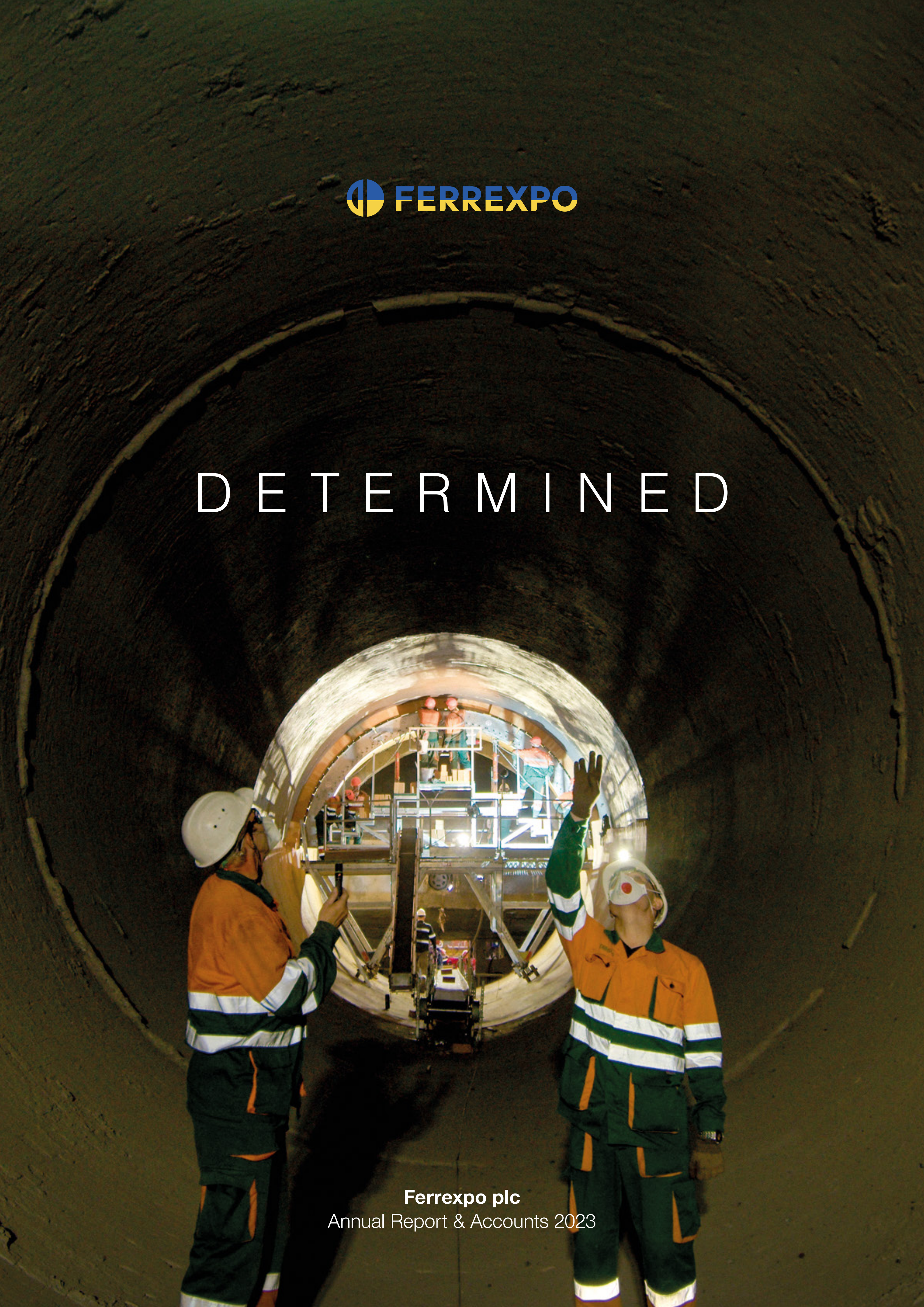


FERREXPO

DETERMINED

Ferrexpo plc

Annual Report & Accounts 2023

Contents

We are determined to protect our people and our assets so that we may continue to operate and contribute positively to Ukrainian society and the economy.

As a leading European supplier of premium iron ore pellets we are enabling the transition to green steel. Our products are important to Ukraine and to customers around the world.

References to Ferrexpo plc
For references to Ferrexpo plc in this report see glossary.

WE ARE DETERMINED

Look out for our operational Q&As

Throughout the report this year, you will find Q&As from our colleagues across different areas of our business discussing what it is like operating during a time of war.

Executive Chair's Statement

> Ferrexpo has demonstrated a strong performance during a time of war and we should be proud of our achievements. In the face of extraordinary circumstances, we have continued to produce, export, and preserve cash.

Dear Shareholder

The challenges that Ferrexpo faced in 2023 cannot be understated. After two years of war in Ukraine, our people and our business continue to be severely affected.

Our strategy to move early and right-size our business, so that we are more responsive to ever changing circumstances, is working. During the year, we have worked tirelessly to protect our people, preserve the integrity of our assets, and contribute to local society and the national economy. In the face of such extraordinary circumstances, we have continued to produce and export our products and preserve cash. I believe that the company has performed exceptionally well and despite the challenges we should be proud of our achievements.

War

This announcement covers the financial year 2023, the second year of war since Russia commenced its full-scale invasion of Ukraine in February 2022 and at the time of the publication of this report it is already the third year.

Beyond the challenges in Ukraine, it would appear that the wider world is entering a new era of geopolitical uncertainty. Old conflicts have reignited, new ones are emerging, and autocratic leaders and their nationalist agendas are prevailing in and across many countries and regions.

Against this increasingly volatile and complex backdrop, it is perhaps inevitable, regrettably, that when it comes to Ukraine, a certain level of 'war weariness' is starting to appear.

Weariness, however, is not an option for the people of Ukraine who at no point have lost sight of what is at stake – the very existence of the Ukrainian state. It is my observation that the Ukrainian identity has strengthened over this period, which has bolstered the resilience and commitment of Ukrainians – who remain as determined as ever.

Reconstruction

Today, even during a time of war, Ukraine is already considering what sort of state it wants to be when the war is over, and how to reconstruct its political system, economy and society as a whole. In December 2023, this thinking took a decisive direction when the EU opened member accession talks with Ukraine. Setting a path for the integration of Ukraine into the EU is the right thing, and one in which Ferrexpo can play a critical role.

As Ukraine embarks on the task of economic reconstruction, government and business must work together to agree on the steps needed to create an investment environment that will help rebuild Ukraine as quickly as possible and shorten the path to EU membership. This includes upholding the rule of law, creating a level playing field for business and gaining the trust of a new set of investors who see prospects for rapid, sustained growth in the country after the war. It also means rooting out much of the corruption that is endemic in Ukraine.

Ferrexpo holds a pivotal position in shaping Ukraine's future. As a UK-based public limited company, we uphold governance standards that instil confidence in international investors, safeguarding their investments. Our commitment extends beyond financial security; we aim to bolster and expand our capabilities to drive growth in the Ukrainian economy. With a focus on producing premium products essential for steel producers' decarbonisation efforts, especially within Europe, we are poised to facilitate the growth of sustainable trade between Ukraine and the EU. Our dedication to this cause marks our distinctive role in Ukraine's reconstruction. Ferrexpo is uniquely positioned to lead the charge towards a prosperous and sustainable future for Ukraine.

People

Our future hinges upon our people – our steadfast workforce, their families, and the communities we serve. This commitment unequivocally extends to those members of our workforce who are bravely serving in the Armed Forces of Ukraine. We honour their sacrifice and eagerly anticipate their return to the roles we have preserved for them.

Ferrexpo stands out for its unparalleled combination of large-scale and top-tier assets within our industry. However, it is the unwavering dedication of our workforce that truly fuels the productivity of these assets. So, at this point, I'd like to express our heartfelt gratitude to each and every member of our team for their tireless efforts and unwavering determination.

I am deeply saddened that 19 of our colleagues were killed serving in the Armed Forces of Ukraine in 2023, bringing the total to 35 since February 2022. We bow for each of these brave souls. May they rest in peace and be remembered for their extraordinary courage and sacrifice. At the date of this report, 641 of our colleagues are serving in the armed forces, equal to 9% of our total workforce.

Safety and wellbeing

Throughout the year, Ukraine has continued to face regular attacks from Russia, influencing how we ensure the wellbeing of our people, who remain our primary concern. We are committed to ensuring their safety and offering comprehensive physical and psychological support during these challenging times. Examples of this include providing protective clothing for those serving in the armed forces, building bomb shelters for those working in industrial functions, the provision of meals for those on longer shifts, permitting those in administrative functions to work from home and offering child care in safe bomb shelters. We continue to provide broader assistance through our humanitarian aid programmes, which have provided housing, food and medicine, funded the donation of equipment, and support programmes and initiatives.

Safety must be thought of in new and broader terms. For example, as the war evolves we are starting to see people return from the armed forces. The rehabilitation of veterans into the workforce is challenging, especially for those with physical and mental injuries. We have helped with physical rehabilitation, including prosthetics, and emotional trauma. This extends to support for family members too. It is our role to foresee and adapt to these changes, so that we can continue to keep our people as safe as possible and support their wellbeing.

Skills

The enlisting of such a large amount of our Ukrainian workforce, particularly those with technical skills, has had an inevitable impact on our human and operational capacity. The workforce that remained on site have proven remarkably agile and flexible, ensuring the continuity of all activities. Our training centres have risen to the challenge to help people develop new skills, including internally displaced people joining our workforce, and for others learning to upskill and cross-skill, to provide the optimum flexibility across our workforce.

The determination of our employees has proven invaluable in overcoming some disruptions to vital infrastructure, an inevitable eventuality of Russia's regular attacks on Ukraine. While we did suffer some downtime as a result of damage to electricity transformers, roads and bridges, our speedy repairs, sometimes working with various authorities has meant that operational disruptions were mostly short lived.

Assets and logistics

Thanks to the resilience of our employees the Company's assets remain intact and operational. Together, we have continued to seek to preserve Ferrexpo's underlying value as well as the Company's significance for the Ukrainian economy.

During the year, we continued to invest in our assets, such as the construction and commissioning of the press filtration complex, to improve the quality of our products. Resources have been devoted to undertaking desktop reviews and engineering analysis. By completing these studies at a time of considerable constraint, we will not only be in a far better position to recommission production in the future, but also have more clarity when we reinitiate upgrade and expansion projects. We will continue with this advanced preparatory work into 2024.

Limitations on our logistics corridors have again constrained our ability to export, which forced us to limit production levels. We have been able to operate one, sometimes two, of our four pellet lines to match the reduced export capacity available to us. The lack of access to Black Sea export routes, in particular, sharply reduced opportunities to export product volumes to the Middle East and Asia, however, this has started to ease since early 2024.

Thanks

There were some Board changes during the year. Ann-Christin Andersen and Graeme Dacomb resigned from the Board and I would like to express my thanks to both. I would also like to extend my thanks to Jim North who stepped down as CEO in April 2023. I had the pleasure over eight years to observe the tremendous positive impact Jim had on modernising and expanding Ferrexpo. Jim is both a pragmatic realist and a visionary, and he possesses the rare balance of being technically brilliant and a skilful diplomat. The war impeded his objectives to grow Ferrexpo towards an annual net-zero production of 24 million tonnes, but he has left us a road map that we will resume when the time is right.

Following Jim's departure I assumed responsibility as interim Executive Chair, leading the business with an experienced Executive management team whom in 2024 will celebrate working at Ferrexpo for a collective 100 years, and in the industry for 150 years. As I said in last year's report when I was Non-executive Chair, strong governance is essential now more than ever, and whilst my interim role as an Executive Chair is admittedly a combined role, we do not believe now is the right time to make any significant management changes.

Finally, I wish to thank each and every one of our employees as well as our local communities for the bravery and resolve they have continued to show in the face of such fierce adversity and express my gratitude to all those associated with Ferrexpo for their contribution and continued support over the past 12 months.

Lucio Genovese
Executive Chair, Ferrexpo plc

Chief Financial Officer's Statement

The challenges of the last year have accelerated our learning and adoption to make us more agile and responsive to ever changing circumstances. The cohesion shown by our employees across the business demonstrates a team that is unified and working together to overcome any challenges that they face.

Dear Stakeholders,

As we reflect on 2023, another year blighted by Russia's ongoing invasion of Ukraine, I am proud that we are able to report operating and financial results that reflect the determination of our people in these difficult times. The cohesion shown by our employees across the various departments of the business demonstrates a team that is unified and working together to overcome any challenge they face. This fortitude has made us stronger and allows us to understand what our people and operations are capable of.

While the challenges of the past year have been formidable, they have also accelerated our learning and adaptation, making us more agile and responsive to the ever evolving situation on the ground.

As we started 2023, we once again faced significant uncertainties surrounding the energy supply in the winter months, given previous attacks on the electricity grid and other infrastructure. This compelled us to manage our working capital and stocks effectively to mitigate the potential risk of blackouts while ensuring we could fulfil our obligations to customers.

Pleasingly, the team's cohesiveness, coupled with our proactive planning ahead of time meant we were able to manage through this uncertain start to the year. As we headed for the second quarter, and bolstered by a strong liquidity position, we seized market opportunities and restarted an additional pelletiser, thereby increasing our production capability and flexibility.

With stable production from the first pellet line, and an initial contribution from the second pellet line, total iron ore pellet production for the first half was almost 2 million tonnes, a 57% increase compared to the second half of 2022.

Unfortunately, any expectations for further growth in production and sales in the second half of the year were thwarted by the continued inability to use the Black Sea for exports, which would have justified us further expanding capacity for exports to the Middle East and Asia.

Despite these setbacks, we adjusted our operational plans swiftly, leveraging alternative routes into Europe and other Black Sea ports, to maintain sales levels while reducing production to align with market conditions. As a result, we ended the year producing at the logistics capacity available to us at 4.2 million tonnes of pellet and concentrate production.

In terms of budgeting, we encountered some surprises, notably in logistics challenges and costs, however iron ore prices were strong in the final quarter helping to offset these costs. Indeed, for the year as a whole our unit costs reduced. All in all, thanks to years of investment prior to the war, our quality assets and premium product range continues to ensure our net cash position.

It was important that throughout 2023, we maintained a prudent approach to cash allocation, focusing on key operational and capital projects essential for sustaining our business amid volatile wartime conditions.

The Group operates in an evolving political, fiscal and legal environment in Ukraine and the risks associated with this heightened further in 2023 and early 2024. As result, the Group has recognised provisions totalling US$128 million, including US$124 million for one specific ongoing legal dispute. See details in Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements in respect of the possible impact on the Group's business activities.

Looking ahead to the start of the new year, we remain cautiously optimistic. In particular, logistics costs have improved, providing us with a favourable environment to capitalise on market opportunities.

As we navigate the complexities of operating in a dynamic geopolitical landscape, our focus remains on building resilience, optimising our assets, and enhancing operational flexibility. Our high quality assets have been instrumental in providing stability amidst uncertainty, underscoring the importance of prudent investments made in the past.

In conclusion, while the road ahead will no doubt continue to present its share of challenges, we are confident in our ability to navigate through uncertainty and are prepared to continue delivering the embedded value in our quality assets to our shareholders. We appreciate your continued support and trust as we navigate these uncertain times.

Nikolay Kladiev
Chief Financial Officer, Ferrexpo plc

1. Source: Independent research provided by CRU.

WE ARE DETERMINED

Look out for our Q&As with colleagues

Throughout this year's report, colleagues from different functions across the business share their insights to explain what it is like working during a time of war.

See the pages below for their stories:

Culture **page 15** →
Facilities **page 17** →
Procurement **page 21** →
Sales **page 25** →
Internal reporting **page 29** →
Translation **page 31** →
CSR **page 35** →
Processing **page 37** →
HR **page 41** →
Administration **page 61** →
Logistics **page 67** →
Transport **page 68** →
Communications **page 71** →

Operating during a time of war

The full-scale invasion of Ukraine commenced on 24 February 2022. With all our production based in Ukraine, our workforce and operations are affected by the ongoing war. In this section we explain how the war is affecting our people and how we are managing the business at this time.

People

The safety and wellbeing of our people is paramount, especially during a time of war. At the end of 2023 our Ukrainian workforce comprised 6,432 employees and 933 contractors. In addition, 641 colleagues are currently serving in the Armed Forces of Ukraine, whom we support on an ongoing basis with safety equipment, clothing and other essentials throughout the time that they are in the military.

As the war progresses, the availability of people and skills is becoming more complex. More members of our workforce are being conscripted to join the armed forces. Ferrexpo employees are attractive candidates because they possess the technical and mechanical skills that the army needs, the very skills that are critical to our production processes.

During 2023, more than 700 employees resigned or left our business. Although our operations are over 250 kilometres from the front lines, many have chosen to leave the region and move to the far west of Ukraine or abroad. This is in addition to the 900 or so that left in 2022.

The business continues to carry a large workforce while operating at a reduced capacity. This means that to date there has been the sufficient amount of people to continue operations. As the business continues to restore idled capacity, many employees are back to a full working week, with some already working overtime. We are also recruiting more people, including younger and older people, and more women. At our Ferrexpo Technical Expertise Centre, multiple initiatives have been established to upskill, cross-skill and reskill employees, including fast tracking vocational training and qualifications programmes.

In 2023, 67 colleagues were demobilised from the armed forces, 46 of whom have returned to work. During the year, we expanded our support for veterans to include physical rehabilitation and psychological support. Veterans unable to return to their previous functions due to factors such as noise and vibration, are offered the opportunity to train and qualify for other more suitable roles.

Remembering those we have lost

Tragically, 19 colleagues were killed serving in the armed forces during 2023, bringing the total to 35 since February 2022.

2023

Yuriy Bilenko, age 38
Serhii Buhuev, age 42
Oleksiy Bulba, age 45
Serhiy Chemkayev, age 44
Maksym Chystyakov, age 24
Volodymyr Holub, age 54
Oleksiy Khanilevych, age 24
Rostyslav Ledovskyy, age 25
Dmytro Lysachenko, age 28
Roman Lytvynenko, age 31
Vitaliy Med, age 40
Ihor Novohatniy, age 39
Volodymyr Pavlenko, age 43
Petro Perovskiy, age 25
Andrii Petrenko, age 49
Serhii Pizniy, age 34
Oleksandr Smyrnov, age 32
Vladyslav Solomko, age 33
Oleksandr Terlenko, age 48

2022

Dmytro Belikov, age 32
Oleksiy Bridnya, age 33
Andriy Chernya, age 37
Oleksandr Chugainov, age 54
Guy Dudka, age 52
Andriy Dukanych, age 33
Serhiy Kharlamov, age 57
Serhii Kondyk, age 31
Denys Koshovyy, age 31
Oleksiy Nazimov, age 25
Kostyantyn Orchikov, age 30
Oleksandr Scherbakov, age 28
Denys Svyrydov, age 50
Yaroslav Taran, age 50
Oleksiy Yatskov, age 36
Anatoliy Zakupets, age 37

Slava Ukraini.

Humanitarian support

US$25M

Local communities

During the early stages of the war, it was clear that the local communities where we operate needed humanitarian support. Although many people left, displaced people fleeing the war in the eastern regions passed through, and in some instances, settled in the Poltava region. In early 2022 the Ferrexpo Humanitarian Fund was established, which combined with associated CSR funding at the date of this report has donated US$25 million to foster over 100 individual programmes and initiatives.

As the war protracts, the needs of society are changing. In the early stages of the war, the immediate focus was to help house and feed people. This situation has settled now. Indeed, of the many new people that settled in the region, 102 have taken employment at Ferrexpo.

The focus of humanitarian support has evolved. Presently, we are committed to supporting our colleagues actively serving in the armed forces, as well as aiding in the rehabilitation of veterans. Additionally, contributions are directed towards addressing critical national emergencies, such as providing assistance to the residents of the Kherson region in the aftermath of the Nova Kakhovka Dam explosion.

In Horishni Plavni, the town centred on our operations, we continue to offer community support through commitments to cultural and social programmes, education and medical facilities, and infrastructure. This support also includes programmes and initiatives that support sports, social clubs and arts, along with physical and mental health.

Operations and logistics

Our operations are large in scale. The process flow is relatively simple: mining, processing and beneficiation, with considerable built-in production flexibility at each stage.

During 2023, reduced logistics availability forced us to reduce production to a roughly a third of our full capacity.

In addition to people, our operations rely on many inputs, including, energy, chemicals and equipment. Since the start of the full-scale invasion, we have learnt to adapt to ever-changing conditions. This can mean finding new suppliers as our traditional suppliers have suffered from the war, or where logistics routes are no longer available.

Before the full-scale invasion, Ferrexpo transported its products using its own fleet of rail wagons and barges to customers in Europe, or via rail to Ukrainian Black Sea ports for onward transportation by ship, primarily from the Group's joint venture facilities at the Port of Pivdennyi. Access to Ukrainian Black Sea ports was severely restricted in 2023, with only a handful of vessels leaving with cargoes of iron ore towards the end of the year.

In response, the Group sales strategy focused on premium European customers that could be reached by rail or a combination of rail and river barge using the Company's owned barge fleet company First-DDSG Logistics. Another export route was later developed by rail to the Ukrainian border, and onward transportation by barge through inland waterways to a Black Sea port in another country.

The business learnt to be nimble and adapt to the many challenges it faced in 2023. Altering mining and processing to produce different products to meet customer needs, sourcing supplies of critical inputs, managing inventories to reduced logistics capacity, and finding alternative routes to supply customers.

The determination of the workforce, the flexibility of our operations, and our premium products sold to premium customers are our strengths, and explain how we are continuing to operate during a time of war.

Ferrexpo is a vertically integrated, pure-play iron ore pellet producer and supplier

What we do

MINING → **PROCESSING** → **TRANSPORTATION AND LOGISTICS**

The competitive advantages that help us to create value

QUALITY ASSETS

Our world-class, long-life deposits hold 5.7 billion tonnes of JORC-compliant mineral resources.

Contiguous open pit mines use modern equipment and have an industry-leading safety performance.

50years

Mineral Reserves

LOW-COST PRODUCTION

Our ore processing metallurgical beneficiation and pelletiser plants produce a variety of pellets at a competitive cost.

Established and efficient large-scale plants with built-in operational flexibility to supply evolving customer needs.

12MT

Annual capacity from four pelletising lines

GLOBAL DISTRIBUTION

Owned transport equipment and logistics infrastructure, including rail, ports, river and ocean vessels.

Flexible handling and shorter delivery times to Europe and MENA than global peers.

3rd

Largest exporter of pellets globally (pre-war)

REINVESTMENT INTO PEOPLE, TECHNOLOGY INNOVATION AND R&D

Our high quality products are preferred by premium steel producers around the world and are enabling the transition to green steel, whilst at the same time supporting the Ukrainian economy.

MARKETING

PREMIUM PRODUCTS

We have relationships with premium steel mills around the world, serving customers in Europe, MENA, Asia and North America.

Our premium products enable us to add more value for customers, supporting higher margins.

65-67%

Fe content in all our products

The outcomes we deliver

ECONOMIC

- ROBUST PRE-WAR EARNINGS TRACK RECORD
- SHAREHOLDER DISTRIBUTIONS
- FISCAL CONTRIBUTIONS

SOCIAL

- INVESTMENT IN UKRAINE
- SUPPORT DURING TIME OF WAR
- SUPPORTING OUR WORKFORCE AND COMMUNITIES
- DEVELOPING OUR WORKFORCE

ENVIRONMENTAL

- ENABLING GREEN STEEL
- SUPPORTING THE DRIVE TO NET ZERO

See how our activities create value for all of our stakeholders on **page 64**

Why invest in Ferrexpo?

What's the industry challenge?

Iron ore is the main ingredient to make steel, on which our everyday lives depend. If something is not made of steel, it is made using it. Steel is also integral to the energy transition, critical for energy generation technologies such as wind turbines, transmission infrastructure and usage, and end-user products such as electric vehicles.

However, traditional steel production is emissions-intensive. Legislation and environmentally conscious end-users are facing a shift to lower and zero carbon steel. Consequently, steel producers will be forced to transition to lower and zero carbon feedstocks and production methods.

US$1.7T

Value of iron ore-steel value chain in 2022

+200MT green steel

Forecast global lower and zero carbon steel demand growth by 2030

30%

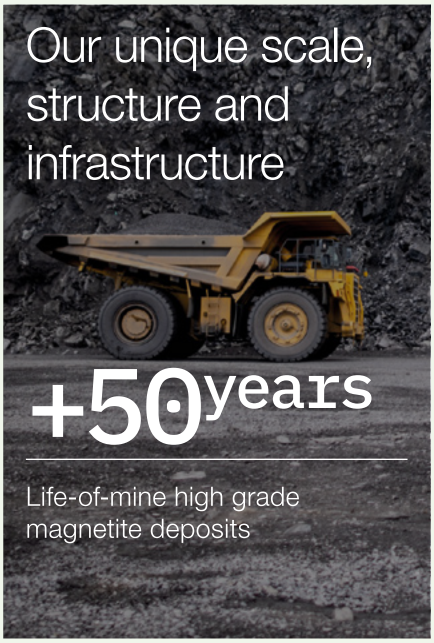
Forecast growth in demand for steel by 2050

80MT DR pellets

Forecast global demand growth for DR pellets by 2030, over one third of which in Europe

Why are we well positioned for the future?

Ferrexpo is already a leading supplier of premium iron ore pellets and Direct Reduction Iron ("DR") pellets, the products needed to transition to lower carbon steel. When used in an electric arc furnace ("EAF"), our DR pellets are proven to improve productivity and lower-carbon emissions by over a third compared to the traditional sinter and coal process.



As the only publicly listed, vertically integrated iron ore pellet producer and supplier of its size in Europe, Ferrexpo is uniquely positioned. The established scale of our assets, and the infrastructure, technology and skills that we have invested in over decades are difficult to replicate.

Before the war, Ferrexpo was the world's third-largest exporter of iron ore pellets. We have committed to decarbonisation and Net Zero by 2050. Our safety performance is industry leading. We are a significant contributor to the local communities where we operate, and the Ukrainian economy.

100MTPA

Forecast DR grade pellet deficit by 2031 as pellets outpace traditional concentrates

Large scale

Mines and pellet lines ensure variable and flexible production

50% reduction

2050 net-zero pathway, targeting 50% reduction in Scope 1 and 2 by 2030

Pellet efficiency

DR pellets command premium prices due to their efficiency in lower carbon steel making

Owned logistics infrastructure

Providing multiple export routes to a global customer base

US$25M

Funding for more than 100 humanitarian projects and initiatives

Strategic direction

Strategic goal	Goals
01 High quality production	Focus on higher grade premium iron ore products needed to enable the transition to lower-carbon steel.
02 Focus on sustainability	Through sustainable, ethical partnerships, realise value for all stakeholders. Prioritising support for Ukraine during a time of war.
03 Low cost operations	Conserve the integrity of our assets, and continue investing to maintain competitive cost of production.
04 World class customer network	Working in partnership with our customers to improve efficiencies and decarbonise steel production.
05 Disciplined capital allocation	Prudent capital framework that balances operational and societal demands during a time of war.

Achievements in 2023	Focus for 2024
– High grade focus with 100% of all pellet and concentrate production grading 65% Fe or higher. – Second pelletiser line restarted adding production capacity and flexibility. – Resilient performance in challenging conditions during a time of war.	– Continue to develop product portfolio. – Continue to invest in high grade and lower carbon forms of iron ore. – Completion of press filtration technology to improve product quality and cost efficiencies.
– Improved safety performance with an LTIFR of 0.32 below the five-year trailing average of 0.69. – Zero fatalities for the third consecutive year. – Completion of a double materiality exercise. – Completion of a life cycle assessment for DR pellets. – Ongoing activities funded by Ferrexpo Humanitarian Fund. – Lowering of Scope 1 and 2 emissions by 2% per unit of production basis.	– Continue strong safety performance. – Respond to the needs of our workforce and local communities during a time of war. – Undertake a further life cycle assessment for blast furnace pellets to better understand environmental impact of other portfolio products. – Use the findings in the double materiality work to enhance our annual Responsible Business Report. – Publish a Climate Report that complies with latest regulations.
– C1 costs fell by 8% to US$76.5 per tonne due to devaluation of Ukrainian hvyrnia, lower gas prices and cost saving initiatives.	– Ensure that operations can continue to be flexible and adapt to customers' needs. – Balance supply risks for key consumables with effective cost control. – Continue to implement cost-saving initiatives across the Group's operations.
– The Group maintained contact with its global customer base through its sales teams in Europe, the MENA region and Asia. – Focus on accessible logistics resulted in 81% of sales to European customers, with the balance of sales to MENA customers. – Agreements signed with European customers to explore longer-term cooperation to decarbonise the steel value chain.	– Continue to analyse safe and cost effective solutions for seaborne markets, including Ukrainian Black Sea ports. – Continue to liaise with customers and suppliers on decarbonisation efforts, to develop future sales in DR pellets in electric arc furnaces.
– Balance sheet strength with net cash position increasing marginally to US$108 million. – Ongoing capital investment, totalling US$101 million for the year, including sustaining and modernisation capital expenditure.	– Ensure that the needs of all stakeholders are met and balanced through a measured approach to capital investment and balance sheet maintenance.

Key Performance Indicators ("KPIs")

Measuring our performance

Financial KPIs

Underlying EBITDA

US$130M

2023	**US$130M**
2022	US$765M
2021	US$1,439M
2020	US$859M
2019	US$586M

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

Underlying EBITDA is an Alternative Performance Measure – please see page 236 for more details.

The Group calculates the underlying EBITDA as profit before tax and finance plus depreciation and amortisation, adjusted for net gains and losses from disposal of investments property, plant and equipment, effects from share-based payments, write-offs and impairment losses and exceptional items.

The remuneration packages of the Group's executive management team include references to Underlying EBITDA. See page 143 for more details.

2023 performance

Underlying EBITDA in 2023 fell 83% to US$130 million, mainly due to lower production, sales volumes, realised prices and pellet premiums, partially offset by an 8% decrease in C1 costs.

Underlying EBITDA also includes operating foreign exchange gains of US$31 million in 2023 compared to US$339 million in 2022. These foreign exchange differences are predominantly dependent on the fluctuation of the exchange rate of the Ukrainian hryvnia against the US dollar.

2024 outlook

The future performance of the Group is largely dependent on the ongoing war situation in Ukraine and the levels of achievable sales due to logistics restrictions.

(Loss)/Profit after tax

-US$85M

2023	**-US$85M**
2022	US$220M
2021	US$871M
2020	US$635M
2019	US$403M

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

In addition to Alternative Performance Measures, Ferrexpo considers the IFRS results of the Group to be an important measurement of profitability. Loss after tax is reported in the Group's Consolidated Income Statement on page 171. Loss after tax is the earnings of a business after all income taxes have been deducted.

2023 performance

For the financial year the Group reported a loss of US$85 million, due to provisions for ongoing legal proceedings and disputes in Ukraine totalling US$128 million as at 31 December 2023. Without the effect from these provisions, the result for the financial year 2023 would have been a profit of US$46 million, compared to US$220 million in 2022.

2024 outlook

Like other factors, the Group's outlook for the year ahead is heavily dependent on the war situation.

In addition to the factors discussed in the Underlying EBITDA section, loss after tax also considers the tax impact on the Group and other factors such as interest and finance expenses. Given that Ferrexpo remains in a net cash position, with no debt, these are currently not material in the Group's overall financial performance.

In light of the Group's net cash position and operations being based in Ukraine, the Group does not expect to take on any new material debt facilities in 2024, but remains in contact with a number of potential capital providers.

Net cash flow from operating activities

US$101M

2023	**US$101M**
2022	US$301M
2021	US$1,093M
2020	US$687M
2019	US$473M

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

Net cash flow from operating activities represents the cash flow generating ability of the Group, and measures the funding a company generates from ongoing, regular business activities, such as production and sales. It is reported in the Group's Consolidated Statement of Cash Flows on page 174. It also indicates the level of cash flow available for investments, returns to shareholders and debt reduction.

2023 performance

The net cash flow from operating activities for the year was US$101 million, and was considered by the Group in its capital allocation framework, including capital expenditure, shareholder returns, and exceptional bail payments for managers of one of the Group's subsidiaries.

Despite the lower cash flow generation, the Group maintained a closing balance of cash and cash equivalents at US$115 million as of 31 December 2023 (2022: US$113).

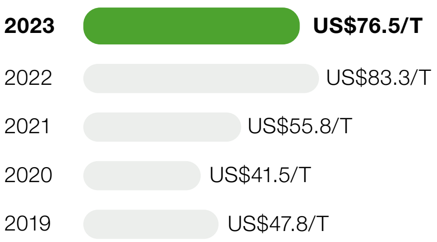
2024 outlook

The Group's financial performance, including net cash flow from operating activities, is dependent on the ongoing war, with a wide range of potential outcomes.

The Group continues to focus on high grade, high quality forms of higher margin iron ore, which the Group expects will allow it to remain competitive throughout the commodities cycle.

C1 cash cost of production

US$76.5/T



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

C1 cash cost of production[A] (“C1 costs”) is an Alternative Performance Measure – please see page 236 for more details.

The C1 cash cost of production is the cost of production processes to the factory gate, divided by production to derive a cost per tonne figure. This is an industry standard measurement and can be used to assess the relative competitiveness.

The remuneration packages of the Group’s executive management team include references to the Group’s C1 cash cost of production. Please see page 143 for more.

2023 performance

C1 costs per tonne depends on production volumes due to large fixed overheads. The average C1 costs for 2023 fell 8% to US$76.50 per tonne, mainly due to devaluation of the local currency in the second half of 2022, the positive net effect of lower gas prices and higher electricity and cost saving initiatives, partially offset by the negative effects of fixed cost absorption from operating below capacity.

2024 outlook

The war in Ukraine affects a range of production outcomes. Should risks and restrictions ease in the coming year, the Group would expect its C1 cash costs to reduce, as the Group would benefit from economies of scale through operating at an increased capacity.

WE ARE DETERMINED

Mykola Stakhiv, Head of the Corporate Museum, FPM

The Ferrexpo museum in Horishni Plavni is a place of cultural pride for the local community. Managed by Mykola, the museum collection covers the history of the local region and Ferrexpo. It is also an important learning institution through its affiliations with local schools.

What is the biggest impact the war has had on your job?
With the beginning of a full-scale invasion, the opportunities to update exhibitions, accept excursions, and implement museum projects were significantly limited.

What has the war taught you about how you do your job?
Since the start of the war in 2014 and through the COVID pandemic, we have learned to work under restrictions and with extreme conditions. Although on a smaller scale, we continued to conduct excursions and exhibitions, working with more archival materials. We have also been cooperating with Ferrexpo employees serving in the armed forces to accession documents, photos, and items from the war as evidence of Russian aggression.

What do you look forward to most about your job when the war ends?
In the future we hope to create a museum website and digital archive so that we can widen our audiences. There are lots of opportunities for new exhibitions. I believe that preserving history is important. It is important for the development of Ferrexpo and the corporate spirit of its employees.

Key Performance Indicators ("KPIs") continued

Non-financial KPIs

Lost-time injury frequency rate ("LTIFR")

0.32 LTIFR

2023	**0.32**
2022	0.51
2021	0.41
2020	0.79
2019	0.58

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

Safety is the Group's highest priority.

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

The remuneration packages of the Group's executive management team include references to the Group's LTIFR. Please see page 143 for more details of the Group's incentive programme.

2023 performance

The Group's LTIFR has remained at a relatively low level for approximately five years, falling from an average of 1.18 (2016–2018) to an average of 0.32 for 2023, ahead of the Group's historical five-year trailing average of 0.69.

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

2024 outlook

The Group has maintained a low level of injuries and injury incidents in recent years. The Group aims to continue this progress, through targeting zero lost-time injuries.

In 2022, Ferrexpo introduced a 'Zero Harm' policy that aims to ensure all workers return home safely from every shift. Please see page 34 for more on our approach to health and safety.

Diversity in management roles

22.3% female

2023	**22.3%**
2022	20.9%
2021	20.1%
2020	18.2%
2019	17.5%

Link to strategy: 1, 2, 3, and 5.

Ferrexpo has initiatives to promote diversity in many forms – including based on gender, disability, sexual orientation and cultural diversity.

Gender diversity is measured in a number of ways, including total workforce and female representation in management positions. The Group prefers to focus on female representation in management roles as it is a reflection of women progressing their careers at Ferrexpo.

The remuneration packages of the Group's executive management team, include references to the Group's workforce diversity. Please see page 143 for more details.

2023 performance

Female representation in managerial positions increased to 22% in 2023 following a multi-year trend from 18% in 2019. The Group target is 25% by 2030.

2024 outlook

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

Please see page 60 for more on our approach to diversity in our workforce.

Greenhouse gas emissions

89kg/t

2023	**89kg/t**
2022	91kg/t
2021	92kg/t
2020	110kg/t
2019	132kg/t

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

The Group understands the importance of climate change and we report emissions of greenhouse gases (Scope 1, 2 and 3) to track decarbonisation efforts. Due to the war in Ukraine, we consider emissions per tonne, not absolute emissions, as the most representative performance measure.

The remuneration packages of the Group's executive management team, include references to the Group's greenhouse gas emissions. Please see page 143 for more.

2023 performance

Scope 1 and 2 emissions per tonne fell 2% in 2023, reflecting a reduction in the ancillary activities due to lower production and more electricity being sourced from cleaner sources including hydro and nuclear power.

However, no DR pellets were produced in 2023, consequently, Scope 3 emissions on a unit basis increased to 1.33 tCO_2/t of pellet production from 1.24 tCO_2/t in 2022. Absolute Scope 3 emissions nevertheless decreased 25% year-on-year due to the overall lower production.

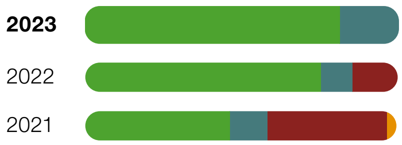
2024 outlook

The Group aims to continue its decarbonisation pathway, although a protracted war may require some revisions to its targets in future. The current targets are a 50% reduction in Scope 1 and 2 emissions by 2030.

Due to the war in Ukraine, it is difficult to estimate short-term outcomes in emissions reduction, but we remain focused on our goal to decarbonise.

Sales volume by region

81% to Europe



Region	2023	2022	2021
Europe	3,397	4,655	5,268
MENA	777	611	1,402
Asia	0	917	4,290
Other	0	0	389

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

Sales during 2023 have been restricted due to limited access to Ukrainian Black Sea ports, and therefore focused on premium European customers accessible by rail.

Located in Europe, Ferrexpo is closer to European and MENA customers, whilst still competitive with global peers to Asian markets. This was demonstrated during the Covid-19 pandemic when we successfully pivoted sales towards China, increasing our total sales to this market to over 50%.

2023 performance

In 2023, over three quarters of all sales were to European customers. During this period, we were able to strengthen our relationships with these customers and commitments to jointly improve efficiencies and decarbonise together. Transporting by rail, inland waterways and sea, provided multiple logistics channels to reach European customers. The remaining 19% of sales were in the MENA region.

A total of over 100,000 tonnes of DR pellets were sold from stocks during the year.

2024 outlook

Towards the end of 2023, there were examples of others exporting via Ukrainian Black Sea ports. Ferrexpo plans to resume exporting via this route and start up an additional pellet line depending on the ability to export consistent and sufficient volumes in a safe and cost effective manner whenever possible.

WE ARE DETERMINED

Nataliya Orekhova, Canteen Manager, FYM

Across our operations there are various kitchens and canteens that serve food for our workforce and visitors. Nataliya joined Ferrexpo in July 2012 as a chef, and since 2016 has been valued as the Canteen Manager at the Yeristova operation.

As the war progresses, what has changed in how you undertake your work?
I've always associated my work with pleasure, from the positive emotions of delicious food. After February 24, 2022, everything changed, and at work too. The preparation of food for banquets turned into cooking for internally displaced people. And the leisure time I used to enjoy during peace time turned to support for children and adults who lived in temporary accommodation.

What is the biggest impact the war has had on your job?
The war taught me to work even when it is difficult emotionally and physically. I go to work because people need me, because they need a hot meal and a friendly face to ask them: "How are you doing?"

When the war finishes, what will be different for your work?
The war has already changed my job, I now realise more than ever how important it is. When the war ends there will be more pleasant reasons to get together, without the joyful moments being interrupted by air raids.

Operational Review

During 2023, the Group maintained production, operating two mines and up to two of four pelletiser lines, achieving production of 4.2 million tonnes.

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

As a large scale premium iron ore pellet and concentrate exporter, access to logistics is critical. Due to the ongoing war in Ukraine, our activities in 2023 reduced according to available export logistics. Attacks on Ukraine's electricity energy and transport infrastructure also continued, at times limiting our ability to import supplies, and produce and export our products.

Health and safety

2023 was the third consecutive year that we have reported zero fatalities at our operations. For the year, the Group reported a rolling 12-month LTIFR of 0.32, below the historic five-year trailing average of 0.69.

Reserves and resources

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

Across the Group's three active mines, JORC-compliant Ore Reserves are estimated to be 1,615 million tonnes of iron ore, with an iron ("Fe") content of 32% Fe (2022: 1,627 million tonnes grading 32% Fe).

The JORC-compliant Mineral Resource estimate across our three mines is 5,737 million tonnes of iron ore, with an iron ("Fe") content of 32% Fe (2022: 5,749 million tonnes grading 32% Fe), which is inclusive of Ore Reserves.

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

A table detailing the Group's JORC-compliant Ore Reserves and Mineral Resources as at 1 January 2024 is detailed on page 21.

Mining activities

Throughout the year, we continued to scale our mining operations according to the processing plant ore requirements, determined by logistics availability. Mining activities focused on the Poltava and Yeristovo Mines, with volumes totalling 36 million tonnes (2022: 55 million tonnes). Different sections of the pits were mined depending on the concentrate and pellet quality required by individual customers.

Processing activities

Reflecting reduced logistics availability, processing volumes decreased by 33% during 2023 to 12 million tonnes (2022: 17 million tonnes).

In 2022, the Group produced 353,000 tonnes of DR pellets, equivalent to 6% of total output. No DR pellets were produced in 2023, however, sales of 100,000 tonnes from stocks were achieved. Nevertheless, during this challenging time for the country, the work on DR pellets continues, in particular, we are improving our pellet production technology by finding a technical solution for the coating of our pellets. This was made possible through the initiative of internal experts united by a common goal to enhance the quality of final products. A temporary solution for coating of FDP pellets has already been implemented at Pellet Lines 1 & 2. Now we are elaborating a permanent solution for all four pelletising lines to install the system that will coat FDP pellets with a mixture tailored to customer requirements. The development of design documentation is underway. Due to these projects, steel customers are expected to improve their technological manufacturing processes.

See our KPIs on **pages 14** →

Following Russian attacks on Ukraine's energy infrastructure during 4Q 2022, the Group was forced to temporarily cease production for several weeks. In preparation for similar attacks in 4Q 2023, throughout 2Q and 3Q 2023, the Group built stocks of finished pellets at its operations and at various staging points across its logistics network in Ukraine and overseas so that it would be able to continue supplying its customers. Fortunately, there were far fewer attacks in 4Q 2023, so the Group was able to reduce production and drawdown from it stocks to supply customers.

Growth programme

The Group's expansion and decarbonisation programmes remain longer-term objectives. The initial Wave 1 programme to add 3 million tonnes production capacity a year continues to be analysed for implementation after the war ends. Desktop work, including optimisation studies, is ongoing, however wherever possible investment has been deferred. Nevertheless, despite the ongoing war, various capital expenditure projects aimed at improving product quality and efficiencies advanced. For example, in July 2023 the Company installed and implemented the first stage of modern press filtration technology at the pellets workshop. This technology helps to strengthen finished pellets, whilst increasing productivity and reducing iron losses, which results in costs savings and a reduction in Scope 1 emissions.

Operational performance

(000't unless otherwise stated)	2023	2022	YoY change
Production			
Iron ore mined	12,112	18,837	(36%)
Strip ratio	2.0	1.9	3%
Iron ore processed	11,576	17,375	(33%)
Concentrate production	5,314	8,025	(34%)
Pellet production	3,845	6,053	(36%)
– Direct reduction pellets (67% Fe)	0	353	(100%)
– Premium blast furnace pellets (65% Fe)	3,845	5,700	(33%)
Commercial concentrate production	307	124	148%
Iron ore sales			
– Pellets	3,868	6,055	(36%)
– Concentrate	306	128	140%
– Total products sold	4,174	6,183	(32%)

Outlook

Logistics availability will continue to determine sales and production during 2024. The Group intends to continue the operation of two pelletiser lines. Depending on the availability to export through different Black Sea ports, the opportunity to expand production further with the restart of the third pelletiser line remains. This will be contingent on sufficient supply of consumables, a balanced and skilled workforce, and logistics capacity.

During the first phase of the war in 2022, the Group responded quickly to protect its employees and protect the integrity of its assets. During 2023, the Group has become more agile and flexible, and was able to deliver to its closest customers.

Whilst the Group cannot with any certainty offer production and cost guidance for 2024, there are some opportunities to enhance efficiencies, production and sales.

Operational Review continued

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")	301	33	26	818	31	23	1,119	32	24
Yerystivske	208	30	25	288	33	26	496	32	26
Total	**509**	**32**	**26**	**1,106**	**32**	**24**	**1,615**	**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")	467	35	29	1,616	30	22	744	32	24	2,827	31	24
Yerystivske	257	35	29	569	34	27	382	33	27	1,208	34	27
Bilanivske	336	31	24	1,149	31	23	217	30	21	1,702	31	23
Total	**1,060**	**34**	**27**	**3,334**	**31**	**23**	**1,343**	**32**	**24**	**5,737**	**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 2024. The Group previously reported a resource estimate of 326Mt for the Galeschynske deposit.

WE ARE DETERMINED

Nataliia Mozghova,

Head of the Department of Equipment, Raw Materials and Materials Procurement Strategy, FPM

Nataliia has worked at Ferrexpo for 24 years. She joined as an economist and ten years later established the procurement service where she is now the department head.

How has the war most affected your work?
We have always taken our responsibilities seriously and worked hard to ensure the best prices and quality of goods and services for our enterprises in Ukraine. Before the full-scale invasion, we had developed procurement strategies for most of the goods and services, which allowed us to sign long-term contracts with suppliers based on formula pricing. We had a predictable, stable, and wide base of reliable suppliers. Logistics was not a problem – we could purchase for deliveries through ports, railways, and any other means beneficial for the company. With the onset of the war, many suppliers lost their businesses due to occupation and the destruction of their operations. Logistics paths were interrupted, and ports closed. Some of the foreign and Ukrainian enterprises we worked with fell under sanctions, and many suppliers initially refused to deliver products due to the dangers and a refusal to cooperate on formula pricing. This forced us to work on monthly contracts which significantly increasing our administrative burden. However, despite all the challenges, we made every effort to continue supplying our enterprise with everything needed in a timely manner. I am proud that we have been able to successfully maintain a stable procurement process.

What has the war taught you in procurement work?
The war taught us flexibility. We became more responsive to change, developed an understanding, and significantly improved our patience skills when urgent purchases were needed for different divisions of Ferrexpo. During the war, the procurement teams at Ferrexpo reorganized into a single and united team. Despite the somewhat different approaches in procurement policies we had before the war, we are glad that we now work as a unified team with well-coordinated systems.

How will the end of the war affect your work?
Our great hope is that we can work with more stability after the war – these are the main changes we look forward to. We have come to understand that we are capable of a lot if we work as a united team. We will continue to look for the best suppliers, continue negotiations, and continue to provide the best service we can for our colleagues.

Market Review

Stronger than forecast iron ore prices supported reduced sales volumes.

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

Benchmark iron ore prices gained 15% over the year and ended 2023 at an 18-month high. Pellet premiums, however, remained weak throughout much of the year, improving only in the last few months, which bodes well for the year ahead.

Ferrexpo produces premium iron ore pellets with a minimum 65% Fe content, which are priced off quoted market benchmarks, and include a pellet premium that takes into account quality specifications.

The 65% Fe iron ore fines price opened the year at US$131 per tonne. As China emerged from strict pandemic related restrictions and in anticipation of stocking ahead of the peak Chinese construction season, prices rose to a peak US$149 per tonne in 1Q 2023.

Actual demand, however, did not meet expectations, and consequently prices fell in 2Q 2023 to a low of US$110 per tonne.

Uncertainty prevailed through the remainder of 2Q and into 3Q 2023 as the market responded to short-term macro-economic and construction industry signals. This resulted in volatile prices, oscillating between US$110 and US$135 per tonne.

A clearer and more positive picture emerged in 4Q 2023 as China asserted its pursuit of accelerated economic growth dependent on steel-intensive sectors. At this time, market supply was tight with inventories at historically low levels. Therefore, a strong rally in prices ensued in 4Q 2023, increasing over 20% from October 2023 to end the year just shy of US$150 per tonne.

The price of iron ore is very dependent on China. In 2024, government policy supporting industrial sectors has stimulated demand for steel. However, certain risks remain. The margins for manufacturing steel are still low, due to weak demand for rebar, used in construction.

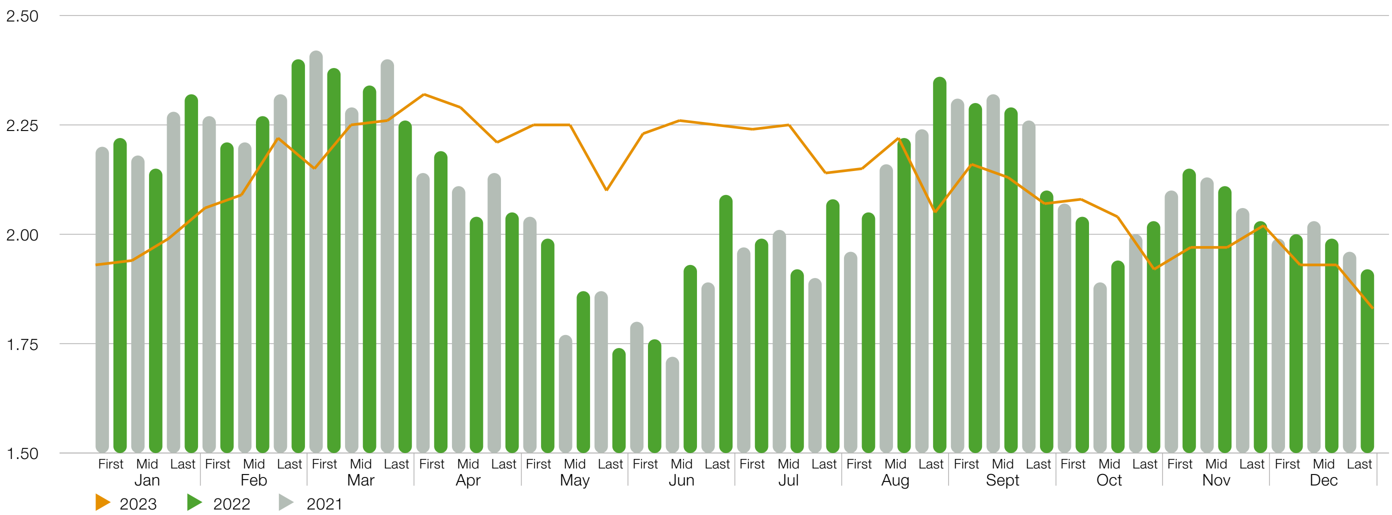
However, market commentators are forecasting flat supply for 2024, with limited growth from the largest producers, Australia and Brazil.

Customer sales in 2023

4.2MT

During the first full year of war, the Group achieved sales of 4.2 million tonnes. With no access to the Ukrainian Black Sea ports, exports were constrained to the availability of rail capacity for exports direct to Europe and alternative Black Sea ports.

