Ferrexpo plc
Annual Report &
Accounts 2021

FERREXPO

STRATEGIC REPORT

CORPORATE GOVERNANCE

FINANCIAL STATEMENTS

Footnote: words with the symbol ^A^ are defined in the Alternative Performance Measures section of the Annual Report on pages 207 to 209. In this report, the terms "Ferrexpo", the "Company", the "Group", our "business", "organisation", "we", "us", "our" and "ourselves" refer to Ferrexpo plc and, except where the context otherwise requires, its subsidiaries as defined in on page 206.

STANDING WITH UKRAINE
Looking to the future

The Russian invasion of Ukraine, which began in the early hours of 24 February 2022, has changed everything for Ukraine. Having endured eight years of armed conflict along Ukraine's eastern border, and the annexation of Crimea in 2014, in 2022 Russia brought its war to Ukrainian homes, schools, nurseries, hospitals and places of work, with millions forced to flee their homes. Russian military troops have killed thousands of civilians, and have destroyed cities, towns and villages across the country, with communities scattered.

Despite all this, however, Ukraine remains united.

Ferrexpo is a major employer in central Ukraine and has a workforce of more than 10,000 people. To date, the Group has managed to continue to operate through the remarkable resilience of our people. Through the hard work, determination and collective spirit of the Group's employees and contractors, Ferrexpo has been able to continue to contribute to the Ukrainian economy throughout the conflict to date. In addition, a dedicated Humanitarian Fund was established in the early stages of the invasion, with US$12.5 million of approved funding to date[1]. Details of this fund's activities are provided on the Group's website at the following location:

www.ferrexpo.com/responsibility/humanitarian-projects/

Ferrexpo is grateful for the sacrifices that have been made during Russia's invasion of Ukraine, and the Group is proud of the resilience and collective spirit shown by countless communities. Ferrexpo is a key part of Ukraine's economy, and through further investment, the Group looks forward to a new future for the people of Ukraine.

Slava Ukraini.

1. As of 21 April 2022.

Chair's Statement

REFLECTING ON RECENT EVENTS

Events of 2022 will have a significant impact on the Ukrainian people, their communities and their future generations.

At Ferrexpo, we had expected the year 2022 to be the year where we celebrated 15 years since the Group listed in 2007. Instead, we are focused on the safety and wellbeing of our Ukrainian workforce and communities across Ukraine, following Russia's invasion, and look to a future of helping to rebuild a country. Our assets have more than 50 years of operating history in Ukraine, through our workforce, local communities and suppliers located throughout Ukraine. We stand with Ukraine, and look forward to the future, whereby Ukraine remains united and can look towards a more positive future for the next generation. To help in the near term, we have established a Humanitarian Fund to help direct funding to humanitarian projects both in our local communities, as well as across Ukraine, with details of this fund available on our website.

Looking back at 2021 in my second annual review as Chair, this was a year of positioning our business for the future. Despite the lingering impact of the global Covid-19 pandemic, we retained our focus in 2021 on safety, growth and reducing carbon emissions. Through investing in high grade production, we can contribute more to the Ukrainian economy, growing our business to represent 4% of Ukraine's export revenues in 2021 (2020: 3%). Through financial resilience, we have been able to provide additional support to our local communities throughout both the global Covid-19 pandemic and more recently during Russia's invasion of Ukraine.

We continue to evolve our management and Board to fit our next phase of development. In management changes announced in February 2022, we appointed Jim North as permanent CEO having successfully transitioned the Group into a new phase of its corporate culture and overall growth ambitions. In August 2021, we also appointed Nikolay Kladiev as CFO of the Group having worked as our CFO at our largest operation in Ukraine for over 15 years.

As a Board, we continue to look to strengthen our corporate governance. In February 2022, we rotated the position of Senior Independent Director to Fiona MacAulay, and I would like to thank Vitalii Lisovenko for his efforts with stakeholder engagement, who continues to provide a strong presence in Ukraine as a Non-executive Director of the Group. During 2021, we also appointed two additional Independent Non-executive Directors, taking the total number of independent Directors to five. These appointments comprised of Ann-Christin Andersen, who specialises in digital technologies and business transformation, and the appointment of Natalie Polischuk, who is an economist based in Kyiv, and who provides further balance to our Board in terms of regional expertise. Furthermore, as part of our initiative to increase our engagement with the market, I travelled to London in October 2021 to host a corporate governance roadshow and engage directly with our shareholders.

We recognise the importance of climate change, and in October 2021, we announced our inaugural carbon targets, effectively moving to align ourselves to our peer group. To further develop this position, we announced our collaboration with environmental consultants Ricardo plc ("Ricardo") to model and review our decarbonisation pathway for Ferrexpo and the role of iron ore pellets in a low carbon economy – see page 37 for more information. Having set our inaugural medium-term target in line with peers, we have now achieved a 30% reduction in our Scope 1 and 2 emissions combined against our baseline year, demonstrating the progress being made at our operations, and ahead of our peers. See page 36 for details of progress made, and page 34 for the external assurance process we are undertaking on our 2021 reporting for carbon emissions, as well as safety.

We also took steps in 2021 to formalise our approach to shareholder returns. We have maintained a consistent approach to shareholder returns since listing in 2007, but we felt it important to outline our approach to help engagement with shareholders. We have structured this policy on the basis of free cash flow to ensure that our investments in growth can continue, targeting a payout of 30% of the Group's free cash flow as dividends going forward, and to date the Group has distributed 37% of free cash flow in respect of 2021.

Looking ahead, Ukraine has shown resilience to date in 2022 and we have every confidence that this will continue in the years to come. The country now faces a significant task ahead to first defend itself, and then to rebuild and repair. As a key part of Ukraine's economy, we will play our part in helping Ukrainians realise a brighter future, through continued investment and development, as we have done for the past 15 years since Ferrexpo listed on the London Stock Exchange. With over US$3.0 billion of investment since listing, we now have a strong platform on which to launch our next phase of growth and details of our progress since 2007 are provided on pages 4 to 5, with future growth plans outlined on pages 28 to 29.

As a final note, on behalf of the Board, I would like to thank all of Ferrexpo's stakeholders for their resilience and teamwork in exceptional circumstances to date in 2022, as well as thank the Group's workforce for its collective effort in producing the Group's result for 2021. I would also like to thank those that are involved in protecting Ukraine's borders, with every community in Ukraine, including our own, suffering at this difficult time.

Lucio Genovese
Chair, Board of Directors

GOVERNANCE

FIVE

Number of Independent Non-executive Directors increased to five out of eight Directors (31 December 2020: three of six).

CLIMATE CHANGE TARGETS

30% REDUCTION

Carbon targets set to reduce carbon emissions by 30% by 2030, with this level achieved in 2021, and a net zero goal for 2050.

▶ See Environment section on p35-39 for details of progress made.

DELIVERING VALUE TO UKRAINE

4% EXPORTS

Ferrexpo's role in Ukraine increased to represent 4% of exports in 2021 (2020: 3%).

***Image:** Lucio Genovese, Chair of Ferrexpo's Board since 2020.*

***Image:** Ferrexpo constructed a 5MW solar power pilot plant at its operations in Ukraine in 2021.*

CASE STUDY:

THE IMPORTANCE OF STEEL

Steel is crucial for modern life. Iron ore, the primary ingredient for steel, represents 94% of the total metals mined in the world today[9] and the average person uses more than ten times the amount of steel in a single year than any other single metal, as shown in the chart below.

METALS CONSUMED PER PERSON PER YEAR (GLOBAL)

Per capita usage (kg per person per year)

Steel[1]	**228**
Aluminium[2]	12
Copper[3]	3
Zinc[4]	2
Lead[5]	2
Titanium[6]	1
Nickel[7]	0.4
Lithium[8]	0.01

In terms of where steel is used in everyday life, it is widely used in the modern construction of homes, bridges and key infrastructure such as railways, electricity pylons and airports. Research shows that steel is critical for all forms of renewable power generation, representing up to 79% of the mass of a wind turbine[10], and steel demand is expected to grow by 31% by 2050 to meet the needs of the transition to a low carbon future[11]. Steel is used extensively in forms of transport such as trains, trams and shipping, in household domestic appliances, and in manufacturing equipment in factories. Steel is everywhere.

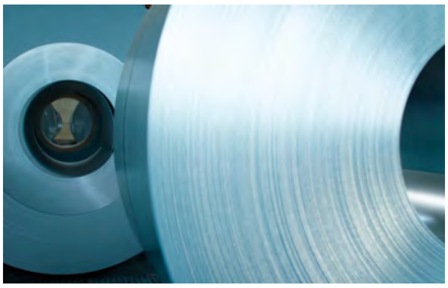
As part of the steel value chain, Ferrexpo understands the need for society to have high quality forms of steel for these uses. The Group is working with its customers to help deliver high grade forms of iron ore to facilitate the steel sector's transition to a low carbon, more sustainable future.

1. World Steel Association (link).
2. USGS (link), Worldometer (link).
3. USGS (link), Worldometer (link).
4. USGS (link), Worldometer (link).
5. USGS (link), Worldometer (link).
6. www.european coatings.com (link).
7. Henckens & Worrell (2020) (link).
8. USGS (link), Worldometer (link).
9. Visual Capitalist (link).
10. National Renewable Energy Laboratory (link).
11. International Renewable Energy Agency (link).

A Significant Heritage

MARKING 15 YEARS OF INVESTING IN HIGH GRADE

KEY MILESTONES



2007

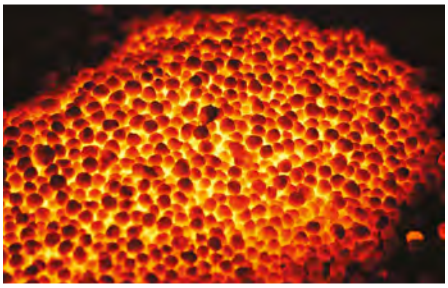
LISTING ON LONDON STOCK EXCHANGE

Ferrexpo lists in 2007 with 48% of revenues derived from steel mills in Eastern Europe, and a strategy to increase sales to premium global markets such as Japan, whereby sales to this market commenced in 2009.

2011

DEVELOPING A NEW MINE – YERISTOVO

In 2011, Ferrexpo's second mine enters production, with the Yeristovo mine producing its first ore. This high grade mine is the first new mine developed in Ukraine since the country's independence in 1991.



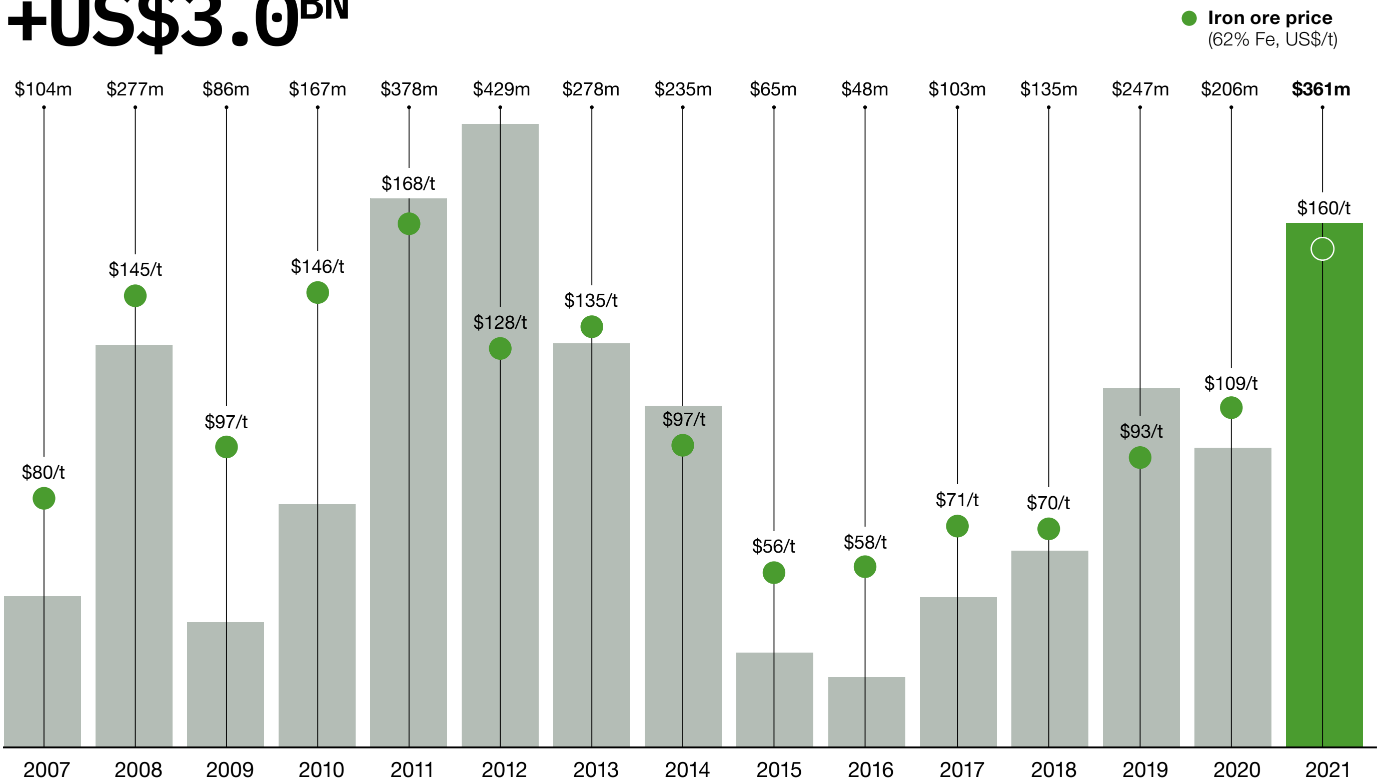
2015

DELIVERING HIGHER QUALITY

Following completion of the multi-year Quality Upgrade Programme (approved in 2010), output of high grade pellets increased to 89% of production (from own ore) in 2015 (up from 52% in 2014).

Capital investment[A] since IPO

+US$3.0BN



In 2007, Ferrexpo listed on the London Stock Exchange with the Poltava mine and processing complex – assets in operation since 1960. Through further investment, Ferrexpo aims to remain relevant for another 50 years of production.

2017

BELANOVO MINE COMMENCES

As the Group invests in its assets and looks to the future, Belanovo and its high grade ores represent the long-term future of Ferrexpo's growth plans.

2019

ADDING MINE LIFE THROUGH DRILLING

In 2019 the Group announced a 26% increase in JORC-compliant Ore Reserves, taking the Group's mine life to over 50 years at present mining rates.

2020

CONCENTRATOR EXPANSION PROJECTS

The Group successfully invested in two key development projects in 2020, expanding concentrate production and adding operational flexibility.

2021

PELLETISER EXPANSION PROJECT

Following the concentrator growth projects of 2020, the Group proceeded to upgrade capacity in its pelletiser in 2021.

ACHIEVEMENTS SINCE LISTING:

DEVELOPING A WORLD CLASS IRON ORE COMPANY

In 2022, the Group will mark 15 years since listing on the London Stock Exchange. Through investing over US$3.0 billion during this time, the Group has advanced itself to become not only the third largest exporter of iron ore pellets globally, but is also now beginning to supply global markets with higher grade (67% Fe) direct reduction pellets, which is the highest grade market for commercially available iron ore and represents one pathway to carbon-free Green Steel – the long-term future of steel production. Below are some examples of how Ferrexpo's investment has provided returns:

Increasing product volumes

+27%

8.8Mt of production from own ore in 2007, growing to 11.2Mt in 2021.

Increasing product grades

+2pp

Pivoting from a producer of medium grade (63% Fe) iron ore in 2007 to only high grade iron ore (65% Fe and above) in 2021.

Increasing product quality

100%

Moving to export 100% of production in 2021 (2007: 83% of revenues as exports), reflecting product quality.

Adding mine life

+46%

Despite 15 years of production, the Group has grown JORC-compliant Ore Reserves by 46% since listing in 2007.

Increased resilience

+22pp

Increasing Underlying EBITDA[A] margin per tonne produced, from 35% in 2007 to 57% in 2021.

Ferrexpo: Strategic Priorities

The Group continues to invest and develop its assets, with the following representing a selection of the Group's achievements in 2021.

SAFETY

Safety remains the first priority.

▶ p32-33

Injury frequency rate of 0.41, the third year of performance materially below Ferrexpo's iron ore producing peers.

0.41 LTIFR

MODERN

Roll-out of autonomous trucks continues.

▶ p26-27

Automation completed on automation test work on six of the Group's CAT 793D haul trucks at the Yeristovo mine.

6 trucks

What we do

1. **Extraction:** Ferrexpo's iron ore mines in Central Ukraine have over 50 years of mine life remaining at present mining rates.
2. **Processing:** Through significant investment the Group is able to produce some of the highest quality iron ore products commercially available.
3. **Export:** Ferrexpo's products are sold to a network of premium steel mills around the world.

SUSTAINABLE

Reducing emissions and setting carbon targets.

▶ p35-39

Sunflower husks are used as a biofuel, helping cut carbon emissions, representing 18% of pelletiser energy in 2021.

18% energy

GROWTH

Wave 1 Expansion approved by the Board in 2021.

▶ p28-29

The Group has launched an investment project to add 3 million tonnes of pellet capacity.

+25% growth

PREMIUM

Higher grade products, for lower carbon steelmaking.

▶ p12-15

Higher grade (67% Fe) direct reduction pellets represented 4% of output in 2021 (2020: 3%).

4% production

USING PREMIUM STEEL IN SOCIETY

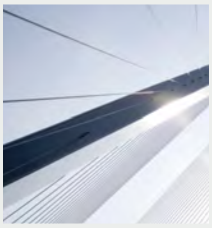
Ferrexpo's iron ore pellets are used by steelmakers to produce high quality steels that are essential for modern life, with the world using ten times more steel than other major metals combined – see Case Study on page 3 for more information. The images below depict a number of key sectors in which steel is commonly used:

Automotive sector: steel represents up to 60% of body structures of modern vehicles.

(Source: World Steel Association, link).

Precision engineering: on average, 75% of the weight of household appliances is steel.

(Source: American Iron & Steel Institute, link).



Construction: steel is critical for high rise buildings and infrastructure in modern cities.

Electrification: steel is critical to all forms of renewable power generation.

(Source: World Steel Association, link).

CEO's Review

LOOKING TO THE FUTURE

Russia's invasion in 2022 has placed communities throughout Ukraine under severe pressure, but we remain resilient and determined to look to the future.

As we reflect on the events to date in 2022, with Russia's invasion of Ukraine and unprecedented aggression towards communities throughout Ukraine, it is important to note the resilience of our workforce, as well as the people throughout the country. Russia has caused untold damage to parts of Ukraine, but the country's economy and infrastructure will be rebuilt. At Ferrexpo, we understand the importance of our role in the Ukrainian economy, and we are proud of our team's efforts to continue operating during this invasion, helping the Ukrainian economy to continue to operate. To date, we have continued to produce and are able to export our products to Europe via rail and barge. Our ability to export via the port of Pivdennyi remains closed however – please see the Group's press releases for up to date information on the Group's logistics capabilities and capacity. Our operations, which have a close link to the local communities surrounding our mines near Horishni Plavni, will play an important role in supporting the national and local economies as the reconstruction effort commences. Here, we present our results for 2021, but we are very much focused on the future ahead for Ukraine, and helping to rebuild.

Looking back at 2021, we can report on another year of growth for the Ferrexpo business. From an operating standpoint, we are growing our production volumes through our investments, and we are also growing our product quality through our new higher grade direct reduction pellets. Through our investments in high grade production, we are also growing our profitability, with Underlying EBITDA[A] margins increasing to 57% in 2021, during a peak in the iron ore market cycle. However, modern companies are much more than production numbers and cash flow generation, they are about developing safe and sustainable businesses with a purpose strongly linked to the communities in which we operate. Crucially, our work is about further developing a brand that all stakeholders can trust and believe in.

A safety-first culture

Safety remains a key pillar of our business model, with another positive result in safety achieved in 2021, and without safety embedded throughout our operations, there can be no success. In respect of Russia's invasion of Ukraine in 2022, we report further on the wellbeing of our workforce on page 40. In respect of 2021, we are pleased to report on a fatality-free year, alongside an injury rate that continues materially below our trailing five-year average for the business. The lost time injury frequency rate recorded in 2021 of 0.41 was the lowest full year result reported by the Group since listing in 2007, and I would like to thank every employee and contractor that has helped deliver this result; see pages 32 to 33 for more on our progress in safety. In respect of Covid-19, we continue to be vigilant against this risk to our business, and details of our efforts to insulate our workforce and production from this virus are provided on pages 11, 42 and 71, with minimal disruption caused to operations to date.

REVENUE

+48%

2021: US$2.5BN
2020: US$1.7BN

UNDERLYING EBITDA[A]

+68%

2021: US$1,439M
2020: US$859M

CAPITAL INVESTMENT[A]

+75%

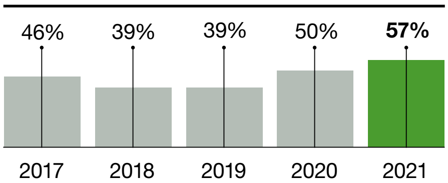
2021: US$361M
2020: US$206M

Image: *Sunset at Ferrexpo's Yeristovo mine, September 2021.*

Image: *Jim North, Chief Executive Officer and Executive Director.*

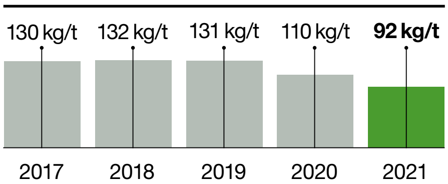
Underlying EBITDA[A] margin

57%



Carbon emissions per tonne (S1+S2)

-30%



▶ See our KPIs on p20-21

Consistent operating performance

In 2021, we delivered production performance in line with 2020 in terms of total output, but with increased output of our higher grade products. This was achieved despite a total of over 60 days of planned expansion work on the Group's pelletiser during 2021, and our operations are in a strong position going into the year ahead having completed this upgrade work.

As an iron ore producer, the grade of our products is a key factor in the Group's success, as evidenced by the increasing premiums being paid for high grade iron ores (see page 13 for more information). As shown in the investment timeline on pages 4 and 5, the Group has pursued several phases of quality upgrade programmes, which have culminated in the strong operational result seen in 2021, with 100% of Ferrexpo's output comprising of high grade iron ore products.

Growth programme

We are growing and modernising our business. However, given the conflict in Ukraine, we have elected to pause projects that are not expected to deliver near-term growth, with an intention to resume these projects once greater certainty on the outlook for Ukraine is available.

In our mines, growth projects are focused on embracing modern technology, such as automating our truck fleet, with six trucks now automated in the Yeristovo mine, and further phases of automation planned for the years ahead. We are modernising our production process and adapting our product mix for customers as they embark on the journey to green steel production. In 2021, we signed our first long-term contract for direct reduction pellets, with this achievement only possible through our investments into our processing facilities.

We have now finished our initial upgrade work on our pelletiser lines, and we are looking to pivot to our next phase of growth. The Wave 1 Expansion will deliver an additional three million tonnes of pellet capacity and we expect that this could be delivered in the space of three years. This is a significant undertaking and to put this into perspective, this is the same uplift in production volumes that we have achieved in the past 15 years since listing in 2007. For more information on our growth ambitions, please see page 28.

Following approval of the Group's growth plans in October 2021, the decision has been made to focus our operations on processing of high grade ores to maximise production volumes, and to meet customer demands. As a result, currently it cannot be reliably predicted as to when the Group's stockpiled low grade ore will be processed, which has resulted in an impairment amounting to US$231 million. Please see Note 17 Inventories to the Consolidated Financial Statements for more information.

Tangible progress in decarbonisation

We have made considerable steps in 2021 to develop our thinking in respect of decarbonisation. In October 2021, we aligned ourselves with our peer group with our inaugural carbon targets, which set our goal of being net zero by 2050.

Efforts to decarbonise our operations have begun well, with the Group delivering a second year of strong performance, and we have now registered a 30% decline in our combined Scope 1 and 2 emissions per tonne against our baseline year of 2019. This result matches our medium-term emissions reduction target and underscores where Ferrexpo is relative to its peers, who are predominantly seeking to reach this level of decarbonisation by 2030. We will now look to maintain this lower level of carbon emissions going forward as a

CEO's Review continued

CASE STUDY:

THE IMPORTANCE OF IRON ORE PELLETS

Emissions saving for steelmakers

40% **Blast furnace pellets (vs. sinter fines)**

Iron ore pellets are a direct charge material and therefore do not require sintering prior to use in the blast furnace. Since sintering is a step that typically requires the use of coal, steelmakers can avoid generating emissions through using more iron ore pellets. Allied with the high grade nature of Ferrexpo's pellets, steelmakers can reduce carbon emissions by 40%[1] for each tonne of sinter fines replaced (hot metal basis).

Scope 3 emissions saving for Ferrexpo

49% **Direct reduction pellets (vs. other pellets)**

Direct reduction pellets offer a pathway to low emissions steel production. Blast furnace steelmaking represented 73% of the world's steel production in 2021[1], but this process requires coal and therefore has inherent carbon emissions associated with it. Steelmaking via the electric arc furnace production route using direct reduction iron is not reliant on coal, however, and instead involves processes that typically utilise natural gas and electricity, resulting in a significantly lower carbon footprint. Compared to Ferrexpo's blast furnace pellets, direct reduction pellets represent a further emissions saving of 49% for producing crude steel[1], providing a material improvement to Ferrexpo's Scope 3 footprint through producing this particular type of pellet. This saving is expected to further increase over time as steelmakers introduce hydrogen and renewable electricity to this method of steelmaking to pursue the production of carbon-free green steel.

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

minimum, and we are working with environmental consultants Ricardo to review our strategy, and to develop a bespoke understanding of our decarbonisation journey ahead – please see the Case Study on page 37 for more on this project. Finally, to develop trust on sustainability topics, we are undertaking an external assurance process on our carbon emissions and safety data, as we understand the significance of getting this reporting right – see page 34 for more information on this project.

Fostering inclusivity

We are also seeking to differentiate ourselves through our efforts in diversity, and we are extremely proud of the external recognition received in the fourth quarter of 2021 for having highly-rated, family-friendly policies, whilst also winning awards for our "Fe_munity" women in leadership programme aimed at improving diversity by increasing the skill base of our female leaders. For more details on these initiatives, please see pages 40 to 41.

Technology and innovation

Through a commitment to modern technology and innovation, we are aiming to secure the long-term viability of our mines and products, to keep our business competitive on the world stage. A recent example of modernising production processes is the initiation of the new press filtration plant, which represents a modern form of technology that will reduce moisture in green pellet production, therefore improving pellet quality and increasing energy efficiency; see pages 26 to 29 for more information on these projects.

Supporting local communities

The Group has long held a close bond with its local communities in central Ukraine where the Group's operations are located. Through working closely with our local communities, we aim to understand their needs, to deploy funding to where it is best invested. In March 2021, the Ferrexpo Charity Fund celebrated the tenth anniversary since its establishment, during which time the Group has provided direct support to over 90 educational projects, 30 healthcare projects and direct aid to over 4,000 individuals. This has been particularly relevant during the global Covid-19 pandemic, where companies have needed to step up and provide support to protect their workforces and local communities, and details of this work are provided opposite.

Engagement with stakeholders

In 2021, we increased our focus on developing our relationships with our stakeholders. We have continued our regular activities such as our employee engagement survey and associated employee engagement forum with Board members, which is now in its fourth year. We have also moved to engage more broadly with institutional investors and the media through the appointment of Liberum Capital and Tavistock Communications in London, as well as BDO LLP as the Group's Sponsor, with all three appointed in the first quarter of 2021. Furthermore, we launched our new corporate website in January 2022, bolstering our online presence for informing stakeholders.

In February 2022, we were pleased to receive an upgrade in our ESG rating from ratings agency MSCI Inc. to A, capping a five year journey that has seen our rating increase by four notches during this time. In further external recognition, we were also pleased to receive recognition of our efforts to protect our workforce and engage proactively with our suppliers, through the successful completion of a Sedex Members Ethical Trade Audit ("SMETA"), with this external audit completed in the first quarter of 2022.

Addressing cybersecurity

Given the increasing prevalence of cyberattacks, and war in Ukraine, we have undertaken a number of steps to address this rising risk. These efforts in 2021 have included the procurement of additional IT infrastructure to maintain our access to our data in the event of an attack, and regular audits of our IT security to maintain an up-to-date approach to combating threats; see page 70 for more information.

Looking to the future

The events of early 2022 have changed Ukraine significantly, but our business model and our resolve remains unchanged. We continue to produce high grade iron ore pellets, and we are continuing to invest in growing our business for the future, which will help further support the Ukrainian economy to rebuild. I would like to thank our workforce for their collective effort to continue our operations throughout the invasion in 2022, as well as achieving the strong financial result for 2021 that is presented here in this report. We have continued to show resilience as a business in 2022 and I look forward to working with all of our stakeholders in the years ahead to further develop our business.

Jim North
Chief Executive Officer & Executive Director

FERREXPO'S RESPONSE TO COVID-19

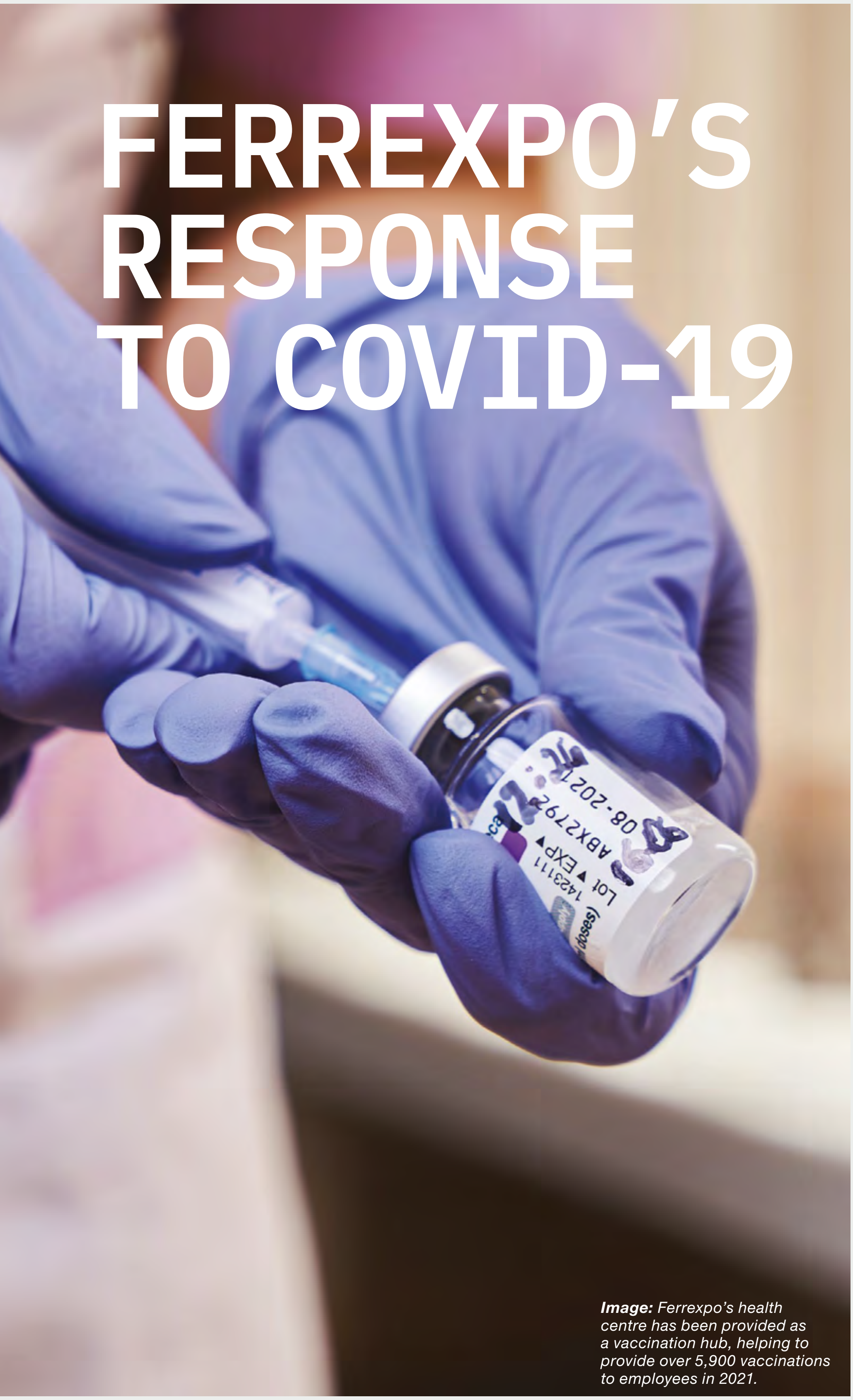


Image: *Ferrexpo's health centre has been provided as a vaccination hub, helping to provide over 5,900 vaccinations to employees in 2021.*

CASE STUDY:

SHIELDING THE GROUP'S WORKFORCE FROM COVID-19

Since the outset of the global Covid-19 pandemic, Ferrexpo has moved to protect its workforce from the Covid-19 virus and the after-effects that the global pandemic is having on individuals and communities around the world. In early 2020, the Group established the Covid-19 Response Fund, with a total of US$3.5 million of approved funding provided to date.

Through measures initiated in 2020 and continued into 2021, including rigorous testing, social distancing measures and staggered shift patterns, the Group has limited the spread of the Covid-19 virus at its operational facilities and has successfully maintained production and capital investment activities to expand output.

Medical equipment purchased in 2021 for the Group's on-site medical centre included the installation of sample analysis machines to determine the severity of infection that an individual has developed, and equipment to measure an individual's natural immunity to the virus following infection.

Following the development of a vaccine for Covid-19 in late 2020, the Group has moved to promote vaccine uptake in its workforce and to facilitate local authorities in their efforts to administer vaccines to local communities and Ferrexpo's workforce through the provision of its healthcare facility as a vaccination centre for anyone to attend. As of January 2022, the Group's employee workforce had received over 5,900 doses of Covid-19 vaccinations, with 65% of the workforce being fully vaccinated, approximately double the national average of Ukraine[1].

Ferrexpo is also working with communities to directly counter the spread of the virus beyond its operations. Details of these activities are provided on pages 42 and 72.

65%

Double-vaccination rate in Ferrexpo's employee workforce, approximately double the rate in Ukraine[1].

1. www.ourworldindata.org

Market Review

KEY MARKET DRIVERS

2021 was a year marked by volatility in global market prices for iron ore and rising demand for iron ore pellets in response to rising environmental measures to reduce steelmakers' emissions.

Ferrexpo's high grade iron ore pellets are priced using the benchmark 65% Fe fines price, with a pellet premium paid in addition to this index, and a freight rate is typically deducted according to the location and type of contract agreed with each customer. This section focuses on the factors affecting pellet pricing, in addition to global supply and demand factors affecting Ferrexpo's end-market – steel. The Atlantic pellet premium, published on a monthly basis by S&P Platts ("Platts"), is presented in this section as an indicator of pellet premiums throughout the year. The Atlantic pellet premium is, however, based on the index for iron ore fines grading 62% Fe, as published by Platts, and therefore is not directly used by the Group in the typical pricing of its pellets, which are priced off the 65% Fe index.

Iron ore fines prices

Volatility has been a key factor when looking back at global iron ore markets in 2021, affecting a range of key revenue drivers for iron ore producers like Ferrexpo, with the range of iron ore prices seen in 2021 approximately three times the average range in prices seen in the past five years.

Iron ore fines prices began 2021 at approximately US$180 per tonne, and rose by between US$40 and US$45 per tonne in both 1Q and 2Q of 2021, with this increase driven by government stimulus packages around the world in response to the global Covid-19 pandemic. This upward trajectory was then reversed in August 2021, with average prices declining by US$42 in 3Q 2021 and US$62 per tonne in 4Q 2021, ending the year at a level last seen in August 2020, back when prices originally began to rise.

The decline in fines pricing seen in the second half of 2021 was primarily related to government policies enacted in China to taper markets, and was therefore a controlled measure, which was widely anticipated by market participants. With China accounting for 73% of global iron ore imports in 2021[1], Chinese demand is the primary driver for iron ore fines prices. Reviewing the market in 2021, Chinese steel production averaged 94 million tonnes a month in the first half of 2021, representing 12% growth year on year and a record level of steel production, with strong demand for iron ore during this period. Following measures enacted by the Chinese government from July 2021 onwards, Chinese steel output fell to 78 million tonnes a month in the second half of 2021, representing a 17% decline on the first half of 2021, and demand for iron ore softened as a result. Chinese steel production cuts enacted in the summer of 2021 were originally announced as early as 2020, as part of Beijing's decarbonisation policy announced at the time, with environmental inspections commencing in April 2021 to ensure that each province's annual production did not exceed 2020 levels. Measures implemented included the removal of export tax rebates in China from August 2021.

In terms of the supply-demand balance of the iron ore market, movements in iron ore pricing in 2021 were primarily driven by fluctuations in demand for iron ore, rather than changes in supply of iron ore, which remained relatively stable. Independent consultants CRU estimate that exports of iron ore grew by 38 million tonnes in 2021, representing an increase of 2%. The majority of this additional material came from Brazil and Australia, with the former relating to recovering supply, and the latter primarily relating to additional low grade supply from brownfield sites.

IRON ORE PELLETS: MARKET FACTORS

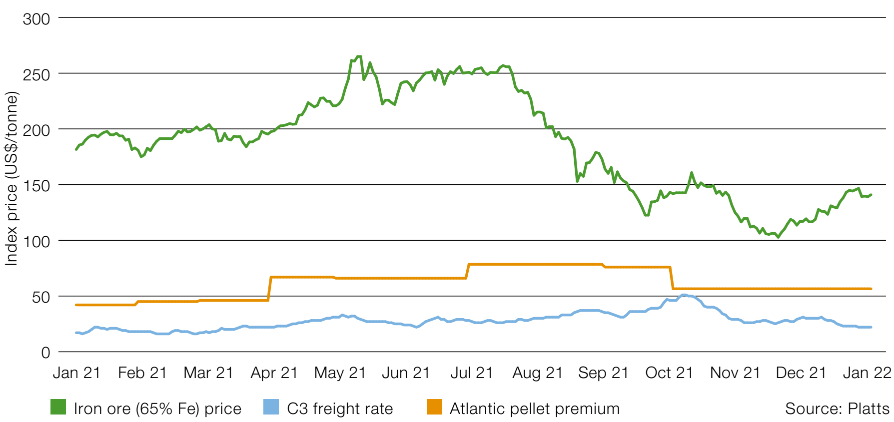


Image: All of Ferrexpo's pellets leave the Group's operations via rail, with these routes electrified in Ukraine.

1. Source: CRU.

The near-term outlook for the iron ore fines market and prices in 2022 will depend on the level of activity seen in China in early 2022, following production cuts imposed in 2021, as well as the degree of stockpile drawdown that is seen with steel inventories that have accumulated. If a strong recovery in Chinese demand continues beyond 2Q 2022, then it is expected that the iron ore fines market is likely to become constrained, which would potentially provide a tailwind to iron ore fines prices.

High grade premiums

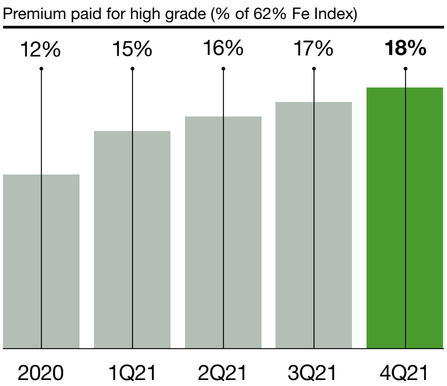
High grade premiums are the additional prices paid for material that is high grade (65% Fe or above), with this premium averaging US$26 per tonne in 2021 (2020: US$13 per tonne). As the world seeks to decarbonise, steelmakers are increasingly looking to source higher grade iron ores to reduce their emissions footprints. For more information on the environmental benefits of high grade iron ores, please see the Case Study on page 14. This trend is shown through the premiums paid for high grade iron ore fines, with quarterly average premiums climbing consistently throughout 2021, as shown in the chart opposite.

FULL YEAR MARKET INDICES 2021

(US$/tonne, unless stated otherwise, and represent full year averages)	2021	2020	Change
Platts 62% Fe iron ore fines price CFR China	160	109	+47%
Platts 65% Fe iron ore fines price CFR China	186	122	+53%
65% Fe spread over 62% Fe	26	13	+96%
Atlantic pellet premium (BF pellet)	56	29	+92%
China pellet premium (BF pellet)	52	22	+139%
Direct reduction ("DR") pellet premium	61	36	+67%
DR premium over Atlantic premium	5	7	-28%
C3 freight (Brazil – China)	27	15	+81%
C2 freight (Brazil – Netherlands)	16	7	+135%
Global steel production (million tonnes)[1]	**1,912**	**1,829**	**+4%**

1. Source: World Steel Association (64 producing countries, representing 98% total world crude steel production in 2021).
2. Management estimate.

CHART: PREMIUMS PAID FOR HIGH GRADE IRON ORES (65% FE)



The outlook for the high grade premium is expected to remain positive going forward on the basis of steelmakers increasingly looking to reduce emissions, with specific markets – particularly Europe – expected to drive demand for these ore types faster than other regions, based on aggressive decarbonisation policies currently being adopted by key European governments and the European Commission. An example of such a policy change is the European Union's Carbon Border Adjustment Mechanism ("CBAM"), which was announced in 2020 and will be gradually implemented between 2022 and 2025. The CBAM envisages a tariff applied to specific goods produced outside of the European Union ("EU"), to account for the cost of carbon. This legislation is designed to strengthen key industries in Europe, such as the steel industry, particularly as this industry faces rising costs associated with climate change. The Group believes that any measure designed to strengthen the European steel industry will improve the purchasing power of European steelmakers to purchase a greater degree of premium raw materials, such as high grade iron ore pellets, and will therefore drive greater demand for the Group's products.

Pellet premiums

The pellet premium is a premium applied to all pellet sales, and is paid above the Platts 65% Fe Index for Ferrexpo's pellets. The Atlantic pellet premium in 2021 followed a similar trend to the iron ore fines indices during the year. In the first half of the year, this pellet premium rose as steelmakers worldwide looked to maximise steel output and take advantage of high steel prices. Subsequently, the Atlantic pellet premium fell in the second half of 2021, but did not fall to the same extent as iron ore fines prices, declining from the highs of US$78 per tonne seen in the summer months of 2021 to close the year at US$56 per tonne. This differing dynamic compared to the iron ore fines price is a reflection of the pellet market being governed by buying in different geographic regions – namely steel production in Europe and North East Asia, which collectively account for more than 40% of the global trade in iron ore pellets[2]. Demand for iron ore pellets is therefore more aligned to the health of the steel sector in these two regions, as well as overall pace of decarbonisation seen globally.

Global iron ore pellet exports amounted to approximately 127 million tonnes in 2021, reflecting a contraction of 1 million tonnes versus 2020[2]. The main driver for the decrease in supply seen in 2021 came from

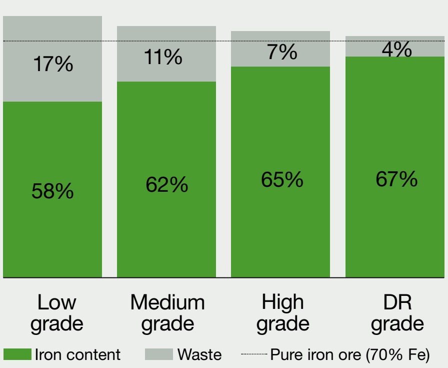
Market Review continued

CASE STUDY:

THE IMPORTANCE OF HIGH GRADE IRON ORES

In iron ore, grade is key. For commercially available iron ores, which are predominantly hematite, the maximum iron content is 70%, with the remaining 30% being oxygen (as part of the iron oxide that iron ores are predominantly comprised of). Benchmark iron ores grading 62% Fe are therefore 62% iron, the oxygen as part of the iron oxide molecule, and a component of waste that represents approximately 11% of this material. For low grade ores (58% Fe), the proportion of waste material contained is higher – approximately 17% of the total mass of material being sold. Ferrexpo's products are high grade and therefore contain between 4% and 7% waste material, and as a result contain up to four times less waste than competitors' iron ores. This is important, as it is the waste in the ore that steelmakers must supply energy to remove when making steel, with ores that contain more waste requiring more energy to process. In the blast furnace, this energy is typically provided by coal, whereas in the direct reduction process this energy comes from either natural gas or electricity. High grade ores are therefore a tool available to steelmakers to reduce emissions today.

Iron content (% Fe)



lower exports from producers in Brazil, India and the USA, balanced in part by a returning producer in Brazil[1]. Within this total, blast furnace pellet exports contracted by 6 million tonnes during 2021 (representing a 7% reduction), with supply of direct reduction pellets growing by 4 million tonnes (10% increase)[1]. This relative stability in the supply of iron ore pellets is a reflection of the difficulties faced by companies looking to introduce new supply of pellets into the market, since new supply requires significant capital investment to commence operations and the relative scarcity of deposits relevant for pelletising operations that have good access to existing infrastructure.

Demand for iron ore pellets in 2022 has been strong in European markets following Russia's invasion of Ukraine, with iron ore from Russia subject to trade restrictions. Furthermore, pellet demand is expected to increase globally in response to increasing environmental controls. As referenced on page 13, the introduction of the European Union's CBAM regulations is expected to strengthen the European steel sector in the medium term, and as a result will increase the ability of EU steelmakers to purchase premium products for steelmaking such as iron ore pellets. The global supply of iron ore pellets today is relatively constrained, with the majority of existing suppliers operating at (or near to) full capacity, particularly following the recent completion of the ramp up of Samarco, a Brazilian pellet supplier, which had previously halted production following a tailings dam breach in 2015.

Freight rates

The Baltic Exchange's C3 freight rate, which is indicative for the Group's overall freight costs, increased significantly in 2021 to US$27 per tonne. This increase was due in part to the market imbalance seen in early 2021 that was created by the global Covid-19 pandemic, with reduced dry bulk shipments from Brazil, resulting in fewer vessels entering the Atlantic basin to receive cargoes. Secondly, increasing fuel prices in the second half of the year resulted in a sharp increase in freight rates, peaking at an average of US$41 per tonne in October 2021, before retreating back to US$26 per tonne by the end of the year. Freight rates are a further example of the volatility seen in 2021 and how this contrasts to previous years. In contrast, the average C3 freight rate for the past five years has varied by just[1] US$4 between US$15 and US$19, whilst the average for 2021 rose by US$12 to U$27 per tonne.

In terms of the near-term outlook for freight rates, the forward curve for C3 freight rates indicates that the index in 2022 will fall below the high levels seen in 2021, but will remain above the historical averages seen in previous years, reflecting increased energy costs.

Steel production

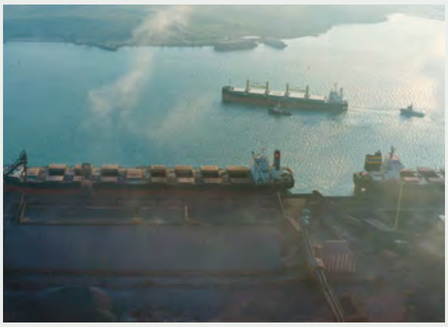
Global steel production, according to the World Steel Association, increased by 4% in 2021 compared to 2020, which also reflects a rise above 2019 levels, indicating the strong return to growth as governments worldwide continue to respond to the global Covid-19 pandemic. During 2021, the majority of this growth in global steel production occurred during the first half of the year, which was 15% up year on year, whereas the second half of 2021 saw a 5% contraction year on year in global crude steel output. This trend was driven by Chinese output, where production increased by 13% year on year in the first half and then contracted by 15% year on year in the second half, ending the year below the total output for 2020. The European steel sector has continued its strong recovery in 2021, growing by 20% in the first half and a further 10% in the second half of the year. North East Asia, another key market for global iron ore pellet exports, exhibited a similar trend to Europe in 2021, growing by 11% in both halves of 2021.

Based on data presented by independent consultants CRU, it is expected that the global outlook for hot metal production is set to peak in 2021 (relevant data on this topic to be published in 2022), with global levels of output expected to remain above 1,400 million tonnes between 2022 and 2025. It is expected that the share of steel production from electric arc furnaces will grow from 27% of global crude steel production in 2021 to 31% in 2025.

Steel pricing

The Group closely monitors the margins being made by steelmakers as a lead indicator of possible future movements in the demand for iron ore, with the margin for hot rolled coil ("HRC") used as an indicator of this. Margins for HRC remained positive throughout 2021, with steel prices remaining elevated despite the fall in raw materials costs seen in the second half of 2021.

The Group expects global steel output to rise in 2022, on the basis of steel margins remaining at elevated levels at the present time, with steelmakers increasing output to meet rising global demand for steel.



CASE STUDY:

THE IMPORTANCE OF PROXIMITY TO KEY MARKETS

In a global world that is facing up to the journey of decarbonisation that lies ahead, consumers are looking increasingly for supplies of goods and services to come from local sources. With assets based in Ukraine, Ferrexpo is well positioned geographically to supply the steel sector in both Europe and the Middle East, with Ferrexpo's peers in Brazil, Canada and South Africa located further away from these key markets. Ferrexpo is able to supply customers in Europe via rail, barge or ocean-going vessel. The Middle East represents the single biggest market for direct reduction pellets today, and with Europe rapidly decarbonising, this is expected to significantly increase pellet demand for this pellet type in the future as steelmakers seek to adapt their production processes.

In a world where ocean-going freight contributed as much to Ferrexpo's total emissions as emissions from mining in 2021, the distance to markets matters.

3X The distance for Canadian iron ore to reach key European steel mills, representing an additional 4,000km.

5X The distance for Brazilian iron ore to reach key European steel mills, representing an additional 8,000km.

6X The distance for South African iron ore to reach key European steel mills, representing an additional 10,000km.

Future trends: Green Steel

A clear trend within the steel sector is decarbonisation, with many of the world's governments pledging to achieve net zero carbon emissions by either 2050 or 2060. Governments are also setting medium-term targets to establish a trajectory for emissions reduction – typically a 30% reduction by 2030. The European Union is working towards its "Fit for 55" plan announced in July 2021, which is a legislative process aimed at delivering a 55% reduction in carbon emissions by 2030 against a baseline year of 1990. Given Ferrexpo's close proximity to European steelmakers, this provides the Group with a significant opportunity, since iron ore pellets enable steelmakers to reduce emissions through greater use of direct charge material in their blast furnaces. For more information on the environmental benefits of pellets, please see the Case Study on page 10. This shift towards iron ore pellets is mirrored in data presented by independent consultants CRU, who forecast that global iron ore pellet consumption will increase by 15% between 2021 and 2026, whilst consumption of iron ore fines is forecast to contract by 14% during this same period.

Over time, the Group also intends to increase production of its latest product – the higher grade (67% Fe) direct reduction pellets, which are typically converted to steel using natural gas and then electricity in electric arc furnaces. This is in contrast to the blast furnace method of steelmaking, which typically uses coal as the main fuel to produce steel. Through removing coal from the steel-production process, steelmakers can operate with a significantly lower carbon footprint. Direct reduction pellets represented 4% of the Group's production in 2021 (2020: 3%), and the Group intends to utilise its expansion plans in the medium term to increase this proportion of production as steelmakers around the world decarbonise and demand for this pellet type increases.

1. Management estimate.

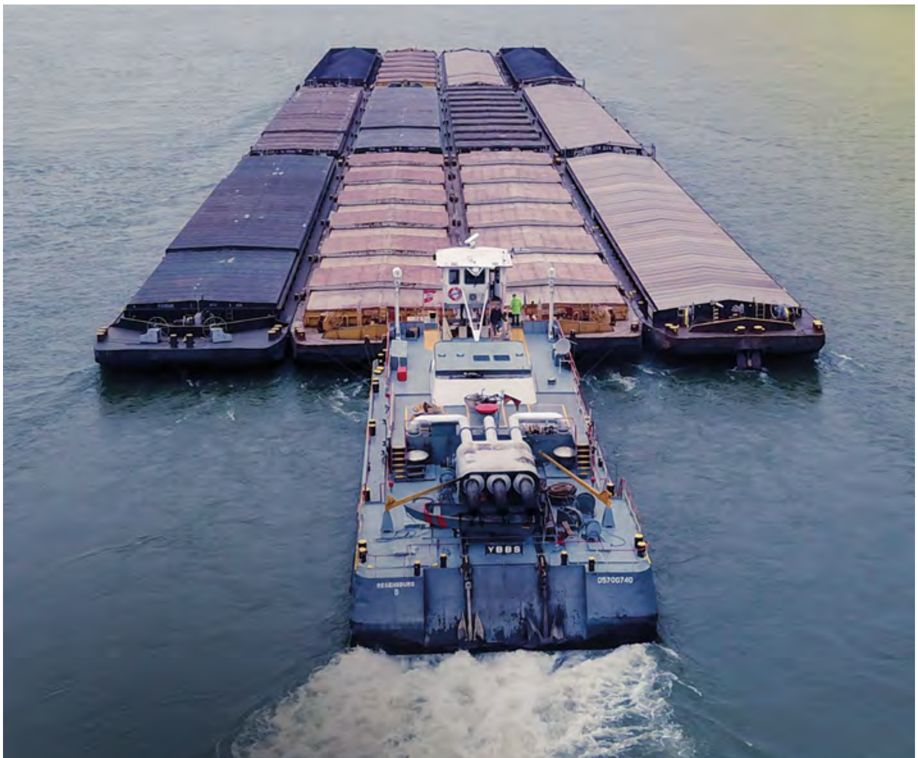


Image: *Ferrexpo has operations for delivering pellets via the River Danube, providing flexibility in the Group's logistics network.*

Business Model

GENERATING SUSTAINABLE VALUE

KEY STRENGTHS

Long life assets

The Group has 1.6 billion tonnes of Ore Reserves, representing over 50 years of production ahead at current processing rates.

Established production and logistics

The Group's assets have been supplying the global steel industry with pellets for more than 50 years.

Ability to produce premium products

Ferrexpo produces high grade iron ore pellets, a premium form of iron ore for steelmakers. The Group has commenced production of direct reduction pellets, the highest grade commercially available form of iron ore.

Premium customer service

Ferrexpo has an established network of customers, spread across four continents, which use pellets to produce high grade forms of steel.

