690 thousand was fully recognised in the consolidated income statement and included in the cost of sales.

Note 18: Trade and other receivables

Accounting policy

Trade receivables are non-derivative financial assets initially measured at fair value. Due to their short maturity, the fair value of trade receivables approximates their carrying amount, which is stated at original invoice amount less an allowance for expected credit losses. The Group measures the loss allowance at an amount equal to the lifetime expected credit losses of its customers based on publicly available default risk ratings adjusted for current observable circumstances, forecast information and past history of credit losses. All of the Group's receivable balances are classified as current based on the agreed terms and conditions and the Group has no history of credit losses. Therefore, the Group measures the lifetime expected credit losses of its customers as the 12-month expected credit losses. Individual balances are written off when management deems that there is no possibility of recovery.

Trade receivables include provisionally priced sales, which are open at the end of the reporting period. Certain contracts have embedded provisional pricing mechanisms, which have the character of commodity derivatives that are carried at fair value through profit and loss. For further information on the Group's contracts with customers see Note 6 Revenue. Revenues on these contracts are initially recognised at the estimated fair value of consideration receivable, based on the contractual price, and adjusted at the end of each subsequent reporting period on the basis of changes in iron ore prices and the specific underlying contract terms. Final prices based on the relevant index are normally known within 60 days after the reporting period. Further information on the fair value of the embedded provisional pricing mechanism at 31 December 2022 is disclosed in Note 27 Financial instruments.

At 31 December 2022, trade and other receivables comprised:

US\$000	As at 31.12.22	As at 31.12.21
Trade receivables	28,838	189,664
Other receivables	4,559	5,730
Expected credit loss allowance	(8,698)	(3,031)
Total trade and other receivables	24,699	192,363

As trade receivables are non-interest bearing and final invoices are generally settled within 90 days after delivery, contracts with customers are not deemed to contain a significant financing component.

Trade receivables at 31 December 2022 include US\$3,284 thousand (2021: US\$4,283 thousand) owed by related parties. The detailed related party disclosures are made in Note 34 Related party disclosures.

The movement in the expected credit loss allowance for trade and other receivables during the year under review was:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Opening balance	3,031	2,313
Increase	7,205	1,201
Release	(987)	(511)
Translation differences	(551)	28
Closing balance	8,698	3,031

During the financial year 2022 and the comparative year 2021, there was no movement in the expected credit loss allowance for trade and other receivables relating to lifetime expected credit losses and credit impaired assets.

The following table shows the Group's receivables at the reporting date that are subject to credit risk using a provision matrix:

As at 31.12.22 US\$000	Days past due				Total
	Current	Less than 45 days	45 to 90 days	Over 90 days	
Expected loss rate	2.5%	16.8%	25.3%	87.2%	26.0%
Trade receivables – gross carrying amount	17,056	2,541	1,359	7,882	28,838
Other receivables – gross carrying amount	3,943	1	1	614	4,559
Expected credit loss allowance	519	426	344	7,409	8,698

The expected loss rate as at 31 December 2022 was impacted by the heightened Ukraine country risk as a consequence of the ongoing armed conflict.

Notes to the Consolidated Financial Statements continued

Note 18: Trade and other receivables continued

As at 31.12.21 US\$000	Current	Days past due			Total
		Less than 45 days	45 to 90 days	Over 90 days	
Expected loss rate	0.4%	3.8%	2.4%	53.3%	1.6%
Trade receivables – gross carrying amount	183,004	1,298	1,750	3,612	189,664
Other receivables – gross carrying amount	5,087	19	–	624	5,730
Expected credit loss allowance	679	50	42	2,260	3,031

The change of the balance of impairment losses on trade receivables recognised in the consolidated income statement as of 31 December 2022 and during the comparative year ended 31 December 2021 was not material and therefore not disclosed separately in the consolidated income statement. For further information see the table above.

The Group's exposures to credit, currency and commodity risks are disclosed in Note 27 Financial instruments.

Note 19: Prepayments and other current assets

As at 31 December 2022, prepayments and other current assets comprised:

US\$000	As at 31.12.22	As at 31.12.21
Prepayments to suppliers:		
Electricity and gas	2,387	17,950
Materials and spare parts	939	9,600
Services	7,442	7,452
Other prepayments	211	220
Prepaid expenses	2,312	13,687
Deposits	–	18,962
Other	61	291
Total prepayments and other current assets	13,352	68,162

Prepayments at 31 December 2022 include US\$865 thousand (2021: US\$2,076 thousand) made to related parties. The detailed related party disclosures are made in Note 34 Related party disclosures.

Other current assets as at the end of the comparative period ended 31 December 2021 include cash deposits for letters of credit in the amount of US\$18,962 thousand available only after three months from the date of inception of the letters of credit, whereas those with a maturity within three months were classified as cash equivalents. See Note 25 Cash and cash equivalents for further information.

Freight costs in the amount of US\$7,443 thousand were included in the balance of prepaid expenses at the beginning of the year and recognised in the consolidated income statement during the year ended 31 December 2022 (2021: US\$7,097 thousand).

Note 20: Other taxes recoverable and payable**Accounting policy****Value added tax**

Revenues, expenses and assets are recognised net of the amount of value added tax ("VAT"), except:

- where VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of VAT included.

VAT receivable balances are not discounted unless the overdue balances are expected to be received after more than 12 months following the year end.

As at 31 December 2022, other taxes recoverable comprised:

US\$000	As at 31.12.22	As at 31.12.21
VAT receivable	79,064	47,954
Other taxes prepaid	9,698	86
Total other taxes recoverable and prepaid – current	88,762	48,040
Total other taxes recoverable and prepaid	88,762	48,400

The table below provides a reconciliation of the VAT receivable balance in Ukraine:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Opening balance, gross	46,963	31,602
Net VAT incurred	121,369	194,488
VAT refunds received in cash	(65,149)	(179,959)
Translation differences	(26,796)	832
Closing balance, gross	76,387	46,963
Allowance	(499)	(1,361)
Closing balance, net	75,888	45,602

Following the Russian invasion into Ukraine in February 2022, the tax code of Ukraine was amended and adopted by Ukrainian Parliament on 3 March 2022. As a result of this amendment, the VAT refunds were suspended and the Group's outstanding VAT balance increased and peaked at US\$108,846 thousand as at 31 October 2022. The VAT refunds resumed again in October 2022 and the Group's subsidiaries in Ukraine received refunds also in November and December 2022 and January 2023.

VAT balances in the amount of US\$47,149 thousand (2021: nil) were overdue as at 31 December 2022 and collected in full in January 2023. The future refunds do however depend on the situation in Ukraine and how the country is going to cope with the state budget constraints as a result of the ongoing war.

The recorded allowance of US\$499 thousand (2021: US\$1,361 thousand) is related to uncertainties in terms of the timing of the recovery of VAT receivable balances for one of the Group's Ukrainian subsidiary.

As at 31 December 2022, other taxes payable comprised:

US\$000	As at 31.12.22	As at 31.12.21
Environmental tax	269	1,954
Royalties	951	10,641
VAT payable	146	310
Other taxes	3,792	4,430
Total other taxes payable	5,158	17,335

Notes to the Consolidated Financial Statements continued

Note 21: Trade and other payables**Accounting policy**

Trade and other payables are not interest-bearing, being generally short-term, and are stated at their original invoice amount.

As at 31 December 2022, trade and other payables comprised:

US\$000	As at 31.12.22	As at 31.12.21
Materials and services	18,856	59,488
Payables for equipment	11,441	13,036
Other	212	300
Total current trade and other payables	30,509	72,824

Trade and other payables at 31 December 2022 include US\$2,301 thousand (2021: US\$1,221 thousand) due to related parties (see Note 34 Related party disclosures).

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in Note 27 Financial instruments.

Note 22: Pension and post-employment obligations**Accounting policy**

The defined benefit costs relating to the plans operated by the Group in the different countries are determined and accrued in the consolidated financial statements using the projected unit credit method for those employees entitled to such payments. The underlying assumptions are defined by management and the defined benefit pension liability is calculated by independent actuaries at the end of each annual reporting period.

Remeasurements, comprising actuarial gains and losses, are immediately reflected in the statement of financial position. The corresponding charge or credit is recognised in the other comprehensive income of the period in which it occurred and immediately reflected in retained earnings as not reclassified to the consolidated income statement in subsequent periods.

The costs of managing plan assets are deducted from the return on plan assets reflected in other comprehensive income. All other scheme administration costs are charged to the consolidated income statement. The net interest is calculated by applying the discount rate to the net defined benefit pension liability or plan assets. Any past service costs are recognised in the consolidated income statement at the earlier of when the plan amendment occurs or when related restructuring costs are recognised.

The service costs (including current and past) are included in cost of sales, selling and distribution expenses and general and administrative expenses in the consolidated income statement whereas the net finance expenses are included in finance expenses. The effects from remeasurements are recognised in other comprehensive income.

The defined benefit pension liability is the aggregate of the defined benefit obligation less plan assets of funded schemes. The Group operates funded and unfunded schemes.

The Group's expenses in relation to defined contribution plans are charged directly to the consolidated income statement.

The Group mainly operates defined benefit plans for qualifying employees of its subsidiaries in Ukraine and Switzerland. All local defined benefit pension liabilities are calculated by independent actuaries applying accepted actuarial techniques. In addition to the aforementioned schemes, the Group operates a defined benefit scheme in Austria and contribution plans for qualifying employees in the UK and in Singapore.

Details of the major defined benefit schemes in Ukraine and Switzerland are provided below:

Ukraine

The Group's subsidiaries in Ukraine make defined contributions to the Ukrainian State Pension Scheme at statutory rates based on the gross salary payments made to the employees. PJSC Ferrexpo Poltava Mining ("FPM") and LLC Ferrexpo Yeristovo Mining ("FYM") also have a legal obligation to compensate the Ukrainian State Pension Fund for additional pensions paid to certain categories of its current and former employees. All pension schemes in Ukraine are unfunded.

At 31 December 2022, the pension schemes in Ukraine covered 2,820 current employees (2021: 2,847 people) and there are 707 former employees currently in receipt of pensions (2021: 768 people).

Switzerland

The employees of the Group's Swiss operations are covered under a collective pension plan (multi-employer plan), which is governed in accordance with the requirements of Swiss law. The funding, of which two-thirds is contributed by the employer and one-third by the employees, is based on the regulations of the pension scheme and Swiss law. The pension scheme in Switzerland is funded and the assets of the pension scheme are held separately from those of the Group and are invested with an insurance company. The accumulated capital of the employees is subject to interests determined by the local legislation and defined in the regulations of the pension scheme.

Note 22: Pension and post-employment obligations continued

On retirement, employees are entitled to receive either a lump sum or an annual proportion of their accumulated capital as a pension underpinned by certain guarantees. The Group and the employees make contributions to the pension scheme as a percentage of the insured salaries depending on the age of the employees.

At 31 December 2022, the Swiss pension scheme covered 19 people (2021: 18 people).

The principal assumptions used in determining the defined benefit obligation are shown below:

	Year ended 31.12.22		Year ended 31.12.21	
	Ukrainian schemes	Swiss scheme	Ukrainian schemes	Swiss scheme
Discount rate	18.0%	2.3%	12.9%	0.3%
Retail price inflation	8.7%	1.5%	5.2%	1.3%
Expected future salary increase	7.3%	2.0%	6.0%	1.25%
Expected future benefit increase	7.3%	–	6.0%	–
Female life expectancy (years)	79.8	89.5	81.2	89.4
Male life expectancy (years)	75.6	87.7	76.6	87.6
US\$000			As at 31.12.22	As at 31.12.21
Present value of funded defined benefit obligation			3,754	4,404
Fair value of plan assets			(2,870)	(3,045)
Funded status			884	1,359
Present value of unfunded defined benefit obligation			15,572	24,715
Defined benefit pension liability			16,456	26,074
<i>Thereof for Ukrainian schemes</i>			<i>15,463</i>	<i>24,608</i>
<i>Thereof for Swiss scheme</i>			<i>884</i>	<i>1,359</i>
<i>Thereof for schemes in other jurisdictions</i>			<i>109</i>	<i>107</i>

Amounts recognised in the consolidated income statement or in other comprehensive income are as follows:

	Year ended 31.12.22	Year ended 31.12.21
US\$000		
<i>Defined benefit cost charged in the consolidated income statement:</i>		
Current service cost	1,098	1,810
Past service cost	(40)	(96)
Interest cost on defined benefit obligation	2,685	3,231
Interest income on plan assets	(7)	(20)
Administration cost	10	11
Total defined benefit costs charged in the consolidated income statement	3,746	4,936
<i>Remeasurement (gains)/costs in consolidated statement of other comprehensive income:</i>		
Remeasurement effect from demographic assumptions	(137)	(361)
Remeasurement effect from financial assumptions	(7,139)	(4,055)
Experience adjustment	1,528	(5,230)
Return on plan assets	412	(236)
Total remeasurement gains in other comprehensive income	(5,336)	(9,882)
Total defined benefit gains	(1,590)	(4,946)
<i>Thereof for Ukrainian schemes</i>	<i>(1,397)</i>	<i>(2,953)</i>
<i>Thereof for Swiss scheme</i>	<i>(201)</i>	<i>(2,013)</i>
<i>Thereof for schemes in other jurisdictions</i>	<i>8</i>	<i>20</i>

Notes to the Consolidated Financial Statements continued

Note 22: Pension and post-employment obligations continued

The majority of the effects from remeasurement of financial assumptions relates to the changes of the discount rate and effective salary increases in Ukraine. The remeasurement effect from financial assumptions as at 31 December 2022 is driven by the increase of the discount rate from 12.9% to 18.0%, compared to an increase from 10.8% to 12.9% at the end of the comparative year ended 31 December 2021, resulting in significant actuarial gains in both years. The negative effect from the experience adjustments as at 31 December 2022 is due to a higher effective salary increase in Ukraine than expected as at the end of the comparative year ended 31 December 2021, with an opposite effect during the financial year 2021.

Changes in the present value of the defined benefit obligation are as follows:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Opening defined benefit obligation	29,119	38,416
Current service cost	1,098	1,810
Interest cost on defined benefit obligation	2,685	3,231
Remeasurement gains	(5,748)	(9,646)
Contributions paid by employer	(1,874)	(2,074)
Contributions paid by employees	102	114
Benefits paid and net transfers through pension assets	(63)	(3,341)
Plan amendments	(40)	(96)
Translation differences	(5,953)	705
Closing defined benefit obligation	19,326	29,119
<i>Thereof for Ukrainian schemes</i>	<i>15,463</i>	<i>24,608</i>
<i>Thereof for Swiss scheme</i>	<i>3,754</i>	<i>4,404</i>
<i>Thereof for schemes in other jurisdictions</i>	<i>109</i>	<i>107</i>
<i>Thereof for active employees</i>	<i>8,757</i>	<i>13,572</i>
<i>Thereof for vested terminations</i>	<i>6,105</i>	<i>9,485</i>
<i>Thereof for pensioners</i>	<i>4,464</i>	<i>6,062</i>

The durations of the defined benefit obligation for the different schemes as at 31 December 2022 are 8.5 years in Ukraine (2021: 10.2 years) and 18.7 years in Switzerland (2021: 22.7 years).