Chart: CISA daily crude steel production (Mt)



High grade premiums

The premium for higher grade 65% Fe iron ore fines contracted by a third in 2023 to US$12 per tonne. This is typical when there is weakness in the steel market as producers prefer lower cost iron ore grades to preserve their margins. However, premiums improved marginally during December 2023 due to disruptions to global supply. Longer term, as steel production is forced to decarbonise, it is expected that margins should widen further because higher grade ores generate less emissions in steel making.

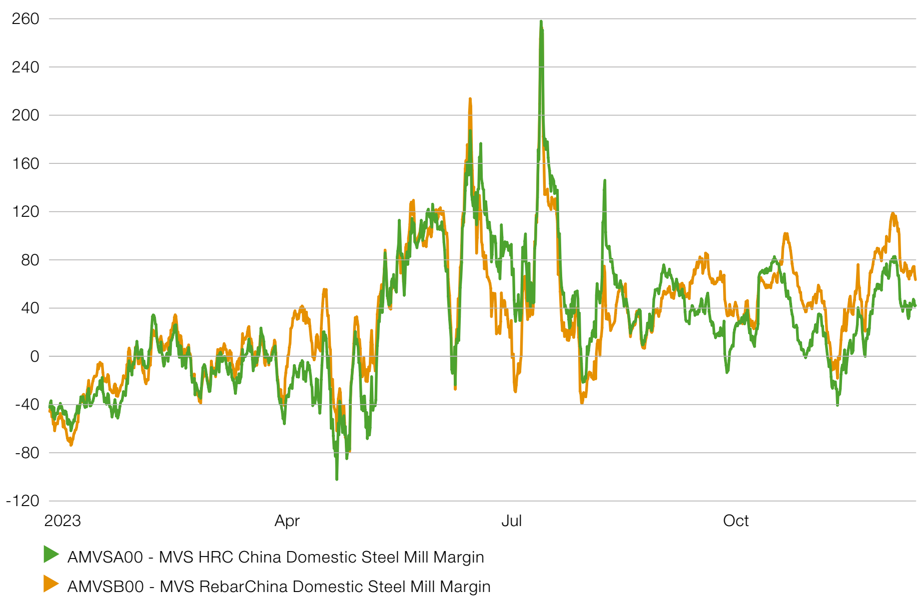
Iron ore pellet market review & outlook

Iron ore pellets are preferred by steelmakers because they can increase productivity and lower emissions. This is mainly because with pellets, there is no need for a coal intensive process in steel making called sintering.

In 2023, the iron ore pellet market experienced some volatility, though remained robust. Overall pellet supply globally grew by 1%[1]. Brazilian producers recommissioned capacity that was idled following tailings disasters. The increase in exports from Brazil offset supply disruptions from Ukraine and Russia. Because of Chinese steel production margins, there was less incentive to consume pellets and, consequently, pellet premiums deteriorated throughout the year.

Chart: Iron ore prices (2023)

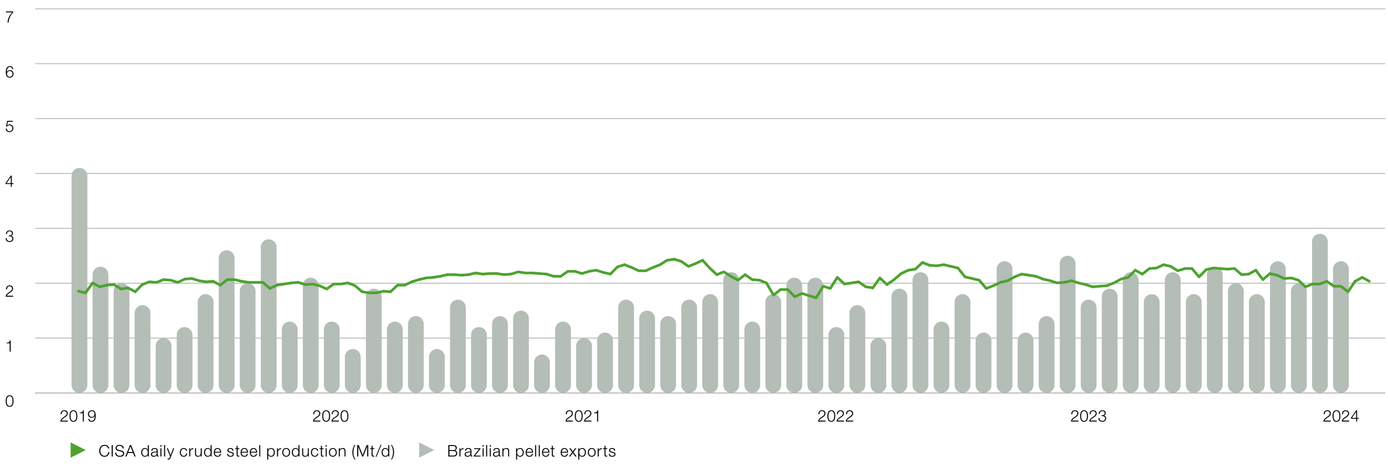
Chart: Chinese domestic steel margins (2023)



1. Source: CRU

Market Review continued

Chart: Monthly Brazilian pellet exports (Mt)



Looking ahead to 2024, the recovery of iron ore prices due to the Chinese government supporting economic growth, a recovery in European demand, and ongoing supply constraints, market commentators are forecasting an improvement in steel margins and, therefore, pellet demand.

By the end of 2023, several blast furnaces in the region had restarted, whilst a large European producer was forced to suspend exports due to infrastructure constraints.

Therefore, in an improving pricing environment, an increase in demand for Ferrexpo's pellets is being observed.

Market development efforts

Ferrexpo has continued its market development efforts despite the ongoing war. In 2023, Memorandums of Understanding were signed with several premium steel makers in Europe and Asia for the supply of high grade direct reduction ("DR") pellets to help them transition to lower carbon steel making.

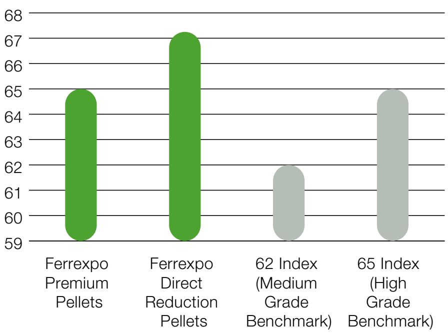
DR pellet demand growth is forecast to significantly outpace traditional pellets and therefore one of our strategies is to focus on this premium product. We are collaborating with a variety of potential customers around the world to test our product suitability and tailor DR pellet specifications to suit each customer's technical requirements. These include reducing silica content (gangue elements), coating (to improve physical interaction in the DR module), and improving on pellet compression strength.

Summary of industry key statistics

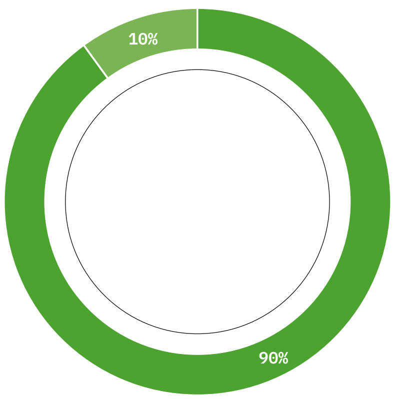
(All figures US$/tonne, unless stated otherwise)	2023	2022	YoY change
Iron ore fines price (62% Fe, CFR China)[1]	120	120	–
Iron ore fines price (65% Fe, CFR China)[1]	132	139	(5%)
Average 65% Fe spread over 62% Fe[1]	12	19	(34%)
Atlantic (blast furnace) pellet premium[1]	45	72	(38%)
Direct reduction pellet premium[1]	57	87	(34%)
C3 freight (Brazil – China)[2]	21	24	(14%)
C2 freight (Brazil – Netherlands)[2]	10	13	(20%)
Global steel production (million tonnes)[3]	1,850	1,832	1%

1. Source: S&P Global Commodity Insights.
2. Source: Baltic Exchange.
3. Source: World Steel Association.

FE content %



Ferrexpo 2023 sales portfolio



Long term contracts	3.7mt
Other	0.4mt

Ferrexpo continues to sell the majority of its products under long-term contracts, which secures stable offtake volume for the Group and commands greater certainty of supply for customers.

WE ARE DETERMINED

Wallace Woo and Aly Mansour

Based in Ferrexpo's Dubai office, Wallace Woo is the Marketing Portfolio Optimisation Manager, specialising in commodity and freight markets and Aly Mansour is the Regional Marketing Manager for the Middle East.

What is the biggest impact the war has had on your job?
The war severely disrupted supply chains so we had to move fast and establish alternative export channels by sea, road and rail to minimise any impact on our customers. This meant a lot of travel to ensure close cooperation with existing and new logistics partners. This collaboration remains vital because we want to maintain high standards of quality control.

What has the war taught you?
Frequent communication with our stakeholders, especially customers and shipping partners, was key. Even in an uncertain environment we want them to remain confident in Ferrexpo's ability to deliver in a stable manner. We learnt that through frequent and transparent dialogue, together we were able to generate creative solutions to overcome complex logistics problems due to the war.

When the war finishes, what will be different for you?
We look forward to helping Ferrexpo return to full capacity and, in particular, growing the huge potential for our high grade direct reduction pellets. We have the opportunity to become a leading partner in the decarbonisation of the steel value chain. We are actually already working closely with certain customers on commercial and technical initiatives. It is exciting to think how Ferrexpo will play a big role in green steel.

Financial Review

Cash positive operations during a time of war have allowed for continued controlled investment whilst maintaining a stable net cash position.

— **Nikolay Kladiev,**
Chief Financial Officer

Summary

The ongoing war in Ukraine continued to affect the Group's operational and financial performance in 2023. Taking into account logistics and energy limitations throughout 2023, production volumes were aligned with sales potential to manage the working capital and maintain a strong net cash position. The general market and price environment was favourable for iron ore products, whilst energy prices developed differently to 2022 (higher electricity price, and lower gas price), the Group's operating cash flow generation declined compared to the previous year, which included two months of sales prior to Russia's full-scale invasion.

Despite the ongoing war, we invested US$101 million into our assets in Ukraine in 2023 and were able to finish the year with a net cash position of US$108 million as at 31 December 2023.

Revenue

Group revenues declined by 48% to US$652 million in 2023 (2022: US$1,248 million), mainly due to restricted access to export routes. Consequently, sales volumes were 32% lower at 4.2 million tonnes in 2023 (2022: 6.2 million tonnes).

In addition to lower sales volumes, Group revenue in 2023 was affected by a 5% decline in the annual average benchmark iron ore price (65% Fe) and a 28% decline in the annual average pellet premium. On the positive side, lower rates for international freight improved the Group's net back realised prices for sales under the International Commercial Terms ("Incoterms") of FOB ("Free on Board"). However, due to lack of access to Ukrainian Black Sea ports, the Group's FOB sales were lower than in 2022, which included almost two months of access to the port of Pivdennyi before the war began. For more information on the market factors governing pricing of the Group's products, please see pages 80 to 85.

Since the beginning of the war, the Group's export routes have predominantly involved either the railing of products direct to European customers, or the railing of iron ore pellets to the Group's barging subsidiary on the River Danube for delivery to specific customers in Europe, or by barge to other non-Ukrainian Black Sea ports, for onward sale by ship. This incurs higher logistics costs and a longer cash conversion cycle. More detail is provided in the 'Market Review' section of this report.

C1 cash cost of production

Cost of sales in 2023 totalled US$362 million, compared to US$582 million in 2022. The decrease predominantly results from the lower pellet production volume, which decreased from 6.1 million tonnes in 2022 to 3.8 million tonnes (-38%). The Group's production volume is currently aligned to accessible logistics capacity to minimise the working capital outflow. The C1 cash cost of production ("C1 costs") reflects the Group's operating

Net cash position

US$108M

Stable net cash position in difficult and challenging environment (2022: US$106 million).

Net cash flows from operating activities

US$101M

Positive operating cash flow generation, although lower than previous year (2022: US$301 million), affected by the war.

costs for the production of iron ore pellets from its own ore, with a breakdown of the different cost components shown in the table below.

Additionally, there was a positive effect from the decrease of the Group's average C1 costs, decreasing to US$76.5 per tonne, compared to US$83.3 per tonne in 2022 (-8%). The C1 costs per tonne also depends on the Group's production volumes. The change in 2023 is predominantly driven by the effects of the significant devaluation of the local currency in the second half of 2022, the positive net effect of lower gas prices and higher electricity and additional cost saving initiatives, which were partially offset by the negative effects from the fixed cost absorption as the Group operated its assets below nameplate capacity.

The main C1 costs drivers are the price of electricity, natural gas and diesel in Ukraine being outside of the Group's control, which collectively represent 48% (2022: 49%) of the total cost base as presented in the table below.

Following a sharp increase in global energy prices during 2022, the average Brent price for oil in 2023 and the average price for natural gas decreased by 17% and 68% respectively in US dollar terms, compared to the 18% and 67% increases recorded in 2022. The average electricity price in Ukraine increased in 2023 by 12% in US dollar terms, peaking at US$112 per megawatt-hour ("MWh") in November 2023, compared to an average of US$83 per MWh in 2022.

Another important component of the Group's C1 costs that is outside of the Group's control are the royalties in Ukraine, which accrue and are paid based on a tiered system, which came into effect in January 2022. Based on this regime, royalties are calculated based on the benchmark index price for a medium-grade (62% Fe) iron ore fines price and computed based on the cost of different iron ore products. The rate varies between 3.5%, 5.0% and 10% depending on benchmark index price for 62% Fe. The total royalty expense totalled US$25 million in 2023, compared to US$41 million in 2022, mainly driven by the lower production volume, but also by the effect of lower index prices during some periods in 2023.

Group operating costs, denominated in Ukrainian hryvnia ("UAH"), account for approximately two thirds of the Group's C1 costs. Consequently, changes in hryvnia to dollar rates can have a significant impact on the Group's operating costs, including the C1 costs. The UAH depreciated in the last quarter of 2023 from 36.569 to 37.982 to the US dollar as of 31 December 2023, resulting in a significantly lower effect on the Group's C1 costs than in the previous year.

In line with previous years, the Group's C1 costs represent the cash cost of the production of iron pellets from own ore ('to the mine gate'), divided by production volume from own ore. This 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 (US dollars per tonne) is regarded as an Alternative Performance Measure ("APM").

Breakdown of C1 costs

C1 costs in 2023 were down by 8% in 2023 to US$76.5 per tonne, with this decrease principally related to the reduction in the unit cost of energy such as natural gas and fuel (principally diesel), partially offset by higher electricity costs in Ukraine. This change is demonstrated in the chart on the right, with energy-related costs comprising 48% of our C1 costs (2022: 49%).

The considerable reduction of the proportion for natural gas and sunflower husks, driven by a significant decrease of the prices for gas on the global markets, was offset by the increase of the proportion for the electricity, driven by higher prices in Ukraine. See section "C1 cash cost of production" for further information on price changes.

The increase of the proportion for materials and personnel is the net effect from the flat fixed component and the higher local inflation, partially offset by the effects from the devaluation of the local currency in Ukraine.

In light of the ongoing war in Ukraine resulting in lower production activities, the Group scaled further back on the maintenance and repair programme for its mining and processing equipment.

Selling and distribution costs

Total selling and distribution costs decreased to US$161 million in 2023 (2022: US$236 million), mainly reflecting lower sales via seaborne markets due to the unavailable Black Sea ports in Ukraine, but also due to the overall lower sales volume in 2023. As a result, CFR sales volume decreased to 168 thousand tonnes, compared to 1,218 thousand tonnes in 2022, reducing the international freight costs from these sales by US$51 million. However, international freight costs in 2023 were also affected by higher freight costs for the export of some of the Group's products through an alternative Black Sea ports, with some of the services provided by the Group's barging subsidiary First-DDSG.

Seaborne logistics routes are generally the lowest cost and most efficient way for delivering the Group's products to its customers. Since the full-scale invasion of Ukraine, the Group has established new logistics routes and relationships with alternative logistics providers and port operators. These routes rely heavily on rail, where capacity is restricted and demand is high from other industries, and also on river barges, which combined are more expensive. Although the situation generally

Underlying EBITDA margin

20%

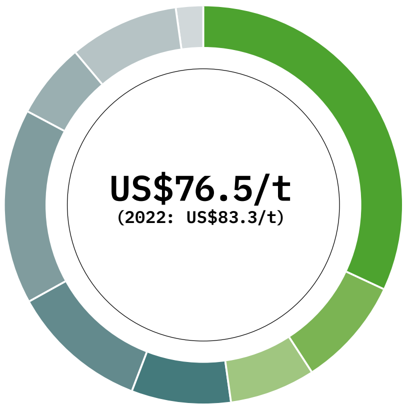
Underlying EBITDA margin remains positive (2022: 61% boosted also by significant foreign exchange gains in 2023).

Capital investment

US$101M

Continued unavoidable investments in 2023, aligned to lower cash flow generation (2022: US$161 million).

Breakdown of C1 costs in 2023



Electricity	32%
Natural gas and sunflower husks	9%
Fuel (including diesel)	7%
Materials	8%
Personnel	11%
Maintenance and repairs	16%
Grinding media	6%
Royalties	9%
Explosives	2%

The numbers above are rounded to full decimals.

Financial Review continued

improved in 2023 compared to 2022, the Ukrainian rail network continues to be under pressure to handle goods otherwise exported via Ukraine's Black Sea ports. This is further exacerbated by the long journey time through Ukraine's western borders. Whilst improving, the journey time is still slightly longer than before the war, resulting in a negative impact on the Group's cash conversion cycle.

Applicable rail tariffs remained unchanged in 2023, after a 70% increase in July 2022 for 20 types of cargo – even when using the Group's own rail wagons. The effect from the higher tariffs was however partially offset in US dollar terms due to the significant depreciation of the local currency in July 2022.

General and administrative expenses

General, administrative and other expenses in 2023 remained stable at US$64 million compared to 2022. Positive impacts from effective cost management and savings have, however, been offset by higher legal costs relating to Group's ongoing legal disputes. See Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements for further information on the ongoing legal challenges and disputes of the Group in Ukraine.

Other operating expenses

Other operating expenses decreased from US$310 million in 2022 to US$29 million in 2023, predominantly due to a non-cash impairment loss of US$254 million recorded in the first half of 2022 on the Group's non-current operating assets, including property, plant and equipment, goodwill and intangible assets, and other non-current assets. The recorded impairment loss in 2022 resulted from the Group's lower cash flow generation and higher war-related discount rate. The Group's non-current operating assets have been tested again for impairment as at 31 December 2023 based on the Group's latest long-term model. The impairment test performed did not result in an additional impairment loss or a partial or full reversal of the recorded impairment loss.

Ukrainian hryvnia vs. US dollar[2]

UAH per USD	
Spot 15.04.24	39.399
Opening rate 01.01.23	36.568
Closing rate 31.12.23	37.982
Average 2023	36.574
Average 2022	32.342

Key Financial Performance Indicators

US$ million (unless stated otherwise)	2023	2022	YoY change
Total pellet production (kt)	3,845	6,053	(36%)
Sales volumes (kt)	4,174	6,183	(32%)
Iron ore price (65% Fe Index, US$/t)[1]	132	139	(5%)
Revenue	652	1,248	(48%)
C1 cash cost of production (US$/t)	76.5	83.3	(8%)
Underlying EBITDA[A]	130	765	(83%)
Underlying EBITDA[A] margin	20%	61%	(41pp)
Debt servicing	0	42	(100%)
Capital investment[A]	101	161	(37%)
Closing net cash	108	106	2%

Currency

Ferrexpo prepares its accounts in US dollars. The functional currency of the Group's operations in Ukraine is the Ukrainian hryvnia, as approximately two thirds of the Group's operating costs are historically denominated in local currency.

As a result of the significant balance in foreign currencies currently held by the NBU, the local currency remained relatively stable until the end of 2023, compared to a depreciation of the Ukrainian hryvnia by 34% during the financial year 2022. The Ukrainian hryvnia remained unchanged at 36.568 to the US dollar from 21 July 2022 to 3 October 2023, when the National Bank of Ukraine ("NBU") lifted the peg in place since the devaluation of the local currency from 29.255 to 36.568 (34%). With a continuation of Martial Law during 2023, the NBU has maintained significant currency and capital controls in Ukraine. These measures limit the possibility to convert balances in local currency into US dollars, and the ability to transfer US dollars between onshore and offshore accounts of the Group. See Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements for further information.

Operating and non-operating foreign exchange gains/losses

Given that the functional currency of the Ukrainian subsidiaries is the hryvnia, a depreciation of the hryvnia against the US dollar results in a foreign exchange gains on the Group's Ukrainian subsidiaries' US dollar denominated receivable balances from the sale of pellets. The operating foreign exchange gains were US$31 million in 2023 compared to a gain of US$339 million in 2022, when the hryvnia depreciated by 34%.

As for the operating foreign exchange gains, the non-operating foreign exchange losses are mainly due to the depreciation of the hryvnia against the US dollar. The non-operating foreign exchange lossed decreased from US$63 million in 2022 to US$8 million in 2023 and is primarily related to the translation of US dollar denominated loan payable balances of the Group's Ukrainian subsidiaries.

For further information on the operating foreign exchange gains and the non-operating foreign exchange losses, please see Note 9 Foreign exchange gains and losses to the Consolidated Financial Statements.

Underlying EBITDA

Despite the loss for the year, underlying EBITDA remained positive in 2023, but decreased by 83% to US$130 million, mainly due to lower operational performance as a result of the war and lower operating foreign exchange gains in 2023 compared to 2022. The effect of US$131 million of provisions recognised as at 31 December 2023 for ongoing legal disputes is considered as an exceptional item and is therefore excluded from the Group's underlying EBITDA. In agreement with the Group's definition of the underlying EBITDA (see page 236 in the Alternative Performance Measures "APMs" section), the Group's underlying EBITDA includes operating foreign exchange gains of US$31 million in 2023 compared to US$339 million in 2022. These foreign exchange differences are predominantly dependent on the fluctuation of the exchange rate of the Ukrainian hryvnia against the US dollar.

Additionally, the decrease of the underlying EBITDA is also affected by a decrease of the sales volumes by 32% and realised prices by 21%, driven by lower benchmark iron ore fines price and pellet premiums in 2023, partially offset by an 8% decrease in C1 costs.

Net finance expense

The Group's finance expenses remained stable at US$5 million compared to US$4 million in 2022. The vast majority of the expense is related to the calculated interest on the Group's pension scheme, without any cash outflow effects, and to bank charges. With the

1. Source: S&P Global Commodity Insights.
2. Source: National Bank of Ukraine.

exception of lease liabilities, the Group does not have any outstanding interest-bearing loans and borrowings, therefore there are no interest expenses incurred on finance facilities.

At the same time, interest income increased five-fold to US$5 million compared to US$1 million in 2022 as the Group invested the available funds in deposits due to the rise in interest rates on the global financial markets.

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

Income tax

In 2023, the Group's income tax expense was US$16 million (2022: US$119 million). The effective tax rate for 2023 was 26.1% (2022: 35%). The effective tax rate for the financial year 2023 was affected by effects from the recognition of provisions for legal disputes in Ukraine totalling US$131 million, which are not tax deductible and an additional allowance of US$10 million on deferred tax assets recognised by the Group's two major subsidiaries in Ukraine. For further information see Note 30 Commitments, contingencies and legal disputes and Note 11 Taxation. The effective tax rate in the comparative year was predominantly driven by an impairment loss of US$254 million on the Group's non-current operating assets, which is not tax deductible in Ukraine.

In 2023, the income tax paid by the Group totalled US$13 million (2022: US$110 million), of which US$12 million was paid in Ukraine (2022: US$91 million). The income tax paid includes withholding tax considered as income tax paid.

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

Items excluded from underlying earnings

The underlying EBITDA in the comparative year was adjusted by the impairment loss of US$254 million recorded in 2022 as a result of a reduction in the carrying value of the Group's assets in Ukraine due to the war. The impairment test performed as of 31 December 2023 did not result in an additional impairment loss or a partial or full reversal of the recorded impairment loss. See Note 13 Plant, property and equipment to the Consolidated Financial Statements for more information.

As announced on 29 January 2024, following subsequent and unexpected events in Ukraine in relation to a claim against one of the Group's Ukrainian subsidiaries, the Group recorded a provision for legal disputes in the amount of US$124 million (UAH4,727 million). The provision is in respect of a contested sureties claim lost in a court of appeal in Ukraine. The Group's subsidiary in Ukraine filed a cassation appeal to the Supreme Court of Ukraine and

WE ARE DETERMINED

Volodymyr Plotnikov and Iryna Mokhtan

The Project Management Office Reporting Team are part of the finance function based at FPM. Their work is broad, involved in all aspects of financial and ESG reporting and modelling. Managed by Volodymyr and supported by Irina, their work supports all the functions of the business across all our offices worldwide.

How has the war changed how you perform your work?
On the one hand the war has reduced our productive working hours due to interruptions from air raids. On the other hand, our work load has increased as we are required to prepare more calculations more frequently, to model changing scenarios. To an extent, this has helped to shift the focus from the negative news and adapt to the new working conditions, but also to increase personal productivity.

What is the biggest impact the war has had on your jobs?
The war has reduced our ability to plan with as much confidence as we used to. Nevertheless, we realise the importance of our work and how it contributes to the sustainability of the Company in the current circumstances. So we continue working without losing optimism.

What do you look forward to most about your job when the war ends?
During the war we've acquired new knowledge and skills and learnt to be more resourceful, all of which have enhanced our performance. We look forward to applying what we have learnt to post-war scenarios as Ferrexpo regains leadership in the industrial sector and contributes to Ukraine's recovery.

Financial Review continued

the first hearing scheduled for 20 March 2024 did not take place as the presiding judge recused himself. Following the appointment of a new panel of judges, on 1 April 2024 the Supreme Court suspended the possible enforcement of the decision of the court of appeal. A Supreme Court hearing on 17 April 2024 considered primarily procedural matters and the next court hearing is scheduled for 27 May 2024. Further to that, the Group also recognised a provision in the amount of US$4 million (UAH136 million) following a negative decision from a court of appeal in respect of a claim made by two former minority shareholders of one of the Group's major subsidiaries in Ukraine. The effect of the total provisions recognised as at 31 December 2023 in the amount of US$131 million for the above-mentioned legal disputes is considered as an exceptional item and is therefore excluded from the Group's underlying EBITDA.

For further information see Note 30 Commitments, contingencies and legal disputes.

Loss for the year

The Group's result for the financial year 2023 is a loss of US$85 million, mainly resulting from the recognition of provisions for ongoing legal proceedings and disputes in Ukraine totalling US$131 million as at 31 December 2023. Without the effect from these provisions, the result for the financial year 2023 would have been a profit of US$46 million, compared to US$220 million in 2022, reflecting a 82% decrease in the Group's operating profit as a result of the ongoing war, as well as significantly lower net foreign exchange gains of US$23 million in 2023, compared to US$276 million in 2022.

Cash flows and cash and cash equivalents

Operating cash flow before changes in working capital decreased by 76% to US$103 million compared to US$434 million in the previous year. The lower operating cash flow generation is driven by the Group's lower operating profit. There was an overall working capital inflow of US$13 million compared to an outflow of US$20 million in 2022. The inflow in 2023 largely reflects the increase of the trade receivable balance due to increased sales volumes in the last two months of 2023, the significant decrease of the inventories as a result of the Group's destocking activities and positive effect from regular VAT refunds received in 2023, resulting in a significant decrease of the outstanding VAT balance in Ukraine as at 31 December 2023.

The lower net cash flow from operating activities of US$101 million, compared to US$301 million in 2022, was considered by the Group in its capital allocation, including capital expenditure and shareholder returns, and exceptional bail payments for four managers of one of our subsidiaries in Ukraine in 2023. See sections below for further information.

Despite the lower overall cash flow generation, the Group managed to maintain its closing balance of cash and cash equivalents at US$115 million as of 31 December 2023, compared to US$113 million as of 31 December 2022.

The balance of cash and cash equivalents held in Ukraine amounts to US$11 million as at 31 December 2023 (31 December 2022: US$45 million). Following the adopted Martial Law in Ukraine, the National Bank of Ukraine ("NBU") has introduced significant currency and capital control restrictions in Ukraine. These measures are affecting the Group in terms of its cross-border payments to be made, which are restricted and may be carried out only in exceptional cases. For further information see Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements.

Capital investment

Capital expenditure in 2023 totalled US$101 million compared to US$161 million in 2022. Of the total amount spent in 2023, sustaining and modernisation capital expenditure was US$31 million (2022: US$57 million), covering the activities at all of the Group's major business units. Due to the ongoing operational and logistics constraints as a result of the ongoing war in Ukraine, the Group further reduced the level of its investments in sustaining capital expenditure projects, by reviewing and optimising the level and timing of its repair activities.

The Group also reconsidered the timing of its strategic development projects resulting in a reduction of the related capital expenditure to US$70 million, compared to US$104 million in 2022. As such, major projects advanced in 2023 include US$22 million spent on stripping activities for future production growth and US$13 million spent on the enhancement of the Group's press filtration complex, which will help raise pelletising capacity in the near term once operations return to full capacity. The Group continued to invest US$22 million in the concentrator and pelletiser projects as part of the Wave 1 Expansion Programme to manage previously entered commitments and also spent US$3 million in the development and exploration of the Belanovo deposit, as well as US$1 million in a hydrolysis plant for the trial of hydrogen use as a fuel in the Group's pelletiser. For further information on the Group's activities to grow its business in 2023, please see page 19.

Considering the lower cash flow generation no ordinary dividends were paid during the 2023 calendar year (2022 total: 13.2 US cents or US$155 million). The Group has a shareholder returns policy outlining the Group's intention to deliver up to 30% of free cash flows as dividends in respect of a given year. The Group has announced on 18 January 2024 an interim dividend of 3.3 US cents for the financial year 2023, reflecting that the Group performed well in the second half of 2023, which was due for payment to the shareholders on 23 February 2024. Following subsequent and unexpected events in Ukraine relating to a claim against one of the Group's Ukrainian subsidiaries, the Group announced on 20 February 2024 the decision to withdraw this interim dividend. For further information see Note 30 Commitments, contingencies and legal disputes.

Debt and maturity profile

Ferrexpo has maintained a strong balance sheet in 2023, including the absence of gross debt and the net cash position of US$108 million as at 31 December 2023 (2022: US$106 million). With the exception of lease liabilities, the Group does not have any outstanding interest-bearing loans and borrowings as of 31 December 2023 and 2022.

As of 31 December 2023, the credit ratings agency Moody's had a long-term corporate and debt rating for Ferrexpo of Caa3, with a negative outlook. The credit ratings agency Fitch maintains a CCC+ with a negative outlook rating on the Group. While the credit rating of Ferrexpo is capped by the sovereign credit rating of Ukraine, the ceilings for credit ratings ascribed to Ferrexpo by Moody's and Fitch are higher (one notch above sovereign, Ca, for Moody's and three notches above sovereign, CC, for Fitch). In December 2023, S&P reinstated the Credit Rating of Ferrexpo at CCC, at the same level with the sovereign credit rating of Ukraine.

Related party transactions

The Group enters into arm's length transactions with entities under the common control of Kostyantin Zhevago and his associates. All these transactions are considered to be in the ordinary course of business.

During the financial year 2023, the Group made bail payments totalling US$15 million on behalf of four members of the top management of one of the Group's subsidiaries in Ukraine in respect of various legal actions and ongoing court proceedings initiated by certain governmental bodies against the Group's subsidiaries and members of the top management in Ukraine. See also below under Contingent liabilities and legal disputes and Note 34 Related party disclosures to the Consolidated Financial Statements for further details.

Contingent liabilities and legal disputes

The Group is exposed to risks associated with operating in a developing economy during a time of war and the current circumstances facing the Group's controlling shareholder. As a result, the Group is subject to various legal actions and ongoing court proceedings initiated by different government agencies in Ukraine. There is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld, consequently Ukrainian legislation might be inconsistently applied to resolve the same or similar disputes. As a result, the Group is exposed to a number of higher risk areas than those typically expected in a developed economy, which require a significant portion of critical judgements to be made by the management. In respect of the contested sureties claim, if the final Supreme Court ruling is not in favour of FPM, the claimant may take steps to appoint either a state or a private bailiff and request the commencement of the enforcement procedures, which could have a material negative impact on the Group's business activities and its ability to continue as a going concern, as the assets of FPM could be seized or subject to a forced sale. In addition to the afore-mentioned claim, a supplier and related party to the Group filed by an application to open bankruptcy proceedings ("creditor protection proceedings") against the Group's major subsidiary in Ukraine. The possible commencement of the enforcement of the decision of the Ukrainian court of appeal, which is currently suspended by a decision of the Supreme Court, and the possible opening of creditor protection proceedings might potentially affect the Group's ability to continue as a going concern.

See Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements as well as the Principal Risks section on pages 72 to 90 for further details.

Going concern

As at the date of the approval of these Consolidated financial statements, the war is still ongoing and poses a significant threat to the Group's mining, processing and logistics operations within Ukraine. As a result, a material uncertainty still remains as some of the uncertainties remain outside of the Group management's control, with the duration and the impact of the war still unable to be predicted at this point of time. In addition to the war-related material uncertainty, the Group is also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 75 to 79). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties, which represents another material uncertainty as at the approval of these consolidated financial statements.

See Note 2 Basis of preparation to the Consolidated Financial Statements for further information.

WE ARE DETERMINED

Dmitriy Kampaniets and Daria Leschenko

The translation and interpretation team at Ferrexpo is an important and integral part of the organisation. The eight strong team collectively speak six languages. They work not only on site dealing with technical aspects of the business, but also travel with management to provide support during technical visits, events and trainings, and critically, during business negotiations.

As the war progresses, what has changed in your job function?
There is a stronger sense of unity. We are one people with one enemy, so we should not have discord among ourselves. Accordingly we've noticed that there is more empathy and a desire to help each other at work. We aim to complete our work professionally and quickly, which means that mutual assistance with colleagues has significantly strengthened.

What is the biggest impact the war has had on your job?
The war has hardened our characters, like pellets in a kiln. We want to contribute as much as possible to victory. Seeing how the Company is facing so many challenges, we have come to understand the importance of our work: the correct interpretation with foreign specialists helps colleagues make the right decisions faster; the correct translation of an equipment operating manual helps with proper maintenance and lower costs. We do everything to be as useful as possible for the Company and for Ukraine.

What do you look forward to most about your job when the war ends?
When the war ends, we will welcome the return of our employee warriors. We relish the time when there is more live communication in our work, so that we can see the versatility and application of knowledge and skills so that the Company can grow again.

Responsible Business Review

As the war in Ukraine protracts, we continue to prioritise our workforce and the communities where we operate. However, we must also keep sight of our broader sustainability and environmental objectives, so that we continue to contribute to the global steel industry's pathway to low emissions.

— **Natalie Polischuk**
Chair, Health, Safety, Environment and Community ("HSEC") Committee

In this section, I would like to present the report on the work of HSEC Committee for 2023, having been appointed Chair of the Committee in May 2023. The activities of HSEC Committee include oversight of Ferrexpo's policies and strategic supervision of management systems aimed at achieving the health and safety of our employees, supporting the communities in which we operate and managing environmental risks. As a responsible business, we have an important role to play in supporting society and the economy, and also as a trusted environmental steward. As a public company quoted on the London Stock Exchange, adhering to strict international governance and environmental standards, we are an established example of how to operate to global standards in a Ukrainian context.

People first

Amid wartime conditions, we continue to prioritise safety and wellbeing of our employees, as their lives are the top priority for Ferrexpo.

The full-scale war has had a significant impact on Ferrexpo people. Since February 2022, a total of 754 of our employees have been drafted to serve in the Armed Forces of Ukraine, while 35 tragically lost their lives defending the country. Our approach has been to do everything possible in the circumstances to help our employees and their families.

We have established a comprehensive support programme providing material, medical, psychological and employment assistance for both those drafted to the Armed Forces and the returning veterans.

While no one in Ukraine, including our employees, can be absolutely safe amid full-scale war and frequent missile attacks on the region, we are doing everything possible to protect the safety of our workforce and wider community, for example the provision of safe childcare and bomb shelters for employees and their children in local schools. Such support is conducted through Ferrexpo Humanitarian Fund, which was established in February 2022 and has initiated over 100 projects and initiatives. Each project is approved by the HSEC Committee to ensure good governance in the approval process. Examples of projects supported include providing accommodation, meals, donating vehicles and equipment, and providing medical support. At the same time, we continue to implement our critical long-term safety at workplace initiatives, such as training to eliminate the most common types of high-risk incidents at the production sites.

While needs change as the war prolongs, our people want to be continuously employed in a safe manner, and live in a community that fosters their wellbeing. Ferrexpo Charity Fund, which has been providing direct support to local communities for more than 12 years now, continues to work together with stakeholders, including local authorities, residents and public organisations, to develop and implement social projects.

US$25M

Total humanitarian support provided to date, including the Ferrexpo Humanitarian Fund and associated CSR funding, assisting more than 100 individual projects.

While placing primary importance on protecting the safety of our employees, we also strive more widely to foster a trust-based work environment, exhibiting zero tolerance for discrimination based on any personal attributes. We remain dedicated to safeguarding labour and human rights throughout the business, in line with UN Sustainable Development Goals.

Advancing sustainability initiatives and climate change

It is important that we don't lose sight of our sustainability commitments, however at the same time, we must acknowledge that the war is affecting how we will need to consider our long-term decarbonisation roadmap. Whilst significant investments cannot be made at the moment and some of the initiatives and projects are currently suspended due to war, Ferrexpo maintains its ongoing ecological approach and practices and continues to plan for a greener future. It is pleasing to report that during 2023 two significant projects were completed with our environmental consultants Ricardo plc: Life Cycle assessment and Double Materiality assessment.

Through working with Ricardo, Ferrexpo aims to further develop its forward-looking understanding around climate change and the Group's pathway to net-zero emissions and a clear picture of iron ore pellets in the decarbonisation of the global steel industry.

The Life Cycle assessment independently verified that when a steel manufacturer uses Ferrexpo DR pellets, in an electric arc furnace, to produce a tonne of steel billet, 37% less carbon is emitted compared to traditional steel production methods.

This is significant for Ferrexpo because it establishes the critical role that our products play in enabling the transition to lower carbon steel production. During the year ahead, we plan to undertake further studies to understand more about our other products, and work with some of our premium steel customers in Europe to assess other opportunities to decarbonise further.

The Double Materiality assessment combines impact materiality with financial materiality, providing a more in-depth analysis of what issues are material to us as an organisation. The results demonstrated that topics relating to governance and responsible business were considered the most important by stakeholders, closely followed by our role in enabling the transition to green steel and how we can ensure ongoing employment for our workforce. Sustainability risks cannot be considered in isolation. As part of the project, we engaged senior managers of the Group in the discussion on their integrated strategies for managing sustainability risks and opportunities.

Responsible business and sustainability reporting

In 2023, we published our eighth Responsible Business Report, which can be found on our website. The report provided a comprehensive overview of our sustainability initiatives and performance across many of the standards under the framework published by the Global Reporting Initiative. It also provided an opportunity to highlight some of the remarkable achievements made by our colleagues in the most difficult of circumstances.

Our stated target is to reduce carbon Scope 1 and 2 carbon emissions by 2030 (baseline: 2019). During 2023, our emissions fell 2% compared to the previous year, representing a 32% reduction compared to 2019. We are continuing to progress certain initiatives that will contribute to significant further reductions, for example, the implementation of trolley assist haulage systems in our mines. However, work on this, as for so many other projects, is limited to desktop optimisations at this time as the engineering and equipment suppliers are unable to visit Ukraine. It is likely that our carbon reduction targets will need to be revisited as the war prolongs. Once the war is over and its impact is assessed, we plan to return to our decarbonisation journey in full.

The remainder of this section of the Annual Report provides a more detailed assessment and reporting of the most important responsible business, climate and sustainability topics. Whilst we prioritise the safety and wellbeing of our people, we have also made progress on all fronts, demonstrating our ongoing responsible contribution to society, the economy and the environment.

I would like to thank all our workforce for their resilience and for embracing the fundamental values of sustainability to help deliver this progress under the most challenging circumstances.

Natalie Polischuk
Chair, HSEC Committee

Protecting the safety of our people

Our workforce comprises over 8,000 employees and contractors. 95% of our workforce is based in Ukraine, with many currently serving in the armed forces. During a time of war, protecting their safety and wellbeing is paramount.

Protecting our people

At Ferrexpo, we have a global workforce comprising over 8,000 employees and contractors, and colleagues some of whom are currently serving in the Armed forces of Ukraine. 95% of the workforce is based in Ukraine, mainly at our operations in the Poltava region, but also other colleagues work in other functions and services in Kyiv and another locations across Ukraine.

Given the scale of our workforce and the nature of our activities, it was never an option to evacuate our people during the war. Our people wish to and need to continue working. Being employed is critical during a time of war. Therefore, it is our responsibility to take extensive measures to protect our workforce during this time, both in the workplace, and, where possible, in the communities where they live.

Measures taken have included remote working for those with suitable roles, to ensure that they were as far from the front line as possible. Measures for our on-site workforce have included the provision of air-raid shelters, adjusting shift patterns to align with night-time curfews and the provision of free meals in light of disruption to supply chains in local communities.

Health and safety performance

	2023	2022	Change
Safety indicators (lagging)			
Fatalities	0	0	–
Lost time injuries	5	9	(44%)
Lost time injury frequency rate (“LTIFR”)	0.32	0.51	(37%)
All injuries frequency rate (“AIFR”)	0.64	0.99	(35%)
Near miss events	1	1	–
Significant incidents	4	8	(50%)
Restricted work days	675	934	(28%)
Severity rate (average lost days per incident)	169	104	63%
Safety indicators (leading)			
Health and safety inspections	6,282	5,413	16%
Health and safety meetings	1,466	1,388	6%
Health and safety inductions	2,897	5,332	(46%)
Training hours	7,264	6,828	5%
Hazard reports	688	740	(7%)
High visibility management tours	149	157	(5%)

Zero

The Group recorded a third successive year without a fatality.

In the early phases of the war, when uncertainty arose over the continued provision of social services, the Group commenced an on-site childcare facility for the children of employees, which was staffed by Ferrexpo volunteers, to ensure that children could be close by and safe during such an uncertain period of time. As the war evolved, the need for such facilities diminished as life began to resume in Ukraine, with schools opening and a 'new normal' beginning.

As the conflict evolved in 2022, so did our response. We focused our efforts on the supply of key equipment such as armoured ambulances and food packages to towns along the front line. In late 2023, needs shifted again, and psychological wellbeing has become more important as people try to deal with the stress of living in a protracted war.

At the time of this report, 641 of our brave colleagues are serving in the Armed Forces of Ukraine. We are proud of their efforts to defend Ukraine, and continue to support them by providing personal protective equipment and other essentials.

In 2023, 67 colleagues were demobilised from the armed forces, 46 of whom have returned to work. During the year, we expanded our support for veterans to include physical rehabilitation and psychological support. Veterans unable to return to their previous functions due to factors such as noise and vibration, are offered the opportunity to train and qualify for other more suitable roles.

In 2023, the Group recorded a third successive year without a fatality. The average recoded lost-time injury frequency rate ("LTIFR") for the year was 0.32, an improvement on the 0.51 recorded last year and materially below the historic average.

WE ARE DETERMINED

Olga Mokra, Acting CSR Manager, FPM

Corporate Social Responsibility is managed at a local level by a team of professionals. Olga started working at our Belanovo operation as a CSR Specialist in 2020, transferring recently to FPM as Acting CSR Manager.

As the war progresses, how has your job changed?
After the initial shock I actually found a real thirst to work more and to work harder. I joined the team managing our Humanitarian Fund and find the work immensely rewarding. Time is critical, and we've had to learn to work fast, which we have achieved by being united. Despite everything possible and impossible, we are able to complete our work.

What has the war taught you about how you do your job?
War is not the time to give in to doubt. It is important not to let emotions get in the way. The war taught me to be focused and balanced, and how to make decisions and complete actions quickly.

When the war ends, what will be different in your work?
Work will be different not only compared to how it is now, but also how it was before the war. So many challenges have arisen during this time and we have learnt to overcome them. I think the last thing I will want to do is to slow down. In fact, we will not have time to rest, because after the war our workload will likely increase as we restore Ukraine.

Net Zero pathway

We recognise the importance of addressing climate change and the need for Ferrexpo to present a clear and considered approach towards reducing our emissions footprint.

Greenhouse gas emissions footprint and energy consumption (2023/2022)

	2023 Data (% change to 2022)		2022 Data	
	Absolute basis (kilotonnes CO_2e)	Unit basis (kg CO_2e per tonne)	Absolute basis (kilotonnes CO_2e)	Unit basis (kg CO_2e per tonne)
Scope 1 emissions	247 (-27%)	57 (+4%)	341	55
Scope 2 emissions	137 (-39%)	32 (-11%)	223	36
Subtotal (S1+S2) emissions	**384 (-32%)**	**89 (-2%)**	**564**	**91**
Scope 3 emissions	5,707 (-25%)	1,326 (+7%)	7,642	1,237
Total emissions	**6,092 (-26%)**	**1,416 (+7%)**	**8,206**	**1,329**
Biofuels emissions (reported separately)	4 (-39%)	1 (-12%)	6	1
Energy consumption (kWh)	2,162,913,319 (-29%)	–	3,052,942,993	–

'Unit basis' represents the intensity ratio, aligning to requirements of SECR (Streamlined Energy and Carbon Reporting).

Scope 1 emissions

Scope 1 direct emissions principally relate to three activities at our operations – diesel consumption (primarily used in mining activities), natural gas (primarily used in pelletising activities) and gasoil (primarily used in inland waterway logistics activities). Collectively, these three sources of emissions represented 97% of Scope 1 emissions in 2023 (2022: 97%), with emissions from the consumption of diesel and gasoil for transport making up 60% of Scope 1 emissions (2022: 55%) and natural gas making up 37% of Scope 1 emissions (2022: 43%). In addition, we track a further 15 sources of Scope 1 emissions across our operations, ensuring that multiple aspects of our operations are covered in our emissions estimates.

Absolute Scope 1 emissions fell by 27% in 2023, in part reflecting lower production due to war related constraints. Scope 1 emissions on a unit of basis rose 4%, due to an increased utilisation of alternative logistics channels for exports, which have resulted in an increased consumption of gasoil. Calculations of Scope 1 and Scope 2 emissions have been independently assured for a third successive year.

Scope 2 emissions

Scope 2 indirect emissions relate exclusively to our purchasing of electricity from third parties, which is predominantly used in our concentrator equipment. On an absolute basis, this fell by 39%, also due to lower production. On a unit basis, Scope 2 emissions fell by 11% due to an increased proportion of electricity being sourced from cleaner sources including hydro and nuclear power.

Scope 3 emissions

For Ferrexpo Scope 3 emissions primarily relate to the type of iron ore pellet produced, since the downstream processing of iron ore accounted for 96% of Scope 3 emissions in 2023. In 2022, direct reduction ("DR") pellets represented 6% of all production, resulting in lower Scope 3 emissions for that year. However, in 2023, no DR pellets were produced. Consequently, Scope 3 emissions in 2023 on a unit basis increased to 1.33tCO_2/t of pellet production from 1.24 tCO_2/t of pellet production in 2022 respectively. Absolute Scope 3 emissions nevertheless decreased 25% year-on-year due to the overall lower production in 2023.

Methodology

Ferrexpo's methodology for calculating its GHG emissions footprint utilises, where possible, emissions factors provided by the Greenhouse Gas Protocol, which is in line with reporting requirements under the Global Reporting Initiatives ("GRI") framework for reporting sustainability topics. Through using carbon factors provided by the Greenhouse

-2%

Scope 1 and 2 emissions fell 2% in 2023, in part reflecting lower production due to war related constraints.

Gas Protocol, the Group is able to provide carbon dioxide-equivalent emissions figures (“CO_2e”) that also account for emissions of both methane (CH_4) and nitrogen oxide (N_2O).

Water

Our operations include multiple water cycle interactions, from the water ingress into our mines, to recycling water in our processing operations, to the River Dnipro, which flows adjacent to our operations. Testing of water quality has continued throughout 2023, with any discharged water quality tested across more than 12 different chemical elements or attributes. In our processing plant, where water is utilised in the processing of iron ore, we once again recycled 97% of process water (2022: 98%).

Waste generation

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

During 2023, waste removal from mining activities fell by 45% due to lower production. It is important to note that the overburden and waste removed from our mining operations is non-hazardous and is stored in on-site waste dumps designed by our mine planning department.

Aside from greenhouse gases, gaseous emissions include those emitted from our processing operations (NO_2, SO_2, and CO), with emissions from such sources declining by an average of 30% during the year, in line with mining volumes. Dust emissions in 2023 increased 9% compared to the previous year.

Elsewhere in our operations, we continued to expand our domestic waste recycling programme with collection bins and sorting facilities. All four of our main operating subsidiaries in Ukraine now have active recycling programmes.

ISO-certified systems

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

WE ARE DETERMINED

Serhiy Palekha, Pelletising Plant Manager

Serhiy has worked at Ferrexpo for over 20 years. He started his career as a foreman at the FPM pellet production workshop. He was appointed manager of the pelletising plant at FPM in 2017.

As the war progresses, what has changed in your role?
After the full-scale invasion, we had to perform our work completely differently. Sometimes we operate with only one pelletiser line, sometimes with two. Sometimes we were forced to shut down altogether. In the first few months, planning for the future seemed incomprehensible. Before the war we always had planned production and for maintenance for years ahead. All this had to be adjusted as we changed the way we operate at a variably reduced scale.

What has the war taught you about how you do your job?
It became clear that the production and maintenance departments had to work closer together. Many of our colleagues that are skilled in maintenance and repair work have joined the armed forces. As we prepare plans to operate three lines, co-operation is going to be more important than ever that we work across our departments and help each other out whenever necessary.

When the war ends, what will be different for you in your job work?
When the war ends I look forward to the safe return of our colleagues from the pelletising plant who are currently fighting on the battle front. As we restore production to all four pelletiser lines, we will need our colleagues to return so that we can minimise any skills shortages.

Responsible Business: Double Materiality Assessment

In 2023, Ferrexpo continued its sustainability strategy on many fronts, including by proactively initiating a Double Materiality Assessment ("DMA").

The DMA has been conducted in collaboration with our sustainability consultants, Ricardo Plc, and is a process used to evaluate and understand the impact of Ferrexpo's activities not only on our own financial performance (financial materiality – outside-in) but also the impact of the Company's activities on the environment and society (impact materiality – inside-out). Our strong commitment to sustainable business practices is evident through our proactive approach, ensuring compliance with regulations while reinforcing our responsibility to our employees and communities.

We conducted the materiality assessment by following the guidance documents from the European Financial Reporting Advisory Group ("EFRAG"), which, at the time of our assessment, were in draft form. Additionally, we referenced the Annex associated with the Corporate Sustainability Reporting Directive ("CSRD"), which contains the European Sustainability Reporting Standards. This underscores our dedication to staying abreast of new sustainability standards and regulatory requirements, and adopting best practices in sustainability.

The work involved proactively contacting a range of stakeholders, demonstrating our strong commitment and dedication to fostering engagement and transparency, even in challenging times.