Ability to scale and grow operations

Ferrexpo has invested over US$3.0 billion in its operation since IPO, growing production by 25%. The Group's Wave 1 Expansion plan will see production grow by a further 25% (see page 28 for more information).

COMMERCIAL AND OPERATING MODEL

CORE ASSETS

PEOPLE

Ferrexpo has a workforce of over 10,000 people, and aims to continually train and develop those that work for the Group.

DEPOSITS

Ferrexpo mines and processes iron ore from the deposits along the Kremenchuk Magnetic Anomaly, a globally significant ore body in scale.

HIGH GRADE PELLET PRODUCTION

PREMIUM CUSTOMER BASE

FINANCIAL RESILIENCE

PRUDENT CAPITAL ALLOCATION

UNDERPINNED BY OUR VALUES

Responsibility

▶ See p30-44

Make it happen

▶ See p8-10

Integrity

▶ See p44-45

Ferrexpo aims to deliver its business model through a safety-first operating model, instilling a culture of safety throughout its business to deliver successful operating and financial performance.

OPERATIONS

Ferrexpo has three mines, two of which were developed by the Group since IPO, and also operates a processing complex and logistics network.

Ferrexpo produces high grade iron ore pellets, which are a premium raw material used by steelmakers to increase productivity and reduce emissions. The Group's products carry an iron ore grade of either 65% or 67% Fe.

Through developing increasingly high quality, high grade products, the Group is able to market its products to an increasing range of premium steelmakers.

By focusing on higher quality, higher grade forms of iron ore, and selling these products to premium steelmakers, the Group can realise higher margins on its products, providing financial resilience.

Through establishing a cash generative and cost competitive business model, the Group is able to deploy capital effectively for the benefit of all stakeholders, balancing investment in future growth and shareholder returns.

REINVESTMENT FOR FURTHER DEVELOPMENT

STAKEHOLDER BENEFITS (US$)

Employees

US$113M

(2%)

Wages and salaries paid (2020: US$114M)

Environment

US$19M

+10%

Money spent to safeguard the environment (2020: US$17M)

Customers

US$2.5BN

+48%

Revenue generated (2020: US$1.7BN)

Government

US$281M

+180%

Taxes and royalties paid (2020: US$100M)

Suppliers

US$1.2BN

+33%

Suppliers of goods and services (2020: US$876M)

Investors

US$619M

+217%

Shareholder returns (2020: US$195M)

Communities

US$6M

+11%

Donations through Ferrexpo Charity Fund (2020: US$6M)

Capital providers

US$221M

+49%

Debt repayments and interest (2020: US$148M)

Diversity within one team

▶ See p40-41

Continuous innovation

▶ See p28-29

Strategic Framework

GENERATING ATTRACTIVE SUSTAINABLE RETURNS

The Group's purpose is to maximise the value it generates for stakeholders through its operations in Ukraine and global footprint, producing and marketing the highest quality iron ore pellets to the Group's network of premium customers. This is achieved in tandem with the adoption of modern technologies to deliver production in a safe and sustainable manner.

	STRATEGY	GOALS
	PRODUCE HIGH QUALITY PELLETS	– Expand existing customer portfolio with additional high quality steelmakers. – Develop direct reduction pellet offering with trial cargoes shipped to potential new customers for this product type. – Further investments in mining, concentrator and pelletiser.
	LOW COST PRODUCTION	– Target further cost reduction initiatives through disciplined cost control and further dilution of fixed costs through production increases.
	SELL TO A WORLD CLASS CUSTOMER PORTFOLIO	– Develop relationships with new customers for existing blast furnace pellet offering. – Further work to establish direct reduction pellet offering with new customers. – Establish presence in selling high grade concentrate, either through synergies with existing customers or through new relationships.
	MAINTAIN SOCIAL LICENCE TO OPERATE	– Target zero harm for workforce. – Maintain LTIFR safety metric below five-year trailing average and iron ore producing peer group. – Continue efforts to improve productivity and reduce Scope 1 and 2 emissions footprints per tonne.
	DISCIPLINED CAPITAL ALLOCATION	– Continued development of operations, delivering volume growth and quality improvements. – Continue to pay dividends as appropriate with cash flows in 2021 and in line with shareholder returns policy.

UNDERPINNED BY OUR VALUES

Responsibility

Safety first, environmental responsibility, accountable to communities.

▶ See p30-44

Integrity

Delivering high ethical standards and delivering on commitments. Accountability.

▶ See p44-45

Continuous innovation

Embracing change. Courage to improve and accepting new thinking.

▶ See p28-29

Make it happen

Focused efforts to deliver superior business results, achieved through an engaged workforce.

▶ See p8-10

Diversity within one team

Valuing difference in opinions and backgrounds. Building collective strength.

▶ See p40-41

WHAT WAS ACHIEVED IN 2021		STRATEGIC TARGETS FOR 2022
– Group's position maintained as third largest global exporter of iron ore pellets, producing 11.2Mt of pellets in 2021 (2020: 11.2Mt). – Increased proportion of high grade products to 100% (2020: 99%). – Increasing grade: direct reduction pellets representing 4% of total production in 2021 (2020: 3%).	– Secured first long-term contract for DR pellets. – Commenced sales of commercial concentrate.	– Maintain production during Russian invasion of Ukraine, where possible. – Further develop new product offering. – Maintain sales under long-term contract. – Enhance understanding of DR pellet markets.
– C1 cash cost of production[A] increased by 34% to US$55.8 per tonne, reflecting commodity input costs. – The Group maintains a low cost position on the global cost curve of iron ore producers, as assessed by independent consultants CRU (see page 25). – Diesel consumption rate per tonne mined fell by 7% in 2021, reflecting improved productivity.	– Consumption rate of natural gas, a key consumable in the pelletiser operations, increased by 16% in 2021, reflecting trials of higher grade direct reduction pellets. – Consumption rate of electricity, predominantly applicable to processing, rose by 1% in 2021, reflecting increased processing to achieve higher grade products.	– Maintain position as a low cost iron ore producer on global C1 cost curve.
– Pivot of sales back to Europe following peak of global Covid-19 pandemic, returning to historic market balance. – Secured first long-term contract for direct reduction pellets. – Developed new relationships for new products (direct reduction pellets and commercial concentrate).	– Continue discussions with existing customer network, to optimise pellet mix with customer requirements, particularly as customers seek to accelerate decarbonisation plans.	– Effective and clear communication with customers during Russian invasion of Ukraine. – Maintain existing portfolio of premium customers. – Maintain high proportion of sales under long-term contract. – Add additional premium customers in target markets (Europe and DR markets).
– Maintained a safe operating environment with zero fatalities, and LTIFR of 0.41 in 2021, representing performance materially below five-year trailing average for third successive year. – UAH 153 million invested in communities through Ferrexpo Charity Fund in 2021, which celebrated its tenth anniversary since inception in March 2021.	– Further 16% reduction in carbon footprint at operations (direct and indirect) in 2021, matching reduction from 2020. – Emissions targets set in 2021, with the Group achieving its 30% reduction against the baseline year (2019) and goal of net zero emissions by 2050. – "Fe_munity" women in leadership programme, for advancing careers of female employees.	– Protect workforce during Russian invasion of Ukraine. – Maintain strong safety record. – Continue to reduce carbon footprint (Scopes 1, 2 and 3). – Promote diversity in the workplace. – Continue to deliver value to communities.
– Maintained strong balance sheet, with net cash position as at 31 December 2021 of US$117 million (2020: US$4 million). – Repaid pre-export finance debt facility, de-risking business. – Balanced capital allocation in 2021, increasing capital investment[A] by 75% to US$361 million (33% of operating cash flow) and shareholder returns (57% of operating cash flow).	– Published shareholder returns policy in November 2021, targeting returns based on free cash flow of the Group, to maintain ability to invest in operations. – To date, the Group has paid dividends amounting to the equivalent 37% of free cash flow in respect of 2021.	– Invest in the Group's assets for growth. – Continue the Group's balanced approach to stakeholders. – Maintain a strong balance sheet.

Key Performance Indicators

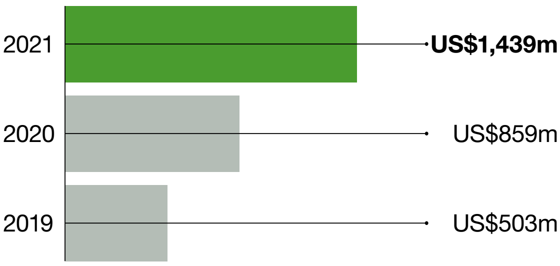
MEASURING OUR PERFORMANCE

▶ **See pages 207 to 209 for a reconciliation of Alternative Performance Measures to the IFRS equivalent.**

FINANCIAL KEY PERFORMANCE INDICATORS ("KPIs")

Underlying EBITDA[A]

US$1,439M

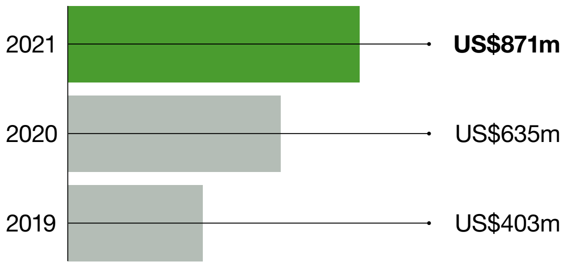


Underlying EBITDA[A] represents profit before tax and finance plus depreciation and amortisation, net gains and losses from disposal of investments and property, plant and equipment, share-based payments and write-offs and impairment losses. Underlying EBITDA[A] measures the Group's ability to generate cash as well as providing a useful measure of operating performance excluding certain non-cash items. In 2021, Underlying EBITDA[A] increased by 68% to US$1,439 million, reflecting increased commodity pricing.

Link to strategy: 1, 2, 3, 4 & 5
Closest equivalent IFRS measure: profit before tax and finance

Profit after tax

US$871M

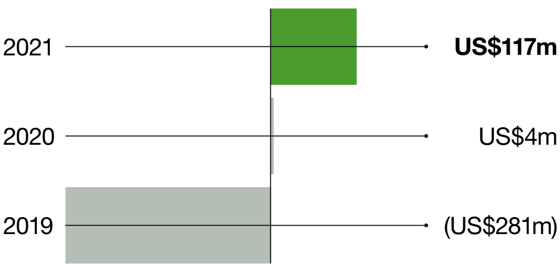


In addition to Alternative Performance Measures, Ferrexpo considers the IFRS results of the Group to be an important measurement of profitability. In 2021, profit for the year was 37% higher at US$871 million, reflecting increased commodity pricing.

Link to strategy: 1, 2, 3, 4 & 5

Net Cash/(Debt)[A]

US$117M

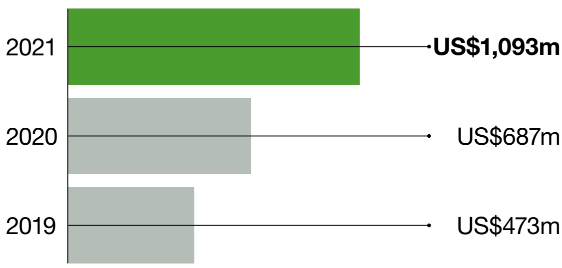


Ferrexpo uses its net cash/(debt) position as an indicator of the relative level of indebtedness of the Group and therefore the overall strength of the Group's balance. As of the end of 2021, the Group continues to be in a net cash position, reflecting the strong performance of the Group in recent years.

Link to strategy: 1, 2, 3, 4 & 5

Net cash flow from operating activities

US$1,093M



Net cash flow from operating activities represents the cash flow generation ability of the Group, and indicates the level of cash flow available for investments, returns to shareholders and debt reduction. In 2021, net cash flow from operating activities increased by 59% to US$1,093 million, reflecting higher realised pellet pricing and increased product quality.

Link to strategy: 1, 2, 3, 4 & 5

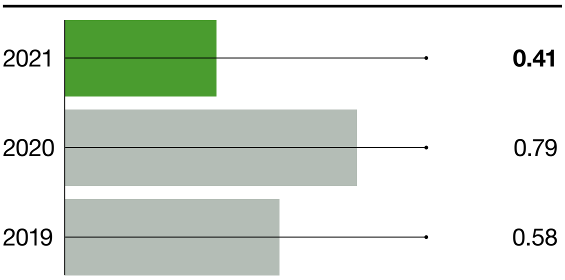
Link to strategy

1. Produce high quality pellets.
2. Be a low cost producer.
3. Sell to a world class customer portfolio.
4. Maintain a social licence to operate.
5. Maintain appropriate capital allocation between a strong balance sheet, returns to shareholders and investment for growth.

NON-FINANCIAL KEY PERFORMANCE INDICATORS ("KPIs")

Lost time injury frequency rate ("LTIFR")

0.41

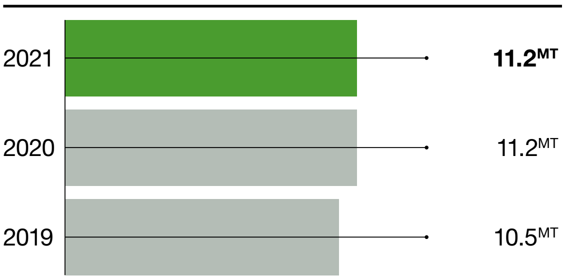


It is the Group's highest priority to ensure its workforce operates in a safe environment and is trained in safe working practices. The LTIFR is an industry standard measurement and an important indicator of how safe the work environment is. The Group's LTIFR in 2021 was 0.41, representing the third successive year that this metric is materially below the Group's five-year trailing average (0.98).

Link to strategy: 1, 2, 3, 4 & 5

Production volumes

11.2MT

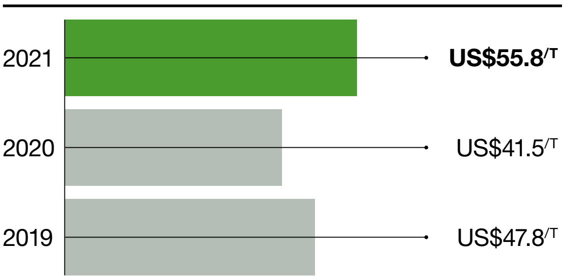


Production volumes measure the Group's ability to meet customer demand as well as provide an indication of the Group's operational performance. In 2021, production was in line with 2020 as a result of the completion of several projects to upgrade capacity in the Group's pelletiser in Ukraine.

Link to strategy: 1, 2, 3 & 5

C1 cash costs of production[A]

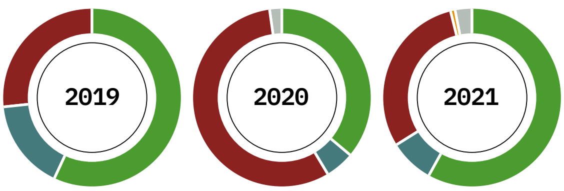
US$55.8/T



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 to other pellet producers. In 2021, Ferrexpo's C1 cash cost of production[A] increased by 34% to US$55.8 per tonne, reflecting higher energy costs.

Link to strategy: 2 & 5

Sales volume by region



Region	2021	2020	2019
Europe, including Turkey (BF pellet)	58%	36%	56%
North East Asia (BF pellet market)	8%	5%	16%
China & South East Asia (BF pellet market)	30%	56%	28%
Middle East & North Africa (DR pellet market)	0.4%	0%	0%
North America (DR pellet market)	3%	2%	0%

Ferrexpo believes it is important to have a diversified customer base to be able to withstand periods of volatility in specific regions. In 2021, the Group saw a gradual return to historic balance of market demand for its products, following the initial peak of the global Covid-19 pandemic, which resulted in a temporary pivot in sales towards China in 2020.

Link to strategy: 3 & 5

Financial Review

DELIVERING VALUE THROUGH INVESTMENT

Through investment in high grade iron ore products, the Group has been able to maintain its position as a high margin business, further enabling the Group to continue its strategy of investing for future growth and returns.

REVENUE

+48%

Increase in revenues, reflecting strong demand for the Group's high grade iron ore product portfolio.

UNDERLYING EBITDA[A] MARGIN

57%

Investing in high grade iron ore delivers strong Underlying EBITDA[A] margin (2020: 50%).

INVESTING FOR GROWTH

+75%

Investing for future growth with capital investment[A] of US$361 million in 2021 (2020: US$206 million).

Image: *Nikolay Kladiev, appointed Group Chief Financial Officer in August 2021.*

Summary

Through rising pellet quality and strong market demand for high grade, premium forms of iron ore such as pellets, the Group saw revenues in 2021 increase by 48% to US$2.5 billion and Underlying EBITDA[A] increase by 68% to US$1,439 million (2020: US$859 million), maintaining the Group's position as a high margin business. The Group has maintained its balanced approach to capital allocation, with capital investment[A] rising by 75% to US$361 million. The Group realised a net operating profit after tax of US$871 million in 2021 (2020: US$635 million) following the accounting of an impairment loss of US$231 million as at 31 December 2021.

Revenue

Group revenues increased in 2021 by 48%, relating to increases in commodity pricing seen during the year – principally iron ore prices, premiums for high grade materials and pellet premiums. Total sales for the period fell by 6%, reflecting the de-stocking process that was conducted in 2020 in response to the onset of the global Covid-19 pandemic. Revenues also benefited from the increase to 100% high grade iron ore products (2020: 99%). For further information, please see the Operational Review section on pages 26 to 27.

Seaborne freight revenue arising from CFR sales increased revenue by US$12 million compared to 2020, reflecting the net effect from higher freight rates, partially offset by lower sales volumes to Asia. Finally, the revenues from the Group's barging and bunker operations, First-DDSG Logistics Holding, increased by US$4 million in 2021 compared with 2020 as a result of higher freight rates and bunker prices, partially offset by a lower volume shipped.

C1 cash cost of production[A]

The Group's average C1 cash cost of production[A] was US$55.8 per tonne in 2021, compared with US$41.5 per tonne in 2020, with this increase in the Group's cost base relating to a global rise in commodity input prices, which applies to approximately 50% of the Group's cost base.

In the first half of 2021, global commodity prices rose as global economies experienced a recovery from the financial effects of the global Covid-19 pandemic. Following this rise in the first half of 2021, global energy prices rose further due to a tightness in the supply of crude oil, following production cuts announced in late 2020 by OPEC nations. Consequently, oil prices rose from US$55 per barrel in January 2021 to a peak of US$84 per barrel in October 2021, representing a rise of more than 50%, before retreating during the fourth quarter[1].

KEY FINANCIAL PERFORMANCE INDICATORS

US$ million (unless stated otherwise)	2021	2020	Change
Total pellet production (kt)	11,220	11,218	+0.02%
Sales volumes (kt)	11,350	12,062	-6%
Iron ore price (65% Fe Index, US$/t)	186	122	+53%
Revenue	2,518	1,700	+48%
C1 cash cost of production[A] (US$/t)	55.8	41.5	+34%
Underlying EBITDA[A]	1,439	859	+68%
Underlying EBITDA[A] margin	57%	50%	+7pp
Debt servicing	215	146	+47%
Capital investment[A]	361	206	+75%
Closing net cash	117	4	+3,215%

UKRAINIAN HRYVNIA VS. US DOLLAR[2]

UAH per US$

Spot 20.04.22
29.255

Opening rate 01.01.21
28.275

Closing rate 31.12.21
27.278

Average 2021
27.286

Average 2020
26.958

The Group pays royalties on the extraction and sale of iron ore products to the Ukrainian government, with this royalty regime updated in late 2021. This new royalty regime, which came into force in January 2022, includes 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 10% royalty rate will apply. Royalties are not tiered and therefore the rate applied will apply to the full price of the iron ore product being sold. This 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.

In line with previous years, the Group's C1 cash cost of production[A] represents 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$ per tonne) is regarded as an Alternative Performance Measures ("APM"). For further information, please see pages 207 to 209.

Selling and distribution costs

Total selling and distribution costs were US$340 million in 2021 (2020: US$309 million), reflecting an increase in freight rates, offset by a decrease in sales to Asia. As a result, international freight costs arising from CFR sales increased by US$36 million compared to 2020.

General and administrative expenses

The general, administrative and other expense in 2021 was US$72 million (2020: US$62 million), with this increase mainly due to higher consulting fees related to the business improvement projects and personnel expenses in Ukraine linked to local inflation.

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 2021, the hryvnia appreciated by 4% from UAH 28.275 per US dollar on 1 January 2021 to UAH 27.278 per US dollar as of 31 December 2021. For further information, please see section on C1 cash cost of production[A] on page 22 and Case Study on page 25.

Local balances as of 31 December 2021 are converted into the Group's reporting currency at the prevailing exchange rate. The appreciation of the hryvnia resulted in a US$79 million increase in net assets in 2021 (2020: decrease of US$301 million), as reflected in the translation reserve, net of an associated tax effect.

Operating foreign exchange gains/losses

Given that the functional currency of the Ukrainian subsidiaries is the hryvnia, an appreciation of the hryvnia against the US dollar results in foreign exchange loss on the Group's Ukrainian subsidiaries' US dollar denominated receivable balances (from the sale of pellets). The operating foreign exchange loss in 2021 was US$38 million compared to a gain of US$61 million in 2020 when the hryvnia depreciated.

Non-operating foreign exchange gains/losses

Non-operating foreign exchange gains are mainly due to the conversion of the hryvnia denominated intercompany payable balances and the conversion of euro denominated loans (at the Group's barging facility) into the functional currency of the respective Group's subsidiary. In 2021, the Group recorded a non-operating foreign exchange loss of US$3 million (2020: gain of US$5 million), which was driven by a 4% appreciation 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 2021 increased by 68% to US$1,439 million, with this increase reflecting a balance of positive factors, including the 53% increase seen in iron ore fines prices, a 92% increase in the Platts Atlantic pellet premium, balanced by negative factors such as a 6% decrease in sales volumes, 34% increase in C1 cash costs of production[A] and an 81% increase in the C3 freight rate. The Group's Underlying EBITDA[A] for 2021 includes a non-cash operating forex loss of US$38 million in 2021 (2020: non-cash operating forex gain of US$61 million).

1. Source: EIA.
2. Source: National Bank of Ukraine.

Financial Review continued

Interest

Interest expense on loans and borrowings declined by 57% to US$10 million compared to US$22 million in 2020, due to a lower average outstanding debt balance. The average cost of debt was 4.7% for the period until the full repayment of the Group's major debt facility in June 2021 (average 31 December 2020: 5.2%). Further details on finance expense are disclosed in Note 10 Net finance expense to the Consolidated Financial Statements.

Tax

In 2021, the Group's tax expense was US$200 million (2020: US$113 million). The effective tax rate for 2021 was 18.7% (2020: 15.1%). The increase in the effective tax rate was driven by a higher proportion of taxable profits in Ukraine and the impairment loss, which is not tax deductible. In 2021, the Group paid income taxes of US$228 million (2020: US$57 million), of which US$221 million were paid in Ukraine (2020: US$54 million).

A total of US$29 million of income taxes related to 2021 are expected to be paid in 2022, of which US$21 million in Ukraine. 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$231 million as at 31 December 2021, relating to stockpiled low grade ore as it cannot reliably predict 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 increased 37% to US$871 million compared with US$635 million in 2020, reflecting a 44% increase in operating profit (including operating foreign exchange effects) and US$3 million lower net financial expense and a foreign exchange loss of US$38 million compared to a foreign exchange gain of US$61 million in 2020, in addition to a higher income tax expense of US$200 million.

Cash flows

Operating cash flow before working capital increased 85% while the working capital outflow in 2021 was US$139 million compared to an outflow of US$24 million in 2020. The increase in the working capital outflow largely reflects higher balances of trade and other receivables, prepayments made as of 31 December 2021 and higher inventories, which were mainly as a result of shipments that slipped into 2022 due to bad weather conditions at the Group's loading port at year end.

As a result of the higher operating cash flow, the net cash flow from operating activities increased 59% to US$1,094 million in 2021 (2020: US$687 million). Capital investment was US$361 million, an increase of 75% compared to 2020 (US$206 million), while dividends paid during the 2021 calendar year increased by 220% to 105.6 US cents compared to 33.0 US cents in 2020.

Capital investment[A]

Capital expenditure in 2021 was US$361 million compared to US$206 million in 2020. Of this amount for 2021, sustaining and modernisation capex was US$113 million (2020: US$103 million), covering activities at all of Ferrexpo's major business units. In relation to growth capital investment[A], total investment in the Group's concentrator and pelletiser, including the Wave 1 Expansion, amounted to US$111 million in 2021 (2020: US$34.3 million). In addition, FPM invested US$34 million on the press filtration project, which is set for completion in 2022. Further areas of capital investment[A] included mine stripping and development of US$69 million in 2021 (2020: US$14 million) and US$6 million invested in the infrastructure, development and exploration of the Bilanivske (Belanovo mine), Galeschynske and Northern Deposits (2020: US$6 million). For further information on the Group's growth plans, please see pages 28 to 29.

Shareholder returns

In view of Russia's invasion of Ukraine and the ongoing hostilities, the Board has decided to defer any decision in relation to an interim dividend in conjunction with the Group's full year results for 2021. The Board will continue to assess the situation and when appropriate make a decision in relation to shareholder returns.

Total dividends paid to date in respect of 2021 are 46.2 US cents (2020 total: 85.8 US cents). In November 2021, the Group announced 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 2021 financial year representing 37% of the Group's free cash flow in 2021.

Following repayment of the Group's PXF Facility in June 2021, the Group no longer has a financial covenant restriction over the total available distributable profits of the Group (noting that any dividend payment must still comply with distributable reserve requirements under company law).

The Group's Board will consider, as appropriate, whether or not to propose a further interim dividend in respect of 2021.

Debt and maturity profile

Ferrexpo has a strong balance sheet, low levels of gross debt and had a net cash position as of 31 December 2021. As of 31 December 2021, the Group's net cash position was US$117 million (31 December 2020: US$4 million net cash position). Gross debt as of 31 December 2021 was US$50 million compared with US$266 million as of 31 December 2020. The Group's gross debt relates to short-term trade finance facilities that typically have tenures of less than 12 months.

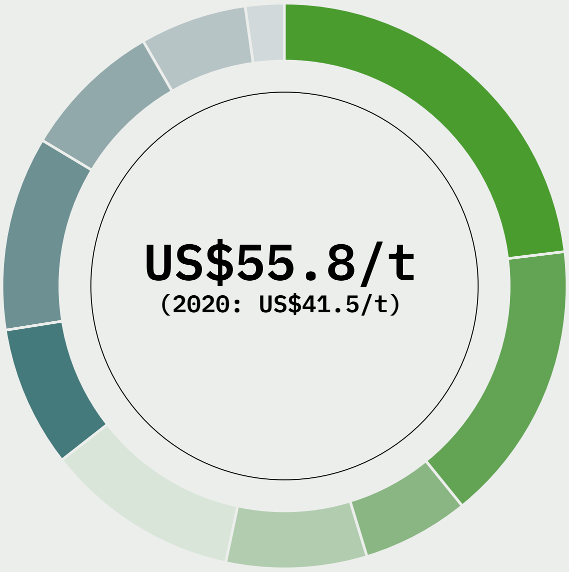
As of 31 December 2021, the credit ratings agency Moody's has a long-term corporate and debt rating for Ferrexpo of B2, with a negative outlook. The credit ratings agency Fitch maintains a BB- rating on the Group, with a stable outlook. While the credit rating of Ferrexpo is capped by the sovereign credit rating of Ukraine, the ceiling for credit ratings ascribed to Ferrexpo by both Fitch and Moody's are higher (one notch above sovereign for Moody's and two notches above sovereign for Fitch).

Following the start of the Russian invasion of Ukraine on 24 February 2022, the credit ratings agencies have taken steps to update their assessment on Ukrainian issuers. As of 4 April 2022, with regards to Ferrexpo plc, Moody's has a long-term corporate and debt rating for Ferrexpo of Caa2, with a negative outlook, while the credit ratings agency Fitch has a long-term corporate and debt rating for Ferrexpo plc of B-, with a negative outlook. While 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.

Related party transactions

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

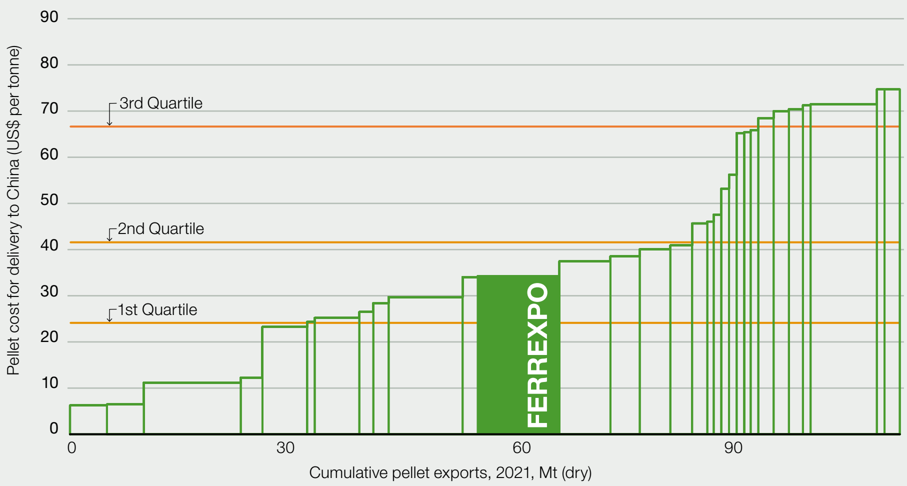
CHART: BREAKDOWN OF FERREXPO'S C1 CASH COST OF PRODUCTION[A]



Electricity	23%
Gas + Biofuel	16%
Fuel	6%
Materials	8%
Spare parts	11%
Personnel costs	8%
Repair service	11%
Grinding bodies	8%
Royalties	6%
Blasting	2%

Note: above numbers are rounded.

CRU BREAKDOWN PELLET COST CURVE TO NATURAL MARKETS (US$ PER TONNE)



Definition: Business costs are the sum of realisation costs and site costs. Realisation costs include the cost of getting the material to market, the marketing of the material and the financing cost of selling the material. The power of business costs is that by adjusting all product qualities relative to the same benchmark (62% Fe fines product delivered to North China), it allows all mines to be compared on a cost curve on a like-for-like basis. This also means that by subtracting the benchmark price from the business costs for a mine an estimate of cash flow from that operation is obtained. Source: CRU Group.

CASE STUDY:

MAINTAINING A LOW CASH COST OF PRODUCTION

The Group's C1 cash cost of production[A] is governed by a range of factors, with energy costs historically representing approximately half of the cost base through the Group's exposure to diesel prices (mining), electricity prices (predominantly processing) and natural gas prices (pelletising).

The Group's full year C1 cash cost of production[A] rose by 34% to US$55.8 per tonne, primarily reflecting a rise in the second half of the year due to high energy costs. Over the full year, increasing energy costs have accounted for a combined US$10 per tonne increase in the Group's C1 cash cost of production[A], with a further US$2 per tonne increase attributable to spare parts and maintenance costs per tonne combined. Elevated energy prices are expected to remain in place going into 2022, with a gradual decline to historic levels expected during the course of first half of the year.

Through its production of high grade iron ore pellets, the Group remains competitive for costs on a global scale, as shown in the pellet cost curve, presented by independent consultants CRU. With the increases in energy costs described above, the Group has moved from the first to the second quartile of costs for pellet producers, but the Group retains a cost advantage over more than 55 million tonnes of existing pellet production, representing approximately half of the current market of iron ore pellets. Given the long-term value proposition of high grade iron ore and pellet premiums, as outlined in the Case Studies provided in this report, the Group believes that it will continue to be globally competitive on its cost of production.

▶ For more details of the increasing premiums paid for high grade iron ore, please see page 13.

Operational Review

PRODUCTION SUMMARY

2021 saw operations continue to develop and grow, with work already under way for the next phase of growth, with the Wave 1 Expansion set to add three million tonnes of additional capacity.

Russia-Ukraine conflict (2022)

To date, the Group has managed to continue production operations during Russia's invasion of Ukraine in 2022, with the Group curtailing non-core activities. Shipments continue via rail and barge to Europe, but seaborne exports via the port of Pivdennyi have been temporarily suspended. Please see the Group's press releases for up-to-date operational updates.

Mining (2021)

Total mining volumes increased by 21% in 2021, with the Group preparing for the Wave 1 Expansion, which will require an increase in supply of iron ore to the Group's processing plant upon completion. At FPM, mining activities in 2021 remained in line with 2020, but the Group significantly increased total volume movements at FYM to over 60 million tonnes, representing a 39% increase, underscoring FYM's role for the Group's near-term growth ambitions. FBM is the key project in the Group's medium-term growth plans, and this project saw a seven-fold increase in material moved to 10 million tonnes in 2021, with this mine expected to continue its ramp up of activities over time.

Additional projects under way in the Group's mines include the ongoing automation of the haul truck fleet at FYM (see Case Study on page 27), as well as ongoing discussions to electrify the Group's mining fleet, which is likely to include trolley assist and battery technology (see Case Study on page 29). Both projects are expected to offer long-term benefits in safety performance, productivity and emissions reduction.

Total mining volumes in 2022 across the Group's two ore-producing mines – FPM and FYM – are expected to remain in line with 2021, reflecting the recent step up in waste stripping activities ahead of the Wave 1 Expansion. For more information on the Group's growth plans, please see page 28.

Processing (2021)

The Group's processing plant has seen significant investment in recent years, and as a result, ore tonnes processed and concentrate tonnes produced both increased by 5% in 2021, with the Group expecting further growth in future years. The pelletiser was the focus of investments in processing in 2021, with upgrade work taking place in three distinct phases throughout the year.

OPERATIONAL PERFORMANCE

(000't unless otherwise stated)	2021	2020	Change
Production			
Iron ore mined	33,764	29,842	+13%
Strip ratio	3.5	3.2	+9%
Iron ore processed	31,111	29,723	+5%
Concentrate production	14,655	14,007	+5%
Pellet production	11,220	11,218	+0.02%
– Direct reduction pellets (67% Fe)	431	339	+27%
– Premium blast furnace pellets (65% Fe)	10,790	10,780	+0.1%
– Basic blast furnace pellets (62% Fe)	–	98	-100%
Commercial concentrate production	234	183	+28%
Iron ore sales			
– Pellets	11,115	11,878	-6%
– Concentrate	234	183	+28%
– Total products sold	11,349	12,062	-6%

STRONG PRODUCTION PERFORMANCE

11.2MT

Pellet production in line with previous year, despite 60 days of planned downtime for pellet line upgrades in 2021.

QUALITY IMPROVEMENTS CONTINUE

+27%

Output of higher grade direct reduction pellets rose by 27% in 2021, and is expected to increase further in 2022.

PREPARING FOR FUTURE GROWTH

+21%

21% increase in mining volumes in 2021, in preparation for the Wave 1 Expansion.

Image: *Inspecting one of the Group's automated CAT 793D haul trucks during regular maintenance.*

Image: *Installation of new equipment at the new press filtration complex, one of the final processing stages in the Group's concentrator.*

JORC-COMPLIANT ORE RESERVES AND MINERAL RESOURCES[1]

JORC-compliant Ore Reserves	Proven Mt	Proven Fe total %	Proven Fe magnetic %	Probable Mt	Probable Fe total %	Probable Fe magnetic %	Total Mt	Total Fe total %	Total Fe magnetic %
Gorishne-Plavninske-Lavrykivske ("GPL")	300	33	26	829	31	23	1,135	32	24
Yerystivske	220	30	25	290	33	26	510	32	26
Total	**526**	**32**	**26**	**1,119**	**32**	**24**	**1,645**	**32**	**25**

JORC-compliant Mineral Resources	Measured Mt	Measured Fe total %	Measured Fe magnetic %	Indicated Mt	Indicated Fe total %	Indicated Fe magnetic %	Inferred Mt	Inferred Fe total %	Inferred Fe magnetic %	Total Mt	Total Fe total %	Total Fe magnetic %
Gorishne-Plavninske-Lavrykivske ("GPL")	472	35	29	1,627	30	22	744	32	24	2,843	31	24
Yerystivske	269	35	29	571	34	27	382	33	27	1,222	34	27
Bilanivske	336	31	24	1,149	31	23	217	30	21	1,702	31	23
Total	**1,077**	**34**	**27**	**3,347**	**31**	**23**	**1,343**	**32**	**24**	**5,767**	**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 2022. 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 59 for more information.

Following the approval of the Group's Wave 1 Expansion in October 2021, the Group has taken the decision to focus on the processing of high grade ores to maximise production, and has therefore realised an impairment on the value of the low grade ore stockpiled at site. Please see Note 17 Inventories to the Consolidated Financial Statements for more information.

A key project completed in early 2022 is the Group's press filtration complex, which will help improve product quality and reduce natural gas consumption through lowering the moisture content of pellets before entering the pelletisation process. The work completed to date represents the first phase of this project, which will help facilitate an increase in throughput of material through the Group's processing facilities.

In terms of product quality, the Group has phased out production of medium grade products, transitioning to 100% high grade (65% Fe and above) production as of 2021 (2020: 99%). This shift marks the culmination of 15 years of investment in high grade production since the Group's IPO, and reflects a shift in preference by the Group's premium customers, who use pellets to make premium types of steel. To understand the importance of high grade materials to steel companies, please see the Case Study on page 14.

Ferrexpo continues to use sunflower husks as a substitute for natural gas in the pelletiser, with 18% of pelletiser energy use sourced from sunflower husks in 2021 (2020: 25%). The decrease seen in 2021 correlates to commercial trials of producing direct reduction pellets, and the Group expects consumption rates of sunflower husks to increase as the Group's understanding of the technical requirements of producing this pellet type increases.

Logistics (2021)

Sales volumes fell 6% in 2021 as a result of the Group conducting a one-off de-stocking process in early 2020. Production and sales volumes in 2021 returned to a level broadly matching each other.

In December 2021, the Group also conducted a trial shipment to a German steel mill via rail, which has the potential to reduce the Group's Scope 3 emissions footprint through use of the electrified rail network in Europe, as well as having the potential to cut delivery times in half to certain customers.

In 2021, the Group's subsidiary First-DDSG transported 0.8 million tonnes of iron ore pellets via the River Danube (2020: 0.8 million tonnes), providing additional logistics flexibility for the Group to supply customers in Europe.

CASE STUDY:

MINING FLEET AUTOMATION

In December 2020, the Group was proud to unveil the latest phase of autonomy in its business – Europe's first large scale autonomous haul trucks. The Group has continued to progress this project, with the first phase of automation completed, representing the first six CAT 793D trucks at the Yeristovo mine. Over time, the Group plans to continue to introduce fleet automation throughout its mining operations in line with this equipment showing improvements in both safety and productivity.

Through automation, the Group expects to see significant benefits in safety, productivity and maintenance. The autonomous fleet continues to improve in its fleet utilisation levels, and in November 2021 the Group's automated fleet achieved the same rates of utilisation as the Group's historic level.

Operational Review continued

GROWTH PLANS

The Group has now invested over US$3 billion in its operations since IPO, with over 85% of this investment at the Group's operations in Ukraine.

Growth projects in 2021

Recent projects completed include the pelletiser upgrade work primarily completed in 2021, as well as the concentrator upgrade and concentrate stockyard that were both completed in 2020. Through this work, the Group aims to provide stability and consistency in pellet production, growth in production volumes, and growth in product quality.

Wave 1 Expansion

The Group's Wave 1 Expansion is an ambitious project to add approximately 25% of the Group's existing pellet capacity in the next three years. In light of the current conflict in Ukraine, the Group has temporarily paused investment in growth projects and will look to recommence growth activities once additional clarity on the outlook for Ukraine is known. Please see the Principal Risks section for more information (pages 56 to 72).

Expansion plans in the processing of magnetite iron ore are modular in nature, whereby processing increased volumes uses larger and more advanced pieces of equipment, largely replicating the existing process flow sheet. The Group's investments to date have been a reflection of this, and the Group's Wave 1 Expansion will be a continuation of this strategy.

Each key aspect of the production process required to deliver the Wave 1 Expansion are shown in the diagram opposite, with pre-stripping activities commencing in 2021, and reflected in a 21% increase in the total tonnes mined during the year. The all-in capital intensity of the Wave 1 Expansion at the Group's operations is expected to be approximately US$200 per tonne of additional pellet capacity.

The Group also expects to see additional benefits and flexibility in processing different ore types as a result of the Wave 1 Expansion. Through adding modern equipment, such as the planned high-pressure grinding rolls in the beneficiation plant, the Group expects to see efficiency savings for key consumables such as electricity, which will have a positive effect on the Group's cost structure and environmental footprint.

WAVE 1 EXPANSION

1. MINING

- **Scale:** increasing total volumes mined from 125Mt in 2020 to approximately 265Mt.
- **Equipment required:** additional excavators and haul trucks.
- **Phasing:** gradual increase.
- **Total investment:** US$180 million, excluding trolley-assist.

2. CRUSHING & BENEFICIATION

- **Scale:** increasing crushing capacity to more than 45Mt.
- **Equipment required:** minor upgrades to primary crushing, additional secondary and tertiary crushing capacity. Contracts signed with Metso and Weir Minerals.
- **Total investment:** US$240 million.

3. PELLETISING

- **Scale:** increasing capacity of one pelletiser line (out of four) by three million tonnes.
- **Equipment required:** pelletiser kilns to remain as is, with modifications to pre-heating stages to add capacity.
- **Phasing:** timing to be after concentrate capacity completed.
- **Total investment:** US$181 million.

4. LOGISTICS

- **Scale:** capacity to transfer three million tonnes of additional products to customers.
- **Equipment required:** additional rail cars, upgraded port capacity.
- **Phasing:** gradual implementation.
- **Total investment:** US$28 million.

VOLUME & QUALITY GROWTH

Image: An autonomous truck undergoing trial mining activities at FYM in 2021.

CASE STUDY:

DECARBONISATION OF MINING FLEETS

With 40% of Scope 1 (direct) emissions in 2021 relating to diesel consumption in the Group's mining fleet, projects to address this area will have a clear impact on the overall carbon footprint.

In the short term, diesel consumption rates declined by 7% in 2021 as productivity measures continue to be implemented, and the Group is working towards continuing this progress in future years.

For over ten years, Ferrexpo has operated electric excavators, taking advantage of the fact that Ferrexpo's mines are located with good access to the Ukrainian electricity grid, a key advantage of Ferrexpo's mines over the majority of iron ore mines operated by the Group's peers in Australia. With this in mind, the Group continues to review the installation of trolley-assist infrastructure along the upward section of the haul ramps of its mines, as 50% of diesel consumption occurs when fully-loaded trucks ascend out of the Group's mines, making this a clear area to target in decarbonisation efforts. The Group is continuing discussions with suppliers of this technology, and in 2021, representatives of the Group visited a mining operation with trolley-assist equipment already in operation. It is expected that the installation of such equipment would take two to three years to implement. Aside from the benefits of decarbonisation, trolley-assist technologies also allow trucks to ascend pit ramps using 100% of each truck's engine capacity, leading to shorter cycle times, therefore reducing the requirement for the number of trucks operating, as well as more efficient mining practices.

The longer-term solution is however to completely remove diesel consumption from the Group's haul trucks. This is possible through a range of technologies and the Group believes that, as of today, the best opportunity to implement diesel-free fuelling of trucks is through battery technology, which represents a technology that is rapidly developing. The Group considers itself to be a fast follower for new technologies, and is looking to implement a fleet-replacement strategy with battery technology trucks once this becomes a widespread solution in the mining industry. The Group expects this to be a gradual phasing out of diesel trucks over time, with this becoming a viable pathway in the medium to long term.

Diesel efficiency improvement (2021)

7%

Reduction in diesel consumption rate in 2021, reflecting increases in productivity and electric excavator usage.

HSEC Committee Chair's Review

POSITIONED TO LEAD ON SUSTAINABILITY

The events in the first quarter of 2022 have highlighted the importance of sustainability, particularly Ferrexpo's community support initiatives, at this difficult time. The Group's newly established Humanitarian Fund is designed to help address the needs of communities across the country.

DELIVERING RESULTS: SAFETY

0.41

Key safety lost time injury frequency rate remains materially below the Group's trailing five year average (0.98).

DELIVERING RESULTS: CARBON

-16%

Combined Scope 1 and 2 emissions per tonne reduced by 16% in 2021, achieving a cumulative 30% reduction against the Group's benchmark year (2019).

DELIVERING RESULTS: DIVERSITY

20.1%

Women in management roles across the Group increases to 20.1% in 2021 (2020: 18.2%).

Image: *New HSEC Committee Chair Ann-Christin Andersen visiting the Group's operations in September 2021.*

New Chair appointed

In February 2022, I assumed the role of HSEC Committee Chair, with Fiona MacAulay moving to become the Senior Independent Director. In this section, we look back at progress made in a number of sustainability topics, with further details available in our Responsible Business Reports, which are available on the Group's website (www.ferrexpo.com).

Prioritising safety and wellbeing

Safety and wellbeing have never been more prominent in our activities than during Russia's invasion of Ukraine in early 2022. Further details of our humanitarian efforts are provided in our community support section on page 42, with US$12.5 million of approved funding for the Group's Humanitarian Fund[1].

Looking back at 2021, we can report a fatality-free year, alongside the Group's lowest recorded full-year lost time injury frequency rate ("LTIFR") since its listing in 2007. Our safety performance in 2021 was once again materially below our five-year trailing average for LTIFR, and also continues below the same metric as recorded by Ferrexpo's iron ore producing peers in Western Australia[2], with further details provided on page 32.

Workforce wellbeing is a key area of focus to ensure that people are well looked after during the conflict, including the free provision of psychological support and on-site childcare facilities. In external recognition of our efforts in 2021, we were pleased to be recognised as one of the top four companies in Ukraine for family-friendly policies in a country-wide survey sponsored by the United Nations Population Fund. Further details are provided on page 41.

Addressing climate change

On carbon emissions, we are continuing to deliver reductions, with a 16% reduction in combined Scope 1 and 2 carbon emissions per tonne for a second successive year, with this decrease in 2021 driven by our clean

1. As at 21 April 2022.
2. Source: Government of Western Australia (link). Accessed April 2022.

power purchasing strategy, which helped to reduce Scope 2 emissions by 40% in 2021 on a per tonne basis. We did, however, record an 11% increase in Scope 1 emissions per tonne, which was driven by increased mining activity as we ramp up our Wave 1 Expansion activities, and reduced sunflower husk consumption in our pelletiser as we trial the production of our latest product, direct reduction pellets. This emphasises the need for us to advance our plans to electrify our mining activities – see page 29 on this work stream – and the importance of biofuels today, which will facilitate the transition away from natural gas in the future.

Through the result presented here for 2021, we have nominally achieved a 30% reduction in carbon emissions against our baseline year, which was the medium-term target set by the Group in 2021. This 30% target is the benchmark level set in the mining industry, and by achieving this goal, we can demonstrate where Ferrexpo is relative to its peer group in reducing emissions. From here, we intend to continue to reduce our emissions, and through our ongoing work with environmental consultants Ricardo plc ("Ricardo"), we plan to establish a bespoke pathway for Ferrexpo's net-zero ambitions. The Group's long-term emissions reduction target remains to be carbon neutral by 2050, and we look forward to reporting further on this when our work with Ricardo concludes later this year; further details of this project are provided on page 37. Further to our work with Ricardo, we understand the importance of external assurance of sustainability data, particularly given the prominence of these topics in stakeholder discussions. As a result, we are currently conducting an external assurance process with an independent consultant on our reporting of carbon emissions and safety data, with details of this project provided on page 34.

Promoting diversity and inclusion

Diversity, equity and inclusion ("DEI") is an area where we have recently increased our focus. In 2021, we appointed a dedicated DEI officer to further our understanding of our own workforce, and we also conducted our inaugural DEI survey. Gender diversity is a focus of a range of training programmes at our operations, from attracting women into atypical roles, to providing management training to women identified as high potential future leaders of our business as part of our "Fe_munity" women in leadership programme. We are proud of the progress made to date, with the proportion of women in management roles advancing to 20.1% in 2021 (2020: 18.2%).

Strong links to local communities

Since the development of Horishni Plavni in the 1960s for the original construction of the iron ore mining and processing operations, there has been a close association between the mine and the town. In 2022, we are set to celebrate 15 years since Ferrexpo's listing and we are proud of the support that we have been able to provide during this time. In March 2021, the Ferrexpo Charity Fund celebrated its tenth year, during which time the Group has directly assisted over 90 schools and other educational facilities, over 30 hospitals and related facilities, and direct aid to over 4,000 individuals requiring assistance, such as regular support packages or expensive medical operations. See pages 42 to 43 for more on our work with local communities.

Sustainable environments

At Ferrexpo, we understand the need for sustainable working practices. The Dnieper River runs close to our operations, and we have a number of projects to promote both biodiversity in the river and local community use on the river (see Case Study opposite). Furthermore, in 2021, we undertook a new phase of biodiversity mapping – looking at the species of plants, fungi and animals in our local ecosystems, and we expect to compile our first biodiversity monograph in 2022 following this project's work.

Sustainability is a broad topic however, and we regularly report our performance across more than 30 standards under the framework published by the Global Reporting Initiative, as part of our Responsible Business Reports (available at www.ferrexpo.com).

In conclusion, our efforts to mitigate the detrimental humanitarian effects of Russia's invasion of Ukraine are ongoing and have highlighted the need for a close and effective relationship with local communities to quickly deliver relevant support where it is needed. Despite the war, we are continuing to work on our Responsible Business activities, and I would like to thank our workforce for embracing the fundamental values of sustainability to help deliver this progress. Ferrexpo has strong credentials in sustainability and we look forward to updating the market on our progress in the year ahead.

Ann-Christin Andersen
Chair, HSEC Committee

CASE STUDY:

SUPPORTING LIFE ON AND IN THE DNIEPER RIVER

Ferrexpo and the Group's local communities are fortunate to be situated close to one of Europe's great rivers, the Dnieper River, which flows through Ukraine to the Black Sea and is more than two kilometres wide as it passes Ferrexpo's operations.

Whilst the Group does not operate in a region considered to be high risk for water stress (in accordance with the Water Resources Institute), the Group aims to reduce its water consumption regardless, and the Group is pleased to report a third consecutive year of materially lower water withdrawal from the local water supply network. Furthermore, the Group's processing plant regularly recycles 98% of water used in processing operations, minimising the impact of processing on the local water system.

To promote biodiversity, the Group is continuing its initiative to reintroduce native fish species to the Dnieper River, with this project winning a sustainability award at an award ceremony in Kyiv in December 2021 for helping implement the UN's Sustainable Development Goal 14 (Life Below Water). Further details of this project are available in the Group's Responsible Business Report.

With a healthy Dnieper River, local communities are able to utilise the river for sport and leisure. The Group is proud to support the local sailing club, which had four Olympians travel to the Tokyo Olympics in the summer of 2021 (with local canoeist Liudmyla Luzan, pictured above, winning two silver medals). The Group also regularly sponsors local and national dragon boat racing competitions on the river in Horishni Plavni, which is a popular sport within Ukraine.

Responsible Business

HEALTH AND SAFETY REVIEW

A successful mining company is one that delivers value for all stakeholders in a safe and sustainable manner. Following Russia's invasion of Ukraine in 2022, the Group's primary focus is the safety and wellbeing of its workforce, with the following a review of safety in 2021.

In recent years, the Group has seen significant progress in safety, with zero fatalities in 2021 (2020: 1) and a lost time injury frequency rate – a key benchmark of safety in the mining industry – continuing to remain below the Group's trailing five-year average. The Group also records a range of leading and lagging indicators of safety, aiming to encourage a culture of safety that requires an employer to identify risks before safety incidents occur, monitor near miss events and analyse incidents when they have occurred, to learn and improve.

Reviewing the safety indicators for 2021 shows an improvement in the majority of lagging indicators, demonstrating that progress is being made in instilling a safety-first culture throughout the Ferrexpo business. Of particular note is the ten-fold increase in hazard reporting in 2021, which is a reflection of the recent adoption of ISO 45001:2019. A number of leading indicators are, however, down against the level set in 2020, which is an area to monitor in the year ahead to ensure that the standards being set today are maintained. In recognition of the recent trend in road traffic incidents, the Group has commenced a process to test visitors' driving safety awareness before being permitted to drive between areas of plant and administrative buildings (mining areas being already subject to strict controls).

As part of the Group's newly announced 'Vision Zero' programme to reduce operational injuries and instances of occupational disease, the Group has introduced a range of new measures such as the installation of a new aspiration system to reduce particulate emissions in the pelletiser in 2021, which will have benefits for both improving working conditions as well as the environment.

As part of the Group's efforts to further develop its position on sustainability, an independent assurance process is being undertaken on the Group's safety data (LTIFR and TRIFR) for 2021 by an external consultant, which is expected to be completed later in 2022. Details of this assurance process are provided in the Case Study on page 34.

SAFETY INDICATORS 2020/21

	2021	2020	Change
Lagging indicators			
Fatalities[1]	0	1	-100%
Lost time injuries[1]	9	17	-47%
LTIFR[1]	0.41	0.79	-48%
TRIFR[2]	0.97	1.25	-22%
Near miss events[2]	5	7	-29%
Significant incidents[2]	12	17	-29%
Road traffic accidents[2]	43	31	+39%
Lost work days[2]	497	1,046	-52%
Leading indicators[2]			
HSE inspections	3,293	3,305	-0.4%
HSE meetings	1,165	1,528	-24%
HSE inductions	11,602	7,335	+58%
Training hours	11,786	14,755	-20%
Hazard reports	595	51	+1,067%
Management high visibility tours	124	131	-5%

1. Group-level indicators.
2. Ferrexpo's operations in Ukraine only.

Image: Training the next generation of operators through Ferrexpo's Dual Education programme, which has trained 61 students since 2019.

Image: *Natalia Storozh, Head of Safety at Ferrexpo's main operating entity, FPM.*

CASE STUDY:

INTERVIEW WITH NATALIA STOROZH, HEAD OF SAFETY AT FPM

Q: Health and safety is clearly an important department at Ferrexpo; how many people work in the safety department?

A: In total we have 72 people working in the safety department at Ferrexpo's operations in Ukraine, the equivalent of approximately 1 for every 100 employees across our operations.

Q: Since starting the role of Head of Safety at FPM in March 2021, what were the main safety projects implemented in 2021?