Contributions to the defined benefit plans, including benefits paid by employer and employee contributions, are expected to be US\$1,782 thousand for the schemes in Ukraine and US\$174 thousand in Switzerland in the next financial year.

The expenses in relation to the defined contribution plan in the UK and Singapore totalled US\$49 thousand (2021: US\$23 thousand).

Changes in the fair values of the plan assets are as follows:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Opening fair value of plan assets	3,045	5,941
Interest income	7	20
Contributions paid by employer	244	287
Contributions paid by employees	102	114
Benefits paid and net transfers through pension assets	(63)	(3,341)
Return on plan assets	(412)	236
Administration cost	(10)	(11)
Translation differences	(43)	(201)
Closing fair value of plan assets	2,870	3,045
<i>Thereof for Swiss scheme</i>	<i>2,870</i>	<i>3,045</i>

Note 22: Pension and post-employment obligations continued

The asset allocation of the plan assets of the Swiss scheme is as follows:

%/US\$000	As at 31.12.22	As at 31.12.22	As at 31.12.21	As at 31.12.21
Scheme assets at fair value				
Equities	27.9	802	29.7	905
Bonds	30.1	863	29.7	905
Properties	17.7	508	15.3	466
Other	24.3	697	25.3	769
Fair value of scheme assets	100.0	2,870	100.0	3,045

The pension assets are included in a multi-employer plan and no information in respect of the split of the investments into quoted and non-quoted assets is available. Taking into account the requirements of Swiss law, it is assumed that equities and bonds reflect investments into quoted assets with a portion of the other assets in the portfolio assumed to be investments into non-quoted assets.

Changes to interest rates and future salary increases in Ukraine are considered to be the main pension-related risks for the Group, as such changes are likely to affect the balance of the Group's defined benefit obligation. The percentage used to calculate the sensitivities was set under consideration of the volatility for these assumptions for the Ukrainian schemes and has also been applied for the Group's less material schemes in other jurisdictions.

Changes to the significant assumptions would have the following effects on the defined benefit obligation in the different jurisdictions:

US\$000	Year ended 31.12.22					
	Ukrainian schemes	Swiss scheme	Other jurisdictions	Ukrainian schemes	Swiss scheme	Other jurisdictions
	Increase by			Decrease by		
Change	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year
Discount rate (%)	(995)	(526)	(5)	1,116	727	7
Future salary increases (%)	582	114	6	(531)	(103)	(5)
Local inflation (%)	11	–	n/a	(15)	(1)	n/a
Indexation of pension (%)	n/a	264	n/a	n/a	n/a	n/a
Life expectancy (years)	265	35	n/a	(318)	(35)	n/a

US\$000	Year ended 31.12.21					
	Ukrainian schemes	Swiss scheme	Other jurisdictions	Ukrainian schemes	Swiss scheme	Other jurisdictions
	Increase by			Decrease by		
Change	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year
Discount rate (%)	(1,876)	(780)	(7)	2,145	1,125	8
Future salary increases (%)	1,129	176	7	(1,029)	(151)	(7)
Local inflation (%)	61	5	n/a	(87)	–	n/a
Indexation of pension (%)	n/a	398	n/a	n/a	n/a	n/a
Life expectancy (years)	394	69	n/a	(468)	(69)	n/a

Based on the Ukrainian pension legislation, the pension indexation is defined by the future salary increases and the local inflation rate. As a result of this, no sensitivity for the indexation of pension is calculated for the Ukrainian schemes, but the sensitivity for local inflation is used instead.

For the presentation of the effects of the changes of the significant assumptions shown in the table above, the present value of the defined benefit obligation has been calculated based on the projected unit credit method at the end of the reporting period, which is the same as the one applied for the calculation of the defined benefit obligation recognised in the statement of financial position as at the end of the respective reporting period. The methods and assumptions used for the sensitivity analysis for the prior year are unchanged.

Notes to the Consolidated Financial Statements continued

Note 23: Provisions

Accounting policy

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Site restoration

Site restoration provisions are made in respect of the estimated future costs of closure and restoration and for environmental rehabilitation costs (determined by an independent expert) in the accounting period when the related environmental disturbance occurs. The provision is discounted, if material, and the unwinding of the discount is included in finance costs. At the time of establishing the provision, a corresponding asset is capitalised where it gives rise to a future benefit and depreciated over future production from the mine to which it relates. The provision is reviewed on an annual basis for changes in cost estimates, discount rates or the life of operations.

The provision for site restoration changed as follows during the financial year 2022:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Opening balance	3,873	2,846
Unwind of the discount	382	370
Charge to the consolidated income statement	1,033	551
Translation differences	(1,004)	106
Closing balance	4,284	3,873

The costs of restoration of the different deposits in the Group's open pit mines are based on amounts determined by an independent and credited institute taking into account the codes of practice and laws applicable in Ukraine. The useful lives of the different pits and mines are determined by the same institute based on expected annual stripping and production volumes having taken into account the expected timing and effect of future mine-life extension programmes. It is expected that the restoration works of the GPL mine will start after the years 2040, 2044 and 2061 for the different areas within the mine. The first minor restoration work of the Yerstivske mine is expected to start for some dump areas after 2026, whereas the removal of equipment and the flooding of the pit will only begin at the end of the mine's life in 2048.

The provision represents the discounted value of the estimated costs of decommissioning and restoring the mines at the dates when the deposits are expected to be depleted in the relevant areas within the mine. The present value of the provision has been calculated in Ukrainian hryvnia using nominal pre-tax discount rates taking into account the beginning of the restoration work in the different areas of the mines, averaging at 18.24% (2021: 13.22%).

Uncertainties in estimating the provision include potential changes in regulatory requirements, decommissioning and reclamation alternatives and the discount and inflation rates to be used in the calculations.

Note 24: Accrued and contract liabilities

Accounting policy

Accrued expenses are recognised for amounts to be paid in a future period for goods or services received, which have not been billed to the Group as at the end of the reporting period.

Contract liabilities consist of the portion of freight revenues under CIF and CFR Incoterms, which is deferred and recognised over time as the performance obligation is fulfilled, and released at the point of time when the freight services are completed. Contract liabilities are normally derecognised within 60 days after the reporting period.

As at 31 December 2022, accrued and contract liabilities comprised:

US\$000	As at 31.12.22	As at 31.12.21
Accrued expenses	2,033	10,915
Accrued interest	18	28
Accrued employee costs	15,048	19,088
Advances from customers	56	13,184
Contract liabilities ¹	2,438	9,398
Total accrued and contract liabilities	19,593	52,613

1. For further information on the change in contract liabilities during the year ended 31 December 2022 see Note 6 Revenue.

Note 25: Cash and cash equivalents

Accounting policy

Cash and cash equivalents include cash at bank and on hand and short-term deposits with original maturity of 90 days or less from inception. Cash at bank and on hand and short-term deposits are recorded at their nominal amount as these present an insignificant risk of changes in value.

As at 31 December 2022, cash and cash equivalents comprised:

US\$000	As at 31.12.22	As at 31.12.21
Cash at bank and on hand	112,945	158,052
Cash equivalents	–	9,239
Total cash and cash equivalents	112,945	167,291

The debt repayments net of proceeds during the period ended 31 December 2022 totalled US\$48,249 thousand (31 December 2021: US\$221,188 thousand) affecting the balance of cash and cash equivalents.

Further information on the Group's gross debt is provided in Note 26 Interest-bearing loans and borrowings.

The balance of cash and cash equivalents held in Ukraine amounts to US\$45,229 thousand as at 31 December 2022 (31 December 2021: US\$52,326 thousand). Despite the foreign exchange control measures imposed under Martial Law in Ukraine (see Note 30 Commitments, contingencies and legal disputes), this balance is fully available to the Group for its operations in Ukraine and is therefore not considered restricted.

Cash equivalents as at the end of the comparative year ended 31 December 2021 relate to cash deposits for letters of credit available within three months from the date of inception of the letters of credit while cash deposits available only after three months from the date of inception totalling US\$18,962 thousand were classified as other current assets.

Note 26: Interest-bearing loans and borrowings

Accounting policy

Interest-bearing loans and borrowings (excluding lease liabilities) are measured at amortised cost. All loans are in US dollars. See also Note 27 Financial instruments for more details in respect of the accounting policies applied. This note provides information about the contractual terms of the Group's major finance facilities.

US\$000	Notes	As at 31.12.22	As at 31.12.21
Current			
Lease liabilities	14	5,194	6,060
Trade finance facilities		–	42,146
Total current interest-bearing loans and borrowings		5,194	48,206
Non-current			
Lease liabilities	14	1,354	2,143
Total non-current interest-bearing loans and borrowings		1,354	2,143
Total interest-bearing loans and borrowings	27	6,548	50,349

The Group has no uncommitted trade finance facilities available as at 31 December 2022, primarily due to the situation in Ukraine, compared to US\$140,000 as at the end of the comparative year ended 31 December 2021, of which US\$42,146 were drawn.

Trade finance facilities were secured against receivable balances related to these specific trades.

Notes to the Consolidated Financial Statements continued

Note 26: Interest-bearing loans and borrowings continued

The table below shows the movements in the interest-bearing loans and borrowings:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Opening balance of interest-bearing loans and borrowings	50,349	266,478
<i>Cash movements:</i>		
Repayments of syndicated bank loans – secured	–	(256,666)
Repayments of other bank loans – unsecured	–	(764)
Principal and interest elements of lease payments	(6,103)	(5,904)
Change of trade finance facilities, net	(42,146)	42,146
Total cash movements	(48,249)	(221,188)
<i>Non-cash movements:</i>		
Amortisation of prepaid arrangement fees	–	4
Additions to lease liabilities	5,340	4,506
Others (incl. translation differences)	(892)	549
Total non-cash movements	4,448	5,059
Closing balance of interest-bearing loans and borrowings	6,548	50,349

The outstanding amount of the Group's syndicated revolving pre-export facility was fully repaid at the end of the comparative year ended 31 December 2021 and the facility was subsequently cancelled.

The interest elements of lease payments are included in the cash flows from operating activities and not in the cash flows used in financing activities.

Further information on the Group's exposure to interest rate, foreign currency and liquidity risk is provided in Note 27 Financial instruments.

Note 27: Financial instruments**Accounting policy**

Financial assets and liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities (e.g. promissory notes), trade and other receivables, cash and cash equivalents, loans and borrowings (including lease liabilities) and trade and other payables.

Derivative financial instruments

Except for the provisionally priced receivables disclosed in Note 18 Trade and other receivables, the Group does not hold any derivative financial instruments.

Initial measurement**Non-derivative financial instruments**

Financial assets and financial liabilities (excluding lease liabilities) are initially measured at fair value. Any transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities are added or deducted from its fair value except for financial assets and financial liabilities at fair value through the consolidated income statement. For those financial assets and financial liabilities, the transaction costs are recognised immediately in the consolidated income statement.

All regular way purchases and sales of financial assets are recognised on the trade date (i.e. the date that the Group commits to purchase or sell the asset). Regular way purchases or sales are those that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The subsequent measurement is based on the classification of the financial instruments.

Subsequent measurement**Financial assets****Financial assets measured at amortised cost**

Except for the provisionally priced receivables disclosed in Note 18 Trade and other receivables, the Group's financial assets are non-derivative with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the financial assets are derecognised or impaired along with the amortisation process.

Note 27: Financial instruments continued**Financial liabilities****Trade and other payables**

Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Interest-bearing loans and borrowings

Interest-bearing loans and borrowings (excluding lease liabilities) are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process. For the accounting policy of lease liabilities see Note 14 Leases.

Impairment of financial assets

In addition to the individual assessment at each reporting date whether a financial asset or group of financial assets is impaired, the Group also assesses the expected credit losses on financial assets carried at amortised cost. As all of the Group's financial assets carried at amortised cost are classified as current based on the agreed terms and conditions, the loss allowance is measured at an amount equal to the 12-month expected credit losses based on publicly available credit default ratings adjusted for current observable circumstances, forecast information and past history of credit losses. This assessment is performed individually for all financial assets that are individually significant and collectively for those that are not individually significant and have similar credit risk characteristics. The carrying amount of the financial assets is reduced by an allowance account with the change of the allowance being recognised in the consolidated income statement.

Individual balances are written off when management deems that there is no possibility of recovery.

The accounting classification of each category of financial instruments and their carrying amounts are set out below:

		As at 31.12.22			
US\$000	Notes	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Lease liabilities	Total
Financial assets					
Cash and cash equivalents	25	112,945	–	–	112,945
Trade and other receivables	18	24,699	–	–	24,699
Other financial assets		5,443	–	–	5,443
Total financial assets		143,087	–	–	143,087
Financial liabilities					
Trade and other payables	21	–	30,509	–	30,509
Accrued liabilities	24	–	17,099	–	17,099
Interest-bearing loans and borrowings	26	–	–	6,548	6,548
Total financial liabilities		–	47,608	6,548	54,156
		As at 31.12.21			
US\$000	Notes	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Lease liabilities	Total
Financial assets					
Cash and cash equivalents	25	167,291	–	–	167,291
Trade and other receivables	18	192,363	–	–	192,363
Other financial assets		26,246	–	–	26,246
Total financial assets		385,900	–	–	385,900
Financial liabilities					
Trade and other payables	21	–	72,824	–	72,824
Accrued liabilities	24	–	30,031	–	30,031
Interest-bearing loans and borrowings	26	–	42,146	8,203	50,349
Total financial liabilities		–	145,001	8,203	153,204

Notes to the Consolidated Financial Statements continued

Note 27: Financial instruments continued**Fair values and impairment testing***Financial assets and other financial liabilities*

The fair values of cash and cash equivalents, trade and other receivables and payables are approximately equal to their carrying amounts due to their short maturity.

Interest-bearing loans and borrowings

The fair values of interest-bearing loans and borrowings are based on the discounted cash flows using market interest rates (Level 2) and are approximately equal to their carrying amounts.

Fair value measurements recognised in the statement of financial position

Except for the provisionally priced trade receivables (Level 2) disclosed in Note 18 Trade and other receivables, the Group does not have any financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3 based on the degree to which the fair value is observable. There were no transfers between Level 1 and Level 2 during the financial year 2022 and the comparative year ended 31 December 2021.