Stakeholder analysis

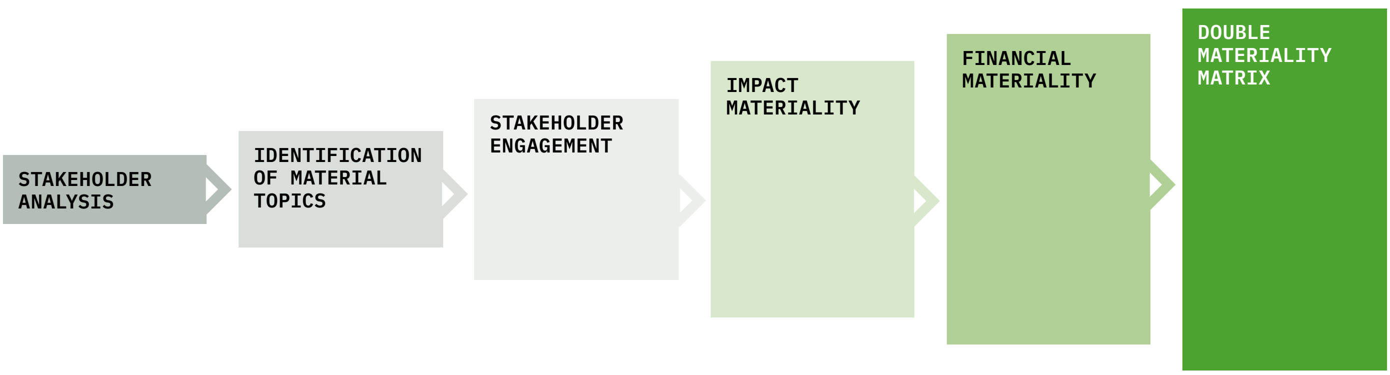
Ferrexpo conducted a comprehensive stakeholder mapping exercise, identifying over 70 stakeholders categorised into 11 groups, comprising both internal and external stakeholders. Using a matrix to assess stakeholder importance based on their interest and influence, Ferrexpo identified Directors and Executives (internal), Auditors (external), and Suppliers (external) as having the highest interest and influence. It is essential to emphasise that stakeholder mapping is an iterative process, allowing Ferrexpo to continually update and refine its approach to ensure effective stakeholder engagement and management.

Identification of material topics related to sustainability matters

Ferrexpo diligently collaborated to identify and compile a comprehensive list of 21 sub-topics encompassing Environmental, Social and Governance ("ESG") topics, while considering their potential impacts, risks, and opportunities ("IROs"). This process involved leveraging various sources such as Ferrexpo's previous impact materiality assessment (using the GRI universal standard for reporting), European Sustainability Reporting Standards (ESRS) 1 AR16, international and sector-specific standards (International Financial Reporting Standards ("IFRS"), Sustainability Accounting Standards Board ("SASB")), ESG raters, regulations and competitor analysis. This meticulous approach ensured that our sustainability strategy is well informed, addressing both financial and multi-stakeholder sustainability matters that are critical for both Ferrexpo and our stakeholders.

Materiality assessment process

Our materiality assessment process in 2023 included the following:



Stakeholder engagement

Internal and external stakeholders were invited to complete an online materiality questionnaire. A total of 156 internal and external responses were captured in both English and Ukrainian. The online questionnaire asked respondents to rank the impact of the Ferrexpo's activities on the selected ESG sub-topics. The information gathered from both internal and external stakeholders, including their ranked impact, directly informed the materiality of the topics.

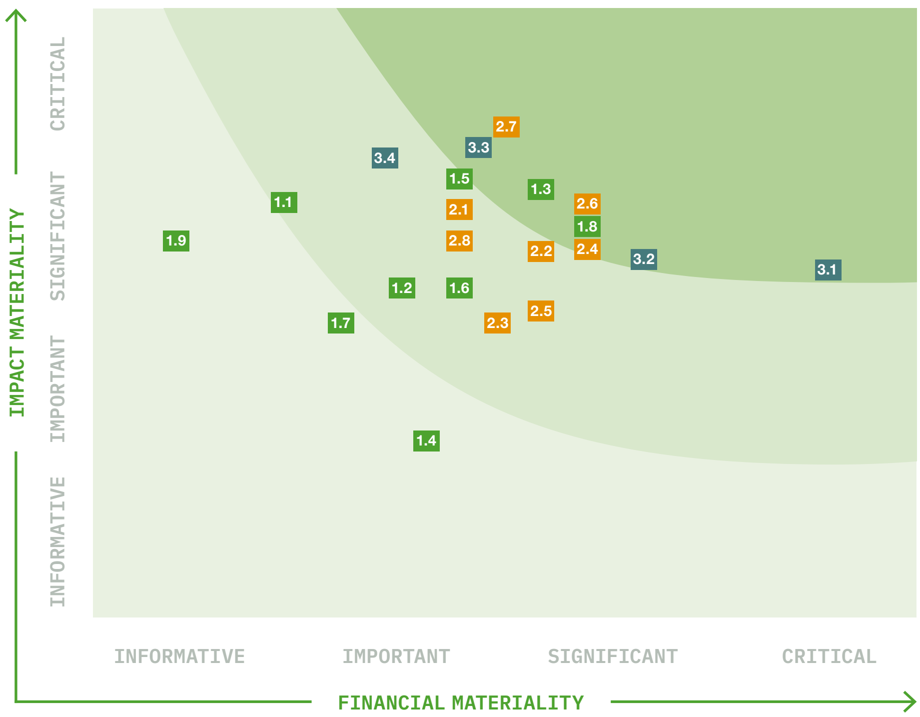
This analysis revealed that both our internal and external stakeholders have a profound interest in Social and Governance issues, specifically focusing on areas such as Employee Health and Safety, Employee Rights and Training, Employment and Turnover, Responsible Business, and Corporate Governance. Of particular note is the internal stakeholder feedback we received, which predominantly originated from within Ukraine. This 'bottom-up' response provided a valuable snapshot of the sentiments and perspectives of colleagues in Ukraine during a time of war. By understanding the needs and experiences of our workforce during this challenging period, we will better adapt and respond to their concerns.

Additionally, we interviewed a total of 17 internal and external stakeholders, including Directors and Executives from Ferrexpo, auditors, bank institutions, brokers, customers, NGOs, suppliers, trade associations, and investors. These interviews helped to further identify and validate the potential material ESG topics from an impact perspective (external interviews), risks and opportunities from a financial perspective (internal interviews with Directors and Executives), as well as provide context on external stakeholder views and expectations related to the ESG topics.

Impact materiality

We rigorously assessed our direct and indirect impact on both the environment and society, under the guidance of our sustainability consultants, Ricardo Plc. To ensure comprehensiveness, the results of the stakeholder questionnaire were applied to an impact materiality scoring assessment to evaluate the scale of actual and/or potential negative and positive impacts from their perspective, considering both perceived impact and scope (i.e. how widespread the impact is). We further conducted an internal assessment that considered the extent and potential for irremediability of the actual negative impacts. Under the EFRAG guidance, materiality is based on the severity of the impact, which considers scale, scope, irremediability as it relates to actual impacts, including likelihood for potential impacts.

Ferrexpo 2023 Double Materiality Matrix



Key

ENVIRONMENTAL ISSUES

- **1.1** Air Quality and GHG emissions
- **1.2** Biodiversity
- **1.3** Climate Change
- **1.4** Energy Management and Sourcing
- **1.5** Green Technologies
- **1.6** Land Use
- **1.7** Pollution
- **1.8** Resource Management
- **1.9** Water and Waste Management

SOCIAL ISSUES

- **2.1** Community
- **2.2** Conflict Risk
- **2.3** Diversity and Inclusion
- **2.4** Employee Health and Safety
- **2.5** Employee Rights and Training
- **2.6** Employment and Turnover
- **2.7** Green Steel
- **2.8** Supply Chain Management

GOVERNANCE ISSUES

- **3.1** Corporate Governance
- **3.2** Data Privacy and Security
- **3.3** Responsible Business
- **3.4** Risk and Compliance

Responsible Business: Double Materiality Assessment continued

To validate the accuracy and robustness of our assessments, moderation sessions were conducted internally, followed by additional sessions with our stakeholders. These sessions fostered dialogue and ensured consensus on final scores, culminating in a comprehensive and reliable materiality assessment.

Financial materiality

To perform the financial materiality, we identified and evaluated the risks and opportunities associated with each sustainability sub-topic. To achieve this, an initial list of risks and opportunities was compiled for each sustainability sub-topic, drawing influence from internal and external reputable sources to ensure all relevant financial aspects were considered when defining sustainability sub-topics. These sources included the Capitals Coalition, TCFD and SASB, Ferrexpo's risk register and internal stakeholder interviews. A final financial materiality score for sustainability sub-topics was derived by aggregating the averages of likelihood of occurrence and monetary impact (financial magnitude) scores for each associated risk and opportunity. These scores were then categorised into levels such as Minimal, Informative, Important, Significant, or Critical.

Additionally, as recommended by EFRAG, each sub-topic was assigned a Dependencies on Capitals, evaluating how different forms of capital (such as financial, natural, human, social, and manufactured) can impact both financial and sustainability performance. This provided valuable insights into their interconnectedness with our Company activities. To ensure accuracy and comprehensiveness, these rankings were shared and verified during a concluding Impact and Financial Materiality Workshop. This collaborative effort ensured that all potential financial impacts on the Company were adequately considered and addressed.

Double Materiality results

The results from both the impact materiality assessment and the financial materiality assessment have been consolidated to form Ferrexpo's Double Materiality Matrix.

Based on the Double Materiality Matrix, nine material topics were identified, shown in the upper green corner. The materiality threshold was meticulously examined to gauge the probability and potential financial impacts across short-, medium-, and long- term horizons. This evaluation was integrated with our enterprise risk management framework to identify, examine and agree on the potential financial effects. The threshold was established collectively through internal stakeholder consensus. Moving forward, we will continue to refine these thresholds, particularly, as we update our risk register, aiming to introduce suitable quantitative criteria where applicable. These nine topics are, therefore, considered material to Ferrexpo:

Category	Topics
Environment	Climate Change
Environment	Green Technologies
Environment	Resource Management
Social	Employee Health & Safety
Social	Employment & Turnover
Social	Green Steel
Governance	Corporate Governance
Governance	Data Privacy & Security
Governance	Responsible Business

We recognise the utmost importance of prioritising our employees' health and safety, especially within the context of an ongoing war. The Double Materiality Matrix reinforces our corporate focus on these critical areas. This assessment serves as a testament to the determination of our team at this time, reflecting their sentiments and expectations. As we navigate through these challenges, we remain strong in our commitment to ensuring the wellbeing of our employees. We are determined to continue providing support and resources to safeguard their health and safety.

The insights derived from this assessment will play a pivotal role in preparing Ferrexpo for compliance with the CSRD and related ESRS. We are committed to bridging any gaps and strengthening our metrics, targets, policies, and action plans with renewed focus on these key material topic priorities. These findings will inform our sustainability strategy, guiding our efforts toward long-term value creation and fostering positive societal impact.

WE ARE DETERMINED

Yuliya Klevova, HR Director

Yuliya's career at Ferrexpo started in IT almost 30 years ago. In 1999 she transferred to HR working her way up to become the department head and more recently the HR Director.

What has the war taught you and your colleagues?
The war has made us adapt to different working conditions but also unite behind shared goals. Managers at all levels have heightened their focus on the emotional state of their respective team members by introducing in-person meetings with colleagues, supplemented by group chats in messenger apps, fostering an environment where employees could share their experiences and support each other, thus helping them adjust their approach to work. We have also learned to work within tighter budgets, to perform more duties in shorter time frames, and to focus on the safety of the entire workforce – a paramount concern, which is even more important in these challenging times.

One of the most interesting things we noticed is the capacity for teams and individuals to mobilise and self-organise. For instance, within a single weekend, an on-site 24/7 children's centre was established from scratch, with volunteers from across the organisation, irrespective of position or seniority. Another initiative included employees starting a theatre club, which provided an outlet for channelling pent-up energy and alleviating anxiety. These initiatives exemplify the resourcefulness of our middle-level managers and regular employees.

If you could do something differently since the war started, what would it be?
I wouldn't change a thing, because I know that all decisions made were executed promptly and with due consideration for the welfare of all our colleagues. Amidst the backdrop of war, our responsibilities extend beyond our daily tasks to encompass the preservation of our people's mental well-being. Despite the challenges posted by frequent sirens signalling air raid alerts and the constant stream of distressing news, it is clear to us that people want to work while their relatives and colleagues are on the frontlines fighting for the independence of our country.

How will the end of the war affect you and your colleagues?
The challenge of securing skilled people is looming, but we are already taking proactive steps to address this. Initiatives include conducting career guidance work among young adults and encouraging participation in the Ferrexpo scholarship programme. We also offer current employees the opportunity to expand their skills by taking appropriate training courses at the Center of Technical Expertise, or to pursue higher education to advance their careers. Another initiative involves working with demobilised employees, who, after physical and psychological rehabilitation, are welcome to return to their positions, which are being held for them during their service in the Armed Forces. If a veteran cannot return to his previous workplace for health reasons, he is offered another role, coupled with retraining if necessary. These measures not only strengthen individuals but also the Company as a whole.

We of course recognise the psychological consequences of Russia's military aggression, resulting in many employees suffering from PTSD, even those that have not been mobilised. The war has severely affected numerous aspects of our once tranquil lives, eroding any sense of security, while inflicting stress and trauma. It is imperative that we begin addressing these psychological ramifications by prioritising the mental wellbeing of our employees because the impact of their psychological state directly influences their ongoing mental health and productivity in the workplace.

Life Cycle Assessment

The Life Cycle Assessment ("LCA") that we completed during 2023 forms an important part of understanding our Net Zero pathway. This comprehensive LCA was completed in collaboration with environmental consultants Ricardo Plc to evaluate our contribution to the potential environmental impacts related to steel production, focusing on our role as iron ore pellet producers.

Scope and boundary

The scope of the LCA was to assess the cradle-to-gate environmental footprint of manufacturing steel billet using our DR (direct reduction) pellets, a crucial precursor to downstream steel production. The study compared two distinct production methods for SAE 1006 grade steel: a DR pellet-Direct Reduction Iron ("DRI")-Electric Arc Furnace ("EAF") route and a sinter-Blast Furnace ("BF")-Basic Oxygen Furnace ("BOF") method, the latter being the more traditional steel making route which relies more heavily on coal and coke usage, rather than natural gas and electricity which can be from clean sources. The study assessed the embodied carbon impacts of each route using the Global Warming Potential ("GWP") indicator which reports in terms of carbon dioxide equivalents (CO_2 eq.), as well as a range of other potential environmental impacts.

Findings

The results show that the Ferrexpo DR pellet route can reduce 37% of embodied carbon emissions compared to the 'traditional fossil based' sinter-BF route for producing SAE 1006 grade steel. We are using this baseline result as a starting point to build on, to address impact hotspots and further minimise our overall impact on climate change.

Data sources and assumptions

In terms of the underlying data used for the study, we utilised historical activity data from 2021 (the most recent data which was available at the time of the study) for our mining, beneficiation and pelletisation operations, as well as collaborating with several iron and steel manufacturers to obtain data for those stages outside of our control. Where data was not available, reputable LCA databases were used to gap fill to ensure that all necessary impact sources were captured. The study was carried out using SimaPro software, using the widely used ecoinvent database for secondary data, and complies with ISO 14040 and ISO 14044, the key underlying standards for LCA. Furthermore, it was independently critically reviewed and found to be in accordance with these standards.

What the results show

We recognise the important role Ferrexpo plays in enabling the decarbonisation of the steel industry and we are dedicated to driving the industry towards greater sustainability. It is, therefore, gratifying to see that the modelled DRI-EAF route, which utilises our DR pellet, offers decarbonisation opportunities for steel manufacturers, with reductions of almost 40% of embodied carbon emissions compared to the more traditional sinter-BF-BOF route, observed in the study.

Method	Embodied carbon emissions per kg of SAE 1006 grade steel
Pellet-DRI-EAF route	1.35 kg CO_2 eq
Sinter-BF-BOF route	2.15 kg CO_2 eq

In terms of hotspots for embodied carbon, for both routes, the iron making stage has the largest contribution within the study, with emissions from coal and natural gas being the key drivers.

The associated embodied carbon value of Ferrexpo DR pellets was calculated to be 172kg CO_2 eq per tonne of DR pellets. Diving down into these results showed that energy consumption in Ferrexpo's beneficiation and pelletisation processes are the hotspot contributors. The mining stage contributes 17% to the total value per tonne of DR pellets. Like the other stages, this value is driven by energy usage in excavation as well as embodied impacts of the explosives modelled in the study.

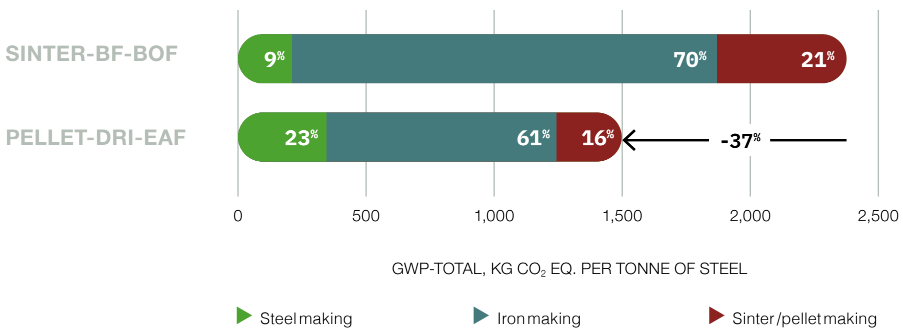
Net Zero journey

We are using the LCA to explore how to drive down our impacts further, engaging with our downstream value chain but also investigating how to address hotspots within our own operations. The steps we are taking include practical and impactful initiatives targeted at the hotspots identified in our study, engaging with our customers to better understand and model how our pellets are used, and implementing a process of continual monitoring and improvement of our own data collection to enhance the accuracy and robustness of our results.

While embodied carbon emissions are our main focus, our LCA approach is enabling us to drive sustainability improvements across a whole suite of environmental issues including water and waste.

Our life cycle thinking highlights our commitment to sustainability, extending beyond our own operations to the downstream sectors where our products play a crucial role in catalysing positive change.

Breakdown for one tonne of steel from sinter-BF-BOF and pellet-DRI-EAF routes



Responsible Business: TCFD Disclosures

Summary disclosure against TCFD recommendations

Ferrexpo's 2023 climate-related financial disclosures for the purposes of Listing Rule 9.8.6R(8) and section 414CB of the Companies Act 2006 are detailed below. Ferrexpo considers that it has made climate-related financial disclosures consistent with the four recommendations and 11 recommended disclosures of the Task Force on Climate-Related Financial Disclosures (TCFD), covering governance, strategy, risk management, and metrics and targets.

Ferrexpo recognises the importance of regularly updating our climate scenario analysis to ensure relevant, accurate and insightful information about our climate-related risks and opportunities. We remain committed to conducting a thorough update in the upcoming year. During this process, we will seek to expand the relevant quantitative evaluation of our climate-related risks and opportunities and further expand on the cross-cutting industry metrics. We want to assure our stakeholders that we are dedicated to ensuring that we provide accurate and insightful information about our climate-related risks and opportunities.

Governance

Board 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. The Board considers climate-related issues as part of its decision-making, including in relation to risk management, annual budgets and business plans.
- Climate change was a standing agenda item at all five scheduled Board meetings throughout the year.
- The Health, Safety, Environment and Community (HSEC) Committee has been delegated management of climate-related issues by the Board. Three members of the executive management team serve on the HSEC Committee and Independent Non-executive Director Natalie Polischuk, the Director primarily responsible for climate-related matters, serves as Chair. The HSEC Committee met four times during the year (2022: four) and climate change has been a standing agenda item at all scheduled HSEC Committee meetings throughout the year. The HSEC Committee receives information about climate-related issues through activities such as internal briefings by members of the executive management team and briefings from external advisors. Feedback from this Committee on the Group's progress on climate change related matters, including progress against climate-related goals and targets, is provided to the Board after each Committee meeting.
- The Audit Committee serves as a partner to the Board, diligently monitoring the organisation's risk exposure and risk appetites, including in relation to climate-related risks, to ensure they align with established thresholds. Additionally, the Audit Committee provides an oversight function by reviewing the effectiveness of implemented risk management and control systems. The Audit Committee is assisted in its oversight role by the Group's internal audit function, which undertakes both regular and ad hoc reviews of risk management controls and procedures, including in relation to climate-related risks; the results of these reviews are reported to the Audit Committee. The Chair of the Audit Committee reports to the Board after each meeting on all matters within its duties and responsibilities, including any climate-related matters that were discussed.

Management's role in assessing and managing climate related risks and opportunities.

- The Executive Committee oversees implementation of the Group's strategy in relation to climate change.
- In addition to the role of the HSEC Committee described above, the Group's executive management team monitors and assesses climate-related risks through its risk monitoring activities as part of the Group's Finance, Risk Management and Compliance (FRMCC) Committee, which met ten times in 2022 (2022: ten).
- Further information on the FRMCC Committee and how management assesses and manages climate-related risks and opportunities is set out in the 'Risk Management' disclosures below and in the flowchart on page 73.

Strategy

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

- Climate change poses multifaceted risks to the mining and steel sector and is a Principal Risk for the Group.
- The Group has identified several specific climate-related risks and opportunities through a series of stakeholder interviews and desk-based research.
- This process resulted in a shortlist of key potential risks and opportunities for Ferrexpo within different category areas, including transition risks associated with the transition to a lower carbon economy and physical risks arising from acute weather events or longer-term chronic changes to the climate.
- Climate-related risks and opportunities were considered over the following time horizons: short-term (less than two years), medium-term (more than two but less than ten years) and long-term (greater than ten years). The definition of each time horizon is broadly aligned to the Group's medium-term climate change targets for 2030, with a ten-year window for action from the Group's baseline year (2019), with short-term and long-term horizons set at either side of this definition, including longer time horizons to 2050 and 2100 to capture the long-term trajectory of climate change and its potential impacts on the Group's operations and strategy.
- We used scenario analysis to determine which risks and opportunities could have a material financial impact on our business, by evaluating the impacts on operating costs, ability to generate revenues, business interruption, supply chain issues and the timing of key company events and milestones across the selected climate scenarios. For further information, see the 'Resilience based on climate change scenarios' disclosures below.
- A detailed description of the climate-related risks and opportunities potentially arising in the short, medium and long term that could have a material financial impact on the Group is included on pages 46 to 59. For each climate-related issue we have detailed the data required to analyse the financial impact on our business.

Impact on the Ferrexpo Business Strategy and Financial Planning

- Consideration of topics relating to climate change is a fundamental aspect of Ferrexpo's business model with the Group releasing a standalone report on climate change in December 2022. Through the work completed with sustainability consultants Ricardo, the Group was able to upgrade and broaden its suite of carbon emissions reduction targets see pages 36 to 37.
- The climate-related risks and opportunities that have been identified through scenario analysis serve as the foundation for Ferrexpo's business strategy and financial planning across the short, medium and long term time horizons set out above, guiding our actions and investments to mitigate risks and capitalize on opportunities in alignment with our long-term sustainability goals.
- Regular review and integration of climate-related risks and opportunities into business strategy has led the Group to increase its focus on direct reduction pellets, which have a lower emissions footprint and represent a pathway to low emissions steelmaking. Ferrexpo continues to invest in research and to implement new technologies that are expected to lower Ferrexpo's organisational Scope 1 and 2 emissions footprint, and following a successful trial, the Group now has its own solar power plant capacity to meet its minimum power requirements.
- Climate-related risks input into financial planning processes through the consideration of the potential carbon emissions footprint

Responsible Business: TCFD Disclosures continued

of existing and proposed operating projects and capital investment projects.
– Given the current war in Ukraine and reduced level of operating activities in Ukraine, the Group is currently not assessing new operational or capital investment projects.
– Climate-related factors are expected to have a impact on the financial performance in the short to medium term due to increased operating costs and the need for increased capital investment, (for details see Note 2 Basis of preparation to the Consolidated financial statements) but present opportunities in the long term through the expected rise in demand for iron ore products that are relevant for low emissions steelmaking (Green Steel).

Resilience based on climate change scenarios

– With support from Ricardo, we conducted climate scenario analysis in 2022 across three wide-ranging scenarios to examine impacts over our selected time horizons. The climate scenarios were selected based on their ability to capture a wide spectrum of potential outcomes related to the rate and severity of environmental change. These scenarios were developed by reputable independent climate change authorities and reflect varying degrees of legislative ambition expected from governments in the years ahead.
– Due to the split of transitional and physical risks and opportunities, two publicly available, scientifically recognised organisations were selected to assess the business impact of and our resilience to each material climate-related risk and opportunity identified through scenario analysis under different hypothetical futures: the International Environment Agency (IEA) and Intergovernmental Panel on Climate Change (IPCC). In total, three scenarios were selected across those developed by the IEA and IPCC. The scenarios included:
  – IEA Sustainable Development Scenario (SDS): a "well below" 2°C by 2100 scenario, achieved through policies that adhere to the Paris Agreement.
  – IEA Stated Policy Scenario (STEPS): a worst case, "business as usual scenario" (one of two modelled here). A more conservative benchmark whereby governments are assumed to not reach all announced goals. Instead, it takes a more granular, sector-by-sector look at what has actually been put in place to reach these and other energy-related objectives, taking account not just of existing policies and measures, but also a look at those that are under development.
  – IPCC SSP4: a worst case, "business as usual scenario" (one of two modelled here), in which a divided approach to climate change continues to widen through unequal investments in human capital, combined with increasing disparities in economic opportunity and political power, leading to increasing inequalities and stratification both across and within countries.
– For a comprehensive understanding of our scenario analysis, see pages 43 to 59. This provides a detailed account of the selected scenarios, their respective characteristics and metrics, as well as a detailed table for each risk and opportunity, including their business and financial impacts, ratings against scenarios, geographical distribution, and potential strategic actions.
– In a time of climate uncertainty, Ferrexpo maintains its strong commitment to sustainability, striving for continuous improvement in our climate change strategy and the resilience of our Group. We are closely following the evolving risks and opportunities stemming from climate change for Ferrexpo, positioning ourselves to capitalise on the increasing market demand for low carbon emissions steel production. While regulatory shifts in the shipping industry may raise concerns about operating costs, our scenario analysis indicates that short-term impacts are manageable, with medium- and long-term risks being monitored and solutions being investigated. Through ongoing scenario analysis and the reinforcement of mitigation strategies, we are confident the resilience of our business and climate change adaptation efforts. Our proactive actions exemplify our strong commitment to action and innovation, firmly embedding sustainability into our operations and business and financial planning.
– While the climate scenario analysis was not updated in 2023, we reviewed the risks and opportunities as part of the Double Materiality Assessment (see pages 38-40) and using the enterprise risk management (ERM) tool that was implemented in 2022 to record and monitor risks.
– We are collaborating with Ricardo to conduct a comprehensive update and review of the analysis during 2024, which will include an expansion of our consideration of cross-industry metrics and where possible, further quantifying the financial impact of the risks and opportunities. This process will involve incorporating the latest data, emerging trends, and evolving legislative and regulatory frameworks into our climate strategy thereby strengthening our resilience. This approach will seek to ensure that our climate scenario analysis remains accurate and aligns with the most recent scientific and industry developments. It is expected that future phases of work will require site visits to our operations in Ukraine, which are not possible at the current time. The Group will provide further updates on this work stream in due course.
– We acknowledge the importance of being transparent and accountable in our approach to climate transition and we have been following the development of the Transition Plan Taskforce (TPT) Disclosure Framework and believe this to be a valuable guide for consistent climate transition plans. As such, we aim to develop and communicate our strategic climate ambitions in alignment with the TPT and demonstrate how these are integrated into our operational strategies, governance mechanisms, and financial planning.

Risk management

Process for identifying and assessing climate-related risks.

– The Board of Directors has ultimate responsibility for the identification of emerging and principal risks, including climate-related risks, and associated strategies to manage and mitigate such risks.
– The Group has an internal risk register which considers emerging and principal risks related to the business, including climate-related risks, and determines their relative significance by reference to monetary impact, probability, maximum foreseeable loss, trend and mitigating actions. The risk register is updated monthly and discussed by executive management at the Group's FRMCC Committee, where the completeness of the risk register is also considered and any new identifiable risks added. The risk register is also discussed and reviewed by the Audit Committee, at least quarterly per year. The FRMCC Committee ultimately reports into the Board for further review and approval of the risk register.
– As part of its consideration of climate-related risks, the FRMCC Committee also monitors how existing and proposed regulatory requirements such as the EU's Carbon Border Adjustment Mechanism (CBAM) may pose a risk to our business and may impact our future strategy.

Managing climate-related Risks

– The Board monitors the Group's risk management and internal control systems on an ongoing basis, supported by the Audit Committee, Executive Committee and HSEC Committee, as set out above.
– Where a risk is deemed to be sufficiently significant in terms of potential impact or likelihood, appropriate risk mitigation measures are sought, including with the assistance of third party specialists where relevant.
– The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer and Chief Marketing Officer have been delegated responsibility for managing specific risks within the business, including climate-related risks, on a day-to-day basis related to their functions.
– Further information on the actions taken to manage and mitigate risks relating to climate change is set out in the 'Principal Risks' section on page 74.

How processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management.

– The Group's processes for identifying, assessing, and managing climate-related risks are fully integrated into the Group's overall risk governance framework, further details of which are set out above and in the 'Risk Management' section on pages 72 to 73.

Metrics and targets

Metrics used to assess climate-related risks and opportunities

– The Group uses a wide range of climate-related metrics including GHG emissions (Scopes 1, 2 and 3 and emissions intensity), as well as consumption of diesel, electricity and natural gas, water usage and waste generation and land use including biodiversity baseline mapping. Further information on these metrics is provided in the 'Responsible Business' section on pages 36 to 37.
– Ferrexpo is also monitoring various key performance indicators (KPIs) to assess and manage climate-related risks and opportunities. These include steel carbon intensity, trends in carbon pricing, data on electric arc furnace steel production, recycling rates and volumes of scrap steel outputs, international shipping emissions, per tonne-kilometre efficiency, renewable energy availability and costs, green steel market trend, and related client preferences. These metrics and targets were selected based on their direct relevance to the Group's operations and their ability to effectively track policy, market and technological changes. These KPIs have remained consistent since the last disclosure, however, Ferrexpo plans to re-evaluate these metrics during the 2024 TCFD refresh to ensure they continue to align with the Group's goals and the expectations of stakeholders. By consistently tracking these indicators, we aim to ensure that our strategies and actions are aligned with climate-related targets and that we remain responsive to the evolving market demands and environmental imperatives.
– Metrics relating to carbon reduction progress

are incorporated into remuneration policies. Our remuneration policy includes consideration for sustainability-linked topics in the Short-Term Incentive Plan for executives, such as targets on an annual basis that are intended to help deliver our medium-term (2030) carbon reduction goals on Scope 1 and Scope 2 emissions, as well as elevating the production of higher grade direct reduction iron ore pellets, which are key to lowering the Group's Scope 3 emissions.

- Following a reduction in the risks associated with the war in Ukraine, the Group expects that new investments will be assessed using a price of carbon that is reflective of the prevailing carbon price within the EU Emissions Trading System, as was the case prior to the war in Ukraine.

Greenhouse gas emission

- The Group's Scope 1, 2 and 3 emissions in 2023 and in 2022 (to allow for trend analysis), as well as the methodology used to calculate GHG emissions, are set out on page 36.
- The Group engaged MHA to conduct an independent limited assurance process in relation to the Group's Scope 1 and Scope 2 carbon emissions disclosures for 2022, which was completed in March 2023 and is available on our website at www.ferrexpo.com/media/2bhnh3rv/independent-accountants-limited-assurance-report-ferrexpo-plc-2022.pdf.

Targets

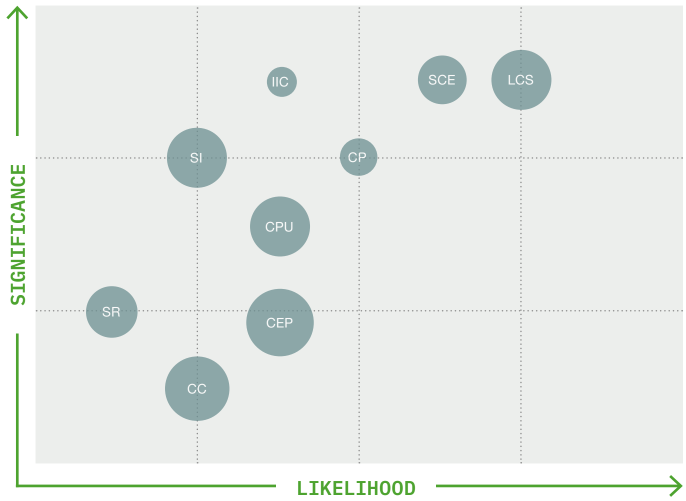
- Throughout 2021 and 2022, we developed our decarbonisation pathway, outlined in our Climate Change Report 2022, where we announced our carbon emissions reduction targets. Using a 2019 baseline year, Ferrexpo aims to reduce its Scope 1 (direct emissions) and Scope 2 (indirect emissions from purchased electricity) emissions footprint by 50% by 2030 and Net Zero by 2050, though these targets may need to be adjusted due to the war. We introduced a new medium-term target of reducing Scope 3 emissions by 10% by 2030 and by 50% by 2050. Due to the war in Ukraine, we consider emissions per tonne, not absolute emissions, as the most representative performance measure. Our performance against these targets is set out on page 16.
- We have mapped our progress in terms of climate governance maturity against the Transition Pathway Initiative (TPI) Centre's "Management Quality Staircase". Following the publication of our Climate Change Report and Scope 3 targets in December 2022, in addition to the independent assurance work completed in March 2023, we have assessed our progress to have reached Level 4 of reporting. The TPI Centre's Staircase is particularly helpful for understanding the forward-looking component of our reporting journey that lies ahead and highlights a need for us to develop our understanding of the impact of climate change on our business costs as an area of focus for future work.

Material topics

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

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

Risk matrix



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

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

Low Low/Medium Medium Medium/High High

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

TCFD Disclosures

Introduction

In reviewing the possible risks and opportunities facing Ferrexpo as a result of climate change, a series of interviews were held with a range of our stakeholders. This process was established to determine perceptions around climate change and Ferrexpo's business model. In turn, this information was subsequently mapped across three climate change scenarios, to produce the conclusions shown in this section.

Through a mix of desk-based research and key stakeholder interviews, a number of shortlists have been developed of key potential risks and opportunities for Ferrexpo within the category areas, as shown in the summary table below.

Category		Description
Market and technology	**Risks**	Key risk areas: (1) demand for low emissions steel, and (2) movement towards circular economy principles. Through the scenario analysis conducted, the key risk themes across the scenarios that have been identified include a slight decrease in profit due to a decrease in global iron ore price, and increased demand for steel produced with a lower carbon emissions footprint (trending towards lower emissions and ultimately zero emissions "Green Steel"). IEA SDS predicts a reduced carbon emissions footprint of steel from 1.4tCO_2/t steel in 2019 to 0.6tCO_2/t steel in 2050. IEA STEPS predicts a reduction in carbon emissions footprint of steel from 1.4tCO_2/t steel in 2019 to 1.1tCO_2/t steel in 2050, with both scenarios predicting an increase in EAF's share of global steel production to rise to c.50% by 2050.
	Opportunities	Potential material opportunities: (1) demand for low emissions steel, and (2) movement towards circular economy principles. Through the scenario analysis conducted, the key opportunity themes across the scenarios include the strong position Ferrexpo currently holds with regards to the movement towards "Green Steel" (via direct reduction ("DR") pellets and EAF steelmaking), with there being potential to increase pellet premiums and revenues.
Physical	**Risks**	Potential material opportunities: (1) Sea level rise (chronic), (2) Increase in storm intensity (acute), and (3) Climate induced conflict. Through the scenario analysis conducted, the key risk themes across the scenarios include an increase in global sea level rise, an increase in global storm intensity and frequency, and a possibility for increased global conflict (more applicable for IEA STEPS and IPCC SSP4 scenarios).
	Opportunities	Not applicable – through the scenario analysis, only risks have been identified.
Policy and legal	**Risks**	Key risk areas: (1) shipping targets and regulations on carbon emissions, (2) carbon pricing/tax targets and regulations on carbon emissions, and (3) a climate change related energy crisis in Ukraine. Through the scenario analysis, the key risk themes across the scenarios include the introduction of global carbon prices (set global prices for IEA STEPS and IEA SDS, and regional specific carbon prices for IPCC SSP4), a potential risk of insufficient energy access in Ukraine in IPCC SSP4, and a need for investment in decarbonising the shipping sector across all scenarios.
	Opportunities	Potential material opportunities: (1) shipping: targets and regulations on carbon emissions, (2) carbon pricing/tax: targets and regulations on carbon emissions, and (3) a climate change related energy crisis in Ukraine. Through the scenario analysis conducted, the key opportunity themes across the scenarios includes a competitive advantage in the market should Ferrexpo successfully decarbonise its shipping operations, a financial advantage should Ferrexpo decrease their emissions to below the market average (secured if 2050 net zero targets are achieved), and opportunity for Ferrexpo to diversify and become independent of Ukraine's national grid through the Group producing its own renewable energy.
Reputational	**Risks**	Key risk area: (1) increase in climate consciousness amongst customers, investors and other stakeholders. Through the scenario analysis, the key risk themes across the scenarios include an increase in positive sentiment towards green steel and/or iron ore from consumers and investors, resulting in potential for financial loss from not meeting customer and investor demands.
	Opportunities	Potential material opportunity: (1) increase in climate consciousness amongst customers and investors. Through the scenario analysis, the key opportunity themes across the scenarios include an opportunity for Ferrexpo to upscale production of iron ore pellet types that are compatible with "Green Steel" to appeal to the market before other market competitors.

Scenario analysis aims to look at the resilience of a business against different climate change scenarios, varying in the speed and severity of climate change over time, and the associated response by governments worldwide in terms of policy change.

As depicted in the figure opposite, climate change driven impacts on the operating environment may take the form of market and technology shifts, reputational factors, the impact of changes (or insufficient change) to government policy and legal frameworks, and physical impacts.

Risks and opportunities may take the form of a transition risk, whereby companies do not respond quickly enough to a changing operating environment and/or shifting stakeholder expectations. Physical risks include the more obvious, direct impacts on a business, such as flooding and increasing storm events near a business's operations, or more indirect impacts such as rising sea levels, and the impact that this could have on global trade routes and access to customers.

In evaluating the impact on a business, climate change risks and opportunities may affect a wide range of factors, such as a company's operating costs, ability to generate revenues, supply chains, ability to operate continuously, and the timing of key company events and/or milestones.

Businesses will need to have an answer to the key question:
"What strategy is in place to transition business models to ones that remain valuable once ambitious climate policies are in place?"

APPLY CLIMATE SCENARIOS

Markets and technology shifts	**Reputation**	**Transition risks and opportunities**	**Evaluate business impacts:**
Policy and legal	**Physical climate change**	**Physical risks and opportunities**	• Operating costs • Revenues • Supply chain • Business interruption • Timing

APPLY CLIMATE SCENARIOS

Source: Ricardo Plc.

CLIMATE RISKS AND OPPORTUNITIES: SPECIFIC TO SECTOR, GEOGRAPHY AND TIME

Market and technology shifts
- Reduced market demand for emissions intensive products.
- Increased demand for low carbon products and services.
- Disruptive business models.

Policy and legal
- Ambitious targets to decarbonise sectors, such as the energy and transport sectors.
- Increased cost of production and taxes.
- Liability risks.

Reputation
- Loss of trust and brand value if not risks and impacts are not addressed.
- Opportunity to enhance reputation through responsible purpose.
- Access to finance.

Physical risks
- Chronic changes to weather resulting in fundamental shifts.
- More frequent acute weather events, such as fires, storms, and flooding.
- Supply chain disruption.

Climate scenario analysis

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

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

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

Summary:

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

Characteristics:

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

Source: Ricardo Plc.

Scenario metric	IEA SDS (Sustainable Development Scenario)
Average global temperature increase (°C) by 2050	1.7°C
Average global temperature increase (°C) by 2100	1.6°C
Policy intervention	Increased policy beyond what has already been committed to, from 2021
Time horizon	Present day to 2100
Transition risks (as a function of carbon price, with pricing correct as of studies completed in June 2022)	**HIGH** (US$95/t) in 2050 Global carbon price
Transition risks (as a function of carbon intensity of steel production)	**HIGH** ($0.6tCO_2$/t) by 2050
Orderly or disorderly transition	Orderly

Potential overall impact on Ferrexpo (determined via stakeholder interviews and desktop studies, categorised on basis of occurrence and likelihood, see risk matrix on page 45 for more).

"Well below" 2.0°C scenario (Paris Agreement aligned)

Low Medium High

2. IEA Stated Policies Scenario ("STEPS")

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

Summary:

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

Characteristics:

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

3. IPCC Shared Socioeconomic Pathway 4 ("SSP4")

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

Summary:

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

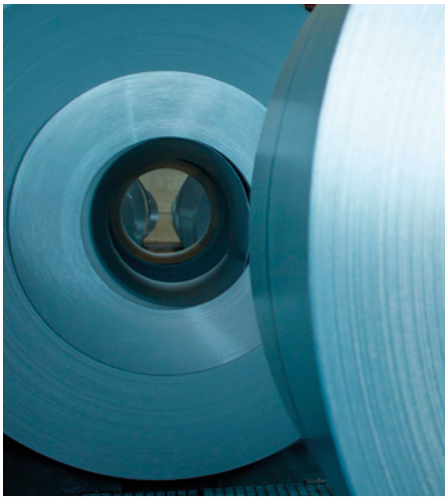
Characteristics:

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

IEA STEPS (Stated Policies Scenario)	IPCC SSP4 (Shared Socioeconomic Pathway 4)
2.0°C	2.2°C
2.6°C	3.7°C
Only policies that are active in 2021, including what has been committed to and what has been proposed	Increased policy after 2030, demonstrating a rapid transition to decarbonisation
Present day to 2100	Present day to 2100
MEDIUM (US$90/t) in 2050 Global carbon price	**MEDIUM** Regional carbon price in the short term, global carbon price in the long term
MEDIUM ($1.1tCO_2$/t) by 2050	N/A
Potential for orderly or disorderly	Disorderly

Worst case, "business as usual" scenarios

Materiality assessment



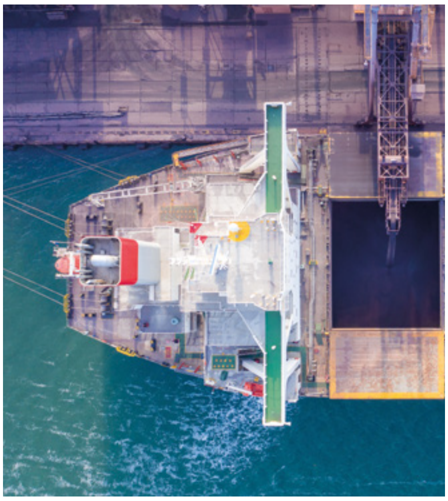
Key topic:

Low carbon emissions steelmaking.

Summary:
Increasing market demand for low carbon emissions steelmaking, which in turn will affect demand for the various raw materials required for the production of steel. In the short term, this shift presents an opportunity to Ferrexpo as the drive towards Green Steel will increase demand for direct reduction ("DR") pellets, which are a form of iron ore that can be used in direct reduced iron-electric arc furnace ("DRI-EAF") steelmaking. Through this opportunity, Ferrexpo can increase the premium paid for its products by customers, potentially increasing revenues as a result.

In the long term (2050 to 2100), the movement towards green steel presents a risk to the Group as other market competitors will begin to supply green steel producers, resulting in an increase in competitor products, such as DR pellets for use in DRI-EAF steelmaking. In this scenario, Ferrexpo would lose its competitive advantage to be a market leader that it currently has.

This topic is assessed to be a medium to high risk across all three climate change scenarios for 2050-2100.



Key topic:

Shipping targets and regulations on carbon emissions.

Summary:
Increasing regulations on the shipping industry as carbon emissions targets are introduced, with measures similar to the EU's Carbon Border Adjustment Mechanism ("CBAM"), will likely increase costs.

Given the current regulatory landscape, this factor is unlikely to impact the Group in the short term (0 to 5 years), but over the medium to long term will likely pose a risk, as it will increase the Group's cost base as technology to aid decarbonisation is implemented. However, this topic may present an opportunity to the Group if Ferrexpo is successful in decarbonising its shipping operations, potentially providing a competitive advantage.

This topic is assessed to be a medium to high risk across all three climate change scenarios for 2050 to 2100.

Key topic:

Carbon pricing and taxes.

Summary:
Mandatory pricing and taxes of carbon emissions, increasing the operating costs for those consuming fossil fuels and/or generating industrial emissions.

In the medium to long term, carbon pricing will negatively impact profitability through increasing operating costs. This risk will be exacerbated if the Group fails to adequately reduce emissions over time. If the Group does, however, reduce its emissions, then this will present the Group with an opportunity as it will have a competitive advantage over its peer group. Significant opportunity lies in achieving net zero targets, ahead of others.

This topic is assessed to be a medium to high risk across all three climate change scenarios for 2050 to 2100.

Scenario analysis: in detail

DEMAND FOR LOW CARBON EMISSIONS STEELMAKING | MARKET AND TECHNOLOGY SHIFTS

01. DESCRIPTION

Outline

To meet national, international and industrial climate targets, the general market is required to shift towards lower carbon emissions steelmaking.

Opportunity for Ferrexpo: short term

Ferrexpo is in a strong position to support this shift through producing more green steel, increasing the premium and revenue as a result.

Risk to Ferrexpo: long term

Other competitors in the market may start to produce green steel too, including direct reduction ("DR") pellets for use in electric arc furnaces. Potential for Ferrexpo no longer to be seen as "market leaders" in the transition.

02. SUGGESTED KPIS TO MONITOR THE RISK

The carbon intensity of steel:

- **IEA SDS:** assumes a decrease in steel carbon intensity from 1.4tCO_2/t in 2019 to 0.6 tCO_2/t by 2050.
- **IEA STEPS:** assumes a decrease in steel carbon intensity from 1.4tCO_2/t in 2019 to 1.1 tCO_2/t by 2050.

Electric arc furnace (EAF) uptake:

- **IEA SDS:** assumes an increase in EAF share of steel production from 29% in 2019 to 57.5% by 2050.
- **IEA STEPS:** assumes an increase in EAF share of steel production from 29% in 2019 to 47.4% by 2050.

POTENTIAL IMPACTS ON THE FOLLOWING AREAS

Revenues	Expenditures	Assets and liabilities	Capital and financing
✓	✓		✓

03. DATA REQUIRED TO ANALYSE IMPACTS

Financial impacts

- Any correlation between changes in revenue/market price and any change in global steel carbon intensity due to carbon policy impacts.

Performance against competitors

- The carbon intensity of Ferrexpo products compared to competitors.

Geographical spread of market changes

- Any change in global steel production methods due to technology development and consumer preference.
- Any trends in these KPIs geographically, compared to the location of Ferrexpo market base.

Source: Ricardo Plc.

04. SCENARIO RISK/ OPPORTUNITY RATING

	Date 2050	Date 2100
IEA SDS	High	High
IEA STEPS	Medium	High
IPCC SSP4	Medium	High

Overall impact on the business:

Low Medium High

05. POTENTIAL STRATEGIC ACTIONS TO MANAGE RISK AND TIMEFRAME

Establish manufacturing capability for technology and equipment required to integrate into market shift to green steel. The sooner Ferrexpo can integrate technologies that aid the reduction of carbon emissions, such as use of green hydrogen in the pelletising process, the further Ferrexpo will be ahead of other market competitors.	Short–medium term
Monitor Ferrexpo product carbon emissions intensity compared to other market competitors to ensure Ferrexpo can stay ahead as market leaders in this transition, ensuring increased premium and revenue.	Medium–long term
Incorporate continuous monitoring of global steel carbon emissions intensity requirements and incorporate into the Ferrexpo business strategy. Decisions on diversification and development of low energy intensive steel can thereby be influenced.	Continuous

MOVEMENT TOWARDS CIRCULAR ECONOMY PRINCIPLES | MARKET AND TECHNOLOGY SHIFT

01. DESCRIPTION

Outline

Global movement towards circular economy principles, driving an increase in scrap steel recycling and repurposing rates.

Risk to Ferrexpo: medium–long term

Reduced demand for virgin iron ore, resulting in a decrease in Ferrexpo sales and growth.

02. SUGGESTED KPIS TO MONITOR THE RISK

The repurposing rates, recycling rates and volume of scrap steel output:

- **IEA SDS:** assumes an increase in metallic scrap input from 32.1% in 2019 to 45.3% by 2050.
- **IEA STEPS:** assumes an increase in metallic scrap input from 32.1% in 2019 to 44.7% by 2050.

POTENTIAL IMPACTS ON THE FOLLOWING AREAS

Revenues	Expenditures	Assets and liabilities	Capital and financing
✓	✓	✓	

03. DATA REQUIRED TO ANALYSE IMPACTS

Financial impacts

- Any correlation between changes in revenue/market price and global scrap steel recycling rates.

Geographical spread of market/ technology changes

- Identify potential methods / technologies / equipment which can be utilised to repurpose / recycle scrap steel.
- Identify main countries where circular economy shift is increasing, and companies that are adopting the scrap steel recycling method.
- Identify markets for repurposed and recycled steel to establish client base for products.

Source: Ricardo Plc.

04. SCENARIO RISK/ OPPORTUNITY RATING

	Date 2050	Date 2100
IEA SDS	Medium	High
IEA STEPS	Medium	High
IPCC SSP4	Medium	Medium

Overall impact on the business:

Low / Medium / High

05. POTENTIAL STRATEGIC ACTIONS TO MANAGE RISK AND TIMEFRAME

Map out the existing and potential client base to develop an understanding of key markets and clients.	**Short–medium term**
Incorporate into Ferrexpo business strategy: continuous monitoring of global scrap steel recycling rates, including identification of main countries where a shift to a circular economy is increasing. Decisions on investment, diversification, and development of new products can therefore be influenced.	**Continuous**

SHIPPING: TARGETS AND REGULATIONS ON CARBON EMISSIONS | POLICY AND LEGAL

01. DESCRIPTION

Outline

Carbon emission targets and regulation on the shipping sector are introduced. This may include the EU's Carbon Border Adjustment Mechanism ("CBAM"), making more energy intensive shipping methods more expensive.

Opportunity for Ferrexpo: medium-long term

If Ferrexpo is successful at decarbonising its shipping operations, it may provide a competitive advantage, should regulations and additional CBAM legislation be introduced.

Risk to Ferrexpo: medium-long term

Increased costs on Ferrexpo from shipping decarbonisation technology requirements.

02. SUGGESTED KPIS TO MONITOR THE RISK

The intensity of shipping sector targets introduced:

- **IEA SDS:** assumes international shipping emission trajectory consistent with a 50% reduction by 2050 from a 2008 baseline. Ban of trucks with internal combustion engines by 2035.
- **IEA STEPS:** 30% improvement in energy efficiency per tonne-kilometre in new ships and policies to aid the decarbonisation of shipping.

POTENTIAL IMPACTS ON THE FOLLOWING AREAS

Revenues	Expenditures	Assets and liabilities	Capital and financing
✓	✓	✓	✓

03. DATA REQUIRED TO ANALYSE IMPACTS

Financial impacts

- Any revenue and/or market price changes influenced by the need for investment in decarbonisation technologies to achieve any shipping targets implemented.

Performance against competitors

- The cost of CBAM for Ferrexpo, compared to competitors. There could also be positive reputational impacts if Ferrexpo is seen as a market leader in the area and vice versa.

Distribution of policy changes

- The financial impact on Ferrexpo is dependent on the nature of shipping policy implemented. If financial policies to support any technology transition are available, the impact on industry is reduced.

Source: Ricardo Plc.

04. SCENARIO RISK/ OPPORTUNITY RATING

	Date 2050	Date 2100
IEA SDS	High	High
IEA STEPS	Medium	High
IPCC SSP4	Medium	Medium

Overall impact on the business:

Low Medium High

05. POTENTIAL STRATEGIC ACTIONS TO MANAGE RISK AND TIMEFRAME

Assess technologies that are available to decarbonise Ferrexpo shipping operations, and if these are plausible solutions that could support Ferrexpo in aligning with potential future shipping regulations and targets.	Short–medium term
Invest in the technology required to meet any shipping targets and regulations. This is dependent on the scale and boundary of policies introduced, when and where they are introduced, and the technology that is available at the time.	Medium–long term
Monitor the targets and regulations that are introduced to the shipping sector in different regions whereby Ferrexpo operates. Assess the quantitative financial risks of these scenarios and incorporate this risk into all business plans and decision-making.	Continuous

Responsible Business: TCFD Disclosures continued

CARBON PRICING/TAX: TARGETS AND REGULATIONS ON CARBON EMISSIONS | POLICY AND LEGAL

01. DESCRIPTION

Outline

A mandatory (increasing) global carbon price for fossil fuel and industrial emissions.