A: Safety projects often go hand in hand with modernisation of equipment, which comes with additional benefits such as improved productivity. Good examples of projects implemented include the installation of a stationary jib at the primary crusher, removing the need for operators to enter the crusher hoppers to break oversized ore, and the installation of a fully automated lathe in our workshops, both of which are projects that help to remove operators from hazardous areas. Safety projects range from improving signage – such as clearer demarcation of container storage areas – to the installation of six speed bumps on the main road entering our production facilities.

Q: Were there any particular departments that required a specific approach for establishing safety protocols?

A: Every area of our operations has a tailored approach to safety. A good example would be our maintenance workshops of the processing plant, where work is carried out at height and where a large number of contractors are involved. Here, we have a strong focus on risk assessments and safety training, given the higher concentration of contractors, to familiarise those working in maintenance with the identified risks.

Q: How often does the Safety Committee meet at site?

A: At FPM, Ferrexpo's main operating entity, we have a committee for labour protection, industrial safety and the environment, as well as a council board for labour protection, industrial safety and the environment of the plant. Meetings are held to help draw up measures aimed at improving working conditions, organising the safe performance of work, to eliminate inconsistencies and manage hazards and risks. During 2021, FPM's Safety Committee met four times at site.

Q: Which safety projects are planned for the coming year?

A: We have a number of projects that we are continuing to roll out from previous years, such as the tag-out lock-out system for isolating machinery during maintenance, as well as safety training programmes specifically for those working at height. In 2021, we obtained certification for our occupational health and safety management system under ISO 45001:2019 and we continue to update practices and introduce standards as part of this project. New projects for 2022 include the installation of additional traffic calming measures and the installation of a training simulator to help train operatives for working at height. Ultimately we are aiming to develop our own safety standard across the Group for operatives working at height.

To help further deliver safety improvements in the year ahead, we have developed the concept of "Vision Zero" to eliminate workplace injuries and occupational diseases, with efforts under way to raise awareness of this programme, such as the installation of 12 large billboards around our operational areas, as well as notices on internal communications channels.

Lost time injury frequency rate (2021)

0.41

Record-low full-year lost time injury frequency rate recorded since the Group's IPO in 2007 (2020: 0.79).

Responsible Business continued

CASE STUDY:

EXTERNAL ASSURANCE – PROVIDING TRUST IN SUSTAINABILITY PROGRESS

Ferrexpo recognises that a company's reporting around climate change is an important pillar on which stakeholders base their trust in a company. In order to build trust in Ferrexpo's performance on climate change reporting, the Group is in the process of undertaking an external assurance process (ISAE 3000) with an independent consultant, with the first year of this project looking at both reporting of data for carbon emissions and safety.

In terms of carbon reporting, the process will provide external assurance on the Group's Scope 1 (direct) and Scope 2 (indirect) emissions, as these are directly associated with the Group's pellet production facilities. Over time, the Group intends to provide assurance on a broader range of topics within sustainability.

The assurance process to date for the Group's carbon footprint has highlighted a number of minor amendments to the Group's calculation of its carbon footprint, amounting to an overall decrease in the Group's carbon footprint of 1% in absolute terms for 2020 and a 2% reduction on a unit basis for 2020. The full list of amendments raised through this process will be provided on the Group's website once this assurance process is completed, including the following amendments for the Group's 2020 data:

- Removal of steam from Scope 2 calculation, as this is generated from purchased natural gas and therefore previously double counted. (Net impact on 2020 data: -24kt CO_2e.)
- Increase carbon factor for nuclear power purchases from 5g to 12g per kilowatt-hour, aligning with World Nuclear Association[1] data. (Net impact on 2020 data: +2kt CO_2e.)
- Correction of factor for sunflower husks from 0.73kg/t to 0.073kg/t, bringing into line with other biofuels. (Net impact on 2021 data: -113kt CO_2e.)
- Inclusion of the Group's commercial concentrate sales of 183kt in calculating per tonne emissions.

***Image:** Sample testing at Ferrexpo's laboratory, to confirm the geological model ahead of ore mining activities.*

1. www.world-nuclear.org/information-library/energy-and-the-environment/carbon-dioxide-emissions-from-electricity.aspx

ENVIRONMENTAL REVIEW

Ferrexpo works closely with the natural environment, to minimise any impact and strive to improve as new technology becomes available.

The Group's interaction with the environment is encapsulated not just through carbon emissions, but also through other forms of emissions, energy use, water withdrawal and recycling, waste generation and biodiversity. These topics are covered in detail in the Group's Responsible Business Reports, which are published annually and available on the Group's website (www.ferrexpo.com).

Delivering progress on carbon

In 2021, the Group not only announced decarbonisation targets to frame its net-zero ambitions, but also engaged with environmental consultants Ricardo plc ("Ricardo") to further develop the Group's understanding and reporting around climate change. Further details of the Group's engagement with Ricardo are provided in the Case Study on page 37.

The Group continues to make progress in cutting its carbon footprint, delivering a 16% reduction in its Scope 1 and Scope 2 carbon emissions (CO_2e) per tonne in 2021. Details of this progress, as well as the Group's reporting under the TCFD, are provided on page 38.

Cutting water consumption

The Group typically interacts with water in two areas of its operations: (1) in mining, water ingress into the Group's open pits (groundwater and precipitation) is pumped out of mining areas and back into the natural environment ("dewatering"), and (2) in processing, water that is used to facilitate the processing of iron ore. Dewatering represented 95% of the Group's total water withdrawal in 2021, and the Group's activities in mining areas do not predominantly utilise this water (aside from dust suppression activities, which utilises the equivalent of 4% of dewatering volumes). Ferrexpo, however, maintains regular inspections of the quality of this water, monitoring 13 chemical elements at each operation and other attributes, to maintain standards, to ensure compliance with local laws and to ensure a minimal impact on the environment that this water is returned to. With water that is used in processing, the Group's processing plant and tailings facility acts as a closed loop, with water used to pump waste material to the tailings facility reclaimed and pumped back to the processing plant, resulting in 98% of process water being recycled by the Group's processing plant. The remaining 2% of water is lost through processes such as evaporation when green pellets are heated in the pelletiser or surface evaporation at the tailings facility.

Supporting local biodiversity

A key natural habitat located close to the Group's operations in Ukraine is the Dnieper River, one of Europe's largest rivers. As a consequence of domestic detergent use and fertiliser use in agriculture[1], this river faces frequent blooms of blue-green algae in the summer months, which are harmful to the river's ecosystem, as well as limiting local communities from using the river for recreation. Through an initiative launched in 2020, which was proposed internally by an employee, the Group is aiming to improve local conditions in the Dnieper River through the introduction of native species of fish that live off these algae and will help to balance the river's natural ecosystem. The Group is working with the Poltava Fish Conservation Patrol on this multi-year project, with the second phase of this project introducing two tonnes of local species (carp) into the river in November 2021.

Responsible waste management

The Group primarily produces waste through overburden removal in mining operations, and waste separated from iron ores during processing. In 2021, the Group's three mines stripped a combined 118 million tonnes of waste rock and sand (2020: 95 million tonnes), with this material stored locally in waste facilities designed by the Group's mining engineers and reviewed by local authorities. Waste mining activities increased in 2021, ahead of the Group's Wave 1 Expansion, with details of this project provided on page 28. Waste material from processing, referred to as tailings, increased by 6% to approximately 16 million tonnes, with approximately 40% of this waste subsequently recycled by the Group as other materials such as gravel for road construction.

Image: Ferrexpo supports biodiversity to help local communities to enjoy the river, with events such as dragon boat racing competitions.

1. Source: NASA (link).

Responsible Business continued

CLIMATE CHANGE

Scope 1 and Scope 2 emissions

The Group's Scope 1 (direct) and Scope 2 (indirect) emissions relate to the Group's controlled activities to produce and transport products to customers, and are shown in the table below. The Group has made significant progress in its efforts relating to climate change in 2021, with a combined 16% reduction in Scope 1 and 2 carbon emissions[1] in 2021.

The Group has therefore reduced its emissions by 30%[1] in the space of two years, and whilst this meets the Group's medium-term target of reducing emissions by 30% by 2030[1], Ferrexpo understands that progress in sustainability is only achieved through improvements that are maintained over a period of time. The Group therefore commits to continuing to sustain this level of reduction, and will look to publish more on its decarbonisation pathway once its work with Ricardo is completed – with this project designed to outline a bespoke, emissions reduction journey for the Group. See Case Study opposite for more information on this work stream.

The reduction in carbon emissions in 2021[1] has primarily been achieved through the Group's targeted power purchasing programme, driving the improvement in Scope 2 emissions, which has delivered a 40% reduction in this category[1]. Conversely, with increased mining volumes and reduced biofuel consumption in 2021, Scope 1 emissions per tonne rose by 11%[1]. The Group intends to continue to improve efficiencies in the consumption of diesel and natural gas, as well as increase biofuel consumption, along with the various decarbonisation projects outlined in the Case Study on page 29.

The Group calculates its carbon footprint via the application of carbon factors supplied by the Greenhouse Gas Protocol (https://ghgprotocol.org/), in line with guidance provided by the Global Reporting Initiative, which is the framework that the Group uses to publish its annual Responsible Business Reports. The carbon factors supplied by this initiative are combined with consumption data for the Group's activities at its mining, processing and logistics subsidiaries, including the Group's consumption of diesel, natural gas, gasoil and electricity, which collectively accounted for 98% of the Group's Scope 1 and 2 emissions in 2021 (2020: 98%). Using the factors provided by the Greenhouse Gas Protocol, the Group is able to incorporate a range of greenhouse gases into its calculation to generate a carbon-equivalent figure. Gases included in this calculation are as follows: carbon dioxide, methane and nitrous oxide.

Scope 3 emissions

The Group's Scope 3 (value chain) emissions relate to the upstream and downstream emissions related to the Group's activities, and over 90% of which are related to the conversion of iron ore to steel. The Group's understanding of its Scope 3 emissions continues to develop through the Group's ongoing engagement with Ricardo. Furthermore, following the Group's increased focus on direct reduction pellets, the Group has engaged independent consultants CRU to provide an emissions factor specific to this pellet type, with this work summarised in the Case Study on page 10. As a result of this work, the Group can disclose that its Scope 3 emissions footprint was 1.28tCO_2/t in 2021 (2020[2]: 1.29tCO_2/t), with this 1% reduction related to the Group's increasing production of direct reduction pellets.

	2021	2020[3]	Change
Emissions (CO_2e, kilotonnes)			
– Scope 1	**649**	580	+12%
– Scope 2	**404**	675	-40%
– Combined	**1,053**	1,255	-16%
Footprint (CO_2e kg/t)			
– Scope 1	**57**	51	+11%
– Scope 2	**35**	59	-40%
– Combined	**92**	110	-16%
Biofuels (tonnes CO_2)	**10**	13	-24%
Energy consumption (kWh)	**5,489,232,550**	5,142,974,253[3]	+7%

1. Scope 1 and 2 emissions on a per tonne basis, carbon dioxide equivalent basis.
2. Adjusted versus 2020 Annual Report as a result of the review by Ricardo, see page 37 for more details.
3. Adjusted versus 2020 Annual Report as a result of the ongoing external assurance process, see page 34 for more details.

Cutting carbon: targets

The Group understands the importance of climate change, and for stakeholders to understand a company's long-term ambitions in respect of climate change. In recognition of this, the Group announced its inaugural carbon reduction targets for Scope 1 and Scope 2 emissions in October 2021, primarily designed to show a clear ambition of achieving net zero carbon emissions by 2050 and to align the Group with its peer group in terms of the trajectory to achieve this net zero goal, through a 30% reduction in carbon emissions by 2030 on a per tonne basis. Through announcing inaugural targets, the Group is aligned with its peer group, but the Group also understands the importance of setting goals that are specific to a company's operations; for more on this work stream, please see the Case Study on Ricardo opposite.

The capital investment required to decarbonise the Group's activities is a key aspect of the Group's ongoing collaboration with Ricardo, and the results of this work stream are expected to be published later in 2022.

The Group is also developing its understanding of Scope 3 emissions and as outlined in the Case Study on page 10, the Group can reduce its Scope 3 emissions through the gradual increase in output of its higher grade direct reduction pellets. Since direct reduction pellets are processed by steelmakers using a combination of natural gas and electricity to produce steel, these pellets have a 49% lower carbon footprint than the Group's blast furnace pellets. The Group intends to develop its forward thinking around reducing Scope 3 emissions as the Group's understanding of producing this pellet type increases over time.

Improving energy efficiency

The Group understands the importance of reducing its energy consumption over time, and is implementing a series of energy efficiency projects across its operations. The Group's energy consumption mirrors the Group's carbon emissions, with natural gas, electricity and diesel the key drivers for energy consumption. As a result of a 21% increase in mining activities and a 5% increase in ore tonnes processed, total energy consumption increased by 7% in 2021, as shown in the table opposite.

Image: *Since 2015 Ferrexpo has taken advantage of Ukraine's sizeable sunflower oil industry to use sunflower husks as a biofuel in the Group's pelletiser.*

CASE STUDY:

RICARDO: A NEW PHASE OF CLIMATE CHANGE REPORTING FOR FERREXPO

In October 2021, alongside inaugural decarbonisation targets, Ferrexpo announced its collaboration with Ricardo plc ("Ricardo") to produce the next phase of climate change reporting for the Group. Through working with Ricardo, Ferrexpo aims to further develop its forward-looking understanding around climate change, to develop a bespoke understanding of the Group's pathway to net-zero emissions and a clear picture on the role of iron ore pellets in the decarbonisation of the global steel industry. This project is specifically looking at the modules shown opposite.

- **Module 1: Government legislation – risks and opportunities.** Looking primarily at the jurisdictions into which Ferrexpo sells its pellets, this module focuses on the changing regulatory framework. Through this work stream the Group intends to gain a better understanding of the likely decarbonisation pathways ahead in each of the jurisdictions into which the Group sells its products.
- **Module 2: TCFD reporting.** The group has disclosed under TCFD since 2019 and with the help of Ricardo the Group will present more detailed climate change scenario analysis. This will provide more in-depth insight to understand the risks and opportunities for the group and inform future strategy.
- **Module 3: Pathway to net-zero carbon emissions.** The Group has established a net-zero ambition with its inaugural targets announced in October 2021, and with the help of Ricardo, the Group hopes to advance this process and identify a bespoke pathway for the Group's emissions.
- **Module 4: Life cycle analysis.** Looking at Ferrexpo's role in the circular economy, this module aims to outline how pellets have a lower environmental impact beyond Ferrexpo's own operations than other forms of iron ore. For example, Ferrexpo's higher grade iron ore pellets are typically used to make higher grade forms of steel, which in turn are more likely to be recycled, lowering the environmental footprint of this type of steel.

Through a clear understanding of Ferrexpo's future pathway, the Group expects to be able to present a further level of detail on climate change than has been previously published by the Group. It is expected that the Group will be in a position to present the results of its collaboration with Ricardo in its next Responsible Business Report, to be published later in 2022.

Responsible Business continued

TCFD REPORTING

The Group is proud to support the Task Force on Climate-Related Financial Disclosures ("TCFD"), which is designed to help companies provide clear reporting for stakeholders on climate change.

Topics reported by the Group in accordance with TCFD are provided in the table opposite.

Ferrexpo understands that climate change presents the Group with a range of risks and opportunities, and these are presented in detail in the Group's Responsible Business Report for 2020 (pages 48 to 52). In addition, Principal Risks relating to climate change are outlined on page 71 of this report.

In respect of climate change scenario planning, the Group is working with Ricardo to conduct a detailed modelling exercise of a range of climate change scenarios – further details of this work stream are provided in the Case Study on page 37. Ahead of the conclusion of this process with Ricardo, the Group has completed a qualitative review of two potential climate scenarios, which are as follows:

- 2°C scenario (Paris Agreement), with an associated increase in government regulation compared to today. Under this scenario, the Group expects carbon pricing in Ukraine to increase to align with pricing envisaged under the Paris Agreement (US$50-100/t). Based on the Group's Scope 1 and 2 emissions, this would equate to an additional C1 cash cost of production[A] of between US$5 and US$9 per tonne directly relating to carbon costs. In addition, the Group expects that the cost of electricity in Ukraine will increase during the transition to renewables.
- +3°C scenario, whereby a lack of legislative action results in increased physical effects of climate change, such as increased water stress, as forecast by US Aid's projections for Eastern Europe, which envisages prolonged periods of drought. The Group uses water throughout its operations, in the form of dust suppression in mining operations and in the wet processing of ores to separate contained iron from waste material. Any restriction on water use would potentially require additional capital investment to adjust existing mining practices and reconfigure the Group's ore processing flow sheet.

The Group is currently conducting a process with environmental consultants Ricardo that is reviewing three different climate change scenarios and the Group will publish the results of this climate change modelling following the conclusion of this process later in 2022.

Climate change risks

In respect of climate change, the Group considers this to be a Principal Risk, and details of this are provided on page 71 of this report. The Group also considers that climate change poses opportunities to the Group as well as risks, since the Group produces a form of iron ore that is known to reduce emissions for steelmakers when used instead of more commonly traded forms of iron ore. A full breakdown of the Group's approach to climate change risks and opportunities is presented on pages 48 to 52 of the Group's Responsible Business Report for 2020, which is available on the Group's website (www.ferrexpo.com).

Climate change represents both a material risk and opportunity to the Group in how it is shaping the global steel industry, as described in the Market Review section (Green Steel) on page 15. In response to this global trend towards lower emissions steelmaking, the Group has commenced production of higher grade (67% Fe) direct reduction iron ore pellets, which are used in lower carbon forms of steelmaking – see the Case Study on page 10 of this report for more information. The transition to producing direct reduction pellets will be led by market factors as the Group's customers pivot to production processes that will require the use of this pellet type. In order to produce greater volumes of direct reduction pellets, the Group is investing in its operations to increase capacity and operational flexibility, as described in the Growth Plans section of this report (page 28).

The Group is investing in reducing its greenhouse gas emissions throughout its business. The Group is undertaking a range of projects to decarbonise its mining operations, with diesel consumption from mining representing 40% of the Group's Scope 1 emissions in 2021 (2020: 40%), and an overview of these projects is provided on page 29 of this report.

The Group has been utilising biofuels (sunflower husks) as a partial substitute for natural gas consumption in its pelletiser since 2015, with this activity having the benefit of reducing the Group's Scope 1 emissions as well as reducing the Group's exposure to the availability and pricing of natural gas. In 2021, the Group substituted 18% of the pelletiser's energy requirements with sunflower husks (2020: 25%), with this level of consumption expected to increase in future years as the Group's understanding of producing direct reduction pellets increases.

In 2020, the Group commenced a clean power purchasing programme, aimed at utilising new legislation in Ukraine that enabled the purchase of electricity from selected producers. As a result of this programme, the Group reduced its Scope 2 emissions footprint on a per tonne basis by 40% in 2021 (see page 36 for more details).

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

In line with the current UK listing Rules requirements, we have included climate related financial disclosures consistent with the four TCFD pillars and 11 recommended disclosures. The table opposite provides a summary of the Group's climate-related financial disclosures, with these disclosures intended to be in accordance with the recommendations by the TCFD. The location of further information regarding the Group's climate change disclosures is presented in the table opposite as well as in the Group's Responsible Business Reports, which are available at the Group's website (www.ferrexpo.com).

Throughout the year, Ferrexpo has made a number of steps to progress its reporting of climate change topics in order to fully comply with TCFD recommended disclosures. Where full compliance is yet possible, disclosure is included as to the various work streams that are underway to facilitate full compliance.

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 71 of this report, alongside risk mitigation actions. The risks and opportunities relating to climate change and their effect on the Group's operations are outlined in detail in the Group's Responsible Business Report, which is available on the Group's website. These include transition risks and physical risks associated with the transition to a lower carbon economy. The time horizon for these risks and opportunities to emerge are also described being short-term (less than 2 years), medium-term or long-term (greater than 10 years). The Group's Risk Management Process is outlined on page 54 of this report.
Impact on the Ferrexpo business, strategy and financial planning	The Group has incorporated climate change into its strategic planning and is currently pivoting its production base towards direct reduction pellets as a consequence of this process, as discussed on page 10 (Case Study: The Importance of Iron Ore Pellets) and page 15 (Market Review, Future Trends: Green Steel). The Group has incorporated climate change into its financial modelling through the establishment of an internal cost of carbon, which has been used when evaluating capital investment projects during the year. Please see the Corporate Governance Report (page 88) and Principal Risks Section (pages 56 to 72) for more information on the Group's approach to evaluating the impact of climate change on its business.
Resilience based on climate change scenarios	The Group is conducting a detailed climate change modelling exercise with environmental consultants Ricardo, which is a process that is expected to complete later in 2022. The Group has conducted scenario analysis as presented in this report based on two climate change scenarios – see page 38 for more details.

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 change are on page 88. The HSEC Committee has been delegated management of climate change risk, 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 Chair of the HSEC Committee, which met four times during the year 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	The Board is accountable for the long-term stewardship of the group. The Board has delegated oversight of climate change related activities to the HSEC Committee. 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 typically meets ten times a year. 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 54 to 55 of this report.

Risk management	
Processes for identifying, assessing and managing 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 56 to 72, with climate change identified as a Principal Risk and detailed on page 71 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.
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 54.

Metrics and targets	
Metrics used to assess climate-related risks and opportunities	Ferrexpo's approach to managing its performance with respect to climate change is to fully integrate climate change into the Group's overarching strategy to grow production of direct reduction pellets, which have a lower Scope 3 footprint for the Group, as well as decarbonise the key elements of the Group's production process, with consumption of diesel, electricity and natural gas collectively accounting for 90% of the Group's Scope 1 and 2 emissions. Details of projects to reduce consumption of each of these consumables are provided on pages 29 and 38.
Greenhouse gas emissions	Details of the Group's Scope 1, 2 and 3 emissions are provided on page 36 of this report.
Targets	Details of the Group's targets for reducing Scope 1 and 2 emissions are provided on page 36 of this report. Approximately 90% of the Group's Scope 3 emissions relate to the conversion of the Group's products to steel, with the emissions from this process primarily governed by the type of iron ore pellet that the Group produced – see the Case Study on page 10 for more information. The Group will be in a position to establish Scope 3 emissions targets once its technical understanding of producing direct reduction pellets has been further established.

Responsible Business continued

WORKFORCE DEVELOPMENT AND INCLUSION

Ferrexpo's workforce comprises over 10,000 employees and contractors, making it one of the largest employers in the region.

Image: *Ferrexpo strives to promote female participation in atypical roles. Pictured here is welder Oksana Kisilyova, who works at Ferrexpo Poltava Mining.*

Through the Group's employee engagement initiatives, and through providing training and development, the Group aims to foster a positive and inclusive culture within its organisation.

Training and development

With an employee workforce of over 5,000 men and over 2,000 women, the Group is a substantial employer in central Ukraine, with the Group accounting for 4% of Ukraine's export revenues in 2021 (2020: 3%). The Group has a long-held belief that it can only deliver strong financial results through a close relationship with its workforce, which can only be fostered through a strong programme for workforce development. During the year, the Group held 6,442 training courses for employees (2020: 6,863), with a further 931 training courses provided to contractors (2020: 490). The focus of this training remains primarily safety and skills training, with 99% of Ferrexpo's employees having an annual training and development review in 2021 (2020: 86%).

Employee wellbeing

Over the course of the past year the Group has increased its focus on the health and wellbeing of its workforce with the continuation of the global Covid-19 pandemic in 2021. Ferrexpo understands that as a responsible employer, the Group's interaction with its workforce goes beyond basic safety, and through this approach, the Group intends to foster a constructive and positive working environment.

A positive culture is achieved through projects such as the Employee Wellbeing Programme, which provides training on soft skills such as courses to help people identify the signs of burnout as well as training in financial literacy, to provide people with the tools required for managing the stresses of modern life, which have been magnified by the global pandemic. As an example of the work carried out in this area, the Group has recently worked to instil a culture at its operations of not contacting colleagues for work reasons after hours or at weekends, to establish a strong work-life balance for the Group's workforce in Ukraine.

Diversity, equity and inclusion

The development of the initiatives outlined here has been the product of the Group appointing a Diversity, Equity and Inclusion ("DEI") Officer in 2021, and the Group's inaugural DEI survey, gathering responses from over 600 employees to help establish a 360-degree DEI strategy and promote equal opportunities for all employees going forward.

A new programme to promote inclusivity amongst different age groups was launched in May 2021 with the Group's "STEM Streamers" programme, which attracted 90 local students aged 14-18 from local schools. Children were invited to participate in a one-day workshop event consisting of interactive talks and activities to promote inclusivity, gender equality, and tackling stereotypes within society. Other events in the same month included Ferrexpo representatives participating in a panel discussion on diversity and inclusion at the People Management Conference, held in Kyiv in May 2021, as well as events held at schools in Ferrexpo's local communities.

It is a legal requirement in Ukraine for companies of Ferrexpo's size to ensure that 4% of their workforces in Ukraine are registered as disabled, with this regulation deliberately designed to aid those with disabilities. Ferrexpo is proud to adhere to this legislation, with 4.4% of employees in Ukraine having a registered disability in 2021 (2020: 4.3%).

Local recruitment for sustainable communities

Ferrexpo benefits from having a location close to well-established communities, with strong educational facilities for providing high calibre individuals to work at its operations. In 2021, the Group was able to source 96% of new recruits from local communities (2020: 85%). In management roles, the same trend is also evident, with 84% of newly recruited managers coming from local communities (2020: 60%).

The Group regularly recruits apprentices and provides bursaries to students to plan for the future, with a total of 98 sponsored learners in 2021 (2020: 135). Through the "Dual Education" programme, the Group offers opportunities to students wishing to learn practical, on-the-job skills, whilst continuing their educational studies. This programme alone has helped 62 local students begin their careers with Ferrexpo since 2019.

Image: Ferrexpo representatives collect the award for Diversity and Inclusion at the HR Pro Awards in Kyiv (November 2021).

CASE STUDY:

PROMOTING DIVERSITY THROUGH LEADERSHIP

Given Ferrexpo's heritage and location in Ukraine, the Group is able to call upon a highly skilled female population for roles throughout its business. As of 31 December 2021, three of the Group's eight directors were female (37%), and the Group's Executive Committee ("Exco") consists of five males. Of the 43 individuals reporting to the Exco, the number of females in this group rose to nine in 2021 (representing 20.9%) from seven in 2020 (representing 17.9%).

Workforce diversity

29.2%

Gender diversity in Ferrexpo's employee workforce in 2021 (2020: 29.2%).

Diversity in management roles

20.1%

Women account for 20.1% of Ferrexpo's management roles in 2021 (2020: 18.2%).

"Fe_munity" women in leadership programme

Started in 2020, the "Fe_munity" programme is a series of training modules for high performing female employees within Ferrexpo to receive training on a range of topics, from business topics such as leadership and negotiation, to soft skills for developing business networks. The goal of this programme is to help identify and fast track the careers of high potential individuals, to help improve gender diversity throughout the management structure of the Ferrexpo business.

Launched in 2020 with an intake of 72 women, the Group welcomed its second intake of 86 participants in 2021, with Non-executive Directors Ann-Christin Andersen and Fiona MacAulay hosting the opening session in Horishni Plavni in September 2021.

The Group is already seeing the benefits of this programme, with women in management roles across the Ferrexpo Group increasing by 11% in 2021, rising to represent 20.1% of the Group's total management roles (2020: 18.2%), which underscores the role of dedicated diversity projects such as Fe_munity.

External recognition in 2021

Further to the gains being witnessed internally within Ferrexpo's workforce, the Group has received external recognition for its efforts in promoting diversity and inclusion within its workforce. In November 2021, the Group won the award for Diversity and Inclusion at the HR Pro Awards in Kyiv (see picture above), which is an award ceremony that promotes the achievements of the companies that are contributing to raising the level of professional practices in Ukraine. In the diversity category, Ferrexpo received recognition of its diversity efforts from a panel of 30 leading representatives of the human resources community in Ukraine from across 15 industries.

In addition, the Group was recognised in 2021 by a study initiated by the United Nations Population Fund, which surveyed 50 companies across 16 sectors within Ukraine. Reviewing family-friendly policies, such as the Group's approach to offering parental benefits equally between men and women, this study placed Ferrexpo in the top four for family-friendly companies in Ukraine.

Responsible Business continued

COMMUNITY SUPPORT AND ENGAGEMENT

Russia's invasion of Ukraine in 2022 has emphasised the importance of working with local communities, to help communities during this humanitarian crisis.

Russia-Ukraine war (2022)

Following Russia's invasion of Ukraine in February 2022, the Group has moved to support both its local communities and communities across Ukraine, through a dedicated Humanitarian Fund with an approved US$12.5 million of funding. Through this fund, the Group is able to coordinate its response to the humanitarian needs of Ukraine both quickly and effectively. Numerous projects have been approved through this fund, with details available on the Group's website (www.ferrexpo.com/responsibility/humanitarian-projects) and recent press releases.

Community support in 2021

In March 2021, the Ferrexpo Charity Fund, through which the Group conducts its engagement activities in its local communities surrounding its operations, celebrated its tenth anniversary. The Group aims to support local schools, hospitals, cultural centres and other public institutions, as well as providing direct support to individuals in the form of care packages for the vulnerable and funding for medical procedures that are not available in local facilities. The Group also sees sports and recreation as a key aspect of both its community engagement activities as well as employee wellbeing initiatives. As a result, the Group has a strong focus on supporting local teams and local sports facilities, helping to facilitate local sporting events and sponsoring local sports men and women to compete at national and international competitions – see the Case Study opposite for more information on this area of engagement. The Group is proud of the five local athletes that participated in the Tokyo Olympics in the summer of 2021 – quite an achievement for a city of only 50,000 people!

Funding of community projects increased by 63% to UAH153 million in 2021 (equivalent of US$6 million), reflecting the strong operating performance of the Group, and therefore the Group's ability to reach a broader range of local stakeholders. In addition, the Group financed UAH24 million (equivalent to approximately US$1 million) of expenditures through the Group's Covid-19 Response Fund, which primarily focused on meeting the needs of local hospitals with equipment for the treatment of conditions that are more prevalent as a consequence of Covid-19 infections, such as respirators and x-ray equipment for diagnosing respiratory conditions, as well as continuing the supply of personal protective equipment for hospital workers.

As part of its community engagement strategy, Ferrexpo aims to support Ukrainian cultural events, to preserve Ukrainian culture in local communities as well as to promote Ukrainian culture overseas. Locally, the Group continues to assist the Palace of Culture in Horishni Plavni, which is a significant resource in recording local history and culture in Ferrexpo's local communities. The Group also sponsored the exhibition of art by local artist Ivan Dryapachenko, along with the installation of a statue in commemoration of the artist in his home village of Vasylivka. In September 2021, Ferrexpo had the honour of being able to sponsor the Ukrainian Ballet Gala in its performance of "Innovation" at the Sadleres Wells Theatre, London, which was an event attended by over 1,400 people, including the Ukrainian Ambassador to the UK and guests invited through the Ukrainian Embassy in London. Ferrexpo also sponsored the Ukrainian Investment Roadshow in London in December 2021, an event aimed at highlighting Ukraine's investment potential. In December 2021, Ferrexpo celebrated the 50th anniversary of the twinning of the Japanese city of Kyoto and Kyiv with a tree-planting ceremony in Kyoto.

Additional local community support projects completed in 2021 included the purchase of a car for the family doctor covering local communities in the Pryshyb region, the supply of medical equipment to the outpatient clinic in Pyrogy village, sponsorship of local football team "Geologiya" and refurbishment work of community and cultural centres in Nova Galeschyna.

To understand more about Ferrexpo's community support work, please see the Group's website (www.ferrexpo.com/what-we-do/projects-map/).

Image: Children at the local youth Camp 'Horyzont', which Ferrexpo has supported for more than ten years.

CASE STUDY:

PROMOTING SPORT FOR THE HEALTH AND WELLBEING OF LOCAL COMMUNITIES

The Group continued to support a number of sporting activities in 2021, to promote healthy and balanced lifestyles amongst local community members, with well-documented benefits to both individuals and communities alike.

Ferrexpo has long supported the local football club "Girnyk-Sport" in the city of Horishni Plavni, and, in 2021, the Group was pleased to help the club in establishing its first women's teams within its structure, in accordance with recent efforts made on a national level to promote women's sports in Ukraine, and the club is now recruiting female players born between 2011 and 2017 for these newly established teams. Furthermore, Girnyk-Sport has already established mixed-gender teams that compete in local and national competitions.

The Group is also proud to sponsor the local football team "Geologiya Sport Club", who were successful in winning a number of regional and national competitions in Ukraine – including the Dnipro Cup, Odessa Open Cup and Energy Cup championships.

Away from football, the Group promotes a range of activities in local communities, including the Group's support for the local rowing club, which hosts a number of local athletes that have represented Ukraine at Olympic, World and European championships. The Group is also proud to help Horishni Plavni host local and national dragon boat competitions on the River Dnieper, which is a popular sport in Ukraine.

The Group has long held a close association with the local summer camp "Horyzont", pictured opposite, which hosts local schoolchildren during the summer months and aims to promote healthy lifestyles. The Group provided UAH1 million (approximately US$35,000) of funding for this project in 2021 and this represents a relationship that has existed for over ten years.

Ferrexpo also helps support the local chess club in the local community of Horishni Plavni, which was recently renovated with assistance from Ferrexpo.

Responsible Business continued

CORPORATE GOVERNANCE

Ferrexpo understands the importance of good corporate governance for transparency and building trust with stakeholders. In 2021, the Group has continued to strengthen its approach to corporate governance throughout its organisation, from its Board of Directors to training programmes for operators in Ukraine.

Board structure and appointments

The Board understands the need for a balanced and effective Board and senior leadership team, in order to operate a successful business model. As the Group develops as a business, and aligns itself towards a new phase of growth, changes have been made within the Board and senior leadership team to reflect this changing environment.

As of early 2022, the Group appointed Jim North as CEO on a permanent basis, reflecting Mr North's successful period as Interim CEO, with Mr North already appointed as an Executive Director. In February 2022, Fiona MacAulay was appointed as Senior Independent Director, meeting a target outlined by the FCA's recent consultation on Board Diversity and Inclusion. In March 2021, a further Independent Non-executive Director – Ann-Christin Andersen – was added to the Board. In December 2021, Natalie Polischuk was appointed as an Independent Non-executive Director, who is an economist based in Kyiv, Ukraine.

The above appointments have served to increase the number of Independent Non-executive Directors to five out of eight Board positions. Further details of the steps made to enhance corporate governance procedures in 2021 can be found in the Corporate Governance Report on pages 76 to 93.

Hampton-Alexander Review

The Hampton-Alexander Review is an independent review that was established to ensure that talented women at the top of business are recognised, promoted and rewarded, with a particular focus on female representation on FTSE Boards and women in senior leadership roles. As a result of this work, the Hampton-Alexander Review recommends that companies listed within the FTSE 350 have at least 33% female representation at the Board level, as well as 33% representation at the senior leadership level and those reporting directly into senior leaders. As a result of the appointments of Ms Andersen and Ms Polischuk in 2021, the Group now has 38% female representation on its Board, meeting this requirement. The same review also recommends that women are promoted into senior roles such as the Chair, Senior Independent Director and Executive Director, and the Group now has a female in one of these roles. The Group is also focusing on increasing diversity further down its organisational structure; further details of this work can be found on pages 40 to 41, and in the Corporate Governance Report on pages 100 to 105.

Corporate governance controls

The Group continues to strengthen its internal corporate governance controls and adapt its processes, further details of which are presented in the Corporate Governance Report (pages 76 to 133). Furthermore, the Group bolstered its advisory set-up in January 2021 through the appointment of financial advisors Liberum, who act to advise both the Board and executive management team on corporate matters. In addition, BDO LLP was appointed in early 2021 as the Group's Sponsor in accordance with the Listing Rules to provide advice and guidance on certain corporate matters as required.

Stakeholder engagement

The Group's engagement with its stakeholders is summarised in the Business Model (pages 16 to 17, and in more detail on pages 46 to 49). Highlights of stakeholder engagement activities during 2021 include the hosting of a number of shareholder and analyst events in London with the assistance of the Group's advisors Liberum Capital, the employee engagement forum held at site in September 2021, and the Group's Family Day in July 2021 for engaging directly with local communities in Ukraine. The Group is actively working to increase its engagement with a broader range of stakeholder groups, in order to understand stakeholder needs and communicate effectively on a range of topics. The Group intends to further broaden its engagement with its stakeholders in the year ahead, working with its advisors in London and Kyiv to achieve this goal.

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 the Group's 2020 Annual Report and Accounts, the Committee of Independent Directors ("CID") has previously 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 Kostyantin Zhevago and his associated entities, which are required to be executed by 31 July 2022. As of the date of this Annual Report and Accounts, the CID understands that these arrangements have not yet 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 2020 available on the Group's website and the report for 2021 expected to be released in the coming months.

Reporting requirements	Policies and standards	Additional information	Risks
Environmental	– Tailings Management	Greenhouse gas emissions (pages 35-36) Energy consumption (page 36) www.ferrexpo.com/responsibility/protecting-environments/	Principal risks, pages 56-72
Employees	– Ethics and Responsible Business Policy – Code of Conduct – Health and Safety Policy	Health and safety (pages 32-33) Learning and development (pages 40-41) Diversity, equity and inclusion (pages 40-41) www.ferrexpo.com/responsibility/workforce-development/ www.ferrexpo.com/responsibility/safety-performance/	Principal risks, pages 56-72
Human rights	– Human Rights Policy – Data Privacy Policy – Anti-Slavery and Trafficking Statement – Information Security	Diversity, equity and inclusion (pages 40-41) Ferrexpo Code of Conduct www.ferrexpo.com/about-ferrexpo/corporate-governance/policies-and-standards	Principal risks, pages 56-72
Social matters	– Donations Policy – Community Policy	Chair's Statement (pages 2-3) Social engagement (pages 42-43) www.ferrexpo.com/responsibility/supporting-communities/ www.ferrexpo.com/responsibility/stakeholder-engagement/	Principal risks, pages 56-72
Anti-corruption and anti-bribery	– Anti-Bribery Policy – Anti-Money Laundering and Counter Terrorist Financing Policy – Fraud Risk Management – Whistleblowing Policy	Chair's Statement (pages 2-3) Governance (page 44) Governance Report (pages 76 to 133) www.ferrexpo.com/about-ferrexpo/corporate-governance/policies-and-standards/ www.ferrexpo.com/whistleblowing/	Principal risks, pages 56-72
Principal risks and impact on business activities		Business model (pages 16-17) Risk management (pages 54-55) Viability Statement (pages 73-75) Going Concern Statement (page 131)	Principal risks, pages 56-72
Non-financial KPIs		Key Performance Indicators (pages 20-21)	

Image: *Ferrexpo is proud of its 20 years of collaboration with local partner Zeppelin, which has trained over 200 local engineers and maintainers to provide maintenance of the Group's Caterpillar mining equipment.*

Review of Stakeholder Engagement Activities

EMPLOYEES AND CONTRACTORS

Engagement activity in 2021

- 2021 employee engagement survey.
- Training and development.
- Annual performance reviews.
- Engagement via Labour Council.
- Compliance efforts and Integrity Line.
- Board workforce engagement session.

Reasons behind engagement

- To foster a strong corporate culture.
- To promote workforce development and alignment with corporate values.
- To promote good corporate governance.

What matters most

- Safe production.
- Employee wellbeing.
- Workforce development.
- A diverse and inclusive working environment.
- Fair pay.

The Group's response

- Fatality-free operations in 2021.
- Injury rates of 0.41 per million hours, materially below the Group's historical average.
- Training department providing 6,442 courses in 2021.

How quality of engagement is assessed

- Performance of safety metrics relative to peers and Ferrexpo's historical performance.
- Strong working relationship with unions at operations in Ukraine.
- Increasing levels of diversity within all levels of workforce.

Further plans for engaging in 2022

- Maintain safety and support individuals' wellbeing during Russia's war with Ukraine.
- Employee engagement survey.
- Continued workforce development.
- Programmes to further increase workforce diversity.

CUSTOMERS

Engagement activity in 2021

- Relationship management, adapting in an environment whereby Covid-19 limits face-to-face interactions.
- Continuous dialogue with customers around each shipment, particularly for new relationships and new products.
- Contract negotiations for long-term contracts.

Reasons behind engagement

- To develop strong, long-term relationships that are mutually beneficial.
- To promote sustainability throughout the value chain.

What matters most

- High quality products.
- Consistent product quality.
- Sustainability throughout the value chain.

The Group's response

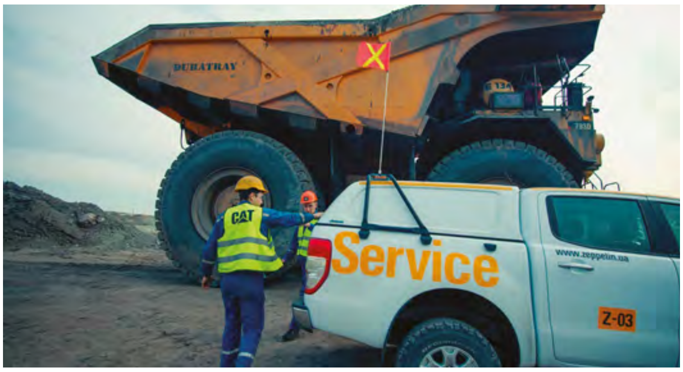
- Regular discussions between the Group's representatives and customers.
- Effective communication between Ferrexpo's marketing and operations teams.

How quality of engagement is assessed

- Longevity of customer relationships.
- High proportion of sales under long-term contracts (2021: 97%).

Further plans for engaging in 2022

- Continue relationships with long-term customers.
- Continue to maintain consistent and high quality supply of products.
- Continue to publish clear and comprehensive sustainability information in Responsible Business Reports.



SUPPLIERS

Engagement activity in 2021

- Relationship management.
- Regular feedback.
- Contract negotiations.

Reasons behind engagement

- To develop mutually beneficial, long-term relationships, supporting the Group's operations.
- To promote sustainability throughout the value chain.

What matters most

- High quality goods and services.
- High standards of employee welfare throughout the Group's supply chain.
- Sustainability throughout the value chain.
- Good corporate governance.

The Group's response

- Where possible, goods and services are sourced from local providers. The Group typically sources over 85% of goods and services from providers within Ukraine.
- 95% of contracts signed refer to Code of Conduct for Suppliers (2020: 87%).

How quality of engagement is assessed

- Adoption of Code of Conduct for Suppliers.
- Reports to the Group's Integrity Line, maintaining good corporate governance standards.

Further plans for engaging in 2022

- Maintain supplier relationships during the Russian invasion of Ukraine.
- Maintain high level of goods and services from local providers.
- Further adoption of Ferrexpo's Code of Conduct for Suppliers.

COMMUNITIES

Engagement activity in 2021

- Regular and consistent engagement provided directly through the Group's operating entities or Ferrexpo Charity Fund.
- The Group's Covid-19 Response Fund, with US$3.5 million of approved funding.

Reasons behind engagement

- A strong and healthy link with local communities is essential for sustainable production and executing future growth plans.

What matters most

- High levels of local employment.
- High level of engagement with local businesses.
- Engagement with local authorities and local groups to provide direct support where it is needed.

The Group's response

- Over 98% of employees from Ukraine, with majority based in local communities.
- The Group typically sources over 85% of goods and services from Ukrainian companies.
- Including Covid-19 support, UAH177 million of funding for local communities (2020: UAH158 million).

How quality of engagement is assessed

- Direct feedback through community support officers.
- Quarterly town hall meetings with General Directors.

Further plans for engaging in 2022

- Humanitarian Fund with US$12.5 million of approved funding (as of 21 April 2022).
- Focus on humanitarian assistance in 2022 in response to the Russian invasion of Ukraine.
- Employee engagement survey.

Review of Stakeholder Engagement Activities continued

ENVIRONMENT

Engagement activity in 2021

- Emissions reduction programme.
- Water recycling and initiatives to reduce water consumption.
- Biodiversity baseline studies.
- Waste recycling programme.

Reasons behind engagement

- A healthy natural ecosystem is essential for sustainable production.
- Strong environmental credentials positively influence all stakeholder groups, with the opposite also applicable.

What matters most

- Producing iron ore products that facilitates overall emissions reductions in the global steel value chain.
- Emissions reductions at operations (direct and indirect emissions).
- Reduced environmental footprint.

The Group's response

- 16% reduction in carbon emissions per tonne in 2021 (Scope 1 and 2 basis).
- Maintain high level of water recycling within plant (2021: 95%).
- Second year of biodiversity project for reintroducing native species of fish in the Dnieper River.

How quality of engagement is assessed

- Continued strong performance in assessments of air quality in Ferrexpo's local community of Horishni Plavni, placing first in 2021 study.
- Continued reduction in withdrawal of water from local water supply network.
- Reduction in blue-green algae in Dnieper River as a result of biodiversity project reintroducing native fish.

Further plans for engaging in 2022

- Maintain Horishni Plavni's place as having the cleanest air of all 39 industrial cities in Ukraine.
- Further reduce carbon emissions, continuing trajectory towards carbon neutral pellet production.
- Third year of biodiversity project with Dnieper River, contingent on resolution of Russia-Ukraine conflict.

GOVERNMENT

Engagement activity in 2021

- Meetings, calls and emails with government officials across jurisdictions in which the Group operates.

Reasons behind engagement

- Governments are central to operating a successful business, for example: through providing operating licences, whilst also providing a platform for effective community engagement.

What matters most

- Operating within a consistent and understood financial and legal framework.
- Payment of taxes and royalties.
- Companies providing employment and support to local communities, as well as export revenues.
- Sustainability in the value chain.

The Group's response

- Taxes and royalties of US$281 million paid in 2021 (2020: US$100 million).
- Total taxes and royalties since IPO of more than US$1.3 billion.
- Workforce of over 10,422 in 2021 (2020: 10,911).

How quality of engagement is assessed

- Continued government support at local and national level in Ukraine.
- Continued government support in all corporate and marketing office locations for the Group.

Further plans for engaging in 2022

- Working with government to disperse funds through Ferrexpo Humanitarian Fund.
- Working with local government to ensure the health and wellbeing of local communities.
- Continued support during pandemic through dedicated Covid-19 Response Fund.
- Continued investments in operations, workforce and communities.

INVESTORS

Engagement activity in 2021

- Yearly reporting suite.
- AGM (May) and post-AGM engagement.
- Investor roadshows for both financial results and corporate governance.
- Analyst round table event in November 2021.

Reasons behind engagement

- To foster a strong understanding between the Group and its investors, with investors understanding the Group's business model and the Group understanding investor concerns and priorities.

What matters most

- Clear and transparent reporting of the Group's activities.
- Reporting that is independently assured and comparable to peers.
- Generating long-term, sustainable value.

The Group's response

- Financial advisors Liberum appointed in January 2021.
- Corporate and financial communications advisors Tavistock Communications appointed in March 2021.
- First analyst round table event held since changes in Group's management (event held in November 2021).

How quality of engagement is assessed

- Feedback received from shareholders, analysts and other external parties.
- Market valuation of the Group relative to its peer group.

Further plans for engaging in 2022

- Clear communication with investors throughout the Russian invasion of Ukraine.
- Institutional investor roadshows.
- Broadening of investor groups reached.

CAPITAL PROVIDERS

Engagement activity in 2021

- Regular dialogue with banks, ratings agencies and other lenders.
- Provision of information, including both internal updates and market updates such as analyst research on Ferrexpo and commodities.

Reasons behind engagement

- To maintain a successful working relationship for existing and future debt facilities, and other sources of capital.
- To enable future investment in the business.

What matters most

- Clear, consistent and transparent reporting of the Group's operations, financial results and Responsible Business activities.
- Providing information that is directly comparable to peer group reporting.

The Group's response

- Provision of market research and credit ratings research on the Group, commodity research and country research.

How quality of engagement is assessed

- Successful repayment of US$221 million of debt in 2021 (2020: US$148 million).
- Full repayment and cancellation of the Group's Pre-Export Finance ("PXF") Facility.
- Continuation of existing relationships with domestic and international banks.

Further plans for engaging in 2022

- Continued dialogue with capital provider space.

Section 172 Statement

CONSIDERING STAKEHOLDERS IN DECISION-MAKING

The Board of Directors acts to promote the long-term 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.

How considering stakeholders in decision-making works in practice

The Group engages regularly with its stakeholders. This engagement is largely conducted by the Group's management team, as part of the day-to-day management of the Group delegated by the Board to the management team, although the Board will also engage directly with stakeholders as appropriate. Where stakeholder engagement has been conducted by management, the stakeholder issues are considered at Board level through regular updates from the Chief Executive Officer and senior management. This will include presentations by members of the senior management team to the Board on particular stakeholder considerations, and the Board will discuss feedback received from stakeholders directly with the management team. Considerations relating to stakeholder matters are also included in management papers prepared for the Board, as appropriate.

As part of its discussions and decision-making process, the Board will take into account relevant stakeholder considerations and the potential impacts of their decisions on such stakeholders and the environment. This will include considering the impact of competing stakeholder interests, and the Board is cognisant of the fact that some of its decisions may have an adverse impact on certain stakeholders or affect different stakeholder groups in different ways.

The stakeholder groups which the Board has identified as being fundamental for an effective, successful business, together with the engagement activities carried out by the Group in 2021, are outlined on pages 46 to 49.

In addition to these stakeholder groups, the Board considers the likely consequences of decisions in the long term, the impact of the Group's operations on the community and the environment and the importance of maintaining a reputation for high standards of business conduct. The Board will also be guided in its decision-making by the Group's purpose and values and its strategic framework as outlined on pages 18 to 19.

Key decisions made in 2021

The Board and its Committees took a broad range of factors and stakeholder considerations into account when making decisions in the year. Details on how the Board and its Committees operate and the way in which they reach decisions, including the matters discussed and debated during the year, can be found in the Corporate Governance Report on pages 88 to 90.

The following are some examples of how the Directors have had regard to the matters set out in section 172(1) (a) to (f), and the need to foster the Company's business relationship with customers, suppliers and other stakeholders, when making principal decisions and the effect of that on certain of the decisions taken by them.

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
Workforce	– Case Study: Shielding the Group's workforce from Covid-19 – Responsible Business: Health and Safety Review – Responsible Business: Workforce Development and Inclusion	11 32-33 40-31
Suppliers and customers	– Case Study: The importance of steel – Case Study: The importance of proximity to key markets	3 15
Community	– CEO's Review – Supporting Local Communities – Responsible Business: Community Support and Engagement	10 42-43
Environment	– Case Studies: The importance of iron ore pellets and high grade iron ores – Case Study: Decarbonisation of mining fleets – Case Study: External assurance – providing trust in sustainability progress – Environmental Review, Climate Change and TCFD Reporting	10 and 14 29 34 35-39
High standards of conduct	– HSEC Committee Chair's Review – Responsible Business: Health and Safety Review – Case Study: External assurance – providing trust in sustainability progress – Case Study: Promoting diversity through leadership – Responsible Business: Corporate Governance	30-31 32-33 34 41 44
Investors	– Financial Review – Delivering Value Through Investment – Case Study: Maintaining a Low Cash Cost of Production – Case Study: Mining Fleet Automation	22-24 25 27

__Image:__ a CAT 793D being loaded at Ferrexpo's Yeristovo mine in 2021.

Section 172 Statement continued

CASE STUDY:

SHAREHOLDER RETURNS POLICY

Ferrexpo has always been, and remains, a company focused on growth, both in the form of production volumes and product quality, and recognises the importance of delivering shareholder returns throughout the commodity cycle, as established through the Group's track record since listing.

Following discussions with investors and other market participants, it was identified that the Company could benefit by adopting a sustainable, predictable, consistent and measurable dividend policy. The adoption of such a policy would benefit all of the shareholders of the Company and would also put the Company in alignment with its industry peers.

The Board therefore embarked on a process to design and implement a new shareholder returns policy. As part of the process, an industry analysis was undertaken and the Board reviewed a variety of potential metrics to be adopted in the policy, including Free Cash Flow, EBITDA and Earnings. Input from the Group's financial advisers was also obtained as to the most appropriate financial metric for the Group, taking into account the policies adopted by other metals and mining companies and general investor expectations.

As part of designing the shareholder returns policy, the Board considered the interests of investors but also had regard to other matters as set out in Section 172, including ensuring that there was an appropriate balance between shareholder returns and retaining capital for future growth of the Group – which is in the long term interests of the Group. It was also important to ensure that the level of returns as set out in the policy would not impact the Group's ability to meet its commitments towards suppliers, customers, employees and others, and maintaining sufficient flexibility in the policy.

The Board concluded that free cash flow was the most appropriate financial metric for the Group to use in its shareholder returns policy given that it is net of capital investment and financing activities, and therefore does not restrict the Group from continuing its focus on investing in its operations in Ukraine and its wider logistic network. Investors are one of the Group's key stakeholders and the Board determined that adopting a formal policy is a clear demonstration of the Group's strong commitment to shareholder returns throughout the commodity cycle.

CASE STUDY:

EARLY REPAYMENT OF DEBT FACILITY

On 30 June 2021, the Board was pleased to announce that it had approved the early repayment and cancellation of its outstanding pre-export finance facility (PXF facility). The PXF facility agreement was signed in 2018 and repayment was scheduled to take place quarterly between 2020 and 2022. As at 31 December 2020, the Group had US$257m of debt drawn on its PXF facility.

The Board's decision to repay the PXF early was largely driven by the additional liquidity available to the Company due to favourable iron ore market conditions. As part of its decision making process the Board was required to balance a number of different factors, including the need to maintain sufficient liquidity, future operational and capital expenditure, and also the desire to deliver increased levels of shareholder returns at a time of strong performance by the Group.

Overall the Board determined that through previous investments, and the Group's ongoing growth program, the Group has been able to take advantage of the strong iron ore market in 2021, with particular demand for high-grade ores such as the Group's 65% Fe iron ore pellets. The repayment of the PXF brought an end to the deleveraging program and leaves the Group well positioned to continue to invest in our assets, delivering further growth in pellet volumes and pellet quality, whilst also continuing to deliver returns to shareholders – each of which will promote the long term sustainable success of the Group.

The decision to repay the PXF involved considering the interests of a number of different stakeholders, including the Group's lending banks and investors, and more broadly the customers and suppliers of the Group and the local community who benefit from the operations and investments made by the Group. Ultimately, the Board concluded that it was in the best interests of the Company and its shareholders as a whole to repay the PXF, and that the early repayment would not have an adverse impact on the interests of other stakeholders.