Financial risk management**Overview**

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk – including currency and commodity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and the CFO.

The Group operates a centralised financial risk management structure under the management of the Executive Committee, accountable to the Board.

The Executive Committee delegates certain responsibilities to the CFO. The CFO's responsibilities include authority for approving all new physical, commercial or financial transactions that create a financial risk for the Group. Additionally, the CFO controls the management of treasury risks within each of the business units in accordance with a Board-approved treasury policy.

Financial instrument risk exposure and management

Natural hedges that can be identified and their effectiveness quantified are used in preference to financial risk management instruments. Derivative transactions may be executed for risk mitigation purposes only – speculation is not permitted under the approved treasury policy – and are designed to have the effect of reducing risk on underlying market or credit exposures. Appropriate operational controls ensure operational risks are not increased disproportionately to the reduction in market or credit risk.

The Group has not used any financial risk management instruments that are derivative in nature, or other hedging instruments, in this or the comparative year.

Credit risk**Trade and other receivables**

The Group, through its trading operations, enters into binding contracts, which contain obligations that create exposure to credit, counterparty and country risks. It is the primary objective of the Group to manage such risks to reduce uncertainty of collection from buyers. A secondary objective is to minimise the cost of reducing risks within acceptable parameters.

Credit risk is the risk associated with the possibility that a buyer will default, by failing to make required payments in a timely manner or to comply with other conditions of an obligation or agreement. Where appropriate, the Group uses letters of credit to assist in mitigating such risks.

Counterparty risk crystallises when a party to an agreement defaults. Where letters of credit are used to minimise this risk, the Group uses a confirming bank with a similar or higher credit rating to mitigate country and/or credit risk of the issuing bank.

Note 27: Financial instruments continued

Country risk is the potential volatility of foreign assets, whether receivables or investments, that is due to political and/or financial events in a given country.

Group Treasury monitors the concentration of all outstanding risks associated with any entity or country, and reports to the Group CFO on a timely basis.

Investment securities

Outside Ukraine the Group limits its cash exposure to credit, counterparty and country risk by only investing in liquid securities and with counterparties that are incorporated in an A+ or better "S&P" rated OECD country. A ratings approach is used to determine maximum exposure to each counterparty. Cash not required for production, distribution and capital expenditures is invested with counterparties rated by S&P or Moody's at a level of long-term B "S&P" or short-term A3 "S&P" or better with any exceptions subject to approval by the Board.

Recognising that the principal activities of the Group are predominantly in Ukraine, special consideration is given to Ukrainian transactional banking counterparties where the sector is small and constrained by the sovereign credit rating. Exceptions may be made under the following conditions:

- the counterparty is resident in Ukraine; and
- the counterparty is included in the top 15 financial institutions in Ukraine based on the Group's assessment of the financial institution.

Irrespective of the counterparty risk assessment above, the Group only uses subsidiaries of Western banks for transactional purposes unless required differently by law.

The Group is currently working with three banks in Ukraine, two of which are subsidiaries of Western banks, and is therefore exposed to Ukraine country and banking sector risk in this respect.

Guarantees

The Group's policy is to provide financial guarantees under limited circumstances only for the benefit of wholly owned or substantially wholly owned subsidiaries.

Exposure to credit risk

The carrying amount of financial assets at 31 December 2022 was US\$143,087 thousand (2021: US\$385,900 thousand) and represents the maximum credit exposure. See page 189 for further information.

Of the total maximum exposure to credit risk, US\$56,131 thousand (2021: US\$85,457 thousand) related to Ukraine.

The total receivables balance relating to the Group's top three customers was US\$6,700 thousand (2021: US\$130,684 thousand), making up 56% of the total amounts receivable (2021: 75%). The top three customers are considered to be crisis-resistant top-class steel mills and sales are made under long-term contracts.

Whilst the global Covid-19 pandemic did not result in a significant increase in the Group's credit risk in respect of its international customers, the risks related to Covid-19 remain relevant. The credit risk related to suppliers of equipment and services in Ukraine has been however impacted by the heightened Ukrainian country risk as a consequence of the ongoing war. See the Principal Risks section on pages 62 and 74 for additional information on the counterparty risks and risks relating to the global Covid-19 pandemic.

Impairment profile

The Group's exposure to credit risk relating to trade and other receivables is disclosed in Note 18 Trade and other receivables.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation by holding surplus cash or undrawn committed credit facilities. However, the ongoing war in Ukraine has had a significant impact on the cash flow generation of the Group during the financial year 2022 and the war is expected to continue to affect the Group's cash flow generation during the financial year 2023. For further information see also the Group's Going Concern Statement in Note 2 Basis of preparation.

The Group prepares detailed rolling cash flow forecasts, which assist it in monitoring cash flow requirements and optimising its cash return on investments. Typically, the Group intends to ensure that it has sufficient cash on demand and/or lines of credit to meet expected operational expenses, including the servicing of financial obligations. In normal times, the Group also makes use of uncommitted trade finance facilities to manage its short-term liquidity requirements. Trade finance generally refers to the financing of individual transactions or a series of revolving transactions and is often self-liquidating, whereby the lending bank stipulates that all sales proceeds to be collected are applied to settle the loan, with the remainder returned to the Group. Trade finance transactions are approved by the Group Treasurer and Group CFO. As at 31 December 2022, no trade finance facilities are available to the Group as a result of the ongoing war in Ukraine.

For further information see Note 26 Interest-bearing loans and borrowings and the Group's Viability Statement on pages 75 and 76.

Notes to the Consolidated Financial Statements continued

Note 27: Financial instruments continued

The following are the contractual maturities of financial liabilities:

US\$000	As at 31.12.22						Total
	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Between 3 to 4 years	Between 4 to 5 years	More than 5 years	
Interest-bearing							
Lease liabilities	5,355	880	579	9	6	–	6,829
Total interest-bearing	5,355	880	579	9	6	–	6,829
Non-interest-bearing							
Trade and other payables	30,509	–	–	–	–	–	30,509
Accrued liabilities	17,092	–	–	–	–	–	17,092
Future interest payable	18	–	–	–	–	–	18
Total non-interest-bearing	47,619	–	–	–	–	–	47,619
Total financial liabilities	52,974	880	579	9	6	–	54,448

US\$000	As at 31.12.21						Total
	Less than 1 year	Between 1 to 2 years	Between 2 to 3 years	Between 3 to 4 years	Between 4 to 5 years	More than 5 years	
Interest-bearing							
Floating rate loans and borrowings	42,146	–	–	–	–	–	42,146
Lease liabilities	6,182	963	881	577	7	7	8,617
Total interest-bearing	48,328	963	881	577	7	7	50,763
Non-interest-bearing							
Trade and other payables	72,824	–	–	–	–	–	72,824
Accrued liabilities	30,031	–	–	–	–	–	30,031
Future interest payable	51	–	–	–	–	–	51
Total non-interest-bearing	102,906	–	–	–	–	–	102,906
Total financial liabilities	151,234	963	881	577	7	7	153,669

Currency risk

The Group is exposed to currency risk on financial assets and financial liabilities resulting from sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group's subsidiaries. The functional currencies of the Group's subsidiaries are primarily the Ukrainian hryvnia, US dollars, euro and Swiss francs. The Group's functional currency and reporting currency is the US dollar.

The Group's major lines of borrowings and the majority of its sales are denominated in US dollars, with costs of local Ukrainian production mainly in hryvnia. The value of the hryvnia is published by the NBU. Following the Russian invasion into Ukraine on 24 February 2022, the National Bank of Ukraine pegged the Ukrainian hryvnia at 29.255 to the US dollar in order to mitigate the adverse impact from the war on the local financial system. On 21 July 2022, the National Bank of Ukraine devalued the local currency to 36.568 to the US dollar with immediate effect.

A depreciation of the Ukrainian hryvnia decreases the operating costs of the production unit in US dollar terms and the value of hryvnia payables recorded in the statement of financial position at the year end in US dollars, with the opposite effect in case of an appreciation of the Ukrainian hryvnia. As the majority of sales and receivables are denominated in US dollars, a change in the local currency will result in operating exchange differences recorded in the consolidated income statement. See Note 9 Foreign exchange gains and losses for further information.

In case of a change of the local currency compared to the US dollar, US dollar-denominated loans held by the Ukrainian subsidiaries result in non-operating exchange differences to the extent these are not matched by US dollar-denominated assets. Fixed assets are held in local currency amounts and a change in the functional currencies different to the US dollar results in a change of the Group's net assets as recorded in the translation reserve.

As mentioned above, the NBU manages and determines the official exchange rates. An interbank market for the exchange of currencies exists in Ukraine and is monitored by the NBU. The Group, through financial institutions, exchanges currencies at bank offered market rates.

Note 27: Financial instruments continued

Trade receivables are predominantly in US dollars and are not hedged. Trade payables denominated in US dollars are also not hedged on the market but are matched against US dollar currency receipts. This includes the interest expense, which is principally payable in US dollars. Trade receivables and trade payables in Ukrainian hryvnia are not hedged as a forward market for the currency is generally not available.

Other Group monetary assets and liabilities denominated in foreign currencies are considered immaterial as the exposure to currency risk mainly relates to corporate costs within Switzerland and the UK.

The Group's exposure to foreign currency risk was as follows as of 31 December 2022:

US\$000	As at 31.12.22	As at 31.12.21
Total financial assets	143,087	385,900
<i>Thereof exposed to Ukrainian hryvnia</i>	<i>–</i>	<i>–</i>
<i>Thereof exposed to US dollar</i>	<i>1,742</i>	<i>32,120</i>
<i>Thereof exposed to euro</i>	<i>1,846</i>	<i>7,025</i>
<i>Thereof exposed to Swiss franc</i>	<i>921</i>	<i>1,014</i>
<i>Thereof exposed to other currencies</i>	<i>416</i>	<i>549</i>
Total exposures to currencies other than local functional currencies	4,925	40,708
Total financial liabilities	(54,149)	(153,204)
<i>Thereof exposed to Ukrainian hryvnia</i>	<i>–</i>	<i>–</i>
<i>Thereof exposed to US dollar</i>	<i>(815)</i>	<i>(4,482)</i>
<i>Thereof exposed to euro</i>	<i>(7,094)</i>	<i>(4,058)</i>
<i>Thereof exposed to Swiss franc</i>	<i>(192)</i>	<i>(225)</i>
<i>Thereof exposed to other currencies</i>	<i>(145)</i>	<i>(445)</i>
Total exposures to currencies other than local functional currencies	(8,246)	(9,210)

No other subsidiaries of the Group, apart from the Ukrainian subsidiaries, have financial assets and liabilities denominated in the Ukrainian hryvnia. The functional currency of the Ukrainian subsidiaries is the Ukrainian hryvnia and the translation of financial assets and financial liabilities denominated in the Ukrainian hryvnia does therefore not pose a foreign currency risk exposure in the consolidated income statement of the Group as translation differences are reflected in the translation reserve (see Note 31 Share capital and reserves).

Interest rate risk

Historically, the Group predominantly has borrowed bank funds that were predominantly at floating interest rates and was therefore exposed to interest rate movements. As at 31 December 2022, the Group does not have any significant balances of interest bearing loans and borrowings. No interest rate swaps have been entered into in this or prior years.

Commodity risk

Revenues related to provisionally priced sales are initially recognised at the estimated fair value of the consideration receivable based on the forward price at each reporting date for the relevant period outlined in the different contracts. As a consequence, the receivable balance may change in a future period when final invoices can be issued based on final iron ore prices to be applied according to the specific underlying contract terms. There were no provisionally priced sales as at 31 December 2022. The provisionally priced iron ore exposure as at the end of the comparative year ended 31 December 2021 was 342,916 tonnes and gave rise to a fair value gain of US\$4,455 thousand as at 31 December 2021. Final iron ore prices based on the relevant index are normally known within 60 days after the reporting period. The difference between the provisionally priced receivable balance recognised as at the end of the comparative period 31 December 2021 and the receivable balance taking into account known final and latest forward prices was US\$13,550 thousand and would have increased the consolidated result and the shareholders' equity by this amount.

Where pricing terms deviate from the index-based pricing model, derivative commodity contracts may be used to swap the pricing terms to the iron ore index price.

Finished goods are held at cost without revaluation to a spot price for iron ore pellets at the end of the reporting period, as long as the recoverable amount exceeds the cost basis.

Sensitivity analysis

A 20% strengthening of the US dollar against the following currencies at 31 December would have (decreased)/increased the consolidated result and equity by the amounts shown below. The percentage applied to the sensitivity analysis of the Group's foreign currency exposure is based on the average change of the Ukrainian hryvnia, the Group's most relevant foreign currency, compared to the US dollar in past years, which might repeat again in the near future. This percentage was also applied for the Group's less relevant foreign currencies and does not have a significant effect on the total effect of this sensitivity analysis. This assumes that all other variables, in particular interest rates, remain constant.

Notes to the Consolidated Financial Statements continued

Note 27: Financial instruments continued

US\$000	Year ended 31.12.22 Income statement/ equity	Year ended 31.12.21 Income statement/ equity
Ukrainian hryvnia	154	4,606
Euro	(875)	495
Swiss franc	122	131
Other	45	17
Total	(554)	5,249

A 20% weakening of the US dollar against the above currencies would have an equal but opposite effect to the amounts shown above, on the basis that all the other variables remain constant.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not hold any derivatives (e.g. interest rate swaps). Therefore, a change in interest rates at the reporting date would not affect the consolidated income statement.

Cash flow sensitivity for variable rate instruments

An increase of 100 basis points ("bps") in interest rates would have increased equity and the consolidated result by the amounts shown below. The possible change applied to the cash flow sensitivity represents a plausible scenario taking into account the average movement of variable interest rates in the last years and possible changes in the near future. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

US\$000	Year ended 31.12.22	Year ended 31.12.21
Net finance charge	1,129	1,251

A decrease of 100bps would decrease equity and profit by US\$328 thousand for the year ended 31 December 2022 (2021: US\$984 thousand). This is on the basis that all the other variables remain constant.

Capital management

The Board's policy is to maintain a strong capital base. The Board of Directors monitors both the demographic spread of shareholders, as well as the return on capital, which the Group defines as total shareholders' equity, excluding non-controlling interests, and the level of dividends to ordinary shareholders. Please refer to the statement of changes in equity for details of the capital position of the Group.

A key measure in respect of the Group's capital management is the level of net cash/(debt). The net cash position has decreased from US\$116,942 thousand at the beginning of the year to US\$106,397 thousand as at 31 December 2022. The slightly lower net cash position is a reflection of the Group's resilience through unprecedented and challenging times, with the Group's management focussing on adequately balancing the available liquidity, working capital and overall business operation.