Opportunity for Ferrexpo: short–medium term

Financial advantage compared to market competitors if emissions are reduced to levels below the market average. If 2050 net zero target is achieved, then this may present and opportunity for Ferrexpo.

Risk to Ferrexpo: medium–long term

Decrease in profits due to increase in carbon tax, if Ferrexpo does not sufficiently reduce it's carbon emissions.

02. SUGGESTED KPIS TO MONITOR THE RISK

Global mandatory carbon price (USD/tCO_2):

- **IEA SDS:** assumes 35 by 2040, 95 by 2050[1].
- **IEA STEPS:** assumes 65 by 2030, 75 by 2040, 90 by 2050[1].
- **IPCC SSP4:** assumes regional carbon price in the short term, global carbon price in the long term.

Increases beyond this expected to 2100. IEA scenario carbon price assumes that Ferrexpo operates in emerging and developing economies. Carbon price for operating in advanced economies is larger.

POTENTIAL IMPACTS ON THE FOLLOWING AREAS

Revenues	Expenditures	Assets and liabilities	Capital and financing
✓	✓	✓	✓

03. DATA REQUIRED TO ANALYSE IMPACTS

Financial impacts

- Any correlation between changes in revenue/market price and any change in mandatory carbon price.

Performance against competitors

- Progress in emission reductions achieved compared to targets.
- Ferrexpo emissions and carbon tax compared to competitors.

Distribution of policy changes

- Any difference in carbon price geographically and the relevance to Ferrexpo operations.
- Any difference in carbon price, boundary and scope based on markets/industries and the relevance to Ferrexpo operations.

Source: Ricardo Plc.

04. SCENARIO RISK/ OPPORTUNITY RATING

	Date 2050	Date 2100
IEA SDS	High	High
IEA STEPS	High	High
IPCC SSP4	Medium	High

Overall impact on the business:

Low | Medium | High

05. POTENTIAL STRATEGIC ACTIONS TO MANAGE RISK AND TIMEFRAME

Understand the capacity for technology, equipment and offsetting required to transition Ferrexpo to a net zero business by 2050.	Short–medium term
Monitor Ferrexpo product carbon intensity and carbon footprint compared to other market competitors to ensure Ferrexpo can stay ahead of market leaders, ensuring increased revenue in comparison. Carbon tax boundaries and scope should be monitored as this will determine if Ferrexpo products can support the market in reducing the carbon tax burden.	Medium–long term
Incorporate net zero roadmap and continuous monitoring of global carbon prices into Ferrexpo business strategy. Decisions on diversification and development of carbon reduction technology/processes can thereby be directly influenced. Emission reduction performance against targets should be regularly monitored to asses exposure and vulnerability to risk.	Continuous

1. Carbon pricing correct as of timing of studies completed (June 2022).

ENERGY CRISIS IN UKRAINE | POLICY AND LEGAL

01. DESCRIPTION

Outline

Climate change related natural, economic or political events, which could leave Ukraine's energy system vulnerable to crises.

Opportunity for Ferrexpo: continuous

Ferrexpo's mining operations are located in Ukraine and are highly energy intensive, with Ferrexpo very sensitive to changes in energy provision.

Risk to Ferrexpo: short–medium term

Opportunity for Ferrexpo to diversify and become independent of the Ukraine energy grid through producing their own renewable energy.

02. SUGGESTED KPIS TO MONITOR THE RISK

Energy policy: access and renewable make-up:

- **IEA SDS:** assumes fair access to clean energy for all, globally, meaning impact of risk is minimal.
- **IEA STEPS:** assumes not all governments will reach announced goals*.
- **IPCC SSP4:** assumes uncertainty in the fossil fuel market*.

* Ukraine's climate and energy policy has been rated as highly insufficient by the Climate Action Tracker, suggesting a vulnerability of Ferrexpo to this risk.

POTENTIAL IMPACTS ON THE FOLLOWING AREAS

Revenues	Expenditures	Assets and liabilities	Capital and financing
✓	✓	✓	✓

03. DATA REQUIRED TO ANALYSE IMPACTS

Financial impacts

- Increased energy costs due to instability in Ukraine's energy market and the impact of this on revenue.

Performance against competitors

- Monitoring of competitor risk to similar constraints.
- Access to clean and sufficient energy in Ukraine, compared to other countries.

Composition of Ukraine energy

- Renewable composition of the grid, compared to Ferrexpo renewable and emission targets.
- The cost/benefits of private renewable generation compared to grid supply.

Source: Ricardo Plc.

04. SCENARIO RISK/ OPPORTUNITY RATING

	Date 2050	Date 2100
IEA SDS	Low	Low
IEA STEPS	Medium	High
IPCC SSP4	Medium	High

Overall impact on the business:

Low Medium High

05. POTENTIAL STRATEGIC ACTIONS TO MANAGE RISK AND TIMEFRAME

Assess the cost/benefit of investing in a private renewable energy supply, independent of the Ukrainian grid.	**Short–medium term**
Monitor the political instability of Ukraine, mitigation options/influence to overcome this, and integrate the impacts of this risk on Ferrexpo operations and reputation into business decisions and long-term plans.	**Continuous**

Responsible Business: TCFD Disclosures continued

CONSUMER AND INVESTOR CONSCIOUSNESS | REPUTATION

01. DESCRIPTION

Outline

An increase in positive sentiment towards Green Steel (and associated sources of iron ore) from both consumers and investors. Assumes an associated increase in demand for climate action transparency.

Opportunity for Ferrexpo: short-medium term

Ferrexpo are moving towards the scaled production of iron ore for the Green Steel market. There is an opportunity to upscale this production and become a key player in the market.

? Risk to Ferrexpo: medium–long term

Risk of reputational loss if net zero targets are not met, and/or competitors perform better in the sector than Ferrexpo, potentially leading to financial losses.

02. SUGGESTED KPIS TO MONITOR THE RISK

Consumer and investor demand for climate action:

- **IEA SDS:** Not specified. This scenario models a world that achieves sustainable development, and in such a scenario, Ferrexpo would have to outperform current targets to compete with its competitors. This is more likely a risk than an opportunity.
- **IEA STEPS:** Not specified. Assumes extensive change but not all government and industry targets are met, suggesting Ferrexpo has an opportunity to become a market leader.
- **IPCC SSP4:** Not specified. In a disorderly transition, it is likely this is more an opportunity than a risk to Ferrexpo.

POTENTIAL IMPACTS ON THE FOLLOWING AREAS

Revenues	Expenditures	Assets and liabilities	Capital and financing
✓	✓		✓

03. DATA REQUIRED TO ANALYSE IMPACTS

Financial impacts

- Any changes in revenue/market price, correlated to Ferrexpo's reputation on climate action and sustainability.
- Understanding consumer and investor opinions on Ferrexpo and climate action would be beneficial for this risk/ opportunity.

Performance against competitors

- Benchmarking sustainability performance, communication and reputation against competitors.

Source: Ricardo Plc.

04. SCENARIO RISK/ OPPORTUNITY RATING

	Date 2050	Date 2100
IEA SDS	High	High
IEA STEPS	Medium	Medium
IPCC SSP4	Medium	High

Overall impact on the business:

Low · Medium · High

05. POTENTIAL STRATEGIC ACTIONS TO MANAGE RISK AND TIMEFRAME

Benchmarking exercise of Ferrexpo sustainability and climate action achievements, and communication and reputation performance against competitors. A particularly beneficial aspect of this will be understanding both consumer and investor opinions of Ferrexpo, including in its recent roadmap to net zero.	Short–medium term
Consideration should be given to the communication of any climate and sustainability action. As we move closer towards carbon budgets and net zero targets, focus will be on those who can not only achieve sustainability, but demonstrate and communicate it effectively. Consumers and investors are likely to become more scrutinous of greenwashing.	Medium–long term
Climate and sustainability action should be taken, taking into account the benchmarking previously completed. Foresight will be needed to stay ahead of competitors.	Continuous

CLIMATE-INDUCED CONFLICT | PHYSICAL RISKS

01. DESCRIPTION

Outline

Climate change related natural, economic or political events create political instability and/or conflict that impacts on Ferrexpo operations and trade.

? Risk to Ferrexpo: continuous

In a world of climate induced political instability, there is an increased potential that Ferrexpo operations, employees or supply chain will be negatively impacted, potentially leading to deceased profits, sales, funding and reputation.

02. SUGGESTED KPIS TO MONITOR THE RISK

The frequency of climate-induced political instability:

- **IEA SDS:** assumes sustainable development is achieved, reducing the likelihood of climate-induced conflict.
- **IEA STEPS:** assume sustainable development is **not** achieved, and covers the possibility of policies, commitments and targets not being reached. Climate-induced conflict is therefore plausible in this scenario.
- **IPCC SSP4:** physical impacts most extreme in a 3.7°C scenario, and transition is more disorderly, therefore climate-induced conflict is likely.

POTENTIAL IMPACTS ON THE FOLLOWING AREAS

Revenues	Expenditures	Assets and liabilities	Capital and financing
✓	✓	✓	✓

03. DATA REQUIRED TO ANALYSE IMPACTS

Revenue changes

- Any correlation between climate-induced conflict or instability and revenue.

Performance against competitors

- Benchmarking against competitors on climate conflict mitigation, and support provided for employees impacted. Potential reputational impacts from this.

Distribution of instability

- The impact of this risk is heavily determined by the location of any climate-induced political instability compared to Ferrexpo operations.
- Indirect impacts may encompass Ferrexpo trade routes (e.g. shipping of products) and so these should be closely monitored.

Source: Ricardo Plc.

04. SCENARIO RISK/ OPPORTUNITY RATING

	Date 2050	Date 2100
IEA SDS	Low	Low
IEA STEPS	Medium	High
IPCC SSP4	Medium	High

Overall impact on the business:

Low Medium High

05. POTENTIAL STRATEGIC ACTIONS TO MANAGE RISK AND TIMEFRAME

Assess climate-induced conflict and political instability by likelihood, Ferrexpo operating and trading locations and Ferrexpo business plan timeframes.	**Short–medium term**
Incorporate the risks identified in the short–medium term into decision making. The likelihood of climate-induced political instability and/or conflict is increased by the physical impacts of climate change, the climate change policy implemented and where these both occur. This risk is difficult to distinguish from non climate-induced instabilities but should still be recognised where possible.	**Continuous**

SEA LEVEL RISE (CHRONIC) | PHYSICAL RISKS

01. DESCRIPTION

Outline

Global sea level rise increase, leading to direct or indirect impacts on Ferrexpo operations, employees or supply chain.

? Risk to Ferrexpo: continuous

Disruption to ports and navigation routes, particularly from the port of Pivdennyi in Southern Ukraine and in receiving ports. Disruption also to employees and the Ferrexpo general supply chain.

02. SUGGESTED KPIS TO MONITOR THE RISK

Sea level rise along distribution routes and ports:

- **IEA SDS:** Not specified. Under a 1.5°C scenario, the IPCC SSP2 suggests an average global sea level rise of 0.2m by 2050 and 0.4m by 2100, exposing 128–139 million people.
- **IEA STEPS and IPCC SSP4:** Not specified. Under a >2°C scenario, sea level rise is modelled between 0.32–0.63m by 2100*.

* Comparable scenario: IPCC's Relative Concentration Pathway ("RC") 4.6-6.

POTENTIAL IMPACTS ON THE FOLLOWING AREAS

Revenues	Expenditures	Assets and liabilities	Capital and financing
✓	✓	✓	✓

03. DATA REQUIRED TO ANALYSE IMPACTS

Financial impact

- Any revenue/market price changes correlated to an increase in sea level rise. This could be indirect e.g. port/distribution disruption from sea level rise.
- Impacts of sea level rise on assets, and insurance for assets.

Employees and reputation

- There is also a reputation risk here, dependent on how Ferrexpo responds to employees, operational facilities and supply chains facing disruption due to sea level rise.

Source: Ricardo Plc.

04. SCENARIO RISK/ OPPORTUNITY RATING

	Date 2050	Date 2100
IEA SDS	Low	Low
IEA STEPS	Medium	High
IPCC SSP4	Medium	High

Overall impact on the business:

Low / Medium / High

05. POTENTIAL STRATEGIC ACTIONS TO MANAGE RISK AND TIMEFRAME

Assess the quantitative risk of sea level rise to Ferrexpo's supply chain and shipping operations, including the most vulnerable shipping routes, ports, customers and employees. Incorporate this risk into decision making.	**Short–medium term**
Research mitigation and adaptation options for those areas of Ferrexpo operations, supply chain and workforce identified as at risk from sea level rise. If those identified are outside of Ferrexpo's direct operations, consider engaging with those third parties to increase resilience to sea level rise.	**Medium–long term**

INCREASE IN STORM FREQUENCY AND INTENSITY (ACUTE) | PHYSICAL RISKS

01. DESCRIPTION

Outline

Increase in storm frequency and intensity, leading to direct or indirect impacts on Ferrexpo's operations, employees or supply chains.

? Risk to Ferrexpo: continuous

Disruption to ports and navigation routes, and in receiving ports. Disruption also to employees and Ferrexpo's general supply chain.

02. SUGGESTED KPIS TO MONITOR THE RISK

Sea level rise along distribution routes and ports:

- **IEA SDS:** Not specified. Under a 1.5°C scenario, storm intensity and frequency are likely to increase.
- **IEA STEPS:** Not specified. Under a >2°C scenario, storm intensity and frequency are likely to increase. The magnitude of this impact is likely to be larger than the IEA's SDS scenario.
- **IPCC SSP4:** Not specified. Under a >2°C scenario, storm intensity and frequency are likely to increase. The magnitude of this impact is likely to be larger than the IEA's SDS scenario.

POTENTIAL IMPACTS ON THE FOLLOWING AREAS

Revenues	Expenditures	Assets and liabilities	Capital and financing
✓	✓	✓	✓

03. DATA REQUIRED TO ANALYSE IMPACTS

Financial impact

- Any revenue/market price changes correlated to an increase in storm frequency and intensity. This could be direct (e.g. damage to Ferrexpo infrastructure, product and employees), or indirect (e.g. port/distribution disruption and widescale economic impacts).

Employees and reputation

- There is also a reputational risk here, dependent on how Ferrexpo responds to employees and facilities facing storm disruption.

Source: Ricardo Plc.

04. SCENARIO RISK/ OPPORTUNITY RATING

	Date 2050	Date 2100
IEA SDS	Medium	Medium
IEA STEPS	High	High
IPCC SSP4	High	High

Overall impact on the business:

Low Medium High

05. POTENTIAL STRATEGIC ACTIONS TO MANAGE RISK AND TIMEFRAME

Assess the quantitative risk of an increase in storm frequency and intensity to Ferrexpo's supply chain and shipping operations, including the most vulnerable shipping routes, ports, customers and employees. Incorporate this risk into decision making.	Short–medium term
Research mitigation and adaptation options for those areas of Ferrexpo's operations, supply chain and workforce that have been identified as being at risk from an increase in storm frequency and intensity. If those identified are outside of Ferrexpo's directly-owned operations, Ferrexpo should consider engaging with those third parties to increase resilience to these storms.	Medium–long term

Ferrexpo places great importance on creating a workplace culture in which all contributions are valued, different perspectives are embraced, and biases are acknowledged and mitigated.

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

Ferrexpo places great importance on creating a workplace culture in which all contributions are valued, different perspectives are embraced, and biases are acknowledged and mitigated. This commitment is set out in the Company's Diversity, Equity and Inclusion ("DEI") Policy which was adopted by the Board in 2019. This policy is designed to prohibit all forms of unfair discrimination (on the basis of disability, pregnancy and parenthood, race, national or ethnic origin, age, gender, sexual orientation, political opinion, and social origin).

In support of the Policy, the Company's diversity initiatives are focused on helping us to develop a diverse workforce that embraces difference and an inclusive working environment where all employees regardless of their background, marital status, age, ethnicity, sexual orientation or gender can realise their full potential.

DEI progress in 2023

Our DEI efforts have increased significantly in recent years, with increased stakeholder focus and a greater emphasis on companies having a sustainable, inclusive culture. Our DEI efforts continued in 2023, but some planned internal events could not be held due to disruption arising from the war in Ukraine and were held over to 2024.

Activities that were progressed included an inaugural 'school for clerks', involving 32 employees with disabilities, with the aim of equipping these employees with appropriate practical life skills to support their inclusion and equal participation in the 'normal' life of the company.

Fe_munity Teens programme was also offered online to 54 teenagers drawn from the local community surrounding the Group's operations. This new programme is part of Ferrexpo's Corporate Social Responsibility work within the local communities surrounding our operations and is built around the themes of self-discovery, self-directed learning and personal growth. The programme, in keeping with the broader Fe_munity programme, aims to accelerate the development of participants as they navigate the challenges and gender biases that might hinder their personal progression at secondary or at tertiary education level or generally within broader society. It is particularly noteworthy that this programme was conceptualised and run by the alumni of the previous three Fe_munity programmes.

In 2023, DEI sensitivity and unconscious bias training was also provided to students who are attending the local technical college as well as students that are enrolled in a special maths and science class in one of the schools in Horishni Plavni, that is sponsored annually by Ferrexpo. The proportion of managerial roles held by women rose from 20.9% in 2022 (81 female managers) to 22.3% in 2023 (87 female managers), with this upward trend expected to continue into 2024, despite the war in Ukraine. This trend means that the Group is tracking well to achieve its stated

30.9%

Positions held by women accounted for 30.9% of our total employee workforce in 2023 (2022: 28.7%)[1].

22.3%

Women in management roles across the Group increased to 22.3% in 2023 (2022: 20.9%)[2].

25%

Target of 25% of management positions to be held by women by 2030. Progress to date has seen an increase from 18% in 2019 to 22.3% in 2023.

1. Of the total employee workforce in 2023 (6,889) (2022: 7,983), 2,130 positions were held by women and 4,759 held by men.
2. Of the total number of management roles in 2023 (391), 87 positions were held by women and 304 were held by men.

target of at least 25% of managerial roles to be held by women by 2030. The overall number of women in the workforce also improved in 2023 to 30.9% (2022: 28.7%).

Our Inclusion School, which is a training programme for our employees in Ukraine, began in 2021, and restarted in late 2022 flowing into the early part of 2023. Topics covered in this programme are aimed at fostering inclusiveness and diversity, and how this can help Ferrexpo's business model. More than 200 of Ferrexpo's employees completed this course by the end of 1Q 2023. Online learning covers topics such as identifying different forms of discrimination, why it is important to eliminate prejudice and how tolerance can help Ukraine to tackle its wartime challenges. Our Inclusion School was also extended at the beginning of 2023 to include local authority employees who are keen to learn more about challenging prejudice and discrimination.

The activities in 2023 helped to generate a positive working environment that supports people's mental health and wellbeing, regardless of age, gender or other characteristics.

Additionally, the Group's 2022 Responsible Business Report is available on our website at https://www.ferrexpo.com/responsibility/responsible-business-reports/

Gender diversity targets for 2030

At Ferrexpo, we have a gender diversity target of ensuring 25% of managerial roles are filled by women by 2030. To date, our diversity efforts have enabled us to progress the level of women in management roles from 18% in 2019 to 22.3% in 2023, which has been possible through a range of diversity initiatives in Ukraine and across the Group, as well as sustainability-linked incentives within the Group's Remuneration Policy (see page 143 for more details).

We are specifically targeting diversity at the managerial level, rather than total diversity, as this helps to encourage career progression and opportunities for women, which may not otherwise be available. Our workforce does, however, include a higher proportion of women (2023: 30.9%) than our mining-sector peers that operate in the developing world[1].

External recognition in 2023

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

In 2023, the Group's multi-component Fe_munity programme, covering corporate, all Ukraine and teenagers, won first prize at the all Ukrainian HR PRO Awards in the Diversity and Inclusion category.

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

WE ARE DETERMINED

Victoria Shcherbak and Tamara Shvets

Victoria and Tamara work as administrators at Ferrexpo's Kyiv office, where they contribute to creating a comfortable and positive work environment for their colleagues.

How has the war changed your approach to work?
We have learnt to adapt and sometimes learn on the fly. We cannot halt life and stop planning due to the war. What's our plan b, our plan c? Imagine driving a car and the satellite navigation charts a route, but suddenly the road is blocked. The tech doesn't complain, it provides an immediate alternative route. The ability to navigate in uncharted territories has become a new skill.

What has the war taught you about how you perform your job?
Two things: make it a priority to replenish your mental and emotional reserves, and always have backup external batteries! Simple and disciplined self-care methods are mandatory, this includes getting sufficient sleep, outdoor walks, cultivating positive emotions, and incorporating humour into everyday life. Tackling significant challenges becomes more manageable by breaking them down into simple and comprehensible steps.

When the war is over, what will be different for you in your job function?
After the war concludes our focus will shift from crisis response to building out strategic initiatives. The end of the war marks a transition from reactive roles to proactive engagement. And we will be armed with the resilience that we have developed during war time. Resilience is a choice to live, a choice that embodies the enduring hope that will guide us through reconstruction.

Governance: Building trust

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

Board composition

Effective corporate governance starts with the Board of Directors ("Board"). As of the date of this document, Ferrexpo's Board comprises six Directors – including two Executive Directors and four Independent Non-executive Directors. For more details of the Board composition and activities during the year, please see the Corporate Governance section of this report (page 93).

Board changes and position appointments

During the year, in February 2023, Natalie Polischuk was appointed a member of the Committee of Independent Directors.

Following the Annual General Meeting, in May 2023, Jim North resigned as an Executive Director and Nikolay Kladiev was appointed as an Executive Director. Ann-Christin Andersen resigned as an independent Non-executive Director and Natalie Polischuk was appointed as Chair of the Group HSEC's Committee.

At the end of June 2023, Jim North resigned as Chief Executive Officer. Following his resignation as Chief Executive Officer, the decision was taken to combine the roles of the Chair and Chief Executive Officer on an interim basis as with the ongoing war in Ukraine and the need for business continuity it was not considered the right time to commence an external search process for a new Chief Executive Officer. To this end, in July 2023, Lucio Genovese was appointed to act as Executive Chair on an interim basis and assume leadership of the Group.

In October 2023, Stuart Brown was appointed as an independent Non-executive Director and a member of the Audit Committee. Following an orderly handover process, Graeme Dacomb resigned at the end of December 2023 as an independent Non-executive Director and Chair of the Audit Committee. In January 2024, Stuart Brown was appointed as Chair of the Audit Committee and a member of the Remuneration Committee. Most recently in February 2024, Stuart Brown was appointed a member of the Committee of Independent Directors.

FTSE Women Leaders Review

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

As of the date of this report, Ferrexpo's Board is 33% female (31 December 2022: 43%), meaning that although Ferrexpo met the requirement for a female in one of the stated roles, with Fiona MacAulay as the Group's SID, due to Board changes the recommendation for Board gender diversity set by the FTSE Women Leaders Review was unfortunately not met.

The Group is also focusing on increasing diversity further down its organisational structure; details of this work can be found on pages 60 to 61, and in the Corporate Governance Report on page 93.

20%

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

33%

Female representation on the Group's Board of Directors (two out of six Directors).

40%

Target for gender diversity at Board level, as set by the FTSE Women Leaders Review.

3

Three of the Group's six Directors appointed in the past four years.

Parker Review

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

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

Corporate governance controls

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

Stakeholder engagement

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

We also endeavour to engage with stakeholders located within Ukraine and overseas, with this made possible through communications in both Ukrainian and English. In 2023, we communicated in both languages across the majority of our social media channels and the 2022 Responsible Business Report, as well as selected press releases.

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

Related party matters

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

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

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 2022 available on the Group's website and the report for 2023 expected to be released during the course of 2024.

Reporting requirements	Reports, policies and standards	Additional information	Risks
Environmental	Climate Change Report Tailings Management	Greenhouse gas emissions (pages 36 to 37) Energy consumption (page 36) www.ferrexpo.com/responsibility/protecting-environments	Principal Risks, pages 74 to 90
Employees	Ethics and Responsible Business Policy Code of Conduct Health and Safety Policy	Health and safety (pages 34 to 35) Diversity, equity and inclusion (pages 60 to 61) www.ferrexpo.com/responsibility/workforce-development www.ferrexpo.com/responsibility/safety-performance	Principal Risks, pages 74 to 90
Human rights	Human Rights Policy Data Privacy Policy Anti-Slavery and Trafficking Statement Information Security	Diversity, equity and inclusion (page 60) Ferrexpo Code of Conduct www.ferrexpo.com/about-ferrexpo/corporate-governance/policies-and-standards	Principal Risks, pages 74 to 90
Social matters	Donations Policy Community Policy	Operating during a time of war (pages 6-7) Social engagement (page 64) www.ferrexpo.com/responsibility/supporting-communities	Principal Risks, pages 74 to 90
Anti-corruption and anti-bribery	Anti-Bribery Policy Anti-Money Laundering and Counter Terrorist Financing Policy Fraud Risk Management Whistleblowing Policy	Internal controls (page 119) Governance (page 62) Governance Report (pages 93 to 157) www.ferrexpo.com/about-ferrexpo/corporate-governance/policies-and-standards www.ferrexpo.com/whistleblowing	Principal Risks, pages 74 to 90
Principal risks and impact on business activities		Business Model (page 8) Risk Management (page 72) Viability Statement (page 91) Going Concern Statement (page 155)	Principal Risks, pages 74 to 90
Non-financial KPIs		Key Performance Indicators (page 14)	

Stakeholder Engagement – Section 172

Ongoing engagement with all stakeholders is important so that we can understand what is important to them, and how we can generate value together.

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

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In addition, throughout this report are 12 Q&As with colleagues in various functions across the business discussing how the war is affecting how they work, what has changed and impacts on our various stakeholders, and how they anticipate that they will adapt to working life when the war is over. The purpose of these Q&A-style case studies are to convey a deeper insight into the people and culture of Ferrexpo, and the determined spirit they collectively demonstrate.

The Board of Directors acts to promote the long-term sustainable success of the Company for the benefit of shareholders as a whole. This long-term sustainable success includes governing the business in the short term during a time of war and more broadly the challenging operating environment in Ukraine. In doing so the importance of having due regard to the matters set out in Section 172(1)(a) to (f) of the Companies Act 2006 is recognised, notably:

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

The following section outlines the Group's different stakeholder groups, engagement activities conducted in 2023 and feedback that was received as part of this work. Each section provides an overview of the work completed to date in response to this feedback, and any further plans that the Board has for the year ahead.

How considering stakeholders in decision making works in practice

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

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

The Group considers its stakeholders to include:

1. Workforce

See **page 66** →

2. Customers

See **page 67** →

3. Suppliers

See **page 68** →

4. Communities

See **page 69** →

5. The Environment

See **page 69** →

6. Government and its agencies

See **page 70** →

7. Investors

See **page 70** →

1. Workforce

Ferrexpo's talented and engaged workforce is a core strength of Ferrexpo's business, on which we continue to rely during a time of war. Through a close working relationship between employer and employees, company and contractors, we are able to respond to the evolving needs of our workforce.

Our engagement activities in 2023

Ferrexpo aims to communicate with its workforce, which is based in a number of geographic locations and a range of settings, in a variety of ways to communicate effectively with different individuals and groups in multiple languages. The type of communication channels used to communicate with members of the workforce varies. We use a range of methods including electronic communications tools (such as email, online learning, electronic bulletins, corporate websites and messaging platforms), social media channels and traditional print media, both our own company newspaper in addition to local and national media at our operations in Ukraine, and also our corporate offices, including Switzerland and the United Kingdom.

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

In normal circumstances, Directors frequently visit our operations in Ukraine, however this is difficult during a war. But, in December 2023, over two days, Ukrainian resident Independent Non-executive Director Mr Lisovenko, also Non-executive Director Designate for workforce engagement, visited our operations in Ukraine and hosted a number of engagement sessions with a cross section representing a range of stakeholder groups within our workforce, including operations personnel, a selection of middle managers from all three business units, senior female leaders, alumni of our Fe_munity Women in Leadership programmes and people with disabilities and community stakeholders.

During the engagement sessions, members of the workforce made comments and suggestions on a range of matters and posed questions for subsequent response by the Board. In February 2024, the Board considered the comments, concerns, suggestions and questions and will provide feedback to the workforce via established communication channels. For example, members of the workforce requested more detail in respect of the current approach of running one and sometimes two pellet lines, in response to logistics constraints caused by the war and that the quality of personal protective clothing be improved.

In addition to direct engagement, such as face-to-face meetings in the workplace, the Group utilises its website, public reports and social media channels. As of February 2023, the Group had over 20,000 followers across Facebook, Instagram and LinkedIn, with the majority of subscribers being located in Ukraine. The Group typically issues 20 to 30 posts on social media a month, with each post representing an opportunity to convey topics of interest to stakeholders. These posts not only cover corporate news, but also topics of important local and national interest and news about local personalities, including for example a video series about veteran rehabilitation.

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

Further details on our engagement with the workforce can be found in the section 'Operating during a time of war' on pages 6 to 7, in the sections on 'Responsible business: safety' on page 34 and 'Responsible business: diversity, equity and inclusion' from page 60, the case study 'Double materiality' on pages 38 to 40, and in the various employee Q&As listed on page 5.

Our response to feedback

The Board understands the importance of Ferrexpo having a strong presence within Ukraine, where more than 95% of our employees and contractors are based, to ensure effective engagement. As such, the Board includes two Ukrainian Independent Non-executive Directors and one Ukrainian Executive Director. Through this presence, Vitalii Lisovenko, the Board's nominated representative for workforce engagement, was able to visit our operations during 2023.

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

Plans for engagement in 2024

Engagement activities will continue into 2024 to understand the evolving concerns and requirements of our workforce.

Mr Lisovenko, independent Non-executive Director Designate for workforce engagement, will visit our operations in Ukraine and host a number of engagement sessions with a cross section representing a range of stakeholder groups within our workforce and community stakeholders.

The Group typically conducts an employee engagement survey every year and intends to complete such an exercise during 2024.

2. Customers

Our customers are important to the business, with investments in high grade and high quality forms of iron ore designed to meet their needs. Through constructive, long-term customer relationships, the Group aims to generate value for all stakeholder groups.

Our engagement activities in 2023

The Group continues to experience material disruption to its logistics network following Russia's full-scale invasion of Ukraine in February 2022, which resulted in limited access to Ukrainian Black Sea ports and reduced access to the Ukrainian railway network.

As a result, our ability to deliver our products to customers in 2023 was limited to 4.2 million tonnes sold during the year (2022: 6.2 million tonnes). In the early stages of the war, our marketing team held extensive discussions with customers, and through strong, long-standing relationships the Group was able to redirect sales to European customers by rail and later via alternative Black Sea ports to the MENA region and Europe.

Further details of the restrictions imposed as a consequence of the conflict are provided in the section 'Operating during a time of war' on pages 6 to 7 and in the section 'Market Review' on pages 22 to 25.

Our response to feedback

Customers are increasingly focused on climate change and sustainability, particularly in Europe due to legislative or other requirements for steel producers to reduce their carbon emissions. To provide clarity to customers, the Board was proud to issue the Group's first standalone Climate Change Report in December 2022 and later accelerate its carbon reduction targets. Changes included an increase to the medium-term (2030) emissions reduction target to 50% (from 30%) and inclusion of Scope 3 emissions targets within the Group's suite of forward-facing targets.

WE ARE DETERMINED

Ralf Jina and Sandra Groher

Ralf and Sandra work at First-DDSG, our Danube barging business. Balázs manages logistics and commercial matters, and Sandra HR related matters, including crewing activities.

As the war progresses, what has changed for you?
We had to shift operations from the Upper Danube region and long distance routes to the Lower Danube shuttling to alternative Black Sea ports, rethinking our strategy and operations, in particular how we manage our fleet of 220 vessels and barges. We redirected many barges to support increased Ukrainian demand there. There were difficulties initially, for example crews could not simply leave Ukraine; so we had to bring the vessels to the people, not the other way around. We are proud we stepped up to the challenge and supported Ukraine.

What has the war taught you about how you do your job?
It's shown us the need to act swiftly, even how to anticipate the next move and stay ahead. It's not enough to simply 'react' to a change, one has to adopt a strategic manner. For example, there was a period when good crews were hard to come by and retain so we kept in close contact with our crewing companies to really understand the needs of the crews and respond accordingly. It's been challenging, but also rewarding to see what we can achieve in uncertain times.

How will the end of the war affect your work?
There will be more change, but we feel ready for it. We'll be taking everything we've learned during this period and use it in the future. I'm confident that the lessons we have learnt will guide us through the post-war adjustments. We know now that we can deal with whatever comes our way.

3. Suppliers

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

Our engagement activities in 2023

The Group's operations paid a total of US$514 million to suppliers in 2023 (2022: US$912 million). Given the location of our operations and the situation in Ukraine, the Group has continued to engage extensively with its suppliers – many of whom are facing similar challenges to Ferrexpo. It has been important to seek clarification on the status of their operations during the war and where necessary identify alternative suppliers where disruptions have occurred or the risk of disruption is perceived to be high.

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

Further details on our engagement with suppliers can be found in the section 'Operating during a time of war' on pages 6 to 7.

Our response to feedback

The Group is an important player in the local economy in the Poltava Region, and therefore it is important that it maintains constructive relationships with suppliers, for example by paying suppliers promptly.

By imposing a Code of Conduct and engaging with suppliers, the Group aims to reduce the risks associated to it through issues in the supply chain such as environmental concerns and modern slavery.

WE ARE DETERMINED

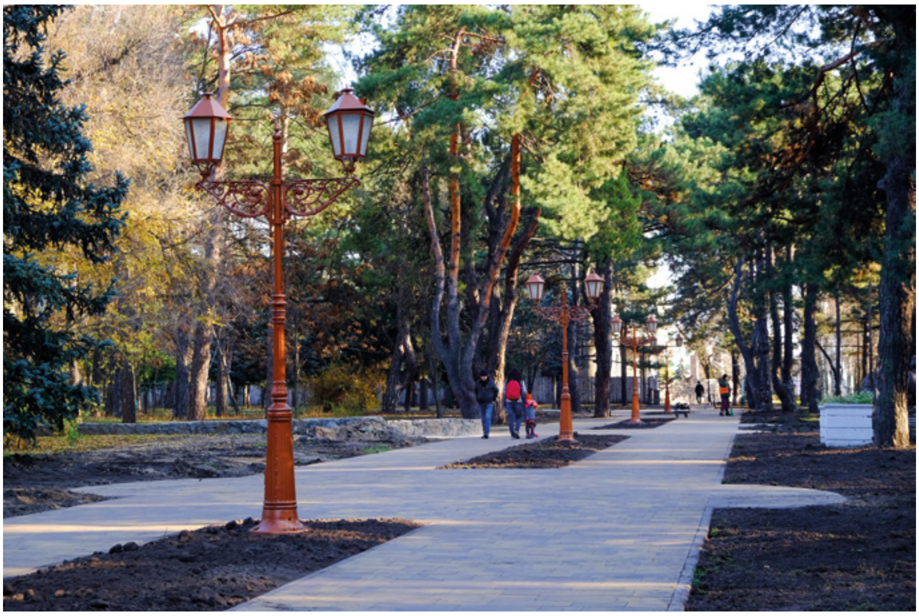
Petro Tsektor, Road Vehicle Driver, FPM

Petro's driving career spans 23 years, though he only joined Ferrexpo ten years ago. He started at Ferrexpo driving mining trucks, before he changed to driving cars in 2016.

What is the biggest impact the war has had on your job?
After the full-scale invasion, not much has changed in my work. I always check the vehicle several times before the trip, its technical condition and the availability of all documents. I'm steadfast; I make sure to reach the destination on time.

What has the war taught you about how you do your job?
Under martial law conditions, I pay particular attention to the route, especially if I am on a business trip to populated areas that are close to the battle front. I need to think, in advance, of several options for the route, taking into account the weather conditions and focusing on safety of both my passengers and myself. For me, the main thing is to be optimistic about every trip!

What do you look forward to most about your job when the war ends?
After the Victory, I want to travel around Ukraine to hero-cities and settlements that were most affected by enemy attacks. It will be important to always remember, and tell the next generations about what happened. Of course, there will be more business trips, and the emotional state of my passengers will be better.



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

Plans for engagement in 2024
Supplier engagement is expected to continue into 2024 with a similar focus as in previous years – seeking local goods and services where possible, to support the Ukrainian economy, and engaging to ensure supplier governance throughout Ferrexpo's supply chain. In addition, the Group is increasingly engaging to understand the greenhouse gas emissions footprint of suppliers, as this is directly relevant to Ferrexpo's Scope 3 emissions.

Plans for engagement in 2024
The Group is in regular contact with its customers. This includes regular meetings with actual or potential customers and also visits to their operations around the world. One area of focus for the Group is the DR pellet market, which is forecast to outpace other iron ore products in terms of demand, especially in Europe and the MENA region.

4. Communities

Our social licence to operate is earned by successful engagement with the communities where we operate and broader society. Ferrexpo has established close relationships with its local communities and continues to work hard to maintain their respect.

Our engagement activities in 2023
The Group has developed strong ties with local communities. Ferrexpo is a large local and economic contributor in the Poltava Region. We also understand the connection between our workforce in Ukraine and the communities, many of whom rely on Ferrexpo for their socio-economic stability.

Our deep relationships with local stakeholders enabled us to engage quickly and meaningfully at the start of the full-scale invasion in February 2022 to understand the immediate material issues and risks facing communities and how we could effectively respond with humanitarian support.

We also published our Responsible Business Report in Ukrainian to foster engagement with local audiences on sustainability topics, which are particularly relevant to them.

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

Further details on our engagement with communities can be found in the section 'Operating during a time of war' on pages 6 to 7.

Our response to feedback
The Group regularly provides direct support to local communities through the Ferrexpo Humanitarian Fund which has been in place since the start of the war and the Ferrexpo Charity Fund, which has been in operation since 2011. During exceptional times, such as Russia's invasion of Ukraine in 2022 and the global Covid-19 pandemic, the Board has sought to provide additional support, to respond to extraordinary situations.

Ferrexpo has spent US$25 million on over 100 projects and initiatives. Projects are individually reviewed and approved by members of the HSEC Committee, to ensure that governance standards are maintained. Many projects are proposed by local community leaders and groups. The Group will continue to support Ukraine and communities throughout the country through the Ferrexpo Humanitarian Fund, the Ferrexpo Charity Fund and associated CSR funds during this difficult time.

Plans for engagement in 2024
As the war prolongs, the needs of our workforce, local communities and Ukrainian society are changing. The original focus on the immediate need to provide accommodation, food and medical services has lessened and the focus is shifting to longer-term issues such as veteran rehabilitation and mental health. The HSEC Committee is reviewing how best to respond to the evolving needs and provide targeted support in the appropriate manner.

5. The Environment

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

Our engagement activities in 2023
Climate change is a key focus area for a number of stakeholder groups, with rising pressure to act to limit the effects of climate change.

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

Section 172 continued

Further details on our environmental approach can be found in the responsible business sections of this report, including 'Net Zero pathway' on page 36, TCFD disclosures from page 43 and Climate scenario analysis from page 48. Two case studies on DR pellet life cycle analysis on page 42 and double materiality on pages 38 to 40 also provide context on the activities we concluded in 2023.

Our response to feedback

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

In 2022, the Group also set revised, more ambitious greenhouse gas emissions reduction targets. The Group is now targeting a 50% reduction in its Scope 1 and 2 emissions by 2030 (on a combined basis per unit of production).

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

Executive remuneration is also aligned to the Group's climate change goals, with performance targets relating to climate-related matters.

Plans for engagement in 2024

The Group continued to maintain reporting of its environmental footprint in 2023. This included the completion of the life cycle analysis of the Group's DR pellets to produce steel in an electric arc furnace. The outcomes of this work are highlighted in this report. The Group has plans to undertake a further life cycle analysis of certain other products during 2024.

6. Government and its agencies

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

Our engagement activities in 2023

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

Engagement with the Ukrainian government agencies is critical due to the ongoing war in Ukraine. Lines of communication are necessary to allow the Board and management to understand the numerous changes to the operating environment, which has changed significantly throughout the war. This includes information sharing to keep our workforce safe, updates on the supply of power and access to transport and logistics infrastructure from port closures, limitations to rail access and the availability of electricity, amongst other effects. Additionally, we have kept in constant contact with the government to understand the needs of communities across Ukraine as the war evolves.

Further details on our engagement with government and its agencies are discussed in the Executive Chair's Review on pages 2 and 3.

Our response to feedback

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

Plans for engagement in 2024

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

7. Investors

As a company quoted on the London Stock Exchange, global investors are important to Ferrexpo, especially our international shareholder base. Through developing close ties with investors of all sizes, the Group can promote itself as well as raise awareness of Ukraine's potential.

Our engagement activities in 2023

The Group has maintained a premium listing on the London Stock Exchange since June 2007 and as a result has a large investor base, comprising more than 500 institutions or organisations and private shareholders as of January

2024, located in more than 30 countries or jurisdictions. The Group's independent shareholders range from international investment funds managing billions of dollars, to individual private shareholders.

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

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

Further details on engagement with investors can be found in our value proposition on pages 10 and 11.

Our response to feedback

The Group aims to communicate with all shareholders and uses a range of methods to do so. In 2023, we have published two formal reports for our stakeholders – an Annual Report and Accounts in April and a Responsible Business Report in December.

Given investors' increasing reliance on sustainability data in making investment decisions, it is evident that there is a need to ensure the quality of this information is high. As such, we have sought to undertake an independent assurance process of our safety and carbon emissions data for 2023.

Plans for engagement in 2024

The Group has a regular schedule of engagement activities throughout the calendar year, including the Group's annual reporting suite, investor roadshows associated with financial results, quarterly production reports and attendance at investor conferences. In addition, the Group provides numerous press releases, presentations and social media postings, which are produced as required for company news and events or otherwise.

WE ARE DETERMINED

Nick Bias and Vladyslav Mortikov

Nick and Vladyslav manage the communications function for the business. They are responsible for investor relations, external and internal communications, including social media.

As the war has progressed, what has changed?
We are more focussed on our employees than ever, aiming to keep them informed and as positive as possible. We have broadened our social media activities, improved frequency and formats, launched monthly updates so that we can communicate directly and more frequently.

As the business is right-sized we must work harder with a smaller budget. We maintain our regulatory reporting, focus on select opportunities, and use social media more. We produce most of our own content, and are proud of our video work, especially a series we produced about veteran rehabilitation.

What has the war taught you?
Being quiet is not an option. We have learnt that we have plenty to say and contribute. We know that the realities on the ground are often different from what is reported, so our role must be to help broaden awareness, and share our real-life perspectives. Everything we do requires consideration because there are so many complex issues and sensitivities to balance.

When the war is over, what will be different for you?
It is currently our responsibility to report internally and externally about colleagues killed serving in the Armed Forces of Ukraine. We look forward to the day when we do not have to do this and gladly refocus internal communications to supporting the rehabilitation of veterans back into the workforce and the restart of production capacity.

We recognise that interest in Ferrexpo will be intense when the war ends. We are curiously sensitive because interest has been limited during a time of war, however, we are already preparing.

Assessing and managing risk

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

Risk identification

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

The Group risk register records risks on the basis of the likelihood of occurrence and level of potential impact on the Ferrexpo business. A total of 49 risks were included on the Group risk register as of December 2023, with risks ranging from the war in Ukraine (both direct and indirect), risks relating to operating in Ukraine, operational risks such as the risk of a pit wall failure, health and safety-related risks, and risks relating to information technology and climate change. Further to the Group risk register, which records the risks with the most serious potential impact and likelihood of occurrence, operating entities maintain their own local risk registers, which feed into the Group risk register. In 2023, the Group continued to develop and operate an enterprise risk management ("ERM") tool that was implemented in 2022 to record and monitor risks, which is the platform for the reporting and assessment of risks within the Group.

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

The risks that are assessed by the Group's management to be Principal Risks are presented on pages 74 to 90.

Risk mitigation

Risks are inherent in operating a business and it is through effective risk identification, risk management, prudent decision making and other risk mitigation measures that the Group can understand and mitigate the risks that the business faces. The Group's management team, however, understands that it cannot eliminate all risk. The Group's approach to risk mitigation for each of the Group's Principal Risks is presented opposite.

Risk governance framework

Risks are reported internally on a monthly basis, as part of the Finance, Risk Management and Compliance ("FRMC") Committee, with the Group's senior leadership team reviewing the Group-level risk matrix, which plots the likelihood of occurrence against the potential severity of impact, and identifying material changes in either variable to all of the risks listed. Risks are reported on the Group risk register to the FRMC Committee on a monthly basis, with each risk attributed a potential monetary impact should an event occur. The FRMC Committee reports to the Group's Executive Committee, which in turn reports to the Board, which has the ultimate responsibility for the Group's approach to risk management. The Audit Committee, a sub-committee of the Board, assists the Board in its regular monitoring of the risks faced by the Group. The Group's internal audit function assists with the process of risk review, and conducts ad hoc reviews of risk management controls and procedures. For more information on the Audit Committee's monitoring and assessment of the effectiveness of the risk management and internal control systems, see the Audit Committee Report on page 114.

Risk assessment for 2023

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

Russia's full-scale invasion of Ukraine in February 2022, has had a significant impact on the Group's ability to operate. Further details on the conflict risk facing the Group are provided on page 75 of this report.

In addition to the war in Ukraine, a secondary effect of the conflict is the increased political alignment within Ukraine. It is unclear as to the eventual impact of this change on the Group, which in turn creates a potential risk for the Group should the political landscape shift adversely. Further details of the risks associated with operating in Ukraine are provided on page 76.

Climate change is a rising Principal Risk, and the Group is facing both physical and transitional risks, which requires increased reporting requirements. This topic is covered on pages 36 to 37 and 90 of this report, with particular reference to climate change related risk reporting under the Task Force on Climate-related Financial Disclosures ("TCFD") framework.

Risk management process

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.

Health, Safety, Environment and Community (“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 (“FRMC”) Committee
- Monitors centralised financial risk management structures.
- Monitors Group compliance.

Internal audit function
- Supports the Audit Committee in reviewing the effectiveness of risk management.
- Tests internal control systems and recommends improvements.

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

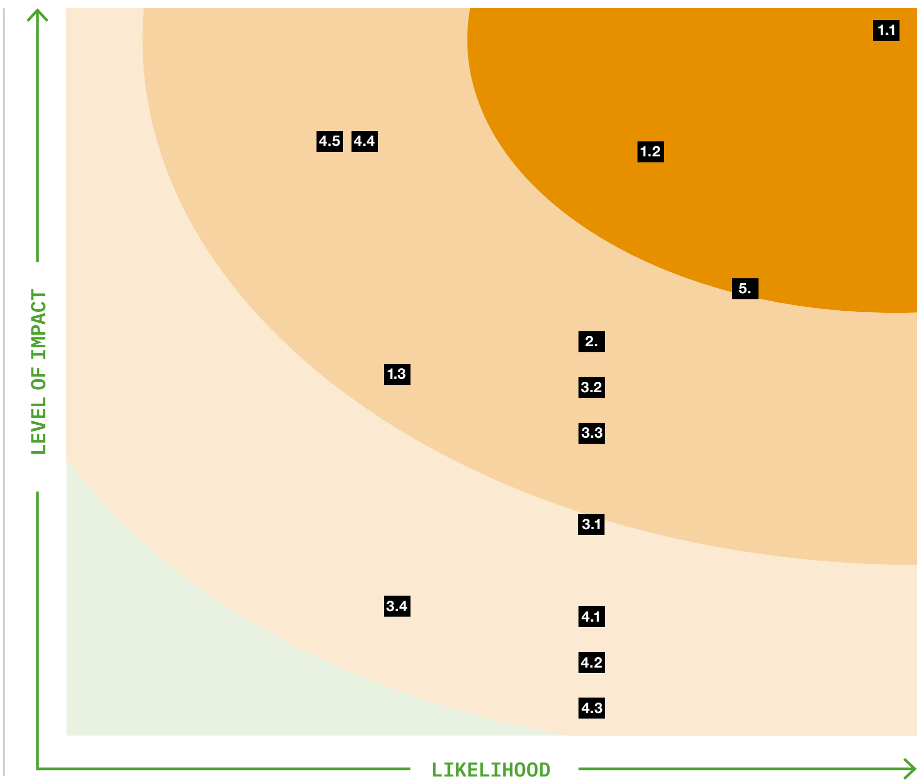
Principal risks materiality matrix

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

Key

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

Please see **pages 74 to 90** of this report for a full summary of Principal Risks



Understanding risks and our business model

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

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

1. Produce high quality pellets.

2. Achieve low cost production.

3. Maintain strong relationships with a network of premium customers.

4. Conduct business in a safe and sustainable manner.

5. Retain a balanced approach to capital allocation.

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

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

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

Introduction

This section outlines the Principal Risks facing the Group in 2023, each of which have the ability to negatively affect the Group, either in isolation or in combination with other risk areas. Principal Risks are defined as factors that may negatively affect the Group's ability to operate in its normal course of business, and may be internal, in the form of risks derived through the Group's own operations and activities, or external, such as political risks, market risks or climate change related risks. The Principal Risks listed here are neither exhaustive, nor are they mutually exclusive, and therefore one risk area may negatively impact another risk area.

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

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

The Group's management team continually reviews and updates its view on, and approach to, risks facing the Group. This section of the Annual Report and Accounts primarily covers risks facing the Group in 2023, but also early 2024, up until the publication date of this report. A further update on the Principal Risks will be provided in the Interim Financial Results, which is due to be published in August 2024.

Key themes

Ongoing war in Ukraine since the full-scale invasion in February 2022

On 24 February 2022, Russia launched a full-scale military invasion of Ukraine, with the conflict continuing into its third year as of the date of this report. This event has significantly changed the operating environment for businesses in Ukraine on an unprecedented scale. Please see page 75 for more information on this risk area.

Ukraine country risk

This area has been listed as a Principal Risk facing the Group since listing in 2007, and the Group has successfully operated amid challenging circumstances for more than 16 years. The war in Ukraine has served to escalate a number of risks relating to Ukraine, including risks relating to the political environment and the independence of the judicial system. Please see page 76 for more information on this risk area.

Climate change

An important topic for any modern business, with discussions with multiple stakeholder groups centring on the Group's efforts to reduce emissions both in the Ferrexpo business, but also in the Group's value chain (Scope 3 emissions). As a consequence of rising stakeholder focus on this topic, the Group published its first standalone report on climate change in December 2022. Please see page 90 for more information on this risk area.

Cybersecurity

As a business seeking to modernise, the Group is increasingly reliant on electronic software for the management of key operational and administrative activities. As a business primarily operating in Ukraine, the Group has faced heightened cybersecurity threats from malicious parties since 2014, coinciding with Russia's initial invasion of Ukraine. Please see page 89 for more information on this risk area.

1. Country risk

1.1. Conflict risk (external risk)

Responsibility
Board of Directors including Executive Chair

Risk appetite
Low

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

It is over two years since Russia's full-scale invasion of Ukraine on 24 February 2022. Ferrexpo's main operations are in the Poltava region of central Ukraine, which has not seen any direct combat between Russian and Ukrainian forces. Ukraine has, however, faced numerous missile and drone strikes, including the Poltava region. The Group's facilities have not been directly targeted by Russian missile strikes, but a number of neighbouring third party facilities such as the Kremenchuk oil refinery and state owned electricity infrastructure have been damaged by such attacks. Such damage can affect the Group's ability to source various inputs needed for ongoing production.