CASE STUDY:

ANNOUNCEMENT OF DECARBONISATION TARGETS

The Board recognises the importance of climate change, including acknowledging its impacts on the environment and the local communities that are a key stakeholder for the Company. This has been a long-term focus for the Group, and the Group's iron ore pellets offer our customers the opportunity to significantly reduce their own carbon emissions.

Given the increased focus on climate change, including as part of the COP26 conference in November 2021 and the decarbonisation targets made by the Group's peers, the Board recognised it was important for the Company to provide a clear public commitment around its intention to decarbonise the Group's operations. Many of the Group's investors and institutional investor bodies also want to see clear commitments from the Group to reduce its environmental impact.

After due consideration, the Board agreed that the Group undertakes a commitment to achieve net-zero carbon emissions from its operations by the year 2050. In addition, the Group has made an initial commitment to achieve a minimum of a 30% reduction in combined Scope 1 and 2 emissions by 2030, against the Group's baseline year for emissions (2019), in line with our peer group. Reducing the Group's carbon emissions, whilst itself being important to reducing the impact of the Group's operations on the environment and the local communities surrounding our mines, is also important in terms of the Group's relationships with its suppliers, customers and employees many of whom are focused on their own environmental impacts and expect the Group to do the same as part of being a responsible business.

The Board has appointed environmental consultants Ricardo Plc to work with the Group to develop science-based decarbonisation targets as a second-phase of publishing carbon commitments. Ricardo Plc are experts that have been helping organisations around the world to develop robust and science-based pathways to achieving net zero carbon emissions. Through this collaboration, the Group expects to advance our targets and develop a clear roadmap of reducing Scope 1, 2 and 3 emissions, whilst also identifying market and regulatory risks and opportunities, modelling of climate change scenarios and looking at the environmental footprint of a Ferrexpo pellet beyond the steelmaking process. As part of this, the Group intends to engage with stakeholders in 2022 with a clear, science-based understanding of our carbon journey that lies ahead.

Image: *July 2021: Installation of 5MW solar farm completed.*

Risk Management

ASSESSING AND MANAGING RISK

Ferrexpo identifies and assesses risks based on each risk's probability of occurrence and the potential 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

The process to identify risk areas is conducted through each business function within the Ferrexpo Group, with senior management responsible for conducting regular assessments to identify risk in each aspect of the Group's activities. Risks are managed locally through the implementation of policies and procedures, which are maintained by local risk owners that have individual responsibilities for specific business functions. Risks are reported internally through the Group's risk register and assessed against risks identified throughout the business on the basis of probability of occurrence and the potential severity of an event. Through the identification of principal risks facing the Group, management are able to optimise the risk management process through the dedication of increased resources to these risks, whilst also monitoring other risks for increases either in probability or severity. The Group considers emerging risks to be risks that are newly developing, increasing in potential severity of impact or changing risks that are difficult to quantify. The risks that have been assessed by the Group's management to be the Principal Risks facing the Ferrexpo Group are presented on pages 54 to 72.

Risk mitigation

The Group's management understands that risk is an inherent aspect of operating a business, and the Group's executive management team and the Board aim to mitigate the risks faced by the business through prudent decision-making to limit the Group's exposure to risk where possible. 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 Committee ("FRMCC"), with the Group's senior leadership team reviewing the Group-level risk matrix, which plots probability against

Image: *inspection of an automated CAT 793D in Ferrexpo's modern maintenance facilities at Yeristovo.*

the potential severity of impact, and identifying material changes in either variable to all of the risks listed. Over 30 risks are reported to the FRMCC on a monthly basis, with each risk attributed a potential monetary impact should an event occur. The FRMCC 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 in relation to 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 2022

The Principal Risks faced by the Group, as assessed by the Group's management, are shown in the risk matrix opposite. The overall profile of the risks faced by the Group in 2022 has increased relative to 2021, principally related to risks relating to geopolitical tensions between Russia and Ukraine. The primary focus of the Group's Principal Risks, as outlined on pages 54 to 72, are on the ongoing Russia-Ukraine war, global market prices for iron ore pellets, costs impacting the Group's profitability and climate change.

The ongoing global Covid-19 pandemic remains a Principal Risk, with continuing infections of this virus both within Ukraine and around the world, but the Group notes that the severity of recent strains of this virus do not appear to be as harmful to human health as previous strains. The Group continues to monitor the risk profile related to Covid-19 for any potential impact on operations in Ukraine or any loss of ability to distribute and market the Group's products.

Cybersecurity is a risk that has been added as a Principal Risk given Russia's invasion of Ukraine in early 2022. Further details of the considerations relating to this risk are provided on page 70.

RISK MANAGEMENT PROCESS

Ferrexpo Board

- Takes overall responsibility for maintaining sound risk management and internal control systems.
- Sets strategic objectives and defines risk appetite.
- Monitors the nature and extent of risk exposure, which includes principal and emerging risks.

Audit Committee

- Supports the Board in monitoring risk exposure and risk appetites.
- Reviews effectiveness of risk management and control systems.

Executive Committee

- Assesses and mitigates Group-wide risk.
- Monitors internal controls.

HSEC Committee

- Oversees corporate social responsibility related matters and performance.
- Has specific focus on safety and climate change related risks.

Finance, Risk Management and Compliance Committee

- Monitors centralised financial risk management structures.
- Monitors Group compliance.

Internal audit function

- Supports the Audit Committee in reviewing the effectiveness of risk management.
- Maintains and develops internal control systems.

Operational level

- Risk management processes and internal controls embedded across all Ferrexpo operations.

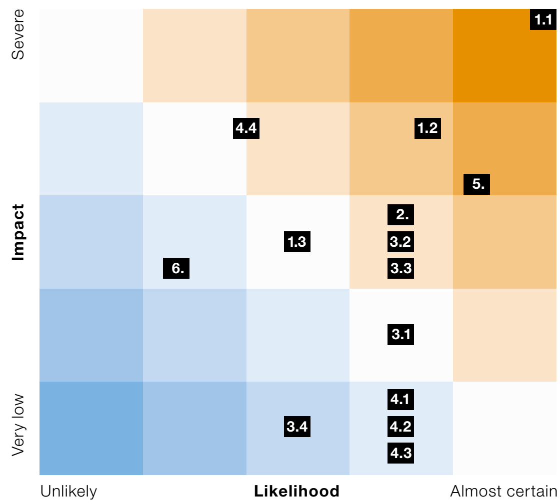
RISK MATRIX HEAT MAP

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.

▶ **Please see pages 54 to 72 of this report for a full summary of Principal Risks**

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 and pellet supply
- **3.4** Seaborne freight rates
- **4.1** Operating risks related to mining, processing, pelletising and logistics
- **4.2** Operating risks related to health and safety
- **4.3** Operating risks related to operating costs
- **4.4** Risks relating to information technology and cybersecurity
- **5.** Risks related to climate change
- **6.** Risks related to Covid-19



Principal Risks

PRINCIPAL RISK FACTORS & MITIGATION MEASURES

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

Introduction

Principal Risks are considered to be the main risks that have the potential to negatively affect the Group's strategy and business model, which are outlined on pages 54 to 72 and summarised through the items shown below.

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.

Each Principal Risk is linked to the aspects of the Group's strategy that could be potentially 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 and/or likelihood, 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 30 different risk areas 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 FRMCC, which ultimately reports into the Board for further review and approval of the risk register. The Group's 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, which is a committee that includes the Chief Executive Officer, Chief Financial Officer and Chief Marketing Officer.

The Group has updated its Principal Risks as shown in this section, in accordance with the known risks facing the business. Further updates to the Group's Principal Risks will be provided in the Group's Interim Results announcement, which is due for publication in August 2022. Where the Group has identified a Principal Risk, details of the Group's efforts to mitigate each risk are also provided.

Russian invasion of Ukraine

On 24 February 2022, Russia commenced an invasion of Ukraine. This action has resulted in significant loss of life within Ukraine, the destruction of key infrastructure across Ukraine and poses a threat to the Group's mining, processing and logistics operations in Ukraine. This risk is discussed in detail on page 57.

Covid-19

The Group continues to consider the global Covid-19 pandemic as a Principal Risk given the scale and impact that this global event demonstrated in 2020 and 2021. As noted, however, on page 52, the global outbreak of this virus has continued to evolve into different strains, which appear to be increasing in the transmissibility of the virus with each new strain, but also reducing the severity and death rate for those contracting the virus. The Group therefore notes that with this trend, in addition to increasing vaccination rates both locally in Ukraine and globally, that the risks to the Group associated with Covid-19 appear to be decreasing in 2022. The Group however notes that the Russian invasion of Ukraine in 2022 has resulted in reduced testing and vaccination rates, and therefore this risk may increase as a result. The Group will maintain its protective measures to curb the spread of Covid-19, however, noting that further waves of infection and/or more severe new strains of the Covid-19 virus may emerge.

Cybersecurity

As the Group seeks to increasingly modernise and digitise its operations and business activities, the Group notes the rising importance of cybersecurity, and threats that may emerge via electronic means. Since the NotPetya cyberattack in 2017, which was a cyberattack that affected systems on a global basis, however, primarily targeted at Ukraine, the Group has sought to significantly increase its understanding and to bolster its protocols and defence relating to its digital presence. Given the Russian invasion of Ukraine in early 2022, the Group notes the rising significance of cyber-threats to its business, and has therefore elevated this topic to become a Principal Risk, as discussed on page 70.

1. COUNTRY RISK

1.1 Conflict risk (external risk)

Ukraine is currently at war with Russia. On 24 February 2022, Russia commenced an invasion of Ukraine using significant and widespread military force. To date, the invasion of Ukraine has resulted in the temporary occupation of south eastern territory within the sovereign nation of Ukraine, loss of life for citizens of Ukraine and damage to infrastructure within Ukraine.

The situation in Ukraine remains uncertain and unpredictable. As of early April 2022, the Group's operations, located adjacent to the city of Horishni Plavni, has not been a centre of armed conflict, but this remains a risk should the current conflict continue to escalate and grow in terms of the areas directly affected. The Group has however temporarily lost the ability to export its products via the Black Sea, as the port operator has closed the Group's normal port of operations (Pivdennyi). Should the area surrounding the Group's operations and local communities be the setting for armed conflict, there will be a significant risk posed to the safety of the Group's workforce, as well as a significant risk to key assets and infrastructure required for the Group to operate effectively. The Group's workforce of more than 10,000 people is predominantly based in local communities surrounding the Group's operations and therefore the Group does not have the ability to effectively evacuate its workforce from the conflict zone. The Group will always prioritise the safety and wellbeing of its workforce and therefore may partially halt, or fully halt, its operations to protect its workforce.

Further consequences of the ongoing invasion relate to a number of aspects of the Group's business. Ukraine's government has declared a state of martial law, and a number of the Group's employees have been enlisted into the armed forces of Ukraine. The Group relies on key consumables, such as (but not limited to) diesel, natural gas and electricity, to produce the Group's products, and the ongoing invasion may limit the supply of these items. Should the Group not receive one or more of its key consumables, the Group's ability to effectively produce may be impaired.

The Group relies on continuous and reliable access to key infrastructure – principally Ukraine's railway network and the port of Pivdennyi, to rail and ship its products to customers, and both have been the subject of significant disruption, including the full stoppage of all port operations in Ukraine. On 24 February 2022, the Group announced that it had received notification of a suspension of Ukraine's railway network, which was subsequently partially lifted (see release 28 February 2022). On 25 February 2022, the Group announced that it had received formal notification from the port authorities at Pivdennyi that all operations were being halted and the Group has served force majeure notices to customers affected by this suspension. Given the nature of the situation, the Group may not be able to accurately forecast the likely availability and scale of its access to infrastructure or key consumables until the conclusion of Russia's warfare towards Ukraine.

Responsibility
Board of Directors and Chief Executive Officer

Risk appetite
Low

Link to strategy
1, 2, 3, 4 and 5

Change

Principal Risks continued

1. COUNTRY RISK (CONTINUED)

1.1 Conflict risk (external risk) (continued)

On 2 April 2022, a Russian missile strike on Kremenchuk oil refinery, located approximately 15-20 kilometres from the Group's operations, resulted in damage to this facility. This facility is one of the sources of fuel for the Group and this incident has resulted in the suspension of regular deliveries of diesel, with supplies now being provided periodically. The Group has existing arrangements in place to source alternative supplies of diesel from Europe, with these supplies arriving via both rail and road delivery routes.

To date, the situation within the Group's operations and in the local communities surrounding the Group's operations, has remained orderly, with local authorities remaining in control. In the event of a prolonged and/or escalated conflict in the area where the Group operates, there is a risk that the local authorities may no longer be able to maintain civil order and there may be a risk posed to either the safety of the Group's workforce, or threat to the integrity of the Group's assets and/or key supplies. Furthermore, any conflict in the local area may reduce the local authorities' ability to provide basic emergency services, such as medical services and fire protection, with potential effects on the Group's workforce, communities and production facilities.

Following the outbreak of hostilities, it is expected that the business and operating environment in Ukraine will be materially worse than previously, and these conditions may not completely recover to previous levels for a period of time beyond the cessation of hostilities.

It is also expected that cyber-warfare will be a tool used against Ukraine and corporate companies based in Ukraine, with Ukrainian corporates being the subject of cyberattacks in the recent past. Any disruption to the digital infrastructure belonging to either the state of Ukraine, operators of key infrastructure or Ferrexpo would likely result in a significant interruption to the Group's ability to operate.

With regards to international lending activities, it is unclear as to whether the Group will have access to external financing following the cessation of hostilities. For the duration of the ongoing conflict, the Group does not expect to have any access to debt markets, domestic or international.

The current war between Russia and Ukraine is a threat to regional stability and may impact international relations in the longer term beyond the region in which Ferrexpo operates. As a consequence, trading relationships between sovereign nations may be amended, or cut, and the availability of key goods and services may become restricted and/or limited.

RISK MITIGATION

The risks posed to Ferrexpo, its workforce and operations as a result of the invasion are difficult to predict in scale and nature, and therefore difficult to mitigate as a result. The Group has prepared itself, and continues to prepare, in a number of areas, such as enacting safety measures, practising orderly shutdowns of equipment, implementing asset protection measures and planning to operate with multiple logistics pathways for sourcing key consumables for delivery to site, as well as delivering the Group's products to its customers. In the event of any hostilities happening close to the Group's operations, the Group's first priority will be the protection of its workforce, and the Group will enact measures to protect its workforce that are proportional to the extent, severity and location of any hostilities occurring. This will include, where appropriate, the demobilisation of the Group's workforce from operational sites and actions to distance individuals from any areas affected by armed conflict and/or a breakdown in civil order.

In mining, the Group has implemented measures to increase the volume of blasted ore available for mining and has increased stockpiles of raw ore available for processing should access to the Group's mines become restricted. In logistics, the Group has investigated alternative options for accessing customers, either by different rail routes, different methods of transport, or different loading ports for ocean-going vessels.

In addition to the above measures, the Group has also established a dedicated humanitarian fund to direct assistance to the people of Ukraine affected by the conflict. More details of this fund's work are provided on page 42 and in the Group's recent press releases.

1. COUNTRY RISK

1.2 Ukraine country risk (external risk)

Ferrexpo's operating base is in Ukraine, where all of the Group's iron ore production is generated, and therefore the Group is materially exposed to the business environment within Ukraine, which continues to be defined as an emerging market by Western governments and institutions. As such, the Group is subject to heightened risks, relative to developed economies, relating to the stability of the environment in which the Group operates, including risks relating to the local economy, currency, labour market, infrastructure and other key resources essential for operating. This exposure to an emerging market can directly and indirectly affect the Group through a range of factors, including changes in government legislation, decision-making related to changes in political policy at a local or national level, access to key operating licences and infrastructure essential for producing and distributing the Group's products, access to financial services and the Group's ability to transact with external parties either within Ukraine or abroad, in addition to other factors. Ukraine also continues to receive a relatively low score in Transparency International's Corruption Perceptions Index, placing 122nd out of 179 countries (2020 Index: 117th place) in the latest survey published in January 2022.

In recent years, Ukraine has been the subject of armed conflict with Russia and this is identified as a separate Principal Risk on page 57. Russia's invasion of Ukraine, in addition to the annexation of Crimea and temporary occupation of sections of eastern Ukraine since 2014, has caused a significant strain on the Ukrainian economy and the budget of the Ukrainian government, which in turn has resulted in changes to the business environment within Ukraine. In addition, these factors will likely continue to negatively affect Ukraine's economy for a period of time beyond the cessation of hostilities in Ukraine. In recent years, the government of Ukraine has been reliant on external funding through overseas governments and agencies, principally the International Monetary Fund ("IMF"), for funding. Through this reliance on external funding, there is increased risk around the short- to medium-term stability of the Ukrainian economy, local currency, and local operating environment for businesses, amongst other factors, particularly if the availability of this external funding were to change unexpectedly.

The independence of the judicial system, and its immunity from economic and political influences in Ukraine, remains questionable, and the stability of existing legal frameworks may weaken further with future political changes in Ukraine. Because Ukraine is a civil law jurisdiction, judicial decisions generally have no precedential effect on subsequent decisions, and courts are generally not bound by earlier decisions taken under the same or similar circumstances, which can result in the inconsistent application of Ukrainian legislation to resolve the same or similar disputes. In addition, court claims are often used in the furtherance of political aims. The Group may be subject to such claims and may not be able to receive a fair hearing.

The risk factors discussed here, either individually or in combination, have the ability to adversely impact the Group's ability to operate its pellet production 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, as well as the Group's ability to pay dividends.

As at the date of approval of this report, the share dispute lodged by four claimants to invalidate a share sale and purchase agreement concluded in 2002 remains ongoing. Following a statement of defence filed by Ferrexpo AG (Ferrexpo's Swiss subsidiary), earlier in 2021, the relevant court in Ukraine ruled on 27 May 2021 in favour of Ferrexpo AG. The opposing parties filed their appeals in June 2021 and the next hearing is expected to take place later this year. The court of appeal has opened the appeal proceedings, and several hearings have now been held, but without a court decision being made as of the date of this report.

Responsibility
Board of Directors and Chief Executive Officer

Risk appetite
Medium

Link to strategy
1, 2, 3, 4 and 5

Change

Principal Risks continued

1. COUNTRY RISK (CONTINUED)

1.2 Ukraine country risk (external risk) (continued)

Following the cancellation of the licence for Galeschynske deposit, which is a project in the exploration phase that is situated to the north of the Group's active mining operations, Ferrexpo Belanovo Mining has commenced a legal action in the Ukrainian courts system. For further information on ongoing legal disputes, please see Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements.

As referenced in the Group's Interim Results published in August 2021, there are outstanding matters in Ukraine relating to the Group's controlling shareholder 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.

Despite the recent cancellation of the share freeze action in Ukraine regarding the Group's shareholding in FPM, held via the Group's Swiss subsidiary Ferrexpo AG, there continues to be a risk that this action may be resumed, despite several court decisions to dismiss this action.

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 Market Abuse Regulation. Ferrexpo has a relationship agreement in place with Kostyantin 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.

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 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. It is therefore important that Ferrexpo's Board of Directors and relevant senior management 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. COUNTRY RISK

1.3 Counterparty risk (external risk)

Ferrexpo is exposed to counterparty risk through its interactions with government agencies, customers, suppliers, contractors and external parties that the Group interacts with, including through its CSR programmes. Risks relating to government agencies both in Ukraine and other jurisdictions in which the Group operates throughout the globe include levels of taxation, the repayment of VAT and licences required for Ferrexpo's operations to operate. In Ukraine, a number of monopolies exist, including the transmission of electricity and natural gas that is required for the creation of the Group's products, as well as the railway network in Ukraine, and this presents the Group with a risk should these monopoly companies fail to function correctly. The Group is also exposed to counterparty risk through its business interactions with customers and suppliers of goods and services, as these interactions may result in financial loss for the Group if the counterparty in question fails to fulfil its duties correctly. This risk is heightened by the ongoing conflict with Russia, which may result in damage to key infrastructure required for either the production or shipment of the Group's products. The invasion of Ukraine has also put an increased level of financial stress on the counterparties with which Ferrexpo does business in Ukraine, and therefore has heightened the risk of counterparty failure.

The advent of the global Covid-19 pandemic in 2020, which has continued into 2021, has also introduced additional risk to Ferrexpo in the form of heightened risk of counterparty failure, as third parties struggled to adapt to the effects of the pandemic. This is a risk facing the Group in terms of timely payment and/or delivery of goods and services, and Covid-19 is also covered as a Principal Risk on page 72. As noted on page 54, however, the risks associated with recent variants of the Covid-19 virus appear to be diminishing in severity, compared to the original variant of this virus.

Responsibility
Board of Directors, Chief Executive Officer and Chief Financial Officer

Risk appetite
Low

Link to strategy
4

Change

RISK MITIGATION

Ferrexpo sells its iron ore products to well-established steel producers that have sound credit profiles. Ferrexpo's counterparties are subject to regular and thorough review. The results of these reviews are used to determine appropriate levels of exposure and available alternatives, in order to reduce the potential risk of financial loss.

The Group has developed its supplier base in order to avoid excessive dependence on any supplier, actively encouraging a diversity of supply where reasonable and practical. Companies that would like to work with Ferrexpo are required to undergo an accreditation procedure, where their documents, licences and financial stability are checked. In 2021, in line with previous years, Ferrexpo screened and monitored third-party entities for sanctions and other risks, with suppliers that pass accreditation able to participate in tenders. For entities deemed to be "high risk", additional checks and further monitoring are required by the Group's compliance function. All supplier contracts must contain the defined set of compliance clauses (including, but not limited to, topics such as anti-bribery, sanctions, tax compliance and modern slavery). These requirements were consolidated into the Business Partners' Code of Conduct in 2019, which is referenced in 95% of all contracts signed as of 2021 (98% of contracts with a value in excess of UAH 500,000).

The Finance, Risk Management and Compliance Committee ("FRMCC"), an executive sub-committee of the Board, met ten times in 2021 and is charged with ensuring that systems and procedures are in place for the Group to comply with laws, regulations and ethical standards. The FRMCC 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 FRMCC is given prior warning of regulatory changes and their implications for the Group. 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 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 HSEC Committee required to provide approval for community support expenditures.

Principal Risks continued

2. MARKET RELATED RISKS

2.1 Risks relating to the global demand for steel

The Group is a supplier to the global steel industry, with customers located in several continents around the world. The global steel industry produces steel for a wide range of end uses and is exposed to a wide range of factors that may affect each customer's ability to produce steel and supply end users of steel. Therefore, as part of the global steel value chain, Ferrexpo is in turn also exposed to the same risks as steelmakers. The Group does not, however, supply its products to steelmakers in Russia, and is therefore not exposed to risks related to recent restrictions in trading with this group of steelmakers that relate to Russia's invasion of Ukraine in early 2022.

On the input side, steel production requires raw material inputs such as iron ore and coking coal, as well as significant numbers of employees, all of which represent a significant proportion of steelmakers' cost bases and therefore have the potential to negatively affect the profitability of a steel mill. In the event of reduced profitability, steel mills often reduce steel output in order to preserve the balance sheet of the operating company, which in turn reduces demand for iron ore. Steel producers are also reliant on the consistent supply of raw materials, which requires access to global markets, which can often be disrupted by natural events, geopolitical events or otherwise. These same distribution networks are required for the transfer of steel products to customers and end users, and therefore any disruption can have a significant impact on the overall steel value chain. One high profile example of such an event was seen in 2021 with the six-day blockage of the Suez Canal by the vessel Ever Given in March 2021.

Steel mill profitability can also influence the demand for different grades and forms of iron ore, with demand for high grade iron ore pellets typically lower at times of lower steel prices, when steelmakers typically move to reduce mill productivity and overall output. Global demand for steel is also linked to global productivity and levels of investment, and therefore during periods of reduced economic activity, steel demand (and therefore steel production) is often reduced as a consequence. The steel industry is also regionally fragmented, with factors relevant for certain geographic or political regions, not applicable for other regions. It is therefore important to have a strong understanding of regional factors that may affect specific steel producers more than others.

The global steel industry is also under significant pressure to decarbonise its operations, with the global steel industry responsible for 7% of global carbon emissions[1]. Steelmakers are currently seeking technological solutions for producing commercial quantities of low to zero carbon steel, which will require significant investment in both research and development, as well as likely require significant investment to deploy new technologies.

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

Risk appetite
Medium

Link to strategy
3 and 5

Change

1. Source: IEA.

RISK MITIGATION

The Group aims to mitigate risks relating to the global steel prices and global demand for steel through having a network of premium customers located in a variety of geographic regions. Ferrexpo has also commenced a process to develop a network of additional customers for its higher grade (67% Fe) direct reduction pellets, which currently represents approximately a third of the global pellet export market, and historically has not been a market that Ferrexpo has served. Through direct reduction pellets, as well as the ability to produce and market new products such as high grade concentrate, the Group aims to have the ability to serve a broader range of customers, if required. The Group also aims to develop long-term relationships with customers, whereby there is a strong level of engagement and understanding between both parties. Through the Group selling the majority of its production via long-term contracts, the Group aims to secure the stable and consistent offtake of its production, enabling the Group to be able to adapt and adjust to meet changing business conditions, if required, rather than relying on short-term relationships and spot sales.

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.

3. RISKS RELATED TO REALISED PRICING

3.1 Changes in pricing methodology

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.

Responsibility
Chief Executive Officer and Chief Marketing Officer

Risk appetite
Medium

Link to strategy
1, 3 and 5

Change

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.

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. For more information on its position on the cost curve, please see the Case Study provided on page 25. The Group also has the logistics capability to divert sales to other markets to offset any regional weakness, as was seen during the initial peak of the global Covid-19 pandemic in 2020, when the Group was able to redirect sales volumes away from Europe and towards China, to meet temporary shifts in demand patterns. The Group has since seen global demand patterns for iron return to historical distribution levels in 2021. The Group has retained this flexibility to divert sales to alternative markets should future shifts in demand occur.

Principal Risks continued

3. RISKS RELATED TO REALISED PRICING (CONTINUED)

3.2 Lower iron ore prices

As a single commodity producer, the Group is inherently exposed to performance of the iron ore price, in addition to other market prices. The Group is a producer of high grade iron ore products, which are widely considered to be products with an iron content in excess of 65%, and this is a subset of the wider global trade in iron ore that is affected by additional factors. The iron ore industry as a whole is primarily governed by steel demand and demand for iron ore as a consequence. During periods of low steel demand, iron ore prices trend lower as steel mills look to actively reduce steel output. The majority of the world's exported iron ore is traded on the 62% Fe fines index, which in the past five years has varied between periods of being less than US$50 per tonne to over US$200 per tonne. Ferrexpo is not sufficiently large enough a producer to be able to directly affect the globally quoted price of iron ore, and therefore, like other companies that produce and sell iron ore, must accept the prevailing iron ore price. Factors governing steel demand are discussed in this section (Risks relating to global demand for steel, page 62). Factors specifically governing the price of iron ore also include the global supply of iron ore, as stable pricing requires that the available supply of iron ore broadly matches the global demand for iron ore, and any imbalance can result in significant movements in iron ore pricing. There are a number of large greenfield and brownfield projects that have the potential to significantly impact the global price of iron ore should these projects come into production.

The global demand for high grade iron ore is a further subset of the global iron ore trade, with the supply of high grade iron ore typically sourced from iron ore mines in Northern Brazil, and fluctuations in output from these particular mines can have a direct impact on the prices paid for high grade iron ores. Ferrexpo's iron ore products are priced using the high grade index (65% Fe) and the Group is therefore impacted by these fluctuations.

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

Risk appetite
Medium

Link to strategy
1, 3 and 5

Change

RISK MITIGATION

Ferrexpo is a low to medium cost producer relative to the majority of its peers, and is positioned in the lower half of the global cost curve of iron ore pellet producers. 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 options to hedge the price of its output; however, its current strategy is not to enter into hedging agreements, due to the relatively low liquidity of this market and high cost of entering into such arrangements. Ferrexpo has maintained positive profit and cash generation throughout the iron ore price cycle.

3. RISKS RELATED TO REALISED PRICING

3.3 Pellet premiums and pellet supply

Iron ore pellets are utilised by steel mills to improve productivity through their inherent characteristics as a pellet and the higher grade nature of Ferrexpo's iron ore pellets. At times of lower steel mill profitability, steel producers are known to reduce demand for higher cost inputs such as iron ore pellets, in order to reduce the cost of steel production and to protect steel margins. This has the potential to negatively affect the pellet premium, and by extension, the profitability of Ferrexpo, since the majority of Ferrexpo's profit margin has come from its ability to receive the pellet premium. Risks to the pellet premium also exist in replacement of pellets in the blast furnaces operated by Ferrexpo's customers with alternatives, such as lump ores, and a significant increase in this substitution would have the potential to reduce pellet premiums.

Further supply of pellets into the global export market would also have the potential to reduce pellet premiums and a pellet producer in Brazil, which was offline since 2015, returned to production in late 2020 and has now reached its published nameplate capacity for production.

Recent trends in the global steel industry have led steel producers towards targeting lower carbon emissions, and iron ore pellets are a method for achieving such a reduction, since iron ore pellets do not require sintering prior to conversion into steel. If, however, this trend towards an environmentally friendlier method of steel production were to reverse in the future, this could also negatively affect demand for iron ore pellets, and by extension, lower pellet premiums. Lower pellet premiums could impact the Group's ability to pay dividends to shareholders, repay debt amortisation and could result in lower levels of capital investment (including sustaining capex).

Responsibility
Chief Executive Officer and Chief Marketing Officer

Risk appetite
Medium

Link to strategy
1, 3 and 5

Change

RISK MITIGATION

Ferrexpo primarily sells high quality pellets, which underpin demand for its product throughout the commodity cycle. Should the pellet premium decline, Ferrexpo has historically one of the lowest pellet conversion costs in the industry depending to different periods of commodity prices, which helps the Group to remain a competitive producer.

Ferrexpo also has the ability to produce iron ore concentrate should market conditions make this product more economically viable. Ferrexpo's pelletising costs in 2021 were approximately US$19 per tonne (2020: US$11 per tonne) and, therefore, lower than the pellet premium seen in 2021, aiding the Group to deliver firm margins during the year. Please see the Market Review section on pages 12 to 15 for more details. Should, however, the pellet premium fall below the cost of pelletising material, the Group has the option to halt pelletising operations and produce concentrate instead for a period of time.

Principal Risks continued

3. RISKS RELATED TO REALISED PRICING (CONTINUED)

3.4 Seaborne freight rates

As iron ore is a bulk commodity, seaborne freight rates are an important component of the cost to deliver product to a customer. An increase in freight rates will reduce the net price received from a customer, and reduce profitability, while a reduction in freight rates will increase the net price received from a customer. Seaborne freight rates, such as the C3 freight index, are published by the Baltic Exchange. The C3 freight index represents the cost for ocean transportation for iron ore from the Brazilian port of Tubarão (where the largest seaborne pellet supplier is based) to Qingdao, China (with China being the world's largest steel producer).

Ferrexpo's received price is referenced to transparent freight indices such as the Baltic Exchange C3 freight index. In 2021, the C3 freight index increased to an average of US$27 per tonne (2020: US$15 per tonne).

Russia's invasion of Ukraine in early 2022, and the related military activity in the Black Sea, has resulted in increased freight charges (principally additional insurance premiums) for companies looking to charter vessels to receive cargoes at Ukrainian ports.

Responsibility
Chief Executive Officer and Chief Marketing Officer

Risk appetite
Low

Link to strategy
2, 3 and 5

Change

RISK MITIGATION

Ferrexpo understands the need to have its own in-house specialists within the Group's marketing team that are capable of ensuring the Group pays a competitive rate for seaborne freight rates. Through effective internal planning procedures and engagement with stakeholders in the Group's freight business, the Group is able to effectively charter vessels at competitive freight rates relative to the prevailing index. The Group also has sufficient flexibility in its customer and logistics network to consider differences in freight rates when budgeting for future periods, considering freight rates in broader decisions around allocating tonnages to each geographic market into which the Group sells its products.

Through the Group's close proximity to the key markets of Europe and the Middle East, the Group has a natural advantage over alternative suppliers of iron ore pellets that are located in more distant locations, such as Canada and Brazil. This reduced distance to certain markets results in shorter travel times for the Group as well as a reduction in the carbon emissions associated with the freight for deliveries into these markets. For more information, see the Case Study on page 15. The Group may decide to enter into the forward hedging of its freight related costs in light of the market volatility witnessed in 2021, with derivatives trading in freight markets more liquid than similar markets for iron ore pellets, and therefore potentially making such activities economically advantageous to the Group.

The additional insurance premiums associated with Russia's invasion of Ukraine are expected to be temporary in nature, and a requirement for such premiums will likely be removed following the cessation in hostilities. The Group is also reviewing the possibility of shipping its products either via (a) Black Sea ports outside of Ukraine, or (b) ports that the Group could utilise outside of the Black Sea. However, it should be noted that utilising such ports will likely result in increased freight charges to the Group relative to the logistics pathway utilised via Pivdennyi.

4. OPERATING RISKS

4.1 Risks relating to producing and delivering the Group's iron ore products to customers

Ferrexpo operates three open pit mining operations, a large-scale beneficiation plant and four pelletising lines, which all involve the processing of significant volumes of material, and, therefore, have inherent significant associated risks due to their size and complexity of operations.

Russia's invasion of Ukraine poses numerous operational risks to the Group's operations, which are detailed on page 57 of this report.

In mining, there are inherent risks associated with open pit mining, including geotechnical risks, risks related to groundwater and surface water ingress, risks surrounding mine planning decisions, and risks related to critical equipment failure, in addition to other factors.

In the Group's beneficiation and pelletising operations, there are risks associated with critical equipment failure, as well as risks specific to the potential failure of the Group's tailings dam facilities. Logistics risks relate to the business's reliance on the ease of transport of its iron ore products to customers, in addition to the consistent supply to the Group's operations of key consumables such as fuel for mining and natural gas for pelletising.

Lower volumes, higher costs and financial penalties due to poor quality and late delivery can impact the Group's cash generation ability, reducing levels of total liquidity[A] and impacting capital investment[A] levels as well as affecting the Group's ability to repay debt and pay dividends to shareholders. Poor pellet quality or late delivery of product can also affect the Group's ability to perform according to customer contracts and its ability to maintain and renew contracts in the future.

The global steel industry is under increasing pressure to adapt its production processes to reduce emissions of greenhouse gases, and as a result the Group is seeing increasing market demand for higher grade forms of iron ore. The Group is able to produce high grade forms of iron ore, namely iron ore pellets grading 65% Fe (blast furnace pellets) or 67% Fe (direct reduction pellets), but these forms of product require additional processing and therefore are produced at an additional cost. In certain circumstances, it may not be economically viable to produce higher grade forms of iron ore pellets from specific lower grade ore types from the Group's mines, and therefore it may be necessary to adjust mine planning activities and impair existing investments in stockpiles of these particular ore types.

Responsibility
Chief Executive Officer, Chief Operating Officer and Chief Marketing Officer

Risk appetite
Medium

Link to strategy
2, 3 and 5

Change

RISK MITIGATION

The Group aims to continually reinvest its profits into its business to expand its production, improve product quality and enhance logistics capabilities. Extensive monitoring by in-house planning departments, in addition to external certification by third-party consultants, help to mitigate risks around the Group's mining, processing, pelletising and logistics operations, including the Group's tailings facility. To mitigate risk in relation to the Group's logistics business and delivery of iron ore products to customers, the Group strives to operate its own equipment and facilities where possible, and as a result the Group owns a fleet of 2,850 railcars within Ukraine, a fleet of 218 vessels for delivering products to customers via the Danube River, and has a 49.9% interest in a berth at the port of Pivdennyi (formerly known as Yuzhny). The Group also operates a talent management and leadership programme to ensure management coverage of business-critical roles. This involves the annual assessment of all managers across the Group of approximately 350 people, and the results of this process are presented to the Operations Management Committee, the Executive Committee and the Board.

Principal Risks continued

4. OPERATING RISKS (CONTINUED)

4.2 Risks relating to health and safety

Russia's invasion of Ukraine in early 2022 has created a significant risk related to the health and safety of the Group's workforce in Ukraine, with details of this risk and mitigation measures, presented on page 57.

The extraction and processing of large volumes of rock has historically been associated with hazardous working environments. Hazards in open pit mining include hazards relating to drilling and blasting of rock, the presence of operators on and around large pieces of equipment such as excavators and haul trucks, and the creation of deep open pit mines with steep inclines. In processing, operators are in close proximity to large pieces of equipment such as crushers and ball mills, all of which carry significant electrical currents, weigh a significant number of tonnes and are constantly moving when under operation. Maintainers are often required to place themselves within equipment to access and repair equipment, and are often required to use lifting equipment to raise machinery weighing several tonnes. The risks to operators conducting these activities, or in close proximity to those conducting these activities, can be high if the correct risk mitigation measures are not enforced. There are inherent risks with materials handling throughout the Group's operations – from hazardous chemicals, flammable liquids and gases, and other dangerous goods. In logistics, the Group oversees the transfer of significant volumes of iron ore pellets loaded onto trains, dry bulk vessels and inland vessels, all of which carry inherent risks. The Group's logistics subsidiary, First-DDSG, transports pellets along the Danube River in all seasons, with specific safety hazards applicable to river transport throughout the year, including operating in freezing conditions and river safety around other vessels.

In addition, the Group and its workforce have faced significant health and safety risks relating to the global Covid-19 pandemic. Details of the risks relating to this are provided on page 72 of the Principal Risks section, with risk mitigation measures also provided in the Case Study on page 11.

Responsibility
Chief Executive Officer, Chief Operating Officer and Chief Marketing Officer

Risk appetite
Low

Link to strategy
1, 2, 3, 4 and 5

Change

RISK MITIGATION

Risk mitigation in the Group's approach to health and safety begins with understanding the risks faced by operators when entering a place of work. This is achieved through risk assessments for each area and activity in which an operator is active, aiming to ensure that potential risks are understood before work takes place. Extensive safety training is provided to both operators and management, to provide the necessary level of understanding of the risks faced and the high level of safety standards expected by the Group. Training is provided to both employees and contractors, since safety hazards do not distinguish between an individual's contract status.

The Group uses leading and lagging safety indicators to better understand where safety risks may exist. An example of a leading indicator of safety is the number of safety audits conducted by the Group's safety department, which correlates to the degree of safety improvements made in each working area, and therefore reducing the potential for future incidents to occur. Lagging indicators of safety relate to safety incidents that have already occurred, such as near miss events, and the Group monitors these closely to learn and improve for the future, to reduce the number of these events occurring. Increases in a lagging indicator are often an aspect of encouraging employees to register incidents correctly and to promote an open and understanding culture when it comes to safety.

In relation to the safety and wellbeing measures implemented in response to the global Covid-19 pandemic, the Group has sought to protect both its workforce and its local communities, with details of these measures provided on pages 11 and 42 of this report.

In 2021, through implementation of the above safety measures, the Group was able to report on a fatality-free year and a record-low full year lost time injury frequency rate since IPO of 0.41 (2020: 0.79).

4. OPERATING RISKS

4.3 Risks relating to operating costs

Ferrexpo's overall ability to generate cash is predicated on its ability to maintain a low cash cost of production across its business, including the Group's mining, processing, pelletising and logistics businesses. A number of factors affect the Group's ability to remain cost effective relative to its iron ore producing peers, including the component of the Group's cost base that relates to global commodity prices, such as fuel, gas, explosives, tyres and steel grinding media. The commodity-linked component of the Group's cost base has historically represented approximately 50% of the total C1 cash cost of production[A]. In times of relatively high iron ore prices the cost of production tends to increase due to commodity cost inflation; however, during periods of low commodity prices the cash cost is typically reduced. A second important driver of C1 cash cost of production[A] is local currency, which for Ferrexpo is the Ukrainian hryvnia, and this has historically directly affected approximately 50% of the Group's total C1 cash cost of production[A]. 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 2021, the Group's C1 cash cost of production[A] increased by 34% to US$55.8 per tonne (2020: US$41.5 per tonne). See the Financial Review section (pages 22 to 25) for a description of the factors impacting operating costs.

The Group has seen significant inflationary pressure relating to energy costs in the second half of 2021 and into 2022, with prices for key consumables such as natural gas, electricity and diesel all increasing. See Case Study on page 25 for more information.

The Russian invasion of Ukraine in early 2022 has resulted in inflationary cost pressures on a number of the Group's key consumables, with the Group conducting measures to reduce the risks associated with the conflict, such as increased stockpiling of key consumables to reduce the risks around potential supply disruption.

Responsibility
Chief Executive Officer and Chief Financial Officer

Risk appetite
Low

Link to strategy
2 and 5

Change

RISK MITIGATION

Ferrexpo sits in the bottom half of the pellet cost curve, and as such maintains a degree of competitiveness over its pellet-producing peers in countries such as Brazil, Canada and Sweden. Many of the Group's costs relate to commodity prices, which will in turn also impact Ferrexpo's peers to a similar extent, and as such, in times of higher commodity prices, the Group should be able to maintain its cost competitiveness relative to its competitors.

In 2022, Ferrexpo expects to increase production volumes, which will aid production costs through the dilution of fixed costs, and will potentially enable the Group to offset (to some extent) external cost inflation. A number of companies in the Group's peer group have in the past switched between production of iron ore pellets and iron ore concentrate, according to pellet premiums and the profitability of producing pellets. Ferrexpo's pelletising costs in 2021 were approximately US$19 per tonne and therefore lower than the pellet premium seen in 2021 (please see the Market Review section on pages 12 to 15 for more details). However, should the pellet premium fall below the cost of pelletising material, the Group has the option to halt pelletising operations and produce concentrate instead of pellets for a period of time. The Group also has a Business Improvement Programme aimed at increasing efficiencies and reducing costs by 1% to 2% per annum. Ferrexpo has established several sources of suppliers for key products as well as several supply routes to ensure cost effective supplies of all key consumables.

The Group expects the inflationary cost pressures related to Russia's invasion of Ukraine to be temporary in nature and that the Group will retain the cost advantages outlined above in the medium term to remain competitive on costs on a global scale.

Principal Risks continued

4. OPERATING RISKS (CONTINUED)

4.4 Risks relating to information technology and cybersecurity

Russia's invasion of Ukraine in early 2022 has created a significant risk related to cybersecurity at the Group's operations in Ukraine, with details of this risk and mitigation measures, presented on page 57.

The Group is continually looking to modernise and digitise its operations, and is increasingly looking towards information technology ("IT") to operate its business model. The move towards increasing digitalisation presents an increasing exposure to parties that may wish to disrupt the Group's operations for financial gain, competitive advantage over the Group or to inflict other negative consequences on the Group for other reasons. Cybersecurity threats may take the form of, but not limited to, the following: malware, ransomware, phishing, denial-of-service attacks, and password attacks.

Cyberattacks have been noted on a global scale in recent years, as well as similar attacks that have been specifically targeted against sovereign nations, such as the NotPetya ransomware first noted in 2017 that is believed to have been targeted at entities in Ukraine, or the Colonial Pipeline cyberattack in May 2021 that shut down 45% of the United States' East Coast fuel supply.[1] Such events appear to be becoming increasingly frequent, with increasing impact on the entities subjected to such attacks. Events such as cyberattacks are not necessarily targeted at specific companies or sovereign states, but often inflict additional damage to companies and governments not directly connected to the original targeted entity, and therefore such attacks may appear random in nature and difficult to predict as a consequence.

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

Responsibility
Chief Executive Officer

Risk appetite
Low

Link to strategy
1, 2 and 3

Change ↘

1. Source: Forbes (link). Accessed April 2022.

RISK MITIGATION

Ferrexpo conducts regular reviews of the different information systems and technologies in use across its business, to ensure that information systems and technologies are regularly maintained and up-to-date in terms of security protocols.

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 users of IT 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 2021 have centred around the procurement and installation of a dedicated on-site data centre at Ferrexpo's operations with backup power, with elevated security protocols to ensure the Group's continued access to its data and IT systems in the event of a cyberattack.

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

5. RISKS RELATING TO CLIMATE CHANGE

As a contributor to the global steel value chain, the Group is aware of the risks posed to it by climate change. The risks posed by climate change are diverse in scale and can be either local, affecting the Group's stakeholders in the jurisdictions in which it operates, or global whereby there are impacts to factors such as demand for iron ore pellets. Climate change risks can also be further classified into risks that affect the Group's physical environment – such as flooding, drought conditions and extremes of temperature, or risks could be regulatory in nature whereby governments seek to impose restrictions to limit emissions of carbon dioxide through measures such as environmental levies or carbon taxes.

Climate change risks can also affect the Group through its suppliers and customers, with suppliers facing the same risks as Ferrexpo, and as a result may not be able to continue to supply the Group with the same goods and services as currently provided. Customers of Ferrexpo, comprising the global steel industry, are significantly affected businesses by climate change risk given the relatively high proportion of global emissions produced by steelmakers (7% of total emissions[1]). As an example, the EU has selected the European steel industry as one specifically targeted under carbon reduction regulations, such as a gradual reduction in carbon credits as part of the EU's "Fit for 55" initiative to achieve a 55% reduction in carbon emissions by 2030[2]. As steelmakers around the world face increasing regulation to curb emissions, as well as the direct effects of climate change and changing end user demand, these changes will filter through to Ferrexpo as a supplier to these producers, with a portion of these changes likely to be negative.

Ferrexpo also faces acute physical risk as a result of climate change outside of Ukraine in its logistics network, particularly its barging operations along the Danube River, which are prone to freezing weather conditions in European winters and both flooding and low water events in summer.

Additionally, the Group faces reputational risk both in Ukraine and across the globe with stakeholders such as investors, suppliers and customers, if it is not seen to have strong environmental credentials, or does not comply with government regulation. This particular risk can apply to the Group's activities in Ukraine and barging operations in Europe, but also perceptions around the environmental footprint of the Group's products.

Responsibility
Board of Directors and Chief Executive Officer

Risk appetite
Low

Link to strategy
1, 2, 3, 4 and 5

Change

1. Source: IEA, 2020 (link). Accessed April 2022.
2. Source: European Commission (link). Accessed April '22.
3. Source: Forbes (link), accessed April 2022.

RISK MITIGATION

The Group has sought to mitigate risks around climate change in a number of areas in 2021. Locally in Ukraine, the Group has implemented a significant number of operational projects targeting productivity improvements to reduce diesel and natural gas consumption, including construction of a 5MW trial solar power plant and the Group's clean power purchasing programme. Through various initiatives, the Group has reduced its carbon footprint per tonne (Scope 1 and Scope 2 basis) by 30% since the Group's baseline year of 2019. Further to this progress, in October 2021 the Group announced medium- and long-term carbon reduction targets (see page 36). To further reinforce the Group's existing position on climate change and progress in carbon emissions, the Group is undertaking an external assurance process, whereby an external consultant is reviewing and providing assurance on the validity of the Group's calculations for its carbon footprint. Further details of this project are available on page 34. Looking forward, the Group is seeking to further establish its understanding of the role of iron ore pellets in a low carbon future through its ongoing work with independent climate change consultants Ricardo plc; see page 37 for more details.

The Group understands the need to take action in addressing climate change today, and positioning for the future. For Ferrexpo, the future is Green Steel, which is the production of steel without associated carbon emissions. The first Green Steel was created in Sweden in the summer of 2021 using direct reduction iron ore pellets[3] and the Group has commenced a process to align itself towards Green Steel by starting to produce direct reduction pellets, which represent a known pathway to Green Steel. The Group intends to build its presence in marketing direct reduction pellets in new regions, as well as maintain a dialogue with existing customers as they modernise their production facilities and switch to direct reduction pellets over time.

The Group's management believe that through a multi-layered approach to addressing climate change through implementing projects today, as well as the implementation of longer-term projects, the Group will be well positioned for a low carbon future.

Principal Risks continued

6. RISKS RELATING TO THE GLOBAL COVID-19 PANDEMIC

In 2021 the world has seen a continuation of the disruption caused by the Covid-19 pandemic, similar in nature to the effects seen in 2020 but with periodic and regional easing of restrictions followed by increases in infection rates and the reintroduction of restrictive measures. Measures introduced in response to the global Covid-19 pandemic have varied between different jurisdictions and have also varied in 2021 according to an individual's vaccination status, adding an additional dimension to Covid-19 restrictions.

Overall, Covid-19 continues to affect the health and wellbeing of individuals, as well as continuing to divide and isolate communities as governments and businesses seek to find measures to slow the spread of the virus each time infection rates increase. Risks relating to the individual continue to be significant – from the threat to the long-term health of an individual and their families and friends, to the impact on wellbeing through social distancing measures. Businesses are at risk of seeing significant numbers of employees and contractors of their own business be forced to isolate due to infection, as well as suppliers and customers experiencing similar restrictions, resulting in a general slowdown in companies' ability to do business with each other. Governments face the risk of the additional strain on public services and resources as a result of measures taken to combat the causes and the effects of the pandemic, which are costs that may be passed on to businesses and individuals in the form of additional taxes and royalties, as well as cuts to existing services. More broadly, the global steel value chain relies on a steady transfer of goods and services to operate efficiently, and market prices such as iron ore prices and pellet premiums could be negatively impacted by a decrease in steel output or a decrease in the ability of steelmakers to produce steel. The global steel value chain also relies heavily on international travel for global businesses to conduct business with each other effectively, and the global travel industry has been significantly affected by travel restrictions. International travel was also a frequent requirement for the Group's senior leadership team, which is an activity that has also been significantly curtailed during the pandemic.

Responsibility
Board of Directors and Chief Executive Officer

Risk appetite
Low

Link to strategy
1, 2, 3, 4 and 5

Change

The Russian invasion of Ukraine in early 2022 has also elevated the risk associated with Covid-19 due to a reduced focus on testing for the virus and therefore higher risk of transmission in local communities.

1. Source: www.ourworldindata.org, accessed 1 February 2022.

RISK MITIGATION

The Group has sought to mitigate the impact of the global Covid-19 pandemic on its workforce, communities and business activities through a variety of measures. In relation to the Group's workforce, the Group moved quickly to implement measures in early 2020 as the pandemic commenced and these measures, such as mask-wearing, social distancing, staggered shift patterns, Covid-19 testing and temperature screening, have all been perpetuated into 2021. The Covid-19 virus has affected every community around the world and Ferrexpo is acutely aware of the impact of Covid-19, having had 14 employees pass away as a direct result of Covid-19, or complications related to Covid-19, as of December 2021. The Group is therefore making every effort to prevent the virus causing further harm to its workforce and as a result, the Group is encouraging its workforce in Ukraine to take up the government's offer of Covid-19 vaccinations and has provided local authorities with the use of the Group's on-site medical facility as a vaccination centre. As of January 2022, over 5,900 of the Group's employees have had at least one dose of a Covid-19 vaccine and 65% of employees were fully vaccinated, approximately double the rate for the general population of Ukraine[1]. The Group's management is also aware of the significant impact that Covid-19 has had on the wellbeing of its employees, and as a result the Group has offered psychological support services and training to help employees and contractors to cope with the various forms of stress that have emerged as a result of the pandemic.

On a broader scale, the Group has noted a return in the global balance of steel production, and therefore iron ore demand, in 2021 as the world returns to a more normal balance of trade as Covid-19 restrictions ease. In the iron ore industry, the shift seen during the peak of the pandemic during 2020 was towards China, and in 2021, global markets have gradually returned to a similar balance of demand as has been seen in years prior to 2020. Whilst the Group is prepared for further shifts in iron ore demand, and has capacity in its logistics network to manage such events, the Group does not expect a similar scale of market shift as observed in 2020.

In relation to the Group's local communities, the Group's Covid-19 Response Fund continues to work to assist local hospitals and medical institutions in their work combating the pandemic, with a total approved funding amount of US$3.5 million. Details of the work conducted through this project are provided in the Case Study on page 11.

Viability Statement

APPRAISAL OF THE GROUP'S OUTLOOK IN A STRESSED SITUATION

Reviewing the Group's assessment of principal risks, to consider the long-term viability of Ferrexpo's business model.

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 54 to 72.

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 (12-18 month) time horizon 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 12-18 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 since the outset of this armed conflict in order 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 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, 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 54 to 72 of this report.

Business planning process

In response to the Russian invasion of Ukraine on 24 February 2022, the Group has temporarily revised its approach to its business activities and investments from its Business Model shown on pages 16 to 17. This approach has been implemented to concentrate on the Group's ability to generate cash in the revised market 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 on 24 February 2022, 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 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 through 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 Group's iron ore products.

Viability Statement continued

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 Principal Risk section, pages 54 to 72). 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 2022 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.

The Group has adjusted its long-term financial model to reflect the lower sales volume caused by the unavailable seaborne sales to the Group's customers, with forecasted production volumes being varied accordingly. The financial model anticipates that production and sales volumes will return to normal by 2024.

The Group's financial modelling indicates that a 10% reduction in the Group's received price in 2022 would, if not mitigated, reduce the Group's Underlying EBITDA[A] by US$8.4 per tonne. Modelling also indicates that a general production cost increase of 10% would decrease Group Underlying EBITDA[A] by US$4.9 per tonne, whilst a 10% decrease in production volumes, and an associated 5% increase in production costs, would decrease Underlying EBITDA[A] by US$7.0 per tonne. It should be noted that the impact of the factors discussed above in this paragraph apply for 2022 in isolation. Any impact on additional years beyond 2022 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 the cessation of production for 3, 6 and 18 months, which could be caused by a disruption of the supplies for key consumables, equipment and/or a further interruption of the Group's currently available logistics network, in the event of an escalation in the armed conflict in Ukraine.

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.
- Operating constraints due to Ukrainian country risk.

In respect of mitigating actions in response to the conflict in Ukraine, please see page 57 for more detail on this topic. 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. Since the end of 2020, the Group has moved into a net cash position, and has announced a net cash position of US$117 million as of 31 December 2021. As at the date of the approval of these Consolidated Financial Statements, the Group is in net cash position of approximately US$192 million and an available cash balance of approximately US$209 million. In addition to the available cash balance, the Group has an outstanding receivable balance of approximately US$156 million from its sales in March and April 2022, which are expected to be collected in the coming weeks.

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 Group will continue to have the ability to operate in Ukraine;
- The Group will continue to be able to redesign its mining and processing plans in order to align them to changing circumstances;
- The Group will continue to be in the position to secure the supplies of key consumables and equipment; and
- The Group will continue to be in the position to use its currently available logistics network or make use of alternative options, if needed.