The capital base of the Group can be adversely affected by falls in the price of iron ore reducing reported revenues and profitability. The price that the industry earns for iron ore products is cyclical in nature and the Board of Directors continues to review its capital base in line with industry trends. The Board seeks to maintain a balance between the higher net returns that might be achievable through leverage and advantages and security provided by a low gearing and strong capital position.

Growth projects are approved under consideration of potential future market constraints, liabilities management across the Group's balance sheet and expected returns to shareholders.

The Board maintains a dividend policy consistent with the Group's profile, reflecting the investment activities the Group has made supporting current and future production growth and the cash generated by existing operations, while maintaining a prudent level of dividend distributions after an appropriate level of liquidity is ensured on an ongoing basis.

The Group has since 24 February 2022 been subject to the currency control measures implemented by the National Bank of Ukraine ("NBU") under the Martial Law, which limits the ability of the local Group companies to convert local currency into US dollars and settle cash flows between onshore and offshore accounts of the Group. The Group has implemented various measures to reduce the risk of fines that may arise from the currency control measures, but there exists legal uncertainty in the application of the currency control regulations during the Martial Law in Ukraine. See Note 30 Commitments, contingencies and legal disputes for further information.

The Company is the Group's holding company, with no direct operating business, so its ability to make distributions to its shareholders is dependent on its ability to access profits held in the subsidiaries and on the available liquidity above the minimum ongoing buffer requirements determined by management and the Board. The Group's consolidated retained earnings shown in the consolidated statement of changes in equity do not reflect the profits available for distribution in the Group as of 31 December 2022. See Note 12 Earnings per share and dividends paid and proposed for further information.

For more information about the Group's interest-bearing loans and borrowings see Note 26 Interest-bearing loans and borrowings.

Note 28: Share-based payments

Accounting policy

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value of the award at the grant date using modelling techniques consistent with the mathematics underlying the Black-Scholes option pricing model extended to allow for the performance conditions. The fair value is determined by reference to the quoted closing share price on the grant date. The cost is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. In valuing equity-settled transactions, no account is taken of any vesting conditions, except for market conditions, such as the relative Total Shareholder Return ("TSR").

Where the vesting of awards is subject to the satisfaction of certain market conditions, a vesting charge is recognised irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied. Where awards terminate before the performance period is complete, any unamortised expense is recognised immediately.

At each reporting date, the cumulative expense of outstanding awards is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous reporting date is recognised in the consolidated income statement, with a corresponding entry in the employee benefit trust reserve in equity.

Long-term incentive plan ("LTIP")

The LTIP is a share-based scheme whereby certain senior management and executives receive rewards based on the relative TSR. The LTIP is subject to a performance condition based on the TSR compared to a comparator group, which operates in a similar environment, measured over the vesting period. Further description is provided in the Remuneration Report. The cost of equity-settled awards is measured as described above together with an estimate of future social security contributions payable in respect of this value.

The following number of share awards were granted under the LTIP in the previous financial years. The LTIP vesting period is three years.

Thousand	2022 LTIP	2021 LTIP	2020 LTIP	Total
Year ended 31.12.22	453	–	–	453
Year ended 31.12.21	–	295	–	295
Year ended 31.12.20	–	–	793	793

The following expenses have been recognised in 2022 and 2021 in respect of the LTIP:

US\$000	2022 LTIP	2021 LTIP	2020 LTIP	2019 LTIP	Total
Year ended 31.12.22	129	282	55	24	490
Year ended 31.12.21	–	352	131	380	863

The expenses recognised in 2022 and in the comparative year 2021 include the effect of lapsed awards resulting from the departure of one (2021: two) members of the key management.

	Year ended 31.12.22 WAFV (US\$)	Year ended 31.12.21 WAFV (US\$)	Year ended 31.12.22 No. (000)	Year ended 31.12.21 No. (000)
LTIP				
Beginning of the year	2.22	1.57	1,046	1,034
Awards granted during the year	1.54	3.83	453	376
Awards vested during the year	2.40	2.22	(347)	–
Awards lapsed during the year	2.22	2.05	(112)	(364)
Outstanding unvested awards at 31 December	1.98	2.22	1,040	1,046

The main inputs to the valuation of the 2022 LTIP awards were the share price at date of grant of US\$2.33 (2021 LTIP awards: US\$4.81), the volatility of the share price of 65% p.a. (2021 LTIP awards: 60% p.a.) and a risk-free interest rate of 2.7% p.a. (2021 LTIP awards: 0.2% p.a.). The assumptions have been based on historical volatility and correlation of the relevant stocks over a period based on the expected term of the awards.

As at 31 December 2021, 100% of the 2019 awards under the LTIP vested as the vesting conditions were met. As a result, the beneficiaries of this plan at the date of exercise received 347,529 shares for the 2019 awards during the financial year 2022 (2021: no shares for the 2018 awards as the vesting conditions were not met). The share price at the date of exercise of these awards was US\$3.29 (2021: nil). As at the date of authorising the consolidated financial statements for issue, all awards from previous years have been exercised.

Notes to the Consolidated Financial Statements continued

Note 29: Employees

Employee benefits expenses for the year ended 31 December 2022 consisted of the following:

US\$000	Notes	Year ended 31.12.22	Year ended 31.12.21
Wages and salaries		77,830	88,960
Social security costs		14,211	18,002
Post-employment benefits	22	1,098	1,810
Other employee costs		4,391	3,006
Share-based payments	28	490	856
Total employee benefits expenses		98,020	112,634

The table above includes compensation for Non-executive Directors, Executive Directors and other key management personnel as outlined below:

US\$000	Year ended 31.12.22			Year ended 31.12.21		
	Non-executive and Executive Directors	Other key management	Total	Non-executive and Executive Directors	Other key management	Total
Wages and salaries	3,438	2,455	5,893	3,217	2,917	6,134
Social security costs	94	57	151	73	81	154
Post-employment benefits	80	64	144	111	63	174
Other employee costs	315	32	347	290	82	372
Share-based payments	225	370	595	215	424	639
Total compensation for key management	4,152	2,978	7,130	3,906	3,567	7,473

The totals of shared-based payments for employees and for key management recognised in 2022 and in the comparative year 2021 include the effect of lapsed awards resulting from the departure of one (2021: two) members of the key management.

The average number of employees during the financial year 2022 is detailed in the table below:

Average number of employees	Year ended 31.12.22	Year ended 31.12.21
Production	5,873	6,156
Marketing and distribution	439	442
Administration	1,303	1,283
Other	363	386
Total average number of employees	7,978	8,267

Note 30: Commitments, contingencies and legal disputes**Accounting policy****Contingencies**

Contingent liabilities are not recognised in the consolidated financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Commitments for the lease of mining land

These commitments relate to the agreements for the use of mining land, which fall out of the scope of IFRS 16 *Leases*.

Note 30: Commitments, contingencies and legal disputes continued**Commitments**

Commitments as at 31 December 2022 consisted of the following:

US\$000	Year ended 31.12.22	Year ended 31.12.21
Total commitments for the lease of mining land (out of the scope of IFRS 16)	50,963	57,665
Total capital commitments on purchase of property, plant and equipment	134,842	191,412
Commitments for investment in a joint venture	6,064	6,064

For further information on lease-related commitments see Note 14 Leases.

Contingencies

As disclosed in the 2021 Annual Report and Accounts, the Board, acting through the Committee of Independent Directors (the "CID"), conducted during the financial year 2020 a review in connection with the Group's sponsorship arrangements with FC Vorskla and concluded its enquiry in March 2021. In accordance with arrangements put in place for the full repayment of a loan granted by FC Vorskla Cyprus Ltd. to a related party entity of the Group's controlling shareholder outside of the Group, the Group understands that the loan was repaid in full in August 2022.

Legal

In the ordinary course of business, the Group is subject to various legal actions and ongoing court proceedings. There is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld, consequently Ukrainian legislation might be inconsistently applied to resolve the same or similar disputes. See also the Principal Risks section on pages 60 and 61 for further information on the Ukraine country risk and Note 35 Events after the reporting period in terms of another court order received.

Critical judgements

The Group is exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 60 and 61). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties, which require a significant portion of critical judgements to be made by the management.

Share dispute

On 23 November 2020, the Kyiv Commercial Court opened court proceedings in relation to an old shareholder litigation. In 2005, a former shareholder in PJSC Ferrexpo Poltava Mining ("FPM") brought proceedings in the Ukrainian courts seeking to invalidate the share sale and purchase agreement pursuant to which a 40.19% stake in FPM was sold to nominee companies that were previously ultimately controlled by Kostyantyn Zhevago, amongst other parties. After a long period of litigations, all old claims were fully dismissed in 2015 by the Higher Commercial Court of Ukraine. In January 2021, Ferrexpo AG ("FAG") received a claim from a former shareholder in FPM to invalidate the share sale and purchase agreement concluded in 2002.

In February 2021, FAG became aware that three new claims had been filed by three other former shareholders in FPM. Taken together, four claimants seek to invalidate the share sale and purchase agreement concluded in 2002 pursuant to which a 40.19% stake in FPM was sold, similar to the previous claims made back in 2005. The Kyiv Commercial Court ruled on 27 May 2021 in favour of FAG and the opposing parties filed their appeals in June 2021. The Northern Commercial Court of Appeal has opened the appeal proceedings and after several hearings the Group received in September 2022 a judgement from the appeal court in respect of the aforementioned claim, which states that the share sale and purchase agreement concluded in 2002 is invalid and orders that 40.19% of the current share capital in FPM should be transferred to the claimants. The shares in FPM claimed by the claimants, which in 2002 amounted to 40.19% of FPM, now represents 8.5% of FPM's share capital as at 31 December 2022, taking into account the dilutive effect from the numerous share capital increases made by FAG since 2002.

Following the identification of numerous errors in the application of the Ukrainian law in the judgement of the Northern Commercial Court of Appeal by the Group's legal advisors, FAG filed a cassation appeal and requested the Supreme Court of Ukraine to review the ruling made by the Northern Commercial Court of Appeal. The hearing at the Supreme Court of Ukraine took place on 17 November 2022. After this first hearing and before the Supreme Court of Ukraine concluded on the legal merits of the parties involved in this dispute, the parties filed a motion requesting the case to be heard by the Grand Chamber of the Supreme Court. During the court hearing held on 1 December 2022, the Supreme Court decided to refer the case for consideration to the Grand Chamber of the Supreme Court. The first hearing by the Grand Chamber of the Supreme Court is scheduled for 15 March 2023.

Based on legal advice obtained, management remain of the view that FAG has compelling arguments to defend its position in the Grand Chamber of the Supreme Court. However, there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld. A negative decision from the Grand Chamber of the Supreme Court of Ukraine would result in the loss of a significant proportion of the Group's main operating subsidiary in Ukraine and have a material adverse impact on the shareholders' equity attributable to the shareholders of Ferrexpo plc. Due to legal uncertainties, including the percentage of FPM's share capital at the year-end subject to the claims, it is currently impracticable to reasonably estimate the financial impact, but it could be material. A negative decision could also have an impact on potential future dividends from FPM to FAG and, as result, on the distributable reserves of Ferrexpo plc (see Note 12 Earnings per share and dividends paid and proposed for further details). No non-controlling interest has been recognised as of 31 December 2022 because the transfer of shares in FPM has not legally happened and FPM remains, as a consequence, wholly owned by FAG as at the date of the approval of these consolidated financial statements. It is management's view that such a decision will not cast significant doubt on the Group's ability to continue as a going concern. However, such a decision might complicate the daily business of the Group's major subsidiary in Ukraine, as the intentions of the opposing parties are not clear at this point of time.

Notes to the Consolidated Financial Statements continued

Note 30: Commitments, contingencies and legal disputes continued**Currency control measures imposed in Ukraine**

With the start of the Russian invasion into Ukraine on 24 February 2022, the Ukrainian government introduced Martial Law affecting, among others, aspects relating to lending agreements, foreign exchange and currency controls and banking activities.

As a result of the introduced Martial Law, the National Bank of Ukraine ("NBU") has introduced significant currency and capital control restrictions in Ukraine. These measures are affecting the Group in terms of its cross-border payments to be made, which are restricted and may be carried out only in exceptional cases. The maximum period for settlements of invoices under export and import contracts was decreased as of 1 April 2022 from previously 360 days to 180 days.

These measures put additional pressure on the Group's liquidity management as the Ukrainian subsidiaries are currently not in the position to make cash transfers outside of Ukraine. As it is essential to the Group that sufficient liquidity is held outside of Ukraine in order to ensure that the Group's liabilities can be settled when falling due, intercompany receivable balances due to the Ukrainian subsidiaries have historically been paid when falling due and after considering the local cash requirements for the operating activities and the capital expenditure programmes. The currently lower operating activities and the reduced capital expenditure programmes due to the ongoing war has reduced the local cash requirements and consequently increased the imbalance between payments to be made into Ukraine and local cash requirements. As a result of the imposed currency control measures, the Group has to carefully manage the payments to be made into Ukraine, as the local subsidiaries cannot transfer any surplus funds back to the Group entities outside of Ukraine, if required.

Failure to comply with the currency control regulations can result in financial fines. The offence against the currency control regulations would result in fines of 0.3% per day computed on the cumulative overdue receivable balances. The Group has implemented various measures to mitigate the impact of the currency control regulations and reduce the risk of material fines, but there exists legal uncertainty in the application of the currency control regulations during the Martial Law in Ukraine. The currency control regulations may also be subject to change in the future (including with retrospective effect). Therefore, there is a risk that the Group may become subject to challenges from regulatory authorities in connection with the application of the regulations. Considering the amount of outstanding receivable balances between Group companies, there is a risk of material fines becoming payable in the future. However, as a result of different interpretations of the currency control regulations during the Martial Law and the measures initiated by the Group to mitigate the risk of potential fines, it is currently not possible to reliably estimate the amount of a potential exposure.

Other ongoing legal proceedings and disputes**Royalty-related investigation and claim**

On 3 February 2022, PJSC Ferrexpo Poltava Mining ("FPM") and Ferrexpo Yeristovo Mining LLC ("FYM") received letters from the Office of Prosecutor General notifying them about ongoing investigation on potential underpayment of iron ore royalty payments during the years 2018 to 2021. The amount of underpayment was not specified in the letters. As part of the investigation, the Office of Prosecutor General requested documents related to iron ore royalty payments and requested four representatives of the Group's subsidiaries to appear as witnesses for investigations.