The war in Ukraine is placing a strain on the economy of Ukraine, with a number of businesses closing, unemployment, and lower tax revenues. At the same time, spending on the military and social programmes have increased. Consequently, the government of Ukraine has sought to increase revenues through changes to its fiscal policies, such as increases to railway tariffs, as well as implementing measures to stabilise the economy, such as enacting laws for the repatriation of funds and currency controls. A number of these measures have the potential to either directly or indirectly affect Ferrexpo negatively through consequences such as lower revenues and a more restrictive operating environment. Due to the strain placed on the Ukrainian economy, the exchange rate for the Ukrainian hryvnia depreciated significantly at the start of the full-scale invasion in 2022. The government immediately responded with the introduction a peg for the hryvnia to the US dollar set at UAH 29.25 per US dollar, however, it was forced to devalue the currency to was 36.5 per US dollar in July 2022. In October 2023, the government announced that it would allow for limited fluctuations of its currency, scrapping the peg that had been in place since Russia's invasion 20 months earlier, with the central bank stating a shift to a "managed flexible exchange rate". This new policy resulted in short term volatility. Fluctuation in the Hryvnia can have a significant impact on the Group's costs, assets and shareholders' equity. For more information, please see page 28.

Due to the war, a proportion of the Group's workforce in Ukraine are serving or have served in the Armed Forces of Ukraine. Some have relocated to safer locations. As such, the Group faces potential risks around being able to adequately skill its operations and the associated ancillary services.

Additional risks related to the war in Ukraine include, but are not limited to, restrictions related to the cost effective and timely transport of the Group's products, restrictions in accessing markets, rising costs related to reduced output and alternative supply arrangements and the impact on employee safety and wellbeing. A summary of the war's impacts is provided on pages 6 to 7 of this report.

Risk mitigation

The health and safety of the workforce is the Group's primary concern.

Whilst it is difficult for a company such as Ferrexpo to defend itself from direct military activities since Russia's full-scale invasion, the Group has taken multiple measures to keep its workforce, their families and local communities safe from the threats posed by Russian aggression. Measures have included remote working for those able to do so, timing of shift patterns to fit with curfew hours, the provision of on-site childcare facilities to ensure children are close and employees are not having to travel unnecessarily, construction of new and renovation of older bomb shelters and the provision of protective equipment such as armoured vests and helmets for employees serving in the Armed Forces of Ukraine. The Group has also engaged in extensive discussions with local authorities, and has stepped up to provide financial assistance through the Ferrexpo Humanitarian Fund, with oversight by the Board of Directors of Ferrexpo to ensure good governance in all support activities. Please see page 7 for more on this subject.

The Group will continue to take measures as required to protect its workforce, and their families and local communities, for the duration of the war, and during the post-war period where continued support is required.

Principal Risks continued

1. Country risk (continued)

1.2. Ukraine country risk (external risk)

Responsibility	Risk appetite	Link to strategy
Board of Directors including Executive Chair	Low	1, 2, 3, 4 and 5

The considerations outlined here are separate to the risks relating to the ongoing war in Ukraine, but some or all of them may be exacerbated by the current conflict (see page 75 for risks relating specifically to the conflict in Ukraine).

Ferrexpo's main operations are in Ukraine, which is considered to be a lower middle income economy, under the classifications provided by the World Bank[1]. Ukraine is a country that placed at rank 77 in the United Nations' Development Programme's ("UNDP") Human Development Index (as published in the latest report on 8 September 2022)[2], and is therefore classified as having a "high" level of human development (based on factors such as life expectancy and levels of education). This ranking places it in a similar bracket to China (79) and Sri Lanka (73), other countries considered to be developing economies. As a result of operating in a developing economy, the Group is subject to a number of elevated risks, such as the fiscal and political stability of Ukraine, independence of the judiciary, access to key inputs and capital, exposure to monopolies and other influential businesses (particularly those that are related parties to the government of Ukraine), in addition to a range of other factors. As a result of being a business in a developing economy, the Group is exposed to heightened risks around corruption, with Ukraine placing 116 in Transparency International's Corruption Perceptions Index ("CPI")[3].

Through the Group's exposure to an operating environment in a developing economy, Ferrexpo has been subject to a number of risk areas that are heightened relative to those expected of a developed economy. Risks associated with the war in Ukraine are covered on page 75 of this report, but there are indirect risks associated with the war, such as the increasing political unity within Ukraine and determination to drive political, fiscal or economic change, the latter often associated with financial and military agreements struck with western governments and organisations.

This change can be exhibited in a number of practical applications, which can include, but are not limited to, changes to the regulatory environment, potential increases to tax and royalty rates, increased disclosure requirements or operational restrictions. Changes may be made as a result of government decision making, a third party international partner, lender, or another party within Ukraine, and therefore the rationale for changes may not correlate with the official agenda of the government of Ukraine. As a result of this local instability, which is amplified by the war in Ukraine, sources of capital for businesses deriving their revenues from Ukraine are limited at the present time, which in turn may reduce the operational flexibility of the Group.

The independence of the judiciary system in Ukraine has been frequently referenced in the Principal Risks section of the Group's Annual Report and Accounts, and this is a consideration that remains particularly relevant for the Group today. As described in Note 30 (Commitments, contingencies and legal disputes) to the Consolidated Financial Statements, the Group is currently subject to several legal proceedings in Ukraine that are similar in part to previously heard legal proceedings, and it cannot be guaranteed that the Ukrainian legal system will always provide a ruling in line with the laws of Ukraine or international law.

On 7 December 2022, Ferrexpo Poltava Mining ("FPM") received a claim in the amount of UAH4,727 million (US$124 million as at 31 December 2023) in respect of contested sureties. These contested sureties relate to Bank Finance & Credit which the Group previously used as its main transactional bank in Ukraine. Bank Finance & Credit is still going through the liquidation process after having been declared insolvent by the National Bank of Ukraine and put under temporary administration on 18 September 2015. The counterparty in this claim alleges that it acquired rights under certain loan agreements originally concluded between the Bank Finance & Credit and various borrowers by entering into the assignment agreement with the State Guarantee Fund on 6 November 2020. The counterparty further claims that FPM provided sureties to Bank F&C to ensure the performance of obligations under these loan agreements. On 26 January 2024, the Ukrainian court of appeal has confirmed a claim against FPM in the amount of UAH4,727 million (US$124 million as at 31 December 2023). On 30 January 2024, FPM filed an appeal to the Supreme Court in Ukraine and the first hearing scheduled for 20 March 2024 did not take place. Following the appointment of a new panel of judges, on 1 April 2024 the Supreme Court suspended the possible enforcement of the decision of the court of appeal. A Supreme Court hearing on 17 April 2024 considered primarily procedural matters and the next court hearing is scheduled for 27 May 2024.

Although the Group remains of the view that FPM has compelling arguments to defend its positions, the Group has recognised a full provision totalling US$124 million for this ongoing legal dispute. As at the date of approval of these consolidated financial statements, no enforcement procedures have commenced and on 1 April 2024 the Supreme Court suspended the possible enforcement of the decision of the Ukrainian court of appeal, so that such enforcement procedures cannot be initiated by the claimant until a final decision is made by the Supreme Court, or the Supreme Court's suspension order is otherwise lifted. If the final Supreme Court ruling is not in favour of FPM, the claimant may take steps to appoint either a state or a private bailiff and request the commencement of the enforcement procedures, which could have a material negative impact on the Group's business activities and its ability to continue as a going concern, as the assets of FPM could be seized or subject to a forced sale. In addition to the afore-mentioned claim, a supplier and related party to the Group filed an application to open bankruptcy proceedings ("creditor protection proceedings") against the Group's major subsidiary in Ukraine. The possible commencement of the enforcement of the decision of the Ukrainian court of appeal, which is currently suspended by a decision of the Supreme Court, and the possible opening of creditor protection proceedings might potentially affect the Group's ability to continue as a going concern and, as a consequence, its viability.

The contested sureties claim and decision of the court of appeal are other examples of the risk of operating in a dynamic and adverse political landscape in Ukraine, which creates additional challenges for both the Group's subsidiaries in Ukraine and also for the Group itself.

As referenced in the Group's previous public reporting, including in the Group's Interim Results published in August 2023, there are outstanding allegations relating to the Group's controlling shareholder, Kostyantin Zhevago, that remain unresolved, and there is a risk that assets owned or controlled (or alleged to be owned or controlled) by the Group's

1. Country risk (continued)

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

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.

As disclosed in 2022 annual report and accounts, subsequent to the detention of Mr Zhevago in France on 27 December 2022 at the request of the authorities in Ukraine, the Supreme Court of France rejected the appeal in November 2023 and ruled that Mr Zhevago should not be extradited to Ukraine. The legal case relates to the potential extradition of Mr Zhevago, and associated legal claims being made in Ukraine, and remains outstanding as of the date of this report. The risks relating to the Group as a result of this legal action, and potential further legal action, cannot be accurately estimated at the present time, nor can the potential timeline for resolving any matters.

As a consequence of recent events relating to the Group's controlling shareholder, as outlined above, the Group may experience adverse effects, such as negative media attention, a reduced ability to operate within Ukraine and overseas due to negative perceptions of the Group, and a restricted operating environment for aspects of the Group's business, such as closure (or suspension) of relationships with stakeholder groups such as banking services. The Group's relationships both upstream and downstream may also be negatively impacted by events related to the Group's controlling shareholder, such that the Group is limited or impaired in its ability to do business overseas in a specific country or region. In addition, restrictions imposed on the Group's controlling shareholder (or negative perceptions of the Group's controlling shareholder) may potentially have an adverse effects on the Group within Ukraine, with a restriction on the Group's ability to successfully operate its business model. A number of legal claims or legislative actions within Ukraine are known as of today – as detailed in this section, and further actions to restrict the Group's ability to operate may arise in the future. It is difficult for the Group to predict the scale or nature of such restrictions, and therefore the Group is limited in its ability to pre-empt and mitigate risks in this area.

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

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

In March 2023 restrictions were placed on shares held by Ferrexpo AG ("FAG"), the Group's Swiss subsidiary, in three main operating subsidiaries of the Group in Ukraine, covering 50.3% of the shares held in each subsidiary. The Kyiv Commercial Court ordered the arrest (freeze) of 50.3% of FAG's shareholding in each of Ferrexpo Poltava Mining ("FPM"), Ferrexpo Yeristovo Mining ("FYM") and Ferrexpo Belanovo Mining ("FBM"). This court order was issued by the Kyiv Commercial Court during a hearing in the commercial litigation between the Deposit Guarantee Fund and Mr. Zhevago, the Group's controlling shareholder, in relation to the liquidation of Bank Finance & Credit in 2015. The Group's subsidiaries affected by this court order, including FAG, filed appeals in Ukraine to remove the restrictions. The court of appeal refused on 26 July 2023 to satisfy the appeals of FAG, FPM, FYM and FBM in relation to the restriction covering 50.3% of corporate rights in FPM, FYM and FBM. The Group's subsidiaries filed cassation appeals to the Supreme Court of Ukraine. On 10 January 2024, the Supreme Court in Ukraine rejected the cassation appeals and the restrictions in the Deposit Guarantee Fund case remain effective. For more details of this case please see Note 30 Commitments, contingencies and legal disputes.

Also in relation to the commercial litigation between the National Bank of Ukraine (the "NBU") and Mr. Zhevago, the Group's controlling shareholder, in relation to the personal surety of Mr. Zhevago for the loan provided by the NBU to the Bank Finance & Credit, the Chief State Bailiff of the Ministry of Justice of Ukraine issued a resolution on arrest of debtor's property as part of intended enforcement proceedings. The state bailiff has imposed an arrest on part of the corporate rights of 50.3% of the issued share capital of FYM and FBM, assuming that these rights are owned by Mr. Zhevago.

FAG filed lawsuits in October 2023 to cancel the arrest and to block the enforcement procedure. On 30 November 2023, a court of first instance suspended the enforcement proceeding to forcefully sell Ferrexpo AG's corporate rights in FYM and FBM. The state bailiff filed an appeal. For more details of this case please see Note 30 (Commitments, contingencies and legal disputes).

As previously referenced in the Group's 2022 Annual Report and Accounts, a number of the Group's subsidiaries in Ukraine received letters from the Office of the Prosecutor General, notifying them of an ongoing investigation into a potential underpayment of royalties between 2018 and 2021 (the "Investigation"). On 3 February 2023, one of the Group's senior managers in Ukraine received a notice of suspicion in relation to this Investigation. On 6 February 2023, as part of the Investigation, a court order was issued in Ukraine freezing the bank accounts of Ferrexpo Poltava Mining ("FPM"). These actions by the government of Ukraine mirror actions taken in similar investigations into other metals and mining companies in Ukraine, and therefore represent a scenario that the Group was aware of and able to partially mitigate the associated risks. It is important to note that the Group may not be able to successfully challenge this court order to freeze FPM's bank accounts and may not be able to successfully challenge the claims being made as part of the Investigation. The Group has managed to get certain aspects of this court order to be repealed, enabling the Group to pay certain amounts such as salaries and taxes (but other restrictions remain in place).On 31 October 2023, a notice of suspicion was delivered to another top manager. On 13 November 2023, the court approved the bail in the amount of close to UAH 800 million. An appeal was filed, and after several court dates were postponed, the next hearing is scheduled for 29 April 2024.

1. Source: World Bank, link. (Accessed 24 February 2024)
2. Source: UNDP, link. (Accessed 23 February 2024)
3. Source: Transparency International, link. (Accessed 26 February 2024)

Principal Risks continued

1. Country risk (continued)

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

In addition to the royalties investigation, on 10 January 2023 the State Bureau of Investigations ("SBI") in Ukraine and on 17 January 2023 The National Police of Ukraine performed several searches in respect of investigations on alleged illegal extraction of minerals ("rubble"). FPM's position is that the minerals in question are not a separate mineral resource, but that it is a waste product resulting from the crushing of iron ore during the technical process for the production of iron ore pellets. The sales of the rubble were subject to inspections by the State Service for Geology and Subsoil of Ukraine for many years and were suspended by the Group in September 2021. The outcome of such investigations are the notices of suspicion issued to the management of FPM by the SBI on 29 June 2023 and by the National Policy of Ukraine on 22 September 2023 with subsequent payments of bails totalling UAH122 million (US$3 million at this point of time) and UAH400 million (US$11 million at this point in time), respectively, that were approved by the court. In the pre-trial investigation of the rubble case and following an application from the prosecutor to arrest (freeze) all rail wagons and railway access tracks owned by FPM, a court of first instance issued the order to do so. FPM filed an appeal and a hearing of the court of appeal on 30 October 2023 the court of appeal confirmed the arrest of assets (freeze), but refused to provide clarifications on the exact scope of the order which created an alleged restriction on the use of one type of FPM's rail cars. Since that time FPM has not been using this type of rail cars (totalling 1,339 units), but continues to use another type of its rail cars (totalling 1,043 units). The Group is engaging with the authorities in Ukraine and intends to appeal the claims issued as part of these investigations. Stakeholders should note that the Group may not be able to successfully challenge the claims being made as part of these pre-trail investigations.

For more details of these cases see Note 30 Commitments, contingencies and legal disputes.

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

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

Risk mitigation

Ferrexpo operates in accordance with relevant laws and utilises internal legal counsel 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 is subject to high standards of corporate governance, including the UK Corporate Governance Code and UK Market Abuse Regulation. Ferrexpo has a relationship agreement in place with 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 and adhered to.

Ferrexpo prioritises a strong internal control framework including high standards of compliance and ethics. The Group operates a centralised compliance structure that is supported and resourced locally at the Group's operations. Ferrexpo has implemented policies and procedures throughout the Group including regular training. Ferrexpo prioritises sufficient total liquidity 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 competitive wages, taking into account movements of the Ukrainian hryvnia against the US dollar and local inflation levels.

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

As set out in detail in the risk description, the Group is involved in a number of ongoing legal proceedings, some of which may potentially lead to attempted seizures of the Group's funds, movable and immovable assets and corporate rights in Ukrainian subsidiaries. In case of the commencement of enforcement procedures for any ongoing legal disputes, the Group will challenge every order and action of claimants or bailiffs in the court, which is expected to delay for a reasonably long period of time and block the seizure of funds and assets

1. Country risk (continued)

1.3. Counterparty risk (external risk)

Responsibility	Risk appetite	Link to strategy
Board of Directors including Executive Chair	Low	4

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

A secondary effect of the ongoing war in Ukraine is that the Group may be affected in its ability to conduct effective due diligence on counterparties given the imposition of martial law in Ukraine, and other war-related restrictions. The Group has had to change a number of key suppliers in since February 2022, and in doing so, has had to conduct due diligence checks as part of each new relationship, which carries inherent risk to the Group.

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

Additionally, as outlined on page 76 (Ukraine Country Risk), recent events relating to the controlling shareholder of the Group have resulted in secondary effects on a number of business relationships of the Group. The Group is currently managing these risks either through existing relationships or through new relationships, and it should be noted that any new (or change of existing) business relationship carries an inherent counterparty risk to the Group.

Risk mitigation

In terms of supplier governance, the Compliance team conducts regular checks on all suppliers, screening entities for a number of risks and elevating those deemed to be higher risk for further consideration by FRMC Committee as to their eligibility. For entities that the Group conducts business with, the Group has developed a Code of Conduct for Suppliers, which as of 2023 is referenced in 90% of all contracts equal to approximately 2,000 due diligence checks completed on potential third parties (2022: 90% and 1,300 checks).The Group's exposure to the failure of a counterparty, or the failure of a party to provide its contracted goods and services, is managed through the Group engaging with a range of suppliers, where possible, in addition to sufficient cash reserves to maintain the Group's overall liquidity. Where it is not possible or practical to source goods and services from multiple providers, the Group considers alternative goods and services to meet its needs and to reduce single party risk.

With regard to the structures in place to monitor and manage counterparty risk, the Finance, Risk Management and Compliance ("FRMC") Committee, is an executive sub-committee of the Board charged with ensuring that systems and procedures are in place for the Group to comply with laws, regulations and ethical standards.

The FRMC Committee met ten times in 2023 (2022: ten) and is attended by the Group Compliance Officer and, as necessary, by the local compliance officers from the operations, who present regular reports and ensure that the FRMC Committee is given prior warning of regulatory changes and their implications for the Group. The FRMC Committee enquires into the ownership of potential suppliers deemed to be "high risk", and oversees the management of conflicts of interests below Board level and general compliance activities (including under the UK Bribery Act 2010, the Modern Slavery Act, the Criminal Finances Act, and the EU General Data Protection Regulation).

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

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

2. Market related risks

2. Risks relating to the global demand for steel

Responsibility
Board of Directors
including Executive Chair

Risk appetite
Medium

Link to strategy
3 and 5

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

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

Global steel demand varies considerably and can be significantly influenced by factors outside of the control of a steel producer, such as political instability (e.g. the war in Ukraine), global energy prices, and the macro outlook for the global economy. In addition to these macro-economic environment factors, individual steel producing facilities and regions may be affected by national, regional and local factors such as political instability, political intervention, weather events, cybersecurity events, and climate change, amongst other factors.

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

A more recent trend has seen a surge in awareness of climate change related issues, which is driving increased changes within various levels of the operating environment for steel companies – from local and regional government enacting legislation related to climate change, to customers and local communities demanding that steel production involve lower emissions. Efforts to counter the effects of climate change in the steel industry, which typically focus on the reduction of carbon emissions in the production of steel, could generate higher operating costs in the near term, and higher requirements for capital investment over the medium to long term. Whilst operating costs for steelmakers could increase in the near term as a result of emissions reduction measures, end users of steel may not agree to higher steel prices, and therefore profit margins could decrease until such costs are lowered or successfully passed through to end users.

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

Global steel markets also rely on the consistent availability of logistics pathways, and events such as the ongoing attacks on shipping in the Red Sea since October 2023, serve to demonstrate the possibility of short-term pricing fluctuations in shipping freight rates (both positive and negative) when global logistics chains are not functioning optimally.

Risk mitigation

Under normal circumstances, the Group has the ability to mitigate risks around demand for steel through its global customer base, with the Group having the ability to geographically arbitrage its products. During 2023, the Group had no access to Ukrainian Black Sea ports, resulting in a shift to European customers accessible by rail. When the Group has been able to access alternative Black Sea ports, the size of shipments have been lower at higher costs.

Other risk mitigation activities include the Group's ability to produce high quality forms of iron ore, which typically command higher premiums with customers and also tend to be more in demand throughout the economic cycle.

Ferrexpo operates in a country whereby the local currency, the Ukrainian hryvnia, is a currency which is correlated 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 (external risk)

Responsibility
Executive Chair and Chief Marketing Officer

Risk appetite
Medium

Link to strategy
1, 3 and 5

Pricing formulas for iron ore pellets are governed by multiple factors, including the iron ore fines prices, a premium for additional ferrum content, 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 regions. Premiums or discounts paid for specific characteristics may change and adversely affect the Group's ability to market specific products.

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

As a producer of high grade forms of iron ore (grading 65% Fe and above), over time, the Group has developed customer pricing agreements with customers on the basis of high grade benchmark fines indices (grading 65% Fe). Such agreements enable the Group to realise the value of the iron content in its products, with high grade (65% Fe) fines index trading an average of US$12 per tonne above the medium grade (62% Fe) in 2023 (2022: US$19 per tonne)[1]. The premiums paid for material priced using the high grade benchmark index reflect the more restricted supply of higher grade iron ores into the global market, with the majority of supply being either low or medium grade iron ores. Premiums paid for higher grade iron ores (referred to as the "ferrum premium") also reflect the operational benefits to steel mills through higher blast furnace productivity and lower emissions profiles associated with higher grade input materials.

The Group also relies on pricing structures for its pellets to include a pellet premium, which reflects the high quality, pelletised nature of the iron ore delivered to customers. Given the benefits of pellets to steelmakers (namely improved furnace productivity and lower greenhouse gas emissions), it is accepted practice that steelmakers pay an additional premium for iron ore pellets (referred to as the "pellet premium"). Pellet premiums have varied significantly in recent years, which reflects both supply and demand-related factors. Given the scale of the pellet premium relative to the iron ore fines index and pelletising costs, significant shifts in pellet premiums would have a significant impact on profitability and product differentiation. A number of pellet premiums are quoted by third parties, which are computed in a variety of ways. Any switch from using one specified pellet premium to another quoted pellet premium, could also result in a difference in realised pricing for the Group.

Risk mitigation

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

Through strong customer relationships, the Group aims to ensure that the net realised prices received for its iron ore products are in line with the international benchmarks for pricing of similar products, in addition to premiums paid for the quality and specification of the product being sold.

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

1. Bloomberg

3. Risks related to realised pricing (continued)

3.2. Iron ore prices (external risk)

Responsibility	Risk appetite	Link to strategy
This risk cannot be controlled however it is monitored	Medium	1, 3 and 5

This factor is one that is connected to risks related to the global demand for steel (see page 80), since demand for steel directly impacts the pricing of raw materials used to produce steel, such as iron ore.

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

The iron ore fines price is the largest component of pricing for the Group's products, which averaged US$132 per tonne in 2023 (65%Fe[1], 2022: US$139 per tonne). As discussed in the Market Review section (see page 22, iron ore fines prices are predominantly affected by Chinese demand, which is the largest import market globally.

The quoted price for iron ore fines is called the benchmark index, and is applicable for forms of iron ore that have a specified chemistry that is amenable for steelmaking, such as the percentage of each trace element contained (e.g. silica, alumina and phosphorus). The Group's products typically conform to the requirements of the benchmark index, and therefore tend not to have penalties applied. Iron ores that do not comply with the benchmark index, however, will be subject to a range of penalties, which may vary significantly depending on a range of market factors and technical requirements of each steel mill. Any variation in the quality and chemistry of the Group's iron ore that is sold in any given period could therefore result in penalties being incurred.

A secondary component of the pricing structure of the Group's products is the pellet premium, which is applied to the sale of iron ore pellets. This premium is significant to the Group, and historically can represent up to an additional 50% on top of the benchmark iron ore fines index. This component of the pricing structure of the Group's products is discussed in detail on page 23.

Should reputational issues concerning the Group and its UBO affect existing or potential relationships in steelmaking regions that demand Ferrexpo's high-grade product offerings, the Group may no longer be able to realise the same level of product pricing as previously experienced.

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

In addition, the Group aims to be a low cost producer of iron ore products. Through operating with a lower cost base than the Group's peers, particularly when the premiums paid for pellet quality and specification are considered, Ferrexpo aims to remain competitive on a global basis.

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 has historically depreciated during periods of low commodity prices, although movements of the Ukrainian hryvnia against the US dollar can also be influenced by short-term geo-political and other factors.

Ferrexpo regularly reviews its options in respect of hedging sales. The Group's current strategy is to not enter into such hedging agreements due to the relatively low liquidity of this market and high costs involved. The Group will continue to review this strategy as the market for hedging iron ore pellets evolves, which may increase the attractiveness of hedging.

Risk mitigation

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

In addition, the Group aims to be a low cost producer of iron ore products. Through operating with a lower cost base than the Group's peers, particularly when the premiums paid for grade and form (pellets) are considered, Ferrexpo aims to remain competitive on a global basis.

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

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

1. Source: S&P Global Commodity Insights.

3. Risks related to realised pricing (continued)

3.3. Pellet premiums

Responsibility
Executive Chair and
Chief Marketing Officer

Risk appetite
Medium

Link to strategy
1, 3 and 5

The pricing of the Group's products includes a pellet premium. This references the pelletised nature of Ferrexpo's products and the benefits they offer in the steel making process. Consequently iron ore pellets customers will pay a premium over and above the prevailing iron ore fines price. The pellet premium is one of the principal factors that enables the Group to generate higher-margins.

Factors governing the pellet premium in any given year include supply and demand for iron ore pellets. Demand factors can be related to the global macro-economy and steelmakers desire to optimise their production and productivity, which tends to result in demand from steelmakers. Pellet demand can also be affected by emissions reduction legislation. Iron ore pellets remove the need for sintering in steel making, a process that typically uses coal. Steelmakers that utilise a greater proportion of pellets in a blast furnace can therefore reduce the overall emissions footprint of steel production. See the section on Ferrexpo DR pellets in electric arc furnaces in this report for an example on pages 42.

The overall supply of iron ore pellets is relatively constrained, with existing producers typically producing at their nameplate capacity and the construction of new pelletiser capacity usually requiring significant capital investment to establish production facilities and the associated infrastructure required to support the production and transportation of bulk commodities to customers. Consequently, there has been limited new pelletising capacity come on line in the past five years.

Supply-side disruption has been prominent factor in recent years, with the failure of two tailings dams in Brazil resulting in significant volatility in supply from two of the largest pellets exporters to the global steel industry. Both of the companies involved in these incidents have now resumed production from the affected production facilities, and therefore the market is absorbing the return of this production at increasing rates.

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

Risk mitigation

Despite being one of the largest iron ore pellet exporters, the Group's market share is not sufficient to be a price setter. Consequently, therefore the Group realised pellet premiums tend to follow the level set by larger market participants.

To mitigate this, the Group's strategy is to be a low cost producer. Historically, the Group has operated as one of the lower costs pelletising operators, and therefore swing producers have tended to moderate the pellet premium at times of low pricing by withdrawing from the market supporting a floor in prices due to a tightening in supply. The Group has had to operate below its nameplate capacity during 2023 due to the ongoing war in Ukraine. As such, pelletising costs marginally increased to US$30 per tonne in 2023 (2022: US$29 per tonne). Despite this increase, the Group has managed to keep pelletising costs below the prevailing pellet premium for the year.

The strategy of targeting low cost production is enhanced through Ferrexpo's location in Ukraine, with the Ukrainian hryvnia having a close correlation to commodity pricing, which therefore tends to devalue at times of low commodity pricing, reducing the Group's cost base.

Principal Risks continued

3. Risks related to realised pricing (continued)

3.4. Seaborne freight rates (external risk)

Responsibility
Executive Chair and
Chief Marketing Officer

Risk appetite
Low

Link to strategy
2, 3 and 5

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

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

As a guide, the C3 freight index (representing a seaborne Brazil-China trade route on a capesize vessel) was US$24.99 per tonne at the end of 2023 compared to US$20.07 per tonne at the end of 2022[1].

Additionally, the war in Ukraine has had an impact on the Group's ability to charter vessels with ship owners, as the limited availability of Ukrainian Black Sea ports has reduced the Group's access to the seaborne market. Whilst the increased costs associated with trading within the Black Sea have been reflected in Black Sea freight rates since the outset of the war, the Group has on occasion chartered vessels from alternative Black Sea ports due to the Group's strong relationships with ship owners. Only recently, since January 2024, the Group has resumed shipments from the Port Pivdenniy in Ukraine, while continuing to closely monitor the risk of access to the Black Sea ports in Ukraine.

Further freight-related realised effects, or potential risks, of the war in Ukraine include an increase in the insurance premiums required for vessels travelling to Black Sea ports (Ukrainian ports or otherwise), and the delayed loading and unloading times which can result in increased demurrage costs.

The Group is also aware of potential risks that relate to recent events with the Group's UBO (see pages 76 to 78), which may affect Ferrexpo's ability to conduct business relationships with freight providers. Should third party concerns relating to these matters prevent Ferrexpo from engaging in business relationships with specific freight providers, then the Group may incur higher freight rates and a smaller pool of ship owners prepared to work with the Group.

Risk mitigation

The Group has its own in-house freight specialist, which helps the Group to receive a competitive rate for freight cargoes. The Group's management team regularly visit and speak with ship owners around world and it is therefore possible to maintain a detailed understanding of both the global freight market and ship owners.

As a result of the Group's operations being located in Ukraine, seaborne freight chartering has been reduced in 2023 (following Russia's closure of the Black Sea to Ukrainian ports), and as such the Group has increasingly relied on its European customer network for sales. Despite this, the international freight rate is still relevant for the business, as many contracts reference a quoted freight rate and the Group has maintained some seaborne sales.

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

The Group's freight department regularly monitors freight-related risks associated with the war in Ukraine, or otherwise, with an aim of ensuring effective decision making in light of changes to the operating landscape.

1. Source: Baltic Index / S&P Global

4. Operating risks

4.1. Risks relating to producing our products

Responsibility
Executive Chair, Chief Operating Officer and Chief Marketing Officer

Risk appetite
Medium

Link to strategy
2, 3 and 5

The Group's operations involve the mining of iron ore, which requires detailed planning of blasting, excavation and haulage activities, to deliver sufficient quantities of iron ore in a timely manner to the Group's processing plant, which crushes, grinds and beneficiates the material from in-situ iron ore grades (ranging approximately 25-30% Fe) to high grade concentrate (either 65% or 67% Fe) for Ferrexpo's direct sale or pelletising. In the pelletising facilities, the concentrate is converted into pellets via a series of kilns, operating at approximately 1,300oC. The above processes are complex and carry inherent risks as a result. The Group is able to mitigate such risks through a range of activities and the collective experience of the Group's executive management and operating teams, but it may not be possible to eliminate all risk factors.

As a business with its main operating assets located in Ukraine, the Group has faced significant risks relating to the ongoing war in Ukraine, which are summarised in the Principal Risks shown on page 73 of this report. The Group has also faced a number of indirect consequences of the war in its operations, such as a number of skilled personnel departing Ferrexpo's operations to either serve in the Armed Forces of Ukraine or relocating away from the conflict, the Ukrainian authorities requiring the delivery of specific equipment for military use (typically light vehicles), interruptions in the availability of specific materials relevant for the conflict such as detonators, niter, fuel and restrictions on operating practices, such as scheduled blasting in the pits.

Outside of risks that directly relate to the war in Ukraine, the Group faces material risks relating to its mining operations that include (but are not limited to) health and safety-related risks, the risk of a pit wall failure or fall of ground incident in the Group's mines, equipment failure (either due to operator oversight, failures in maintenance practices or failure despite acceptable levels of maintenance), weather events preventing access to the Group's operations, poor planning processes resulting in a lack of high grade iron ore for processing, or the failure of drilling to optimise face availability or identify the correct location of ore and waste material. Risks in the processing plant, covering the beneficiation and pelletisation of material, also include (but are not limited to) equipment failure and unscheduled equipment downtime, a lack of spare parts, a lack of key input materials, unsuitable equipment for processing of certain ore types, operating restrictions and extreme weather events (or other events potentially related to climate change) that may impact the ability to produce or store the Group's products. As operations continue to be modernised, the Group also faces cybersecurity-related risks from cyber threats and other factors that may impair the Group's ability to operate its electronic equipment – see page 89 for more details.

The risks described above are typically short-term events and the Group also faces longer-term risks, such as climate change (see page 90) and country risks related to Ukraine (see page 76). Potential risks related to climate change are also detailed on pages 48 to 59 of this report, and have been identified through the Group's recent collaboration with environmental consultants Ricardo Plc.

The Group is also aware of potential risks that relate to recent events with the Group's UBO (see pages 76 to 78), which may affect Ferrexpo's ability to source key input materials and labour either within Ukraine or overseas. Should third party concerns relating to these matters prevent Ferrexpo from engaging in business relationships with specific providers of materials and labour, then the Group may have challenges in its ability to produce, or incur higher costs relating to the sourcing of the same inputs from a smaller group of providers or group of people.

Despite the current limitations, the Group continues to maintain production and retains the ability to increase production depending on logistics availability. The availability of skills however, is becoming more challenging due to conscription and emigration.

Risk mitigation

The Group employs an experienced management team and has a management structure in place to monitor, and where necessary, manage risks as and when these risks escalate. The Group's business model is in a sector that has inherent risk in the mining and processing of materials, with these risks being manageable and, where possible, mitigation measures are utilised to ensure the safe operation of the Group's facilities to ensure the efficient production of the Group's iron ore products. The Group maintains a risk register of more than 40 risk areas, which is monitored on a frequent basis by the Group's operational teams and reported to the relevant management committees. Where an operational risk is deemed to be sufficiently significant in terms of potential impact or likelihood, appropriate risk mitigation measures are sought, often with the assistance of third party specialists, where relevant.

Efforts aimed at maintaining equipment include ongoing repairs, keeping stocks of replacement parts and materials, and supporting contractors. To ensure stable energy supply, the Group cooperates with governmental organisations through joint projects to upgrade of the energy structure. The Group also has its own solar power plant capacity to meet its minimum power requirements.

To manage the availability of skills, the Group has expanded it's recruitment and training programmes to attract and train more people.

4. Operating risks (continued)

4.2. Risks relating to delivering our products to customers

Responsibility
Executive Chair, Chief Operating Officer and Chief Marketing Officer

Risk appetite
Medium

Link to strategy
2, 3 and 5

The Group is a producer of a bulk commodity, meaning that its business model relies on timely and consistent access to a logistics network with sufficient capacity to transfer a large volume of material to the Group's customer base around the world. Any interruption to the scale, availability or reliability of this logistics network has the potential to significantly affect the Group's ability to operate its business model and generate cash flow. The nature of being a producer of a bulk commodity means that should an interruption of logistics occur, there may be limited time or sufficient funding available to efficiently remedy the situation or stockpile excess material, potentially resulting in a temporary suspension of the Group's production facilities and an associated effect on the Group's ability to generate revenues and maintain a strong balance sheet.

The Group's logistics network is multi-nodal, including the Group's use of the railway network in Ukraine and further afield across Europe, a stake in a berth at a port facility in south west Ukraine (used for loading vessels for the seaborne market), and an inland waterway logistics business along inland waterways.

Examples of risks relating to the Group's logistics network, aside from those specifically relating to the ongoing Russian invasion of Ukraine (covered on pages 76 to 78), range from those potentially affecting railway logistics, which include (but are not limited to) the unexpected closure or suspension of sections of the railway network in Ukraine or Europe required for deliveries, a reduction in rail capacity related to the phasing out of outdated equipment and insufficient investment in replacement equipment, potential political interference in the Group's ability to book railway access and wagons (including the restriction on the use of one type of FPM's rail cars noted in Note 30). Extreme weather events (either related to climate change or otherwise) and a lack of personnel to operate rail locomotives and infrastructure effectively. The Group faces similar risks relating to its use of inland waterway logistics, including on the River Danube, and in addition includes risks relating to abnormally high and low water levels, which may impede passage of vessels. Such risks are expected to be exacerbated in the future by the potential impact of climate change. Similar risks are posed to the Group and its ability to access seaborne markets should extreme weather events (either climate change related or otherwise) affect operations at the Port of Pivdennyi or other ports used by the Group, or shipping routes such as the Suez Canal and Red Sea.

The Group is also aware of potential risks that relate to recent events with the Group's UBO (see page 76 to 78), which may affect Ferrexpo's ability to secure bookings on key logistics routes either within Ukraine or overseas. Should third party concerns relating to these matters prevent Ferrexpo from engaging in business relationships with specific logistics providers, then the Group may incur difficulties in its ability to ship products, or may incur higher costs relating to the sourcing of logistics options along alternative routes.

It should be noted that during 2023 the Group benefited from more stable rail transportation within Ukraine. Also, the Group operated from its own pellet transshipment site on the Ukrainian border, in addition to various warehouses in Ukraine and in other countries to endure the stable supply of its goods to its customers.

Risk mitigation

Since listing in 2007, the Group has sought to invest in its logistics capabilities and overall capacity, to ensure cost effective and sufficient access to a logistics network. This has involved the purchase of railcars, including a fleet of over 3,000 wagons, which helps ensure availability, despite the freeze of part of own wagons (as disclosed in Note 30),, reduce operating costs and ensure product quality whilst pellets are in transit to customers. Similarly, the Group owns a 49.9% stake in a berth at the Port of Pivdennyi in south west Ukraine, along with a trans-shipment vessel ("Iron Destiny"), which permits the Group to load trans-shipment vessels for the seaborne market. Iron Destiny was outside of Ukrainian waters undergoing routine maintenance at the time of Russia's invasion of Ukraine on 24 February 2022, ensuring safe ownership. The Group also owns its inland waterway logistics provider (First-DDSG), which is based in Vienna, Austria, and has locations along the River Danube and other inland waterways.

To maintain timely access to its logistics network, the Group maintains close working relationships with logistics providers and related parties that are key players in the Group's logistics operations.

4. Operating risks (continued)

4.3. Risks relating to health and safety

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

Risk appetite
Low

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

Effective management of health and safety related risks is important due to the inherent risks involved in the nature of mining and processing operations. The processes involved in the mining and processing of metalliferous rock has progressed significantly in recent years, but risks remain if policies and procedures are not followed correctly, or if equipment is not maintained and used correctly.

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

Risk mitigation

The Group's approach to mitigating safety risks is to understand the causal factors of safety incidents, through creating risk registers for each activity being undertaken or area within the Group's main operations. The Group also records leading indicators of safety, with an aim to monitor and improve these factors, to reduce the risk of a safety-related incident occurring. Examples of leading indicators include the number of training courses undertaken, high visibility safety tours by senior managers, safety inspections and hazard reports completed. In the instance of a safety-related event occurring, the Group aims to learn from each event, to reduce the risk of a repeat occurrence. Lagging indicators of safety help the Group's management team to record the effectiveness of safety measures being implemented, and the main indicators used to track performance are the Group's lost time injury frequency rate ("LTIFR"), total recordable injury frequency rate and fatalities.

Throughout its operations, the Group is seeking to implement modern forms of technology, including autonomous equipment, which help to remove operators from hazardous working environments.

1. Source: Reuters, link. (Accessed 23 February 2024)
2. Source: Reuters, link. (Accessed 23 February 2024)

4. Operating risks (continued)

4.4. Risks relating to operating costs

Responsibility
Executive Chair and Chief Financial Officer

Risk appetite
Low

Link to strategy
2 and 5

The Group's business comprises a number of open-pit mining operations, an iron ore processing complex and a range of ancillary activities that support the safe production of the Company's products, which requires a range of input goods and services. The Group's costs are subject to a range of factors, some of which are controlled by the Group, whilst others are outside of the Group's control, meaning that resulting profitability may fluctuate.

The Group operates in an energy intensive industry, and therefore requires a range of commodity-based inputs such as diesel and natural gas, as well as electricity, which are subject to market factors outside of Ferrexpo's control and can influence the Group's overall profitability. Examples include natural gas prices which increased significantly during 2022, though have abated in 2023.

Further to energy costs, inflationary pressures continued to be absorbed during 2023. Cost inflation has the potential to affect a wide range of the Group's input costs at its operations, with the Group potentially not able to effectively counter such pressures due to the benchmark pricing of the Group's products.

A primary cause of cost inflation has been the Group's inability to operate at its nameplate capacity due to the war in Ukraine, resulting in the absorption of fixed cost on lower production, i.e. increasing unit costs. Additionally, inflationary pressures have been seen on a global basis since 2022, a reflection in energy prices, though in turn equipment and maintenance costs, salaries and wages. Consumer price inflation in Ukraine in 2023 is estimated to have slowed to 12.9%[1] (2022: 26.6%[2]), reflecting the exceptional circumstances experienced since 2022 in Ukraine, but also globally. Given that the Russian invasion of Ukraine remains ongoing, it is expected that the negative impacts of the war will continue to be experienced by the Group, such as lower production and higher unit costs.

The use of natural gas is a key component of the Group's pelletising operations and its use is therefore essential for the production of iron ore pellets.

The Group is also aware of potential risks that relate to recent events with the Group's UBO (see pages 76 to 78), which may affect Ferrexpo's ability to source key input materials and labour either within Ukraine or overseas. Should third party concerns relating to these matters prevent Ferrexpo from engaging in business relationships with specific providers of materials and skills, then the Group may incur difficulties in its ability to produce, or incur higher costs relating to the sourcing of the same inputs from a smaller group of providers or people.

The Group benefits open access to the energy market, allowing it to obtain energy resources at market prices. Additionally, the cost of production is supported by the depreciation of the national currency and long-term relationships with suppliers of key standardised materials.

Risk mitigation

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

The Group has a number of measures in place to reduce and minimise operating costs, where possible, to maintain profitability throughout any given commodity cycle. For input goods that are a requirement of the production of pellets, the Group aims to minimise use and develop substitutes for use in the Group's operations, which may help reduce reliance on a single input (or limited number of inputs), and thereby reduce risks relating to the cost and supply of individual inputs. As an example, a partial substitute would be the use of sunflower husks in the Group's pelletiser, which is used to fuel the pelletiser. In 2023, the Group successfully sourced 32% of the pelletiser's heating energy from sunflower husks (2022: 21%). Other examples of substitution of goods within the Group's operations include the use of different manufacturers of mining equipment, with different suppliers of spare parts, which reduces operational risks and can reduce operational costs.

4. Operating risks (continued)

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

Responsibility	Risk appetite	Link to strategy
Executive Chair	Low	1, 2 and 3

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

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

A consequence of the war is a shortage of IT personnel due to conscription. The availability of skilled IT people is becoming a challenge in Ukraine and replacing people can take longer than before the war.

The Group is exposed to heightened risks related to cybersecurity at the present. The war takes place in a number of environments, including attacks on IT systems in Ukraine. Attacks can be expected on any IT system in Ukraine as a result of the war, and therefore, organisations such as Ferrexpo may be the target of an attack due to its location, or as part of a hybrid war to damage the economy of Ukraine. Consequently, it is difficult for the Group to predict the source, scale or nature of any cyberattack.

Risk mitigation

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

In 2023, the Group's IT infrastructure was adapted to meet the needs of longer war. The Group invested resources and efforts in strengthening cross-backup infrastructure to meet updated Group disaster recovery policies.

Following a series of cyberattacks on different corporate networks this year, the Group's IT department initiated a project to upgrade the Group's global network connectivity links and their underlying technology. As a result of these efforts, the Group was able to withstand a DoS attack this year with minimal disruption to its production and communication processes. Additionally, the IT department ,together with the executive committee, constantly assess the need of ISO 2700x compliance audits on bi-quarterly or quarterly term. In parallel, the Group must respond to the possibility of cyberwarfare and conventional warfare tactics, for example by commissioning of additional IT infrastructure in bomb shelters. Other examples of vigilance include the deployment of extensive power control systems, and urgent upgrades and migrations due to vulnerabilities.

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

Principal Risks continued

5. Risks relating to climate change

Responsibility
Board of Directors including Executive Chair

Risk appetite
Low

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

Climate change represents a challenge for the modern world, with multiple stakeholders seeking to adapt to a low-emissions future.

Climate change poses a number of physical and transition risks as the world seeks to reduce emissions and its reliance on technologies and activities that are relatively intensive for the emission of greenhouse gases. See Note 2 Basis of preparation for details on potential impact on the consolidated financial statements. Physical risks are those that affect the physical environment – such as increased heat events, prolonged droughts and low water levels, dust emissions, and the increased severity of precipitation events. Transition risks are those that relate to society's shift to a low emissions future, such as reputational risks and the risk of technologies becoming redundant in a low-emissions future.. A review of potential climate change related risks was conducted as part of the work carried out with environmental consultants Ricardo Plc in 2022, with this work detailed in the Group's Climate Change Report. A materiality assessment as part of this work identified the following as the main risk areas facing Ferrexpo: (a) demand for low carbon emissions steelmaking, (b) shipping: targets and regulations on carbon emissions and (c) carbon pricing/tax: targets and regulations on carbon emissions. Further details of the work completed in collaboration with Ricardo Plc are available in Ferrexpo's Climate Change Report on the Group's website.

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

Risk mitigation

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

The Group has a streamlined approach to reducing emissions, focusing where possible on activities that generate the greatest emissions, as well as identifying low cost solutions that may reduce the impacts of the Group's activities. The main source of the Group's overall emissions (being Scopes 1, 2 and 3 collectively) is the downstream use of iron ore pellets in steelmaking, which accounted for 85% of total emissions in the Group's baseline year of 2019. In order to reduce this aspect of emissions, one of the Group's objectives is to increase its focus on production of direct reduction ("DR") pellets, which are used in an alternative method of steelmaking (the direct reduced iron – electric arc furnace process), which results in DR pellets generating 37% lower emissions when converted to steel, compared to the Group's blast furnace pellets, as assessed by Ricardo plc. More on this can be seen on page 42 in this report.

With regard to Scope 1 and 2 emissions, the Group has initiated a number of projects to reduce these categories of emissions, including a clean power purchasing strategy. Further information on the Group's Scope 1, 2 and 3 emissions can be found on pages 36 to 37. The Group is continuing to study options to reduce diesel consumption by installing clean electricity powered pantograph-trolley-assist technology to haul trucks out of the open pit mines.

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

The Board and management team understand that further reductions in these emissions are possible in the coming years, however, due to a protracted war there is no certainty that these can be fully achieved. This means that the Board will need to assess its targets and possibly restate the Group's Net Zero pathway.

Viability Statement

Review of planning process and outlook

Assessing the Principal Risks to our business model and potential financial impact of an event occurring, protecting the equity value of our business for the benefit of all our stakeholders.

The Board monitors the Group's risk management and internal control systems on an ongoing basis, and confirms that during the year it carried out a robust assessment of the principal and emerging risks facing the Group, their potential impact and the mitigating strategies in place, as described on pages 74 to 90.

Time horizon

The Board has reviewed the long-term prospects of the business, which remain aligned with Ferrexpo's life of mine assumptions. For the purposes of assessing the Group's viability, the Board has elected to look at the Ferrexpo business on a five year time horizon, with a particular focus on the short-term time horizon of 12 to 18 months, in light of the ongoing war in Ukraine and the material uncertainties operating in developing economy that this poses to the Group in terms of its going concern and viability. The Group has historically reviewed the viability of its business model over a five year time period given the long life nature of mining assets, including the period required to invest in such assets and taking into account the cash flows generated by those assets, as well as the cyclical nature of the commodities industry. As such, a five year time period was considered an appropriate length for the Board's strategic planning period, with a heightened focus on additional risks in the coming 12 to 18 months.

Factors associated with the war in Ukraine

Due to the significance, scale and unpredictable nature of the ongoing 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. Since the full-scale Russian invasion of Ukraine on 24 February 2022, the Group has demonstrated a resilience that has enabled it to operate with a high degree of flexibility, and to adapt its operations to changing circumstances, albeit at lower capacity.

Emerging and existing risks related to the ongoing war are reported to the Executive Committee, available risk mitigation procedures are discussed, and the results are regularly reported to the Group's Board of Directors. Risks that have been identified as a consequence of the war in Ukraine include risks to the health, safety and wellbeing of the Group's workforce, the Group's ability to operate its assets, including the availability of logistics capacity required for the delivery of the Group's products to customers and the supply of key input materials required for the production process. For more information, please see the Principal Risks disclosed on pages 74 to 90 of this report.

Factors associated with operating in a developing economy

In addition to the war-related material uncertainty, the Group is also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 76 to 78). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, including political, legal and fiscal uncertainties, which represent other material uncertainties at the time of the approval of the consolidated financial statements.

As disclosed in Note 30 Commitments, contingencies and legal disputes, several circumstances facing the Group have led to an escalation of certain risks, including risks relating to the political environment and the independence of the legal system, which could have a material negative impact on the Group's business activity and reputation and as a result its viability. The main risks relate to a contested sureties claim in the amount of UAH4,727 million (US$124 million as at 31 December 2023), which was confirmed on 26 January 2024 by a Ukrainian court of appeal, and the application to open bankruptcy proceedings ("creditor protection proceedings") against the Group's major subsidiary in Ukraine filed by a supplier and related party to the Group for an amount of UAH4.6 million (US$117 thousand as at 15 April 2024. The possible commencement of the enforcement of the decision of the Ukrainian court of appeal, which is currently suspended by the decision of the Supreme Court of Ukraine, and the possible opening of creditor protection proceedings might affect the Group's ability to continue as a going concern and, as a consequence, its viability. See Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes to the consolidated financial statements for further information.

Factors associated with climate change

The Group has considered a range of physical and transition risks, as outlined on page 45 of this report and depicted in detail in the Group's Climate Change Report. This process has identified that the transition to a low carbon economy and demand for low emissions steelmaking as being the main climate-related risk facing Ferrexpo and its business model. A range of additional transition and physical risks were considered as part of this review.

Previously, the Group has announced a range of climate-related emissions reduction targets for the years 2030 and 2050. In achieving these targets, so far a 32% reduction achieved since 2019 for Scope 1 and 2 emissions (combined basis, per tonne of production). The Board understands that further reductions in these emissions are possible in the coming years, however, due to a prolonged war there is no certainty that these can be fully achieved. This means that the Board will need to consider its targets and possibly restate the Group's Net Zero pathway at some point in the future.

Business planning process

In response to the ongoing war in Ukraine, the Group has temporarily revised its approach to its business activities and investments from its business model shown on pages 8 to 9. This approach has been implemented to concentrate on the Group's ability to continue to generate cash in the challenging operating environment, which will enable the Group to employ its workforce, preserve its assets and sustain its business. As a result, investments are currently focused on settlement commitments related to expenditure on growth capital projects, affordable sustaining capital expenditure and 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 to maintain a clear understanding of the risks faced by the business and how these factors may influence the business. Following the start of the full-scale invasion of Ukraine, the Group's management team has also focused on constantly assessing the risks that may directly, or indirectly, impair the Group's ability to manage the Ferrexpo business in light of the impact of the war on the business and operating environment in Ukraine.

Modelling process

In the normal course of business, the Group operates a detailed financial model of its business. Recently, this work stream has focused on the potential impacts arising from the ongoing war in Ukraine, in addition to the more traditional input factors such as the market factors that influence the price of the Group's products, and operational factors that influence the Group's ability to produce the required volume and quality of iron ore pellets demanded by the market, as determined in the Group's forward-looking sales plan. As a result of the continued restricted access to the logistics network in Ukraine, the level of the Group's production remains aligned to currently possible sales to minimise working capital outflow and maintain a solid net cash position. As a result, the production capacity used for the base-case cash flow projection is expected to be approximately 45% of the pre-war level for the financial year 2024, before an increase to approximately 80% in 2025 and an expected recovery to pre-war levels in 2026. In addition to the impact of the available logistics network, the Group's management team has also assessed the risks associated with the potential disruption of the supply of key consumables, such as natural gas, electricity and diesel fuel, in addition to the supply of critical pieces of equipment. The Group has also considered external and internal analysis of the short-term and longer-term supply

Viability Statement continued

and demand dynamics on the international market for iron ore products as well as more specific local supply and demand balances affecting its major customers to assess the expected pricing of the Group's iron ore products for the period covered by the Group's long term model.