As disclosed in Note 2 Basis of preparation in the Group's Consolidated Financial Statements on page 152, 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 as the duration and the impact of the war cannot be predicted at this point of time.

The Strategic Report was approved by the Board on 21 April 2022 and signed on behalf of the Board by:

Lucio Genovese
Chair

Corporate Governance Report

CHAIR'S INTRODUCTION

Lucio Genovese
Chair

Delivering on our promises and re-shaping the Board

Dear Shareholder

Before reflecting on the improvements made during 2021, it is important to note the devastating impacts which the Russian invasion of Ukraine is having on Ukraine and the people, communities and businesses within the country. 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 on-going situation in Ukraine, receiving daily 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 during 2022 and the Board will continue to focus on exercising strong governance during these 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 2018 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 success of Ferrexpo Plc.

Operation of the Board during Covid-19 and governance framework

Against the backdrop of the continuing Covid-19 pandemic, we remained focused on the health, safety and well-being 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, and ensuring business continuity and safeguard 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 presented by the pandemic. The majority of Board meetings were held virtually and this was an effective way of maintaining good corporate governance, the corporate agenda, the flow of information across the Group and delivery of the Group's strategy.

We have also ensured new directors' onboarding programmes continued as planned, albeit in a virtual environment. The virtual format of meetings provided the Board greater opportunities to engage with each other, management and employees. During 2021, for the second consecutive year, the Board site visit to our operations in Horishni Plavni was cancelled due to the pandemic and was replaced with a virtual site visit.

Despite the challenges of remote working we continued to enhance our shareholder and stakeholder engagement and place their interests at the centre of our considerations for key decisions. Our Section 172 Statement set out on pages 50 to 53 provides further details on how the Board complied throughout the year.

The Russian invasion to Ukraine has not adversely impacted the operation of the Board or its Committees.

Supporting local communities during Covid-19

During the year, in addition to our continued support for communities locally, Covid-19 special fund in the amount of US$1.0 million (2020: US$2.5 million) was provided to support the local community in Horishni Plavni for the purchase of personal protective equipment and equipment for local hospitals (see Responsible Business section of the Strategic Report on pages 32 to 45).

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; they are subject to the 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 local charitable spending via its Health, Safety, Environment and Community ("HSEC") Committee, which oversees and directs these activities and receives reports detailing the spend. The Audit Committee reviewed reporting from the external auditors in relation to their procedures on HSEC Committee as part of their audit of the Group.

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 Equality, Diversity and Inclusion Policy, which sets our objectives.

Further to commitments made last year, we announced a number of changes to the Board during the year. In accordance with best practice requirements of the Corporate Governance Code 2018, 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. To that end, as we began the year, I was pleased to welcome Ann-Christin Andersen to the Board on 1 March 2021. Ann-Christin's digital technologies and business transformation experience provides us with great breadth of insight, which is particularly valuable as we transform our business. Throughout the year, the Board continued its search for further Independent Non-executive Director candidates, led by the Nominations Committee and supported by external consultants. Towards the end of the year, I was also pleased Natalie Polischuk joined the Board on 29 December 2021. Natalie, an economist, brings a combination of financial expertise coupled with experience of Ukraine and Central and Eastern Europe markets, providing further balance to our Board in terms of regional expertise.

On 4 August 2021, Nikolay Kladiev was appointed as Chief Financial Officer in place of Roman Palyvoda who stepped down from the Acting CFO role to pursue other career opportunities. Nikolay joined the Group in 2005 and brings a wealth of experience to the Group CFO role as well as a deep understanding of both our operations and the Ukrainian business environment.

On 14 February 2022, Jim North was appointment 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.

At the beginning of 2021, there was one female Director on the Board and by the end of the year I am delighted that we now have three female directors, further strengthening Board independence and diversity. Female representation on the Board is now 38%, which is enthusiastically welcomed by the entire Board.

Board performance review

In line with the 2018 Corporate Governance Code, at least every three years the Board performance review is facilitated by an external third party that interviews the directors and senior management to form an objective opinion on the performance of the Board and its members. During the year, an externally facilitated effectiveness 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 91 to 92.

Key highlights in 2021 and early 2022:

- continued management of Covid-19;
- Health & Safety and employee wellbeing
- zero fatalities;
- climate change – established inaugural carbon reduction targets;
- established dividend policy;
- improved Board diversity;
- appointment of two female independent Non-executive Directors;
- appointment of female Senior Independent Director;
- appointment of CEO;
- appointment of CFO;
- appointment of HSEC Chair;
- appointment of female Independent Non-executive director to Audit and HSEC Committees;
- succession planning at Board and management level;
- external Board Evaluation;
- strengthen cyber security;
- focus on shareholder and key stakeholder engagement;
- appointment of broker; and
- appointment of sponsor.

Key priorities for 2022:

- supporting our workforce and the operations as a result of the Russian invasion of Ukraine;
- continued management of Covid-19;
- Health & Safety and employee wellbeing;
- climate change;
- commence search for a director of colour;
- 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 2022 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
21 April 2022

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 chief executive officer of Nage Capital Management AG, a Swiss based investment and advisory firm, since 2004; Nevada Copper Inc since 2016; and as chair of CoTec Holdings, listed on NEX Board of the TSVX, since 2021.

Previous appointments
Previously, he was non-executive director of Mantos Copper SA, 2015-2022; chair of Firestone Diamonds Plc, 2012-2020; an Independent Non-executive Director of Ferrexpo plc, 2007–2014; independent non-executive director of Ferrous Resources Limited, 2014–2019; 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 30 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 Russia and 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
Lucio is the Chair of the Nominations Committee.

Fiona MacAulay
Senior Independent Non-executive Director

Date of appointment
12 August 2019

Current external appointments
Currently, she serves as non-executive director of Costain Plc since April 2022; non-executive director of Chemring Group plc since 2020; and non-executive director of AIM listed IOG Plc since 2018 where she serves as chair.

Previous appointments
Previously, she was non-executive director of AIM listed Coro Energy 2017–2022; chief executive officer of Echo Energy plc 2017–2018 and a 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. 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 is the Chair of the Remuneration Committee and a member of the Audit and Nominations Committee and Committee of Independent Directors. Fiona was the Chair of the HSEC Committee until February 2022.

Fiona was appointed Senior Independent Director in February 2022.

Jim North
Chief Executive Officer and Executive Director

Date of appointment
14 February 2022
Chief Executive Officer

5 July 2020
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 Rio Tinto, BHP Billiton 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 seven 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 is a capable Executive Director. He brings multiple commodity experience across the resources value chain and extensive experience to bear managing the Company.

Committee membership
Jim is a member of the HSEC Committee.

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 Glitre Energi AS (unlisted), having been appointed as a director in 2015. She is a non-executive director of Maersk Drilling since 2020 and has been a non-executive director of Rotork Plc since 2018.

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 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 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 is the Chair of HSEC Committee with effect from February 2022 and a member of the Nominations and Remuneration Committees and Committee of Independent Directors.

GENDER

- Male 62.5%
- Female 37.5%

Graeme Dacomb
Independent
Non-executive Director

Date of appointment
10 June 2019

Current external appointments
Currently, he serves as non-executive director of Anglo Pacific 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 where, for his last 12 years, he was a lead 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, acquisitions, disposals and financial systems and controls.

Graeme brings extensive knowledge of the extractive industry and his financial expertise gained as lead 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 and a member of the Nominations and Remuneration Committees and the Committee of Independent Directors.

Vitalii Lisovenko
Independent
Non-executive Director

Date of appointment
28 November 2016

Current external appointments
Currently, he serves as a non-executive adviser 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 Depositary 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
Vitalii is the Chair of the Committee of Independent Directors and a member of the Audit, Nominations and Remuneration Committees. Vitalii was Senior Independent Director until February 2022.

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 is a member of the Audit and HSEC Committees from February 2022.

Kostyantin Zhevago
Non-independent
Non-executive Director

Date of appointment
14 June 2007 as Non-executive Director

1 November 2008–25 October 2019 as Chief Executive Officer

25 October 2019 as Non-independent Non-executive Director

Current external appointments
None.

Previous appointments
Kostyantin has substantial management and investment experience gained over a 30-year business career in Ukraine.

Skills, expertise and contribution
Kostyantin contributes to Ferrexpo plc over 30 years' substantial management and investment experience gained during his business career in Ukraine.

Kostyantin brings significant experience in areas such as mining operations, sales and marketing and government relations, and has a detailed understanding of the Ukrainian business, economic and political landscape, which is very valuable to the Group. He has a deep working knowledge of the Group, having previously acted as Chief Executive Officer for 11 years, which he is able to contribute to Board decision-making. Kostyantin also has strong relationships with a number of key stakeholders of the Group, developed during his time at Ferrexpo.

Committee membership
None.

Executive Committee

AN EXPERIENCED AND FOCUSED MANAGEMENT TEAM

Jim North
Chief Executive Officer and Chief Operating Officer – combined role

For more information see page 78 for details.

Nikolay Kladiev
Chief Financial Officer

Nikolay was appointed Group Chief Financial Officer on 4 August 2021.

Nikolay Kladiev 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 16 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 the Kyiv National Economic University.

Viktor Lotous
Chief Operating Officer and Head of Managing Board, FPM

Viktor became Chief Engineer in 1997 and General Director 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 resource leadership positions with Anglo American and BHP Billiton.

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.

Brett Salt
Chief Marketing Officer

On 1 July 2020, Brett joined Ferrexpo from Rio Tinto where, over a 23-year career, he held a variety of senior leadership roles in Asia, North America, Europe, the Middle East, Africa and the former Soviet Union. His commercial experience covers sales and marketing, mergers and acquisitions, corporate development, finance, shipping and logistics across multiple commodities to include iron ore, coal, copper and freight.

Skills and experience
He holds a Bachelor of Commerce, majoring in Economics and Commercial Law from Curtin University of Technology and a diploma in Investment and Risk Management in Shipping from the IMD Business School.

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 2021 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 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 Corporate Governance Code sets out the governance principles and provisions that applied to the Company during 2021. 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 2021 except for Provision 9 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.

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 Board in August 2020.

Independent mind set

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 mind set 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 two female Independent Non-executive Directors ensuring compliance with the Hampton-Alexander Review.
- Appointment of permanent CEO.
- Appointment of CFO.
- Appointment of female Senior Independent Director.
- Succession planning at Board and senior management level.
- Climate change – established inaugural carbon reduction targets.
- Return to shareholders – established dividend policy.
- Appointment of Broker.
- Appointment of Sponsor.
- Led a Corporate Governance Road Show with major institutional investors.
- Re-focused the 2021 Board agenda to include Cyber Security, Climate Change and Environmental, Social and Governance matters.
- Improved transparency on the outcome of the 2021 Board Evaluation and a further voluntary commitment for the Company to undertake a further externally facilitated follow up in 2022.

Corporate Governance Compliance continued

Mr Genovese led the Board through the Covid-19 pandemic ensuring continuity of the Board agenda and meetings together with ongoing corporate initiatives and the establishment of a Covid-19 Response Fund to support our local community in Ukraine and most recently in early 2022 led the Board through the Russian invasion of Ukraine.

The Board believes Mr Genovese is the right person to Chair the Board. To provide continuity of his sound leadership, we request your support to re-elect Mr Genovese at the 2022 AGM.

Further details on the composition of the Board and its Committees are set out on page 84 and further details of the role of the Senior Independent Director are set out on page 87.

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:**	Section 172 Statement page 50, Chair's Statement page 2, Skills Matrix page 85
	Principle B:	Chair's Statement page 2, Purpose, Values and Strategy pages 6 to 7 and pages 16 to 17
	Principle C:	Audit Committee Report page 94
	Principle D:	Our Stakeholders page 46
	Principle E:	Employee Engagement page 40, Non-Financial Information Statement page 45, Whistleblowing Policy page 99
Division of responsibilities	**Principle F:**	Role Descriptions page 87, Board Evaluation page 91
	Principle G:	Role Descriptions page 87
	Principle H:	Time Commitment page 86, Corporate Governance At a Glance page 83
	Principle I:	The Board page 84, Skills Matrix page 85
Composition, succession, evaluation	**Principle J:**	Appointment Process and Succession Planning page 102, Board Diversity Policy page 103
	Principle K:	Skills Matrix page 85, Appointment Process and Succession Planning page 102, Board Composition page 84
	Principle L:	Board Evaluation page 91
Audit, risk, internal control	**Principle M:**	External Audit page 99, Internal Audit page 99
	Principle N:	Audit Committee Report page 94
	Principle O:	Internal Control and Risk Management page 98, Risk Management page 54, Principal Risks page 56
Remuneration	**Principle P:**	Remuneration policy page 110
	Principle Q:	Procedure for developing policy on remuneration, page 106
	Principle R:	Directors should exercise independent judgement when authorising remuneration outcomes page 118

Disclosure Guidance and Transparency Rules

By virtue of the information included in this Corporate Governance Report and the Directors' Report, we comply with the corporate governance statement requirements of the FCA's Disclosure Guidance and Transparency Rules.

Corporate Governance Report
At a glance

SHAREHOLDERS

BOARD

AUDIT COMMITTEE

Responsibilities include:
- Monitoring integrity of financial statements.
- Reviewing internal control and risk management systems.
- Relationship with external auditor.

▶ **For more information: Audit Committee Report see page 94**

REMUNERATION COMMITTEE

Responsibilities include:
- Reviewing and approving all aspects of remuneration for Executive Directors and members of the Executive Committee.
- Aligning remuneration policy and practices to support strategy.
- Engaging with shareholders to receive feedback on remuneration policy and outcomes.

▶ **For more information: Directors' Remuneration Report see page 106**

NOMINATIONS COMMITTEE

Responsibilities include:
- Considering and approving the knowledge, skills and experience mix required for the Board to best deliver the Company's objectives.
- Identifying and nominating (for Board approval) candidates to fill Board vacancies, having due regard to the need to satisfy the Board's skills requirements.

▶ **For more information: Nominations Committee Report see page 100**

COMMITTEE OF INDEPENDENT DIRECTORS ("CID")

Responsibilities include:
- Ensuring compliance with related party transaction rules and the Relationship Agreement.
- Authorising (if appropriate) related party transactions on behalf of the Board.
- Conflicts of interest procedure under the Companies Act 2006.

▶ **For more information: See page 87**

HEALTH, SAFETY, ENVIRONMENT AND COMMUNITY ("HSEC") COMMITTEE

Responsibilities include:
- Formulating and monitoring the implementation of the Group's policy on issues relating to health and safety, environment and community as they affect operations.
- Specific focus on safety and climate change impacts.

▶ **For more information: responsible business section see page 30**

CHIEF EXECUTIVE OFFICER AND EXECUTIVE COMMITTEE[1]

Responsibilities include:
- Execution of Board-approved strategies.
- Delegated authority levels for senior management.
- Development and implementation of Group policies.
- All material matters not reserved for the entire Board.

▶ **For more information: See page 80**

1. The Finance, Risk Management and Compliance Committee, Investment Committee and the Executive Related Party Matters Committee all report to the Executive Committee.

Controlling shareholder – Relationship Agreement

The Company's majority shareholder is Fevamotinico S.a.r.l., which owns 50.3% of the issued share capital of Ferrexpo plc. Fevamotinico S.a.r.l. is wholly owned by The Minco Trust. The Minco Trust is a discretionary trust that has three beneficiaries, consisting of Kostyantin 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 Fevamotinico 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, Fevamotinico 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 Fevamotinico 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 2021.
- So far as Ferrexpo is aware, each of Mr Zhevago and Fevamotinico S.a.r.l. and their associates have also complied with the independence provisions contained in UK Listing Rule 9.2.2ADR(1) during 2021.
- So far as Ferrexpo is aware, the procurement obligation set out in LR 9.2.2B(2)(a) (which requires Mr Zhevago and Fevamotinico 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 2021.

Corporate Governance Report continued

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 83 to ensure compliance with the Companies Act 2006, FCA Listing Rules and Disclosure Guidance and Transparency Rules and the 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 2021, the Board (excluding the Chair) comprised one Executive Director, one Non-independent Non-executive Director, and five Independent Non-executive Directors who are considered by the Board to be independent in accordance with the 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 2021 is presented in the table below:

Board member	Role	Audit	Remuneration	Nominations	CID	HSEC[1]
R L Genovese	Non-executive Chair			••		
V Lisovenko	Senior Independent Non-executive Director	•	•	•	••	
J North	Acting Chief Executive Officer					•
G Dacomb	Independent Non-executive Director	••	•	•	•	
F MacAulay	Independent Non-executive Director	•	••	•	•	
AC Andersen	Independent Non-executive Director		•	•	•	••
N Polischuk	Independent Non-executive Director					
K Zhevago	Non-independent Non-executive Director					

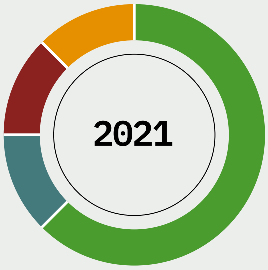
1. The HSEC Committee also includes some members of senior management.
• Committee member.
•• Committee Chair.

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 78 and 79.

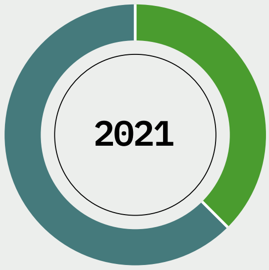
BOARD DIVERSITY, TENURE AND BALANCE

BOARD BALANCE



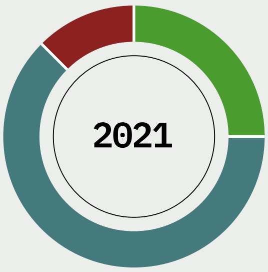
Independent	5
Non-independent	1
Chair	1
Executive	1

BOARD DIVERSITY – GENDER



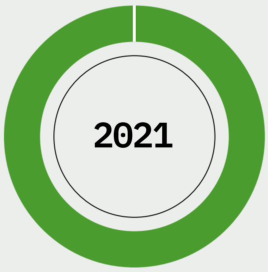
Female	3
Male	5

BOARD DIVERSITY – AGE



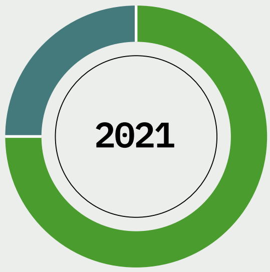
Age: 40-49	2
Age: 50-59	5
Age: 60+	1

BOARD DIVERSITY – ETHNIC GROUP



White	8
Mixed/Multiple Ethnic Group	0

BOARD TENURE



0-5 years	6
9 years +	2

Skills matrix

Expertise	% of Board members
Mining, Global Resource Industry	56%
Business leadership and strategy	66%
Corporate governance	66%
ESG/Sustainability	56%
Financial, Audit & Risk	72%
CIS Geographical experience	78%
Government and international relations	53%
HSEC	69%
Human capital management/ Remuneration	72%
Investor relations management	75%
Risk management	84%

Corporate Governance Report continued

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 2021.

All of the Non-executive Directors (with the exception of Natalie Polischuk, who was appointed as a Non-executive Director of the Company on 29 December 2021) 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 2021 is shown in the table below.

Non-executive Director external appointments during 2021

During 2021, Ms Andersen was appointed as Chair of Quantafuel AS, a company listed on Euronext Growth. Additionally, in relation to Ms Andersen's existing Non-executive Directorship of Argeo AS, during the year Argeo AS became a publicly listed company on Euronext Growth. Also during 2021, Mr Genovese was appointed as Chair of CoTec Holdings Corp, a company listed on the NEX Board of the TSVX. These appointments were considered a significant appointment for Ms Andersen and Mr Genovese for the purposes of the Corporate Governance Code, and, in advance of the appointment, both Ms Andersen and Mr Genovese sought the prior approval of the Board. As part of approving these additional appointments the Board considered a range of factors, including the existing appointments of Ms Andersen and Mr Genovese, the time commitment expected in the role as a Ferrexpo director and Chair respectively, attendance records at Ferrexpo Board and committee meetings, institutional investor guidance on number of board roles in respect of overboarding and the additional time commitments from the new roles. The Board was satisfied having regard to these matters that the additional roles would not adversely impact the ability of Ms Andersen or Mr Genovese to perform their existing roles on the Ferrexpo Board and its committees.

Board and Committee meeting attendance in 2021

	Attended/Eligible to attend										
	Board		Audit	Remuneration		Nominations		CID		HSEC	
Director	Scheduled	Ad hoc	Scheduled	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc
AC Andersen[1]	3/4	11/11		2/2		3/3	1/1	1/3	0/1	2/2	1/2
G Dacomb[2]	5/5	13/13	5/5	4/4	2/2	2/2	1/1	5/5	6/7		
R L Genovese	5/5	13/13				5/5	1/1				
V Lisovenko	5/5	13/13	5/5	4/4	2/2	5/5	1/1	5/5	7/7		
F MacAulay	5/5	13/13	5/5	4/4	2/2	5/5	1/1	5/5	7/7	4/4	2/2
J North	5/5	13/13								4/4	1/2
N Polischuk[3]	0/0	0/0									
K Zhevago	4/5	12/13									

1. Ms Andersen was appointed to the Board on 1 March 2021 and Board Committees on 18 May 2021.
2. Mr Dacomb was appointed to Nominations Committee on 19 May 2021.
3. Ms Polischuk was appointed to the Board on 29 December 2021.

During the year, there were a number of ad hoc Board and Committee meetings which dealt with (amongst other things) Covid-19 response, Board appointments and the declaration of dividends.

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 106.

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 78. There has been no increase in those commitments during the reporting period.
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. The Senior Independent Director also chairs the Committee of Independent Directors. 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 106); and monitor executive succession planning (for Board succession planning, see the Nominations Committee Report on page 102). 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 three 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 Fevamotinico 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.

Mr Zhevago and his role

Given the expected time commitment of Mr Zhevago's role, which continues to be broader than that of other Non-executive Directors, the Company has entered into a consultancy arrangement with Mr Zhevago. Further details can be found in the Remuneration Report on page 124.

Corporate Governance Report continued

BOARD LEADERSHIP

Before setting out the Board's activities in 2021, it is important to note that since the Russian invasion of Ukraine, the Board has continued to meet regularly to discuss the on-going situation in Ukraine, the execution of our business continuity plans, planning for different eventualities and adjustments to the corporate calendar. The Board receives daily 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 2022.

Board activity in 2021

Five scheduled Board meetings were held in 2021 (supplemented by other ad hoc meetings, telephone or video conferences and written resolutions as required from time to time). In line with Covid-19 safety guidance, the majority of Board meetings were held remotely during the year by video conference, with management team members and other Group personnel joining to discuss matters as appropriate. The Board intends to hold its scheduled meetings in person during 2022 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.

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. 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.

The following sets out an overview of the key areas of focus for the Board during the year.

Covid-19

The impact of Covid-19 was a key area of focus during the year, with the Board undertaking regular reviews of the Group's response to the pandemic. The Board received updates from the Chief Executive Officer and Chair of the HSEC Committee on the Group's response to the pandemic, including safety measures put in place at the mine sites and other locations to protect the Group's workforce and support provided to members of the workforce affected by Covid-19 and their families. The Board also reviewed expenditure by the Group's Covid-19 support fund, and approved additional funding for the support fund.

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.

During the year, the Board reviewed the Group's position in relation to climate change, including the risks and opportunities which climate change may present to the Group, see page 71 Principal Risks. The Board also approved a commitment for the Group to achieve net zero carbon emissions from its operations by the year 2050, and an initial commitment to achieve a minimum of a 30% reduction in combined Scope 1 and 2 emissions by 2030, against the Group's baseline year of 2019 emissions.

The Board also considered various proposals aimed at reducing the carbon emissions resulting from the Group's operations, including a proposal to transition the existing mining fleet to an electrified mining fleet in the medium term. This proposal once implemented would result in a material reduction in CO_2 emissions for the Group.

For further details, see page 36 of the Strategic Report.

Financial position and early repayment of debt facility

The Board continuously reviews the financial position of the Group, including performance against targets, balance sheet strength and liquidity. During the year, the Board decided to make an early repayment in full and cancel its Pre-Export Finance Facility in order to minimise funding costs and ensure efficient use of liquidity.

The Company's Preliminary and Interim results and Annual Report were scrutinised and approved by the Board.

Cyber security strategy

In light of the growing risks facing all businesses in relation to cyber security, the Board received a detailed presentation 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 the steps which the Group plans to take to further improve its protections relating to cyber security and procurement of additional IT infrastructure to maintain access to our data in the event of a cyber attack.

Stakeholders and workforce engagement

Stakeholder considerations and culture are an important part of the Board's discussions and decision-making. The information on pages 46 to 49 provides a review of stakeholder engagement activities during the year and explains how the Board considers stakeholders in decision-making.

During the year, the Board appointed Mr Lisovenko as the designated Non-executive Director to lead workforce engagement. Mr Lisovenko attended and led the 2021 workforce town hall meeting held in September 2021 and provided an update to the Board, together with recommendations for encouraging further active engagement with the workforce.

The Board also considered the results of the second Employee Engagement Survey, which was undertaken in November 2020. This included a comparison of the survey

BOARD LEADERSHIP (CONTINUED)

results as between employees and managers, focusing on areas of disparity of opinion between employees and managers, and considerations for the lower participation rate as compared to the previous survey. The Board discussed the 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.

For further details, see page 46 of the Strategic Report.

Dividends and new shareholder returns policy

The Board regularly considers proposed shareholder dividends, taking into account the financial performance and liquidity position of the Group. As a result of the Group's strong financial performance, the Group paid out dividends during the year totalling US$619 million. Given the uncertainties arising from the Covid-19 pandemic, ahead of approving and paying these dividends, the Board would meet to consider the Company's liquidity position and financial commitments (including related to development capital expenditure).

During the year, the Board also considered and approved a new Shareholder Returns Policy, following feedback from some market participants that they expected the Group to have a formal dividend policy. As part of this, the Board benchmarked the proposed policy against dividend policies of peer companies and considered the most appropriate financial metrics for the Group. The Board also sought input from the Group's financial advisers on the design of the new policy.

For further details, see page 52 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.

During the year, the Board was focused on improving the level of independent non-executive director representation on the Board, in line with previous commitments made by the Chair. This led to the appointment of Ann-Christin Andersen in March 2021 and Natalia Polischuk in December 2021, as Independent Non-executive Directors. The process for these appointments was led by the Nominations Committee, with the Board involved in reviewing the candidates recommended by the Nominations Committee and ultimately approving the appointment of Ms Andersen and Ms Polischuk.

For further details see page 100 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 the year, the Board also reviewed and approved revised delegated authorities for senior management and made updates to its Inside Information and Disclosure Policy, Share Dealing Policy and Director Conflicts Authorisation Policy to reflect updates in laws and regulations post Brexit and current best practice.

At each of its scheduled meetings the Board also considers any updates to the principal and emerging risks of the Group.

Human Rights Policy and Modern Slavery Act Statement

During the year, the Board approved a new Human Rights Policy, taking into account relevant international standards. The Board also reviewed and approved the Group's Modern Slavery Act Statement for the year ended 31 December 2020 (a copy of which is available at www.ferrexpo.com).

Executive appointments and succession planning

Nikolay Kladiev was appointed as Chief Financial Officer on 4 August 2021. The process for identifying and selecting a new Chief Financial Officer was led by the Nominations Committee with support from the Chief Human Resources Officer. The Board was involved in reviewing the work carried out by the Nominations Committee, approving the appointment of Nikolay Kladiev following a recommendation to that effect from the Nominations Committee and ensuring an orderly handover process was in place.

The Chief Human Resources Officer presented to members of the Nominations Committee to review the talent audit and succession plans across senior, management and operational levels including a specific focus on diversity among the talent pipeline to develop future female leaders across the Group.

For further details see page 102 of the Nominations Committee Report.

Production capacity and efficiencies

The Board regularly reviews proposals for capital expenditure related to the increase of production capacity and efficiencies. During the year, the Board considered and approved capital expenditures relating to the concentrator expansion and upgrading of pellet line 4 at FPM.

For further details see page 24 of the Strategic Report.

At the end of some Board meetings, the Chair and Non-Executive Directors also met without the Executive Director being present, and the Senior Independent Director held discussions with the Non-Executive Directors without the Executive Director or the Chair being present.

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 Covid-19 and the position in Ukraine;
- Growth projects: Wave 1 expansion;
- 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.

Corporate Governance Report continued

BOARD LEADERSHIP (CONTINUED)

Matters reviewed as required included:

- the Group's continued response to the Covid-19 pandemic 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;
- external 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 Code of Conduct;
- appointment of a new Financial Advisor and Broker;
- appointment of a new Sponsor; and
- the CSR budget.

During 2021, 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, and communications.

Board virtual site visit and Strategy Day

Due to travel restrictions imposed by the Covid-19 pandemic, 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 2020 and achievements during the year. This set the foundations for 'where we are now' and 'where we are going'.

The General Managers FPM, FYM and FBM used drones to record video footage for each mine including footage inside the processing plant. The Board received presentations from executive management on operations, safety, strategy and tailings storage facility.

All matters discussed aligned with the Ferrexpo strategic pillars: Health & Safety, Financial Strength, Technology & Innovation, Product Quality, Growth and Licence to operate.

Health, safety and environment included Covid-19 response, HSE performance, business improvement, tailings storage facility status, audits and ecology. An in depth overview of plant development (beneficiation and pelletising) and project execution was illustrated by the use of drones. The Autonomous Haulage System update covered decarbonisation in mining, electricification autonomy, rail modernisation, digitalisation and enterprise resource planning. Marketing and product development was a key update for the Board together with growth and expansion plans supported by revenue and capital modelling. Quality management systems and analysis together with technology and innovation including business improvement initiatives were also provided. Licence to operate, included carbon reduction, people development, productivity and culture.

The actions from the Strategy Day were collated and disseminated for execution during the year.

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.

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, three of which following significant votes against Resolutions 9, 10 and 12 at the 2021 AGM (re-election of Lucio Genovese, Vitalii Lisovenko and Kostyantin Zhevago) and one following significant votes against Resolution 1 at the 2021 General Meeting (re-election of Vitalii Lisovenko). Based on the feedback received, the Board understands that the votes against arose as a result of concerns over corporate governance. Actions taken in response included:

- enhanced shareholder engagement with a Corporate Governance road show during the year;
- the appointment of Fiona MacAulay as Senior Independent Director;
- increased diversity on the Board;
- increased independence by the appointment of a further Independent Non-executive Director; and
- enhanced procedures and internal controls as part of the process of improving the overall corporate governance framework.

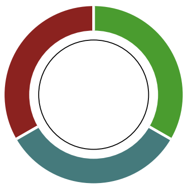
BOARD EVALUATION

Board performance evaluation

Under the 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 2020 internal Board performance
The Board and its Committees consider their effectiveness regularly and the outcome and findings from the 2020 internal review were progressed throughout the year with the following actions taken:

BOARD EVALUATION CYCLE



- 2019: Internal
- 2020: Internal
- 2021: External

Action to be taken	Actions taken
Improve Board diversity	Two female Non-executive Directors appointed during 2021. Female representation increased from 17% in 2020 to 38% in 2021.
Improve frequency of site visits to better understand operations	This could not be facilitated due to Covid-19 travel restrictions. This was replaced by a virtual site visit with drone video footage and enhanced reporting from management.
Allocate additional time for growth projects	Additional time allocated to growth projects facilitated breadth and depth of presentation, discussion and deep dives into specific areas such as mining fleet replacement.
Reviewing past performance and influencing future performance	Reviews of past performance was better reflected in the Board papers in the context of the potential impact on future performance.
Chair and Senior Independent Director to bolster shareholder engagement	A Corporate Governance road show was carried out by the Chair and Company Secretary during 2021 to address specific areas raised by some shareholders with feedback provided to the Board at the next Board meeting.
More time to be allocated to Remuneration Committee	More time was allocated to enable sufficient time for the construction of a transparent framework for incentives and rewards.

2021 External Board performance
In line with recognised best practice, an external evaluator was engaged to conduct the 2021 Board evaluation. Three different providers were reviewed prior to confirming the appointment of Clare Chalmers Ltd. They have a strong track record of conducting board evaluations for FTSE350 companies and their distinctive review approach based on providing their own evidenced observations of the Board, triangulated with those of Board Members and attendees, was one of the key considerations which informed this decision. Clare Chalmers Ltd has no other connection with the Company and this is the first time they have provided Board Evaluation services to the Company. Initial meetings with the Chair and Company Secretary were used to agree the purpose, scope and timing of the evaluation. This facilitated the key themes for the Board performance review. The thematic evaluation focus areas included:

- Board composition, succession, development, leadership and dynamics;
- Board oversight: Strategy, performance, risk, people & culture;
- Stakeholders and decision making;
- Board efficiency including secretarial support;
- Leadership and succession decision making;
- Board planning; and
- The effectiveness of Board Committees.

Corporate Governance Report continued

BOARD EVALUATION (CONTINUED)

Information gathering, interviews and meeting observation:

PREPARATION	– Held a scoping meeting with the Chair and Company Secretary 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. – Individual interviews were scheduled with the Chair, all the Non-executive Directors, the Interim CEO, the Company Secretary, Chief Financial Officer, Chief Human Resources Officer, Remuneration Advisor and External Audit Partner.
FORMAL INTERVIEWS	– One-to-one interviews were conducted with six of the seven Directors appointed (at this point in time seven directors were appointed) including the Chair, the Senior Independent Director, three further Independent Non-executive Directors, the Controlling Shareholder and the Interim CEO. The Company Secretary, Chief Financial Officer, Chief Human Resources Officer, Remuneration Advisor and External Audit Partner were also interviewed.
BOARD OBSERVATION	– Observed a Board and Board Committee meetings to observe the Board dynamics and interaction with management and the Auditors.
REPORTING	– Key findings and recommendations were shared with the Chair and Company Secretary, and a draft report was prepared for review. – The final report was circulated to the full Board, with a presentation from Clare Chalmers Ltd at the next Board meeting to deliver the findings at which discussion was held and the outcomes and recommended actions agreed.

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 Interim CEO and Company Secretary to obtain their views on the Chair's performance.

Feedback and report findings

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 2022:

Key areas for focus in 2022

Area	Actions to be taken
Succession Planning	– Succession planning within the business and senior management including diversity.
Balanced skill-set	– Ensure Non-executive Directors continue to bring the right skill set and to balance the workload of the Board Committees.
Director Training	– Upskill the Board on all ESG matters.
Workforce engagement	– Explore ways to enhance workforce engagement and bring findings into the Boardroom.
Board efficiency and processes	– Continue to improve Board reporting particularly management report writing with externally facilitated training among all report writers.
Corporate resourcing	– Ensure bolstered resourcing for Secretariat and Internal Audit functions.

Additionally, the Board suggested and agreed a follow-up session with Clare Chalmers Ltd late in 2022 to undertake a light review of progress made during 2022 and with a view to recommend further actions for the following year in 2023.

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. The Board had a combined training session with its legal adviser Herbert Smith Freehills and Broker Liberum. This training covered key areas such as directors' duties, market announcements, and listed company obligations which are of particular relevance to Ferrexpo.

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 Covid-19, the physical Board site visit was cancelled and replaced with a virtual site visit as set out on page 90. In addition, training may be provided by the Group's advisers 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 Covid-19 pandemic), meeting the Company Secretary, necessary training on corporate governance aspects, and receiving various key Company documentation and reports.

Ms Andersen and Ms Polischuk, who were appointed during the year, followed a tailored induction programme covering a range of key areas of the business. They 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 Andersen visited site operations in September 2021 and met with the three Mining General Directors, senior and operational management teams to provide an insight into the operational side of the business.

Ferrexpo recently 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. Ms MacAulay acted as Buddy to Ms Polischuk.

Audit Committee Report

Graeme Dacomb
Chair of the Audit Committee

Independently monitoring the integrity of financial information and internal control

MEMBERSHIP AND ATTENDANCE

Committee member	Scheduled meetings Eligible to attend	Attended
Graeme Dacomb	5	5
Vitalii Lisovenko	5	5
Fiona MacAulay	5	5

Dear Shareholder,

On behalf of the Board, I am pleased to present the Audit Committee Report for the financial year ending 31 December 2021. The aim of this report is to provide shareholders insight into key areas that had been considered, how the Committee has discharged its responsibilities and lastly provide assurance on the integrity of the 2021 Annual Report and Accounts.

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 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.

The Covid-19 pandemic has continued to have an impact across the Group which resulted in remote working during various periods in 2021 for corporate functions in our global offices. The Committee throughout the year has continued to utilise video technology to maintain regular dialogue with management throughout the year and to ensure processes and controls were being managed effectively to provide timely and accurate financial information. Through the use of appropriate technology by both the auditors and Ferrexpo, the review procedures in July 2021 were successfully performed remotely. As the Covid-19 situation improved towards the year-end, our external auditor MHA MacIntyre Hudson was able to complete its annual audit procedures for the preliminary and year-end audits partly in person at the Group's different locations for the audit of the consolidated accounts.

ACTIVITY DURING 2021

Key activities of the Audit Committee during 2021 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 2020 audit and analysed further work required.
- Considered the draft Annual Report and Accounts for 2020.
- 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.
- Considered the resourcing for Internal Audit.
- Considered FRC recommendation to extend reporting deadline.

March

- 2020 year-end review.
- Reviewed significant risks disclosed in the Annual Report and Accounts for 2020.
- Assessed FRC's Letter to Audit Committee Chairs and recommended areas of focus.
- Reviewed and discussed the status of key areas of focus and audit matters and disclosure provisions.
- Reviewed auditor's responsibilities statement.
- Reviewed auditor's independence statement.
- Considered the draft of the auditor's opinion.
- Final review of the Annual Report and Accounts for 2020.
- Considered the going concern and viability statement.
- Reviewed the disclosures around FC Vorskla matters.
- Reviewed principal risks and uncertainties.
- Reviewed the Audit Committee Report.
- Reviewed draft letters of representation.
- 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.
- Held private meeting with the auditors.

MHA MacIntyre Hudson continues to provide robust challenges to management and provides independent judgement to the Committee regarding specific financial reporting and the control environment.

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 stay on top of developments and plan accordingly.

TCFD disclosure requirements were a focus for the Committee and Ricardo plc had been appointed to help enhance the Group's existing climate change scenario reporting and review the role of Ferrexpo iron ore pellets within the circular economy. Results of Ricardo's analysis are expected to not only enhance the Group's carbon reduction targets, but also additionally develop climate change reporting in 2022.

Detailed below is further information on the role, structure, key activities of the Committee and significant judgements it has considered in 2021. I hope this additional information about the Committee and its activities is insightful and based on this shareholders can be assured of the work undertaken by the Committee in 2021.

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 72.
- 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 2021, 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 three Independent Non-executive Directors:

- Graeme Dacomb (Chair of the Committee);
- Vitalii Lisovenko; and
- Fiona MacAulay.

Since the year end, Natalie Polischuk has joined the Committee. In addition to the five meetings held in 2021, the Audit Committee has met twice to date in 2022. 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

- Received an update on FC Vorskla related matters.
- Reviewed auditors 2020 performance (Statutory Audit Service Order) – analysis of scores.
- Reviewed 2021 audit planning, key dates, preliminary audit plan.
- Reviewed an update on 2020 recommendations from Internal Audit.
- Received an update on proposed Audit Reform and considered whether to submit a response to BEIS consultation.
- 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 2021 Forward planner.

July

- Presentation and review of half-year accounts.
- Going concern assessment, including Covid-19 related reporting and considerations.
- Auditor's Review Report to the Audit Committee.
- Reviewed a compliance report, including whistleblowing cases.
- Reviewed the Group's risk matrix and register.
- Reviewed the Directors' Interests list and transactions with Related Parties.
- Received an update on IT Security audit.
- Reviewed the Audit Committee Terms of Reference.
- Held private meeting with the auditors.

December

- Received a report on the outcome of the 2020 Internal Audit plan and progress update on 2021.
- Reviewed the preliminary Internal Audit plan for 2022.
- Considered a risk analysis of the Internal Audit plan.
- Considered a report from the external auditors on progress of the preliminary audit for 2021.
- Considered the Group's work plan for the 2021 year end.
- Reviewed an external audit planning report.
- Received an update on the planned process for the viability and going concern assessment.
- Considered the TCFD disclosure requirements.
- Received an update on BEPS 2.0.
- 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.

Audit Committee Report continued

Significant issues and judgements

The significant issues and judgements considered by the Committee in respect of the 2021 Annual Report and Accounts are set out below:

Judgements/actions taken

Consideration of the impact of the Russian invasion of Ukraine on the Group's going concern and viability assessment
Ukraine is currently at war with Russia. On 24 February 2022, Russia commenced an invasion of Ukraine using significant and widespread military force. To date, the invasion of Ukraine has resulted in the temporary occupation of southeastern territory within the sovereign nation of Ukraine, loss of life for thousands of citizens of Ukraine and damage to infrastructure within Ukraine. The situation in Ukraine remains uncertain and unpredictable.

To date, the Group has managed to continue production although the Group has curtailed some non-core activities. Shipments continue via rail and barge to Europe, but seaborne exports via the port of Pivdennyi have been temporarily suspended. The Group relies on key consumables, such as (but not limited to) diesel, natural gas and electricity plus spare parts and equipment required for its mining and processing operation to produce the Group's products.

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 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 identified uncertainties are outside of the Group management's control, with the duration and the impact of the war unable to be predicted at this point of time.

As at the date of the approval of these Consolidated Financial Statements, the Group is in a net cash position of approximately US$192 million with an available cash balance of approximately US$209 million. In addition to the available cash balance, the Group has an outstanding receivable balance of approximately US$156 million from its sales in March and April 2022, which are expected to be collected in the coming weeks.

While, to date, the Group has successfully managed to procure all its key consumables, such as natural gas, electricity and diesel fuel, the risk of a potential disruption to the required supplies remains. Similarly, a further interruption to the availability of the Group's logistics network to its European customers via rail and barge – these have historically represented approximately 50% of the Group's sales – may result in a significant decline in the Group's operating cash flows.

In addition, 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 Principal Risks section on page 57 for further information.

Considering the current situation of the war in Ukraine, all identified available mitigating actions 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 mitigating actions are outside of Group management's control, which 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 152 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 page 73 for further information.

Covid-19 related considerations for the Group's going concern and viability assessment
The global Covid-19 pandemic had a continued impact on the world during 2021, although affecting economies, communities, governments, businesses and individuals on a lower scale than in 2020. The Group could rely on the measures implemented in 2020 at its main operations in Ukraine to ensure iron ore pellet production was not severely affected by, and continues to be unaffected by, the Covid-19 pandemic as of the date of approval of this Annual Report and Accounts. The Group continued to benefit from high demand for its products, mainly on the Chinese market, and prices increasing to record levels in the first half of 2021. As a result, the Group was highly cash generative in 2021 and closed the year in a net cash[A] position of US$117 million, after debt repayments totalling US$221 million, on a net basis, and dividend payments totalling US$619 million. As the Group successfully navigated through the Covid-19 pandemic in 2020, there are no specific Covid-19 related critical judgements and estimates to be considered in assessing the Group's going concern and viability statements and the Group expects to be able to rely on the experience gained (e.g. redirection of sales to other markets) and to be able to react again to any adverse changes on the global pellet market. Covid-19 related disclosures have been made in the Group's Principal Risks section on page 72 providing further information on key actions that management has taken.

Judgements/actions taken

Taxation: tax legislation in Ukraine (Note 11 to the Consolidated Financial Statements)
Having considered the background of ongoing court proceedings in respect of a claim made in Ukraine in respect of a tax audit with a focus on the Group's cross-border transactions, the Committee shares management's confidence that Ferrexpo will continue to successfully defend its methodology applied to determine the prices between its subsidiaries in the courts in Ukraine. The court hearings and tax audits commenced earlier in 2020 were put on hold due to a Covid-19 related quarantine imposed in Ukraine and resumed again in November 2021. Several hearings have been held since then, without a court decision made. The next hearing was scheduled for 28 February 2022, but did not take place due to the Russian invasion into Ukraine on 24 February 2022. Considering the current situation in Ukraine, it is unknown if and when the next hearing will take place.

Inventories: low-grade and weathered ore (Note 17 to the Consolidated Financial Statements)
It was the Group's intention to ramp up the processing of the stockpiled low-grade ore once additional processing capabilities, resulting from the completion of Section 9, became available. Whilst the additional processing capacities were commissioned in the second half of 2020, operational difficulties were experienced such that, during the financial year 2021, the new facility did not deliver the expected and required output. Because of this and also in light of the additional customer demand for high quality iron ore pellets together with the high price environment for iron ore pellets, management decided during 2021 to postpone the processing of the low-grade ore in order to maximise the financial benefits of the prevailing market conditions.

Following the approval of the Wave 1 growth 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. Because of the recent focus on the decarbonisation challenges facing the global steel industry, in the second half of 2021 there has been a significant increase in the demand for high quality products, such as direct reduction pellets, which cannot be achieved by feeding low-grade ore into the Group's current processing facilities. As a consequence, management is exploring a further expansion of its processing capabilities to be in the position to process the low-grade ore using a facility built for this specific purpose. International Accounting Standard (IAS) 2 requires the stockpiled low-grade ore inventory to be valued at the lower of cost or net realisable value. Further to that, IAS 2 also requires that only facts relating to the inventories and the operating environment at the time of the valuation are to be considered in determining net realisable value. As at the date of the approval of the Consolidated Financial Statements, it cannot be reliably predicted when the additional processing capacity will be available. Whilst the stockpiled ore is still seen as an asset for the Group, (and additional low-grade ore will continue to be mined and stockpiled in the future), the changed circumstances has resulted in the calculation of the net realisable value of the existing stockpiled low-grade ore reducing to nil. As a consequence, there has been a full impairment of US$231 million of the stockpiled low-grade ore.

It is possible that some or all of this impairment loss might be reversed in the future, once changed facts and circumstances are able to be considered in the valuation of this asset. For example, the Group's intention to accelerate the current engineering studies exploring the option of a new processing facility for the specific purpose of processing low-grade ore. Depending upon the outcome of the engineering studies, the Group may move the project forward and once a full technical feasibility study and financial budgets are completed and the Board has formally approved detailed plans relating to the construction and operation of this possible new facility, it could then be considered in the net realisable value test.

Commitments, contingencies and legal disputes (Note 30 to the Consolidated Financial Statements)
In the course of doing business in Ukraine, the Group is subject to various legal actions and claims, which require a significant level of judgement by the management. Further to that, there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not given, so that the Ukrainian legislation might be inconsistently applied to resolve the same or similar disputes. Further information on the Ukraine country risk are provided in the Principal Risks section on pages 59 to 60.

The Group is involved in court proceedings in relation to a share dispute initiated by former shareholders of PJSC Ferrexpo Poltava Mining ("FPM"). Back in 2005, former shareholders 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 Kostyantin Zhevago, amongst other parties. After a long period of litigations, all old claims were fully dismissed in 2015. In early 2021, Ferrexpo AG ("FAG"), the parent company of FPM, became aware that former shareholders of FPM filed again a claim to invalidate the share sale and purchase agreement concluded in 2002 pursuant to which a 40.19% stake in FPM was sold similarly to the previous claims made back in 2005. Following a decision in favour of FAG by the first instance, the opposing parties filed their appeals. The case is currently being heard by the appeal court and several court hearings have been held without a court decision made.

In October 2021, Ferrexpo Yeristovo Mining LLC ("FYM") received two ecological claims from the State Ecological Inspection following an inspection carried out in September 2021. One of the claims was related to an allegation of violation of rules regarding removal of soil on a particular land plot and the other claim was related to an allegation of absence of documents for disposal of waste on a particular land plot. The claims totalled UAH786 million (US$28,144 thousand at the exchange prevailing as at 31 December 2021). The claims are currently being heard in the court. 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 as at 31 December 2021.

In February 2022, FPM and FYM received letters from the Office of Prosecutor General notifying about ongoing investigation on potential underpayment of iron ore royalty payments during the years 2018 to 2021. The amount of underpayment is not specified in the letters and, as part of the investigation, the Office of Prosecutor General requested documents related to iron ore royalty payments and invited four representatives of the Group's subsidiaries to interrogation as witnesses.

In addition to the above-mentioned investigation, FPM received a tax audit report, which claims the underpayment of iron ore royalty payments during the period starting from April 2017 to June 2021 in the amount approximately UAH1,042,000 thousand (US$38,199 thousand at the exchange rate prevailing as at 31 December 2021). The Group is preparing its objections to the claims made in the tax audit report and it is expected that this case will be heard by the courts in Ukraine. Based on legal advice obtained, 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 the claim made as at 31 December 2021.

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. See Note 30 Commitments, contingencies and legal disputes in the 2020 Annual Report and Accounts for detailed information. In the event that any of the payments made by the Group to FC Vorskla were not fully used for the benefit of the football club, or there was any non-compliance with legal, regulatory or other requirements, liabilities (including fines and penalties) may accrue to the Group. At the current time, the existence, timing or quantum of potential future liabilities, if any, cannot be determined and measured reliably and, as a consequence, no associated liabilities have been recognised in relation to these matters in the Consolidated Statement of Financial Position as of 31 December 2021 similarly to the position as of 31 December 2020.

Audit Committee Report continued

Internal control and risk management

The Board has overall responsibility for the Company's system of internal control, which includes risk management, and monitoring and reviewing its effectiveness. The system of internal control is designed to identify, evaluate and manage significant risks associated with the achievement of the Company's objectives, and to meet the Company's particular needs and the risks to which it is exposed, rather than eliminate risk altogether. Consequently, it can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The day-to-day responsibility for managing risk and the maintenance of the Company's system of internal control is collectively assumed by the Executive Committee. Key risk and control issues are reviewed regularly by the Executive Committee, Finance, FRMCC, HSEC Committee and Audit Committee. On behalf of the Board, the Executive Committee and FRMCC have established a process for identifying, evaluating and managing the significant risks faced by the Company. This process was followed throughout 2021 and up to the date of approval of this Annual Report and Accounts. The Group has also adopted a risk-based approach in establishing the Company's system of internal control and in reviewing its effectiveness. To assist in managing key internal risks, it has established a number of Company-wide procedures, policies and standards and has set up a framework for reporting matters of significance.

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 10 times in 2021.
- 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 12 times in 2021.
- 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 met 12 times in 2021.
- 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 184 to 191), 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 193 to 194, 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 184 to 191. See also the Principal Risks section of the Strategic Report from page 56.

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 2021 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 2022 was approved by the Audit Committee in December 2021.

The Internal Audit plan for 2021, approved by the Audit Committee, focused on the operational risks relating to sales and marketing, FYM Procurement process, FPM Inventory management, Group Compliance audit, DP-Ferrotrans and Health & Safety risk register review. 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 respondees. Certain areas for improvement were noted but none impacted on the effectiveness of the audit. The outcome of the 2021 review in respect of the 2020 Annual Report and Accounts was discussed with the relevant partners of MHA MacIntyre Hudson.

The MHA MacIntyre Hudson audit for the 2019 financial year was reviewed by the FRC's Audit Quality Review team who issued their Inspection Report in September 2021. The Committee reviewed the key findings of the Inspection Report and discussed them with MHA MacIntyre Hudson, including the steps undertaken to address the findings.

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, 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 2022 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 2021.

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 2021, MHA MacIntyre Hudson did not perform any non-audit services.

Financial reporting

The Board has asked the Audit Committee to advise whether it considers the 2021 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 2021 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 Corporate Governance Code. The Viability Statement is set out in the Strategic Report on page 73 and a statement setting out the Board's assessment of the Company as a going concern is contained in the Directors' Report on page 131 and Note 2 Basis of preparation to the Consolidated Financial Statements on page 152.

Whistleblowing policy

In accordance with the 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
21 April 2022

Nominations Committee Report

Lucio Genovese
Chair of the Nominations Committee

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.

MEMBERSHIP AND ATTENDANCE

	Scheduled meetings	
Committee member	Eligible to attend	Attended
Lucio Genovese	5	5
Ann-Christin Andersen[1]	3	3
Graeme Dacomb[2]	2	2
Vitalii Lisovenko	5	5
Fiona MacAulay	5	5

1. Appointed on 18 May 2021.
2. Appointed on 19 May 2021.

Dear Shareholder

I am pleased to present the Nominations Committee Report for 2021 and provide a summary of the work that the Committee completed in 2021. 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. All of these activities were undertaken in the year, some of which 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 2021, the Committee was formally convened five times (2020: five). In addition, one informal meeting was also held.
At the formal meetings of the Committee, it considered:

- the composition and refreshment of the Board;
- developing a skills and experience matrix for directors to ensure Board effectiveness;
- conducting a training needs analysis for the current Board;
- 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 Executive Committee and direct reports to Executive Committee members;
- the engagement of executive search agencies to assist with Board appointments;
- deciding upon a shortlist of candidates for interview. Committee members interviewed shortlisted candidates and made recommendations to the Board;
- formalising search processes and making recommendations to the Board for the appointments of Ann-Christin Andersen and Natalie Polischuk as Independent Non-executive Directors, and Nikolay Kladiev as Chief Financial Officer;
- approving actions to be taken in 2021 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 externally facilitated Board performance evaluation for the year to 31 December 2021 (for further information see the Board's Performance Evaluation on page 91).
The Company will conduct an internal performance evaluation in 2022.

In 2021, 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 the Committee undertook a detailed review of the Board's skills and experience matrix used to inform recruitment and training for the Board.
As a result of this review, the matrix was expanded to incorporate additional areas of strategic focus for the Group such as Environmental, Social, and Governance ("ESG") and Digitalisation. All Directors conducted a self-evaluation against the revised matrix to inform individual development plans which will be progressed over the next two years to enhance the overall skill set of the Board.

Recruitment was also continued in the year to address identified Board knowledge and experience gaps and to improve the balance between independent and non-independent directors on the Board. Following a robust process, the Committee recommended the appointment of Ann-Christin Andersen with effect from 1 March 2021 and Natalie Polischuk with effect from 29 December 2021. We were delighted that Ms Andersen and Ms Polischuk agreed to join the Board as they both bring a wealth of experience that has further enhanced the knowledge and skills of the Board as a whole. Their appointments in 2021 mean that the Board is now comprised of five Independent Non-executive Directors, which exceeds the requirement of the Corporate Governance Code to ensure that at least half of the Board (excluding the Chair) are independent Non-executive Directors.