On 8 February 2022, FPM received a tax audit report, which claims the underpayment of iron ore royalty payments during the period from April 2017 to June 2021 in the amount of approximately UAH1,042 million (approximately US\$28,424 thousand as at 31 December 2022). The Group provided its objections to the claims made in the tax audit report and it was expected that this case will ultimately be heard by the courts in Ukraine. However, due to the current situation in Ukraine, it is unknown if and when the tax office will provide the final tax audit report considering or refusing FPM's objections as well as if and when a first hearing will take place in respect of a final claim received and how the aforementioned investigation is going to further develop.

On 16 November 2022, the detectives from the Bureau of Economic Security of Ukraine conducted searches at FYM and FPM in connection with the royalty-related investigation. On 3 February 2023, a notice of suspicion was delivered to a senior manager of FPM, which claimed underpayment of royalty payments in the amount of approximately UAH2,000 million (approximately US\$54,557 thousand as at 31 December 2022) and bail UAH20 million (US\$546 thousand as at 31 December 2022) was approved by the court on 9 February 2023. An appeal was subsequently filed by FPM on the amount of the bail. On 6 February 2023, the court arrested the bank accounts of FPM. Following a motion to change the scope of the arrest filed by FPM, the court on 8 February 2023 and on 16 February 2023 added exceptions to the original court order to arrest the bank account of FPM in order to allow FPM to make payments for salaries, local taxes, social security charges, payments for utilities as well as payments to state and municipal companies. Other motions to change the scope of the arrest and an appeal to cancel the arrest are expected to be considered by the courts in March 2023.

Based on legal advice obtained, it is management's view that each of FPM and FYM have compelling arguments to defend their positions in the court and, as a consequence, no associated liabilities have been recognised in relation to the claim in the consolidated statement of financial position as at 31 December 2022. However, as with other ongoing legal proceedings, there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld and in that case there could be a material adverse impact on the Group.

Contested sureties claim

On 7 December 2022, FPM received a claim in the amount of UAH4,727 million (US\$128,945 thousand) in respect of contested sureties. These contested sureties relate to Bank F&C, a Ukrainian bank owned by the Group's controlling shareholder and which the Group previously used as its main transactional bank in Ukraine. Bank F&C is still going through the liquidation process after having been declared insolvent by the National Bank of Ukraine and put under temporary administration on 18 September 2015. Following the loss of funds held at Bank F&C of approximately US\$177,000 thousand, the Group, through its major subsidiaries in Ukraine, initiated various court proceedings with the aim to maximise the Group's recovery in the liquidation process of Bank F&C.

Note 30: Commitments, contingencies and legal disputes continued

The counterparty in this claim alleges that it acquired rights under certain loan agreements originally concluded between the Bank F&C and various borrowers, some of which are associated entities of the Group's controlling shareholder, by entering into the assignment agreement with the State Guarantee Fund on 6 November 2020. The counterparty further claims that Ferrexpo Poltava Mining ("FPM") provided sureties to Bank F&C to ensure the performance of obligations under these loan agreements. It is FPM's position that no such sureties have been signed. Based on a favourable court decision in respect of the afore-mentioned court proceedings to maximise its recovery, it is management's view that FPM has compelling arguments to defend its position in the court and, as a consequence, no associated liabilities have been recognised in relation to this claim in the consolidated statement of financial position as at 31 December 2022. The date of the court hearing is currently unknown.

Ecological claims

In September 2021, the State Ecological Inspection carried out an inspection of Ferrexpo Yeristovo Mining LLC ("FYM") and on 1 October 2021 issued an order to remove a number of alleged violations of environmental rules. On 19 October 2021, FYM received two ecological claims from the State Ecological Inspection. One of the claims was related to an allegation of violation of rules regarding removal of soil on a particular land plot and the State Ecological Inspection requested payment for damages of approximately UAH768 million (US\$21,000 thousand as at 31 December 2022). The other claim was related to an allegation of absence of documents for disposal of waste on a particular land plot and the State Ecological Inspection requested payment for damages in the amount of approximately UAH18 million (US\$492 thousand as at 31 December 2022). Each claim states that if FYM does not voluntarily pay the damages, the State Ecological Inspection will start court proceedings. In November 2021, FYM sent written objections to these claims to the State Ecological Inspection. The State Ecological Inspection has neither responded to FYM's objections nor filed the claims to the court within a reasonable period by February 2022. In February 2022, FYM has therefore filed a lawsuit to the court to challenge the claims of the State Ecological Inspection. The Kremenchuk District Prosecutor's Office is conducting the investigation in connection with alleged violations of environmental rules. The hearing on 19 July 2022 ruled in favour of FYM. On 17 January 2023, the court of appeal returned the appeal claim to the State Ecological Inspection due to procedural mistakes when filing the claim and there have been no further legal actions since then.

Based on legal advice obtained, it is management's view that FYM has compelling arguments to defend its position in the court and, as a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as at 31 December 2022, similar to the position as at 31 December 2021.

Cancellation of licence for Galeschynske deposit

On 24 June 2021, an Order of the President of Ukraine was published on the official website of the President (the "Order"), which enacted the Decision of the National Security and Defence Council of Ukraine on the application of personal special economic and other restrictive measures and sanctions (the "Decision"). Ferrexpo Belanovo Mining ("FBM") is included in the list of legal entities which are subject to sanctions pursuant to the Decision. The Order and the Decision do not provide any legal ground for the application of sanctions. The sanction imposed on FBM is the cancellation of the mining licence for the Galeschynske deposit, which is one of two licences held by FBM.

The Galeschynske deposit is a project in the exploration phase that is situated to the north of the Group's active mining operations. Following the cancellation of this license and considering the fact that the outcome of the proceedings is currently uncertain, all capitalised costs associated with this licence totalling US\$3,439 thousand were written off in the comparative year ended 31 December 2021. See Note 7 Operating expenses for further information. The next court hearing is scheduled for 3 April 2023.

Taxation**Tax legislation**

As disclosed in Note 11 Taxation, the Group is involved in ongoing tax audits in respect of its cross-border transactions and an unfavourable outcome would have an adverse impact on the Group's cash flow generation, profitability and liquidity. These tax audits are currently on hold due to the ongoing war in Ukraine and it is unknown when these will resume again. See Note 11 Taxation and also the update on the Group's Principal Risks on pages 60 and 61 in terms of the Ukraine country risk.

Note 31: Share capital and reserves**Accounting policy****Ordinary Shares**

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares and share options are recognised as a deduction from equity, net of any tax effects.

Employee benefit trust reserve

Ferrexpo plc shares held by the Group are recognised at cost and classified in reserves. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and the original cost to be recorded in reserves. No gain or loss is recognised in the consolidated income statement on the purchase, issue or cancellation of equity shares.

Treasury shares

Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from equity and represent a reduction in distributable reserves. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in reserves.

Translation reserve

The translation reserve represents exchange differences arising on the translation of non-US dollar functional currency operations, mainly those in Ukrainian hryvnia, within the Group into US dollars.

Notes to the Consolidated Financial Statements continued

Note 31: Share capital and reserves continued

Share capital

Share capital represents the nominal value on issue of the Company's equity share capital, comprising £0.10 Ordinary Shares. The fully paid share capital of Ferrexpo plc at 31 December 2022 was 613,967,956 Ordinary Shares (2021: 613,967,956) at a par value of £0.10 paid for in cash, resulting in share capital of US\$121,628 thousand (2021: US\$121,628 thousand) per the statement of financial position.

As at 31 December 2022, other reserves attributable to equity shareholders of Ferrexpo plc comprised:

US\$000	Uniting of interest reserve	Treasury share reserve	Employee benefit trust reserve	Translation reserve	Total other reserves
At 1 January 2021	31,780	(77,260)	(2,535)	(2,017,881)	(2,065,896)
Foreign currency translation differences	–	–	–	82,222	82,222
Tax effect	–	–	–	(3,313)	(3,313)
Total other comprehensive loss for the year	–	–	–	78,909	78,909
Share-based payments	–	–	856	–	856
At 31 December 2021	31,780	(77,260)	(1,679)	(1,938,972)	(1,986,131)
Foreign currency translation differences	–	–	–	(664,286)	(664,286)
Tax effect	–	–	–	13,036	13,036
Total other comprehensive income for the year	–	–	–	(651,250)	(651,250)
Share-based payments	–	–	490	–	490
At 31 December 2022	31,780	(77,260)	(1,189)	(2,590,222)	2,636,891

Uniting of interest reserve

The uniting of interest reserve represents the difference between the initial investment by Ferrexpo AG in FPM to gain control of the subsidiary in 2005 and the net assets acquired, which under the pooling of interests method of accounting are consolidated at their historic cost, less non-controlling interests.

Treasury share reserve

In September 2008, Ferrexpo plc completed a buy-back of 25,343,814 shares for a total cost of US\$77,260 thousand. These shares are currently held as treasury shares by the Group. The Companies Act 2006 forbids the exercise of any rights (including voting rights) and the payment of dividends in respect of treasury shares.

Employee benefit trust reserve

This reserve represents the treasury shares held by Ferrexpo AG setting up an employee benefit trust reserve. The reserve is used to satisfy future grants for senior management incentive schemes. Information on the Group's share-based payments is provided in Note 28 Share-based payments. As at 31 December 2022, the employee benefit trust reserve includes 577,370 shares (2021: 924,899 shares).

Note 32: Consolidated subsidiaries

Translation reserve

During the financial year 2022, the Ukrainian hryvnia depreciated from 27.278 as at the beginning of the year to 36.569 as at 31 December 2022 and the exchange differences arising on translation of the Group's foreign operations are initially recognised in the consolidated statement of comprehensive income. See also page 200.

Accounting policy

Entities are included in the consolidated financial statements from the date of obtaining control and the inclusion in the consolidated financial statements is consequently ceased when the control over an entity is lost. Control is obtained when the Group is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee that gives the current ability to direct the relevant activities. Control can be obtained through voting rights, but also through agreements, statutes, contracts, trust deeds or other schemes.

Non-controlling interests in the net assets of consolidated subsidiaries are shown separately in the Group's consolidated statement of financial position and consolidated statement of changes in equity. The share of the profit attributable to non-controlling interests is shown in the consolidated income statement and the consolidated statement of comprehensive income. The carrying amount of the non-controlling interests is adjusted for any change in ownership interest to reflect the relative controlling and non-controlling interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in the equity attributable to equity shareholders of Ferrexpo plc.

The Group comprises Ferrexpo plc and its consolidated subsidiaries. The Group's interests in the entities are held indirectly by the Company, with the exception of Ferrexpo AG, which is directly held. All of the Group's major subsidiaries are wholly owned. The interests that non-controlling interests have in the Group's operations are not material and no significant judgements and assumptions were required to determine that the Group has control over these entities. The Group's consolidated subsidiaries are listed on page 211.

The Group does not have any other interests of 20% or more in undertakings that are not disclosed on page 211, except for the investment in the associate mentioned in Note 33 Investments in associates.

Note 33: Investments in associates

Accounting policy

The Group's investments in associates are accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.

Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus any post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised nor individually tested for impairment. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's investment in the associate.

The share of profit from an associate is shown on the face of the consolidated income statement. This is the profit attributable to the Group and is therefore the profit after tax and non-controlling interests in the subsidiaries of the associate. The reporting dates of the associates and the Group are identical and the associates' accounting policies are generally in conformity with those applied by the Group.

The Group holds an interest of 49.9% (2020: 49.9%) in TIS Ruda LLC, operating a port on the Black Sea, which the Group uses as part of its distribution channel.

US\$000	Year ended 31.12.22	Year ended 31.12.21
Opening balance	7,034	5,873
Share of profit ¹	557	4,468
Dividends declared	(881)	(3,536)
Translation adjustments	(1,543)	229
Closing balance	5,167	7,034

For the year ended 31 December 2022 the summarised financial information for the associate was as follows:

US\$000	Revenue		Net profit	
	Year ended 31.12.22	Year ended 31.12.21	Year ended 31.12.22	Year ended 31.12.21
TIS Ruda LLC ¹	4,077	21,619	1,116	8,947

1. Based on preliminary and unaudited financial information.

Since February 2022, the operations at the port of Pivdennyi have been suspended due to the war in Ukraine, which has an adverse impact on the business and financial position of TIS Ruda LLC.

The figures in the table above represent 100% of the associate's revenue and net profit and not the Group's share based on its ownership. As at 31 December 2022, the associate's total assets were US\$15,237 thousand (2021: US\$20,106 thousand) and the total liabilities were US\$4,883 thousand (2021: US\$6,009 thousand) based on preliminary and unaudited statutory accounts. Any deviations from the Group's associate's equity based on the audited financial statements is adjusted subsequent to the year end once the audited financial statements are available.

Note 34: Related party disclosures

During the years presented, the Group entered into arm's length transactions with entities under the common control of Kostyantyn Zhevago, a controlling shareholder of Ferrexpo plc, with associated companies and with other related parties. Management considers that the Group has appropriate procedures in place to identify, control, properly disclose and obtain independent confirmation, when relevant, for transactions with the related parties.

Entities under common control are those under the control of Kostyantyn Zhevago. Associated companies refer to TIS Ruda LLC, in which the Group holds an interest of 49.9% (2021: 49.9%). This is the only associated company of the Group. Information on the Directors' fee payments made to the Non-executive Directors and Executive Directors is provided in the Remuneration Report on pages 122 and 123.

Related party transactions entered into by the Group during the years presented are summarised in the following tables:

Notes to the Consolidated Financial Statements continued

Note 34: Related party disclosures continued

Revenue, expenses, finance income and expense

US\$000	Year ended 31.12.22			Year ended 31.12.21		
	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Other sales ^a	560	–	2	657	–	9
Total related party transactions within revenue	560	–	2	657	–	9
Materials and services ^b	6,784	–	–	8,334	–	–
Spare parts and consumables ^c	7,056	–	–	6,350	–	–
Other expenses ^d	1,948	–	–	2,172	–	–
Total related party transactions within cost of sales	15,788	–	–	16,856	–	–
Selling and distribution expenses ^e	6,542	3,819	–	4,876	18,139	–
General and administration expenses ^f	398	–	567	371	–	524
Other operating expenses ^g	2,019	–	–	1,391	–	–
Finance expense	8	–	–	20	–	–
Total related party transactions within expenses	24,755	3,819	567	23,514	18,139	524
Other income	–	–	–	2	–	–
Total related party transactions	25,315	3,819	569	24,173	18,139	533

A description of the most material transactions, which are in aggregate over US\$200 thousand in the current or comparative year, is given below.