Stress testing

In determining the viability of the business, the Directors have stress tested the individual risks and combination of risks that could materially affect the future viability of the Ferrexpo business. At the present time, the risk that the Group is primarily exposed to is the ongoing war in Ukraine and current circumstances facing the Group's controlling shareholder in Ukraine (see the Principal Risks section, pages 74 to 90). Historically, Ferrexpo's business model has also faced risks relating to the volatility of iron ore fines prices, pellet premiums and cost inflation in Ukraine, which are factors that continue to govern the Group's profitability.

As mentioned above, it is currently expected that the Group will only produce again at full capacity in 2026 which will be contingent on the ongoing war in Ukraine, its effects on the Group's ability to operate its assets in Ukraine, and the ability to deliver its products to the Group's customers. For a summary of the various war related impacts on the Group, please see pages 6 and 7.

The Group's long-term financial model is adjusted to primarily reflect below full capacity production due to limited logistics access. The Group's sales volumes in future periods will depend on the potential to expand seaborne sales to the Group's customers beyond Europe. The Group's financial model anticipates some optionality for seaborne sales when it is considered safe to do so.

Assuming no mitigating actions, the Group's financial modelling indicates the following sensitivities:

- A 10% reduction in the received price in 2024 would reduce the Group's Underlying EBITDA by US$11.0 per tonne.
- A general 10% increase in the cost of production would decrease Group Underlying EBITDA by US$6.1 per tonne,
- A 10% decrease in production volumes and associated 5% increase in production costs, would decrease Underlying EBITDA by US$7.6 per tonne.

Sensitivities beyond 2024 will depend on the underlying sales and production volumes, realised prices and production costs during each period, in addition to other unknown macro-economic factors.

As a result of the remaining material uncertainty outside of the Group's control, the Group has also prepared stress tests with more severe adverse changes, such as a combination of various sensitivities, which is however less likely to incur due to a natural hedge between iron prices and prices for key input material, and a prolonged period of lower production and sales volumes as seen during the months December 2022 to February 2023. The stress test for the most severe adverse changes, such as a combination of all reasonably possible or plausible adverse changes, shows that the Group would deplete its available cash balance by November 2024, without making use of any available mitigating actions within its control. It is however management's position that such a combination is unlikely to happen as a result of the historical natural hedge between iron ore prices and prices for key input materials.

Following a negative decision from the court of appeal in respect of a contested sureties claim received, the Group recognised a full provision in the amount of UAH4,727 million (US$124 million as at 31 December 2023) for this claim. A potential future cash outflow, which also depends on the details of a possible enforcement in the event of a negative decision by the Supreme Court, is likely to have a significant impact on the Group's future cash flow generation and available liquidity and its viability. See also Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes for further details.

In addition to stress testing associated with the ongoing conflict in Ukraine, the additional stress test scenarios performed include the following:

- Operational incidents that could have a significant impact on production volumes;
- A deterioration in the Group's long-term cost position on the industry cost curve; and
- Operating constraints due to Ukrainian country risk.

In respect of mitigating actions in response to the conflict in Ukraine, please see page 75 for more detail. In more general areas, mitigating actions implemented by the Group may include, but are not limited to, a reduction or cancellation of discretionary expenditure such as dividends, non-essential capital investment and repairs and maintenance, or other operating costs, adjusting capital allocation, reducing working capital requirements, altering mining schedules and accessing additional funding. The Directors take comfort in both the Group's historical cash generation ability, particularly in 2015 and 2016 at a time when the iron ore price traded at historically low prices, and the Group's ability to repay its debt facilities, with the early repayment of the Group's principal debt facility in June 2021. This ability to repay debt facilities is derived from the operational flexibility of the Group and level of cash generation, as demonstrated through the Group's ability to continued shipment of products in 2022, despite the war in Ukraine.

As a result of the Group's flexibility and resilience, the Group's net cash position increased by a relatively small amount during 2023. Since the end of 2020, the Group has moved into a net cash position, and had a net cash position of US$108 million as at 31 December 2023 (as of 31 December 2022: US$106 million). As at the date of the approval of the Group's Consolidated Financial Statements, the Group is in a net cash position of approximately US$91 million and has an available cash balance of approximately US$96 million. Based on the assessment performed, the Directors have a reasonable expectation that the Group will be able to continue to operate and meet its liabilities as they fall due over the period of their assessment. This is, however, dependent on significant factors that are outside of the Group's control, and the Directors have assumed the following when assessing the Group's resilience to the potential threat from the war in Ukraine and its viability:

- the continued ability to operate in Ukraine;
- the ability to redesign the Group's mining and processing plans in order to align them to changing circumstances;
- the continued availability of stable electricity supply at the required level;
- the ability to secure supplies of key consumables and equipment; and
- the ability to use the Group's currently available logistics network or make use of alternative options, if needed.

As disclosed in Note 2 Basis of preparation in the Group's Consolidated Financial Statements on page 176, although the Group has managed to continue its operations since the beginning of the war in a volatile and developing economy in Ukraine, this continues to pose a significant threat to the Group's operations. The risks of operating in a dynamic and adverse legal system in Ukraine have been increased in 2023 and early 2024 and, as a result, the Group recognised provisions totalling US$128 million for ongoing legal disputes that represent another material uncertainty resulting in its ability to continue as a going concern (see Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements Having assessed the current situation of the war in Ukraine and increase of certain risks, including the political environment and the independence of the legal system in Ukraine, all identified available mitigating actions and the results of management's assessment of the Group's going concern and long-term viability, a material uncertainty still remains as some of the uncertainties are outside of the Group management's control, such as the duration and the impact of the war and/or political, legal and fiscal environment in Ukraine, which is currently not predictable. An unfavourable outcome in a contested sureties claim and the application to open bankruptcy proceedings ("creditor protection proceedings") against the Group's major subsidiary in Ukraine filed by a supplier and related party to the Group might have an adverse impact on the Group's cash flow generation, profitability and liquidity.

In performing this assessment, the Directors have also considered the Group's resilience to climate change risks (covering a range of physical risks and transition risks).

The Strategic Report was approved by the Board on 17 April 2024 and signed on behalf of the Board by:

Lucio Genovese
Executive Chair

Corporate Governance

A strong core helps guide us

Governance at a Glance

96

Committee Reports

114-151

Executive Chair's Introduction

Committed to upholding high standards of corporate governance during exceptionally challenging times and delivering on our promises.

— **Lucio Genovese,**
Executive Chair

Dear Shareholder

At the time of writing, the war in Ukraine has been ongoing for more than two years, and so before reflecting on the progress made during 2023, it is important to acknowledge the devastating impacts which the Russian invasion of Ukraine is having on Ukraine and the people, local communities, businesses operating within the country and the day-to-day lives of Ukrainians.

Now more than ever strong governance is essential to help see Ferrexpo through these exceptionally challenging times. As you would expect, the Board has been meeting regularly to discuss the ongoing situation in Ukraine, receiving regular updates from the management team as to the Group's response and scenario planning for different eventualities that may impact the business. Protecting the Group's workforce remains a key priority, as well as taking steps to protect the business and thereby the stakeholders of the business. This will remain a key priority during 2024 and the Board will continue to focus on exercising strong governance during these unprecedented and difficult times.

I am pleased to present the Corporate Governance Report, which sets out an overview of the means by which the Company is directed and controlled, our governance structure, and highlights the governance activities of the Board and its principal committees during the course of the year.

The Board remains fully committed to maintaining good corporate governance practices throughout the Group which underpin all of its actions. The structure, policies and procedures we have adopted, which are described in this report, the Directors' Report and reports from each of the Board Committees, reflect our commitment. We recognise the need to keep them under review and make changes where necessary to ensure that standards are maintained and reflect ever-evolving best practice. This report also explains how we have complied with the principles of the UK Corporate Governance Code during the year.

The Board's role includes managing the risks facing the business. This includes taking into account the risks associated with the country of operation, counterparties, operational and financial risks including health, safety, environmental and climate change risks, together with market volatility and commodity pricing, financing and refinancing exposures. As new risks emerge our approach to evaluating risk appetite is reassessed. The Board's role is also to support and challenge management and to ensure that the way we operate promotes the long-term sustainable success of Ferrexpo plc.

Operation of the Board during the war in Ukraine and governance framework

Against the backdrop of the continuing war in Ukraine, we remained focused on the health, safety and wellbeing of our people globally, who have continued to deliver for the Group, our shareholders and stakeholders through the testing times over the last couple of years. Our people have helped ensure business continuity and have safeguarded our operations, whilst maintaining good corporate governance practices and our system of internal control. During the year, the Board has continued to operate effectively and without disruption notwithstanding the ongoing challenges facing the Group. Some Board members attended Board meetings virtually due to travel restrictions. All scheduled Board meetings were held and the Board continued to uphold and maintain good corporate governance, the corporate agenda and the flow of information across the Group.

We have also ensured Directors' on-boarding programmes continued as planned. The format of hybrid (combination of physical and virtual) Board meetings provided the Board with greater opportunities to engage with each other, management and members of the workforce. During 2023, the Board site visit to our operations in Horishni Plavni was cancelled due to the Russian invasion of Ukraine as was the case in the previous three years due to the Russian invasion of

Ukraine and the global Covid-19 pandemic. The Board site visit was replaced with a Board Strategy Day followed by a regulatory and legal upskilling and training Day.

We continued to enhance our shareholder and stakeholder engagement and we place their interests at the centre of our considerations for key decisions. Our Section 172 Statement set out on pages 64 to 71 provides further details on how the Board complied throughout the year.

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

Supporting local communities during the war in Ukraine

During the year, in addition to our continued support for communities locally, the Ferrexpo Humanitarian Fund which was set up as a dedicated fund, initially in the amount of US$1.5 million and increased to US$15 million, continued to support the communities in Ukraine. This funding enabled the purchase of personal protective equipment and equipment for local hospitals amongst other things (see the Responsible Business section of the Strategic Report on pages 32 to 63.

In addition to the Ferrexpo Humanitarian Fund, regular community support activities took place largely in Ukraine and donations were made within a Board-approved framework agreed annually at the time of setting the budget. All such community support and donations are subject to internal control and approval limits applicable within the individual subsidiaries of the Group, which are set by the Board.

The Board exercises control of the Ferrexpo Humanitarian Fund and local charitable spending via its Health, Safety, Environment and Community ("HSEC") Committee, which oversees and directs these activities and receives reports detailing the spend.

Board changes

The issue of diversity, both in the Boardroom and throughout the entire Group, is taken very seriously by the Board as we believe this improves effectiveness, encourages constructive debate, delivers strong performance and enhances the success of the business. Ensuring that we have a culture which promotes and values diversity, and one which is maintained throughout the business, is a continual prime focus and is underpinned by our Diversity, Equity and Inclusion Policy, which sets our objectives.

Further to significant Board changes and commitments made last year, we announced further changes to the Board and Board Committee roles during the year. In accordance with best practice requirements of the UK Corporate Governance Code, the Board keeps its balance of skills, knowledge, experience, independence and diversity under review, which is beneficial in bringing new perspectives to the Board.

- On 25 May 2023, Jim North resigned as an Executive Director and Nikolay Kladiev was appointed as an Executive Director. Ann-Christin Andersen resigned as an independent Non-executive Director and Natalie Polischuk was appointed as Chair of the Group HSEC's Committee.
- On 30 June 2023, Jim North resigned as Chief Executive Officer. On behalf of the Board and everyone at Ferrexpo, I would like to thank Jim for his significant and outstanding contribution to the Group to modernise and optimise operational efficiency and exemplary leadership while transforming the entire business and establishing the foundations for Ferrexpo's growth strategy in Ukraine.
- On 1 July 2023, I was appointed to act as Executive Chair on an interim basis and assume leadership of the Group.
- On 22 October 2023, Stuart Brown was appointed as an independent Non-executive Director and a member of the Audit Committee.
- On 31 December 2023, Graeme Dacomb resigned as an independent Non-executive Director and Chair of the Audit Committee.
- Since the end of the reporting year, on 1 January 2024, Stuart Brown was appointed as Chair of the Audit Committee.

Throughout the year, the Board continued to search for an Independent Non-executive Director from an ethnic minority group, led by the Nominations Committee and supported by external consultants.

Until May 2023, there were three female Directors further strengthening Board independence and diversity. Due to Board changes, by the end of the year female representation unfortunately dropped down to 29% but currently stands at 33%.

Board performance review

In line with the UK Corporate Governance Code, Board performance was assessed externally in 2021 and internally in 2022. Therefore, during the year, an internally assessed review of the performance and effectiveness of the Board, its Committees and each of the Directors was undertaken. A report on the process, activities, findings and actions of the evaluation can be found on pages 110 to 112. An external Board performance evaluation will take place in 2024.

Key highlights in 2023 and early 2024:

- supporting our workforce and the operations throughout the Russian invasion of Ukraine;
- health and safety and employee wellbeing;
- zero fatalities;
- continued with the search for a Director from an ethnic minority group;
- appointment of interim Executive Chair;
- appointment of Independent Non-executive Director;
- appointment of Executive Director;
- appointment of Audit Committee Chair;
- appointment of female Independent Non-executive Director to Chair HSEC Committee;
- succession planning at Board and management level;
- strengthened cyber security; and
- focus on shareholder and key stakeholder engagement.

Key priorities for 2024:

- supporting our workforce and the operations through the Russian invasion of Ukraine;
- health and safety and employee wellbeing;
- prepare for changes to 2024 Corporate Governance Code;
- recruit a Director from an ethnic minority group;
- aim to improve Board diversity and meet targets;
- succession planning at Board and diversity at management level;
- continue focus on shareholder and key stakeholder engagement; and
- continue to strengthen and broaden 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 2024 Annual General Meeting 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
Executive Chair
17 April 2024

Governance at a Glance

Group structure

SHAREHOLDERS

BOARD

AUDIT COMMITTEE

Responsibilities include:

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

Read the Audit Committee Report on **page 114**

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.

Read the Directors' Remuneration Report on **page 126**

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.

Read the Nominations Committee Report on **page 121**

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.

Find out more on **page 106**

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.

Find out more in the Responsible Business section on **page 32**

EXECUTIVE CHAIR AND EXECUTIVE COMMITTEE[1]

Responsibilities include:

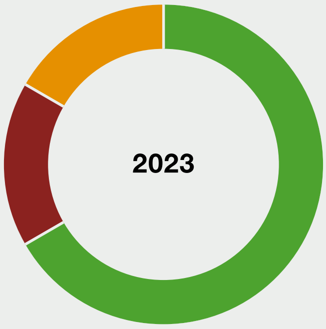
- Execution of Board-approved strategies.
- Delegated authority levels for senior management.
- Development and implementation of Group policies.
- All material matters not reserved for the entire Board.

Find out more on **page 102**

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

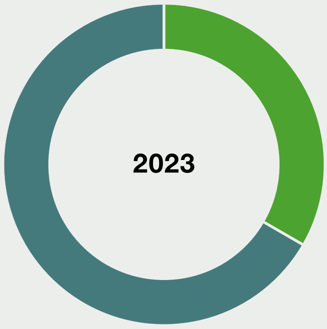
Board diversity, tenure and balance

Board balance



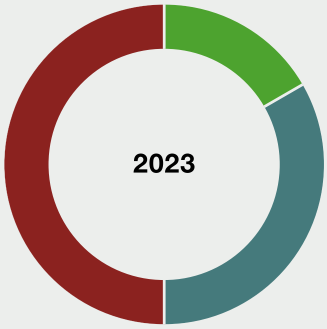
- Independent: 4
- Non-independent: 0
- Executive Chair: 1
- Executive: 1

Board diversity – Gender



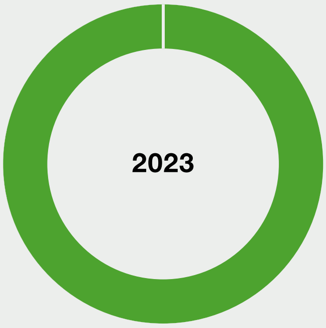
- Female: 2
- Male: 4

Board diversity – Age



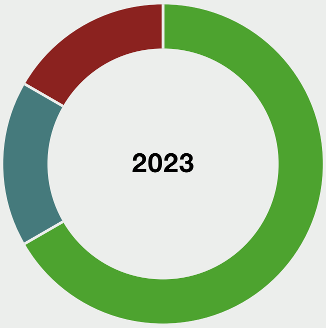
- 40-49: 1
- 50-59: 2
- 60+: 3

Board diversity – Ethnic group



- White: 6
- Mixed/Multiple Ethnic Group: 0

Board tenure



- 0-5 years: 4
- 5-9 years: 1
- 9+ years: 1

Skills matrix

Expertise	% of Board members
Mining, Global Resource Industry	63%
Business leadership and strategy	71%
Corporate governance	67%
ESG/Sustainability	71%
Financial, Audit & Risk	92%
CIS geographical experience	88%
Government and international relations	67%
HSEC	71%
Human capital management/Remuneration	75%
Investor relations management	79%
Risk management	92%

An experienced Board

Raffaele (Lucio) Genovese
Executive Chair

Date of appointment
1 July 2023 as Acting Executive Chair

24 August 2020 as Chair

13 February 2019 as Non-independent Non-executive Director

Current external appointments
Currently, he serves as chair of CoTec Holdings, listed on NEX Board of the TSVX, since 2021; and chief executive officer of Nage Capital Management AG, a Swiss based investment and advisory firm, since 2004.

Previous appointments
Previously, he was non-executive director of Nevada Copper Inc 2016–2023; non-executive director of Mantos Copper SA, 2015–2022; independent non-executive director of Ferrous Resources Limited, 2014–2019; chair of Firestone Diamonds Plc, 2012–2020; an Independent Non-executive Director of Ferrexpo plc, 2007–2014; senior executive officer, Copper Division, Glencore International, 1996–1999 and chief executive officer, CIS Operations, Glencore International, 1992–1998.

Skills, expertise and contribution
Lucio contributes to Ferrexpo plc over 35 years of commercial experience in the metals and mining industry. He worked at Glencore International AG where he held several senior positions including the CEO of the CIS region.

Lucio brings a deep knowledge across the Ferrous and Non-Ferrous Mining sector, including in iron ore. He has extensive experience of operating in emerging markets, specifically in the CIS states. As a previous Board member (from 2007 to 2014) and as a Board member of Ferrexpo AG, Lucio has in-depth knowledge of the Group which is extremely valuable to the Company at a Board level.

Committee membership
C

Nikolay Kladiev
Executive Director
Chief Financial Officer

Date of appointment
25 May 2023 as Executive Director

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

Current external appointments
N/A

Previous appointments
Nikolay joined the Group in 2005, and contributed significantly to the Group's IPO. Since 2007, Nikolay has served on the Board of FPM as CFO. During his 18 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, expertise and contribution
Nikolay is a Chartered Accountant (UK) and has a Masters in International Economic Relations from Kyiv National Economic University.

Committee membership
N/A

Fiona MacAulay
Senior Independent
Non-executive Director

Date of appointment
12 August 2019

10 February 2022 as Senior Independent Director

Current external appointments
Non-executive director of Dowlais Group plc since April 2023; Non-executive director of Costain Group Plc since April 2022; non-executive director of Chemring Group plc since 2020.

Previous appointments
Previously, she was non-executive chair of IOG Plc 2019–2023; non-executive director of AIM listed Coro Energy, 2017–2022; chief executive officer of Echo Energy plc, 2017–2018; non-executive director, 2018–2019 and chief operating officer of Rockhopper Exploration plc, 2013–2017.

Skills, expertise and contribution
Fiona contributes to Ferrexpo plc over 35 years' experience in the upstream oil and gas sector including key roles in a number of leading oil and gas firms across the large, mid and small cap space including Mobil, BG Group, Amerada Hess, Echo Energy and Rockhopper.

Fiona brings a strong focus on health, safety, climate change and culture with a deep understanding of the factors influencing the management for safe, efficient and commercial operations. In 2022, she completed a Diligent Climate Leadership Certification programme. She has extensive operational experience in emerging energy which enables her to bring positive insight on a broad range of issues to Board and Committee discussions.

Committee membership
C

Gender breakdown

- Male 67%
- Female 33%

Key to committee membership

- Audit Committee
- Remuneration Committee
- Nominations Committee
- Committee of Independent Directors ("CID")
- Health, Safety, Environment and Community ("HSEC") Committee
- Executive Chair and Executive Committee
- **C** Committee Chair

Vitalii Lisovenko

Independent
Non-executive Director

Date of appointment
28 November 2016

Current external appointments
Currently, he serves as a non-executive advisor to the Minister of Finance of Ukraine, having previously served as an executive counsellor to the Minister of Finance. He also serves as a non-executive director of the Supervisory Board of National 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

C

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

C

Natalie was appointed as a member of the Committee of Independent Directors in February 2023. She was appointed Chair of the HSEC Committee in May 2023.

Stuart Brown

Independent
Non-executive Director

Date of appointment
22 October 2023

Current external appointments
Currently, he serves as Non-executive Chairman of Lucapa Diamond Company Limited, since 2024.

Previous appointments
Previously, he was president and CEO of Mountain Province Diamonds Inc 2018–2021; CEO of Firestone Diamonds Plc 2013–2018; Group CFO and Acting Joint CEO De Beers Group 2006–2011

Skills, expertise and contribution
Stuart is a seasoned mining executive with extensive board-level experience. He previously held both CFO and CEO roles at De Beers and its various subsidiaries, where he played a central role in reshaping the group and positioning it for the future. Most recently, Stuart served as President and CEO at Mountain Province Diamonds Inc., a company listed on the Toronto Stock Exchange, and as CEO of Firestone Diamonds Plc, formerly listed on AIM where he established a track record of building teams and leading business transformation to develop lean, agile, high-performing organisations.

Committee membership

C

Stuart was appointed Chair of Audit Committee and a member of the Remuneration Committee in January 2024. He was appointed a member of the Committee of Independent Directors in February 2024.

Executive Committee

An experienced and focused Management Team

Raffaele (Lucio) Genovese
Executive Chair

For more information see page 98 for details.

Nikolay Kladiev
Chief Financial Officer

For more information see page 98 for details.

Viktor Lotous
FPM General Director and the Chair of FPM Supervisory Board

Viktor brings to the Executive Committee more than 35 years of mining and processing experience as well as deep understanding of Ferrexpo, its culture and context.

Skills and experience
Viktor began his career with FPM in 1986. In 1997, he assumed the role of Chief Engineer and in 2007 was appointed General Director and Chair of the Supervisory Board of FPM. In this role, he is charged with leading and ensuring safe and responsible operations, optimising performance, executing future growth options and delivering commercial value across the company's operational footprint in Ukraine. In 2023, Viktor additionally assumed the position of Chief Operating Officer, on an interim basis, with operational oversight of the Group's assets in Ukraine. He is a graduate of Kryvyi Rih Mining and Ore Institute, and of the Kyiv National Economic University, specialising in Finance.

Greg Nortje
Chief Human Resources Officer

Greg joined Ferrexpo in January 2014.

He previously held a variety of international Human Resources leadership positions with Anglo American and BHP Billiton before establishing his own human resources consultancy firm to a range of clients across the UK. Particular specialisms include project management and business change execution, organisational effectiveness, talent management, governance and compliance, and leadership development.

Skills and experience
He has Advanced Management qualifications from the University of Stellenbosch Business School and the Gordon Institute of Business Science, a Bachelor of Arts degree and a postgraduate Diploma in Education from the University of the Witwatersrand.

Yaroslavna Blonska
Acting Chief Marketing Officer

Yaroslavna was appointed the Acting Chief Marketing Officer on 22 August 2022.

Yaroslavna joined Ferrexpo in 2002.

Since joining Ferrexpo Yaroslavna has held a number of key roles within the Group's Marketing team, including Head of Sales for customers in Europe and Turkey, management of the Group's Asian and European customers, membership of the representative board for the Group's port loading subsidiary, TIS-Ruda. Yaroslavna has been acting as a focal point for the Group's government and public relations within Ukraine. She has also been managing Ferrexpo's office in Kyiv since 2006. Yaroslavna has been helping to facilitate the Group's Fe_munity Women in Leadership programme as a speaker and a mentor.

Skills and experience
She holds a Master of Business Administration degree from Kyiv State Economic University and a post graduate Diploma in Law from Taras Shevchenko National University, Kyiv.

Corporate Governance Compliance

As a premium listed company on the London Stock Exchange, the Company is subject to the 2018 Corporate Governance Code. This section explains how we applied the principles of the 2018 Corporate Governance Code. A copy of the Corporate Governance Code can be found at frc.org.uk.

Statement of Compliance (in accordance with Listing Rule 9.8.6R(5))

The Board considers the Company has complied throughout the year ended 31 December 2023 with all the provisions of the 2018 Corporate Governance Code except as set out below:

– **Provision 9:** The Chair was not independent on appointment and the role of Chief Executive and Chairman is undertaken by one person – Lucio Genovese, the Company's Executive Chair.
– **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, the role of Chief Executive and Chairman should not be undertaken by the same person 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 2023. 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 2023 except for Provisions 9 and 19. Provision 9 recommends that the Chair be independent on appointment and the role of the Chair and Chief Executive should not be undertaken by the same person. Provision 19 recommends that the Chair should not remain in post beyond nine years from the date of first appointment to the Board.

Explanations for non-compliance with Provision 9 and 19:

As explained in previous annual reports the Chair was not independent on appointment, however, the Board was satisfied that Mr Genovese is fully independent from all the Company's shareholders and has been during his entire tenure as a Non-executive Director. Additionally, upon his appointment as Chair the members of the Nominations Committee were comfortable based on their own experiences that Mr Genovese conducts himself with professional and personal integrity with an independent mindset and brings valuable challenge to the Board based on his in-depth understanding of the key drivers and challenges faced by the Group.

Following the resignation of the Chief Executive Officer, the decision was taken to combine the roles of the Chair and Chief Executive Officer on an interim basis as with the ongoing war in Ukraine and the need for business continuity it was not considered the right time to commence an external search process for a new Chief Executive Officer.

Although the role of the Chair and Chief Executive are undertaken by the same person, the Board believes that there is sufficient separation of responsibilities of the roles usually undertaken by the Chair and the Chief Executive Officer amongst the Executive Chair, the Chief Financial Officer, the Senior Independent Director, the Committee of Independent Directors, the Group Company Secretary and the Company's Senior Management team. The Board, with assistance from the Nomination Committee, keeps this temporary arrangement under review.

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 re-joined the Board in February 2019 as a non-Independent Non-executive Director. In August 2020 he was appointed as Chair of the Board and most recently in July 2023 he was appointed interim Executive Chair.

Mr Genovese has led the Board through the continuing Russian invasion of Ukraine, ensuring continuity of the Board agenda and meetings together with ongoing corporate initiatives whilst operating at a time of war.

The Board believes Mr Genovese is the right person to chair the Board and exercise executive leadership of the Group at this time. To provide continuity of his sound leadership, the Board requests your support to re-elect Mr Genovese at the 2024 AGM.

Further details on the composition of the Board and its Committees are set out on page 104 and further details of the role of the Senior Independent Director are set out on page 106.

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:

Corporate Governance Compliance continued

Board leadership and Company purpose	Principle A:	Executive Chair's Statement page 2, Stakeholder Engagement – Section 172 Statement pages 64 to 71, Skills Matrix page 97
	Principle B:	Executive Chair's Statement page 2, Our Business Model pages 8 to 10, Understanding our Strategic Direction pages 12 to 14, Stakeholder Engagement – Section 172 Statement pages 64 to 71
	Principle C:	Key Performance Indicators pages 14 to 17, Risk Management pages 72 to 73, Principal risks pages 74 to 90, Internal Controls page 119
	Principle D:	Executive Chair's Review page 2, Our Stakeholders page 65, Responsible Business: Safety and our People page 34, Operating during a time of war: Local communities page 6, Responsible Business: Governance pages 62 to 63, Stakeholder Engagement – Section 172 pages 64 to 71
	Principle E:	Non-Financial Information Statement page 63, Our engagement activities in 2023 page 64, Stakeholder and workforce engagement page 108, Whistleblowing Policy page 120
Division of responsibilities	Principle F:	Executive Chair's Introduction page 2, Statement of Compliance page 101, Role Descriptions page 106, Board Leadership pages 107 to 109, Board Evaluation pages 110 to 112
	Principle G:	Group Structure page 96, Board of Directors pages 98 to 99, Role Descriptions page 106
	Principle H:	Corporate Governance At a Glance page 96, Board of Directors pages 98 to 99, Time Commitment page 105, Role Descriptions page 106
	Principle I:	Skills Matrix page 97, Time commitment and Non-executive Director external appointments during 2023 page 105, Board Leadership pages 107 to 109
Composition, succession, evaluation	Principle J:	Diversity page 97, Nominations Committee Report page 121
	Principle K:	Board Diversity, tenure and balance page 97, Board Composition page 104 Skills Matrix page 97, Succession Planning and Recruitment page 122
	Principle L:	Board Evaluation pages 110 to 112
Audit, risk, internal control	Principle M:	External Audit page 120, Internal Audit page 119
	Principle N:	Audit Committee Report pages 114 to 120, Responsibility statement of the Directors in respect of the Annual Reports and Accounts page 157
	Principle O:	Risk Management pages 72 to 73, Principal Risks pages 74 to 90, Internal Control and Risk Management page 119
Remuneration	Principle P:	Remuneration policy pages 126 to 151
	Principle Q:	Our approach to remuneration page 126, Performance and Reward pages 126 to 127, Implementation of the remuneration policy in 2024 page 128
	Principle R:	Remuneration Report pages 126 to 151

Disclosure Guidance and Transparency Rules

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

Diversity

We report our Board and executive management diversity data as at 31 December 2023 in accordance with the new UK Listing Rules disclosure requirements and our progress in meeting the new UK Listing Rules board diversity targets.

As at 31 December 2023, following director changes during the year, women represented 29% of the Board see page 95 and accordingly the target of 40% females on the Board has not been met. A male director resigned on 31 December 2023 which increased the percentage of females on the board to 33% as at 1 January 2024. Fiona MacAulay is the Senior Independent Director, see page 98 and therefore one of the senior Board positions was occupied by a woman; however, so far a Director from an ethnic minority background has not yet been appointed. The Board remains committed to enhancing its gender and ethnic diversity and during the year, actively continued the search for a further Independent Non-executive Director from an ethnic minority background, led by the Nominations Committee and supported by external consultants, see page 124.

The gender diversity of the Board and executive management as at 31 December 2023:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)*	Number in executive management	Percentage of executive management
Men	5	71%	2	5	83%
Women	2	29%	1	1	17%
Other categories	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

* The role of Chair and CEO were combined on 1 July 2023 and counted as one position in order not to double count.

The ethnic diversity of the Board and executive management as at 31 December 2023:

	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in executive management	Percentage of executive management
White British or other White (including minority-white groups)	7	100%	3	6	100%
Mixed/Multiple Ethnic Groups	–	–	–	-	-
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

* The role of Chair and CEO were combined on 1 July 2023 and counted as one position in order not to double count.

Notes:
- Executive management for these purposes includes the Group Company Secretary but excludes administrative and support staff (as defined by the UK Listing Rules).
- The Company confirms that the approach to collecting data forming the basis of the gender and ethnic diversity of the Board and senior management of the Company was consistent for the purposes of reporting under both LR 9.8.6R(9) and (10) and was consistent across all individuals in relation to whom data was reported. Board members, members of executive management and the Group Company Secretary were provided with a standard form questionnaire on a strictly confidential and voluntary basis to allow the individual to self-report on their gender and ethnicity (or to specify that they do not wish to report such data). The questionnaire was fully aligned to the definitions set out in the UK Listing Rules, with individuals asked to specify:

  i. self-reported gender identity – selection from (a) male, (b) female, (c) other category/please specify and (d) not specified/prefer not to say; and

  ii. self-reported ethnic background – selection from (a) White British or other White (including minority-white groups), (b) Mixed/Multiple Ethnic Groups, (c) Asian/Asian British, (d) Black/African/Caribbean/Black British, (e) Other ethnic group, including Arab and (f) not specified/prefer not to say.
- The Executive Committee includes the Group Company Secretary. For the purposes of the UK Corporate Governance Code, the gender balance of those in senior management (i.e. the Executive Committee and their direct reports) was 68.2% male and 31.8% female.

Corporate Governance Report

Controlling shareholder – Relationship Agreement

The Company's largest shareholder is Fevamotinico S.a.r.l., which as at date of this report holds 49.3% of the voting rights in 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. During the year, Mr Zhevago has not exercised this right. 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 2023.
- 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 2023.
- 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 2023.

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 96 to ensure compliance with the Companies Act 2006, FCA Listing Rules and Disclosure Guidance and Transparency Rules and the UK Corporate Governance Code. The terms of reference for each of the Audit Committee, Nominations Committee, Remuneration Committee and HSEC Committee are available on the Company's website at www.ferrexpo.com/about-ferrexpo/corporate-governance/board-committees.

It is the responsibility of the Executive Chair and Executive Committee to manage the day-to-day running of the Group.

Board composition and independence

As of 31 December 2023, the Board comprised two Executive Directors and five Independent Non-executive Directors who are considered by the Board to be independent in accordance with the UK Corporate Governance Code. This structure ensures that the Executive Directors are 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 2023 is presented in the table below:

Board member	Role	Audit	Remuneration	Nominations	CID	HSEC[1]
R L Genovese	Executive Chair			••		
F MacAulay	Senior Independent Non-executive Director		••	•	•	
N Kladiev	Executive Director/Chief Financial Officer					
V Lisovenko	Independent Non-executive Director and Designate for Employee engagement	•	•	•	••	
G Dacomb[2]	Independent Non-executive Director	••	•	•	•	
N Polischuk	Independent Non-executive Director	•				•
S Brown	Independent Non-executive Director	•				

1. The HSEC Committee also includes some members of senior management.
2. Resigned as a Director on 31 December 2023.
- • 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 98 and 99.

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 Executive Chair 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 2023.

All of the Non-executive Directors have been able to make themselves available for the majority of the ad hoc Board and Committee meetings and update calls held during the year, notwithstanding their external commitments. The attendance of the Directors at Board and Committee meetings during 2023 is shown in the table below.

Non-executive Director external appointments during 2023

During 2023, Ms MacAulay was appointed as non-executive director of Dowlais Group PLC, a company listed on the London Stock Exchange. This appointment was considered a significant appointment for Ms MacAulay for the purposes of the UK Corporate Governance Code, and, in advance of the appointment, Ms MacAulay sought the prior approval of the Board. As part of approving this additional appointment, the Board considered a range of factors, including the existing appointments of Ms MacAulay, the time commitment expected in the role as a Ferrexpo Director, attendance records at Ferrexpo Board and committee meetings, institutional investor guidance on the number of board roles in respect of over-boarding and the additional time commitment from the new role. The Board was satisfied having regard to these matters that the additional role would not adversely impact the ability of Ms MacAulay to perform her existing role on the Ferrexpo Board and its committees.

Board and Committee meeting attendance in 2023

	Attended/Eligible to attend											
	Board		Audit		Remuneration		Nominations		CID		HSEC[4]	
Director	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc	Scheduled	Ad hoc
AC Andersen[1]	3/3	1/3			2/2		2/2		3/2	1/2	2/2	
G Dacomb[2]	5/5	5/10	5/5		4/4		4/4		5/5	5/5		
R L Genovese	5/5	9/10					4/4					
N Kladiev[3]	2/2	5/7										
V Lisovenko	5/5	7/10	5/5		4/4		4/4		5/5	4/5		
F MacAulay[4]	5/5	6/10	4/4		4/4		4/4		5/5	5/5		
J North[5]	3/3	2/3									2/2	
N Polischuk[6]	5/5	6/10	5/5						4/4	3/4	4/4	
S Brown[7]	1/1	1/1	1/1									

1. Ms Andersen resigned on 25 May 2023.
2. Mr Dacomb resigned on 31 December 2023.
3. Mr Kaldiev was appointed as an Executive Director on 25 May 2023.
4. Ms MacAulay stepped down as a member of the Audit Committee on 1 August 2023.
5. Mr North resigned as Executive Director on 25 May 2023.
6. Ms Polischuk was appointed as a member of the Committee of Independent Directors 9 February 2023.
7. Mr Brown was appointed as an independent Non-executive Director and a member of the Audit Committee on 22 October 2023.

During the year, there were a number of ad hoc Board and Committee meetings at short notice or update calls which dealt with (amongst other things) the Russian invasion of Ukraine and other developments in Ukraine involving or impacting the Group.

Corporate Governance Report continued

Role descriptions

A summary of the roles of the Chair, the CEO, the Executive Chair, 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 126.

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 98. Due to the complexity of the jurisdictions in which the Group operates and in light of Russia's current invasion of Ukraine, the time commitment of the role significantly increased during the reporting period especially with the need to engage proactively with the broad range of stakeholders.
CEO	The role of the CEO is to provide leadership of the executive team, implement Group strategy through executive committees, chair the Executive Committee, and oversee and implement Board-approved actions.
Executive Chair	With effect from 1 July 2023 the roles of Chair and Chief Executive Officer as described above have been combined on an interim basis.
Senior Independent Director	The Senior Independent Director, in conjunction with the other Independent Non-executive Directors, assists in communications and meetings with shareholders and other stakeholders concerning corporate governance matters. At least once a year, the Senior Independent Director meets the Non-executive Directors, without the Chair present, to evaluate the Chair's performance. The Senior Independent Director is also available to discuss with shareholders any issues that the Chair has been unable to resolve to shareholders' satisfaction.
Non-executive Directors	The Non-executive Directors provide an independent and objective viewpoint to Board discussions and bring experience from a variety of industry backgrounds. Their role is to provide constructive support and challenge to executive management. Acting either as the Board or as members of its Committees, the Non-executive Directors approve budgets; discuss and contribute to strategic proposals and agree on corporate strategy; monitor the integrity, consistency and effectiveness of financial information, internal controls and risk management systems; monitor management's execution of strategy against agreed targets and determine their remuneration accordingly (see the Remuneration Report on page 126); and monitor executive succession planning (for Board succession planning, see the Nominations Committee Report on page 122). 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.

Board Leadership

Before setting out the Board's activities in 2023, it is important to note that since the Russian invasion of Ukraine, the Board has continued to meet regularly to discuss the ongoing situation in Ukraine, the execution of the Group's business continuity plans, planning for different eventualities and adjustments to the corporate calendar. The Board receives regular updates from the management team as to the Group's response and scenario planning for different eventualities. Protecting the Group's workforce is a key priority, as well as taking steps to protect the business and thereby the stakeholders of the business. This will remain a key priority for the Board during 2024.

Board activity in 2023

Five scheduled Board meetings were held in 2023 (supplemented by other ad hoc meetings, telephone or video conferences and written resolutions as required from time to time). Although all scheduled Board meetings were held in person, some ad hoc meetings and Board calls were held via video conference with management team members and other Group personnel joining to discuss matters as appropriate. The Board intends to continue to hold its scheduled meetings in person during 2024.

The Board's programme of meetings allows key areas of focus to be established and reviewed on a regular basis. A review of the Board forward agenda was undertaken early in the year to align key focus areas with strategy. Rolling agendas have been developed within the Board forward agenda for the Board, Audit, Nominations and Remuneration Committees to ensure the necessary standing items are covered during the course of the year, and sufficient time is allocated to strategic discussions, with extra time factored in for ad hoc and additional items. Agendas are agreed with the Chair (or with the Chair of the relevant Committee) and timeframes set in advance for the various meetings, thereby ensuring that the full agenda can be covered in the time allotted.

Board and Committee meeting packs are prepared by management following input on the agendas formulated by the Company Secretary and the respective Chairs, and made available electronically prior to the meeting via a secure online Board portal, thereby allowing the Directors adequate time to consider the variety of issues to be presented and discussed. In the minutes of the meetings, issues identified for follow-up are set out, ensuring that matters raised by the Directors are actioned and reported back in a timely manner.

At each scheduled Board meeting, the Directors receive a report from each of the Executive Chair 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 Executive Chair's report will include matters relating to production and operations, safety measures and performance against targets, iron ore market conditions, growth projects, implementation of diversity and inclusion policies and updates on the position in Ukraine. The Chief Financial Officer's report covers financial performance as compared to budget, financial forecasts and cash flow position, with a particular focus during 2023 on the going concern assessment given the situation in Ukraine. The Executive Chair will report on developments relating to investor and stakeholder engagement (including shareholder feedback), relevant corporate governance matters and Board refreshment and succession planning.

In addition to formal Board and Committee meetings, the Senior Independent Director holds meetings with the Independent Non-executive Directors as required, enabling open discussions without the Executives Director present.

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

Russian invasion of Ukraine

The impact of the Russian invasion of Ukraine remained the key area of focus during the year, with the Board undertaking regular reviews of the Group's response to the invasion. The Board received regular updates from the management team on the Group's response to the invasion, including the safety, protection and wellbeing of the workforce and details of the support provided to those affected by the invasion and their families. Updates on safety measures put in place at the mine sites and other locations to protect the Group's workforce and assets were also provided. The Board also continued the Ferrexpo Humanitarian Fund to support communities across Ukraine. For further details see page 32.

More information can be found throughout this Annual Report and Accounts.

Legal and other actions against the Group in Ukraine

Throughout the year the Board had to address an increasing number of legal and other actions being taken against the Group in Ukraine, many of which related to matters not directly involving the Group. These actions included a freeze ("arrest") being placed on 50.3% of the shares which Ferrexpo owns in three of its Ukrainian operating subsidiaries, the blocking of bank accounts of Ferrexpo's main operating subsidiary in Ukraine, Ferrexpo Poltava Mining ("FPM"), and the arrest of senior management personnel in FPM in connection with the alleged illegal sale of waste products. This latter action resulted in Ferrexpo having to make bail payments in Ukraine of approximately US$15 million. Furthermore, the Board had to address and assess the risks related to the contested surities claim in the amount of UAH4.7 billion (US$124 million as at 31 December 2023) and the application to open bankruptcy proceedings ("creditor protection proceedings") against the Group's major subsidiary in Ukraine filed by a supplier and a related party of the Group because an unfavourable outcome in these two cases would have an adverse impact on the Group's cash flow generation, profitability and liquidity. Further details can be found in Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements.

The Board has taken or overseen a number of actions intended to protect the interests and assets of the Group and all of its shareholders, including commencing legal actions in Ukraine where possible and making appropriate representations to Government officials both in Ukraine and elsewhere about the need to protect Ferrexpo's interests and ensure that any private matters relating to the Group's controlling shareholder do not adversely impact the Group. This has included emphasising that as a Company with a premium listing on the London Stock Exchange the Company is required to, and does, operate independently of its controlling shareholder.

Board Leadership (continued)

Climate change and decarbonisation
Climate change has been a standing agenda item at all scheduled Board meetings and meetings of the HSEC Committee throughout the year and will continue to be a standing agenda item.

During the year, the Board approved a second phase of work to be undertaken by Riccardo Plc. This work involved a double-materiality assessment of the Company's impact on climate change and the impact of climate change on the Company.

The risks and opportunities relating to climate change that are specific to Ferrexpo are summarised in the Task Force for Climate-related Financial Disclosures ("TCFD") on pages 43 to 59 of the Strategic Report.

Financial position and liquidity
The Board continuously reviews the financial position of the Group, including performance against targets, balance sheet strength and liquidity.

During the year, the Group has maintained a strong balance sheet, including low levels of gross debt and had a positive net cash position of US$108 million as at 31 December 2023 (2022: US$106 million). The Group has no debt facilities as at 31 December 2023.

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

Cyber security strategy
In light of heightened cyber security risks facing the business due to the ongoing war in Ukraine and the rise in cyber security attacks globally, maximum protection against cyber security attack is a top priority for the Group.

Stakeholders and workforce engagement
Stakeholder considerations and culture are an important part of the Board's discussions and decision making. The information on pages 64 to 71 provides a review of stakeholder engagement activities during the year and explains how the Board considers stakeholders in decision making.

In December 2023, over two days, Mr Lisovenko, Non-executive Director Designate for workforce engagement, visited our operations in Ukraine and hosted a number of engagement sessions with a cross section representing a range of stakeholder groups within our workforce, including operations personnel, a selection of middle managers from all three business units, senior female leaders, alumni of our "Fe_munity" women in leadership programmes and people with disabilities.

During the engagement sessions, members of the workforce made comments and suggestions on a range of matters and posed questions for subsequent response by the Board. In February 2024, the Board considered the comments, concerns, suggestions and questions and will provide feedback to the workforce via established communication channels. For example, members of the workforce requested more detail in respect of the current approach of running one and sometimes two pellet lines, in response to logistics constraints caused by the war and that the quality of personal protective clothing be improved. For further details see page 66 Employees and wider workforce, Section 172 Statement.

The Group also engages with its workforce through the biennial employee engagement survey, which was last conducted in 2021. The survey unfortunately could not be carried out in 2023 due to variable staffing of operations imposed by constraints brought about by the ongoing war, where approximately one third of all employees who manually complete the survey using tablets are on furlough. The Group has employed other ways of listening to the workforce, such as holding discussions in crib rooms prior to shift and including questions and answers functionally on the Company's intranet site and eliciting employee feedback via the Rakuten Viber social media app. These workforce listening channels are an integral aspect of understanding the priorities and concerns of our people, and help to set priorities for the coming period. The Board considers the results of the employee listening programme and discusses feedback with the Executive Chair and the Chief Human Resources Officer, including plans for further engagement by functional heads with their teams to better understand the feedback and to develop joint action points focusing on areas of strength and areas for improvement. Investigations are underway to find a way to conduct a global Employee Engagement Survey in 2024.

Board balance and independence
Ensuring the appropriate balance of skills, independence and diversity on the Board remains a key priority of the Group.

In line with best practice requirements of the UK Corporate Governance Code, during the year, the Board reviewed the balance of skills, knowledge, experience, independence and diversity and focused on improving and rebalancing Independent Non-executive Director Board and Board Committee roles.

To that end:

- Stuart Brown was appointed as an independent Non-executive Director and a member of the Audit Committee on 22 October 2023.
- Natalie Polischuk was appointed as Chair of the Group's Health, Safety, Environment and Community ("HSEC") Committee on 25 May 2023.

For further details see pages 121 to 124 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 a review of the Articals of Association. Proposed updates to relfect current best practice will be put to a shareholder vote at the Annual General Meeting.

At each of its scheduled meetings the Board considered any updates to the principal and emerging risks of the Group, and in particular during 2023 considered the new risks facing the Group as a result of the ongoing Russian invasion and also changes to country-related risks. For further details, see pages 74 to 90 of the Strategic Report.

The Board is supported by the Executive Committee, which meets approximately monthly. All information submitted to the Board by management is reviewed and approved by the Executive Committee prior to submission.

Modern Slavery Act Statement
During the year, the Board reviewed and approved the Group's Modern Slavery Act Statement for the year ended 31 December 2022 (a copy of which is available at www.ferrexpo.com).

Executive appointments and succession planning
Nikolay Kladiev was appointed as an Executive Director on 25 May 2023.

Lucio Genovese was appointed as Executive Chair on an interim basis on 1 July 2023.

For further details see page 123 of the Nominations Committee Report.

Other matters discussed were:

- oral reports from the Chair of Board Committee meetings held before the Board meeting;
- diversity and inclusion;
- internal succession planning – talent review;
- succession planning for Non-executive Director recruitment and appointments;

- review of agenda and approval of minutes from previous Board meeting and note Board Committee minutes;
- interactions with auditors;
- Executive Chair's report including production and operations, iron ore market conditions, and updates on the Russian invasion of Ukraine and the position in Ukraine;
- logistics update;
- update on DR growth markets;
- Chief Financial Officer's report including status vs. budget, forecasts, cash flow position, and funding update;
- related party matters (including Directors' interests/conflicts);
- investor relations report (including shareholder feedback);
- strategy, business plan and budget;
- formal risk review;
- compliance matters;
- HSEC Committee matters, including Health and Safety, carbon reduction and community spending; and
- Board refreshment, succession planning, Director independence and Committee composition.

Matters reviewed as required included:

- the Group's continued response to the Russian invasion of Ukraine and actions taken to protect the Group and its workforce;
- review of half-year or annual results, going concern and viability, dividend policy and recommendations, investor presentation;
- geopolitical matters;
- internal evaluation of the performance of the Board, Executive 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 2022 Modern Slavery Statement; and
- the CSR budget.

During 2023, the Board also held sessions at which the relevant executive heads of department led detailed presentations on operations, finance, HR and management succession planning, sales and marketing, investor relations and communications.

Board virtual site visit and Strategy Day

Due to travel restrictions resulting from the Russian invasion of Ukraine, the Board was unable to conduct the planned visit of the Group's operations in Horishni Plavni, Ukraine. The alternative arrangement was a Board virtual site visit and Strategy Day.

The Board received a progress update on actions taken from 2022 and noted the achievements and completion of all 2022 actions during the year.

The Board received presentations from executive management on:

Day 1

- expected results and plan for 2024;
- scenario planning for extended war and post-war preparation for Plant and Mining operations;
- marketing scenario planning and alternative logistics;
- organisational structure and Base Erosion and Profit Sharing requirements for 2024;
- ESG – Decarbonisation projects and Green Mining Electrification project update; and
- Investor Relations – market engagement plans for 2023/24 given context of extended war.

Day 2

- legal training for Directors from Legal advisers Herbert Smith Freehills.

The Board had a dedicated training session with its legal adviser Herbert Smith Freehills. This training session was held on Day 2 of the Board Strategy Days in September 2023 and covered key areas relevant to the Directors in responding to events facing the Group in Ukraine, including the seven statutory directors' duties and actions which the Board may be able to take to protect the Group's interest in Ukraine. Case studies of other mining and non-mining entities operating in a country at war or during a time of war were examined in detail.

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

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

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 were following significant votes against Resolutions 7, 11 and 12 at the 2023 AGM (re-election of Vitalii Lisovenko, to authorise the directors to allot shares and to empower the directors to disapply pre-emption rights). Based on the feedback received, the Board understands that the votes against Vitalii Lisovenko arose as a result of concerns regarding certain historic corporate governance issues and the votes against resolutions 11 and 12 were primarily as a result of the Company's largest shareholder not wanting to incur further dilution to its voting interest in the Company. The Company has since the AGM continued to engage with its largest shareholder in the ordinary course on a range of issues and will consult with the largest shareholder ahead of the 2024 AGM as to its position on the share allotment and disapplication of pre-emption rights resolutions.

Corporate Governance Report continued

Board Evaluation

Board performance evaluation

Under the UK Corporate Governance Code, the Board is required to undertake annually a formal and rigorous evaluation of its own performance and that of its Committees and individual Directors. This evaluation should be externally facilitated every three years.