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 Equality, Diversity 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, undertook a review of the composition of the Executive Committee as well as direct reports to Executive Committee members. It was noted that the Executive Committee had decreased from six in 2020 to five members in 2021, all of whom are male, while out of 43 direct reports, the number of females had risen from seven (2020: 17.9%) to nine (2021: 20.9%) but which remains below the Hampton Alexander Review's recommendation of one third women in leadership. As a result of this review, succession plans to address both identified gender diversity imbalances as well as deliver sustainable talent pipelines for succession to senior leadership roles have been put in place. The execution of these plans will remain a focus for the Committee to eliminate gender imbalances below the Board.

The Committee also participated in the process to find a Chief Financial Officer for the Group. Following interviews by the Committee with potential internal and external candidates, the Committee recommended the promotion and appointment of Nikolay Kladiev as Chief Financial Officer leading to his appointment taking effect on 4 August 2021. This promotion is a great reflection of the Company's commitment to internal progression and 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, Fiona MacAulay and Ann-Christin Andersen represented the Board at the launch of the second Fe_munity women in leadership programme at the Group's operations in Ukraine. The programme 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. They also took the opportunity to engage with alumni from the first programme held in 2020 and visited a local school that receives support from the Group's CSR programme.

During the year, the Committee also reviewed the progress made towards the Group's target of at least 25% of managerial roles to be held by women by 2030. Although the overall number of women in the workforce remained static at 29.2% (2020: 29.2%), the number of women in leadership positions advanced to 20.1% (2020: 18.2%). The Committee is pleased to report this trend and believes that the enhanced gender balance will serve to be an important component in achieving the Group's strategic priorities.

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 has, therefore, commissioned an external search consultancy to conduct research into how comparable organisations are responding to the Parker Review. The outcome of this study will be considered over the course of 2022 which, it is anticipated, will enable the Board to chart a course to ensure a sustainable, diverse and ethnically representative Board. The findings are also expected to assist with advancing our ethnic and cultural diversity efforts below the Board to reflect the demographic composition of communities surrounding the Group's operations. The outcome of this project will be reported in 2022.

As at 31 December 2021, the Committee was composed of four Independent Non-executive Directors, Ann-Christin Andersen, Graeme Dacomb, Vitalii Lisovenko and Fiona MacAulay and I would like to thank the Committee for all their work during the year.

Lucio Genovese
Chair of the Nominations Committee
21 April 2022

Nominations Committee Report continued

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 five scheduled occasions in 2021. An informal meeting also took place to progress the refreshment of the Board. All meetings were held using videoconferencing due to travel restrictions as a result of the Covid-19 pandemic. 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 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.

During 2021, the Committee oversaw a review of the skills and experience matrix that informs development planning and recruitment processes for Non-executive Directors.

The review included consideration of the succession timeline for the progressive refreshment of the Board and changes required to reflect core areas of strategic focus to inform the skills and experience profile for appointments to the Board (for further information see the Board's skills matrix on page 85). All Non-executive Directors completed a self-assessment against the matrix to inform individual development plans that will be progressed in 2022 and beyond. 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 review also identified further opportunities to increase Board diversity and knowledge and experience gaps to be addressed through recruitment. The Nominations Committee appointed two search firms, Caldwell and Partners, and Boyden International (Kyiv), to support the recruitment of two additional Non-executive Directors. Both firms had previously worked with the Company to conduct other searches and, therefore, already possessed insight into the Company's values, culture and strategy. The firms have no other connection with the Company. Prior to the search commencing, the Nominations Committee agreed the knowledge and experience it considered necessary for the roles and the skills mix required to enhance the balance of skills on the Board. Lists of potential candidates were then identified by the two search firms and discussed with Committee members to agree shortlists to be interviewed. In each case, the initial shortlisted candidates were interviewed by members of the Committee and, subsequently by all members of the Board.

Following this robust recruitment process two additional Independent Non-executive Directors were formally recommended by the Committee to the Board for appointment as independent Non-executive Directors. This resulted in the appointment of Ann-Christin Andersen with effect from 1 March 2021 and Natalie Polischuk with effect from 29 December 2021. These appointments mean that the Board is now comprised of five Independent Non-executive Directors, which exceeds the requirement of the Corporate Governance Code to ensure that at least half of the Board (excluding the Chair) are independent Non-executive Directors. Additionally, the composition of the Board now also exceeds the gender diversity target set by the Hampton-Alexander Review. The roles of all Directors are summarised on page 87.

The Committee also participated in the process to find a permanent Chief Financial Officer ("CFO") for the Group. This search was supported by Korn Ferry who are accredited under the UK Government's enhanced code of conduct for executive search firms and also subscribe to the Voluntary Code of Conduct on diversity best practice. Following a detailed search process which included consideration of both internal and external candidates, the Committee interviewed all shortlisted candidates and recommended the internal promotion of Nikolay Kladiev and appointment as CFO. 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. This includes taking development actions to close identified knowledge and skill gaps over the short to medium term.

Election and re-election

As in previous years and in accordance with the Corporate Governance Code, all directors will stand for re-election by shareholders at the Company's AGM scheduled for June 2022. Natalie Polischuk, who joined the Board in December 2021, will stand for election by shareholders at the same meeting. The range of skills and experience offered by the current Board is mentioned in this report and set out on pages 78 to 79 and 85. The Committee and the Board consider the performance of each of the Directors standing for election and re-election to be fully satisfactory and that they have demonstrated on-going commitment to their respective roles. The Board, therefore, strongly supports the election and re-election of all Directors 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 ("Diversity Policy") in 2019 which is kept under review by the Nominations Committee. The Diversity 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 Diversity 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.

In support of the Group's Diversity and Inclusion goals, Fiona MacAulay and Ann-Christin Andersen represented the Board at the launch of the second Fe_munity women in leadership programme held at the Group's operations in Ukraine (for further details on the Fe_munity programme see page 41). 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. They also took the opportunity to engage with alumni from the first programme held in 2020 and visited a local school that receives support from the Group's CSR programme for a maths and science class that provides the opportunity for students to apply for a bursary to study Science, Technology, Engineering and Mathematics ("STEM") subjects at selected universities and on graduation be offered employment with the Group.

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 a review conducted in 2021 which also took account of the targets of the Hampton-Alexander and Parker reviews, the Committee was satisfied that the present composition of the Board, following the appointment of two Independent Non-executive Directors in the year, provides an appropriate mix of skills, experience, diversity and perspectives on the Board.

However, should recruitment need to be progressed, the Board will seek 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 are, 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 Diversity 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.

The Committee is committed to ensuring 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. The Committee has, therefore, commissioned Wilbury Stratton, an external search and research consultancy, to conduct research into how comparable organisations are responding to the Parker Review. The outcome of this study will be considered over the course of 2022 which, it is anticipated, will enable the Board to formulate an approach that will ensure a sustainable, diverse and ethnically representative Board. The findings are also expected to assist with advancing our ethnic and cultural diversity efforts below the Board to reflect the demographic composition of communities surrounding the Group's operations. The outcome of this project will be reported in 2022. The Committee notes that the Group's operations and majority of its workforce are primarily based in Ukraine, which is reflected in the composition of the Board and senior management which reflects the broader societal aspects of Ukraine.

Nominations Committee Report continued

Board diversity policy update

Board objective	Progress in 2021
Foster a diverse and inclusive workplace culture aligned with the Company's Values, Purpose and Strategy	– Diversity workforce survey conducted highlighting a higher level of diversity and inclusion awareness, including an understanding of LGBTQ+ across survey participants; scores ahead of all other Ukrainian companies. – Upgrading of facilities and access points at operations to enable accommodation of people with disabilities. – Board-sponsored second Fe_munity women in leadership programme to foster the advancement of women into senior leadership roles hosted by Fiona MacAulay and Ann-Christin Andersen. – Integrated mining operating model executed. – Assessment of workforce technical skills in the plant and training conducted to ensure workforce capability supports business requirements. – 'Gender stations' to increase diversity awareness among community included in annual family day.
Increase Board gender diversity and women in management below the Board	– Board skills matrix reviewed, including diversity requirements and communicated to recruitment partners; only firms adhering to the Voluntary Code of Conduct on diversity best practice used. – The Committee's search for two Non-executive Directors resulted in the appointment of Ann-Christin Andersen on 1 March 2021 and Natalie Polischuk on 29 December 2021. This increased the Board's gender diversity to 38%. – Initiatives progressed in 2021 advanced women in leadership to 20.1% (2020: 18.2%); target for 2022 (toward target of 25% by 2030) set at 20.7% by end of 2022. – Total female representation as percentage of the workforce currently at 29.2% (2020: 29.2%). – 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 launched in 2021.
Monitor diversity programme outcomes and make adjustments to ensure overall objectives are met	New and repeat activities planned for 2022, subject to the cessation of the war in Ukraine, will include: – Workforce Diversity and Inclusion education. – Unconscious bias training for middle and senior management. – STEM ambassador visits to local schools and colleges. – 'STEM streamers' competition run online with students from local schools. – Selection of bursary award school leavers. – Roll-out of flexible and remote working policy for mothers of small children; and 'bring a daughter to work' days. – Guinness Book of Records HeforShe commitment signing.

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 remained static at 29.2% (2020: 29.2%), the number of women in leadership positions advanced to 20.1% (2020: 18.2%). The Committee was gratified with this result and in order to sustain this upward trend in 2022 and beyond, the Committee approved diversity and inclusion actions for execution in 2022.

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 2022 of 20.7%. This target represents the appointment of an additional three women in leadership positions by the end of 2022.

To test the effectiveness of the Group's diversity and inclusion activities, the Group ran its first anonymous survey in early 2021 on diversity and inclusion topics, receiving feedback from over 630 employees based at the Group's operating entities in Ukraine. The survey is the first study by the Group into topics such as gender identification, sexual orientation, nationality and other forms of diversity, as well as raising forms of discrimination that have been encountered by employees. The survey was devised and administered by Biasless which is an external independent Diversity and Inclusion consultancy based in Kyiv. The Committee reviewed the results and was pleased to note that the Group scored ahead on all topics in the survey in comparison with all other participating companies covering a cross section of sectors in Ukraine.

Further to the gains noted above, the Group also received external recognition for fostering diversity and inclusion within its workforce. In November 2021, the Group won the top award for Diversity and Inclusion at the HR Pro Awards in Kyiv. The award was judged by a panel of 30 representatives from leading companies in Ukraine and recognises those that are raising the level of professional practices in diversity and inclusion.

The Group also placed fourth out of 50 participant companies in a survey, conducted under the auspices of the United Nations Population Fund in Ukraine, of companies providing 'family-friendly' policies, for example by offering male and female employees equal parental benefits.

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 21 April 2022.

Lucio Genovese
Chair of the Nominations Committee
21 April 2022

Remuneration Report

Fiona MacAulay
Chair of the Remuneration Committee

The Committee is chaired by Fiona MacAulay. The Committee consists of three independent Non-executive Directors as required by the 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 adviser.

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 2018 Governance Code.

MEMBERSHIP AND ATTENDANCE

Committee member	Scheduled meetings: Eligible to attend	Attended
Fiona MacAulay	4	4
Graeme Dacomb	4	4
Vitalii Lisovenko	4	4
Ann-Christin Andersen[1]	2	2

1. Ms Andersen was appointed to the Board on 1 March 2021, and became a member of the Committee from 18 May 2021.

A statement to shareholders from the Chair of the Remuneration Committee[2]

As Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 December 2021.

The Directors' remuneration policy was presented to shareholders at the 2021 AGM and we were pleased to receive support from over 98% of our shareholders.

This report is split into the following sections:

1. the **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** approved by shareholders at the 2021 AGM;
4. the **Annual Report on Remuneration**, setting out how we have paid Directors in 2021 and how we intend to operate the policy in 2022.

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 share-based incentives in relation to variable and fixed pay. 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 measures with long term rewards earned subject to creating above average long-term total shareholder returns and, since 2021, achieving the Company's decarbonisation metrics.

Our policy is purposefully weighted towards short term performance measures 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 achieve alignment with shareholders both through the performance targets we set, but also

2. 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.

KEY ACTIVITIES OF THE COMMITTEE IN 2021

The Committee's key activities during the 2021 financial year were:

February

- Engaging with shareholders and advisory bodies in relation to the 2021 remuneration policy and its proposed operation during 2021.
- Reviewing shareholder feedback in relation to the 2021 remuneration policy and its operation.
- Determining the 2020 bonus outturn.
- Determining vesting of the 2018 long-term incentive awards.
- Setting 2021 annual bonus targets.
- Reviewing 2021 LTIP TSR peer group constituents.

March

- Approving the final design of the 2021 remuneration policy and its application for 2021.
- Reviewing market pay benchmarking data for the members of the Executive Committee.
- Determining the size of 2021 long-term incentive awards and the performance targets.
- Approving awards under the Company's share plans.
- Signing off the 2020 Remuneration Report.

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.

Performance and reward in 2021

As detailed in the Strategic Report, 2021 was a year of operational progress and strong financial performance. This performance was delivered against the challenging backdrop of the Covid-19 pandemic which rightly remained a priority in the year as we focussed on maintaining and developing further measures across our operations to keep our people safe and well while maintaining safe and reliable operations, and further supported the communities surrounding our operations. Full year iron ore pellet production was 11.2 million tonnes which was in line with our 2020 performance in terms of total output. This was a strong operating result considering that our investment in 2021 to expand future production necessitated the operation of only three of our four pellet lines for a period of the year during upgrade work. In line with our strategy, we also continued to produce higher grade iron ore with 100% of pellet production being comprised of grade 65% Fe or above, including an increase in our 67% Fe pellet production by 27% with this grade of iron ore totalling 4% of the total production. At the same time, we have now registered a 30% decline in our combined Scope 1 and Scope 2 emissions per tonne against our baseline year 2019.

The Group benefited from strong prices for iron ore products in H1 2021 when prices achieved record levels of above US$260 per tonne for 65% Fe fines CFR China in May before a steady decline from H2 2021. This enabled the Group to realise a profit after tax of US$871 million and an EBITDA of US$1,439 million for 2021. The positive effect of high prices on the Group's financial performance was slightly offset by higher C1 cash production costs[A] primarily as a result of increased input prices, mainly for gas, diesel and electricity, and stronger than expected local currency and inflation.

The strong cash generation in 2021 enabled further investment into the Group's capital growth projects totalling US$361 million and, together with the Group's solid balance sheet, distributions to shareholders of US$619 million in respect of 2021. In December 2021, the Group announced a further interim dividend of 6.6 US cents payable in January 2022. This aligns distribution to shareholders with the Group's shareholder distributions policy announced in November 2021 that targets distributions to shareholders of 30% of free cash flow.

In the context of the robust operational, financial and strategic performance detailed above, the CEO achieved a bonus at 67.1% of the maximum (100.7% of salary) for the year under review. Full details of the financial targets and actual performance against them are set out on pages 120 and 121 along with details of the non-financial targets and the level of performance achieved. This payment was consistent with the wider discretionary bonus awards and the Committee was comfortable with the payment having had regard to the broader stakeholder experience.

With regard to the 2019 LTIP, as in prior years, our three-year total shareholder return performance was measured relative to the performance of a bespoke Index of comparable Iron Ore and Composite Miners. Ferrexpo's TSR performance over the period was 12.9% p.a., which resulted in 100% of the award vesting.

The Committee considered the remuneration earned in relation to 2021 to be appropriate in the context of outstanding Company performance in the year and continued progress against our medium-term strategy of expanding production in a cost effective manner while recognising the duty to shareholders, employees and broader stakeholders to protect the continuity of the business and contribute to economic recovery.

With remuneration outcomes aligned across the executive leadership of the Group and after considering wider stakeholder experience through the year (for example, noting the impact of the above performance on our shareholders), the Committee was comfortable with remuneration outcomes with the policy operating as intended and so did not use discretion.

July

- Consideration of AGM feedback.
- Approving any proposed salary increases for Executive Committee members in line with the wider workforce increases.
- Reviewing market developments and institutional investor issues raised during the 2021 AGM season.
- Considering the treatment of share awards for departing executives.
- Reviewing the Committee's Terms of Reference.

December

- Considering performance to date against 2021 annual bonus targets.
- Reviewing shareholder advisory body updates for 2022.
- Overseeing the review and amendment of the annual bonus plan rules to conform with the Company's remuneration policy.
- Approving the 2022 Remuneration Committee planner.

Key activities of the Committee in 2022

Subject to the cessation of the war in Ukraine, the Committee's anticipated key activities in 2022 are to:
- consider AGM feedback;
- confirm the 2021 remuneration policy continues to support the Company's strategy;
- consider the evolution of performance conditions in line with the business strategy;
- monitor senior management remuneration in line with the Code; and
- ensure remuneration decisions are taken in the context of the wider stakeholder experience through the period.

Remuneration Report continued

Implementation of the remuneration policy in 2022

The current war in Ukraine creates significant uncertainty and may necessitate that the Company adapt its approach to remuneration in 2022. 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 together with providing financial assistance to employees needing to relocate themselves and their families away from areas of intense fighting, especially from Kyiv and surrounding areas.

It is expected that the economic consequences will not only be acutely felt by employees in Ukraine but also by employees in other locations as soaring energy prices and higher inflation in food markets and other commodities impact households worldwide. It will therefore be necessary for the Company's remuneration practices to remain fluid in order to respond sensitively to shifting circumstances, especially considering the humanitarian crisis unfolding in Ukraine.

In 2022, the general approach to senior executive salaries will be to undertake a review against the relevant market data where the executive is located with effect from 1 July. The factors considered as part of the review process include the role itself, any changes to that role in addition to the performance in post. The typical rate of increase awarded across the workforce is also considered. With regards to the role of the CEO, Mr North was permanently appointed to the position on 14 February 2022 and his 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.His salary will be subject to review with effect from 1 July 2022.

There are no other material changes to the application of the remuneration policy for 2022 with the main points to note being:

- 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 long-term incentive award for 2022 to the CEO is expected to equate to circa 45% of salary which is consistent on a percentage of salary basis with his 2021 award which comprised 87,800 shares. 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 (75% of the award) and 25% based on sustainability targets which are equally split between carbon reduction targets and higher grade iron ore 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).

Further details of the performance conditions and targets for 2022 are set out on pages 122 and 123.

Consideration of shareholders and employees

We consulted with shareholders in 2021 in relation to the new remuneration policy and were pleased to receive over 98% support for that resolution and over 97% support for the remuneration report resolution at the same AGM.

The Committee also noted feedback from employees, elicited through the Company-wide annual Employee Engagement Survey. The survey 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, particularly within some of our operations. The progress made to date in these areas will be progressed further in 2022 with this being a key focus in 2022 by the Chief Human Resources Officer, subject to the cessation of the war in Ukraine. The Chief Human Resources Officer will also work with the designated Employee Engagement Non-executive Director, Vitalii Lisovenko, to further develop a formal process through which two-way feedback can be effected in relation to the operation of the Company's remuneration policies.

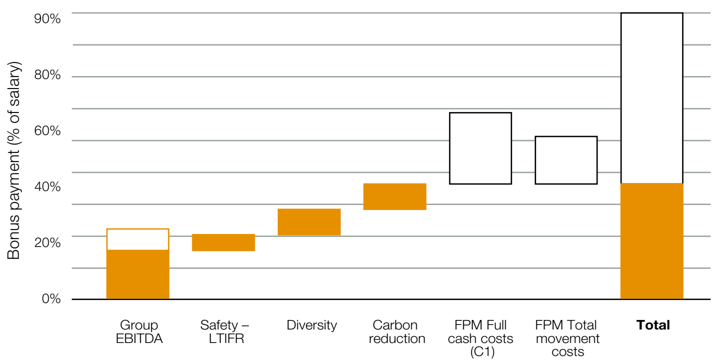
Fiona MacAulay
Chair of the Remuneration Committee
21 April 2022

AT A GLANCE (NOT SUBJECT TO AUDIT)

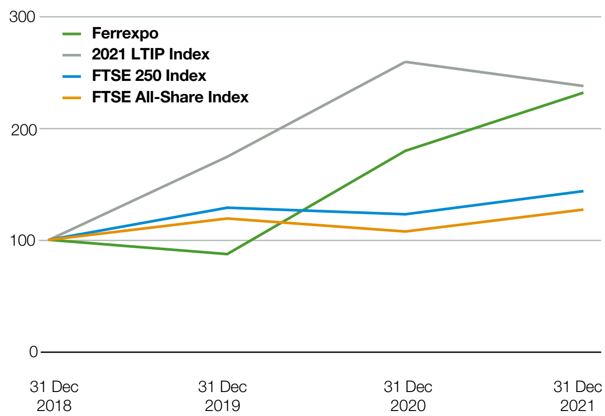
Key: payment/accrual · performance period · holding period

Element	Operation	2021	2022	2023	2024	2025
Salary: **To attract and retain talent by ensuring base salaries are competitive in the market in which the individual is employed**	– Annual review by Committee – Increases typically in line with wider workforce	payment/accrual				
Pension & benefits: **To provide market competitive benefits**	– Aligned with pension and benefits offered to local workforce	payment/accrual				
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**	– Maximum opportunity of 150% of salary – Target opportunity of 75% of salary – Performance measures based on a scorecard of financial, operational and common strategic objectives – Safety underpin – 25% of bonus deferred into shares for two years	performance period	holding period	holding period		
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**	– 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	performance period	performance period	performance period	holding period	holding period
Share ownership guideline: **To provide alignment of interests between Executive Directors and shareholders**	– 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 Executive Directors. 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.

Committee

The terms of reference for the Committee were updated during the year 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 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 measures (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 115 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 36 and 123.

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.	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. 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.	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. 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. 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.	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
Variable pay **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, 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.	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. 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. 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: – a material misstatement of the Annual Accounts; or – a failure of risk management or reputational damage to the Company.	Maximum opportunity of 150% of salary. The target opportunity is 50% of maximum and the threshold opportunity is one-third of maximum.	Performance related. Performance measures can include financial, non-financial and personal achievement criteria measured over one financial year. 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.

Purpose and link to strategy	Operation	Opportunity	Performance metrics
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.	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. 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. For LTIP awards from 2018 onwards a two-year holding period applies to shares vesting under the LTIP. 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: – a material misstatement of the Annual Accounts; or – a failure of risk management or reputational damage to the Company.	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.	The Committee reviews the LTIP performance conditions, in advance of granting each LTIP cycle. Relative TSR will be the primary performance measure. Other performance measures may, however, be used in combination with relative TSR.
Share ownership guideline To provide alignment of interests between Executive Directors and shareholders.	The Company operates a shareholding requirement which is subject to periodic review. 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. 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. 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).	Executive Directors are required to build and maintain a shareholding to the value of at least 200% of salary. The lower of 200% of salary and the value of shares held on cessation must be held for two years post cessation.	Not performance related.

Remuneration Report continued

Rationale for performance measures

The STIP is based on performance categories that are key to delivering on our long-term strategy. Performance measures 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 measures 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 To attract and retain talent by ensuring fees are market competitive and reflect the time commitment required of Non-executive Directors in different roles.	Annual fee for the Chair. 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. 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.	Changes to Non-executive Director fees are applied in line with the outcome of the review undertaken by the Chair and Executive Directors. 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). The maximum aggregate fees, per annum, for all Non-executive Directors allowed by the Company's Articles of Association is £5,000,000.	Not performance related.

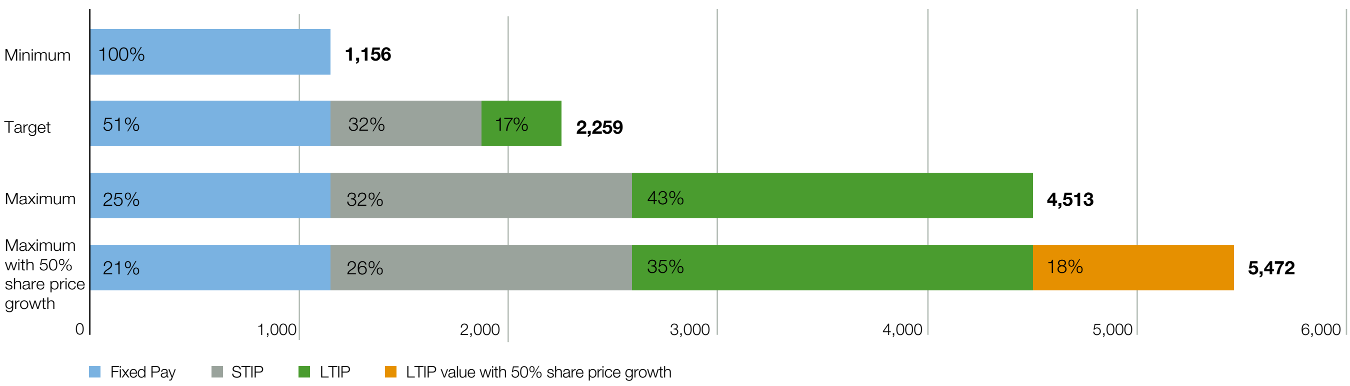
Pay-for-performance: scenario analysis

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 2022 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$196,948 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 measures 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 measures 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"). The Committee sets notice periods for the Executive Directors at six months, which reduces the likelihood of having to pay excessive compensation in the event of poor performance.

The principal terms of the Executive Director's service contract 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 six months' notice to be given by the employer or not less than six months' notice to be given by Mr North and has no special provisions in the event of a change of control.

			Notice period	
Executive Director	Position	Date of contract	From employer	From employee
J North	CEO	30 September 2015	6 months	6 months

Under his service contract, the Executive Director 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 economy class ticket to his country of origin and the service gratuity payment referred to on page 111.

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	2022 AGM
AC Andersen	Non-executive Director	1 March 2021	2022 AGM
G Dacomb	Non-executive Director	10 June 2019	2022 AGM
V Lisovenko	Non-executive Director	28 November 2016	2022 AGM
F MacAulay	Non-executive Director	12 August 2019	2022 AGM
N Polischuk	Non-executive Director	29 December 2021	2022 AGM
K Zhevago	Non-executive Director	1 December 2020	2022 AGM

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 2021

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 from 18 May 2021. The Committee met on four scheduled occasions in 2021, and had two further informal meetings to discuss proposed changes to the Company's remuneration policy which was put to a vote by shareholders at the 2021 AGM. Attendance at meetings by individual members is detailed in the Corporate Governance Report on page 86. A summary of the topics discussed at meetings in 2021 is set out in the Chair's Introductory Statement on pages 106 to 107.

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.

Advisers

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 2021 totalled £92,600 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 advisers periodically and is satisfied that advice received is independent and objective and that the advisers 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 2021 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 (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
J North (2020)[7]	US$567,180	US$6,459	US$573,656	–	–	US$1,147,295	US$573,639	US$573,656

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: this is the total bonus earned on performance during the year. Further details are provided on pages 120 to 121.
4. LTIP: the market value of shares that vested on performance to 31 December of the relevant year (2021: 100% vested and 2020: 0% vested). The market value is based on the three-month average share price to 31 December 2021 of 300.96 pence; the impact of share price appreciation on the value of the LTIP is reflected in the LTIP Award Vesting table on page 122.
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$111,234 was accrued towards the statutory gratuity.
6. Average exchange rates: 2021 – £1=US$1.3757; 2020 – £1=US$1.2843.
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 2020 is in respect of the period as Acting CEO i.e. from 28 May to 31 December 2020 and for the full financial year for 2021.

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 2021 and the prior year.

	All figures shown in currency of payment, US$000							
	2021				2020			
	Fees	Benefits	Pension	Total	Fees	Benefits	Pension	Total
Non-executive Directors								
L Genovese (Chair)[1]	500	–	–	500	282	–	–	282
V Lisovenko (Senior Independent Director)[2]	190	–	–	190	190	–	–	190
F MacAulay (Senior Independent Director)[2]	175	–	–	175	138	–	–	138
AC Andersen[3]	113	–	–	113	–	–	–	–
G Dacomb	155	–	–	155	120	–	–	120
N Polischuk[4]	–	–	–	–	–	–	–	–
K Zhevago[5]	135	–	–	135[6]	240	–	–	240

1. Mr Genovese retired from the Ferrexpo plc Board on 1 August 2014 and was subsequently re-appointed on 12 February 2019. He was appointed Chair on 25 August 2020.
2. Mr Lisovenko served as the SID until 10 February 2022, the post was then assumed by Ms MacAulay with effect from 10 February 2022.
3. Ms Andersen was appointed to the Board from 1 March 2021.
4. Ms Polischuk was appointed to the Board on 29 December 2021 but did not receive any fees from the Company during the reporting period.
5. 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).
6. 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 current time commitment of the role and will be kept under review. Mr Zhevago does not receive any wider Company benefits in connection with his 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. As explained in the Committee Chair's Introductory Statement, Mr North is eligible for a base salary review with effect from 1 July 2022.

On being appointed to the position of CEO on 14 February 2022, Mr North's anuual 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.

		Base salary at:	
Executive Director	Position	1 January 2022	1 January 2021[1]
J North	CEO	US$959,050	US$959,050

1. 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$111,234 was accrued towards the statutory gratuity.

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$200,000 p.a. In 2021, Mr North utilised US$185,589 of the allowance.

Remuneration Report continued

2021 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 2021 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.

The targets and performance against these for 2021 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. No payment is made under the STIP if performance is below threshold.

In 2021, the threshold performance equated to a bonus potential of 50% of salary, on-target performance a bonus potential of 75% of salary (reduced from 100% of salary for 2021) and stretch performance a bonus potential of 150% of salary.

The level of achievement against each of the targets for 2021, 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$, million)	15.0%	1,252	1,316	1,381	1,360	Above target	22.5%	15.7%
ESG	LTIFR <WA Mines trailing 5yr average (%)	5.0%	-25.0	-30.0	-35.0	-74.0	Stretch achieved	7.5%	7.5%
	Diversity Ratio (% Women in leadership (grade 10+))	7.5%	18.4%	19.0%	19.6%	19.7%	Stretch achieved	11.25%	11.25%
	Carbon reduction (reduction from 2020 avg as a base)	7.5%	1.0%	3.0%	5.0%	16.0%	Stretch achieved	11.25%	11.25%
Operational	Production from own ore (GPL+Y) M tonnes	15.0%	11,300	12,183	12,483	11,220	Below threshold	22.5%	0.0%
	Full Cash Costs reported (C1 costs GPL+Y) US$/tonne	10.0%	62.4	61.1	59.4	66.4	Below threshold	15.0%	0.0%
Total		**60.0%**						**90.0%**	**45.7%**
Scorecard outcome									**45.7%**

In determining the outcome for the Business scorecard, the Committee reflected that 2021 had once again been an unprecedented year of global pandemic. 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 benefitted from higher iron ore pellet prices but that these had been partly offset by higher primary energy supply costs, in particular, oil and electricity, which had resulted in higher C1 costs which had served to have a negative effect on the scorecard's EBITDA, and Operational results. Significant positive progress was however made in respect of ESG targets, including exceeding safety, diversity and carbon reduction targets but mining volumes had not been achieved. The Committee took into account that this was largely due to the consolidation of mining activities. However, 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 pandemic and in light of planned maintenance downtime to effect necessary plant upgrades. 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 45.7% (max 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%	Strategy in development	Strategy developed and approved by the Board	In execution and market communication underway	Stretch	Targets communicated to the market	15.0%	15.0%
Optimise Group Functions	10.0%	Implementation of Operational One Ferrexpo Planned Objectives	Plan for group optimisation and implementation of Cultural Development Programme	Implementation underway	Stretch	Optimisation in execution and cultural programs run	15.0%	15.0%
Effective management of Covid-19 pandemic	5.0%	Covid-19 Response Developed	Effective Management of Pandemic	Business Continuity maintained	Stretch	Business continuity maintained	7.5%	7.5%
Project Development	10.0%	Implementation of planned activities for 2021	5 year plan for implementation of growth activities	Target and ahead of plan	Stretch	Wave 1 growth plan in advanced stage of execution	15.0%	15.0%
Conduct underground mine feasibility study	5.0%	Outline Strategy and commence drilling (in-house or contractor)	Underground strategy presented to the Board, including potential JV partnership options leading to enhanced discussion with directors	JV partnership discussions/ evaluation commenced	Threshold	Drilling contract in execution and nearing completion	7.5%	2.5%
Total	**40.0%**						**60.0%**	**55.0%**
Total STIP (Composite result of business scorecard and personal objectives achievement)							**150.0%**	**100.7%**
Outcome as a percentage of salary								**100.7%**

The Committee considered Mr North's personal performance against his personal targets during 2021 as shown above and confirmed that the CEO had achieved all but one of his personal targets at stretch. It was evident that from the overall performance of the Group in the year that actions taken to address the Covid-19 pandemic, in particular, had ensured business continuity in what was a very difficult operating environment. This was largely due to the leadership and strong personal performance of the CEO and the Committee was comfortable with the payment of a bonus at 45% of salary in respect of his personal objectives and did not use negative 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 67.1% of the maximum (100.7% of salary) was earned by the CEO. In determining 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.

Remuneration Report continued

STIP framework for 2022

The CEO's 2022 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 be required to be deferred into shares for two years. Alternatively, the Committee may determine that 25% of any bonus earned is deferred into a share award which vests after two years.

KPI	Weighting
Financial	
Underlying cash EBITDA	15.0%
ESG	
Safety	
Diversity	
Carbon reduction	15.0%
Operational	
Production	
C1 cost[A] management	
Total mining movement cost	22.5%
Sales and Marketing	
Freight costs	7.5%
Strategic	
Organisational growth	
Organisational optimisation	
Pandemic management	
Decarbonisation execution	40.0%
Total	**100.0%**

LTIP award vesting – audited

The performance period for the 2019 LTIP awards ended on 31 December 2021. The 2019 LTIP rewarded TSR outperformance of a tailored comparator group. Under the 2019 LTIP, 20% of the maximum award vests for TSR performance in line with the index, with full vesting for TSR outperformance of 8% p.a.

Ferrexpo's TSR performance relative to the weighted index was assessed by Korn Ferry. From 1 January 2019 to 31 December 2021, Ferrexpo's TSR outperformance was 12.9% p.a. resulting in 100% of the 2019 LTIP awards vesting.

Mr North was granted the 2019 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	25.4.19	85,000	268.9p	£228,565	100%	85,000	£228,565	300.96p	£255,813	11.9%

1. Based on the average share price over the three-month period preceding the start of the performance period.
2. Based on the on the three month average share price to 31 December 2021 of 300.96 pence.
3. Excludes value of share purchase of 40,693 shares in lieu of dividends throughout 2021.

LTIP granted in 2021 – audited

Mr North was granted a 2021 LTIP award in respect of 87,800 shares, which had a face value of 39% of salary.

Executive Director	Date of grant	Number of shares	Face value[1]	Face value (% of salary)[1]	Vesting for minimum performance (% of maximum)	End of performance period
J North	25.3.21	87,800	£275,692	39%	20%	31.12.23

1. Based on the average share price over the three-month period preceding the start of the performance period and an average exchange rate of £1=US$1.3757.

The LTIP award will vest to the extent that the performance conditions set out below are met with performance measured over the period to 31 December 2023. A two-year holding period will apply to any shares that vest. Clawback provisions also apply to the award.

Performance condition	Weighting	Threshold target (20% vests)	Maximum target (100% vests)	
TSR[1]	75%	Index	Index + 8% p.a.	Straight line vesting takes place between performance points
Production of 67% Fe pellets[2]	12.5%	3% over period	7% over period	
Carbon emissions reduction	12.5%	3% p.a.	5% 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 cessation of the war in Ukraine and the re-opening of export port facilities enabling delivery to DR-pellet customers.

		2019	2020	2021
Focused iron ore miners	Weighting	60%	60%	60%
Cleveland-Cliffs		✓	✓	✓
Fortescue Metals		✓	✓	✓
Kumba Iron Ore		✓	✓	✓
Mount Gibson		✓	✓	✓
Mineral Resources[1]		–	–	✓
Global diversified miners	Weighting	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 six months to help improve the comparison of the management long-term incentive in relation to potential short-term movements in Ferrexpo's share price or the share price of comparator companies.

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 2022

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 2022 will be based on the share price prevailing at the time the size of LTIP award is set.

The performance metrics for the 2022 LTIP awards will continue to be based on a mix of TSR, production and sustainability targets.

The production target will relate to 12.5% of the 2022 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 2024.

The carbon emissions target will relate to 12.5% of the 2022 LTIP and incentivise reduction in carbon emissions of between 3% and 5% p.a. across this period.

The relative TSR target will determine the remaining 75% of the 2022 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 2021 award).

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 113) will apply should it be required. Under all metrics, 20% vests at the threshold performance level rising to 100% at maximum performance levels. Each target operates independently.

Remuneration Report continued

Non-executive Directors (including the Chair)
The Non-executive Directors' fees are reviewed each year in light of the time commitment and level of involvement that Non-executive Directors are required to devote to the activities of the Board and its Committees.

For 2022, fees will be unchanged.

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 2021.

As detailed in last year's Directors' Remuneration Report, Mr Zhevago stepped aside from the role of CEO in October 2019 and from this time was a Non-independent Non-executive Director. During 2020, his remuneration arrangements were reviewed and from 1 December 2020 Mr Zhevago has received a fee in line with other Non-executive Directors (i.e. US$135,000 p.a.). In addition, and to reflect his 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 p.a. This fee reflects the expected time commitment of the role and will be kept under review. He does not receive any wider Company benefits in connection with his role.

Role	Current fee levels	Change
Chair fee	US$500,000	N/A
Non-executive Director base fee	US$135,000	N/A
Committee Chair fee	US$20,000	N/A
Senior Independent Director fee	US$35,000	N/A
Employee Engagement Director fee	US$35,000	N/A

Directors' shareholdings – audited

Total interests of the Directors in office (and connected persons) as at 31 December 2021:

	At 31 December 2021	At 31 December 2020
AC Andersen	–	–
G Dacomb	–	–
L Genovese	233,651	233,651
V Lisovenko	–	–
F MacAulay	–	–
J North	336,364	295,671
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 Fevamotinico S.a.r.l., which owns 296,077,944 shares in the Company.

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 guideline. The Committee will retain discretion to disapply the guideline in exceptional circumstances (e.g. death).

Performance shares that have vested under the LTIP but which are still subject to the two-year holding period will be released at the conclusion of the two-year holding period unless the Committee determines otherwise.

Mr North's shareholding against the guideline as at 31 December 2021 was as follows:

	Shareholding requirement (% salary)	Owned outright	Subject to performance[1]	Current shareholding[2] (% salary)	Requirement met?
J North	200%	336,364	204,800	88%	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 2021 and a share price of 299.4 pence on 31 December 2021 and an exchange rate of £1=US$1.3757.

Details of LTIP awards held by Mr North (which are subject to performance) are provided below.

	Award	At 1 January 2021	Granted (2021 award)	Vested	Lapsed	Total at 31 December 2021	Award share price (pence)[1]	End of performance period
J North	2019 Award[2]	85,000	–	–	–	85,000	205.7	01.01.22
	2020 Award	117,000	–	–	–	117,000	142.7	01.01.23
	2021 Award	–	87,800	–	–	87,800	216.4	01.01.24
Total		**202,000**	**87,800**	**–**	**–**	**289,800**		

1. Based on the average share price over the three-month period preceding the start of the performance period.
2. The 2019 award vested at 100% as described above.

With the exception of the reinvestment of the January 2022 dividend to purchase 4,355 shares for Mr North, there have been no changes in the interests of the Directors from the end of the period under review to 21 April 2022 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 2021 are equivalent to 0.049% 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 2021. Mr Lucas retired from the Board on 24 August 2020 and received a consultancy fee of US$101,000 to provide transition support to the Chair and the CEO.

As set out in the information which has been available on the Company's website from 21 July 2021 until the date on which this Directors' Remuneration Report was first made available in accordance with section 430(2B) of the Companies Act 2006, following his stepping down from the Board on 6 July 2020 and the signing of a settlement agreement, Mr Mawe's employment terminated on 31 July 2021. Under the terms of the settlement agreement, Mr Mawe continued to be paid his salary and contractual benefits until 31 July 2021 (with an aggregate amount of CHF996,776 paid for the period from 1 January 2021 to 31 July 2021). Mr Mawe's employment contract under Swiss law, provided for him to receive his full salary and bonus, in line with the remuneration policy, for the period of his employment through to 31 July 2021. Based on legal advice in connection with the settlement of any claims against the Company, the bonus for the period for H2 2020, and for the period 1 January 2021 to 31 July 2021, was payable at the target performance level. Payment of the bonus in line with the terms of Mr Mawe's legacy contract ensured that the Company was able to reach a mutually beneficial settlement. The Committee was comfortable approving a STIP payment for the year ended 31 December 2020 of CHF690,261 with performance assessed at 83.5% of salary for H1 2020 and at 100% for H2 2020. In respect of performance for the year ended 31 December 2021 (pro-rated for the period to 31 July 2021), he received a STIP payment of CHF289,328 reflecting target performance (75%) as per the Company's remuneration policy approved by shareholders in May 2021. As explained on page 122, his LTIP award granted on 25 April 2019 over 100,000 shares vested in respect of 80,556 shares (as a result of time pro-rating, the performance conditions having been met in full). Mr Mawe also received a contribution of £3,500 plus VAT towards his legal fees incurred in taking advice on the settlement agreement.

No other payments were made to past Directors in the year.

Remuneration Report continued

Percentage change in Directors' remuneration compared to employees

The table below sets out the percentage change in salary, taxable benefits and annual bonus between 2019 and 2020, and 2020 and 2021 for Directors of the Company, and the average for an all employee population as compared with the CEO.

	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
All employee average[1]	13.4%	0%	37.1%	24.0%	0%	2.9%
J North (CEO)[2]	0%	1,703.4%	-0.5%	11.6%	0%	12.8%
L Genovese (Chair)[3]	0%	0%	0%	400.0%	0%	0%
V Lisovenko (SID)[4]	0%	0%	0%	0%	0%	0%
AC Andersen[5]	0%	0%	0%	N/A	N/A	N/A
G Dacomb[6]	0%	0%	0%	35.0%	0%	0%
F MacAulay[7] (SID)	0%	0%	0%	35.0%	0%	0%
N Polischuk[8]	–	–	–	–	–	–
K Zhevago[9]	0%	0%	0%	-44.0%	-100.0%	0%

1. The All Employee population is based on the remuneration for the Executive Committee. 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 2020, Mr North only received company provided healthcare of US$10,921. In 2021, he received company provided healthcare and an allowance totalling US$196,948.
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.
5. Ms AC 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.
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 has been a Non-executive Director since.

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 2020 and 31 December 2021, and the percentage change.

US$ million	2021	2020	Year-on-year change
All-employee remuneration	**95**	93	2%
Distributions to shareholders[1]	**619**	195	217%

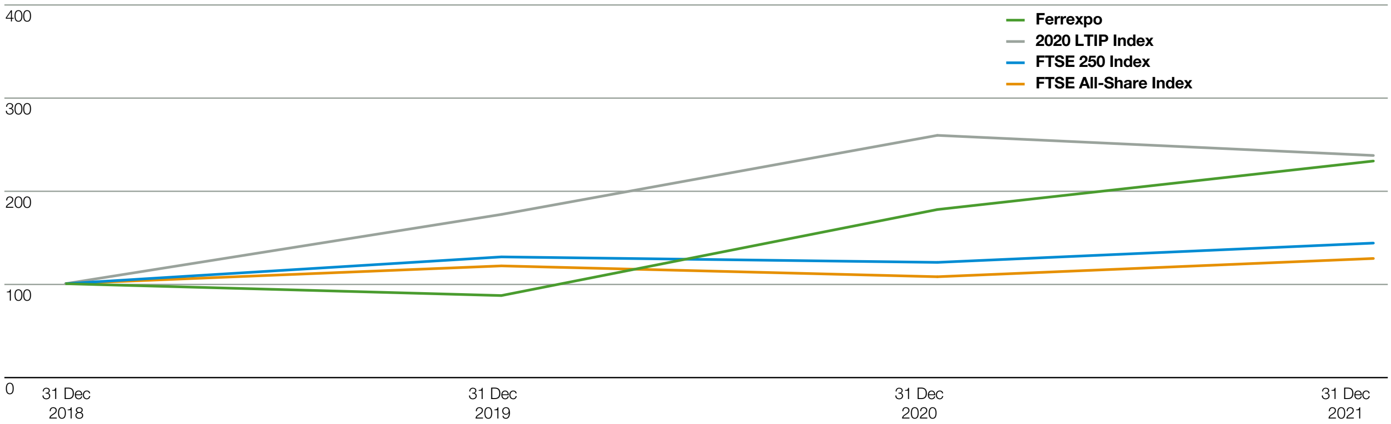
1. Includes dividends and share buy-backs.

Comparison of Company performance and Executive Director pay

The graph shows the value, at 31 December 2021, of £100 invested in Ferrexpo's shares on 31 December 2011 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 2021.



Chief Executive Officer's pay

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	KZ	**KZ**	**KZ**	**KZ**	**KZ**	**KZ**	**KZ**	**KZ**	**CM/JN**	**JN**
Single figure total remuneration (US$000)[1]	291	243	243	243	243	255	251	257	595/1,147	2,473
STIP vesting (% max)	K Zhevago did not participate in the STIP								36/67	67
LTIP vesting (% max)	K Zhevago did not participate in the LTIP								0/0	100

1. 2020 single figure 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 2020 Annual Report and Accounts at the 2021 AGM.

	For		Against		Withheld
	Shares (millions)	%	Shares (millions)	%	Shares (millions)
Remuneration policy (at 2021 AGM)	499	98.1%	10	1.9%	0
2020 Annual Report on Remuneration (at 2021 AGM)	498	97.8%	11	2.2%	0

This report was approved by the Board on 21 April 2022.

Signed on behalf of the Board

Fiona MacAulay
Chair of the Remuneration Committee

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 2021. The Russian invasion into Ukraine on 24 February 2022 which is regarded as a significant event since the balance sheet is treated as a non-adjusting post balance sheet event and therefore does not affect the carrying value of the Group's assets and liabilities as at 31 December 2021. This event however 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 152 for further details) and might have a financial impact on the Group's non-current assets in the future (see Note 35 Events after the reporting period to the Consolidated Financial Statements on page 199 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 184.

Dividends

Results for the year are set out in the Consolidated Income Statement on page 147.

Overall, in 2021 the Group paid out dividends of US$619 million, a 217% increase compared to 2020 (US$195 million).

In view of Russia's invasion of Ukraine, the Board has decided to defer any decision in relation to an interim dividend in conjunction with the Group's full year results for 2021. The Board will continue to assess the situation, and when appropriate, will make a decision in relation to shareholder returns.

The Board has become aware of a technical issue in respect of the interim dividend of 39.6 US cents per Ordinary Share paid on 26 August 2021. When this was identified, the Board decided to perform a review of historic dividend payments and has identified a technical issue in respect of all or a portion of certain dividends paid in 2010, 2011 and 2021 (the "Relevant Distributions"). The Company did not satisfy certain procedural requirements of the Companies Act 2006 (the "Act") before making the Relevant Distributions. The Company has been advised that, as a consequence of this, it may have claims against past and present Shareholders who were recipients of the Relevant Distributions and against persons who were directors of the Company at the time of payment of the Relevant Distributions. The Company wishes to put all potentially affected parties so far as possible in the position in which they were always intended to be. Accordingly, the Company intends to convene a general meeting at which a resolution will be proposed, which will, if passed, give the Board authority to enter into a Directors' Deed of Release and a Shareholders' Deed of Release to discharge these parties from any obligation to repay any amount to the Company in connection with the Relevant Distributions. The proposed ratification of the Relevant Distributions, and the entry by the Company into the Shareholders' Deed of Release and Directors' Deed of Release will not have any effect on the Company's financial position. A circular to shareholders to convene the general meeting and giving more information about the Relevant Distributions will be sent to shareholders shortly.

Directors

The Directors of the Company who served during the year and up to the date of signing were:

- Ann-Christin Andersen (appointed 1 March 2021)
- Graeme Dacomb
- Lucio Genovese
- Vitalii Lisovenko
- Fiona MacAulay
- Jim North
- Natalie Polischuk (appointed 29 December 2021)
- Kostyantin Zhevago

All of the Directors will retire at the forthcoming AGM and, being eligible, will offer themselves for election or re-election.

Further details about the Directors and their roles within the Group are given in the Directors' biographies on pages 78 to 79. 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 106 to 127.

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	160
Details of long-term incentive schemes (LR 9.8.4R (4))	Remuneration Report	113
Contracts of significance (LR 9.8.4R (10))	See Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements. Transactions with FC Vorskla are considered to be contracts of significance under the Listing Rules	193
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	124
Details of waivers of dividends by shareholders (LR 9.8.4R (12) and (13))	As as 21 April 2022, the employee benefit trust contains 577,370 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	83
Disclosures concerning greenhouse gas emissions	Strategic Report	36
Engagement with suppliers, customers and others	Strategic Report and pages 46 to 49	
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	184
Events since the balance sheet date	See Note 35 Events after the reporting period to the Consolidated Financial Statements	199
Statement of Directors' responsibilities in respect of the Annual Report and Accounts	Corporate Governance Report	133
Information that fulfils the requirements of DTR 7.2 (other than DTR 7.2.6)	Corporate Governance Report	76

Disclosures required by statute

Employees
Information on the Group's employment policies can be found in the Strategic Report on pages 40 to 41. Employee numbers are stated in Note 29 Employees to the Consolidated Financial Statements on page 192. The Group employs fewer than 250 staff in the United Kingdom and so does not disclose its policies on employee involvement or employing disabled people. However, it will give 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% of the Group's energy consumption in 2021 and UK greenhouse gas emissions was the equivalent of less than 0.001% of the Group's greenhouse gas emissions in 2021.

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.

Directors' Report continued

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 195.

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 27 May 2021. This authority will expire at the conclusion of the Company's 2022 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 2021.

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 2021, 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%

As at 21 April 2022, 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]	296,077,944	296,077,944	50.30%
BlackRock, Inc.	33,407,724	33,407,724	5.67%
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 Kostyantin Zhevago is a beneficiary.

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., Kostyantin Zhevago, The Minco Trust and the Company can be found in the Corporate Governance Report page 83. 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

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 is, as at the date of the approval of these Consolidated Financial Statements, still ongoing. Although the Group has managed to continue its operations, the war continues to pose a 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 at the date of 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 are outside of the Group management's control, with the duration and the impact of the war unable to be predicted at this point of time.

Directors' Report continued

The Group's business activities, together with the risk factors that might affect its business model, future performance, solvency or liquidity and reputation are set out on pages 22 to 72. The Viability Statement is set out in the Strategic Report on page 73 and addresses the threat to the Group's viability caused by the Russian invasion into Ukraine. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 22 to 25. In addition, Note 27 Financial instruments to the Consolidated Financial Statements on pages 183 to 190 sets out the Group's objectives, policies and processes for managing its capital; its financial risk management objectives and details of its financial instruments; its exposure to price risk, credit risk, liquidity risk and cash flow risk, as well as currency risk and interest rate risk

Considering the current situation of the war in Ukraine, all identified available mitigating actions 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 (see Note 2 Basis of preparation to the Consolidated Financial Statements on page 152 for further details).

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 he/she ought to have taken as a Director in order to make himself/herself 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 Wednesday 15 June 2022 at 11.00am, subject to the ongoing Covid-19 pandemic and any UK Government the guidance on social distancing, non-essential travel or public gatherings. 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 75 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 21 April 2022.

For and on behalf of the Board

Lucio Genovese
Chair

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 then 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 hence 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 pages 131 and 132 of the Directors' Report and Note 2 Basis of preparation of the Consolidated Financial Statements on page 152;

(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 asssets, 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 76 to 132.

This responsibility statement was approved by the Board of Directors on 21 April 2022 and is signed on its behalf by:

Lucio Genovese
Chair

Jim North
Chief Executive Officer
21 April 2022

Financial contents

Independent Auditor's Report To the members of Ferrexpo plc on the audit of the financial statements

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 138 to 141 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 and/or our component teams. 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. 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 2021 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 related consolidated Notes 1 to 35;
- the Parent Company statement of financial position;
- the Parent Company statement of changes in equity; and
- the related Parent Company Notes 1 to 8.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards as adopted 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 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted in the United Kingdom;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standard Financial Reporting Standard 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

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 on the audit of the financial statements

Material uncertainty relating to going concern

We draw your attention to Note 2 Basis of preparation on pages 152 and 153 and also Note 35 Events after the reporting period on page 199 of the financial statements, which indicates that management has assessed the ongoing armed conflict in Ukraine to pose a threat to the Group's mining, processing and logistics operations within Ukraine and on the ability of the Group to continue as a going concern due to the unpredictable duration and severity of such events and circumstances, which are outside of the Group's control. This indicates that a material uncertainty exists that may cast significant doubt upon the Group's ability to continue as a going concern. Moreover, the ongoing conflict is expected to have an adverse impact on the Group's cash flows and a connected negative impact on the carrying value of the non-current assets of the Group after the balance sheet date. Our opinion is not modified in respect of these matters.

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.

The going concern assessment required a high level of management judgement and is complex, as a result of the possible interaction of multiple variable factors, particularly in analysing the potential impact of the war upon the Group's forecast sales channels to certain customers; liquidity management including available cash; and its ability to continue mining and processing operations in light of current and potential disruption of consumables and equipment supplies, and logistics uncertainties.

Management has prepared an updated long-term model, including an 18-month base case scenario reflecting lower sales volume caused by the unavailable seaborne sales to its customers. Management also considered a series of plausible downside sensitivities to the base case, which assume reasonably possible adverse outcomes for the items described above such as the potential for supply restrictions and reduced production and sales volumes, as well as reduction in sales prices and increases in production costs. In evaluating the impact of these downside scenarios, management has identified reasonable mitigating actions the Group could take, which include reducing production and mining volumes, exploring new sales channels, deferring and/or reducing the Group's capital expenditure.

Management also prepared stress tests for 'severe downside' scenarios, including cessation of production and/or interruption of its logistics network for 3, 6 and 18 months. In the severe scenarios, management expected the Group to have sufficient liquidity for more than 12 months.

The Board is satisfied that the Group's analysis, including the downside scenarios above, supports that it is appropriate to adopt the going concern basis of preparation but recognise a material uncertainty exists.

For further details, refer to the Audit and Risk Committee's report on page 96 and other areas of the Annual Report and Accounts (including the Chairman's statement on page 2, the CEO's statement on pages 8 to 10, Principal risks on pages 57 and 58 and longer-term viability statement on pages 73 to 75).