Entities under common control

The Group entered into various related party transactions with entities under common control. All transactions were carried out on an arm's length basis in the normal course of business.

a Sales of scrap metal to OJSC Uzhgorodsky Turbogaz totalling US\$361 thousand (2021: US\$437 thousand); and

a Sales of electricity to Kislod PCC for US\$194 thousand (2021: US\$209 thousand).

b Purchases of oxygen, scrap metal and services from Kislod PCC for US\$1,437 thousand (2021: US\$1,533 thousand);

b Purchases of cast iron balls from OJSC Uzhgorodsky Turbogaz for US\$4,258 thousand (2021: US\$5,700 thousand); and

b Purchase of maintenance and construction services from FZ Solutions LLC (formerly OJSC Berdychiv Machine-Building Plant Progress) for US\$997 thousand (2021: US\$1,024).

c Purchases of spare parts from OJSC AvtoKraz Holding in the amount of US\$1,799 thousand (2021: US\$1,983 thousand);

c Purchases of spare parts from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") in the amount of US\$902 thousand (2021: US\$837 thousand);

c Purchases of spare parts from OJSC Uzhgorodsky Turbogaz in the amount of US\$1,460 thousand (2021: US\$1,032 thousand);

c Purchases of spare parts from FZ Solutions LLC (formerly OJSC Berdychiv Machine-Building Plant Progress) of US\$1,125 thousand (2021: US\$719 thousand);

c Purchases of spare parts from Kislod PCC in the amount of US\$410 thousand (2021: nil); and

c Purchases of spare parts from Valsa GTV of US\$1,231 thousand (2021: US\$1,735 thousand).

d Insurance premiums of US\$1,948 thousand (2021: US\$2,172 thousand) paid to ASK Omega for insurance cover in respect of mining equipment and machinery.

e Purchases of advertisement, marketing and general public relations services from FC Vorskla of US\$6,541 thousand (2021: US\$4,875 thousand). See page 197 in respect of a loan relationship between FC Vorskla and another related party.

g Insurance premiums of US\$1,085 thousand (2021: US\$1,341 thousand) paid to ASK Omega for workmen's insurance and other insurances;

g Purchase of marketing services from TV & Radio Company of US\$212 thousand (2021: US\$243 thousand); and

g Purchase of food under the Ferrexpo Humanitarian Fund from JSC Kremenchukmyaso of US\$798 thousand (2021: nil). See page 44 for further information on the Ferrexpo Humanitarian Fund.

Associated companies

The Group entered into related party transactions with its associated company, TIS Ruda LLC, which were carried out on an arm's length basis in the normal course of business for the members of the Group (see Note 33 Investments in associates).

e Purchases of logistics services in the amount of US\$3,819 thousand (2021: US\$18,139 thousand) relating to port operations, including port charges, handling costs, agent commissions and storage costs. The scope of the services procured from TIS Ruda is heavily affected by the ongoing war in Ukraine as the Group's seaborne sales through the port of Pivdennyi have been suspended as a result of the closure of the port.

Other related parties

The Group entered into various transactions with related parties other than those under the control of a controlling shareholder of Ferrexpo plc. All transactions were carried out on an arm's length basis in the normal course of business.

f Legal and administrative services in the amount of US\$387 thousand (2021: US\$506 thousand) provided by Kuoni Attorneys at Law Ltd., which is controlled by a member of the Board of Directors of one of the subsidiaries of the Group. The Directors' fees paid totalled US\$100 thousand for the financial year 2022 (2021: US\$100 thousand).

Note 34: Related party disclosures continued**Purchases of property, plant and equipment**

The table below details the transactions of a capital nature, which were undertaken between Group companies and entities under common control, associated companies and other related parties during the years presented.

US\$000	Year ended 31.12.22			Year ended 31.12.21		
	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Purchases in the ordinary course of business	11,634	–	–	552	–	–
Total purchases of property, plant and equipment	11,634	–	–	552	–	–

During the year ended 31 December 2022, the Group purchased major spare parts and equipment from FZ Solutions LLC (formerly OJSC Berdychiv Machine-Building Plant Progress) totalling US\$ 11,598 thousand (2021: US\$283 thousand) in respect of the Wave 1 expansion project of its processing plant. During the comparative year ended 31 December 2021, the Group procured equipment and materials from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") totalling US\$235 thousand for maintenance and repairs of its processing plant.

The FPM Charity Fund owns 75% of the Sport & Recreation Centre ("SRC") in Horishni Plavni and made contributions totalling US\$154 thousand during the year ended 31 December 2022 (2021: US\$120 thousand) for the construction and maintenance of the building, including costs related to electricity, gas and water consumption. The remaining stake of 25% is owned by JSC F&C Realty, which is under the control of Kostyantyn Zhevago.

Balances with related parties

The outstanding balances, as a result of transactions with related parties, for the years presented are shown in the table below:

US\$000	As at 31.12.22			As at 31.12.21		
	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Prepayments for property, plant and equipment ^g	3,847	–	–	8,463	–	–
Total non-current assets	3,847	–	–	8,463	–	–
Trade and other receivables ^h	38	3,245	1	101	4,181	1
Prepayments and other current assets ⁱ	745	120	–	2,076	–	–
Total current assets	783	3,365	1	2,177	4,181	1
Trade and other payables ^j	2,057	244	–	732	489	–
Accrued and contract liabilities	–	–	–	–	–	–
Total current liabilities	2,057	244	–	732	489	–

A description of the balances over US\$200 thousand in the current or comparative year is given below.

Entities under common control

g Prepayments for property, plant and equipment totalling US\$3,787 thousand (31 December 2021: US\$8,422 thousand) were made to FZ Solutions LLC (formerly OJSC Berdychiv Machine-Building Plant Progress) mainly in relation to the Wave 1 expansion project of the processing plant.

i Prepayments and other current assets totalling US\$233 thousand to ASK Omega for insurance premiums (31 December 2021: US\$1,123 thousand),

j Trade and other payables of US\$107 thousand (31 December 2021: US\$221 thousand) related to the purchase of oxygen, metal scrap and services from Kislod PCC, and

j Trade and other payables of US\$1,603 thousand (31 December 2021: US\$295 thousand) related to the purchase of spare parts and services from FZ Solutions LLC (formerly OJSC Berdichev Machine-Building Plant Progress), and

Associated companies

h Trade and other receivables included US\$3,245 thousand (2021: US\$4,181 thousand) related to dividends declared by TIS Ruda LLC.

i Prepayments and other current assets included US\$120 thousand (2021: nil) related to cargo storage services from TIS Ruda LLC.

j Trade and other payables included US\$244 thousand (2021: US\$489 thousand) related to purchases of logistics services from TIS Ruda LLC.

The Ferrexpo Humanitarian Fund

Following the Russian invasion into Ukraine in February 2022, the Group has established the Ferrexpo Humanitarian Fund with total approved funding of US\$15,000 thousand in order to support local communities in Ukraine. As at 31 December 2022, the Group procured medicine totalling US\$404 thousand from Arterium LLC and food totalling US\$798 thousand from JSC Kremenchukmyaso, both under common control of Kostyantyn Zhevago, a controlling shareholder of Ferrexpo plc. Whilst the procurements from Arterium LLC have been made directly by the fund, the procurements from JSC Kremenchukmyaso have been made through one of the Group's subsidiaries in Ukraine. See page 44 for further information on the Ferrexpo Humanitarian Fund.

Notes to the Consolidated Financial Statements continued

Note 35: Events after the reporting period

As announced on 7 March 2023 on the Regulatory News Service of the London Stock Exchange, the Group became aware of a press release by the Ukrainian Deposit Guarantee Fund suggesting that a restriction has been placed on shares held by Ferrexpo AG ("FAG"), the Group's Swiss subsidiary, in three main operating subsidiaries of the Group in Ukraine, covering 50.3% of the shares held in each subsidiary. Based on the subsequently published court order in the Ukrainian official register of court decisions, the Kyiv Commercial Court ordered the arrest (freeze) of 50.3% of FAG's shareholding in each of Ferrexpo Poltava Mining ("FPM"), Ferrexpo Yeristovo Mining ("FYM") and Ferrexpo Belanovo Mining ("FBM"). The court order also prohibits each of FPM, FYM and FBM from making changes to the amount of its authorised capital. The court order does not affect ownership of the shares in these three subsidiaries of the Group in Ukraine, but prohibits the disposal by FAG of 50.3% of its shareholding in each named subsidiary.

This court order was issued by the Kyiv Commercial Court during a hearing in the commercial litigation between the Deposit Guarantee Fund and Mr. Zhevago, the Group's controlling shareholder, in relation to the liquidation of Bank F&C in 2015.

As disclosed in detail in Note 30 Commitments, contingencies and legal disputes in the Group's 2020 Annual Report and Accounts, similar orders to freeze 50.3% of FAG's shareholding in FPM were received by the Group in November 2019 and in June 2020, which were subsequently successfully appealed and cancelled by FAG in the Ukrainian courts.

In addition to the restriction covering 50.3% of FAG's shareholding in each of FPM, FYM and FBM, the court order also contains a prohibition on Ferrexpo plc disposing of any of its shares in FAG. Based on legal advice received by the Group, such prohibition on Ferrexpo plc disposing of its shares in FAG is not enforceable in the UK and in Switzerland within a short period of time.

The court order also prohibits the disposal by Fevamotinico S.a.r.l. of its shares in Ferrexpo plc.

The Group has no intention, and never has had any intention, of transferring the shares in FPM, FYM, FBM or FAG. In addition, no impact on the operations of the Group is expected as a result of this court order.

The Group intends to take actions in Ukraine to appeal the court order.

Taking into account that the Group has previously successfully appealed similar court orders, it is management's view that the Group will be again successful cancelling such restrictions. However, as with other ongoing legal proceedings in Ukraine, there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld and in that case there could be a material adverse impact on the Group and its shareholders. The next court hearing is scheduled for 20 March 2023.

As announced on 10 March 2023 on the Regulatory News Service of the London Stock Exchange, the Group transferred 9,513,000 shares from the treasury share reserves (see Note 31 Share capital and reserves for further information) to the Group's employee benefit trust reserve. The shares were transferred on 9 March 2023, at a price of 140.3 pence per share, being the closing share price of the Company's ordinary shares on the London Stock Exchange on 8 March 2023. Please see the announcement for further information.

Following the transfer of the shares, the issued share capital of Ferrexpo plc consists of 613,967,956 ordinary shares of 10 pence each, of which 15,830,814 ordinary shares are held in treasury. As a result of this transfer, the interest of the Group's largest shareholder, Fevamotinico S.a.r.l. (see Note 1 Corporate information for further information), in the voting rights of Ferrexpo plc is now 49.5%.

Other than the events disclosed above, there are no material adjusting or non-adjusting events that have occurred subsequent to the year end.

Parent Company Statement of Financial Position

Ferrexpo plc (the "Company") is required to present its separate Parent Company statement of financial position and certain notes to the statement of financial position on a standalone basis as at 31 December 2022 and 2021, which have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Information on the principal accounting policies is outlined in Note 3 Significant accounting policies.

Ferrexpo plc is exempt from presenting a standalone Parent Company profit and loss account and statement of comprehensive income in accordance with Section 408 of the UK Companies Act 2006.

US\$000	Notes	As at 31.12.22	As at 31.12.21
Fixed assets			
Investment in subsidiary undertakings	4	147,496	147,496
Total fixed assets		147,496	147,496
Current assets			
Debtors: amounts falling due within one year	5	131,264	176,391
Debtors: amounts falling due after more than one year	5	148,437	156,971
Cash at bank and in hand		12	199
Total current assets		279,713	333,561
Creditors: amounts falling due within one year		3,034	3,503
Net current assets		276,679	330,058
Total assets less current liabilities		424,175	477,554
Net assets		424,175	477,554
Capital and reserves			
Called up share capital	6	121,628	121,628
Share premium account		185,112	185,112
Treasury share reserve	6	(77,260)	(77,260)
Employee benefit trust reserve	6	(1,189)	(1,679)
Retained earnings	6	195,884	249,753
Total capital and reserves		424,175	477,554

The profit after taxation for the Company, registration number 05432915, was US\$101,926 thousand for the financial year ended 31 December 2022 (2021: US\$293,484 thousand).

The financial statements were approved by the Board of Directors and authorised for issue on 14 March 2023 and signed on behalf of the Board.

Lucio Genovese

Non-executive Chair

Jim North

Chief Executive Officer & Executive Director

Parent Company Statement of Changes in Equity

US\$000	Issued capital	Share premium	Treasury share reserve	Employee benefit trust reserve	Retained earnings	Total capital and reserves
At 1 January 2021	121,628	185,112	(77,260)	(2,535)	576,879	803,824
Profit for the year	–	–	–	–	293,484	293,484
Total comprehensive income for the year	–	–	–	–	293,484	293,484
Equity dividends paid to shareholders	–	–	–	–	(620,610)	(620,610)
Share-based payments	–	–	–	856	–	856
At 31 December 2021	121,628	185,112	(77,260)	(1,679)	249,753	477,554
Profit for the year	–	–	–	–	101,926	101,926
Total comprehensive income for the year	–	–	–	–	101,926	101,926
Equity dividends paid to shareholders	–	–	–	–	(155,795)	(155,795)
Share-based payments	–	–	–	490	–	490
At 31 December 2022	121,628	185,112	(77,260)	(1,189)	195,884	424,175

Notes to the Parent Company Financial Statements

Note 1: Corporate information

The Company is incorporated and registered in England, which is considered to be the country of domicile, with its registered office at 55 St James's Street, London SW1A 1LA, UK. The Company's Ordinary Shares are traded on the London Stock Exchange.

The majority shareholder of the Company is Fevamotinico S.a.r.l. ("Fevamotinico"), a company incorporated in Luxembourg and ultimately owned by The Minco Trust, of which Kostyantyn Zhevago and two other members of his family are the beneficiaries. At the time this report was published, Fevamotinico held 49.5% (2020: 50.3%) of the Company's issued voting share capital (excluding treasury shares).

Note 2: Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The financial statements are presented in US dollars (US\$), the Company's functional currency, and all values are rounded to the nearest thousand, except where otherwise indicated. The functional currency is determined as the currency of the primary economic environment in which the Company operates. The majority of the Company's operating activities are conducted in US dollars.

The Company has taken advantage of the following disclosure exemptions under FRS 101 as the Company is included in publicly available consolidated financial statements, which include disclosures that comply with the standards listed below:

- the requirements of paragraphs 45(b) and 46–52 of IFRS 2 *Share-based payments*;
- the requirements of IFRS 7 *Financial instruments: Disclosures*;
- the requirements of paragraphs 91–99 of IFRS 13 *Fair value measurements*;
- the following paragraphs of IAS 1 *Presentation of financial statements*:
 - 10 (d) (statement of cash flows);
 - 16 (statement of compliance with all IFRSs);
 - 38A (requirement for minimum of two primary statements, including cash flow statements);
 - 38B-D (additional comparative information);
 - 111 (cash flow statement information); and
 - 134–136 (capital management disclosures).
- the requirements of IAS 7 *Statement of cash flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors*; and
- the requirements of paragraph 17 of IAS 24 *Related party disclosures* and the requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary, which is a party to the transaction, is wholly owned by such a member of the same standard.