Review of 2022 internal Board performance

The Board and its Committees consider their effectiveness regularly and the outcome and findings from the 2022 internal review were progressed throughout the year with the following actions taken:

Board evaluation cycle

Action to be taken	Actions taken
Board composition	The Board, with support from the Nominations Committee, continued its search for a Director from an ethnic minority background. Search agents were appointed and a number of candidates were selected for interview. The search continues. Appointment of female Chair of HSEC Committee. Due to Board changes, unfortunately female representation on the Board reduced from 43% in 2022 to 29% as at 31 December 2023, although increased to 33% on 1 January 2024 following the resignation of a male director.
Succession planning within the business and senior management including diversity	More females have been promoted during the year. To that end, the number of females in management roles (defined as roles that are grade 10 and above based on the Group's internal grading system) increased by 1.4%, from 20.9% in 2022 to 22.3% in 2023. Overall, the number of females employed increased by 2.2%, from 28.7% in 2022 to 30.9% in 2023. The above outcomes are a result of the Group's diversity programme targeting female representation and the lead programme for promoting gender diversity in management known as "Fe_munity" and the development of specific programmes designed to retain and promote females within the business, all of which are fully supported by the Board and senior management.
Balanced skill set **Ensure Non-executive Directors continue to bring the right skill set and to balance the workload of the Board Committees**	Following on from a wholesale refresh of the Board skills matrix in 2022, during the year the Board undertook a thorough review of the refreshed Board skills matrix and agreed that for the time being it is satisfactory and fit for purpose. A further review of the Board skills matrix will be undertaken in early 2024 to re-assess and address the skills matrix required particularly in light of the ongoing Board succession planning and the search for a director from an ethnic minority background. During the year, the workload of the Board Committees was rebalanced with Ms MacAulay stepping down as a member of the Audit Committee on 1 August 2023 and the appointment of Ms Polischuk as Chair of the Health, Safety, Environment and Community Committee. Therefore, of the five Board Committees, 40% are chaired by females.
Explore ways to enhance workforce engagement and bring findings to the Boardroom	The Board reviewed and changed the format of workforce engagement from large town hall sessions into smaller more intimate groups where individuals felt more comfortable to open up and raise matters. Members of the workforce welcomed the change in format which was reflected in their feedback of the event. Mr Lisovenko, Non-executive Director designate for workforce engagement, being resident in Ukraine, visited the workforce in December 2023 and provided feedback at the following scheduled Board meeting.
Continue to improve Board reporting, particularly management report writing	Board reporting has improved significantly with some key management reports streamlined. Externally facilitated training among all report writers was not carried out due to other priorities arising from the Russian invasion of Ukraine, but will be carried out in 2024, if possible.
Corporate resourcing	Increased resourcing in Secretariat needs to be completed.

2023 Internal Board performance
During 2023, the annual performance evaluation of the Board and its Committees was carried out internally using a questionnaire led by the Group Company Secretary with external input from Clare Chalmers Ltd. The purpose was to build on the recommendations and areas identified from the externally facilitated evaluation in 2021.

The evaluation process involved the completion of questionnaires by Board and Committee members, with responses collated anonymously and analysed by Clare Chalmers Ltd together with the Group Company Secretary.

The thematic evaluation focus areas included:

- Board composition, including Executive Chair transition, succession, development, leadership and dynamics;
- Board oversight: Strategy, performance, risk, people and culture;
- stakeholders and decision making;
- Board efficiency including secretarial support;
- leadership and succession decision making;
- Board planning; and
- the effectiveness of Board Committees.

Preparation, questionnaire design and content, formal interviews and reporting:

PREPARATION	– Executive Chair and Group Company Secretary reviewed the 2022 recommendations and outcomes to set the scene for 2023. – Executive Chair and Group Company Secretary held a scoping meeting to understand context and priorities. – Review of Board and Board Committee papers and other relevant documentation, including Strategy papers and the Board and Board Committee Forward Agenda Planner to identify key areas of focus. – Individual interviews were scheduled with the Senior Independent Director and all the Non-executive Directors.
QUESTIONNAIRE DESIGN AND CONTENT	A comprehensive questionnaire was designed covering: – Board: Constitution and Commitment, Leadership, Efficiency of Board Process, Board's role, Development, Stakeholders, of which there were 40 questions. – Audit Committee: Constitution and Commitment, Leadership, Efficiency of Committee Process, Committee's role, Relationships, Development, of which there were 21 questions. – Remuneration Committee: Constitution and Commitment, Leadership, Efficiency of Committee Process, Committee's role, Development, of which there were 20 questions. – Progress/Achievement of 2022 internal evaluation recommendations, of which there were six questions.
FORMAL INTERVIEWS	– Led by the Senior Independent Director, the other Directors also met without the Executive Chair present to evaluate the Executive Chair's performance and, separately, the Senior Independent Director also evaluated the performance of the Directors.
REPORTING	– The completed questionnaires were collated anonymously and analysed externally by Clare Chalmers Ltd together with the Group Company Secretary. – Key findings and recommendations were shared with the Executive Chair, Senior Independent Director and Group Company Secretary, and a draft report was prepared for review. – The report was circulated to the Board and the feedback and comments from the questionnaires were discussed at a Board meeting, before deciding which recommendations to take forward.

The review also included feedback on individual performance. This informed the annual process of individual Director evaluation, led by the Senior Independent Director in place of the Executive 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 Executive 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 Executive Chair, led by the Senior Independent Director. The Senior Independent Director also engaged the Chief Financial Officer and Group Company Secretary to obtain their views on the Executive Chair's performance.

Board Evaluation (continued)

Feedback and report findings
The report was circulated to the Board and the feedback and comments from the questionnaires were discussed at a Board meeting, before deciding which recommendations to take forward. Led by the Senior Independent Director, the other Directors also met without the Executive Chair present to evaluate the Executive Chair's performance and Senior Independent Director evaluated the performance of the Directors.

The questionnaire results demonstrated, despite the challenges associated with the war in Ukraine, progress has been made. Board members agreed that the transition from Chair to Executive Chair was well managed, the Board is working effectively with the correct skills and experience to support and to deal with challenges faced by the business; and that there is an open culture which responds well to constructive challenge.

The Board has made progress over the past year, and there are some ideas on areas for development to ensure the Board works even more effectively. The evaluation process identified these development areas for focus in 2024. The Board will continue to consider and reflect on its composition and what may be required for a future Non-executive Director hire to include future roles, skills and Board diversity including gender and ethnicity. Issues are discussed and debated with full and frank discussions encouraged, and as the Board continues to develop, even further input to Board discussions would be welcome. More one-to-one meetings with the Executive Chair, Senior Independent Director and Board members could be used to discuss tailored individual development plans. The Executive Chair and Group Company Secretary will ensure appropriate time is allocated to all agenda topics.

The Board has considered the findings of the evaluation and, overall, the review concluded that the Board is well balanced in terms of Board dynamics but a further independent Non-executive Director would improve Board diversity. The Board is well led by a proactive and fully engaged Executive 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, except for the Nominations Committee which is run by the Executive Chair, 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 2024:

Key areas for focus in 2024

Area	Actions to be taken
Board composition	– Continue to improve Board diversity in terms of ethnicity and gender.
Succession planning	– Embed sound succession planning within the business and senior management including diversity requirements.
Balanced skill set	– Ensure Non-executive Directors continue to bring the right skill set and to balance the workload of the Board Committees, planning early for future skills and experience for Board succession.
Enhance workforce engagement	– Continue to explore different ways to further enhance workforce engagement and bring findings into the Boardroom and to monitor culture and values in the organisation.
Board efficiency and processes	– Continue to plan the agenda allowing appropriate time for the most important topics. – Consider an agenda slot at the end of some Board meetings for a wash-up session focusing on what went well and what could have gone better. – Consider a lessons learned exercise for the Board as well as a deep dive.
Corporate resourcing	– Ensure bolstered resourcing for Secretariat.
Long-term Incentive Plans	– Continue to work on the LTIP measures and appropriateness.

Board Training and Development

Training and professional development

The Executive Chair is responsible for agreeing training and development requirements with each Director to ensure they have the necessary skills and knowledge to continue to contribute effectively to the Board's discussions. All Directors receive updates given to the Board as a whole on changes and proposed changes in laws and regulations affecting the Group, as and when necessary.

During 2023, the Board had a dedicated training session with its legal adviser Herbert Smith Freehills. This training session was held on Day 2 of the Board Strategy Days in September 2023 and covered key areas relevant to the Directors in responding to events facing the Group in Ukraine, including the seven statutory directors' duties and actions which the Board may be able to take to protect the Group's interest in Ukraine. Case studies of other mining and non-mining entities operating in a country at war or during a time of war were examined in detail.

Usually, site visits are held for the whole Board annually, so as to ensure that all Directors are familiar with the Group's operations, and Directors may also visit the operations of the Group independently to the extent they feel this is necessary. Due to the ongoing conflict in Ukraine, the physical Board site visit was cancelled and replaced with a virtual site visit, as set out on page 109.

All Directors may take independent professional advice at the expense of the Company in the furtherance of their duties.

Induction

Following appointment, all Directors are advised of their duties, responsibilities and liabilities as a director of a public listed company. In addition, an appropriate induction programme is provided to each Director upon appointment, taking into consideration the individual qualifications, experience and knowledge of the Director.

Induction training includes meeting senior executives of the Executive Committee, a detailed and structured site visit (or alternative arrangements, where required as a result of the ongoing conflict in Ukraine), meeting the Company Secretary, necessary training on corporate governance aspects, and receiving various key Company documentation and reports.

Mr Brown, who was appointed on 22 October 2023, received director induction training in October 2023 and followed a tailored induction programme covering a range of key areas of the business. He 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 in which the Board operates, Group policies and procedures, constitutional documents and regulatory codes and guidelines. He also met with the Group's external auditors, MHA, and with the Group's legal advisers, Herbert Smith Freehills (HSF), to apprise him of some of the risks and legal challenges currently facing the Company. Mr Brown was also briefed by the Chief Financial Officer and Chief Human Resources Officer on the financial position of the Company and the Group's risk management framework, as well as key issues related to the management of people and remuneration schemes.

In 2021, Ferrexpo introduced a Buddy programme for newly appointed Directors. The role of a Buddy is to provide mentoring for the first three months during orientation with the Company and its business. During the year, Mr Dacomb completed his Buddy duties for Mr Brown.

Audit Committee Report

Stuart Brown
Chair of the Audit Committee

Membership and meeting attendance

Committee member	Scheduled meetings: Eligible to attend	Attended
Graeme Dacomb	5	5
Vitalii Lisovenko	5	5
Fiona MacAulay	4	4
Natalie Polischuk	5	5
Stuart Brown	1	1

Focused on management's going concern assessment while continuing to monitor the integrity of the financial results.

Dear Shareholder,

On behalf of the Board, I am pleased to present the Audit Committee Report for the financial year ending 31 December 2023. The aim of this report is to provide shareholders with insight into key areas that have been considered, how the Committee has discharged its responsibilities and lastly provide assurance on the integrity of the 2023 Annual Report and Accounts.

The situation for the Group during the financial year 2023 continued to be strongly influenced by the ongoing war in Ukraine, which also led to a significantly increased involvement of the Committee to timely identify and analyse the additional risks in this unprecedented period for the Group.

The matters requiring increased involvement of the Committee were primarily the assessment of the Group's going concern and viability in light of the material uncertainties, but also the considerations required when preparing the Group's impairment test for its non-current operating assets as well as the escalation of a number of legal matters to be considered as a result of the change of the political environment in Ukraine.

The Committee agenda focuses on audit, compliance and risk management within the Group, working closely with finance, external audit, internal audit and management. During the year, the Committee has robustly assessed the principal and emerging risks facing the business. The Committee throughout the year took into account the regular financial and internal audit reports made available to the Board, as well as discussing issues with management and the external auditors at intervals throughout the year.

As already disclosed for the Group Annual Report and Accounts for the financial years 2022 and 2021, a critical area of focus for the Committee has been the going concern assessment itself and consequently the consideration of the preparation of the consolidated accounts on a going concern basis, considering the ongoing war in Ukraine and the circumstances under which the Group has to operate, including the political environment and the independence of the legal system in Ukraine. As at the date of the approval of these Consolidated Financial Statements, the war in Ukraine is still ongoing. Although the Group continued to demonstrate a high level of commitment and resilience enabling it to operate at a steady, but much lower capacity, 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.

Key activities of the Committee in 2023

Key activities of the Audit Committee during 2023 are set out below.

February

- Considered assumptions used for the going concern and viability assessments and impairment testing, including sensitivities and reverse stress tests.
- Received an update on the progress of the 2022 audit and analysed further work required.
- Considered the draft Annual Report and Accounts for 2022.
- Reviewed the questionnaire to be used to assess the external auditor's performance.
- Reviewed Compliance Report including whistleblowing cases.
- Reviewed the Group's risk matrix and register.
- Reviewed an update on the Directors' Interests list and transactions with Related Parties.
- Reviewed the Audit Committee 2023 Forward Planner.
- Received an update on Audit Reform.
- Received an update on the FRC's Audit Committee Minimum Standard consultation.
- Held a private meeting with the auditors.

March

- Received the Report of the auditors to the Committee.
- Reviewed letters of representation.
- Reviewed the Audit opinion.
- Reviewed the auditor's Letter of Independence.
- Reviewed the 2022 Annual Report and Financial Statements.
- Reviewed the going concern assessment and impairment test.
- Considered the going concern and viability statements.
- Discussed identified material uncertainties and assessment of mitigating actions.
- Reviewed the Audit Committee Report.
- Reviewed the auditors 2022 performance (Statutory Audit Service Order) – analysis of scores.
- Reviewed the Compliance Report including whistleblowing cases.
- Reviewed the Group's risk matrix and register.
- Held a private meeting with the auditors.

May

- Received an update on 2022 audit follow up matters – Management letter points
- Reviewed the auditors 2022 performance (Statutory Audit Service Order) – analysis of final detailed scores.
- Reviewed 2023 audit planning, key dates and preliminary audit plan.
- Reviewed an update on 2022 recommendations from Internal Audit.
- Received an update on Cyber Security trends and proposed actions approved.
- Received an update on Audit Reform.
- Discussed the risk assurance map and new risk assurance platform
- 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 2023 Forward Planner.
- A private meeting with the auditors was held.

In addition to the war-related material uncertainty, the Group is also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 76 to 78). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties, which represents another material uncertainty as at the date of the approval of these consolidated financial statements. The Committee had to address and assess also the risks related to a contested sureties claim in the amount of UAH4,727 million (US$124 million as at 31 December 2023) and the application to open bankruptcy proceedings ("creditor protection proceedings") against the Group's major subsidiary in Ukraine filed by a supplier and related party to the Group as an unfavourable outcome in these two cases might affect the Group's ability to continue as a going concern. See Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes for further information.

As a result of the war, the local audit team in Ukraine could not be on-site and the required audit procedures have been performed remotely as it was done already for the 2022 year-end audit. In terms of the audits on Group level, our external auditor MHA was on-site at our office in Baar and was able to complete its annual audit procedures for the preliminary and year-end audits as planned. Likewise, the Committee has been able to physically meet with both management and the auditors. The current situation in Ukraine required additional work from our external auditors, primarily in terms of the material uncertainty surrounding the Group's going concern and viability assessment in light of the ongoing war, but also in relation to the escalation of the number of legal proceedings and disputes mainly as a result of the change of the political environment in Ukraine.

In addition to the war-related material uncertainty, the Group is also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 76 to 78). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy.

During the year, the Committee continued to consider the status of the proposed regulatory change of the UK Government Consultation on 'Restoring trust in audit and corporate governance: proposals on reforms'. The Committee reviewed the future potential impacts this could have on the Group as well as on the Committee in order to understand the latest developments and plan potential implications in a timely manner.

Increased TCFD disclosure requirements were also a focus for the Committee and environmental consultants Ricardo plc were involved to assist in enhancing the Group's existing climate change reporting, scenario analysis and potential pathways to net zero iron ore pellet production. Through this work, Ricardo plc's analysis has helped to enhance the Group's carbon reduction targets, as announced in the Group's Climate Change Report in December 2023. However, considering the current situation in Ukraine and the challenging circumstances that are both outside of our control, we may also need to adjust our net zero targets and the way we report them.

During 2023 a life cycle analysis was completed on Ferrexpo DR pellets. The results show that the Ferrexpo DR pellet route (EAF) can reduce 37% of embodied carbon emissions compared to the 'traditional fossil based' sinter-BF route for producing SAE 1006 grade steel. We are using this baseline result as a starting point to build on and address impact hotspots and further minimise our overall impact on climate change. This assessment was largely theoretical, so in 2024 the intention is to use this initial work for a more real scenario, namely, to model the emissions for blast furnace pellets sold to and processed to a large German customer. The Group was not required to do a follow up Climate Change Report in 2023, though the intention is to do one towards the end of 2024. This report will need to consider any changes in decarbonisation targets due to the ongoing war and in the inability to plan longer term at the current time.

Detailed below is further information on the role, structure and key activities of the Committee and significant judgements it has considered in 2023. I hope this additional information about the Committee and its activities is useful.

Stuart Brown
Chair of the Audit Committee

July

- Presentation and review of half-year accounts.
- Reviewed the going concern assessment and impairment test.
- Considered the going concern statement.
- Received auditor's Review Report to the Audit Committee.
- Received an update on Cyber Security and IT Security audit.
- Received an update on the ESG Disclosure Audit.
- Received an update on proposed Audit Reform.
- Reviewed the Group's risk matrix and register.
- Reviewed the Director's Interests list and transactions with Related Parties.
  Reviewed a Compliance Report, including whistleblowing cases.

December

- Received an update on TCFD and ESG double materiality reporting.
- Received a report on the outcome of the 2022 Internal Audit plan and progress update on 2023.
- Reviewed the preliminary Internal Audit plan for 2024.
- Considered the Group's work plan for the 2023 year end.
- Considered a report from the external auditors on progress of the preliminary audit for 2023.
- Reviewed an external audit planning report.
- Received an update on the 2024 internal audit plan.
- Received a progress update on the 2023 internal audit matters.
- Received an update on the planned process for the viability and going concern assessment.
- Received an update on proposed Audit Reform.
- Reviewed a Compliance Report including whistleblowing cases.
- Reviewed the Directors' Interests list and transactions with Related Parties.
- Reviewed the Group's risk matrix and register.
- Reviewed the Audit Committee 2024 Forward Planner.

Audit Committee Report continued

Role of the Committee

The Committee's objectives and responsibilities are set out in its terms of reference which are available to view on the Company's website at ferrexpo.com. 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 as well as in terms of the disclosures on the Group's Principal Risks as contained on pages 74 to 90.
- 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 2023, 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

On 1 August 2023 Fiona MacAulay stepped down as a member of the Committee.

As at the year end, the Committee comprised four Independent Non-executive Directors:

- Graeme Dacomb (Chair of the Committee);
- Vitalii Lisovenko;
- Natalie Polischuk; and
- Stuart Brown

Stuart Brown joined the Committee in October 2023 and was appointed Chair of the Committee with effect from 1 January 2024. In addition to the five meetings held in 2023, the Audit Committee has met twice to date in 2024. All members of the Committee are considered to possess appropriate knowledge and skills relevant to the activities of the Group, and Stuart Brown has recent and relevant financial experience. See page 99 of the Corporate Governance section regarding his skills, expertise and contributions.

In addition to its members, other individuals and external advisers, and the Executive 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, Group Company Secretary and audit partners of our external auditor MHA. The Committee has an opportunity to meet with the external auditors at the end of its scheduled meetings, without the Executive Director or management being present.

Significant issues and judgements

The significant issues and judgements considered by the Committee in respect of the 2023 Annual Report and Accounts are set out below:

Judgements/actions taken
The ongoing war in Ukraine continues to pose a significant threat to the Group's mining, processing and logistics operations, despite the fact that continued to demonstrate a high level of commitment and resilience enabling it to operate at a steady, but at a much lower capacity The war related material uncertainty is predominantly related to the provision and availability of logistics capacity required for the production and delivery of the Group's products to customers in its key markets, subject to the availability of Black Sea ports in Ukraine. As in the previous financial year, the Group had to adjust during the financial year 2023 its production level to the sales currently possible, which continues to have an impact on the Group's cash flow generation and profitability. Despite the unprecedented and challenging situation, the Group's net cash position has remained stable at US$108 million, compared to US$106 million as at 31 December 2022. As at the date of the approval of these Consolidated Financial Statements, the Group is in a net cash position of approximately US$91 million with an available cash balance of approximately US$96 million. In addition to the available cash balance, the Group has an outstanding trade receivable balance of approximately US$49 million from its pellet and concentrate sales in January and February 2024, which are expected to be collected in the next few months. As mentioned above, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties, which require a significant portion of critical judgements to be made by the management, mainly in respect of a contested sureties claim in the amount of UAH4,727 million (US$124 million as at 31 December 2023, which required specific consideration also from a going concern perspective. See Note 30 Commitments, contingencies and legal disputes for further details, also in respect of the high degree of management judgement required, in respect of the potential impact of seizure of assets in respect of the contested sureties claim. The Audit Committee has reviewed the key assumptions used for the Group' long-term model, which forms the basis for the management's going concern assessment. The key assumptions have been adjusted to reflect the latest developments in terms of currently possible sales volumes as well as latest market prices and production costs, which are adversely affected by lower production volumes. As in the previous long-term model in 2022, the production volume is currently aligned to the possible sales volume in order to maintain a solid net cash position. The latest base case of the long-term model shows that the Group has sufficient liquidity to continue its operations at a reduced level for the entire period of the management's going concern assessment, even allowing for reasonably possible or plausible adverse changes in respect of realised prices, lower production and sales volumes as well as higher production costs. However, as mentioned above, the production and sales volumes are heavily dependent on the logistics network available to the Group and the determination of the key assumptions requires a significant level of management estimation. The Audit Committee has also reviewed the Group's reverse stress tests reflecting more severe adverse changes, such as a combination of all reasonably possible or plausible adverse changes in respect of realised prices, lower production and sales volumes as well as higher production costs, which is unlikely to happen in combination as a result of the natural hedge of iron ore prices and prices for key input materials. Based on the stress tests performed, it is expected that the Group would have sufficient liquidity for up to 12 months before making use of any available mitigating actions within its control, such as further reductions of uncommitted development capital expenditures and operating costs.

Judgements/actions taken

However, as at the date of the approval of these Consolidated Financial Statements, the Group has assessed that, taking into account:

- its available cash and cash equivalents;
- its cash flow projections, adjusted for the effects caused by the war in Ukraine, for the period of the management's going concern assessment covering a period of 18 months from the date of the approval of these Consolidated Financial Statements;
- the feasibility and effectiveness of all available mitigating actions within the Group management's control for identified uncertainties; and
- the legal merits in terms of the ongoing legal disputes mentioned above and potential future actions available to protect the interests of the Group in case of a negative decision from the Supreme Court of Ukraine and other courts in Ukraine;

there is a material uncertainty in respect of the ongoing war and the legal disputes, as some of the uncertainties remain outside of the Group management's control, with the duration and the impact of the war still unable to be predicted, and the uncertainty remains in relation to independence of the judicial system and its immunity from economic and political influences in Ukraine.

In respect of the contested sureties claim mentioned above, no enforcement procedures have commenced as at the date of the approval of these consolidated financial statements, however the commencement of such procedures may be initiated by the claimant anytime between this approval and the date of the expected hearing by the Supreme Court. The commencement of the enforcement procedures could have a material negative impact on the Group's business activities and its ability to continue as a going concern.

The Group's Principal Risks section on pages 74 to 90 provided further information on the Ukrainian country risk to which the Group is seriously exposed, including the conflict risk and the risks related to operating in a developing economy.

Considering the current situation of the war in Ukraine, the Group's ability to swiftly adapt to the changing circumstances caused by the war, as demonstrated during the financial years 2023 and 2022, 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, such as the duration and severity of potential threats, and are unpredictable, 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 176 for further information.

The Committee also considered management's analysis of the impact of the war in Ukraine on the Group's viability. Although the Group has managed to continue its operations since the beginning of the war, the war continues to pose a significant threat to the Group's mining, processing and logistics operations within Ukraine. The Committee concurs with management's conclusion that, notwithstanding all of the available mitigating actions, a material uncertainty still remains as some of the identified uncertainties are outside of Group Management's control. See Viability Statement on pages 91 to 92 for further information.

Impairment considerations of the Group's non-current operating assets as a result of the war (Note 13 to the Consolidated Financial Statements)

The ongoing war continues to have an adverse impact on the Group's production and cash flow generation and it is expected that this will continue to be the case until the war comes to an end. Throughout 2023, the continued unavailability of the Port of Pivdennyi in Ukraine had a significant adverse impact on the Group's seaborne sales and consequently on its cash flow generation.

A number of significant judgements and estimates are used when preparing the Group's financial long-term model, which are, together with the key assumptions used, reviewed by the Audit Committee. The Group's long-term model is based on management's best estimate of reasonably conservative key assumptions, taking also into account the current circumstances the Group has to operate in. Due to the continued restriction of the logistics network in Ukraine, the production volume is aligned to the possible sales volume. Further information on the key assumptions used are disclosed in Note 13 Property, plant and equipment.

Based on the base case of the Group's impairment test prepared for the 2023 year-end accounts, there is no additional impairment loss on the Group's single cash generating unit's operating non-current assets, including property, plant and equipment as well as other intangibles assets and other non-current assets, to be recognised as at 31 December 2023.

The Committee is aware that the level of judgement significantly increased, compared to the years before the war commenced. Beside the normal judgement in terms of production and sales volumes, anticipated prices for iron ore products and costs for input material, the outcome of the impairment test is also heavily dependent on when the war is expected to end. The production capacity used for the base-case cash flow projection is expected to be approximately 45% of the pre-war level for the financial year 2024, before an increase to approximately 80% in 2025 and an expected recovery to pre-war levels in 2026.

As mentioned above, the preparation of the long-term model and the impairment testing in these unprecedented times involves a high degree of judgement and any adverse changes in key assumptions would further reduce the value in use of the Group's operating non-current assets. Based on the sensitivities prepared, a delay of the recovery of the production and sales volumes to a pre-war level by another year, with all other assumptions remaining unchanged, would reduce the value in use of the Group's non-current operating assets by approximately another US$326 million A reduction of the realised price by US$5 per tonne for each year until 2048 would increase the impairment loss by approximately US$171.6 million and a decrease of the production and sales volume by 10%, combined with an increase of the production costs by 5%, again for the entire period, would increase the impairment loss by approximately US$196.8 million whereas every 1.0% increase of the nominal pre-tax discount rate would increase the impairment loss by approximately US$52.6 million, with all other assumptions remaining unchanged. The recorded impairment during the financial year 2022 is to be reassessed at the end of any future reporting periods. If there are positive developments in the Group's future cash flow generation and the relevant macro-economic data, a portion of the impairment loss might reverse in future periods. As at 31 December 2023, there is no partial or full reversal of the impairment loss recognised during the financial year 2022 to be recorded.

Audit Committee Report continued

Judgements/actions taken

Taxation in general and tax legislation in Ukraine (Note 11 to the Consolidated Financial Statements)
The Group operates across a number of jurisdictions through its value chain and prices its sales between its subsidiaries using international benchmark prices for comparable products covering product quality and applicable freight costs. The Group judges these to be on terms which comply with applicable legislation in the jurisdictions in which the Group operates. The pricing of cross-border transactions is an inherent risk for any multinational group and regular audits are to be expected. On 18 February 2020, the State Tax Service of Ukraine ("STS"), formerly known as SFS, commenced two tax audits for cross-border transactions between the Group's major subsidiary in Ukraine and two subsidiaries of the Group outside of Ukraine in relation to the sale of iron ore products during the financial years 2015 to 2017. Further to that, on 14 June 2021, the STS commenced another tax audit for the financial years 2015 to 2017 for cross-border transactions of another Ukrainian subsidiary with the same two subsidiaries of the Group outside of Ukraine.

The tax audits have been completed in the second half of the financial year 2023 and the Group's two major subsidiaries in Ukraine received the tax audit reports on stating potential claims for underpayment of corporate profit taxes in Ukraine of UAH2,162 million (US$56.9 million as at 31 December 2023), including fines and penalties, and UAH259 million (US$6.8 million as at 31 December 2023), including fines and penalties, respectively. Both subsidiaries filed the objections against the potential claims stated in the tax audit reports received.

Despite the two claims received, it is still management's view that the Group has complied with the applicable legal provisions in all its cross-border transactions based on the relevant technical grounds, including those during the financial years 2015 to 2017 for which substantial claims have been received.

Having considered the background of the claims the Committee shares management's view that the Group has complied with applicable legislation for its cross-border transactions based on the relevant technical grounds. As a consequence, no provision has been recognised as at 31 December 2023 for the two specific claims received as these claims will have to be heard by the courts in Ukraine. However, the Committee is aware that there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld and if so the Group could be subject to material financial exposures relating to the tax audits.

Completeness of contingencies and legal disputes (Note 30 to the Consolidated Financial Statements)
The Committee is aware that the Group is, in addition to the war-related uncertainties described under Assessment of the Group's going concern and viability statements on page 91, also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder. As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, including an environment of political, fiscal and legal uncertainties.

As disclosed in the 2022 Annual Report and Accounts and 2023 Interim Results, one of the Group's major subsidiaries in Ukraine, Ferrexpo Poltava Mining ("FPM"), received in December 2022 a claim in the amount of UAH4,727 million (US$124 million as at 31 December 2023) in respected of contested sureties. In respect of this claim, the Group announced on 29 January 2024 that a Ukrainian court of appeal has confirmed the afore-mentioned claim against FPM in full (see Note 30 Commitments, contingencies and legal disputes for further details). The claim and court decision received is another example of operating in a dynamic and adverse political landscape in Ukraine, which creates additional challenges for the Group's subsidiaries in Ukraine, but also for the Group itself.

In accordance with the requirements of IAS 37 Provisions, contingent liabilities and contingent assets, the management proposed to record a full provision for the contested sureties claim in the amount of US$124 million. The Committee reviewed the position paper of management addressing possible accounting implications, such as the recognition of a provision under the relevant accounting standard, but also on the Group's going concern assessment. Considering the magnitude of this specific claim, the Committee concurred with management that a full provision for this ongoing legal dispute is to be recognised as at 31 December 2023 and that this dispute represents another material uncertainty in terms of the Group's ability to continue as a going concern.

A provision for the full amount is to be recognised as at 31 December 2023 as the decision of the court of appeal constitutes a legal obligation in accordance with the relevant accounting standard, despite the fact that FPM filed on 30 January 2024 a cassation appeal to the Supreme Court of Ukraine, and that the probability of a potential future outflow of resources is outside of the Group's control. It is still management's view that FPM has compelling arguments to defend its position in the Supreme Court of Ukraine as this claim is without substance and legal merits, but there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld. See Note 30 Commitments, contingencies and legal disputes for further details, also in respect of the high degree of management judgement required, in respect of the potential impact of seizure of assets in respect of the contested sureties claim.

In addition to the contested sureties claim, the Group recognised also a provision over UAH136 million (US$4 million) for a challenge from two minority shareholders of FPM in respect of a challenge of squeeze-out procedures of minority shareholders commenced and completed during the financial year 2019.

The Group is currently involved in the following other ongoing legal proceedings and disputes, which are disclosed in full detail in Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements:

- share dispute related to the Group's major subsidiary in Ukraine;
- royalty-related investigation and claim;
- investigations on use of waste product;
- currency control measures imposed in Ukraine;
- ecological claims; and
- cancellation of licence for Galeschynske deposit.

As mentioned above, the Group is operating in a developing economy and most of the matters to be considered by the Committee are seen to be a result of operating in such an environment. As at the date of the approval of these consolidated financial statements, no enforcement procedures have been commenced and on 1 April 2024 the Supreme Court of Ukraine suspended the possible enforcement of the decision of the Ukrainian court of appeal, so that such enforcement procedures cannot be initiated by the claimant until a final decision is made by the Supreme Court of Ukraine, or the Supreme Court's suspension order is otherwise lifted. If the final ruling of the Supreme Court is not in favour of the FPM, the claimant may take steps to appoint either a state or a private bailiff and request the commencement of the enforcement procedures, which could have a material negative impact on the Group's business activities and its ability to continue as a going concern, as the assets of FPM could be seized or subject to a forced sale.

Following the thorough review of management's position and legal advice received for the matters listed above, the Committee concluded that the disclosures made in Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements provide an adequate level of detail to allow the reader of the accounts to understand the potential consequences and the related exposure. The Committee also concurs with management's view that no additional provisions have to be recognised for other ongoing legal proceedings and disputes in the consolidated statement of financial position as at 31 December 2023.

Events after the reporting period (Note 35 to the Consolidated Financial Statements)
The following two events after the reporting period are summarised below.

As disclosed in Note 30 Commitments, contingencies and legal disputes, the Group received two negative decisions from courts of appeal in Ukraine in respect of ongoing legal proceedings and disputes that commenced already during the financial year 2023. As a result of these negative court decisions, the Group recognised provisions in the amount of US$124 million for a contested sureties claim and US$3.7 million in relation to a claim from two former shareholders of one of the Group's Ukrainian subsidiaries in respect of a squeeze-out of minority shareholders.

Internal control and risk management

Internal controls – general
The Board, with assistance from the 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 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 Committee. In making its assessment, the 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 processes, 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 and Accounts.
- Regular review of risk and identification of key risks at the Executive Committee which are reviewed by the Committee and by the Board.
- The FRMCC, an executive sub-committee, is charged, on behalf of the Executive Committee or 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, the risk register and third party risks. The FRMCC met ten times in 2023.
- 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 Committee of Independent Directors and the Executive Related Party Matters Committee ("ERPMC"). Additional procedures are in place locally to ensure the completeness and the arm's length nature of related party transactions, such as background checks and tender processes. The ERPMC met nine times in 2023.
- 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 did not meet in 2023 as no investment decisions were required since the onset of the war.
- A budgetary process and authorisation levels to regulate capital expenditure. For expenditure beyond specified levels, detailed written proposals are submitted to the Investment Committee and Executive Committee and then, if necessary, to the Board for approval.
- Clearly defined Treasury Policy (details of which are given in Note 27 Financial instruments to the Consolidated Financial Statements on pages 211 and 212), 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 Committee, and to the Group 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 Committee and the Board continued to review ongoing litigation affecting the Group throughout the year (see Note 30 Commitments, contingencies and legal disputes to the Consolidated Financial Statements on pages 217 to 223), 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 211 to 215. See also the Principal Risks section of the Strategic Report on page 72.

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 Committee and to the Group 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 2023 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 2024 was approved by the Committee in December 2023.

The Internal Audit plan for 2023 was approved by the Audit Committee. The full scope audits focused on the operations cycle, Griding bodies for FPM, procurement cycle for FYM, operational risks relating to Group sales for FAG, FME and FBM, Treasury cycle (financial controls) for FAG, FME and FBM, FPM Purchasing and Inventory Management – RM and MRO, DP Ferrotrans and First DDSG Logistics Holding GmbH. A limited scope review of the Ferrexpo Humanitarian Fund in Ukraine. 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.

Audit Committee Report continued

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 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 with significant improvement in the scores from respondees in Ukraine. A couple of areas for improvement were noted but none impacted on the effectiveness of the audit. The outcome of the 2023 review in respect of the 2022 Annual Report and Accounts was discussed with the relevant partners of MHA.

The auditors also provide to the Committee information about policies and processes for maintaining independence and monitoring compliance with relevant current requirements, including those regarding the rotation of audit partners and staff, and the level of fees that the Company pays in proportion to the overall fee income of the firm. The Committee concluded that the auditors are providing the required quality in relation to the audit and that they have constructively challenged management where appropriate.

Taking into account the review of independence and performance of the external auditor, the Committee has recommended to the Board the reappointment of MHA. Resolutions reappointing MHA as external auditor and authorising the Directors to set the auditor's remuneration will be proposed at the 2024 AGM. The Company notes that as of the end of the financial year 2023, the Company has engaged MHA as external auditor for five consecutive financial years. In light of the material uncertainty related to the ongoing war in Ukraine, the Committee does not consider it to be the right time, or in the best interests of the Company's shareholders, to conduct a competitive tender process for the external audit. The Company proposes that it will next complete a competitive tender process during financial year 2027, subject to the situation in Ukraine having stabilised by that time. The Committee will continue to keep this position under review.

The Company has complied with the Statutory Audit Services Order issued by the UK Competition and Markets Authority Authority and with the Audit Committees and the External Audit: Minimum Standard published by the FRC in May 2023 for the financial year ended 31 December 2023.

There is regular open communication between the Committee and the external auditor, and the Committee met five times during the year. The Committee meets at least once a year with the external auditors without any representation from management being present.

Non-audit services
The 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 Committee (and the Committee is routinely notified of all non-audit services).

Fees for audit-related and non-audit-related services performed by the external auditors during 2022 are shown in Note 7 Operating expenses to the Consolidated Financial Statements on page 184. For 2023, no material non-audit services were performed by MHA.

Audit-related assurance services as at 31 December 2023 include US$63 thousand regarding ESG-related disclosures in the Annual Report and Accounts under International Standard on Assurance Engagements ISAE (UK) 3000 (Revised) in respect of the process for reporting of selected safety and emissions data.

Financial reporting

The Board has asked the Committee to advise whether it considers the 2023 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 Group'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 2023 Annual Report and Accounts is fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy, and has advised the Board accordingly.

The Committee has also advised the Board on the process which has been undertaken in the year to support the longer-term Viability Statement required under the UK Corporate Governance Code. The Viability Statement is set out in the Strategic Report on page 91 and a statement setting out the Board's assessment of the Company as a going concern is contained in the Directors' Report on page 155 and Note 2 Basis of preparation to the Consolidated Financial Statements on page 176.

Whistleblowing policy

In accordance with the UK Corporate Governance Code, the Board is responsible for reviewing the Company's whistleblowing arrangements, and receives regular reports from the Audit Committee and the Head of Internal Audit which detail any new whistleblowing incidents and, where appropriate, steps taken to investigate such incidents.

Stuart Brown
Chair of the Audit Committee
17 April 2024

Nominations Committee Report

Lucio Genevese
Chair of the Nominations Committee

Membership and meeting attendance

	Scheduled meetings	
Committee member	Eligible to attend	Attended
Lucio Genovese	4	4
Ann-Christin Andersen	2	2
Graeme Dacomb	4	4
Vitalii Lisovenko	4	4
Fiona MacAulay	4	4

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Read the Committee's full objectives and responsibilities online: www.ferrexpo.com/about-ferrexpo/corporate-governance/board-committees/

The Committee is chaired by Lucio Genovese. The Committee consists of four Independent Non-executive Directors and, by invitation, is also attended by the Chief Human Resources Officer.

Dear Shareholder,
I am pleased to present the Nominations Committee Report for 2023 and provide a summary of the work that the Committee completed in the reporting year. The role of the Nominations Committee is to assist the Board in regularly reviewing its composition and those of its Committees, to lead the process for Board appointments, and ensure effective succession planning for the Board and senior management. The key activities undertaken in the year are described in more detail in this report. The Committee's terms of reference are available to view online on the Company's website (www.ferrexpo.com).

In 2023, the Committee was formally convened four times (2022: three) where the following was considered:

- the composition and refreshment of the Board;
- training and developing needs to ensure Board effectiveness;
- reviewing and making recommendations as to the composition of the Board and its Committees in order to maintain a diverse Board with the appropriate mix of skills, experience, independence and knowledge;
- the criteria for Non-executive and Executive Director appointments;
- reviewing and making recommendations as to the composition and diversity of the Board, Executive Committee and direct reports to Executive Committee members;
- the engagement of executive search agencies to assist with Board appointments;
- reviewing candidates and making recommendations to the Board for the appointment of Nikolay Kladiev as an Executive Director, and the appointment of Stuart Brown as independent Non-executive Director;
- approving actions to be taken in 2023 in support of the achievement of the Group's diversity and inclusion goals; and
- reviewing the results of the Group's annual talent review and succession plans for business critical roles.

The Committee also agreed to undertake an internal performance evaluation for the year to 31 December 2023 (for further information see the Board's Performance Evaluation on pages 110 to 112). The Company will conduct an external performance evaluation in 2024.

On 25 May 2023, Ann-Christin Andersen stood down from the Board as an independent Non-executive Director and as a member of the Committee. I would like to take this opportunity to acknowledge and thank her for the contribution she made to the work of the Board and the Committee while she served on both. Following her departure, a decision was taken to not replace her on the Committee in view of the workload already being undertaken by other Board members. The composition of the Committee will be revisited in the course of 2024.

The leadership of the Company was also restructured during 2023. Jim North, the Chief Executive Officer, resigned and left the Company at the end of June 2023. As a result of Mr North's departure, Lucio Genovese assumed the role of Interim Executive Chair from 1 July 2023 and Nikolay Kladiev was promoted to the Board in the role of Chief Financial Officer with effect from the 2023 AGM. These leadership changes ensured business continuity within an operating structure that enables timely decision making in what is a dynamic operating environment.

The Board places great importance on creating a workplace culture in which all contributions are valued, different perspectives are embraced, and so far as possible biases are acknowledged and mitigated. This commitment is set out in the Company's Diversity, Equity and Inclusion policy, which was adopted by the Board in 2019. The Committee therefore continued to make recommendations to the Board on appointments to the Board and the Executive Committee as well as monitor senior appointments below the Executive Committee. The execution of these plans will remain a focus for the Committee to eliminate gender imbalances below the Board.

Nominations Committee Report continued

As a result of Ms Andersen stepping down from the Board in May 2023, the composition of the Board dropped below the gender diversity target of 40% set by the FTSE Women Leaders Review. The Board remains committed to ensuring that the composition of the Board meets this ratio but considering the challenges faced by the Group arising from the war in Ukraine, it was decided to not increase the number of Board Directors in 2023. This decision will be revisited in 2024 with a view to also meeting the ethnic minority target set by the Parker Review at the same time.

Aligned with the goals of the Parker Review, the Committee is committed to ensuring that the Board's composition reflects the Group's workforce and the communities where the Group operates. At the end of 2022, the Committee commissioned external search consultancy, Wilbury Stratton, to conduct research into how comparable organisations are responding to the Parker Review. The outcome of this study enabled the Board to chart a course to ensure a sustainable, diverse and ethnically representative Board. The Committee therefore progressed recruitment in 2023 but has not yet identified a suitable candidate for appointment given the challenges faced by the Company and constraints imposed on it by the war in Ukraine. The Board is nevertheless committed to making an appointment from an ethnic minority group to the Board ahead of the Parker Review deadline of December 2024.

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. The Group also operates a Fe_munity programme which aims to enhance and accelerate the development of our senior female managers and to support them as they navigate the challenges and gender biases that might hinder their career progression in the workplace and within broader society. The Group also hosts regular talks by senior female leaders from inside and outside our business, along with a mentoring scheme as part of this same programme.

Since the inception of the "Fe_munity" programme three years ago, more than 200 women have been through the programme and the Committee was pleased to note that in 2023, progress continued to be made towards achieving gender balance across the Group. The proportion of managerial roles held by women has risen from 17.5% in 2019 (62 female managers) to 22.3% in 2023 (87 female managers), with this upward trend expected to continue into 2024, despite the war in Ukraine. This trend means that the Group is tracking well to achieve its published target of at least 25% of managerial roles to be held by women by 2030.

The Committee was also pleased to note that below the managerial level, the overall percentage of women in the workforce improved from 28.7% in 2022 to 30.9% in 2023. However, it was noted that the overall number of employees had declined as a result of the war in Ukraine. In 2022, the number of females in the workforce stood at 2,290 but had declined to 2,130 females in the workforce in 2023. This decline is due to some employees leaving the Group due to the current circumstances in Ukraine.

As at 31 December 2023, the Committee was composed of three Independent Non-executive Directors, Graeme Dacomb, Vitalii Lisovenko and Fiona MacAulay. Graeme Dacomb stepped down from the Committee at the year end. I would like to thank the members of the Committee for all their work during the year.

Lucio Genovese
Chair of the Nominations Committee
17 April 2024

Membership and meetings

The Committee is chaired by Lucio Genovese and as at 31 December 2023 its other members were Vitalii Lisovenko, Fiona MacAulay and Graeme Dacomb. Ms Ann-Christin Andersen stepped down from the Board on 25 May 2023, having also served as a member of the Committee until this date. Following a review of the workload of the others directors, a decision was taken not to replace Ms Andersen on the Committee at that time. Mr Dacomb stepped down from the Board and the Committee on 31 December 2023. A further review of Committee membership will be conducted in the course of 2024.

The Committee is required by its terms of reference to meet at least once a year and met on four scheduled occasions in 2023. All meetings were held face-to-face. All Non-executive Directors have a standing invitation to attend all Committee meetings, with the consent of the Committee Chair. In practice, most Directors generally attend all meetings. Discussions at the meetings covered the responsibilities outlined earlier, with particular focus on Board skills development and Non-executive and Executive succession planning and recruitment.

Succession planning and recruitment

The 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 the Group continues 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 Group's strategy and ensure its long-term success. The Committee plans ahead for future recruitment to make sure that the Board continues to have the diversity, skills and experience it needs. The roles of all Directors are summarised on page 106.

In 2023, the Committee revisited the training and development needs of the Board. As a result one director attended formal training with the UK Governance Institute and the full Board received briefings on ESG and corporate governance topics. The Committee also asked the Chief Human Resources Officer to refresh the Board's Skills matrix to ensure that the matrix remains up to date to inform the recruitment and development of Board directors (for further information see the Board's skills matrix on page 97). This work will be progressed in the course of 2024.

The Committee also participated in the process to appoint Lucio Genovese as Executive Chair, following the resignation of the Chief Executive Officer ("CEO"), Jim North. The Committee considered that attracting suitable external candidates for the CEO role would be impacted by the ongoing war in Ukraine, and therefore took a decision to postpone conducting a formal search until the war ends. As an interim measure, the Committee recommended that Mr Genovese assume leadership of the Group, on an interim basis, until a formal market search can be undertaken.

In 2023, the Committee also recommended the appointment of the CFO, Mr Nikolay Kladiev as an Executive Director of the Company. 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.

Ms Ann-Christen Andersen stepped down as an independent Non-executive Director in May 2023. As a consequence, a search was progressed to find a replacement and Stonehaven International, a global search firm, was retained by the Committee to assist with the search. Stonehaven is accredited under the UK Government's Enhanced Code of Conduct for Executive Search Firms and the Voluntary Code of Conduct on diversity best practice. The firm has no other connection with the Company. Prior to the search commencing, the Committee agreed the skills and experience it considered necessary for the role and also stipulated that candidates needed audit experience in order to provide further bench strength in relation to financial and risk management oversight of the Board. Lists of potential candidates were then identified by Stonehaven and discussed with Committee members to agree shortlists to be interviewed. Shortlisted candidates were interviewed by members of the Committee and, where practical, other Directors. Following these interviews, the Committee recommended the appointment of Mr Stuart Brown who joined the Board on 22 October 2023.

When progressing recruitment, the Board seeks to ensure that a broad range of diverse candidates are taken into account including when drawing up shortlists of candidates for appointment to the Board, and the Board will only engage executive search consultants who have signed up to the Voluntary Code of Conduct for executive search firms. The final decision to make appointments to the Board is, however, made on merit against objective criteria, so as to ensure that the strongest possible candidate for the role is recruited. However, the Committee will continue to ensure that the Diversity, Equity and Inclusion policy is considered when conducting all searches for Board positions, and will take account of the recommendations.

Election and re-election

In accordance with the UK Corporate Governance Code, Stuart Brown and Nikolay Kladiev will stand for election and all other Directors for re-election by shareholders at the Company's AGM scheduled for May 2024. The range of skills and experience offered by the current Board is mentioned in this report and is set out on pages 98 to 99. The Committee and the Board consider the performance of each of the Directors standing for election or re-election to be fully satisfactory and have demonstrated 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 AGM.

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 so far as possible biases are acknowledged and mitigated. In support of this goal, the Board adopted a Diversity, Equity and Inclusion policy ("DEI Policy") in 2019 which is kept under review by the Committee. The DEI Policy aims to promote equality of opportunity across the whole organisation, regardless of gender, ethnicity, religion, disability, age or sexual orientation as well as address gender diversity imbalances in the workforce while also delivering sustainable talent pipelines for succession to senior leadership roles. The Board shares ownership with the Executive Committee of the DEI Policy and progress updates are presented to the Board for review every six months to assess progress against the targets and enable adjustments to be made to the programme where necessary. A summary of the Board's diversity information can be found on page 103.

Nominations Committee Report continued

In support of its DEI goals, 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. The Group also operates a Fe_munity programme which aims to enhance and accelerate the development of our senior female talent 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. In 2023, running this programme for a fourth time was disrupted and postponed as external facilitators involved in the delivery of the programme were unable to travel to Ukraine because of the war. Instead a mentorship programme was initiated using alumni from previous programmes to mentor women within the workforce identified to attend the fourth Fe_munity programme. This mentorship programme will continue alongside the Fe_munity programme and other DEI related activities in 2024.

In 2023, the Group was able to hold regular talks by senior female leaders from inside and outside the business and host a Fe_teens programme which followed a similar format to the full-scale Fe_munity programme. This programme is aimed at young women in the surrounding community and is part of the Group's broader corporate social responsibility initiative to support the overall development of Ukrainian society as well as interest young people to consider a career in the mining industry.

In 2023, the Committee was pleased to note that the proportion of managerial roles held by women rose from 20.9% in 2022 (81 female managers) to 22.3% in 2023 (87 female managers), with this upward trend expected to continue into 2024, despite the war in Ukraine. This trend means that the Group is tracking well to achieve its stated target of at least 25% of managerial roles to be held by women by 2030. The Committee was also pleased to note that the overall number of women in the workforce for 2023 improved from 28.7% in 2022 to 30.9% in 2023.

The Committee places high importance on having a diverse, inclusive and sustainable Board and workforce and, to this end, the Committee reviews and approves succession plans each year for business critical roles, including reviewing succession plans for the Board.

Following the resignations of Ms Ann-Christin Andersen and Mr Graeme Dacomb in the year, and the appointment of Mr Stuart Brown, the Committee is satisfied that the present composition of the Board provides an appropriate mix of skills, experience, diversity and perspectives on the Board. However, the Committee has noted that following Ms Andersen's departure that the Board's composition no longer meets the gender ratio set by the Hampton Alexander Review of 33% women on boards nor the increased target of 40% by the FTSE Women Leaders Review. The Board takes account of this ratio and expects to meet this target again through an appointment to the Board in 2024.

During the course of the year, the Committee also reviewed the talent pipeline and succession plans for business-critical roles at the Group and at Operational levels and confirmed development plans for identified high potentials which included actions to mitigate identified knowledge and skills gaps over the short to medium term. The Committee noted that specific focus and attention was needed to ensure adequate succession coverage for the Group Chief Financial Officer, Group Chief Marketing Officer, Group Treasurer at the corporate level and Production Director, Capital Construction Director and IT Director at the operations level. The Committee requested the Chief Human Resources Officer to develop strategies in the first half of 2024 for execution in the second half of 2024 that will enhance succession coverage of these business critical roles and assure business continuity in 2024 and beyond.

The Board is committed to ensuring that the Board is not only composed of an appropriate mix of skills and experience but that it is also representative of the broader society within which the Group operates and reflects a sustainable, diverse and ethnically representative Board. In support of this objective, the Company retained Wilbury Stratton, an external search and research consultancy, to conduct recruitment in 2023 for a minority ethnic director as defined by the Parker Review. Arising from this search, the Committee interviewed a number of candidates presented but did not find an appropriate candidate with the necessary experience profile and skill set to augment the existing skills of the Board. The search will continue in 2024 and despite the added complexity imposed by the war in Ukraine, the Board remains committed to making an appointment ahead of the Parker Review deadline for FTSE 250 companies of December 2024.

Board diversity policy update

Board objective	Progress in 2023
Foster a diverse and inclusive workplace culture aligned with the Company's Values, Purpose and Strategy	– Upgrading of facilities and access points continued at operations to enable accommodation of people with disabilities. – Fe_munity teens programme was run in the local community to foster the recruitment of women into the workforce. – Assessment of workforce technical skills in the plant continued and training conducted to ensure workforce capability supports business requirements. – Unconscious bias training implemented for junior and middle managers at operations to enhance diversity awareness at leadership levels.
Increase Board gender diversity and women in management below the Board	– An update of the Board's skills matrix was initiated which will be further progressed in 2024. – Formal search launched for an additional Non-executive Director from a minority ethnic group to meet the requirements of the Parker Review. – Initiatives in 2023 advanced women in leadership to 22.3% (87 female managers) (2022: 20.9% (81 female managers)); target for 2024 (towards target of 25% by 2030) set at 22.8% by the end of 2024. – Total female representation as percentage of the workforce currently at 30.9% (2,130 female employees) (2022: 28.7% (2,290 female employees)). – Board review conducted of the Group's talent pipeline and succession plans for senior business critical leadership roles, including identification of female candidates for accelerated development. – Undergraduate bursary programme targeting women continued in 2023.
Monitor diversity programme outcomes and make adjustments to ensure overall objectives are met	New and repeat activities planned for 2024, subject to any restrictions imposed by the war in Ukraine, will include: – Workforce Diversity and Inclusion education. – Unconscious bias training for senior management. – Science, technology, engineering and mathematics ("STEM") ambassador visits to local schools and colleges. – STEM streamers competition run online with students from local schools. – Fe_munity programme for potential women leaders at operations. – Selection of bursary award school leavers.