Our evaluation of the Directors' assessment of the Group's ability to continue to adopt the going concern basis of accounting, having considered the impact of the war in Ukraine, included:

- Challenging management's assessment of the potential risks and uncertainties relevant to the Group as a result of the war;
- Challenging whether the Group's mitigating actions are reasonable and within the Group's control;
- Obtaining evidence of delivery of critical supplies and reviewing new contracts entered into since 24 February 2022;
- Assessing for reasonableness the assumptions applied in the going concern assessment cash flow forecast, evaluating the potential 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 since 24 February 2022, 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;
- Assessing the Group's going concern related financial statement disclosures; and
- Reviewing the events after the reporting period note disclosure of the impact on the financial statements, as well as confirming that the non-adjusting post balance sheet event conclusion has been disclosed as a significant judgement.

We agree with management's conclusion that there is enough evidence to conclude that the use of the going concern basis of accounting is appropriate for the Group. We also agree that a material uncertainty risk about the Group's ability to continue as a going concern exists, as some of the uncertainties are outside of the Group management's control, with the duration and the impact of the war unable to be predicted at this point of time. Whilst the Group has successfully managed to procure all its key consumables, such as natural gas, electricity and diesel fuel, and equipment required for its mining and processing operations to date, and has managed to continue its operations, the risk of a potential disruption remains.

In relation to the Group's reporting on how they have 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

Materiality	The materiality that we used for the Group financial statements was US$42 million (2020: US$26.5 million), which was determined as 5% of the three-year average of profit before tax ("PBT") and special items (2020: 5%). Performance materiality was set at 60% of materiality (2020: 60%).
Scope	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. Material subsidiaries were determined based on: 1) financial significance of the component to the Group as a whole; and 2) assessment of the risk of material misstatements applicable to each component. Our audit scope results in all major operations of the Group being subject to audit work, covering in 100% of the Group's revenue, 98% of the Group's profit and 95% of the net assets.
Key audit matters	The key audit matters that we identified in the current year were: – Completeness of related party transactions – Taxation – IFRIC 23 and critical judgements of transfer pricing and the international structure – Management override of controls – Completeness of provisions for litigations and claims – Accounting treatment and valuation of low-grade ore Our assessment of the Group's key audit matters is consistent with 2020 except for: – Accounting treatment and valuation of low-grade Ore

Independent Auditor's Report continued
To the members of Ferrexpo plc on the audit of the financial statements

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 judgements, 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.

Completeness of related party relationships and transactions

Key audit matter description	The Group enters into a number of related party transactions and has reported an expense of US$42.2 million (2020: US$35.8 million) and other income of US$0.7 million (2020: US$0.4 million) in 2021. 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. 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. The related party disclosures are set out in Note 34 Related party disclosures to the Financial Statements and the Group's controls are described in the Report of the Audit Committee on page 98.
How the scope of our audit responded to the key audit matter	We reviewed and evaluated management's process for identifying and recording related parties into their register. 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 2021 that are significant or outside the normal course of business. We used our data analytics tool to search for transactions which had not been included in the related party disclosures. We also used our data analytics tool to identify potential transactions with related parties. We reviewed a sample of suppliers in Ukraine to establish whether they are genuine businesses against information held on public records. We performed independent searches of the Board of Directors' other appointments and shareholdings and did not identify any counterparties on the list which were not included in the related party disclosures.
Key observations	We are satisfied that the related party transactions and balances are appropriately disclosed in the financial statements.

Taxation – IFRIC 23 and critical judgements of transfer pricing and the international structure

Key audit matter description	A key area in which the Group has applied critical judgement is transfer pricing and international taxation. 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, which comply with applicable legislation. As detailed in Note 11 Taxation to the financial statements and considered by the Audit Committee on page 97 of the Annual Report and Accounts, in August 2017, the State Tax Service of Ukraine ("STS") 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 resulting in a formal claim for UAH448 million (US$16.4 million) as at 31 December 2021 (2020: US$15.8 million). The Group's subsidiary initiated legal proceedings through various courts, which were ruled in favour of the Group. The STS subsequently filed an appeal of cassation to the Supreme Court of Ukraine in December 2019, which remains open after several hearings have taken place. The STS launched two additional tax audits in 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 Investigations ("SBI") has launched a pre-trial investigation into the sale of iron ore products between Group subsidiaries for the financial years 2013 to 2019. The cassation proceedings commenced in November 2021 and although several hearings have been held since then, no decision has yet been made by the Supreme Court of Ukraine. A hearing was scheduled for 28 February 2022, but did not take place due to the Russian invasion into Ukraine on 24 February 2022. Considering the current situation in Ukraine, it is unknown if and when the next hearing will take place. No results of the subsequent tax audits as well as the SBI investigation have been issued by the relevant governmental authorities yet. 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. The IFRIC 23 framework can be challenging to apply in the context of international taxation and contentious transfer pricing, 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. 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.
How the scope of our audit responded to the key audit matter	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. We have reviewed the correspondence with STS 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. 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 IFRIC23 assessment for the inherent risks in the international structure.
Key observations	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.

Independent Auditor's Report continued To the members of Ferrexpo plc on the audit of the financial statements

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	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: – We held discussions with a broader range of senior management, being the Chief Executive Officer and 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 whistle blower 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 judgements 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; and – 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	The Group is involved in a number of legal proceedings, both for and against the Group. Management has assessed that the probability of success of the claim and considered how to account and/or disclosed the claims in accordance with IAS 37. As disclosed in Note 30 Commitments, contingencies and legal disputes, the Group has disclosed the contingencies which exist as a result of past transactions or events. Management judgement is involved in assessing the accounting for contingencies and claims. In particular in considering the probability of a claim being successful and we have accordingly designated this as a Key Audit Matter of the audit. The key risk related to the claims and contingencies is mainly associated with the completeness of the disclosure and provisions in the financial statements.
How the scope of our audit responded to the key audit matter	In response to the risk of the completeness of litigations and claims in the financial statements, we completed the following audit procedures: – Obtained external confirmations directly from the Group's internal and external legal advisors and counsel. – We discussed the cases with management, and reviewed correspondence and other documents exchanged between the Group and the other parties involved. – 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 based on our procedures detailed above.
Key observations	Based on the procedures performed, we noted no material issues from our work.

Accounting treatment and valuation of low-grade ore

Key audit matter description	In accordance with the Group's accounting policies, low-grade iron ore inventories are required to be measured at the lower of cost and net realisable value ('NRV') as at 31 December 2021. The determination of the NRV of the Group's low grade iron ore stockpile is an accounting estimate which is subject to high estimation uncertainty, as it is highly dependent on subjective judgements in respect of the amount and timing of future cash flows based on uncertain events many years in the future. In October 2021, Management have re-assessed their plans to process low-grade ore in light of operational difficulties in the processing facilities and changes following the implementation of the Group's growth project approved by the Board. As at 31 December 2021, management have confirmed there are no current plans for processing lean ore in the foreseeable future due to the high iron fines price and current market demand that justify the high grading sales. Given there is currently no immediate plan to process the low-grade ore, management have concluded that the entire balance, with the exception of an immaterial balance relating to weathered ore, should be fully impaired as at the year end.
How the scope of our audit responded to the key audit matter	In response to the risk of the accuracy of valuation of low-grade iron ore in the financial statements, we completed the following audit procedures: – Reviewed the method used in estimating the NRV of low-grade ore and considered if it is appropriate. – Challenged management whether low-grade ore can be sold or contracted for processing to third parties. – Identified which of the assumptions used are significant to the estimate, i.e., those whose reasonable variation would cause a material change in the valuation of the NRV of low-grade ore. – Evaluated whether, in the view of our knowledge of the circumstances of the Group and further information gathered in the course of the audit, the assumptions used in estimating the NRV of low-grade ore are reasonable. – Developed our own point estimate of NRV of lean ore by modifying some of management's assumptions and completed a comparison. – Assessed any evidence of management bias in selecting key assumptions and assessed the impact of changes in the model vs. the assumptions used in previous periods. – Reviewed management's position paper on the rationale for the change in processing plans for 2022 and assessed the impact of potential further deferrals in processing. – Challenged whether the changes in intention should have been regarded as a prior year adjustment. – Challenged whether low-grade ore should be recognised as stripping costs in light of a change in circumstances.
Key observations	In October 2021, Management have re-assessed their plans to process low-grade ore in light of operational difficulties in the processing facilities and changes following the approval of the growth project. Based upon processing low-grade ore at the same levels as that estimated in the FY 2020, management have confirmed that as at 31 December 2021 they did not intend to process any low-grade ore using existing and committed production facilities until at least 2036 or later. Management also confirmed that low-grade ore may be processed at some earlier point in the future only if additional purpose-built production capacity, for which there is no specific commitment yet, is realised. Based upon our audit review, management's stated intentions are consistent with the impairment of low-grade iron ore.

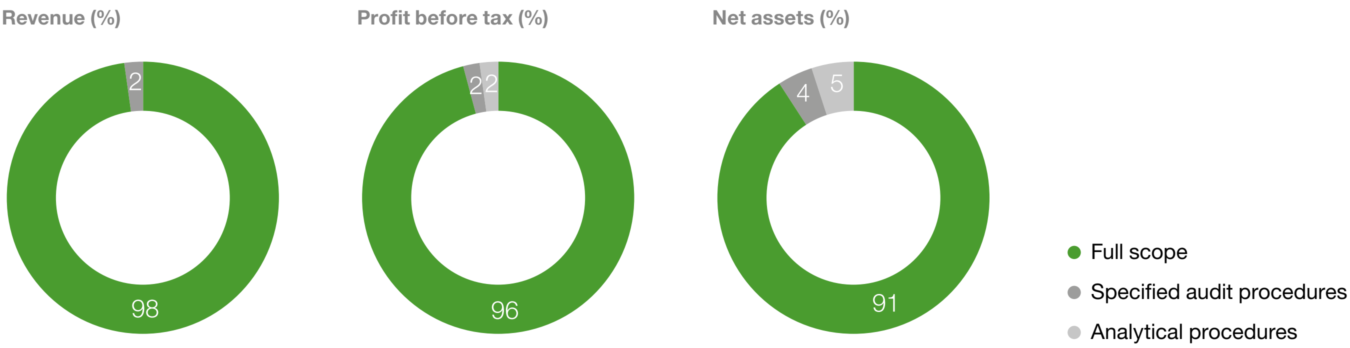
Independent Auditor's Report continued
To the members of Ferrexpo plc on the audit of the financial statements

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 UK based, 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 focussed 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 component; the assets of the Hungarian Helogistics Asset Leasing entity including the vessel; and revenue of the Hungarian DDSG Mahart entity. Our full scope and specified audit procedures cover revenue (100% of Group total), profit before tax (98% of Group total) and net assets (95% of Group total).

The remaining 20 components represent a 2% of the Group's profit before tax and individually do not represent more than a 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$0.9 million to US$16.0 million (2020: US$2.8 million to US$13.2 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 travel restrictions related to the global Covid-19 pandemic and more lately due to the Russian military build-up on the borders which led to the incursion on 24 February 2022, 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 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.

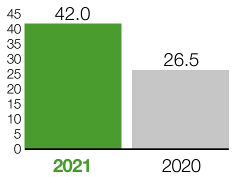
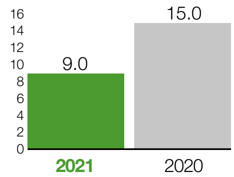
The Swiss and Middle East sales and marketing entities have a common finance function with the Group finance team and as such the audits of these components were carried out by the Group audit team.

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:

<table>
<tr><th></th><th>Group financial statements</th><th>Parent Company financial statements</th></tr>
<tr><td>Overall materiality</td><td>Group Materiality
(US$ Million)

</td><td>Parent Company Materiality
(US$ Million)

</td></tr>
<tr><td>How we determined it</td><td>We have determined materiality by using 5% of a three-year average of profit before tax (2020: 5%)</td><td>2% of Parent Company's net assets (2020: 2%)</td></tr>
<tr><td>Rationale for the benchmark applied</td><td>The profit before tax for the years 2019-2021 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.

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.

We set our 2021 performance materiality at 60% of overall materiality (2020: 60%), amounting to US$25.2 million (2020: US$15.9 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.</td><td>We consider the chosen benchmark to be appropriate due to the nature of Parent Company's operations being a holding company of the Group.

We set our 2021 performance materiality at 60% of overall materiality (2020: 60%), amounting to US$5.4 million (2020: US$9.0 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.</td></tr>
</table>

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$2.1 million (2020: US$1.3 million) for the Group as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Independent Auditor's Report continued
To the members of Ferrexpo plc on the audit of the financial statements

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 those reports have been prepared in accordance with applicable legal requirements; 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.

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 regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 131;
- 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 73 to 75;
- Director's 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 73 to 75;
- Directors' statement on fair, balanced and understandable set out on page 133;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 73;
- Section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems set out on page 98; and
- Section describing the work of the audit committee set out on pages 94 and 95.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement set out on page 133, 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's 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to both reduce costs and inflate operating profit, and management bias in accounting estimates.

The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- obtaining an understanding of the legal and regulatory frameworks that the Group operates in, focusing on those laws and regulations that had a direct effect on the financial statements. We obtained this understanding through assessing the risk register of the Group and understanding the Group's response to assessing the legal and regulatory frameworks that apply to it. In addition, we leveraged our understanding of the legal and regulatory framework applicable to UK listed entities and to those in the mining sector, based on past experience of the team and consultation with internal and external experts. This included, but was not limited to, discussions with the Group's key legal advisers and review of minutes of the Group's various governance committees, including the Finance and Risk Management Committee;
- the key laws and regulations we considered in this context included UK Companies Act, 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;
- discussions among the engagement team including significant component audit teams and involving relevant internal specialists, including tax, valuations, pensions, and IT;
- discussions with Group and local management, internal audit and the Group's internal and external legal counsel, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- enquiring of the Audit Committee concerning actual and potential litigation and claims;
- evaluation of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- assessment of matters reported on the Group's whistleblowing helpline and the results of management's investigation of such matters;
- reading key correspondence with regulatory authorities such as the Financial Conduct Authority; and the Financial Reporting Council;
- challenging assumptions and judgements made by management in their significant accounting estimates, in particular, with respect to valuations of low-grade ore inventories;
- identifying and testing journal entries, in particular, any journal entries posted with understatement of costs, journals that are backdated or posted by senior management;
- the audit team in Ukraine visited the mines in November and December 2021 and observed 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.

Independent Auditor's Report continued
To the members of Ferrexpo plc on the audit of the financial statements

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit. The engagement team includes audit partners and staff who have extensive experience of working with listed companies and with those in the mining sector, and this experience was relevant to the discussion about where the risk of irregularities, including fraud may arise.

A further description of our responsibilities is available on the FRC's website at:

www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

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 27 May 2021 to audit the financial statements for the year ending 31 December 2021. Our total uninterrupted engagement is 3 years, covering the years ending 31 December 2019 to 31 December 2021.

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
21 April 2022

Consolidated Income Statement

US$000	Notes	Year ended 31.12.21	Year ended 31.12.20
Revenue	6	**2,518,230**	1,700,321
Operating expenses	5/7	**(1,411,911)**	(1,018,109)
Other operating income	8	**9,499**	5,432
Operating foreign exchange (losses)/gains	9	**(37,808)**	61,023
Operating profit		**1,078,010**	748,667
Share of profit from associates	33	**4,468**	5,624
Profit before tax and finance		**1,082,478**	754,291
Finance income	10	**637**	553
Finance expense	10	**(8,940)**	(12,286)
Non-operating foreign exchange (losses)/gains	9	**(3,200)**	5,302
Profit before tax		**1,070,975**	747,860
Income tax expense	11	**(199,982)**	(112,568)
Profit for the year		**870,993**	635,292
Profit attributable to:			
Equity shareholders of Ferrexpo plc		**870,987**	635,292
Non-controlling interests		**6**	–
Profit for the year		**870,993**	635,292
Earnings per share:			
Basic (US cents)	12	**148.2**	108.1
Diluted (US cents)	12	**147.9**	107.9

Consolidated Statement of Comprehensive Income

US$000	Notes	Year ended 31.12.21	Year ended 31.12.20
Profit for the year		**870,993**	635,292
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**82,196**	(317,674)
Income tax effect	11	**(3,313)**	16,278
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**78,883**	(301,396)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains/(losses) on defined benefit pension liability	22	**9,882**	(1,057)
Net other comprehensive income/(loss) not being reclassified to profit or loss in subsequent periods		**9,882**	(1,057)
Other comprehensive income/(loss) for the year, net of tax		**88,765**	(302,453)
Total comprehensive income for the year, net of tax		**959,758**	332,839
Total comprehensive income attributable to:			
Equity shareholders of Ferrexpo plc		**959,778**	332,822
Non-controlling interests		**(20)**	17
		959,758	332,839

Consolidated Statement of Financial Position

US$000	Notes	As at 31.12.21	As at 31.12.20
Assets			
Property, plant and equipment	13	1,216,693	1,004,385
Right-of-use assets	14	7,776	8,313
Goodwill and other intangible assets	15	43,586	40,734
Investments in associates	33	7,034	5,873
Inventories	17	8,414	213,685
Other non-current assets	16	96,484	25,480
Deferred tax assets	11	32,946	30,574
Total non-current assets		1,412,933	1,329,044
Inventories	17	202,399	144,605
Trade and other receivables	18	192,363	152,750
Prepayments and other current assets	19	68,162	25,884
Income taxes recoverable and prepaid	11	636	1,351
Other taxes recoverable and prepaid	20	48,040	31,323
Cash and cash equivalents	25	167,291	270,006
Total current assets		678,891	625,919
Total assets		2,091,824	1,954,963
Equity and liabilities			
Issued capital	31	121,628	121,628
Share premium		185,112	185,112
Other reserves	31	(1,986,131)	(2,065,896)
Retained earnings		3,510,793	3,250,534
Equity attributable to equity shareholders of Ferrexpo plc		1,831,402	1,491,378
Non-controlling interests		75	95
Total equity		1,831,477	1,491,473
Interest-bearing loans and borrowings	5/26	2,143	132,129
Defined benefit pension liability	22	26,074	32,475
Provision for site restoration	23	3,873	2,846
Deferred tax liabilities	11	141	101
Total non-current liabilities		32,231	167,551
Interest-bearing loans and borrowings	5/26	48,206	134,349
Trade and other payables	21	72,824	43,749
Accrued and contract liabilities	24	52,613	45,542
Income taxes payable	11	37,138	58,483
Other taxes payable	20	17,335	13,816
Total current liabilities		228,116	295,939
Total liabilities		260,347	463,490
Total equity and liabilities		2,091,824	1,954,963

The financial statements were approved by the Board of Directors and authorised for issue on 21 April 2022 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 31.12.21	Year ended 31.12.20
Profit before tax		**1,070,975**	747,860
Adjustments for:			
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets		**115,111**	102,475
Finance expense	10	**5,729**	9,113
Finance income	10	**(637)**	(553)
Losses on disposal and liquidation of property, plant and equipment		**4,695**	1,303
Write-offs	7	**4,507**	192
Impairment of inventories	7	**231,111**	–
Share of profit from associates	33	**(4,468)**	(5,624)
Movement in allowance for doubtful receivables	18	**690**	724
Movement in site restoration provision	23	**551**	18
Employee benefits	22	**4,936**	4,779
Share-based payments	28	**856**	291
Operating foreign exchange losses/(gains)	9	**37,808**	(61,023)
Non-operating foreign exchange losses/(gains)	9	**3,200**	(5,302)
Other adjustments		**(4,914)**	(2,546)
Operating cash flow before working capital changes		**1,470,150**	791,707
Changes in working capital:			
Increase in trade and other receivables		**(102,827)**	(49,538)
(Increase)/decrease in inventories		**(65,170)**	27,034
Increase/(decrease) in trade and other payables (incl. accrued and contract liabilities)		**40,186**	(4,798)
(Increase)/decrease in other taxes recoverable and payable (incl. VAT)	20	**(11,073)**	3,214
Cash generated from operating activities		**1,331,266**	767,619
Interest paid		**(7,031)**	(21,439)
Income tax paid	11	**(227,930)**	(56,571)
Post-employment benefits paid		**(2,475)**	(2,391)
Net cash flows from operating activities		**1,093,830**	687,218
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	13/15	**(360,869)**	(205,779)
Proceeds from disposal of property, plant and equipment and intangible assets		**1,030**	836
Interest received		**583**	442
Dividends from associates		**3,967**	4,027
Advance payment for investment in joint venture	16	**–**	(5,000)
Net cash flows used in investing activities		**(355,289)**	(205,474)
Cash flows from financing activities			
Proceeds from loans and borrowings	26	**42,146**	–
Repayment of loans and borrowings	26	**(257,430)**	(144,904)
Principal elements of lease payments	26	**(5,517)**	(3,082)
Dividends paid to equity shareholders of Ferrexpo plc	12	**(619,377)**	(195,446)
Net cash flows used in financing activities		**(840,178)**	(343,432)
Net (decrease)/increase in cash and cash equivalents		**(101,637)**	138,312
Cash and cash equivalents at the beginning of the year		**270,006**	131,020
Currency translation differences		**(1,078)**	674
Cash and cash equivalents at the end of the year	25	**167,291**	270,006

Consolidated Statement of Changes in Equity

	Attributable to equity shareholders of Ferrexpo plc						
US$000	Issued capital (Note 31)	Share premium (Note 31)	Other reserves (Note 31)	Retained earnings	Total capital and reserves	Non-controlling interests (Note 32)	Total equity
At 1 January 2020	121,628	185,112	(1,764,774)	2,810,588	1,352,554	78	1,352,632
Profit for the year	–	–	–	635,292	635,292	–	635,292
Other comprehensive (loss)/ income	–	–	(301,413)	(1,057)	(302,470)	17	(302,453)
Total comprehensive (loss)/ income for the year	–	–	(301,413)	634,235	332,822	17	332,839
Share-based payments (Note 28)	–	–	291	–	291	–	291
Equity dividends to shareholders of Ferrexpo plc	–	–	–	(194,289)	(194,289)	–	(194,289)
At 31 December 2020	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 (Note 12)	**–**	**–**	**–**	**(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**

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 Kremenchug 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 Kremenchug Magnetic Anomaly and are currently being extracted at the Gorishne-Plavninske-Lavrykivske ("GPL") and Yerystivske deposits.

The majority shareholder of the Group is Fevamotinico S.a.r.l. ("Fevamotinico"), a company incorporated in Luxembourg. Fevamotinico is ultimately wholly owned by The Minco Trust, of which Kostyantin Zhevago, the Group's previous Chief Executive Officer, and two other members of his family are the beneficiaries. At the time this report was published, Fevamotinico held 50.3% (2020: 50.3%) of Ferrexpo plc's issued share capital.

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

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 is, as at the date of the approval of these consolidated financial statements, still ongoing. Although the Group has managed to continue its operations, the war continues to pose a 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 at the date of 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 are outside of the Group management's control, with the duration and the impact of the war unable to be predicted at this point of time. Whilst the Group has successfully managed to procure all its key consumables, such as natural gas, electricity and diesel fuel, and equipment required for its mining and processing operation to date, the risk of a potential disruption to the required supplies, remains. As announced several times to the market, the Group's seaborne sales through the port of Pivdennyi, located in southwest Ukraine, where the Group's berth is located for shipping pellets to customers, have been suspended as a result of the closure of the port and due to constraints caused by the hostilities in the Black Sea. Although activities at the Black Sea port of Pivdennyi continue to be suspended, the Group's logistics pathways to its European customers via rail and barge remain currently available. These have historically represented approximately 50% of the Group's sales. However, a further interruption to the availability of the Group's logistics network may result in a significant decline in the Group's operating cash flows. Due to the potential threat resulting form the war in Ukraine, the Group has redesigned its mining and processing plans in order to align them to the new circumstances. Further to that, the Group has identified possible alternative options accessible in case of an interruption of the supplies of key consumables and equipment as well as its currently available logistics network.

As at the date of the approval of these consolidated financial statements, the Group is in a net cash position of approximately US$192,000 thousand with an available cash balance of approximately US$209,000 thousand. In addition to the available cash balance, the Group has an outstanding receivable balance of approximately US$156,000 thousand from its sales in March and April 2022, which are expected to be collected in the next weeks.

As part of management's going concern assessment, the Group adjusted its long-term model reflecting the lower sales volume caused by the unavailable seaborne sales to its customers. The adjusted 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.

As a result of the remaining material uncertainty outside of the Group's control in respect of the duration and the impact of the war in the future, the Group also prepared stress tests with more severe adverse changes, such as a ceasing of its production for 3, 6 and 18 months, which could be caused by a disruption of the supplies for key consumables and equipment and/or a further interruption of the Group's currently available logistics network. Based on these stress tests, it is expected that the Group would have sufficient liquidity for more than 12 months and sufficient mitigating actions, such as further reductions of the development capital expenditures and its operating costs, within its control, even if the operations were to be stopped immediately.

Note 2: Basis of preparation continued

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 57, 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, 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 Principal Risks section on pages 57 and 58 for further information.

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 the consolidated financial statements. Further information on the financial impact of the war in Ukraine is provided in Note 35 Events after the reporting period.

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.

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 2020 except for the adoption of new standards, interpretations and amendments to UK adopted IFRS effective as of 1 January 2021.

New standards, interpretations and amendments adopted without an impact on the Group's consolidated financial statements

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements, and corresponding disclosure requirements. Modifications of financial assets and financial liabilities required as a direct consequence of the Interbank offered rates ("IBOR") reform and made on an economically equivalent basis are accounted for by updating the effective interest rate and a similar practical expedient is proposed for lessee accounting applying IFRS 16. All other modifications are accounted for using the current IFRS requirements.

Notes to the Consolidated Financial Statements continued

Note 3: New accounting policies continued

Additional disclosure requirements are introduced in order to allow users to understand the nature of the exposure and extent of risks arising from the IBOR reform and how those risks are assessed as well as the progress in transitioning from IBORs to alternative benchmark rates, and how this transition is managed. As at 31 December 2021, the Group has outstanding short-term uncommitted trade finance facilities at a floating rate (see Note 26 Interest-bearing loans and borrowings for further information). These lines are denominated in USD and linked to USD LIBOR. Following the current IBOR Transition plan, the Group is revising these interest rate conditions with its financial partners to come to define adequate applicable fallback conditions going forward. The Group does not expect a material impact on the funding cost of its lines from the Transition.

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 16 *Property, Plant and Equipment* were issued in May 2020 and are effective for the financial year beginning on 1 January 2022 subject to endorsement by the UK Endorsement Board. The amendments 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. The Group does not expect that these amendments will have a material impact on its consolidated financial statements.

Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* were issued in May 2020 and are effective for the financial year beginning on 1 January 2022 subject to endorsement by the UK Endorsement Board. The amendments 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. The Group does not expect that these amendments will have a material impact on its consolidated financial statements.

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 subject to endorsement by the UK Endorsement Board. 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 subject to endorsement by the UK Endorsement Board. 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.

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 subject to endorsement by the UK Endorsement Board. 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 17 Inventories – low-grade and weathered ore

Critical judgements

– Note 2 Basis of preparation – going concern assumption

– Note 11 Taxation – tax legislation

– Note 30 Commitments, contingencies and legal disputes – loan relationship between related parties of the Group

– Note 35 Events after the reporting period – non-adjusting post balance sheet event

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 207.

US$000	Notes	Year ended 31.12.21	Year ended 31.12.20
Profit before tax and finance		1,082,478	754,291
Losses on disposal and liquidation of property, plant and equipment		4,695	1,303
Share-based payments	28	856	291
Write-offs and impairments	7	235,618	192
Depreciation and amortisation		115,112	102,475
Underlying EBITDA		**1,438,759**	**858,552**

US$000	Notes	Year ended 31.12.21	Year ended 31.12.20
Revenue	6	2,518,230	1,700,321
Cost of sales	7	(727,818)	(608,641)
Gross profit		**1,790,412**	**1,091,680**

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 31.12.21	As at 31.12.20
Cash and cash equivalents	25	167,291	270,006
Interest-bearing loans and borrowings – current	26	(48,206)	(134,349)
Interest-bearing loans and borrowings – non-current	26	(2,143)	(132,129)
Net cash		**116,942**	**3,528**

The Group made debt repayments net of proceeds of US$221,188 thousand during the year ended 31 December 2021 (2020: US$148,328 thousand). Net cash is an Alternative Performance Measure ("APM"). Further information on the APMs used by the Group, including the definitions, is provided on pages 207 to 209.

Notes to the Consolidated Financial Statements continued

Note 5: Segment information continued

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 the following terms:

– CIF ("Cost Insurance and Freight");
– CFR ("Cost and Freight");
– DAP ("Delivery At Place"); or
– FOB ("Free on Board").

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 2021 consisted of the following:

US$000	Year ended 31.12.21	Year ended 31.12.20
Revenue from sales of iron ore pellets and concentrate	2,323,238	1,523,772
Freight revenue related to sales of iron ore pellets and concentrate	137,595	125,254
Total revenue from sales of iron ore pellets and concentrate	**2,460,833**	**1,649,026**
Revenue from logistics and bunker business	50,393	46,002
Revenue from other sales and services provided	7,004	5,293
Total revenue	**2,518,230**	**1,700,321**

Revenue for the year ended 31 December 2021 includes the effect from the derecognition of contract liabilities of US$8,487 thousand (2020: US$8,572 thousand) deferred as revenue in the comparative year ended 31 December 2020. As at 31 December 2021, freight-related revenue in the amount of US$7,648 thousand was deferred in relation to the performance obligations 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 31.12.21	Year ended 31.12.20
Europe, including Turkey	**1,354,048**	**584,286**
Austria	*527,200*	*280,903*
Germany	*291,235*	*145,311*
Turkey	*270,514*	*82,514*
Others	*265,099*	*75,558*
North East Asia	**223,409**	**78,786**
China & South East Asia	**770,584**	**951,718**
China	*549,885*	*908,949*
Others	*220,699*	*42,769*
Middle East & North Africa	**23,928**	–
North America	**88,864**	**34,236**
Total exports	**2,460,833**	**1,649,026**

The Group markets its products across various regions. The presentation of the sales segmentation data has been changed during the financial year 2021 with Turkey being reclassified from the region Middle East and North Africa to Europe in order to reflect how the Group makes its business decisions and monitors its sales. In order to be consistent with the presentation in the current year, export sales of iron ore pellets and concentrate to Turkey in the amount of US$82,514 thousand have been reclassified for the comparative year ended 31 December 2020. Information about the composition of the regions is provided in the Glossary on pages 210 and 211.

During the year ended 31 December 2021, sales made to three customers accounted for 37% of the revenues from export sales of ore pellets and concentrate (2020: 41%).

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 31.12.21	Year ended 31.12.20
Customer A	389,554	280,903
Customer B	211,231	316,720
Customer C	290,511	96,596

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 2021 consisted of the following:

US$000	Year ended 31.12.21	Year ended 31.12.20
Cost of sales	727,818	608,641
Selling and distribution expenses	340,301	309,276
General and administrative expenses	72,163	61,788
Other operating expenses	271,629	38,404
Total operating expenses	**1,411,911**	**1,018,109**

Total operating expenses include:

US$000	Year ended 31.12.21	Year ended 31.12.20
Inventories recognised as an expense upon sale of goods	697,900	582,796
Employee costs (excl. logistics and bunker business)	104,018	106,782
Inventory movements	(51,603)	41,471
Depreciation of property, plant and equipment and right-of-use assets	113,429	101,278
Amortisation of intangible assets	1,682	1,197
Royalties	40,871	29,180
Costs of logistics and bunker business	47,254	39,993
Audit and non-audit services	1,694	1,719
Community support donations	6,449	5,800
Write-offs and impairments	235,618	192
Losses on disposal and liquidation of property, plant and equipment	4,695	1,303

US$000	Notes	As at 31.12.21	As at 31.12.20
Write-off of inventories		247	466
Write-off/(write-back) of property, plant and equipment	13	3,233	(288)
Write-off of intangible assets	15	931	–
Write-off of receivables and prepayments		96	14
Total write-offs		**4,507**	**192**
Impairment of inventories	17	231,111	–
Total impairments		**231,111**	**–**
Total write-offs and impairments		**235,618**	**192**

Impairment of inventories for the year ended 31 December 2021 is related to the stockpiled low-grade ore for which the start of the processing of low-grade ore and the volume expected to be utilised cannot be reliably estimated as at the date of the approval of the consolidated financial statements. Further information is provided in Note 17 Inventories. Write-offs of property, plant and equipment and intangible assets for the 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 page 60 in terms of the Ukraine country risk.

Note 7: Operating expenses continued

Auditor remuneration

US$000	Year ended 31.12.21	Year ended 31.12.20
Audit services		
Ferrexpo plc Annual Report and Accounts	1,269	1,356
Subsidiary entities	196	213
Total audit services	1,465	1,569
Audit-related assurance services	229	150
Total audit and audit-related assurance services	1,694	1,719
Total auditor remuneration	1,694	1,719

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.

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 2021 consisted of the following:

US$000	Year ended 31.12.21	Year ended 31.12.20
Lease income	916	649
Other income	8,583	4,783
Total other income	9,499	5,432

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 2021 consisted of the following:

US$000	Year ended 31.12.21	Year ended 31.12.20
Operating foreign exchange (losses)/gains		
Conversion of trade receivables	(37,791)	61,948
Conversion of trade payables	38	(538)
Other	(55)	(387)
Total operating foreign exchange (losses)/gains	(37,808)	61,023
Non-operating foreign exchange (losses)/gains		
Conversion of interest-bearing loans	(3,229)	3,378
Conversion of cash and cash equivalents	(181)	2,506
Other	210	(582)
Total non-operating foreign exchange (losses)/gains	(3,200)	5,302
Total foreign exchange (losses)/gains	(41,008)	66,325

Notes to the Consolidated Financial Statements continued

Note 9: Foreign exchange gains and losses continued

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. During the financial year 2021, the Ukrainian hryvnia appreciated from 28.275 as at the beginning of the year to 27.278 as at 31 December 2021 resulting in an operating foreign exchange loss (2020: depreciation from 23.686 as at the beginning of the year to 28.275 as at 31 December 2020 resulting in an operating foreign exchange gain).

The table below shows the closing and average rates of the most relevant currencies of the Group compared to the US dollar.

	Average exchange rates		Closing exchange rates	
Against US$	As at 31.12.21	As at 31.12.20	Year ended 31.12.21	Year ended 31.12.20
UAH	27.286	26.958	27.278	28.275
EUR	0.845	0.877	0.882	0.815

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.

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.

Finance expense and income for the year ended 31 December 2021 consisted of the following:

US$000	Notes	Year ended 31.12.21	Year ended 31.12.20
Finance expense			
Interest expense on loans and borrowings		(9,567)	(22,381)
Less capitalised borrowing costs		5,343	14,871
Net interest on defined benefit plans	22	(3,211)	(3,170)
Bank charges		(632)	(829)
Interest expense on lease liabilities		(474)	(443)
Other finance costs		(399)	(334)
Total finance expense		(8,940)	(12,286)
Finance income			
Interest income		609	497
Other finance income		28	56
Total finance income		637	553
Net finance expense		(8,303)	(11,733)

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.

Note 11: Taxation continued

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.

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.

In August 2017, the State Fiscal Service of Ukraine ("SFS") 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. Following the completion of this audit, the SFS issued its official tax audit report on 27 December 2018, claiming a tax adjustment totalling UAH448 million (US$16,423 thousand as at 31 December 2021) and issued the formal claim on 12 March 2019. The Group's subsidiary initiated legal proceedings and filed a claim to the first court instance in Poltava on 22 March 2019. The Poltava court of first instance confirmed on 4 September 2019 the position of the Group's major subsidiary. The SFS filed its appeal in November 2019 and the Second Administrative Court of Appeal confirmed on 21 December 2019 the decision of the first court instance and supported the position of the Group's subsidiary in full. The SFS subsequently filed an application of cassation to the Supreme Court of Ukraine. The cassation proceedings commenced in November 2021 and although several hearings have been held since then, no decision has yet been made by the Supreme Court of Ukraine. A hearing was scheduled for 28 February 2022, but did not take place due to the Russian invasion into Ukraine on 24 February 2022. Considering the current situation in Ukraine, it is unknown if and when the next hearing will take place.

On 18 February 2020, the State Tax Service of Ukraine ("STS"), formerly known as SFS, commenced two new 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. Based on legislation in Ukraine, the results of these audits are to be provided by the STS within 18 months after commencement. As for the claim for cross-border transactions currently heard in the Supreme Court of Ukraine, the above-mentioned tax audits are on hold and it is currently unknown if and when these will resume again.

The Group considers that it has complied with applicable legislation for all cross-border transactions undertaken and continues to expect that it can successfully defend its methodology applied to determine the prices between its subsidiaries. Consequently, no provision has been recorded as at 31 December 2021, neither for the years subject to the aforementioned court proceedings nor for transactions and years subject to the new audits commenced by the SFS in Ukraine. As of the approval of these consolidated financial statements, no claim has been made by the SFS in respect of the newly commenced audits.

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 ongoing court proceedings and the newly commenced audits of cross-border transactions in Ukraine under the provisions of this interpretation. Considering the two favourable court decisions and third party advice obtained for the financial years 2021, 2020 and 2019, the management of the Group concluded that it is probable that the Supreme Court of Ukraine will confirm the decisions from the two lower court instances. It is considered that, if there are any new claims made by the SFS, the Group will continue to successfully defend its pricing methodology applied during these years. An unexpected outcome of the ongoing court proceeding would have an adverse impact on the Group's total income tax expense and effective tax rate in a future period.

Notes to the Consolidated Financial Statements continued

Note 11: Taxation continued

Separate from the cases mentioned above, on 23 June 2020 FPM received a court ruling, which grants access to information and documents to the State Bureau of Investigators 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 to 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.

The Ukrainian legislation and regulations on taxation continued to evolve over the last number of years. However, they are not always clearly written and are therefore subject to varying interpretations and inconsistent enforcement by local, regional and national tax authorities. As a result, instances of inconsistent interpretations and enforcements to resolve the same or similar cases are not unusual. See also the Principal Risks section on pages 59 and 60 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 2021 consisted of the following:

US$000	Year ended 31.12.21	Year ended 31.12.20
Current income tax		
Current income tax charge	**202,335**	111,160
Amounts related to previous years	**(1,010)**	(1,203)
Total current income tax	**201,325**	109,957
Deferred income tax		
Origination and reversal of temporary differences	**(1,343)**	2,611
Total deferred income tax	**(1,343)**	2,611
Total income tax expense	**199,982**	112,568

Tax effects on items recognised in other comprehensive income consisted of the following for the year ended 31 December 2021:

US$000	Notes	Year ended 31.12.21	Year ended 31.12.20
Tax effect of exchange differences arising on translating foreign operations	31	**3,313**	(16,278)
Total income tax effects recognised in other comprehensive (loss)/income		**3,313**	(16,278)

Note 11: Taxation continued

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 15.5% for the financial year 2021 (2020: 15.1%). 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 2021 is as follows:

US$000	Year ended 31.12.21	Year ended 31.12.20
Profit before tax	1,070,975	747,860
Notional tax charge computed at the weighted average statutory tax rate of 15.5% (2020: 15.1%)	166,330	112,583
Derecognition/(recognition) of deferred tax assets[1]	1,107	2,139
Credit for Ukrainian fuel excise tax against income tax[2]	–	(1,106)
Expenses not deductible for local tax purposes[3]	42,163	1,046
Income exempted for local tax purposes[4]	(238)	(1,807)
Effect from utilisation of non-recognised deferred taxes[5]	(5,852)	–
Effect from capitalised tax loss carry forwards on historic tax losses[5]	(1,578)	–
Effect from non-recognition of deferred taxes on current year losses[6]	–	1,345
Effect of different tax rates on local profit streams[7]	(1,131)	779
Prior year adjustments to current tax[8]	(1,010)	(1,203)
Effect from share of profit from associates[9]	(803)	(997)
Other (including translation differences)	994	(212)
Total income tax expense	**199,982**	**112,568**

1. The derecognition in 2021 and 2020 is related to deferred tax assets recognised in 2019 in light of the change of the tax law in Switzerland. The 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 recognition is considered of a non-recurring nature, the derecognition might recur again depending on the taxable profits of the Swiss subsidiaries in the future.
2. Effective 1 January 2018, a temporary provision in the Ukrainian tax code allowed a reduction in income tax payable for the amount of excise tax included in prices of fuel used for mining equipment. This provision was still applied for the financial year 2020, but not for the financial year 2021.
3. The effect in 2021 predominantly 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, which is not deductible. This effect is considered to be of a non-recurring nature. 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.
4. The effect in 2020 largely relates to interest income that does not incur any additional local tax in the United Kingdom due to withholding tax paid on this interest in Ukraine. This effect is considered to be of a non-recurring nature.
5. The effects relate 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 2020. 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.
6. The effect in 2020 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.
7. The effects in 2021 and 2020 relate to 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.
8. The effects in 2021 and 2020 relate to final tax assessments received in Switzerland. Similar effects 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.
9. Share of profit from associates is 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 2021 was 18.7% (2020: 15.1%). The increase predominantly relates to an impairment loss in respect of stockpiled low-grade ore recorded in a subsidiary in Ukraine, which is not tax deductible in Ukraine. This effect is considered to be of a non-recurring nature and, without this effect, the effective tax rate for the financial year 2021 would have been 15.4%.

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 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 on 1 January 2023 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.

Notes to the Consolidated Financial Statements continued

Note 11: Taxation continued

As mentioned under critical judgements on page 161, the Group is involved in ongoing court proceedings in respect of its cross-border transactions and an unexpected adverse outcome would have an adverse impact on the Group's total income tax expense and its effective tax rate in the future. In addition to the changes in the statutory tax rates, the Group's future effective tax rate could also be impacted by legislative changes or different interpretations of the legislation in any of its key jurisdictions. See also the Principal Risks section on pages 59 and 60 for further information on the Ukraine country risk.

The net balance of income tax payable changed as follows during the financial year 2021:

US$000	Year ended 31.12.21	Year ended 31.12.20
Opening balance	(57,132)	(21,064)
Charge in the consolidated income statement	(201,325)	(109,957)
Booked through other comprehensive (loss)/income	(3,313)	16,278
Tax paid	227,930	56,571
Translation differences	(2,662)	1,040
Closing balance	**(36,502)**	**(57,132)**

The net income tax payable as at 31 December 2021 consisted of the following:

US$000	As at 31.12.21	As at 31.12.20
Income tax receivable balance	636	1,351
Income tax payable balance	(37,138)	(58,483)
Net income tax payable	**(36,502)**	**(57,132)**

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 2021:

		Consolidated statement of financial position		Consolidated income statement	
US$000	Notes	As at 31.12.21	As at 31.12.20	Year ended 31.12.21	Year ended 31.12.20
Property, plant and equipment		23,757	21,996	895	(426)
Right-of-use assets		532	425	92	(518)
Intangible assets		5,942	7,447	(1,456)	(1,869)
Inventory		478	344	123	(409)
Allowance for restricted cash and deposits	30	3,837	3,702	–	9
Defined benefit pension liability		537	1,098	(560)	331
Other		1,679	1,203	450	(14)
Tax losses recognised		2,157	499	1,657	134
Total deferred tax assets/change		**38,919**	**36,714**	**1,201**	**(2,762)**
Thereof netted against deferred tax liabilities		(5,973)	(6,140)		
Total deferred tax assets as per the statement of financial position		**32,946**	**30,574**		
Property, plant and equipment		(559)	(600)	33	(64)
Intangible assets		(470)	–	(472)	–
Financial assets		(4,133)	(4,422)	289	(86)
Lease obligations		(590)	(519)	(53)	488
Other		(362)	(700)	345	(187)
Total deferred tax liabilities/change		**(6,114)**	**(6,241)**	**142**	**151**
Thereof netted against deferred tax assets		5,973	6,140		
Total deferred tax liabilities as per the statement of financial position		**(141)**	**(101)**		
Net deferred tax assets/net change		**32,805**	**30,473**	**1,343**	**(2,611)**

Note 11: Taxation continued

The movement in the deferred income tax balance is as follows:

US$000	Year ended 31.12.21	Year ended 31.12.20
Opening balance	30,473	38,468
Charge in consolidated income statement	1,343	(2,611)
Translation differences	989	(5,384)
Closing balance	32,805	30,473

The increase of the deferred tax assets as at 31 December 2021 is primarily related to the recognition of available tax losses for a Ukrainian subsidiary that started to trade and generate taxable profits in 2021. At current prices for iron ore pellets, it is expected that the entire balance of available tax losses from previous years will be utilised during the financial year 2022. Other movements, which impacted the net deferred tax assets though not necessarily the income tax expense, related to foreign exchange movements and a reclassification from current to deferred taxes.

As at 31 December 2021, the Group had available tax loss carry forwards in the amount of US$78,188 thousand (2020: US$116,076 thousand) for which no deferred tax assets were recognised. US$44,591 thousand (2020: US$82,100 thousand) are related to losses incurred in Ukraine and Austria and those losses do not expire. The remaining balance totalling US$33,598 thousand (2020: US$33,913 thousand) relates to losses incurred in Hungary, of which US$19,545 thousand (2020: US$22,407 thousand) expire after more than eight years.

No deferred tax liabilities have been recognised on temporary differences in the amount of US$1,282,355 thousand (2020: US$1,001,311 thousand) arising from undistributed profits from subsidiaries as no distributions are planned. Other temporary differences of US$7,765 thousand have not been recognised as of 31 December 2021 (2020: US$5,489 thousand), of which the vast majority relates to temporary differences on property, plant and equipment in Ukraine.

Non-adjusting post balance sheet event

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. This event is treated as a non-adjusting post balance sheet event and therefore does not affect the carrying value of the Group's assets and liabilities as at 31 December 2021. However, as a result of the uncertainties caused by the war, the recoverability of the recognised deferred tax assets will have to be re-assessed when the Group is preparing its interim condensed consolidated financial statements for the six months period ended 30 June 2022. Note 35 Events after the reporting period provides further information on the possible financial impact.

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 2021.

	Year ended 31.12.21	Year ended 31.12.20
Earnings for the year attributable to equity shareholders – per share in US cents		
Basic	148.2	108.1
Diluted	147.9	107.9
Profit for the year attributable to equity shareholders – US$000		
Basic and diluted earnings	870,993	635,292
Weighted average number of shares – thousands		
Basic number of Ordinary Shares outstanding	587,699	587,496
Effect of dilutive potential Ordinary Shares	1,028	1,510
Diluted number of Ordinary Shares outstanding	588,727	589,006

Notes to the Consolidated Financial Statements continued

Note 12: Earnings per share and dividends paid and proposed continued

Dividends proposed and paid

Prior to the dividend proposed below and 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$170,800 thousand as of 31 December 2021 (2020: US$317,646 thousand).

US$000	Year ended 31.12.21
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.

US$000	Year ended 31.12.21
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

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. Further details are included in Directors' Report on page 128.

US$000	Year ended 31.12.20
Dividends proposed	
Special interim dividend for 2020: 39.6 US cents per Ordinary Share	232,729
Special interim dividend for 2020: 13.2 US cents per Ordinary Share	77,576
Total dividends proposed	310,305

The special interim dividend for 2020 was declared on 5 January 2021 and paid on 28 January 2021.

US$000	Year ended 31.12.20
Dividends paid during the year	
Special interim dividend for 2020: 6.6 US cents per Ordinary Share	39,004
Interim dividend for 2020: 6.6 US cents per Ordinary Share	38,796
Interim dividend for 2020: 6.6 US cents per Ordinary Share	39,177
Final dividend for 2019: 3.3 US cents per Ordinary Share	20,050
Special final dividend for 2019: 3.3 US cents per Ordinary Share	19,458
Special interim dividend for 2019: 6.6 US cents per Ordinary Share	38,961
Total dividends paid during the year	195,446

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 2021 and as at the end of the comparative year ended 31 December 2020.

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.

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.

Notes to the Consolidated Financial Statements continued

Note 13: Property, plant and equipment continued

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, or when annual impairment testing for an asset, such as goodwill, is required, 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. Impairment losses in respect of goodwill are not reversed.

Note 13: Property, plant and equipment continued

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 2021, deferred pre-production stripping costs totalling US$159,141 thousand relate to components in operation and are included in mining assets (2020: US$90,819 thousand). Deferred pre-production stripping costs in relation to components expected to be put into operation in a future period totalled US$156,975 thousand and are included in assets under construction (2020: US$128,609 thousand). No production stripping costs are capitalised as of this point of time.

As at 31 December 2021, 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 2020	1,917	7,777	226,476	239,371	121,067	334,519	242,704	11,173	358,771	1,543,775
Additions	–	1,867	55	73	1,498	60	–	48	226,714	230,315
Transfers	–	–	–	38,597	3,021	97,350	29,016	653	(168,637)	–
Disposals	–	–	–	(572)	(6)	(4,779)	(6,313)	(252)	(4,480)	(16,402)
Translation differences	(311)	(1,306)	(36,752)	(39,135)	8,392	(57,604)	(40,510)	(1,457)	(60,742)	(229,425)
At 31 December 2020	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**
Accumulated depreciation and impairment:										
At 1 January 2020	–	11	74,816	76,903	63,583	159,159	115,774	5,846	3,257	499,349
Depreciation charge	–	3	6,384	20,960	8,281	40,537	27,943	1,115	–	105,223
Disposals	–	–	–	(210)	(84)	(3,919)	(6,458)	(242)	–	(10,913)
(Write-back)/impairment	–	–	–	(35)	–	(678)	(138)	–	563	(288)
Translation differences	–	1	(12,468)	(13,551)	4,078	(26,869)	(19,781)	(654)	(249)	(69,493)
At 31 December 2020	–	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-back)/impairment	**–**	**–**	**–**	**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**
Net book value:										
At 31 December 2020	1,606	8,323	121,047	154,267	58,114	201,316	107,557	4,100	348,055	1,004,385
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**

Assets under construction consist of ongoing capital projects amounting to US$294,244 thousand (2020: US$219,446 thousand) and capitalised pre-production stripping costs of US$156,975 thousand (2020: US$128,609 thousand). Once production commences, stripping costs are transferred to mining assets.

Property, plant and equipment includes capitalised borrowing costs on qualifying assets of US$55,768 thousand (2020: US$50,474 thousand). The capitalised borrowing costs on general borrowings were determined based on the capitalisation rate of 6.51% (2020: 6.59%), which is the average effective interest rate on general borrowings for the period 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.

US$2,620 thousand of property, plant and equipment have been pledged as security for liabilities (2020: US$13,174 thousand).

The gross value of fully depreciated property, plant and equipment that is still in use is US$119,706 thousand (2020: US$89,053 thousand).

Notes to the Consolidated Financial Statements continued

Note 13: Property, plant and equipment continued

Non-adjusting post balance sheet event

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. This event is treated as a non-adjusting post balance sheet event and therefore does not affect the carrying value of the Group's assets and liabilities as at 31 December 2021. However, as a result of the uncertainties caused by the war, the Group adjusted its long-term model to reflect the lower sales volume caused by the unavailable seaborne sales to its customers. The anticipated lower sales volume will have an adverse effect on the Group's cash flow generation, which would in turn negatively impact the carrying value of the Group's assets in future periods. Note 35 Events after the reporting period provides further information on the possible financial impact.

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 2021 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.

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 2021, 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 2020	–	2,503	–	3,693	–	2,098	12	7	–	8,313
At 31 December 2021	**–**	**3,830**	**–**	**3,072**	**–**	**872**	**–**	**2**	**–**	**7,776**
Depreciation charge:										
Year ended 31 December 2020	–	2,053	–	954	–	1,328	43	6	–	4,384
Year ended 31 December 2021	**–**	**2,890**	**–**	**990**	**–**	**1,299**	**11**	**6**	**–**	**5,196**

During the year ended 31 December 2021, the additions to right-of-use assets totalled US$4,504 thousand (2020: US$2,599 thousand).

Note 14: Leases continued

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 2021, the carrying amount of the lease liabilities consisted of the following:

US$000	Notes	Year ended 31.12.21	Year ended 31.12.20
Non-current	26	2,143	3,796
Current	26	6,060	5,252

The total cash outflow for leases falling under the scope of IFRS 16 *Leases* during the year ended 31 December 2021 was US$5,904 thousand (2020: US$3,425 thousand). During the year ended 31 December 2021, US$746 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 (2020: US$424 thousand). Furthermore, interest expense on lease liabilities in the amount of US$474 thousand was recognised in the consolidated income statement during the year ended 31 December 2021 (2020: US$443 thousand).

Lease related commitments for future contingent rental payments were US$51,034 thousand as at 31 December 2021 (2020: US$16,217 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.

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.

Other intangible assets

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.

Notes to the Consolidated Financial Statements continued

Note 15: Goodwill and other intangible assets continued

As at 31 December 2021, 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 2020	33,530	4,177	5,270	9,587	165	52,729
Additions	–	–	–	25	1,602	1,627
Disposals	–	–	(14)	(16)	(2)	(32)
Transfers	–	(10)	–	1,259	(1,249)	–
Translation differences	(5,271)	(677)	(768)	(927)	(26)	(7,669)
At 31 December 2020	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**
Accumulated amortisation and impairment:						
At 1 January 2020	–	–	1,538	3,639	–	5,177
Amortisation charge	–	–	229	968	–	1,197
Disposals	–	–	(14)	(16)	–	(30)
Translation differences	–	–	(185)	(238)	–	(423)
At 31 December 2020	–	–	1,568	4,353	–	5,921
Amortisation charge	**–**	**–**	**242**	**1,427**	**12**	**1,681**
Write-offs	**–**	**931**	**–**	**–**	**–**	**931**
Disposals	**–**	**–**	**(5)**	**(106)**	**–**	**(111)**
Translation differences	**–**	**1**	**16**	**(27)**	**–**	**(10)**
At 31 December 2021	**–**	**932**	**1,821**	**5,647**	**12**	**8,412**
Net book value:						
At 31 December 2020	28,259	3,490	2,920	5,575	490	40,734
At 31 December 2021	**29,248**	**3,968**	**2,983**	**6,885**	**502**	**43,586**

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.

The major component of other intangible assets comprises mining licences and purchased software.