The Company does not have any employees other than the Directors. The requirement to give employee numbers and costs information under Section 411 of the Companies Act 2006 is addressed in the Directors' Remuneration Report of the Group on pages 122 and 123.

Going concern

As at the date of the approval of these financial statements, the war in Ukraine that commenced with the Russian invasion into Ukraine on 24 February 2022 is still ongoing. Even though the Group managed to operate throughout the financial year 2022, albeit at a much lower capacity, the situation in the country continues to pose a threat to the Group's mining, processing and logistics operations and represents a material uncertainty in terms of the Group's ability to continue as a going concern. Considering the current situation of the war in Ukraine, all identified available mitigating actions addressing the uncertainties caused by the war and the results of the management's going concern assessment, the Company continues to prepare its financial statements on a going concern basis. However, many of the identified uncertainties are outside of the Group management's control and are of unpredictable duration and severity, which may cast significant doubt upon the Company's ability to continue as a going concern. If the Company is unable to continue to realise assets and discharge liabilities in the normal course of business, it would be necessary to adjust the amounts in the statement of financial position in the future to reflect these circumstances, which may materially change the measurement and classification of certain figures contained in these financial statements. For further details see Note 2 Basis of preparation of the Group's consolidated financial statements.

Notes to the Parent Company Financial Statements continued

Note 3: Significant accounting policies

Foreign currencies

The accounting policy is consistent with the Group's policy set out in Note 2 Basis of preparation to the Group's consolidated financial statements.

Investments in subsidiary undertakings

Equity investments in subsidiaries are carried at cost less any provision for impairments. Investments are reviewed for impairment at each reporting date. If indication exists that investments may be impaired, the investments' recoverable amounts are estimated. If the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. Impairment losses are recognised in the income statement.

Amounts owed by subsidiary undertakings

Amounts owed by subsidiary undertaking are interest-bearing loans provided to entities of the Group. These loans are recognised at cost, being the fair value of the consideration transferred. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest method. In addition to the individual assessment at each reporting date whether a financial asset or group of financial assets is impaired, the Company also assesses the expected credit losses on financial assets carried at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses. On consideration of the fact that the Group has a fully integrated organisational structure with no history of default of its subsidiaries, the calculation of the allowance for amounts owed by subsidiary undertakings is based on the default risk and recovery ratings of the Group adjusted for current observable circumstances and forecast information. This assessment is performed individually for all financial assets that are individually significant and collectively for those that are not individually significant and have similar credit risk characteristics. The carrying amount of the financial assets is reduced by an allowance account with the change of the allowance being recognised as a component of the profit after taxation. Individual balances are written off when management deems that there is no possibility of recovery.

Financial guarantees

Financial guarantee liabilities issued by the Company, including guarantees issued in favour of subsidiary undertakings, are those contracts that require a payment to be made to reimburse the holder for a loss, which is incurred because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantees provided are initially recognised at fair value and subsequently measured at the higher of the loss allowances determined under IFRS 9 *Financial instruments* and the amount initially recognised less, when appropriate, cumulative fees recognised as revenue under IFRS 15 *Contracts with customers*.

Treasury share reserve

Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from equity shown in the treasury share reserve. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in reserves.

Share-based payments

The accounting policy is consistent with the Group's policy set out in Note 28 Share-based payments to the Group's consolidated financial statements.

Employee benefit trust reserve

Ferrexpo plc shares held by the Company are classified in capital and reserves as employee benefit trust reserves and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost taken to revenue reserves. No gain or loss is recognised on the purchase, sale issue or cancellation of equity shares.

Dividend income

Dividend income is recognised to the extent that the Company has the right to receive payment, typically upon declaration by the subsidiary.

Taxation

The accounting policy is consistent with the Group's policy set out in Note 11 Taxation to the Group's consolidated financial statements.

Changes in accounting policies

The accounting policies adopted and applied in the preparation of the financial statements are consistent with those of the previous year, except for the adoption of new and amended IFRSs and IFRIC interpretations effective as of 1 January 2022. The new and amended IFRSs and IFRIC interpretations adopted are consistent with the Group's new accounting policies set out in Note 3 New accounting policies to the Group's consolidated financial statements and have not had a significant impact on these financial statements.

Use of critical estimates and judgements

Critical judgements made by management in preparing the separate Parent Company financial statements predominantly relate to the basis of preparation of these financial statements in respect of the going concern assumption (see previous page).

The Company has not identified any area involving the use of critical estimates.

Note 4: Investment in subsidiary undertakings

Investment in subsidiary undertakings at 31 December 2022 relates to the Company's investment in Ferrexpo AG, which is domiciled in Switzerland and wholly owned by the Company. The subsidiary's registered office is at Bahnhofstrasse 13, 6340 Baar, Switzerland.

US\$000	At 31.12.22	At 31.12.21
Investment in subsidiary undertakings	147,496	147,496
Total investment in subsidiary undertakings	147,496	147,496

See Note 32 Consolidated subsidiaries to the Group's consolidated financial statements for further information on subsidiaries indirectly held by the Company.

Note 5: Debtors

Debtors as at 31 December 2022 related to the following:

US\$000	At 31.12.22	At 31.12.21
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	127,037	175,034
Prepaid expenses	600	600
Income tax receivable	139	613
Accrued interest owed by subsidiary undertakings	3,488	144
Total amounts falling due within one year	131,264	176,391
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	148,437	155,119
Deferred tax assets	–	1,852
Total amounts falling due after more than one year	148,437	156,971
Total debtors	279,701	333,362

Amounts owed by subsidiary undertakings falling due after more than one year are loans contractually payable on demand but having assessed the expected repayment profile, this balance is presented as falling due after more than one year. Furthermore, taking into account the expected repayment profile, receivables owed by subsidiary undertakings relating to financial guarantee fees in the amount of US\$21,928 thousand are presented as falling due after more than one year as at 31 December 2022 (2021: US\$21,928 thousand).

The table above includes the impact from the application of the expected credit loss impairment model under IFRS 9 *Financial instruments*. The balance of impairment losses on debtors included in the profit after taxation is US\$1,027 thousand as of 31 December 2022 (2021: gains of US\$2,788 thousand).

Note 6: Share capital and reserves**Share capital**

Share capital represents the nominal value on issue of the Company's equity share capital, comprising £0.10 Ordinary Shares. The fully paid share capital of the Company at 31 December 2022 was 613,967,956 Ordinary Shares (2021: 613,967,956 Ordinary Shares) at a par value of £0.10 paid for in cash, resulting in share capital of US\$121,628 thousand (2021: US\$121,628 thousand) per the statement of financial position.

Treasury share reserve

In September 2008, the Company completed a buy-back of 25,343,814 shares for a total cost of US\$77,260 thousand. These shares are currently held as treasury shares by the Group. The Companies Act 2006 forbids the exercise of any rights (including voting rights) and the payment of dividends in respect of treasury shares.

Employee benefit trust reserve

This reserve represents the treasury shares used to satisfy future grants for senior management incentive schemes. As at 31 December 2022, the employee benefit trust reserve included 577,370 shares (2021: 924,899 shares).

Distributable reserves

The Company is the Group's holding company, with no direct operating business, so its ability to make distributions to its shareholders is dependent on its ability to access profits held in the subsidiaries. The Company's retained earnings shown in the statement of changes in equity as of 31 December 2022 do not reflect the profits that are available for distribution by the Company as of this date. Taking into account relevant thin capitalisation rules and provisions of the Companies Act 2006, the total available distributable reserves of Ferrexpo plc was US\$118,624 thousand as of 31 December 2022 (2021: US\$170,800 thousand). Details on dividends are disclosed in Note 12 Earnings per share and dividends paid and proposed of the Group's consolidated financial statements.

Companies Act requirements in respect of dividend payments

During the financial year 2021, the Directors became aware of a technical issue in respect of the interim dividend declared on 4 August 2021 and, following investigations of the issue, of technical issues in respect of dividend payments made by the Company in 2010 and 2011. The technical issues were ratified by a shareholders' resolution passed at the general meeting of the shareholders of Ferrexpo plc on 15 June 2022. Further details are included in the Directors' Report in the 2021 Annual Report and Accounts on page 128.

Notes to the Parent Company Financial Statements continued

Note 7: Events after the reporting period

On 9 March 2023, the Group received confirmation that the Kyiv Commercial Court had ordered the arrest (freeze) of 50.3% of Ferrexpo AG's ("FAG") shareholding in each of Ferrexpo Poltava Mining ("FPM"), Ferrexpo Yeristovo Mining ("FYM") and Ferrexpo Belanovo Mining ("FBM"). The court order also prohibits each of FPM, FYM and FBM making changes to the amount of its authorised capital and does not affect ownership of the shares in these three subsidiaries of the Group in Ukraine, but prohibits the disposal by FAG of 50.3% of its shareholding in each named subsidiary.

This court order was issued by the Kyiv Commercial Court during a hearing in the commercial litigation between the Deposit Guarantee Fund and Mr. Zhevago, the Group's controlling shareholder, in relation to the liquidation of Bank F&C in 2015.

The Group has no intention, and never has had any intention, of transferring the shares in FPM, FYM, FBM or FAG. In addition, no impact on the operations of the Group is expected as a result of this court order. The next court hearing is scheduled for 20 March 2023.

As announced on 10 March 2023 on the Regulatory News Service of the London Stock Exchange, the Group transferred 9,513,000 shares from the treasury share reserves to the Group's employee benefit trust reserve. Following the transfer of the shares, the issued share capital of Ferrexpo plc consists of 613,967,956 ordinary shares of 10 pence each, of which 15,830,814 ordinary shares are held in treasury. As a result of this transfer, the interest of the Group's largest shareholder, Fevamotinic S.a.r.l, in the voting rights of Ferrexpo plc is now 49.5%.

For further details on these two events, see Note 35 Events after the reporting period to the Group's consolidated financial statements.

Other than the events disclosed above, there are no material adjusting or non-adjusting events have occurred subsequent to the year end.

Additional Disclosures

See Note 32 Consolidated subsidiaries for further information on the Group.

Unless otherwise stated, the equity interest disclosed includes ordinary or common shares, which are owned by subsidiaries of the Group.

			Equity interest owned	
Name	Address of consolidated subsidiary's registered office	Principal activity	31.12.22 %	31.12.21 %
Consolidated subsidiaries				
Ferrexpo AG	Bahnhofstrasse 13, 6340 Baar, Switzerland	Holding company and sale of iron ore pellets and concentrate	100.0	100.0
PJSC Ferrexpo Poltava Mining	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining and processing	100.0	100.0
LLC Ferrexpo Yeristovo Mining	Budivelnykiv Street 15, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	100.0	100.0
LLC Ferrexpo Belanovo Mining	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	100.0	100.0
Ferrexpo Middle East FZE	Office A2207, Jafza One, Jebel Ali Free Zone, Dubai, U.A.E., P.O. Box 18341	Sale of iron ore pellets and concentrate	100.0	100.0
Ferrexpo Finance plc	55 St James's Street, London SW1A 1LA, United Kingdom	Finance	100.0	100.0
Ferrexpo Services Limited	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Management services and procurement	100.0	100.0
Universal Services Group Ltd.	Naberezna Street 2, 39800 Horishni Plavni, Poltava Region, Ukraine	Asset holding company	100.0	100.0
DP Ferrotrans	Portova Street 65, 39802 Horishni Plavni, Poltava Region, Ukraine	Trade, transportation services	100.0	100.0
LLC FerroLocoTrans	Portova Street 65, 39802 Horishni Plavni, Poltava Region, Ukraine	Trade, transportation services	100.0	100.0
United Energy Company LLC	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Holding company	100.0	100.0
Nova Logistics Limited	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Service company	51.0	51.0
Ferrexpo Singapore PTE Ltd.	1 Fullerton Road, One Fullerton #02-01, Singapore 049213, Singapore	Marketing services	100.0	100.0
Ferrexpo Shipping International Ltd.	Ajeltake Road, MH-96960 Ajeltake Island – Majuro, Marshall Islands	Holding company	100.0	100.0
Iron Destiny Ltd.	Ajeltake Road, MH-96960 Ajeltake Island – Majuro, Marshall Islands	Shipping company	100.0	100.0
First-DDSG Logistics Holding GmbH	Handelskai 348, 1020 Wien, Austria	Holding company	100.0	100.0
Erste Donau-Dampfschiffahrt Gesellschaft GmbH in Liqu.	Handelskai 348, 1020 Wien, Austria	Barging company	100.0	100.0
DDSG Tankschiffahrt GmbH in Liqu.	Handelskai 348, 1020 Wien, Austria	Barging company	100.0	100.0
DDSG Services GmbH	Handelskai 348, 1020 Wien, Austria	Service company	100.0	100.0
DDSG Mahart Kft.	Sukorói út 1., 8097 Nadap, Hungary	Barging company	100.0	100.0
Pancar Kft.	Sukorói út 1., 8097 Nadap, Hungary	Barging company	100.0	100.0
Ferrexpo Port Services GmbH	Handelskai 348, 1020 Wien, Austria	Bunker business	100.0	100.0
Transcanal SRL	Ecluzei Street 1, Agigea, Constanta, Romania	Port services	77.6	77.6
Helogistics Asset Leasing Kft.	Sukorói út 1., 8097 Nadap, Hungary	Asset holding company	100.0	100.0
LLC DDSG Ukraine Holding	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Holding company	100.0	100.0
LLC DDSG Invest	Building 4/6, Ioanna Pavla II Street, 01042 Kyiv, Ukraine	Asset holding company	100.0	100.0
LLC DDSG Ukraine Shipping Management	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Barging company	100.0	100.0
LLC DDSG Ukraine Shipping	Radhospna Street 18, 39763 Kamiani Potoky, Kremenchuk District, Poltava Region, Ukraine	Asset holding company	100.0	100.0
Ferrexpo Poltava Mining Charity Fund¹	Heroiv Dnipra Street 23-a, 39802 Horishni Plavni, Poltava Region, Ukraine	Charity fund	100.0	100.0
Associate				
TIS Ruda LLC	Oleksiya Stavnitzera Street 50, 67543 Vizirka Village, Odesa Region, Ukraine	Port development	49.9	49.9
Fair value through OCI²				
PJSC Stakhanov Railcar Company		Rail car producer	1.1	1.1
Vostok Ruda LLC		Iron ore mining	1.1	1.1
LLC Atol		Gas	9.9	9.9
CJSC AMA		Gas	9.0	9.0
CJSC Amtek		Gas	9.0	9.0

1. Charity fund controlled by the Group through its HSEC Committee.

2. All investments relate to companies incorporated in Ukraine and are fully impaired.

Alternative Performance Measures

When assessing and discussing the Group's reported financial performance, financial position and cash flows, management may make reference to Alternative Performance Measures ("APMs") that are not defined or specified under International Financial Reporting Standards ("IFRSs").

APMs are not uniformly defined by all companies, including those in the Group's industry. Accordingly, the APMs used by the Group may not be comparable with similarly titled measures and disclosures made by other companies. APMs should be considered in addition to, and not as a substitute for or as superior to, measures of financial performance, financial position or cash flows reported in accordance with IFRSs.

Ferrexpo makes reference to the following APMs in the 2022 Annual Report.

C1 cash cost of production

Definition: Non-financial measure, which represents the cash cost of production of iron pellets from own ore divided by production volume of own production ore. Non-C1 cost components include non-cash costs such as depreciation, inventory movements and costs of purchased ore and concentrate. The Group presents the C1 cash cost of production because it believes it is a useful operational measure of its cost competitiveness compared to its peer group.

US\$000	Notes	Year ended 31.12.22	Year ended 31.12.21
C1 cash costs		503,975	626,561
Non-C1 cost components		36,035	71,339
Inventories recognised as an expense upon sale of goods	7	540,010	697,900
Own ore produced (tonnes)		6,053,397	11,220,260
C1 cash cost per tonne (US\$)		83.3	55.8

Underlying EBITDA

Definition: The Group calculates the underlying EBITDA as profit before tax and finance plus depreciation and amortisation, net gains and losses from disposal of investments and property, plant and equipment, share-based payments and write-offs and impairment losses. The underlying EBITDA is presented because it is a useful measure for evaluating the Group's ability to generate cash and its operating performance. See Note 5 Segment information to the consolidated financial statements for further details.

Closest equivalent IFRSs measure: Profit before tax and finance.

Rationale for adjustment: The Group presents the underlying EBITDA as it is a useful measure for evaluating its ability to generate cash and its operating performance. Also it aids comparability across peer groups as it is a measurement that is often used.

Reconciliation to closest IFRSs equivalent:

US\$000	Notes	Year ended 31.12.22	Year ended 31.12.21
Underlying EBITDA		765,113	1,438,759
Losses on disposal and liquidation of property, plant and equipment	7	(1,665)	(4,695)
Share-based payments	28	(490)	(856)
Write-offs and impairments	7	(260,308)	(235,618)
Depreciation and amortisation		(96,977)	(115,112)
Profit before tax and finance		405,673	1,082,478

Diluted earnings per share

Definition: Earnings per share calculated using the diluted number of Ordinary Shares outstanding.

Closest equivalent IFRSs measure: Diluted earnings per share.

Rationale for adjustment: Excludes the impact of special items that can mask underlying changes in performance.

Reconciliation to closest IFRSs equivalent:

	Year ended 31.12.22	Year ended 31.12.21
Earnings for the year attributable to equity shareholders – per share in US cents		
Basic	37.41	148.2
Diluted	37.35	147.9

Net cash/(debt)

Definition: Cash and cash equivalents net of interest-bearing loans and borrowings.

Closest equivalent IFRSs measure: Cash and cash equivalents.

Rationale for adjustment: Net cash/(debt) is a measurement of the strength of the Group's balance sheet. It is presented as it is a useful measure to evaluate the Group's financial liquidity.

Reconciliation to closest IFRS equivalent:

US\$000	Notes	As at 31.12.22	As at 31.12.21
Cash and cash equivalents	25	112,945	167,291
Interest-bearing loans and borrowings – current	26	(5,194)	(48,206)
Interest-bearing loans and borrowings – non-current	26	(1,354)	(2,143)
Net cash		106,397	116,942

Capital investment

Definition: Capital expenditure for the purchase of property, plant and equipment and intangible assets.

Closest equivalent IFRSs measure: Purchase of property, plant and equipment and intangible assets (net cash flows used in investing activities).

Rationale for adjustment: The Group presents the capital investment as it is a useful measure for evaluating the degree of capital invested in its business operations.

Reconciliation to closest IFRSs equivalent:

US\$000	Notes	As at 31.12.22	As at 31.12.21
Purchase of property, plant and equipment and intangible assets (net cash flows used in investing activities)	13/15	161,010	360,869

Total liquidity

Definition: Sum of cash and cash equivalents, available committed facilities and undrawn uncommitted facilities. No committed facilities outstanding as at 31 December 2022 and the end of the comparative year ended 31 December 2021. Uncommitted facilities include trade finance facilities secured against receivable balances related to these specific trades. See Note 26 Interest-bearing loans and borrowings and Note 27 Financial instruments for further information.

Closest equivalent IFRSs measure: Cash and cash equivalents.

Rationale for adjustment: The Group presents total liquidity as it is a useful measure for evaluating its ability to meet short-term business requirements.

Reconciliation to closest IFRSs equivalent:

US\$000	Notes	As at 31.12.22	As at 31.12.21
Cash and cash equivalents	25	112,945	167,291
Undrawn uncommitted facilities		–	97,854
Total liquidity		112,945	265,145

Glossary

Act

The Companies Act 2006

AGM

The Annual General Meeting of the Company

Articles

The Articles of Association of the Company

Audit Committee

The Audit Committee of the Company's Board

Bank F&C

Bank Finance & Credit

Belanovo or Bilanivske

An iron ore deposit located immediately to the north of Yeristovo

Benchmark price

International seaborne traded iron ore pricing mechanism understood to be offered to the market by major iron ore producers under long-term contracts

Beneficiation process

A number of processes whereby the mineral is extracted from the crude ore

BIP

Business Improvement Programme, a programme of projects to increase production output and efficiency at FPM

Blast furnace pellets

Used in Basic Oxygen Furnace ("BOF") steelmaking and constitute about 70% of the traded pellet market

Board

The Board of Directors of the Company

BT

Billion tonnes

C1 costs

Represents the cash costs of production of iron pellets from own ore, divided by production volume from own ore, and excludes non-cash costs such as depreciation, pension costs and inventory movements, costs of purchased ore, concentrate and production cost of gravel

Capesize

Capesize vessels are typically above 150,000 tonnes deadweight. Ships in this class include oil tankers, supertankers and bulk carriers transporting coal, ore and other commodity raw materials. Standard capesize vessels are able to transit through the Suez Canal

Capex

Capital expenditure for the purchase of property, plant and equipment and intangible assets

Capital employed

The aggregate of equity attributable to shareholders, non-controlling interests and borrowings

CFR

Delivery including cost and freight

CHF

Swiss franc, the currency of Switzerland

China & South East Asia

This segmentation for the Group's sales includes China and Vietnam

CID

Committee of Independent Directors

CIF

Delivery including cost, insurance and freight

CIS

The Commonwealth of Independent States

CODM

The Executive Committee is considered to be the Group's Chief Operating Decision-Maker

Company

Ferrexpo plc, a public company incorporated in England and Wales with limited liability

Controlling shareholder

Fevamotinic S.a.r.l. holds 49.5% of the voting rights in Ferrexpo plc as at the date of this report. The Minco Trust is a discretionary trust that has three beneficiaries, consisting of Mr Zhevago and two other members of his family. Each of the beneficiaries of The Minco Trust is considered a controlling shareholder of Ferrexpo plc

Corporate Governance Code

2018 UK Corporate Governance Code

CPI

Consumer Price Index

CRU

The CRU Group provides market analysis and consulting advice in the global mining industry (see www.crugroup.com)

CSR

Corporate Social Responsibility

DAP

Delivery at place

DFS

Detailed feasibility study

Directors

The Directors of the Company

Direct reduction

Used in Direct Reduction Iron ("DRI") production

"DR" pellets

In regions where natural gas is cheap and plentiful, such as the Middle East, DR pellets are mixed with natural gas to produce DRI, an alternative source of metallic to scrap in Electric Arc Furnace ("EAF") steelmaking. DR pellets are a niche, higher quality product with Fe content greater than 67% and a combined level of silica and alumina of <2%

EBT

Employee benefit trust

EPS

Earnings per share

ERPMC

Executive Related Party Matters Committee

Europe (including Turkey)

This segmentation for the Group's sales includes Austria, Czech Republic, Germany, Hungary, Romania, Serbia, Slovakia and Turkey

Executive Committee

The Executive Committee of management appointed by the Board

Executive Directors

The Executive Directors of the Company

FBM

LLC Ferrexpo Belanovo Mining, a company incorporated under the laws of Ukraine

Fe

Iron

Ferrexpo

The Company and its subsidiaries

Ferrexpo AG Group

Ferrexpo AG and its subsidiaries, including FPM

Fevamotinic

Fevamotinic S.a.r.l., a company incorporated with limited liability in Luxembourg

First-DDSG

First-DDSG Logistics Holding GmbH (formerly Helogistics Holding GmbH) and its subsidiaries, an inland waterway transport group operating on the Danube/Rhine river corridor

FOB

Delivered free on board, which means that the seller's obligation to deliver has been fulfilled when the goods have passed over the ship's rail at the named port of shipment, and all future obligations in terms of costs and risks of loss or damage transfer to the buyer from that point onwards

FPM

Ferrexpo Poltava Mining, also known as PJSC Ferrexpo Poltava Mining, a company incorporated under the laws of Ukraine

FRMCC

Finance, Risk Management and Compliance Committee, a sub-committee of the Executive Committee

FTSE 250

Financial Times Stock Exchange top 250 companies

FYM

LLC Ferrexpo Yeristovo Mining, a company incorporated under the laws of Ukraine

GPL

Gorishne-Plavninske-Lavrykivske, the iron ore deposit being mined by FPM

Group

The Company and its subsidiaries

HSE

Health, safety and environment

HSEC Committee

The Health, Safety, Environment and Community Committee

IAS

International Accounting Standards

IASB

International Accounting Standards Board

IFRIC interpretations

IFRS interpretations as issued by the IFRS Interpretations Committee

IPO

Initial public offering

Iron ore concentrate

Product of the beneficiation process with enriched iron content

Iron ore pellets

Balled and fired agglomerate of iron ore concentrate, whose physical properties are well suited for transportation to and reduction within a blast furnace

Iron ore sinter fines

Fine iron ore screened to -6.3mm

IRR

Internal Rate of Return

JORC

Australasian Joint Ore Reserves Committee – the internationally accepted code for ore classification

K22

GPL ore has been classified as either K22 or K23 quality, of which K22 ore is of higher quality (richer)

KPI

Key Performance Indicator

KT

Thousand tonnes

LIBOR

The London Inter Bank Offered Rate

LLC

Limited Liability Company (in Ukraine)

LSE

London Stock Exchange

LTI

Lost time injury

LTIFR

Lost time injury frequency rate

LTIP

Long-term incentive plan

m³

Cubic metre

Middle East & North Africa

This segmentation for the Group's sales includes Algeria and the United Arab Emirates

mm

Millimetre

MT

Million tonnes

mtpa

Million tonnes per annum

NBU

National Bank of Ukraine

Nominations Committee

The Nominations Committee of the Board

Non-executive Directors

Non-executive Directors of the Company

NOPAT

Net operating profit after tax

North America

This segmentation for the Group's sales includes the United States

North East Asia

This segmentation for the Group's sales includes Japan and Korea

OHSAS 18001

International safety standard "Occupational Health & Safety Management System Specification"

Ordinary Shares

Ordinary Shares of 10 pence each in the Company

Ore

A mineral or mineral aggregate containing precious or useful minerals in such quantities, grade and chemical combination as to make extraction economic

Panamax

Modern panamax ships typically carry a weight of between 65,000 and 90,000 tonnes of cargo and can transit both the Panama and Suez canals

PPE

Personal protective equipment

PPI

Ukrainian producer price index

Probable reserves

Those measured and/or indicated mineral resources which are not yet "proved", but of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions

Proved reserves

Measured mineral resources of which detailed technical and economic studies have demonstrated that extraction can be justified at the time of determination and under specific economic conditions

PXF

Pre-export finance

Rail car

Railway wagon used for the transport of iron ore concentrate or pellets

Relationship Agreement

The relationship agreement entered into among Fevamotnico S.a.r.l., Kostyantyn Zhevago, The Minco Trust and the Company

Remuneration Committee

The Remuneration Committee of the Board

Reserves

Those parts of mineral resources for which sufficient information is available to enable detailed or conceptual mine planning and for which such planning has been undertaken. Reserves are classified as either proved or probable

Resources

Concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction

Glossary continued

Sinter

A porous aggregate charged directly to the blast furnace which is normally produced by firing fine iron ore and/or iron ore concentrate, other binding materials and coke breeze as the heat source

Spot price

The current price of a product for immediate delivery

Sterling/£

Pounds sterling, the currency of the United Kingdom

STIP

Short-Term Incentive Plan

Tailings

The waste material produced from ore after economically recoverable metals or minerals have been extracted. Changes in metal prices and improvements in technology can sometimes make the tailings economic to process at a later date

Tolling

The process by which a customer supplies concentrate to a smelter and the smelter invoices the customer with the smelting charge, and possibly a refining charge, and then returns the metal to the customer

Ton

US short ton, equal to 0.9072 metric tonnes

Tonne or t

Metric tonne

Treasury shares

A company's own issued shares that it has purchased but not cancelled

TSF

Tailings storage facility

TSR

Total Shareholder Return. The total return earned on a share over a period of time, measured as the dividend per share plus capital gain, divided by initial share price

UAH

Ukrainian hryvnia, the currency of Ukraine

UK adopted IFRS

International Financial Reporting Standards adopted for use in the United Kingdom

Ukr SEPRO

The quality certification system in Ukraine, regulated by law to ensure conformity with safety and environmental standards

Underlying EBITDA

The Group calculates the underlying EBITDA as profit before tax and finance plus depreciation and amortisation, net gains and losses from disposal of investments and property, plant and equipment, share-based payments and write-offs and impairment losses

Underlying EBITDA margin

Underlying EBITDA (see definition above) as a percentage of revenue

US\$/t

US dollars per tonne

Value-in-use

The implied value of a material to an end user relative to other options, e.g. evaluating, in financial terms, the productivity in the steelmaking process of a particular quality of iron ore pellets versus the productivity of alternative qualities of iron ore pellets

VAT

Value added tax

WACC

Weighted average cost of capital

WAFV

Weighted average fair value

WMS

Wet magnetic separation

Yeristovo or Yerystivske

The deposit being developed by FYM

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