Impairment testing

Impairment testing was performed at 31 December 2021 based on a fair value less cost of disposal calculation using 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 estimated production volumes are based on these mine plans and do not take into account the effects of expected future mine life extension programmes.

The cash flow projection is based on a financial long-term model approved by senior management covering the expected life of the mines. A number of significant judgements and estimates are used when preparing the financial long-term model of the Group. These judgements and estimates as well as the key assumptions used are reviewed by the Audit Committee with a specific consideration given to the price forecasts, production volumes and costs and the discount rate used.

Note 15: Goodwill and other intangible assets continued

The key assumptions used for the impairment testing are:

Estimates/assumptions	Basis
Future production	Proved and probable reserves
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 costs
Exchange rates	Current market exchange rates
Discount rates	Cost of capital risk adjusted for the resource concerned

The production capacity used for the cash flow projections is expected to increase by approximately 41% over a period of five years from the level in the financial year 2021, as a result of the completion of certain growth projects. Once full capacity is reached, it will remain at a fixed level and therefore no perpetual growth rate is applied for the cash flow projections beyond this point of time.

Cash flows are projected based on management's expectations regarding the development of the iron ore and steel market and the cost of producing and distributing the pellets. The Group takes into account two key assumptions: selling price and total production costs considering relevant macro and local factors.

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 in the local region and throughout the world along with costs of production of competitors and the marginal cost of incremental production in a particular market. The Group considers local supply and demand balances affecting its major customers and the effects this could have on the longer-term price. An average iron ore price of US$95.7 per tonne of 65% Fe fines CFR North China was used in the assumptions for the cash flow projection for the next five years. At the time of approval of these consolidated financial statements, the average price applied is below the forecasted average price of one of the leading third party providers of commodity price forecasts.

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 3.5% per year was assumed over the next 5 years in the Group's cash flow projection used for the impairment testing.

For the purpose of the goodwill impairment test, the future cash flows were discounted using a pre-tax real discount rate of 13.8% (2020: 12.6%) per annum. These rates reflect the time value of money and risk associated with the asset, and are in line with the rates used by competitors with a similar background.

Sensitivity to changes in assumptions

The Group's management believes that, due to the available headroom resulting from the Group's impairment testing of its operating assets as at 31 December 2021, no reasonable change in the above key assumptions would cause the carrying value of these operating assets to materially exceed its recoverable amount. Please see below in respect of a non-adjusting post balance sheet event.

Non-adjusting post balance sheet event

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. This event is treated as a non-adjusting post balance sheet event and therefore does not affect the carrying value of the Group's assets and liabilities as at 31 December 2021. However, as a result of the uncertainties caused by the war, the Group adjusted its long-term model to reflect the lower sales volume caused by the unavailable seaborne sales to its customers. The anticipated lower sales volume will have an adverse effect on the Group's cash flow generation, which would in turn negatively impact the carrying value of the Group's assets in future periods. Note 35 Events after the reporting period provides further information on the possible financial impact.

Note 16: Other non-current assets

As at 31 December 2021, other non-current assets comprised:

US$000	As at 31.12.21	As at 31.12.20
Prepayments for property, plant and equipment	91,132	18,098
Prepaid bank arrangement fees	–	1,940
Other non-current assets	5,352	5,442
Total other non-current assets	**96,484**	25,480

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 2022.

Notes to the Consolidated Financial Statements continued

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

Iron ore of various grades is being extracted at the Group's two operating mines GPL and Yerystivske. In order to maximise the operational efficiency and output of the processing facility at FPM, management determines the optimal mix and grade of ore to be delivered to the processing facility from each mine under consideration of the market environment for iron ore pellets. As a result, ore of a lower iron content was stockpiled due to limited processing capacities during the last financial years.

As at 31 December 2021, the stockpiled ore valued at cost totalled US$8,414 thousand (2020: US$213,685 thousand). The decrease compared to the comparative year is due to an impairment loss of US$231,111 thousand recorded as at 31 December 2021 in respect of the stockpiled low-grade ore. The balance of US$8,414 thousand relates to weathered ore, which is not expected to be processed within the next 12 months.

The processing of the stockpiled ore is dependent on the availability of additional processing capabilities. It was the Group's intention to ramp up the processing of the stockpiled low-grade ore once additional processing capabilities became available. Whilst additional processing capabilities were commissioned in the second half of 2020, operational difficulties were experienced during the financial year 2021 as the new facility did not deliver the expected and required capacities. Because of this and in light of changed customer demand for additional high quality iron ore and the continued high price environment for iron ore pellets, management decided during the financial year 2021 to postpone the processing of the low-grade ore in order to maximise the financial benefits from the prevailing market conditions.

Following the approval of a growth project by the Board in October 2021, management has had to revisit its mining and processing plans and strategies as the growth project requires significant higher volumes of high-grade ore in order to meet future production needs for the current market expectations. Further to that, because of the recent focus on the decarbonisation challenges facing the global steel industry, there has been a significant increase in the demand for high quality products in the second half of the financial year 2021, such as direct reduction pellets, which cannot be produced by feeding low-grade ore into the Group's current processing facilities. As a consequence, management is exploring a further expansion of its processing capabilities to be in the position to process the low-grade ore using a facility built for this specific purpose.

As at the date of the approval of the consolidated financial statements, it cannot be reliably predicted when the additional processing capabilities will be available and the unknown timing of processing of the stockpiled low-grade ore was considered in the net realisable value test performed. Whilst the stockpiled low-grade ore is considered as an asset for the Group, the changed circumstances have resulted in a full impairment of the stockpiled low-grade ore totalling US$231,111 thousand.

The most critical estimate in determining the net realisable value of low-grade ore as at 31 December 2021 is the fact that the start of processing of low-grade ore and the volume expected to be utilised cannot be reliably estimated as at the date of the approval of these consolidated financial statements. Further critical estimates are a WACC-based pre-tax discount rate of 13.8% and an average forecasted long-term iron ore prices of US$104 per tonne of 65% Fe fines CFR North China.

Some or all of this impairment loss might reverse in the future, once changed facts and circumstances can be considered in the net realisable value test of this asset. It is the Group's intention to accelerate the currently ongoing engineering studies exploring the option of new processing capabilities for the specific purpose of processing low-grade ore. Depending upon the outcome of the engineering studies, the Group may move the project forward. Inclusion of the additional processing facilities in a future net realisable value test is subject to completion of full technical feasibility study, financial budgets and Board approval relating to the construction and operation of these new processing capabilities. In the best case, the new processing capabilities could be available during the financial year 2029. Assuming the start of the processing of the currently stockpiled low-grade ore in 2029 and an utilisation of approximately 11,500 thousand tonnes per year, the impairment loss of US$231,111 thousand recorded as at 31 December 2021 would be approximately US$167,200 thousand lower, all other assumptions unchanged.

Note 17: Inventories continued

At 31 December 2021, inventories comprised:

US$000	As at 31.12.21	As at 31.12.20
Raw materials and consumables	57,575	38,286
Spare parts	80,886	76,565
Finished ore pellets	48,058	17,699
Work in progress	13,496	9,679
Other	2,384	2,376
Total inventories – current	**202,399**	**144,605**
Low-grade and weathered ore	8,414	213,685
Total inventories – non-current	**8,414**	**213,685**
Total inventories	**210,813**	**358,290**

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.

The balance of low-grade and weathered ore is net of an impairment loss of US$231,111 thousand recorded as at 31 December 2021 in respect of the stockpiled low-grade ore. See further information on critical estimates on the previous page.

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 2021 is disclosed in Note 27 Financial instruments.

At 31 December 2021, trade and other receivables comprised:

US$000	As at 31.12.21	As at 31.12.20
Trade receivables	189,664	148,954
Other receivables	5,730	6,109
Expected credit loss allowance	(3,031)	(2,313)
Total trade and other receivables	**192,363**	**152,750**

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 2021 include US$4,283 thousand (2020: US$4,570 thousand) owed by related parties. The detailed related party disclosures are made in Note 34 Related party disclosures.

Notes to the Consolidated Financial Statements continued

Note 18: Trade and other receivables continued

The movement in the expected credit loss allowance for trade and other receivables during the year under review was:

US$000	Year ended 31.12.21	Year ended 31.12.20
Opening balance	2,313	1,844
Increase	1,201	1,124
Release	(511)	(400)
Translation differences	28	(255)
Closing balance	3,031	2,313

During the financial year 2021 and the comparative year 2020, 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 31.12.21 US$000	Current	Days past due Less than 45 days	Days past due 45 to 90 days	Days past due Over 90 days	Total
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

As at 31.12.20 US$000	Current	Days past due Less than 45 days	Days past due 45 to 90 days	Days past due Over 90 days	Total
Expected loss rate	0.6%	6.2%	2.3%	61.7%	1.5%
Trade receivables – gross carrying amount	145,382	1,698	673	1,201	148,954
Other receivables – gross carrying amount	5,055	192	3	859	6,109
Expected credit loss allowance	909	117	16	1,271	2,313

The change of the balance of impairment losses on trade receivables recognised in the consolidated income statement as of 31 December 2021 and during the comparative year ended 31 December 2020 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 2021, prepayments and other current assets comprised:

US$000	As at 31.12.21	As at 31.12.20
Prepayments to suppliers:		
Electricity and gas	17,950	3,697
Materials and spare parts	9,600	4,136
Services	7,452	2,760
Other prepayments	220	469
Prepaid bank arrangement fees	–	2,284
Prepaid expenses	13,687	12,446
Other	19,253	92
Total prepayments and other current assets	68,162	25,884

Prepayments at 31 December 2021 include US$2,076 thousand (2020: US$1,390 thousand) made to related parties. The detailed related party disclosures are made in Note 34 Related party disclosures.

Note 19: Prepayments and other current assets continued

Other current assets as at 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 3 months are classified as cash equivalents. See Note 25 Cash and cash equivalents for further information.

Freight costs in the amount of US$7,097 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 2021 (2020: US$6,754 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 2021, other taxes recoverable comprised:

US$000	As at 31.12.21	As at 31.12.20
VAT receivable	47,954	31,226
Other taxes prepaid	86	97
Total other taxes recoverable and prepaid	**48,040**	31,323

The table below provides a reconciliation of the VAT receivable balance in Ukraine:

US$000	Year ended 31.12.21	Year ended 31.12.20
Opening balance, gross	31,602	37,471
Net VAT incurred	194,488	135,816
VAT refunds received in cash	(179,959)	(134,789)
Translation differences	832	(6,896)
Closing balance, gross	**46,963**	31,602
Allowance	(1,361)	(1,739)
Closing balance, net	**45,602**	29,863

There is no material VAT receivable balance overdue in Ukraine as at 31 December 2021 and the end of the comparative year ended 31 December 2020. The allowance of US$1,361 thousand (2020: US$1,739 thousand) is related to uncertainties in terms of the timing of the recovery of VAT receivable balances.

As at 31 December 2021, other taxes payable comprised:

US$000	As at 31.12.21	As at 31.12.20
Environmental tax	1,954	2,052
Royalties	10,641	8,251
VAT payable	310	130
Other taxes	4,430	3,383
Total other taxes payable	**17,335**	13,816

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 2021, trade and other payables comprised:

US$000	As at 31.12.21	As at 31.12.20
Materials and services	59,488	33,269
Payables for equipment	13,036	9,984
Other	300	496
Total current trade and other payables	72,824	43,749

Trade and other payables at 31 December 2021 include US$1,221 thousand (2020: US$550 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 2021, the pension schemes in Ukraine covered 2,847 current employees (2020: 3,380 people) and there are 768 former employees currently in receipt of pensions (2020: 795 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 2021, the Swiss pension scheme covered 18 people (2020: 20 people).

The principal assumptions used in determining the defined benefit obligation are shown below:

	Year ended 31.12.21		Year ended 31.12.20	
	Ukrainian schemes	Swiss scheme	Ukrainian schemes	Swiss scheme
Discount rate	12.9%	0.3%	10.8%	0.2%
Retail price inflation	5.2%	1.3%	5.1%	0.5%
Expected future salary increase	6.0%	1.25%	5.6%	1.0%
Expected future benefit increase	6.0%	–	5.6%	–
Female life expectancy (years)	81.2	89.4	81.8	89.8
Male life expectancy (years)	76.6	87.6	77.4	87.7

US$000	As at 31.12.21	As at 31.12.20
Present value of funded defined benefit obligation	4,404	9,729
Fair value of plan assets	(3,045)	(5,941)
Funded status	1,359	3,788
Present value of unfunded defined benefit obligation	24,715	28,687
Defined benefit pension liability	**26,074**	**32,475**
Thereof for Ukrainian schemes	*24,608*	*28,586*
Thereof for Swiss scheme	*1,359*	*3,788*
Thereof for schemes in other jurisdictions	*107*	*101*

Amounts recognised in the consolidated income statement or in other comprehensive income are as follows:

US$000	Year ended 31.12.21	Year ended 31.12.20
Defined benefit cost charged in the consolidated income statement:		
Current service cost	1,810	1,588
Past service cost	(96)	–
Interest cost on defined benefit obligation	3,231	3,181
Interest income on plan assets	(20)	(11)
Administration cost	11	21
Total defined benefit cost charged in the consolidated income statement	**4,936**	**4,779**
Remeasurement (gains)/cost in consolidated statement of other comprehensive income:		
Remeasurement effect from demographic assumptions	(361)	856
Remeasurement effect from financial assumptions	(4,055)	(336)
Experience adjustment	(5,230)	476
Return on plan assets	(236)	61
Total remeasurement (gains)/cost in other comprehensive income	**(9,882)**	**1,057**
Total defined benefit cost	**(4,946)**	**5,836**
Thereof for Ukrainian schemes	*(2,953)*	*5,206*
Thereof for Swiss scheme	*(2,013)*	*636*
Thereof for schemes in other jurisdictions	*20*	*(6)*

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 2021 is driven by the increase of the discount rate from 10.8% to 12.9%, compared to a decrease from 12.3% to 10.8% at the end of the comparative year ended 31 December 2020, resulting in significant actuarial gains as at 31 December 2021. The positive effect from the experience adjustments as at 31 December 2021 is due a lower effective salary increase in Ukraine than expected as at the end of the comparative year ended 31 December 2020.

Changes in the present value of the defined benefit obligation are as follows:

US$000	Year ended 31.12.21	Year ended 31.12.20
Opening defined benefit obligation	38,416	38,383
Current service cost	1,810	1,588
Interest cost on defined benefit obligation	3,231	3,181
Remeasurement (gains)/losses	(9,646)	996
Contributions paid by employer	(2,074)	(1,892)
Contributions paid by employees	114	135
Benefits paid and net transfers through pension assets	(3,341)	239
Plan amendments	(96)	–
Translation differences	705	(4,214)
Closing defined benefit obligation	**29,119**	**38,416**
Thereof for Ukrainian schemes	*24,608*	*28,586*
Thereof for Swiss scheme	*4,404*	*9,729*
Thereof for schemes in other jurisdictions	*107*	*101*
Thereof for active employees	*13,572*	*25,178*
Thereof for vested terminations	*9,485*	*7,793*
Thereof for pensioners	*6,062*	*5,445*

The durations of the defined benefit obligation for the different schemes as at 31 December 2021 are 10.2 years in Ukraine (2020: 9.6 years) and 22.7 years in Switzerland (2020: 21.3 years).

Contributions to the defined benefit plans, including benefits paid by employer and employee contributions, are expected to be US$2,131 thousand for the schemes in Ukraine and US$164 thousand in Switzerland in the next financial year.

The expenses in relation to the defined contribution plan in the UK and Singapore totalled US$23 thousand (2020: US$62 thousand).

Changes in the fair values of the plan assets are as follows:

US$000	Year ended 31.12.21	Year ended 31.12.20
Opening fair value of plan assets	5,941	4,755
Interest income	20	11
Contributions paid by employer	287	363
Contributions paid by employees	114	135
Benefits paid and net transfers through pension assets	(3,341)	239
Return on plan assets	236	(61)
Administration cost	(11)	(21)
Translation differences	(201)	520
Closing fair value of plan assets	**3,045**	**5,941**
Thereof for Swiss scheme	*3,045*	*5,941*

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 31.12.21	As at 31.12.21	As at 31.12.20	As at 31.12.20
Scheme assets at fair value				
Equities	29.7	905	30.7	1,824
Bonds	29.7	905	33.0	1,961
Properties	15.3	466	13.7	814
Other	25.3	769	22.6	1,342
Fair value of scheme assets	100.0	3,045	100.0	5,941

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 31.12.21					
	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

US$000	Year ended 31.12.20					
	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 (%)	(2,510)	(1,657)	(9)	2,908	2,335	10
Future salary increases (%)	1,616	233	7	(1,464)	(215)	(7)
Local inflation (%)	74	12	n/a	(137)	(22)	n/a
Indexation of pension (%)	n/a	1,102	n/a	n/a	n/a	n/a
Life expectancy (years)	467	206	n/a	(547)	(206)	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 2021:

US$000	Year ended 31.12.21	Year ended 31.12.20
Opening balance	2,846	3,016
Unwind of the discount	370	311
Charge to the consolidated income statement	551	18
Translation differences	106	(499)
Closing balance	**3,873**	2,846

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 Yerystivske 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 13.22% (2020: 12.1%).

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 2021, accrued and contract liabilities comprised:

US$000	As at 31.12.21	As at 31.12.20
Accrued expenses	10,915	5,334
Accrued interest	28	1,764
Accrued employee costs	19,088	17,333
Advances from customers	13,184	11,113
Contract liabilities[1]	9,398	9,998
Total accrued and contract liabilities	**52,613**	45,542

1. For further information on the change in contract liabilities during the year ended 31 December 2021 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 2021, cash and cash equivalents comprised:

US$000	As at 31.12.21	As at 31.12.20
Cash at bank and on hand	158,052	270,006
Cash equivalents	9,239	–
Total cash and cash equivalents	**167,291**	270,006

The Group made debt repayments net of proceeds of US$221,188 thousand during the year ended 31 December 2021 (2020: US$148,328 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$52,326 thousand as at 31 December 2021 (2020: US$33,058 thousand). The Group's exposure to liquidity, counterparty and interest rate risk as well as a sensitivity analysis for financial assets and liabilities are disclosed in Note 27 Financial instruments.

Cash equivalents as at 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. Cash deposits available only after three months are classified as other current assets. See Note 19 Prepayments and other current assets for further information.

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 31.12.21	As at 31.12.20
Current			
Syndicated bank loans – secured		–	128,333
Other bank loans – unsecured		–	764
Lease liabilities	14	6,060	5,252
Trade finance facilities		42,146	–
Total current interest-bearing loans and borrowings		**48,206**	134,349
Non-current			
Syndicated bank loans – secured		–	128,333
Lease liabilities	14	2,143	3,796
Total non-current interest-bearing loans and borrowings		**2,143**	132,129
Total interest-bearing loans and borrowings	27	**50,349**	266,478

Following two further quarterly amortisations and the cancellation of advance prepayments of US$60,000 thousand of the Group's syndicated revolving pre-export facility (the "facility") earlier in 2021, the remaining outstanding amount of US$140,000 thousand was fully repaid on 30 June 2021 and the facility was subsequently cancelled. The facility agreement was signed in 2018 and repayment was scheduled to take place in quarterly instalments between 2020 and 2022.

As at the end of the comparative year ended 31 December 2020, the outstanding amount of the facility was US$256,666 thousand.

The aforementioned bank debt facility was guaranteed and secured as follows:

- Ferrexpo AG and Ferrexpo Middle East FZE, which are also joint borrowers, assigned the rights to revenue from certain sales contracts;
- PJSC Ferrexpo Poltava Mining assigned all of its rights of certain export contracts for the sale of pellets to Ferrexpo AG and Ferrexpo Middle East FZE; and
- the Group pledged bank accounts of Ferrexpo AG and Ferrexpo Middle East FZE into which sales proceeds from certain assigned sales contracts are exclusively received.

Notes to the Consolidated Financial Statements continued

Note 26: Interest-bearing loans and borrowings continued

As at 31 December 2021, the Group has uncommitted trade finance facilities in the amount of US$140,000 thousand of which US$42,146 thousand were drawn, compared to a total and undrawn US$80,000 thousand as at the end of the comparative year ended 31 December 2020.

Trade finance facilities are secured against receivable balances related to these specific trades.

Arrangement fees for the aforementioned syndicated revolving pre-export facility were presented as prepayments in current assets and other non-current assets based on the maturity of the underlying facility and were amortised on a straight-line basis over the term of the facility. Following the cancellation of the facility, the associated arrangement fees were amortised in full.

The table below shows the movements in the interest-bearing loans and borrowings:

US$000	Year ended 31.12.21	Year ended 31.12.20
Opening balance of interest-bearing loans and borrowings	**266,478**	412,378
Cash movements:		
Repayments of syndicated bank loans – secured	**(256,666)**	(143,333)
Repayments of other bank loans – unsecured	**(764)**	(1,570)
Principal and interest elements of lease payments	**(5,904)**	(3,425)
Change of trade finance facilities, net	**42,146**	–
Total cash movements	**(221,188)**	(148,328)
Non-cash movements:		
Amortisation of prepaid arrangement fees	**4**	39
Additions to lease liabilities	**4,506**	2,589
Others (incl. translation differences)	**549**	(200)
Total non-cash movements	**5,059**	2,428
Closing balance of interest-bearing loans and borrowings	**50,349**	266,478

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.

Note 27: Financial instruments continued

Subsequent measurement

Financial assets
Loans and receivables
Except for the provisionally priced receivables disclosed in Note 18 Trade and other receivables, loans and receivables are non-derivative financial assets 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 loans and receivables are derecognised or impaired along with the amortisation process.

Other
Other non-derivative financial assets are measured at amortised cost using the effective interest method less any impairment losses.

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 loan and receivable balances 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 31.12.21			
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

US$000	Notes	As at 31.12.20 Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Lease liabilities	Total
Financial assets					
Cash and cash equivalents	25	270,006	–	–	270,006
Trade and other receivables	18	152,750	–	–	152,750
Other financial assets		5,328	–	–	5,328
Total financial assets		428,084	–	–	428,084
Financial liabilities					
Trade and other payables	21	–	43,749	–	43,749
Accrued liabilities	24	–	24,407	–	24,407
Interest-bearing loans and borrowings	26	–	257,430	9,048	266,478
Total financial liabilities		–	325,586	9,048	334,634

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). The fair values of interest-bearing loans and borrowings totalled US$50,349 thousand (2020: US$257,441 thousand).

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 2021 and the comparative year ended 31 December 2020.

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.

Note 27: Financial instruments continued

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.

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 within three months for production, distribution and capital expenditures is invested with counterparties rated by S&P or Moody's at a level of long-term BBB "S&P" or short-term A3 "S&P" or better.

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.

Subsequent to the declaration of insolvency of the Group's former transactional bank in Ukraine (see Note 30 Commitments, contingencies and legal disputes), the Group changed its transactional banking arrangements and is currently working with four banks in Ukraine, all of them being subsidiaries of Western banks, and is still 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. At the end of the comparative year ended 31 December 2020, Ferrexpo AG, Ferrexpo Finance plc and Ferrexpo Middle East FZE were jointly and severally liable under a US$400 million revolving pre-export finance facility, of which US$256,666 thousand was drawn and US$10,000 thousand was undrawn. The facility was fully repaid on 30 June 2021 and subsequently cancelled. See Note 26 Interest-bearing loans and borrowings for further information.

Furthermore, Ferrexpo AG acted as guarantor for finance facilities provided to Ukrainian subsidiaries in the amount of US$767 thousand as at the end of the comparative year ended 31 December 2020. No such facilities were outstanding as at 31 December 2021.

The total remaining contractual maturities of the guarantees provided under the facilities listed above were US$257,433 thousand as at the end of the comparative year ended 31 December 2020.

Exposure to credit risk

The carrying amount of financial assets at 31 December 2021 was US$385,900 thousand (2020: US$428,084 thousand) and represents the maximum credit exposure. See page 185 for further information.

Of the total maximum exposure to credit risk, US$85,457 thousand (2020: US$38,088 thousand) related to Ukraine.

Notes to the Consolidated Financial Statements continued

Note 27: Financial instruments continued

The total receivables balance relating to the Group's top three customers was US$130,684 thousand (2020: US$75,108 thousand), making up 75% of the total amounts receivable (2020: 53.0%). 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, the risks related to Covid-19 remain relevant. See the Principal Risks section on page 72 for detailed information.

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.

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. 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.

For further information see Note 26 Interest-bearing loans and borrowings and the Group's Viability Statement on pages 73 to 75.

The following are the contractual maturities of financial liabilities:

	As at 31.12.21						
US$000	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	Total
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

	As at 31.12.20						
US$000	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	Total
Interest-bearing							
Floating rate loans and borrowings	129,100	128,333	–	–	–	–	257,433
Lease liabilities	5,502	2,369	765	718	703	–	10,057
Total interest-bearing	134,602	130,702	765	718	703	–	267,490
Non-interest-bearing							
Trade and other payables	43,749	–	–	–	–	–	43,749
Accrued liabilities	24,407	–	–	–	–	–	24,407
Future interest payable	9,999	3,810	–	–	–	–	13,809
Total non-interest-bearing	78,155	3,810	–	–	–	–	81,965
Total financial liabilities	212,757	134,512	765	718	703	–	349,455

The difference of the total of floating interest-bearing loans and borrowings compared to the balances disclosed in Note 26 Interest-bearing loans and borrowings mainly related to arrangement fees paid for specific facilities, which were netted for the presentation in the statement of financial position, at the end of the comparative year ended 31 December 2020.

Note 27: Financial instruments continued

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.

An appreciation of the Ukrainian hryvnia increases 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 a depreciation 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.

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.

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.

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 2021:

US$000	As at 31.12.21	As at 31.12.20
Total financial assets	**385,900**	428,084
Thereof exposed to Ukrainian hryvnia	*–*	–
Thereof exposed to US dollar	*32,120*	*6,966*
Thereof exposed to euro	*7,025*	*87*
Thereof exposed to Swiss franc	*1,014*	–
Thereof exposed to other currencies	*549*	*512*
Total exposures to currencies other than local functional currencies	**40,708**	7,565
Total financial liabilities	**(153,204)**	(334,634)
Thereof exposed to Ukrainian hryvnia	*–*	–
Thereof exposed to US dollar	*(4,482)*	*(2,402)*
Thereof exposed to euro	*(4,058)*	*(2,504)*
Thereof exposed to Swiss franc	*(225)*	*(2,167)*
Thereof exposed to other currencies	*(445)*	*(623)*
Total exposures to currencies other than local functional currencies	**(9,210)**	(7,696)

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 does not therefore 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

The Group predominantly borrows bank funds that are at floating interest rates and is exposed to interest rate movements. No interest rate swaps have been entered into in this or prior years.

Notes to the Consolidated Financial Statements continued

Note 27: Financial instruments continued

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. The provisionally priced iron ore exposure as at 31 December 2021 was 342,916 tonnes (2020: 622,705 tonnes) and gave rise to a fair value gain relating to the embedded provisional pricing mechanism of US$4,455 thousand as at 31 December 2021 (2020: US$28,921 thousand). 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 31 December 2021 and the receivable balance taking into account the known final prices is US$13,550 thousand and would have increased the consolidated result and the shareholders' equity by this amount (2020: increase of US$3,968 thousand).

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 increased/(decreased) 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.

US$000	Year ended 31.12.21 Income statement/ equity	Year ended 31.12.20 Income statement/ equity
Ukrainian hryvnia	4,606	761
Euro	495	(403)
Swiss franc	131	(361)
Other	17	(19)
Total	**5,249**	(22)

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 movement of variable interest rates in the last year 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 31.12.21	Year ended 31.12.20
Net finance charge	1,251	126

A decrease of 100bps would decrease equity and profit by US$984 thousand for the year ended 31 December 2021 (2020: US$550 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 increased from US$3,528 thousand at the beginning of the year to US$116,942 thousand as at 31 December 2021 as a result of strong financial performance.

Note 27: Financial instruments continued

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 returns that might be possible with higher levels of borrowings and advantages and security afforded by a low gearing and strong capital position.

Growth projects are approved under consideration of potential future market constraints, intended further de-gearing of 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 cover supported by an appropriate level of liquidity.

Neither Ferrexpo plc (the "Company") nor any of its subsidiaries is currently subject to externally imposed capital requirements. Compliance is ensured by balancing dividend payments against the earnings of the Group.

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 2021. 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	2021 LTIP	2020 LTIP	2019 LTIP	Total
Year ended 31.12.21	**295**	**–**	**81**	**376**
Year ended 31.12.20	–	793	–	793
Year ended 31.12.19	–	–	470	470

The following expenses have been recognised in 2021 and 2020 in respect of the LTIP:

US$000	2021 LTIP	2020 LTIP	2019 LTIP	2018 LTIP	Total
Year ended 31.12.21	**352**	**131**	**380**	**(7)**	**856**
Year ended 31.12.20	–	199	54	38	291

The expenses recognised in 2021 include the effect of lapsed awards resulting from the departure of two members of the key management.

Notes to the Consolidated Financial Statements continued

Note 28: Share-based payments continued

	Year ended 31.12.21 WAFV (US$)	Year ended 31.12.20 WAFV (US$)	Year ended 31.12.21 No. (000)	Year ended 31.12.20 No. (000)
LTIP				
Beginning of the year	1.57	1.94	1,034	1,558
Awards granted during the year	3.83	0.90	376	793
Awards vested during the year	2.22	1.65	–	(705)
Awards lapsed during the year	2.05	1.58	(364)	(612)
Outstanding unvested awards at 31 December	2.22	1.57	1,046	1,034

The main inputs to the valuation of the 2021 LTIP awards were the share price at date of grant of US$4.81 (2020 LTIP awards: US$1.47), the volatility of the share price of 60% p.a. (2020 LTIP awards: 56% p.a.) and a risk-free interest rate of 0.2% p.a. (2020 LTIP awards: 0.3% 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.

The weighted average share price at the date of exercise of the awards during the comparative year ended 31 December 2020 was US$1.48. No awards vested during the financial year 2021. As at the date of authorising the consolidated financial statements for issue, all awards from previous years have been exercised.

Note 29: Employees

Employee benefits expenses for the year ended 31 December 2021 consisted of the following:

US$000	Notes	Year ended 31.12.21	Year ended 31.12.20
Wages and salaries		88,960	89,152
Social security costs		18,002	21,137
Post-employment benefits	22	1,810	1,588
Other employee costs		3,006	2,201
Share-based payments	28	856	291
Total employee benefits expenses		112,634	114,369

The table above includes compensation for Non-executive Directors, Executive Directors and other key management personnel as outlined below:

	Year ended 31.12.21			Year ended 31.12.20		
US$000	Non-executive and Executive Directors	Other key management	Total	Non-executive and Executive Directors	Other key management	Total
Wages and salaries	3,217	2,917	6,134	3,186	5,829	9,015
Social security costs	73	81	154	132	35	167
Post-employment benefits	111	63	174	81	74	155
Other employee costs	290	82	372	107	21	128
Share-based payments	215	424	639	77	62	139
Total compensation for key management	3,906	3,567	7,473	3,583	6,021	9,604

The totals of shared-based payments for employees and for key management recognised in the comparative year ended 31 December 2020 include the effect of lapsed awards resulting from the departure of two members of the key management.

Note 29: Employees continued

The average number of employees during the financial year 2021 is detailed in the table below:

Average number of employees	Year ended 31.12.21	Year ended 31.12.20
Production	6,427	6,758
Marketing and distribution	171	174
Administration	1,283	1,211
Other	386	521
Total average number of employees	**8,267**	8,664

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*.

Commitments

Commitments as at 31 December 2021 consisted of the following:

US$000	Year ended 31.12.21	Year ended 31.12.20
Total commitments for the lease of mining land (out of the scope of IFRS 16)	57,665	30,874
Total capital commitments on purchase of property, plant and equipment	191,412	57,526
Commitments for investment in a joint venture	6,064	6,064

For further information on lease-related commitments see Note 14 Leases.

Critical judgements

Loan relationship between related parties of the Group
As disclosed in the 2020 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. See Note 30 Commitments, contingencies and legal disputes in the 2020 Annual Report and Accounts for detailed information. In the event that any of the payments made by the Group to FC Vorskla were not fully used for the benefit of the football club, or there was any non-compliance with legal, regulatory or other requirements, liabilities (including fines and penalties) may accrue to the Group. At the current time, the existence, timing or quantum of potential future liabilities, if any, cannot be determined and measured reliably and, as a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as of 31 December 2021 similarly to the position as of 31 December 2020.

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 59 and 60 for further information on the Ukraine country risk.

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 Kostyantin Zhevago, amongst other parties. After a long period of litigations, all old claims were fully dismissed in 2015. In January 2021, Ferrexpo AG ("FAG") received a claim from a former shareholder in FPM to invalidate part of the share sale and purchase agreement concluded in 2002 related to the sale of a 9.32% shareholding in FPM. Following the receipt of the claim, FAG, as the parent company of FPM, filed on 27 January 2021 its statement of defence to the court in response.

In February 2021, after the first hearing of the Kyiv Commercial Court on this case, 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, similarly to the previous claims made back in 2005. FAG filed on 5 March 2021 its statements of defence to the court in response to these new claims. The Kyiv Commercial Court ruled on 27 May 2021 in

Notes to the Consolidated Financial Statements continued

Note 30: Commitments, contingencies and legal disputes continued

favour of FAG. The opposing parties filed in June 2021 their appeals. The Northern Commercial Court of Appeal has opened the appeal proceedings and several hearings have been held since then without a court decision made. Considering the current situation in Ukraine, it is unknown if and when the next hearing will take place. The date of the next hearing is not yet known.

Based on legal advice obtained and considering the dismissal of the claims made by a former shareholder in FPM back in 2015, it is management's view that FAG has compelling arguments to defend its position in the court.

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 about ongoing investigation on potential underpayment of iron ore royalty payments during the years 2018 to 2021. The amount of underpayment is 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. The Group's subsidiaries are collecting the necessary documents and intend to comply with all lawful requests in this investigation. However, due to the current situation in Ukraine, the status and further development of the initiated investigation is unknown.

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 UAH1,042,000 thousand (approximately US$38,200 thousand as at 31 December 2021). 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 in due course. However, due to the current situation in Ukraine, it is unknown if and when a first hearing will take place in respect of the claim received and how the aforementioned investigation is going to further develop.

Based on legal advice obtained, 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 the claim made in the consolidated statement of financial position as of 31 December 2021.

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$28,155 thousand). 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$660 thousand). 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. The Kremenchuk District Prosecutor's Office is conducting the investigation in connection with alleged violations of environmental rules. Due to the current situation in Ukraine, it is not clear if and when a first hearing will take place.

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 of 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.

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.

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 2021 was 613,967,956 Ordinary Shares (2020: 613,967,956) at a par value of £0.10 paid for in cash, resulting in share capital of US$121,628 thousand (2020: US$121,628 thousand) per the statement of financial position.

As at 31 December 2021, 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 2020	31,780	(77,260)	(2,826)	(1,716,468)	(1,764,774)
Foreign currency translation differences	–	–	–	(317,691)	(317,691)
Tax effect	–	–	–	16,278	16,278
Total other comprehensive loss for the year	–	–	–	(301,413)	(301,413)
Share-based payments	–	–	291	–	291
At 31 December 2020	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 income 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)

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 2021, the employee benefit trust reserve includes 924,899 shares (2020: 924,899 shares).

Notes to the Consolidated Financial Statements continued

Note 32: Consolidated subsidiaries

Translation reserve

During the financial year 2021, the Ukrainian hryvnia appreciated from 28.275 as at the beginning of the year to 27.278 as at 31 December 2021 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 148.

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 206.

The Group does not have any other interests of 20% or more in undertakings that are not disclosed on page 206, 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 31.12.21	Year ended 31.12.20
Opening balance	5,873	8,064
Share of profit[1]	4,468	5,624
Dividends declared	(3,536)	(6,381)
Translation adjustments	229	(1,434)
Closing balance	**7,034**	5,873

For the year ended 31 December 2021 the summarised financial information for the associate was as follows:

	Revenue		Net profit	
US$000	Year ended 31.12.21	Year ended 31.12.20	Year ended 31.12.21	Year ended 31.12.20
TIS Ruda LLC[1]	21,619	23,014	8,947	11,271

1. Based on preliminary and unaudited financial information.

Note 33: Investments in associates continued

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 2021, the associate's total assets were US$20,106 thousand (2020: US$18,745 thousand) and the total liabilities were US$6,009 thousand (2020: US$6,977 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 Kostyantin 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 Kostyantin Zhevago. Associated companies refer to TIS Ruda LLC, in which the Group holds an interest of 49.9% (2020: 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 118 and 119.

Related party transactions entered into by the Group during the years presented are summarised in the following tables:

Revenue, expenses, finance income and expense

	Year ended 31.12.21			Year ended 31.12.20		
US$000	Entities under common control	Associated companies	Other related parties	Entities under common control	Associated companies	Other related parties
Other sales[a]	657	–	9	323	–	7
Total related party transactions within revenue	657	–	9	323	–	7
Materials and services[b]	8,334	–	–	6,299	–	–
Spare parts and consumables[c]	6,350	–	–	3,063	–	–
Other expenses[d]	2,172	–	–	524	–	–
Total related party transactions within cost of sales	16,856	–	–	9,886	–	–
Selling and distribution expenses[e]	4,876	18,139	–	4,552	19,073	–
General and administration expenses[f]	1,762	–	524	1,747	–	482
Finance expense	20	–	–	25	–	–
Total related party transactions within expenses	23,514	18,139	524	16,210	19,073	482
Other income	2	–	–	21	–	–
Total related party transactions	24,173	18,139	533	16,554	19,073	489

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 Turbogas totalling US$437 thousand (2020: US$157 thousand); and

a Sales of electricity to Kislorod PPC for US$209 thousand (2020: US$140 thousand).

b Purchases of oxygen, scrap metal and services from Kislorod PCC for US$1,533 thousand (2020: US$2,060 thousand);

b Purchases of cast iron balls from OJSC Uzhgorodsky Turbogas for US$5,700 thousand (2020: US$4,191 thousand); and

b Purchase of maintenance and construction services from FZ Solutions LLC (formerly OJSC Berdichev Machine-Building Plant Progress) for US$1,024 thousand (2020: nil).

c Purchases of spare parts from OJSC AvtoKraz Holding in the amount of US$1,983 thousand (2020: US$446 thousand);

c Purchases of spare parts from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") in the amount of US$837 thousand (2020: US$656 thousand);

c Purchases of spare parts from OJSC Uzhgorodsky Turbogas in the amount of US$1,032 thousand (2020: US$675 thousand);

c Purchases of spare parts from FZ Solutions LLC (formerly OJSC Berdichev Machine-Building Plant Progress) of US$719 thousand (2020: US$353 thousand); and

c Purchases of spare parts from Valsa GTV of US$1,735 thousand (2020: US$878 thousand).

d Insurance premiums of US$2,172 thousand (2020: US$524 thousand) paid to ASK Omega for insurance cover in respect of mining equipment and machinery. The increase in insurance premiums during the financial year 2022 is due to the increase in the insurance coverage of the insured equipment.

Notes to the Consolidated Financial Statements continued

Note 34: Related party disclosures continued

e Purchases of advertisement, marketing and general public relations services from FC Vorskla of US$4,875 thousand (2020: US$4,552 thousand). See page 193 in respect of a loan relationship between FC Vorskla and another related party.

f Insurance premiums of US$1,341 thousand (2020: US$1,365 thousand) paid to ASK Omega for workmen's insurance and other insurances; and

f Purchase of marketing services from TV & Radio Company of US$243 thousand (2020: US$237 thousand).

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$18,139 thousand (2020: US$19,073 thousand) relating to port operations, including port charges, handling costs, agent commissions and storage costs.

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$506 thousand (2020: US$471 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 2021 (2020: US$100 thousand).

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.

	Year ended 31.12.21			Year ended 31.12.20		
US$000	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	552	–	–	2,247	–	–
Total purchases of property, plant and equipment	**552**	**–**	**–**	**2,247**	**–**	**–**

During the year ended 31 December 2021, the Group purchased major spare parts and equipment from FZ Solutions LLC (formerly OJSC Berdichev Machine-Building Plant Progress) totalling US$283 thousand in respect of its regular sustaining capital expenditure programmes (2020: US$1,719 thousand). The Group also procured equipment and materials from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") totalling US$235 thousand for several ongoing projects on its processing facilities (2020: US$510 thousand).

The FPM Charity Fund owns 75% of the Sport & Recreation Centre ("SRC") in Horishni Plavni and made contributions totalling US$120 thousand during the year ended 31 December 2021 (2020: US$115 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 Kostyantin 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:

	As at 31.12.21			As at 31.12.20		
US$000	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]	8,463	–	–	133	–	–
Total non-current assets	**8,463**	**–**	**–**	**133**	**–**	**–**
Trade and other receivables[h]	101	4,181	1	96	4,473	1
Prepayments and other current assets[i]	2,076	–	–	1,390	–	–
Total current assets	**2,177**	**4,181**	**1**	**1,486**	**4,473**	**1**
Trade and other payables[j]	732	489	–	462	2	86
Accrued and contract liabilities	–	–	–	71	–	–
Total current liabilities	**732**	**489**	**–**	**533**	**2**	**86**

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$8,422 thousand were made to FZ Solutions LLC (formerly OJSC Berdichev Machine-Building Plant Progress) in relation to the ongoing update of pellet lines and work on the concentrate stockyard. No such prepayments were made at the end of the comparative year ended 31 December 2020.

h Prepayments and other current assets totalling US$1,123 thousand related to insurance premiums from ASK Omega (2020: US$1,053 thousand); and

i Prepayments and other current assets totalling US$572 thousand related to spare parts from FZ Solutions LLC (formerly OJSC Berdichev Machine-Building Plant Progress) (2020: US$279 thousand).

j Trade and other payables included US$221 thousand (2020: US$195 thousand) related to the purchase of oxygen, scrap metal and services from Kislorod PCC and US$295 thousand (2020: US$191 thousand) related to the purchase of spare parts and services from FZ Solutions LLC (formerly OJSC Berdichev Machine-Building Plant Progress).

Note 34: Related party disclosures continued

Associated companies

h Trade and other receivables included US$4,181 thousand (2020: US$4,473 thousand) related to dividends declared by TIS Ruda LLC.

j Trade and other payables included US$489 thousand (2020: US$2 thousand) related to purchases of logistics services from TIS Ruda LLC.

Note 35: Events after the reporting period

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 is, as at the date of the approval of these consolidated financial statements, still ongoing. To date, this action has resulted in significant loss of life and the destruction of key infrastructure in a number of regions across Ukraine, but not in close proximity of the Group's mines and processing plant. Military activities to date, however, have impacted the Group's logistics network, with operations at the port of Pivdennyi in southwest Ukraine formally halted by the port authorities, as announced by the Group on 25 February 2022. The armed conflict in Ukraine continues to pose a threat to the Group's mining, processing and logistics operations within Ukraine.

The situation in Ukraine remains uncertain and unpredictable. 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 the 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 Principal Risks section on pages 57 and 58 for further information.

Critical judgements

The Russian invasion into Ukraine is treated as a non-adjusting post balance sheet event and therefore does not affect the carrying value of the Group's assets and liabilities as at 31 December 2021. This event however poses a material uncertainty in respect of the Group's going concern assessment (see Note 2 Basis of preparation for further details). The Group adjusted its long-term model to reflect the lower sales volume caused by the unavailable seaborne sales to its customers. The anticipated lower sales volume will have an adverse effect on the Group's cash flow generation, which would in turn negatively impact the carrying value of the Group's non-current assets in future periods. Based on the base case of the Group's long-term model, the Group's single cash generating unit's assets, including plant, property and equipment, and goodwill and other intangibles, may become subject to an impairment loss of approximately US$190,000 thousand using assumptions for iron ore prices, production costs as well as production and sales volumes, which are consistent with the conditions experienced after the balance sheet date and up until the date of approval of these financial statements. The impairment loss will, however, depend on a number of factors that will only be known to the Group as at this point of time. As a result of the remaining material uncertainty outside of the Group's control in terms of potential disruption to the supply of key consumables, such as natural gas, electricity and diesel fuel, and equipment in the future and a further interruption to the Group's logistics network currently available, the Group also prepared stress tests with more severe adverse changes, such as a ceasing of its production for 3, 6 and 18 months. Under these stress test scenarios, the impairment loss may increase to an amount between US$320,000 thousand and US$400,000 thousand, again depending on circumstances and macro-economic data, which will only be known to the Group as at the point of time of the preparation of its interim condensed consolidated financial statements for the six month period ended 30 June 2022. In addition to the potential financial impact on the Group's non-current assets in the future and as disclosed in Note 11 Taxation, the recoverability of the recognised deferred tax assets will be re-assessed when the Group is preparing its interim condensed consolidated financial statements for the six month period ended 30 June 2022.

Other than the event 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 2021 and 2020, 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 31.12.21	As at 31.12.20
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	176,391	12,202
Debtors: amounts falling due after more than one year	5	156,971	648,292
Cash at bank and in hand		199	208
Total current assets		333,561	660,702
Creditors: amounts falling due within one year	6	3,503	4,270
Net current assets		330,058	656,432
Total assets less current liabilities		477,554	803,928
Creditors: amounts falling due after more than one year	6	–	104
Net assets		477,554	803,824
Capital and reserves			
Called up share capital	7	121,628	121,628
Share premium account		185,112	185,112
Treasury share reserve	7	(77,260)	(77,260)
Employee benefit trust reserve	7	(1,679)	(2,535)
Retained earnings	7	249,753	576,879
Total capital and reserves		477,554	803,824

The profit after taxation for the Company, registration number 05432915, was US$293,484 thousand for the financial year ended 31 December 2021 (2020: US$85,817 thousand).

The financial statements were approved by the Board of Directors and authorised for issue on 21 April 2022 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 2020	121,628	185,112	(77,260)	(2,826)	685,351	912,005
Profit for the year	–	–	–	–	85,817	85,817
Total comprehensive income for the year	–	–	–	–	85,817	85,817
Equity dividends paid to shareholders	–	–	–	–	(194,289)	(194,289)
Share-based payments	–	–	–	291	–	291
At 31 December 2020	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

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 Kostyantin Zhevago, the Group's previous Chief Executive Officer, and two members of his family are the beneficiaries. At the time this report was published, Fevamotinico held 50.3% (2020: 50.3%) of the Company's issued share capital.

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*;
- 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 118 and 119.

Going concern

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 is, as at the date of the approval of these financial statements, still ongoing. This poses a significant threat to the Group's mining, processing and logistics operations within Ukraine and therefore a material uncertainty in terms of the Company's going concern. Considering the current situation of the war in Ukraine, all identified available mitigating actions and the results of the management's going concern assessment, the Company continues to prepare its financial statements on a going concern basis, although a material uncertainty remains as some of the uncertainties are outside of the Group management's control as the duration and the impact of the war cannot be predicted at this point of time. For further details see Note 2 Basis of preparation of the Group's consolidated financial statements.

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 of the Group's 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.

Financial guarantees

Financial guarantee liabilities issued by the Company 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.

Note 3: Significant accounting policies continued

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 of the Group's 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 of the Group's 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 2021. 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 of the Group's financial statements and have not had a significant impact on these financial statements.

Use of critical estimates and judgements

The Company has not identified any area involving the use of critical estimates and judgements made by management in preparing the separate Parent Company financial statements.

Note 4: Investment in subsidiary undertakings

Investment in subsidiary undertakings at 31 December 2021 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 31.12.21	At 31.12.20
Investment in subsidiary undertakings	147,496	147,496
Total investment in subsidiary undertakings	**147,496**	147,496

See Note 32 Consolidated subsidiaries to the consolidated financial statements for further information on subsidiaries indirectly held by the Company.

Note 5: Debtors

Debtors as at 31 December 2021 related to the following:

US$000	At 31.12.21	At 31.12.20
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	175,034	10,203
Prepaid expenses	600	898
Income tax receivable	613	1,101
Accrued interest owed by subsidiary undertakings	144	–
Total amounts falling due within one year	**176,391**	12,202
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	155,119	645,557
Accrued interest owed by subsidiary undertakings	–	265
Deferred tax assets	1,852	2,470
Total amounts falling due after more than one year	**156,971**	648,292
Total debtors	**333,362**	660,494

Notes to the Parent Company Financial Statements continued

Note 5: Debtors continued

The Company's loans are 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 have been re-presented as falling due after more than one year as at 31 December 2021.

Amounts owed by subsidiary undertakings as at the end of the comparative year ended 31 December 2020 include the financial guarantees provided by the Company relating to the future guarantee fee receivable recorded when the financial guarantees were recognised as a liability. Following the full repayment of the Group's syndicated revolving pre-export facility on 30 June 2021, no amounts in relation to financial guarantees are outstanding as at 31 December 2021.

The table on the previous page includes the impact from the application of the expected credit loss impairment model under IFRS 9 *Financial instruments*. The balance of impairment gains on debtors included in the profit after taxation is US$2,788 thousand as of 31 December 2021 (2020: US$795 thousand).

Note 6: Creditors

Creditors as at 31 December 2021 related to the following:

US$000	At 31.12.21	At 31.12.20
Creditors: amounts falling due within one year		
Financial guarantees	–	362
Other payables and accrued liabilities	3,503	3,908
Total creditors: amounts falling due within one year	**3,503**	4,270
Creditors: amounts falling due after more than one year		
Financial guarantees	–	104
Total creditors: amounts falling due after more than one year	**–**	104

The Company's policy is to provide financial guarantees under limited circumstances only for the benefit of wholly owned or substantially owned subsidiaries.

As at the end of the comparative year ended 31 December 2020, the Company was a guarantor to the major external debt facility of the Group's subsidiary Ferrexpo Finance plc, a syndicated revolving pre-export finance facility signed in 2018 and with repayment scheduled to take place in quarterly instalments between 2020 and 2022. The remaining outstanding amount of US$140,000 thousand was fully repaid on 30 June 2021 and the facility was subsequently cancelled.

The Company earned guarantee fees from its subsidiaries for the financial guarantees provided in respect of the Group's finance facility aforementioned.

Note 7: 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 2021 was 613,967,956 Ordinary Shares (2020: 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 (2020: 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 (2020: 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 2021, the employee benefit trust reserve included 924,899 shares (2020: 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 2021 do not reflect the profits that are available for distribution by the Company as of this date. Prior to the dividend proposed as of 31 December 2021 and taking into account relevant thin capitalisation rules and provisions of the Companies Act 2006, the total available distributable reserves of Ferrexpo plc was US$170,800 thousand as of 31 December 2021 (2020: US$317,646 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 further dividend payments made by the Company in previous years. Further details are included in Directors' Report on page 128.

Note 8: Events after the reporting period

On 24 February 2022, Russia began its invasion into Ukraine using direct military force. This has led to an intense armed conflict in Ukraine, which poses a significant threat to the Group's mining, processing and logistics operations within the country. This event is treated as a non-adjusting post balance sheet event and therefore does not affect the carrying value of the Company's assets and liabilities as at 31 December 2021. This event however poses a material uncertainty in respect of the Company's going concern assessment. The anticipated lower sales volume will have an adverse effect on the Group's cash flow generation, which may in turn negatively impact the carrying value of the Company's investment in subsidiary undertakings in future periods. More details are provided in Note 2 Basis of preparation and Note 35 Events after the reporting period of the Group's consolidated financial statements. For further information see also the Principal Risks section of the Group on pages 57 and 58.

Other than the event disclosed above, there are no material adjusting or non-adjusting events that 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.

Name	Address of consolidated subsidiary's registered office	Principal activity	Equity interest owned 31.12.21 %	Equity interest owned 31.12.20 %
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
EDDSG GmbH	Handelskai 348, 1020 Wien, Austria	Barging company	100.0	100.0
DDSG Tankschiffahrt GmbH	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 Fund[1]	Heroiv Dnipra Street 23-a, 39802 Horishni Plavni, Poltava Region, Ukraine	Charity fund	100.0	100.0
Associate				
TIS Ruda LLC	Alekseya Stavnitzera Street 50, 67543 Vizirka Village, Odesa Region, Ukraine	Port development	49.9	49.9
Fair value through OCI[2]				
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 2021 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$000	Notes	Year ended 31.12.21	Year ended 31.12.20
C1 cash costs		**626,561**	466,013
Non-C1 cost components		**71,339**	116,783
Inventories recognised as an expense upon sale of goods	7	**697,900**	582,796
Own ore produced (tonnes)		**11,220,260**	11,217,926
C1 cash cost per tonne (US$)		**55.8**	41.5

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 31.12.21	Year ended 31.12.20
Underlying EBITDA		**1,438,759**	858,552
Losses on disposal and liquidation of property, plant and equipment	7	**(4,695)**	(1,303)
Share-based payments	28	**(856)**	(291)
Write-offs and impairments	7	**(235,618)**	(192)
Depreciation and amortisation		**(115,112)**	(102,475)
Profit before tax and finance		**1,082,478**	754,291

Alternative Performance Measures continued

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 31.12.21	Year ended 31.12.20
Earnings for the year attributable to equity shareholders – per share in US cents		
Basic	148.2	108.1
Diluted	147.9	107.9

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 31.12.21	As at 31.12.20
Cash and cash equivalents	25	167,291	270,006
Interest-bearing loans and borrowings – current	26	(48,206)	(134,349)
Interest-bearing loans and borrowings – non-current	26	(2,143)	(132,129)
Net cash		116,942	3,528

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 31.12.21	As at 31.12.20
Purchase of property, plant and equipment and intangible assets (net cash flows used in investing activities)	13/15	360,869	205,779

Total liquidity

Definition: Sum of cash and cash equivalents, available committed facilities and undrawn uncommitted facilities. Committed facilities at the end of the comparative year ended 31 December 2020 include the Group's syndicated revolving pre-export finance facility, while 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 31.12.21	As at 31.12.20
Cash and cash equivalents	25	167,291	270,006
Available committed facilities		–	10,000
Undrawn uncommitted facilities		97,854	80,000
Total liquidity		**265,145**	360,006

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
50.3% of Ferrexpo plc shares are held by Fevamotinico S.a.r.l.; Fevamotinico is wholly owned by The Minco Trust. 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

Fevamotinico
Fevamotinico 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

m^3
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

Glossary continued

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 Fevamotinico S.a.r.l., Kostyantin 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

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

WAFV
Weighted average fair value

WMS
Wet magnetic separation

Yeristovo or Yerystivske
The deposit being developed by FYM

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