Workforce diversity

Ferrexpo's policy is to employ a diverse workforce and thought is given to recruit as widely as possible, taking into account, amongst other things, gender, race, social background, education and disability. In 2019, the Board set a diversity target of 25% women in leadership to be achieved by 2030. Achieving this target remains a challenge in view of there being historically a very limited number of female applicants for technical jobs in the natural resources sector.

During the year, the Committee reviewed the progress made towards the Group's target and although the overall number of women in the workforce increased to 30.9% (2,130 female employees) (2022: 28.7% (2,290 female employees)), the number of women in leadership positions advanced to 22.3% (87 female managers (2021: 20.9% (81 female managers)). The Committee was gratified with this result and in order to sustain this upward trend, the Committee approved diversity and inclusion actions for execution in 2024.

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 2024 of 23.3%. This target represents the appointment of an additional four women in senior leadership positions by the end of 2024.

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 17 April 2024.

Lucio Genovese
Chair of the Nominations Committee
17 April 2024

Remuneration Report

Fiona MacAulay
Chair of the Remuneration Committee

Membership and meeting attendance

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

Read the Committee's full objectives and responsibilities online:
https://www.ferrexpo.com/about-ferrexpo/corporate-governance/board-committees/ →

The Committee is chaired by Fiona MacAulay. The Committee consists of three independent Non-executive Directors as required by the UK Corporate Governance Code and is also attended by the Chair of the Board and, by invitation, the Executive Chair, the Chief Human Resources Officer, and a representative from Korn Ferry, the Committee's independent advisor.

Main objective

To establish and maintain on behalf of the Board a policy on executive remuneration to deliver the Company's strategy and value for shareholders; to agree, monitor and report on the remuneration of Directors and senior executives; and to review wider workforce remuneration and other policies in accordance with the UK Corporate Governance Code.

A statement to shareholders from the Chair of the Remuneration Committee

As Chair of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report[1] for the year ended 31 December 2023.

This report is split into the following sections:

1. this **Statement to shareholders from the Chair of the Remuneration Committee** – summarising the decisions taken by the Committee;
2. an **"At a glance"** overview of remuneration;
3. the proposed new **Directors' Remuneration Policy** for which shareholder approval is being sought at the 2024 AGM;
4. the **Annual Report on Remuneration**, setting out how we have paid Directors in 2023 and how we intend to operate the policy in 2024.

Our approach to remuneration

The Committee strives to align the interests of the executives with shareholders, and the Board keeps under review the structure and level of remuneration afforded through short and long-term incentive schemes. It is the policy of the Board to align executive and shareholder interests by linking a substantial proportion of executive remuneration to performance, basing short-term rewards on a balanced portfolio of financial, operational, ESG and strategic performance targets with long-term alignment with shareholders through the operation of multi-year share-based plans.

Our policy is purposefully weighted towards short-term performance targets given the Company's focus on operational excellence and the fact that Ferrexpo does not control the price of iron ore, which is dictated by market conditions. As a result, setting performance targets that align to the factors directly within the control of the executive team is considered appropriate.

We ensure that remuneration packages are competitive through assessing remuneration packages against the relevant market comparables to ensure that Ferrexpo can attract, motivate and retain talented executives. We align remuneration with shareholders through the performance conditions we set, share-based pay delivered through partial deferral of annual bonus into shares and the operation of annual awards under a share plan and through market consistent share ownership guidelines. This approach applies across the executive leadership team and has resulted in a robust link between pay and performance to date.

Board changes during 2023

On 25 May 2023, Ann-Christin Andersen stood down from the Board as a Non-executive Director and as a member of the Remuneration Committee. She has served on the Committee since July 2021. I would like to thank her for her contribution to the work of the Committee while she was a member.

The leadership of the Company was restructured during the 2023 financial year following our former Chief Executive Officer, Jim North, leaving at the end of June 2023. The treatment of the former CEO's remuneration on cessation was in line with the Policy and applicable legal requirements with full details, including in respect of the exercise of discretion by the Committee, provided on pages 149 to 150.

As part of the leadership changes, Lucio Genovese assumed the role of Interim Executive Chair ("Executive Chair") from 1 July 2023 and Nikolay Kladiev was promoted to the Board in the role of Chief Financial Officer with effect from the 2023 AGM.

1. This report has been prepared by the Remuneration Committee (the "Committee") on behalf of the Board in accordance with the requirements of the Listing Rules of the UK Listing Authority, Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended in 2013, 2018 and 2019) and the UK Corporate Governance Code. The elements subject to audit are highlighted throughout.

These leadership changes ensured business continuity within an operating structure that enables timely decision taking in what is a dynamic operating environment.

On assuming the role of Executive Chair in July 2023, it was agreed Lucio Genovese would receive an additional fixed fee on an interim basis whilst he serves in the role. The total fixed fee was set at US$1,000,000, split between the rate in his former role as Non-executive Chair of US$525,000 and an additional interim fee of US$475,000. This additional fee reflects his increased time commitment in role and non-participation in the Company's incentive plans.

Mr Kladiev, the Chief Financial Officer ("CFO"), was appointed to the Board with effect from the 2023 AGM. His salary was set at CHF450,000 and, in line with the Policy, he continues to participate in the annual bonus scheme and remain eligible for annual awards under the LTIP. Full details of his pay are included within this report.

Business context and 2023 employee remuneration

The second year of war in Ukraine continued to impact the Group's operations in Ukraine, creating a high level of operational variability which impacted the Company's remuneration schemes. This necessitated the Company to adopt an agile approach to remuneration in 2023 to ensure that the Group's remuneration practices fulfilled their original intent. The Committee spent time overseeing Group-wide pay decisions in our exceptional circumstances.

Despite the rigours of war, management worked tirelessly to protect the Group's workforce and preserve the integrity of our assets to enable us to continue to produce and sell our high-grade pellets. The strategy to right-size our business quickly, to enable us to be more responsive to unpredictable circumstances has proved successful. The workforce likewise showed incredible resilience and commitment in very challenging circumstances. The Group also made unprecedented contributions from its Humanitarian Fund, focusing its efforts on the support for employees called up to serve in the military, a variety of humanitarian initiatives, including providing food and accommodation for internally displaced people and assistance to surrounding communities and healthcare aid, including the provision of medicines, medical equipment and vehicles throughout the country.

Employees remain the bedrock of Ferrexpo's operations and we are unwavering in our determination to support our people and to safeguard them and their families. Amid the prevailing circumstances, the Group implemented a rehabilitation programme for employees returning from serving in the military to support their reintegration into the workplace. The programme includes medical care and physical rehabilitation, the provision of prosthetics, as well as psychological counselling and support for employees and their families.

As was the case in 2022, the lack of access to Black Sea export routes in 2023 constrained our export capacity, sharply reducing opportunities to export product volumes to some customers in the Middle East and Asia. This forced us to curb production levels and only operate one, and sometimes two, of our four pellet lines to match the reduced export capacity available. As a result of the Group's variable production profile, it was necessary to adjust the Group's remuneration schemes. The variable rate of production throughout the year meant that the deployment of operational employees had to be constantly scaled up or down to align with the required production profile each week. While the majority of production-related personnel remained on full pay, their production-related variable monthly pay was impacted. Production staff in excess of requirements were placed on furlough on two-thirds pay, and administrative staff and some support staff were placed on a shorter shift roster of seven instead of eight hours per day and paid commensurately to align with the lower production profile.

Although the Group's operations only operated at around half capacity, a decision was taken to maintain employment levels and not to lay off excess staff to reciprocate the unwavering commitment shown by employees to work despite the perilous environment within which the Company was forced to operate in 2023. To minimise the impact on earnings and alleviate some of the effects of the cost of living crisis, the Group took a decision to pay a special bonus at the end of the year, to staff at operations, of between 10% and 50% of salary dependent on organisational level and to award a general salary increase of 10% from April 2024.

The Group's collective agreements include provisions designed to provide equal remuneration for men and women performing the same job. This approach helps to ensure that salaries, incentives, benefits and other forms of compensation – both monetary and non-monetary – remain free from discrimination based on gender, race, religion or trade union membership. These principles are also enshrined in the Group's Code of Conduct, and approach to remuneration, which ensures an equitable approach to salary adjustments for employees returning from extended absences, such as paternity and maternity leaves or military service.

The economic consequences of the war and the general downturn in the global economy were also felt by employees in other Group office locations as soaring energy prices and higher inflation impacted households worldwide. Given these inflationary pressures, the Committee agreed adjustments in base salaries for all employees aligned with prevailing CPI in the Group's various locations.

2023 Executive remuneration

As detailed above, the ongoing impact of the Russian invasion of Ukraine resulted in a number of operational challenges which contributed to lower production volumes and profitability than was the case in 2022. This meant our financial and operational performance was generally below the threshold targets set in our annual bonus for 2023 albeit we continued production throughout the year and delivered a Group cash EBITDA of US$63 million. Outside of the financial and operational targets set for 2023, due to the dedication of our colleagues in challenging circumcentres, we delivered strongly against our safety, diversity and carbon reduction targets in addition to efficiently managing our pellet stockpiles. We also made progress against a number of key strategic objectives set for the bonus at the start of 2023, including in the areas of business optimisation and compliance. Outside of the strategic targets set at the start of 2023, we also responded to the dynamic environment that we were operating in, including opening new shipping routes to market to enable continued supply to our customers. In this context based on performance against the targets set at the start of the year, the CFO achieved a bonus at 49.6% of the maximum (74.4% of salary) for the year under review. This payment was consistent with the wider bonus awards in the Company and the Committee was comfortable that this bonus award reflected the challenging year for the Group and the wider stakeholder experience, and therefore did not apply discretion. Full details of the performance assessment are set out on page 144. The former CEO and Executive Chair were not eligible for the 2023 STIP.

With regard to the 2021 LTIP, vesting was based on the TSR outperformance of a tailored comparator group (75% weighting), Production of 67% Fe pellets (12.5% weighting) and carbon emissions reductions (12.5% weighting) over a three-year vesting period to 31 December 2023. The Committee assessed the performance of the Company over the full three-year performance period and noted that the Russian invasion of Ukraine on 24 February 2022 had weighed heavily on the Company's share price, resulting in TSR being below the bespoke Index of comparable Iron Ore and Composite Miners and therefore there was no vesting under this element. However, with regards to the proportion of 67% Fe pellets produced as a percentage of total pellet production, we delivered 3.71% which exceeded the lower end of the target range set for the 2021 award of 3% and so

Remuneration Report continued

achieved vesting at 4.28% of the possible 12.5% for this part of award. Over the same period, our carbon emissions intensity, which takes into account emissions relative to the production delivered reduced by 6.1% which was above the maximum target set for the 2021 award of 5% and so the 12.5% of the total award available for this part of the award vested in full. Taken as a whole, the Committee therefore determined that the 2021 LTIP vested at 16.78% of maximum.

With remuneration outcomes aligned across the executive leadership of the Group and after considering wider stakeholder experience through the year, and the additional achievements that were delivered outside of the bonus plan targets, the Committee was comfortable with remuneration outcomes and that the policy was operating as intended.

Remuneration Policy review and 2024 implementation

With our current Directors' Remuneration Policy due to expire at the 2024 AGM, the Committee undertook a review of the operation of the Policy during 2023. The conclusion of the review was that all aspects of the Policy remained appropriate with the exception of the long-term incentive plan given the challenges noted above in terms of long-term target setting and the operation of the shareholding requirements given the effect of the Russian invasion of Ukraine on the Company's share price and the modest level of awards made under the long-term incentive plan.

For completeness, our pay model to date has been to provide a market competitive total remuneration opportunity through a market consistent base salary, an annual bonus (using a balanced scorecard of financial, operational, ESG and non-financial targets), pension and benefits all provided at the same time as operating a minimum share ownership expectation. Our long-term incentive has been modest grants of Performance Shares Awards linked to relative total shareholder return and sustainability targets.

The Russian invasion has caused volatility in our share price as well as constraining our production and so the continued use of our current long-term incentive performance metrics (relative TSR versus industry peers and production of more efficient DR pellets at 67%+ Fe) is no longer appropriate as our ability to achieve the targets, specifically the total shareholder return target, is likely to be as much impacted by external factors as management actions. As a result, while we intend to return to Performance Shares over the longer term, we are to seek approval to grant Restricted Shares to facilitate the retention and motivation of the leadership team in the most challenging of external circumstances. However, our up-dated Policy will retain the ability to grant Performance Share awards within it. This flexibility is only being retained so that in the event that the Russian invasion of Ukraine comes to an end, the Committee has the option to return to Performance Shares if the operating environment is sufficiently robust to enable the Company to do so. Any move to grant Performance Shares would only take place following appropriate dialogue with the Company's shareholders and the Company does not intend to grant Restricted Shares and Performance Shares in combination.

For the purposes of consistency between the short and long-term incentive plans, the revised Policy has also been updated with some modest changes to the wording such that the discretions afforded to the Committee in the annual bonus an long-term incentive plans have been aligned and this is consistent with the updated long-term incentive plan rules being presented at the 2024 AGM.

2024 Remuneration Policy change: Introduction of Restricted Shares

In designing our revised Policy, we took into consideration the Investment Association's guidance in moving from Performance to Restricted Share Awards. The key features of our proposed long-term incentive provision are as follows:

- **Annual Award Limit:** a 50% discount in moving from Performance to Restricted Share Awards;
  - **Restricted Share Awards:** 100% of salary;
  - **Performance Share Awards:** 200% of salary (as above, current Policy limit and not expected to be used during the ongoing Russian invasion of Ukraine).
  - **Vesting:** three years after grant, subject to continued service, with any shares vesting subject to a two-year holding period;
- **Performance underpin:** the Committee will consider the Company's performance relative to its mid to long-term financial, operational and sustainability plans as well as individual performance and may reduce the vesting level, including to zero, if performance is not considered consistent with the Board's plans. This assessment will take into account the dynamic operating environment that currently prevails as a result of the Russian invasion of Ukraine.
- **FY2024 Proposed Award to the CFO:**
  - Restricted Share Awards: 25% of salary.
  - The proposed award level has been set in relation to Nikolay Kladiev's appointment to the PLC Board having had regard to (i) his importance to the Company (ii) historic awards to the Executive Directors at Ferrexpo (iii) our current share price and (iv) wider market practice where grants of Performance Share Awards are typically in the region of 150% of salary to 200% of salary for a FTSE 250 company CFO.

The use of Restricted Share Awards will provide alignment with the Company and shareholders, whilst the simplicity and greater certainty provides a key retention tool for the senior management in these difficult and uncertain operating conditions.

The CFO, Nikolay Kladiev, will be the only Director receiving Restricted Share Awards, however, the Policy will also be applied to the wider Executive Committee on the same terms albeit at different award levels. Lucio Genovese, as Interim Executive Chair, will not participate in this or any incentive plans.

Key activities of the Committee in 2023

The Committee's key activities during the 2023 financial year were:

February

- Consulting on FY 2022 remuneration outcomes with both shareholders and advisory bodies.
- Planning stakeholder engagement for 2023.
- Determining the 2022 bonus outturn.
- Determining vesting of the 2020 Long-term Incentive Plan awards.
- Setting 2023 annual bonus targets.
- Reviewing 2023 Long-term Incentive Plan TSR peer group constituents.

March

- Considering the impact of the war in Ukraine on 2023 remuneration.
- Approving the application of the Remuneration Policy for 2023.
- Determining the size of 2023 Long-term Incentive Plan awards and the performance conditions.
- Approving awards under the Company's share plans.
- Signing off the 2022 Remuneration Report.

May

- Approving exit payments for the CEO.

2024 Remuneration Policy application

Subject to the approval of the Policy at the 2024 AGM, it is our intention to apply the Policy as set out below:

- The CFO's salary, consistent with other members of the Executive Committee in the UK and Switzerland, was increased by 4% with effect from 1 January 2024. The Committee was comfortable with increasing his salary at 4% as part of a process of moving his salary, and total remuneration package, into line with market practice for the role of a FTSE 250 CFO. Across the Company, salary budgets were set taking into account the rates of inflation in the locations in which Ferrexpo operates and ranged from 1.5% to 10%.
- The annual bonus opportunity for the CFO will be 150% of salary. Performance will be measured against a balanced scorecard of financial, operational and ESG targets as summarised on page 146. In the current circumstances, reflecting the Committee's objective of incentivising and rewarding on a collective basis given the challenges presented by the Russian invasion of Ukraine, there will be no tailored strategic targets set at Group executive level in the annual bonus plan for 2024 (previously strategic targets accounted for 40% of the total bonus). The performance targets set for the 2024 STIP have been agreed to reflect the current operating environment, and the Committee adopted a revised framework under which it will determine bonuses for 2024. This revised framework continues to include targets set with reference to the Company's budget each year but provides greater flexibility to take account of the dynamic external environment caused by the ongoing Russian invasion of Ukraine. Full details are included on page 145. One quarter of any bonus earned after tax is deferred into shares for two years.
- The Committee intends to grant the CFO a Restricted Share award with a face value of 25% of his salary, i.e. at the lower end of the award possible under the Policy. The award will vest three years after grant, subject to continued service, with any shares vesting subject to a two-year holding period. The award will also be subject to a performance underpin detailed above.

Consideration of shareholders and employees

We consulted with shareholders in 2023 in relation to the renewal of the Directors' Remuneration Policy and shareholders were understanding of the rationale for the proposed changes and so were supportive of the proposal. The Committee welcomes feedback provided by shareholders and considers it in full prior to taking final decisions.

The Committee was also grateful for the shareholder and advisory body input into the treatment of our 2020 LTIP award on vesting in light of the Russian invasion of Ukraine. Full details of the treatment of this award were set out in the 2022 Directors' Remuneration Report following a short consultation in late 2022 and early 2023. The 2022 Directors' Remuneration Report received over 97% support at the 2023 AGM.

The Committee also noted feedback on remuneration provided by the Employee Engagement Non-executive Director, Vitalii Lisovenko, which was elicited directly from employees during a series of employee engagement sessions held with all levels of employees in late 2023. These sessions tested a range of employee engagement elements including the effectiveness of remuneration and benefits policies and the understanding of the alignment between executive remuneration and wider company pay policy.

Understandably, employees raised concerns about the impact on pay resulting from the decrease in the level of production. The reasons for the current situation were explained with more frequent communication sessions planned throughout 2024 with the timing dependent on market developments. The announcement of a general salary increase of 10% planned for April 2024 was welcomed and employees were appreciative that there had been no layoffs as has been the case at other companies in Ukraine that are operating within the same challenging business environment.

It was also noted that, while the approach to remuneration is understood and is generally considered to be working effectively, work remains ongoing to improve the alignment between remuneration with individual performance to ensure differentiated outcomes. The progress made to date will be progressed further in 2024 by the Chief Human Resources Officer ("CHRO"). The CHRO will also work with the designated Employee Engagement Non-executive Director, Vitalii Lisovenko, to further develop two-way feedback in relation to remuneration policies and practices.

I hope you are able to support the rationale for the decisions we have taken during the year and support the resolution for the approval of the Policy and Remuneration Report at the 2024 AGM. If you have any questions or comments, please feel free to reach out through the Chief Human Resources Officer (email: g.nortje@ferrexpo.ch).

Fiona MacAulay
Chair of the Remuneration Committee
17 April 2024

July

- Consideration of 2023 AGM feedback.
- Reviewing market developments and institutional investor issues raised during the 2023 AGM season.
- Considering the treatment of share awards for departing executives.
- Reviewing Remuneration Policy.
- Approving supplementary fee for the interim Executive Chair.

November

- Reviewing shareholder and advisory body feedback in relation to the 2024 Remuneration Policy.
- Reviewing market pay benchmarking data and approving any proposed salary increases for members of the Executive Committee.
- Considering performance to date against 2023 annual bonus targets.
- Reviewing shareholder advisory body guideline updates for 2024 AGM season.
- Approving amendments to the Long-term Incentive Plan rules ahead of 2024 AGM.
- Approving the 2024 Remuneration Committee Planner.

Anticipated key activities of the Committee in 2024

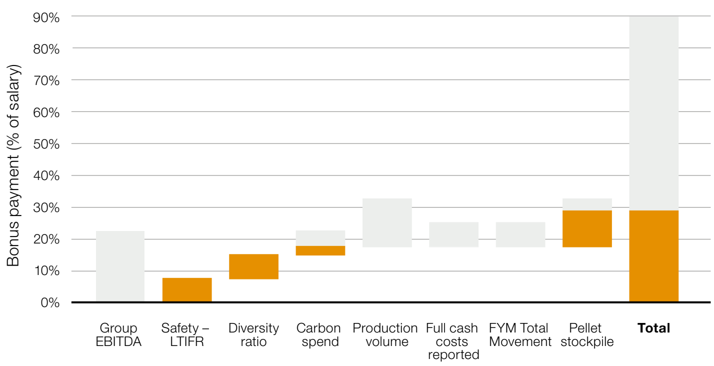
- Consider 2024 AGM feedback.
- Confirm the application of the new 2024 Remuneration Policy supports the Company's strategy.
- Implementing the new 2024 Remuneration Policy.
- Consider the evolution of performance targets in line with the implementation of the business strategy through the current challenging operating environment.
- Monitor senior management remuneration.
- Ensure remuneration decisions are taken in the context of the wider stakeholder experience through the period.

Remuneration Report continued

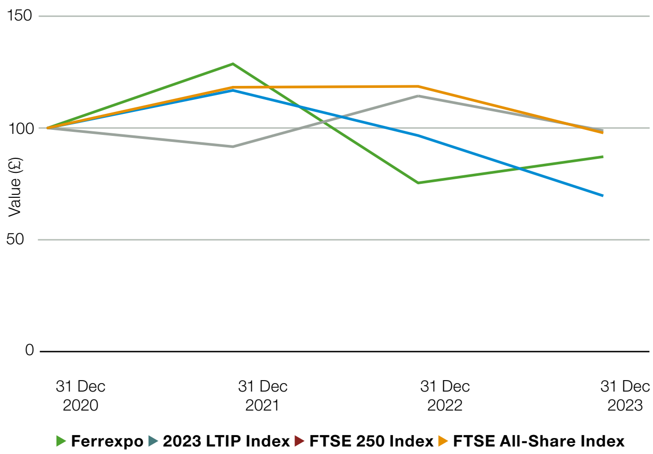
At a glance (not subject to audit)

Element	Operation	Time-horizon 2024 · 2025 · 2026 · 2027 · 2028
Salary: To attract and retain talent by ensuring base salaries are competitive in the market in which the individual is employed	– Annual review by the Committee – Increases typically in line with wider workforce	
Pension and benefits: To provide market competitive benefits	– Aligned with pension and benefits offered to local workforce	
Short-term Incentive Plan ("STIP"): To focus management on delivery of annual business priorities which tie into the long-term strategic objectives of the business	– Maximum opportunity of 150% of salary – Target opportunity of 75% of salary – Performance conditions based on a scorecard of financial, operational and ESG targets – Targets set to reflect the Company's 2024 budget with Committee judgement to be used to assess the extent of under or over performance so that there is flexibility to take into account the dynamic environment caused by the ongoing war in Ukraine – Safety underpin – 25% of bonus deferred into shares for two years	

Summary of 2023 STIP Business scorecard outcomes (60% of bonus)



Total Shareholder Return



Element	Operation	Time-horizon 2024 2025 2026 2027 2028
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	To reflect the current exceptional circumstances of the Company (and in particular the challenge of setting long-term performance conditions), it is expected that the LTIP will be used to grant Restricted Share awards from 2024 that will normally be eligible to vest subject to continued employment on the following basis: – Policy maximum: 100% of salary (150% in exceptional circumstances) – Vesting period of three years with a two-year post-vesting holding period – Performance underpin: the Committee will consider the Company's performance relative to its mid to long-term financial, operational and sustainability plans as well as individual performance and may reduce the vesting level, including to zero, if performance is not considered consistent with the Board's plans. This assessment will take into account the dynamic operating environment that currently prevails as a result of the Russian invasion of Ukraine. The current LTIP also enables performance-related share awards to be made on the following basis: – Policy maximum: 200% of salary (300% in exceptional circumstances) – Performance based typically on relative TSR (75% weighting) in conjunction with, for example, production (12.5% weighting) and carbon emissions (12.5% weighting) – Performance measured over three years with two-year post vesting holding period It is not expected that performance-related share awards will be made to Executive Directors during the 2024 to 2026 financial years unless the current Russian invasion of Ukraine ends. A return to performance-related share awards would follow appropriate dialogue with shareholders. The limits set out above for restricted share awards are set at 50% of the equivalent limits for performance-related share awards, in line with Investment Association guidance although awards in practice are expected to be materially below the maximum levels included in the Policy.	
Share ownership guideline: To provide alignment of interests between Executive Directors and shareholders	– Executive Directors are required to build and maintain a shareholding of 200% of salary. – Applies for two years post-cessation of employment.	200% of salary

Part A: policy section (not subject to audit)

This part of the Directors' Remuneration Report sets out the Remuneration Policy for the Directors of the Company, which will be put to a binding shareholder vote and become formally effective from the 2024 Annual General Meeting, 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 2020 to comply with changes made to the UK Corporate Governance Code. The revised terms of reference were approved by the Board and its duties include the determination of the policy for the remuneration of the Chair of the Board, Executive Directors, the members of the Executive Committee, and the Company Secretary as well as their specific remuneration packages, including pension rights and, where applicable, any compensation payments. In determining such policy, the Committee is expected to take into account all factors which it deems necessary to ensure that members of the senior executive management of the Group are provided with appropriate incentives to encourage strong performance and are, in a fair and responsible manner, rewarded for their individual contributions to the success of the Group.

The composition of the Committee and its terms of reference comply with the provisions of the UK Corporate Governance Code and are available for inspection on the Group's website at www.ferrexpo.com.

Key principles of the remuneration policy

Ferrexpo's remuneration policy is designed to help attract, motivate and retain talented executives to help drive the future growth and performance of the business. The policy aims to:

- align executive and shareholder interests;
- link an appropriate proportion of remuneration to performance;
- reward based on a balanced portfolio of performance conditions, where appropriate (e.g. 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 take 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** – For Executive Directors, 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 via our LTIP (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. For the Executive Chair, given the interim nature of the role, our remuneration policy is designed to ensure that inappropriate risk-taking is not encouraged and will not be rewarded by making the Executive Chair ineligible to receive variable remuneration.
- **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 138 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, incentives may also include climate-related performance targets (as primary targets or as underpins) linked to the Company's strategic climate goals.

Changes from the previous Remuneration Policy

The key changes to this Remuneration Policy, from the previous policy approved by shareholders at the 2020 AGM, and as described in the Chair's introductory statement, are as follows:

- the introduction of non-performance related restricted share awards under the LTIP to better support the Company's strategy;
- aligning the wording in relation to the Committee's potential use of discretion so that the provisions in the LTIP are consistent with the short-term incentive plan. As detailed above, while it is not expected that performance-related LTIP awards will be granted to Executive Directors during the operation of the 2024 Remuneration Policy, the policy and LTIP rules will be updated so the discretion provisions are consistent with the short-term incentive plan in the event that future performance-related awards are granted. Within the LTIP this would enable the Committee to adjust formulaic outcomes (upwards and downwards) as appropriate, taking into account such factors as it determines to be relevant, including the broader performance of the Group, individual performance and/or the operating environment of the Group; and
- a change to the share ownership guidelines so that Executive Directors are only required to retain 50% of the net of tax shares vesting under the LTIP (from both performance share awards and restricted share awards) or received under their deferred bonus until the share ownership guidelines are met (rather than, as at present, 100% of the net of tax shares vesting).

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 typically 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 (taking account of the location of the executive); and the range of salary increases applying across the Group.	Base salary increases are applied in line with the outcome of reviews, 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 (including following appointment to the Board on a on a below market base salary).	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 a maximum of 5% of salary with pension for Swiss-based employees is differentiated by age and is also set at up to 5% of salary. Statutory lump sums and/or end of service gratuities may be accrued each year and may be payable on termination in line with the relevant legislation where this exists.	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, personal accident, travel 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 judgment in determining an appropriate outcome at performance levels both below and above the target level of performance for each performance measure. The Committee also has the ability to adjust bonus outcomes based on its assessment of individual contribution. Furthermore, the Committee can exercise discretion to adjust the formulaic outcome or amount of bonus payable (upwards and downwards), 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 up to one-third of maximum.	Performance related. Performance targets 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 originally approved by shareholders at the 2018 AGM to enable the grant of performance share awards (**"Performance Share Awards"**) and will be amended at the 2024 AGM to enable the grant of restricted share awards (**"Restricted Share Awards"**). It is not expected that Performance Share Awards will be granted to Executive Directors during the 2024 to 2026 policy period but the Committee reserves the right to revisit this position should the Russian invasion of Ukraine end. 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 Restricted Share awards is normally subject to a three-year continued employment requirement and consideration of a performance underpin. Vesting of Performance Share Awards is subject to performance measured over a period of at least three years. The Committee can exercise discretion to adjust the extent of vesting (upwards and downwards), taking into account such factors as it determines to be relevant, including the broader performance of the Group, individual performance and/or the operating environment of the Group. 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 or underpin, 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 Restricted Share Awards up to an aggregate limit of 100% of salary in normal circumstances. This limit may be exceeded in exceptional circumstances but will not exceed 150% of salary; and – annual Performance Share Awards 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 above LTIP limits are cumulative, with value of shares subject to Restricted Share Awards counting double vis-à-vis the Performance Share Award limits. It that it is not envisaged that an Executive Director would receive both types of an award in the same financial year.	– Restricted Share Awards are subject to a performance underpin. The Committee will consider the Company's performance relative to its mid to long-term financial, operational and sustainability plans as well as individual performance and may reduce the vesting level, including to zero, if performance is not considered consistent with the Board's plans. This assessment will take into account the dynamic operating environment that currently prevails as a result of the Russian invasion of Ukraine. Should Performance Share Awards be granted, the Committee would determine appropriate performance conditions, in advance of granting each award. It is expected that relative TSR would remain the primary performance condition for Performance Share Awards. Other performance conditions may, however, be used in combination with relative TSR.

Remuneration Report continued

Purpose and link to strategy	Operation	Opportunity	Performance metrics
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 50% of the post-tax shares vesting under the LTIP and shares deferred under the annual bonus (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 post-cessation guideline will apply to shares deferred under the annual bonus (on an after tax basis) and shares which vest under existing and future LTIP awards (after tax) during the Executive Director's tenure.	Executive Directors are required to build and maintain a shareholding to the value of at least 200% of salary. Executive Directors are required to hold the lower of 200% of salary and the value of shares held on cessation for two years post cessation. The share ownership guideline does not apply to the Executive Chair.	Not performance related.

Rationale for performance targets

The STIP is based on performance categories that are key to delivering on our long-term strategy. Performance targets are set at the beginning of the financial year to reflect business priorities and other corporate objectives, and can include financial, non-financial and personal achievement criteria.

Performance targets are set at such a level as to be stretching but achievable, with regard to the particular strategic priorities and economic environment in a given performance period. The STIP target is set with reference to the annual budget approved by the Board and the Committee uses its judgement to determine appropriate stretch in targets from threshold to maximum performance levels. The Committee believes that using multiple targets for the purposes of the STIP provides for a balanced assessment of performance over the year.

For Restricted Share Awards granted under the LTIP, while the Committee intends to return to the grant of Performance Share Awards over the longer term (e.g. subject to relative TSR and sustainability targets), the grant of non-performance related Restricted Share Awards will facilitate the retention and motivation of the leadership team in the most challenging of external circumstances. However, Restricted Share Awards for Executive Directors will be subject to an underpin whereby the Committee will consider the Company's performance relative to its mid to long-term financial, operation and sustainability plans as well as individual performance and may reduce the vesting level, including to zero, if performance is not considered consistent with the Board's plans. This assessment will take into account the dynamic operating environment that currently prevails as a result of the Russian invasion of Ukraine and will consider the extent to which the value delivered on vesting is as a result of windfall gains.

Rationale for Executive Chair not receiving variable pay

Given the interim nature of the Executive Chair role, and the expectation that the Executive Chair will return to his position as Non-executive Chair following the end of his tenure, the Committee has determined that it would not currently be appropriate for the Executive Chair to receive variable remuneration.

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.

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 for additional responsibilities including 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. 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 million. For the avoidance of doubt, additional remuneration received by the Chair by way of salary under his service contract while he serves as Executive Chair shall not count towards these limits.	Not performance related.

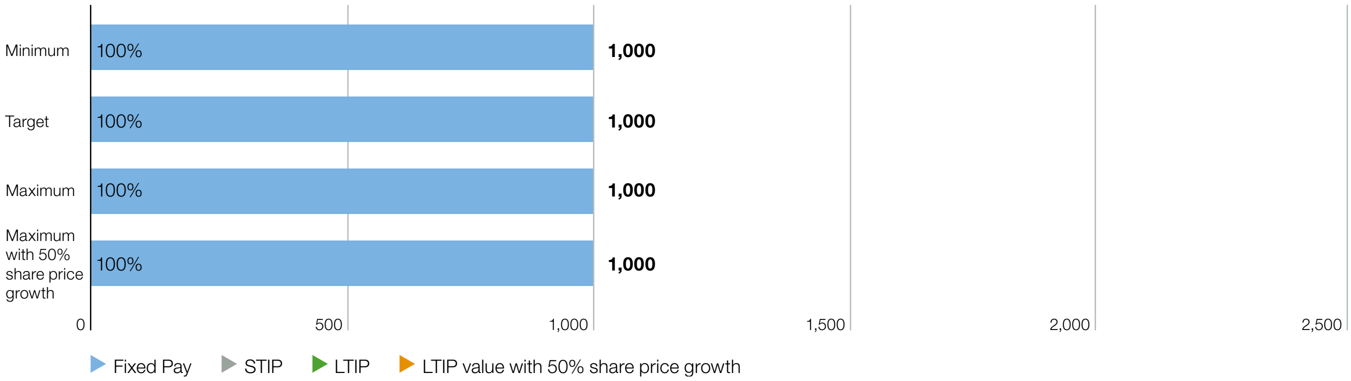
Pay-for-performance: scenario analysis

The graph below illustrates 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". The Executive Chair only receives a fixed fee in respect of his duties and therefore receives the same remuneration in all scenarios. The assumptions for the CFO are summarised in the table below.

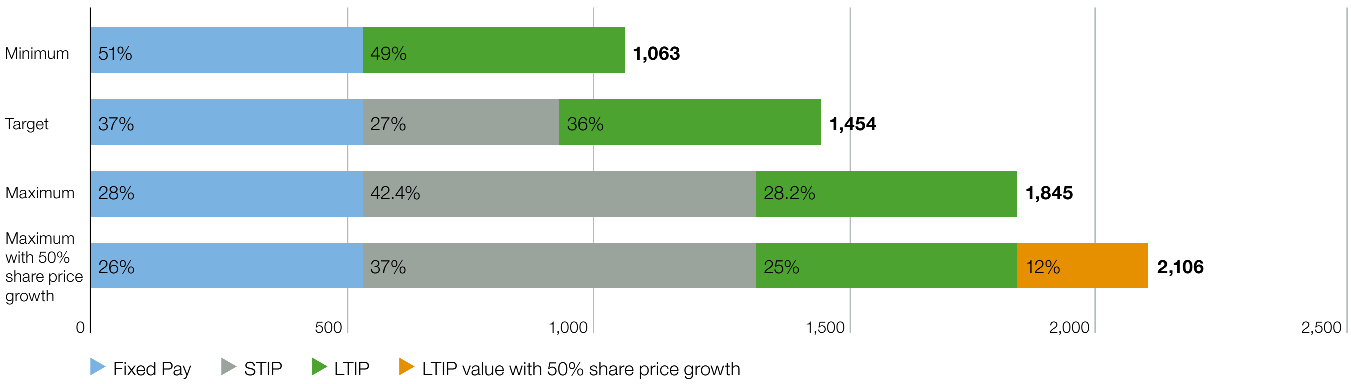
Scenario	Fixed pay	STIP	LTIP
Below threshold	Base salary, pension and benefits as applicable for 2024 financial year[1]	No STIP (0% of salary)	Full vesting of the RSP Award – assumed normal maximum policy of 100% of salary, although in practice awards to Executive Directors are significantly lower
On-target		On-target STIP (75% of salary)	
Maximum		Maximum STIP (150% of salary)	
Maximum, assuming 50% share price growth		Maximum STIP (150% of salary)	As above, but modelling the impact of a 50% increase to share price

1. Benefits have been included at US$19,534 based on the annualised 2023 benefit provision to the CFO.

Executive Chair US$ ('000)



CFO US$ ('000)



Remuneration policy for new appointments

The Committee's approach to setting remuneration for new Executive Directors is to ensure that the Company's pay arrangements are in the best interests of Ferrexpo and its shareholders. To do this, the Company takes into account internal pay levels, the external market, location of the executive and remuneration received at the previous employer. The Committee reserves discretion to offer appropriate benefit arrangements, which may include the continuation of benefits received in a previous role. Variable pay awards (excluding any potential "buy-out" awards, described below) for a newly appointed Executive Director will be as described in the policy table, subject to the same maximum opportunities. Different performance targets and conditions may be set initially for incentives in the first year of appointment to recognise the timing of their appointment during the year. The rationale will be clearly explained in each case.

In addition, the Committee may make an award in respect of a new appointment to "buy out" existing incentive awards forfeited on leaving a previous employer. In such cases, the compensatory award would typically be on a like-for-like basis with similar time to vesting, performance conditions and likelihood of the targets being met. The fair value of the buy-out award would not be greater than the awards being replaced. To facilitate such a buy-out, the Committee may grant a bespoke award under the Listing Rules exemption available for this purpose.

In cases of appointing a new Executive Director by way of internal promotion, the Group will honour any contractual commitments made prior to his or her promotion to Executive Director.

In every case, the Board will pay both the appropriate, but also the necessary, rate of pay to attract an executive who in the view of the Board will contribute to shareholder value.

The approach to setting Non-executive Director fees on appointment is in line with the approach taken for the fee review set out in the Non-executive Director policy table earlier in this report and will also take into account fee levels for existing Non-executive Directors.

Details of Executive Directors service contracts

The Chief Financial Officer, Nikolay Kladiev is employed under a contract of employment with Ferrexpo AG, a Group company (the "employer"), as is Lucio Genovese in respect of the executive function of his role. The principal terms of their service contracts not otherwise set out in this report are as follows: save in circumstances justifying summary termination, Mr Kladiev'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 Kladiev. Given the interim nature of Mr Genovese's role, these periods are three months respectively and the contract is for a fixed-term of twelve months, which can be extended by mutual agreement. Neither contract has any special provisions in the event of a change of control.

				Notice period	
Executive Director	Position	Date of contract	Length of current contract	From employer	From employee
Lucio Genovese	Executive Chair	1 July 2023	12 months	3 months	3 months
Nikolay Kladiev	CFO	7 July 2021	Indefinite	6 months	6 months

Under their service contracts, Mr Genovese and Mr Kladiev are 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 contracts contain 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 Directors will be entitled under their contracts to receive all components of their base salaries, 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.

Policy for loss of office payments

The following principles apply when determining payments for loss of office for the Executive Directors 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); 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 appropriate:

- 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, confidentiality, restrictive covenants and/or consultancy arrangements).

Remuneration Report continued

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 any performance conditions will be measured (in the case of Performance Share Awards) and any performance underpins considered (in the case of Restricted Share Awards). 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 with any amended conditions to be similarly challenging having had regard to the relevant circumstances. 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 or her tenure as Director, performance of the Company as a whole and perception of the payment amongst the shareholders, general public and employee base. The Committee has discretion to determine that an annual bonus should remain payable under the STIP notwithstanding termination of office or employment.

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 attaching to Performance Share Awards and any conditions under any performance underpin attaching to Restricted Share Awards 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 contracts are 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 (i.e. the Executive Chair only while he remains in post) 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 subject to their election and annual re-election by shareholders. Their appointments may be terminated by either party giving not less than three months' notice. 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[1]	Chair	12 February 2019	2024 AGM
S Brown	Non-executive Director	22 October 2023	2024 AGM
V Lisovenko	Non-executive Director	28 November 2016	2024 AGM
F MacAulay	Non-executive Director	12 August 2019	2024 AGM
N Polischuk	Non-executive Director	29 December 2021	2024 AGM

1. Details of the service contract which governs the additional services which Mr Genovese has agreed to provide while he serves as Executive Chair are set out in the section headed 'Details of Executive Directors service contracts' above.

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, or Executive Chair, setting out the circumstances surrounding, and potential changes to, broader employee pay. The CEO, or Executive Chair, 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 and their proxy advisers 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 and their proxy adviser's 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.

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 2023

The Committee currently comprises three Independent Non-executive Directors. Fiona MacAulay is Chair of the Remuneration Committee, with the other members of the Committee being Stuart Brown and Vitalii Lisovenko. During the year, Ann-Christin Andersen and Graeme Dacomb stepped down from the Board and Committee in May and December 2023 respectively, with Stuart Brown being appointed to the Committee in February 2024.

The Committee met on four scheduled occasions and on two ad hoc occasions in 2023. Attendance at meetings by individual members, together with a summary of the topics discussed at meetings in 2023 is set out in the Chair's Introductory Statement on pages 126 to 129.

The Executive Chair, Jim North (while CEO) and the Chief Human Resources Officer (the "CHRO") attended meetings of the Committee at the invitation of the Chair of the Committee, and the Company Secretary acts as secretary to the Committee. The other Non-executive Directors and other members of management may also attend meetings by invitation where appropriate. No Director is present when their own remuneration is being discussed.

Advisors

Following a competitive tender, the Committee appointed Korn Ferry in October 2019 to provide advice to the Committee. Korn Ferry is a member of the Remuneration Consultants Group and adheres to its code of conduct.

Korn Ferry's fees for services provided to the Committee in 2023 totalled £90,366 which were charged based on the time spent advising the Committee. Korn Ferry also provides general remuneration advice to management in respect of remuneration elsewhere in the Group. The Committee evaluates the support provided by its advisors periodically and is satisfied that the advice received is independent and objective and that the advisors did not have any connections with Ferrexpo which may impair their independence.

The CEO, or the Executive Chair, 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 each Executive Director during the year ending 31 December 2023 and the prior year. Mr North was the CEO in the period from 1 January to 30 June 2023 at which point he stepped down from the role and the Board. Mr Genovese assumed the role of Executive Chair from 1 July 2023. Mr Kladiev, the CFO, was appointed to the Board with effect from the 2023 AGM on 25 May 2023.

	Salary / fee[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								
N Kladiev (2023)[7]	**CHF283,862**	–	**CHF335,000**	**CHF4,648**	**CHF11,354**	**CHF634,864**	**CHF295,216**	**CHF339,648**
N Kladiev (2022)	–	–	–	–	–	–	–	–
J North (2023)[8]	**US$489,120**	**US$18,657**	–	**US$32,520**	–	**US$540,297**	**US$507,777**	**US$32,520**
J North (2022)	US$959,050	US$221,183	US$720,000	US$246,618	–	US$2,146,851	US$1,180,233	US$966,618
Executive Chair								
L Genovese (2023)[9]	**US$237,500**	–	–	–	**US$11,819**	**US$249,319**	**US$249,319**	–
L Genovese (2022)	See Non-executive Director table below							

The figures have been calculated as follows:
1. Base salary: amount earned for the year. Mr Kladiev salary is from 25 May 2023 when he joined the Board.
2. Benefits: the taxable value of benefits received in the year (accommodation allowance/provision and healthcare).
3. STIP: the total bonus earned based on performance during the year. Further details are provided on pages 143 to 145.
4. LTIP: the market value of shares that vested based on performance to 31 December of the relevant year (2023: 16.78% vested and 2022: 71.6% vested). For 2021, LTIP value for J North includes dividends of US$17,331, and for N Kladiev CHF2,477 over the performance period from 1 January 2021 to 31 December 2023 (2022: J North – US$89,845).
5. Pension: N Kladiev receives an employer pension contribution of 4% of salary which is in line with the Swiss employee pension arrangement which is differentiated by age in Switzerland. Mr North did not participate in a pension scheme in line with normal practice in Dubai. Whilst working in Dubai, under local legislation he accrued 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$68,208 (2022: US$80,088) was accrued towards the statutory gratuity. Following J North's cessation of employment this amount has been paid to him. Mr Genovese receives an employer pension contribution of 5% of his salary as Executive Chair which is in line with the Swiss employee pension arrangement in Switzerland.
6. Average exchange rates: 2023 – £1=US$1.2440 and £1=CHF1.1169; 2022 – £1=US$1.2105.
7. Mr Kladiev was appointed to the Board with effect from the 2023 AGM on 25 May 2023. The remuneration included in the table reflects the period 25 May to 31 December 2023.
8. Mr North assumed the role of Acting CEO from the 2020 AGM on 28 May 2020 and was appointed CEO on 14 February 2022. Mr North was appointed to the Board on 5 July 2020. Remuneration for 2022 is in respect of the period as Acting CEO from 1 January to 13 February 2022 and as CEO from 14 February 2022 to 31 December 2023. Remuneration for 2023 is in respect of the period as CEO from 1 January 2023 to 30 June 2023, when Mr North stepped down as CEO and remained on garden leave, leaving the Company on 31 October 2023. Full details of his leaving arrangements are set out on pages 149 to 150.
9. Mr Genovese assumed the role of Executive Chair on 1 July 2023 following Mr North stepping down as CEO. The remuneration included in the table above reflects the amounts paid in respect of this role. Remuneration earned prior to this date and currently in respect of his role as Non-executive Chair of the Company is detailed in the table below.

Remuneration Report continued

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 2023 and the prior year.

	All figures shown in currency of payment, US$000							
	2023				2022			
	Fees	**Benefits**	**Pension**	**Total**	Fees	Benefits	Pension	Total
Non-executive Directors								
L Genovese (Chair)[1]	**578**	**–**	**–**	**578**	500	–	–	**500**
V Lisovenko[2]	**196**	**–**	**–**	**196**	190	–	–	**190**
F MacAulay (Senior Independent Director)[2,3]	**200**	**–**	**–**	**200**	188	–	–	**188**
AC Andersen[3]	**80**	**–**	**–**	**80**	153	–	–	**153**
S Brown	**27**	**–**	**–**	**27**	–	–	–	**–**
G Dacomb[4]	**176**	**–**	**–**	**176**	161	–	–	**161**
N Polischuk	**153**	**–**	**–**	**153**	136	–	–	**136**
K Zhevago[5]	**–**	**–**	**–**	**–**	135			**135**

1. Mr Genovese retired from the Ferrexpo plc Board on 1 August 2014 and was subsequently reappointed on 12 February 2019. He was appointed Chair of Ferrexpo plc on 25 August 2020 and assumed the role of Executive Chair from 1 July 2023. The above table reflects his fee as Board Chair. The portion of remuneration earned for his role as Executive Chair is disclosed in the Executive Director table above. In addition to his base fee, Mr Genovese received a one-off payment of US$57,292 for additional time spent on Board matters in the first quarter of 2023. This payment was in relation to the exceptional time commitment required as a result of the ongoing impact of the Russian invasion of Ukraine. Mr Genovese also serves as a Non-executive Director of Ferrexpo AG and, in 2023, received a fee of US$80,000 p.a. (2022: US$80,000).
2. Mr Lisovenko served as the SID until 10 February 2022, and the post was then assumed by Ms MacAulay with effect from 10 February 2022.
3. Ms MacAulay served as Chair of the HSEC Committee until 9 February 2022, the post was then assumed by Ms Andersen with effect from 9 February 2022 and subsequently, assumed by Ms Polischuk on 25 May 2023.
4. In addition to his base fee, as disclosed in last year's Directors' Remuneration Repot, Mr Dacomb received a one off payment in 2022 of US$30,000 for additional time spent overseeing the preparation of the Group's financial accounts and dealing with the Group's external auditors.
5. Mr Zhevago received a fee in 2022 in line with other Non-executive Directors (i.e. US$135,000). He resigned from his role of Non-executive Director with effect from 29 December 2022. Mr Zhevago maintains a consultancy arrangement with the company to provide strategic advice and manage relationships with key stakeholders. This consultancy arrangement was suspended in January 2023 following his resignation as a Non-executive Director and stepping down from the Board on 29 December 2022. He did not receive any payments in 2023 under this consultancy arrangement.

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.

Lucio Genovese receives a fixed fee for his role as Executive Chair set on appointment at US$1,000,000 made up of his current fee of US$525,000 as Board Chair and an additional US$475,000 on an interim basis while he serves as Executive Chair. This fee reflects his increased time commitment in role and non participation in the Company's incentive plans.

On his being appointed to the Board in May 2023, Mr Kladiev's base salary was CHF450,000. Following the Company's annual pay review, with budgets varying between 1.5% and 10% of payroll, the CFO's salary was increased by 4% with effect from 1 January 2024 after having regard to his location and increase awarded to the wider workforce.

Mr North's salary as CEO for 2023 was US$978,240 prior to his departure.

		Base salary at:	
Executive Director	Position	**1 January 2024**	25 May 2023[1]
N Kladiev	CFO	**CHF468,000**	CHF450,000

1. From appointment to the Board on 25 May 2023.
2. Based on average exchange rates: 2023 – US$1=CHF0.8979; 2022 – CHF1=US$0.9244.

Pensions and other benefits – audited

The Group does not operate a separate pension scheme for Executive Directors. In line with other employees, under the rules of the Zurich pension scheme that is mandatory as a condition of service for employees in Switzerland, Mr Kladiev receives a Company pension contribution of 4% of salary and Mr Genovese receives a 5% pension contribution in respect of the salary he receives in relation to the executive function of his role.

In line with standard company practice in Dubai, Mr North did not participate in a pension scheme. Whilst working in Dubai, under local legislation he accrued 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 2023 reporting period, an amount of US$68,208 was accrued towards the statutory gratuity (2022: US$80,089).

Mr North was also eligible for other benefits whilst he was an Executive Director as set out in the Executive Director Remuneration Policy earlier in the report. This included an allowance toward the cost of accommodation, schooling for his dependent children and use of a car in Dubai up to a maximum of US$225,000 p.a. In 2023, Mr North did not make use of this allowance (2022: US$204,687).

2023 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 2023 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 2023 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 ESG, sales or production indicators such as volumes and costs.

The Committee has discretion to manage bonus outcomes retrospectively; it can confirm, increase, reduce or cancel bonus payments to reflect current market conditions and affordability.

In 2023, the threshold performance equated to a bonus potential of 50% of salary, on-target performance to a bonus potential of 75% of salary and stretch performance to a bonus potential of 150% of salary.

The level of achievement against each of the targets for 2023, as determined by the Committee for Mr Kladiev as CFO, is summarised below. The Executive Chair is not eligible to participate in the STIP and the former CEO, J North, became ineligible to receive a payment under the STIP for 2023 as a result of his cessation of employment.

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$, million)	15.0%	138	151	163	63	Below threshold	22.5%	0.0%
ESG	LTIFR <WA Mines trailing 5yr average (%)	5.0%	-15.0%	-25.0%	-35.0%	-54.0%	Stretch	7.5%	7.5%
	Diversity Ratio (% Women in leadership (grade 10+))	5.0%	20.5%	21.5%	22.0%	22.3%	Stretch	7.5%	7.5%
	Capex spend on carbon reduction (% of budget)	5.0%	1.0%	2.0%	3.0%	1.1%	Above threshold	7.5%	2.6%
Operational	Production from own ore (GPL+Yeristovo) (kt)	10.0%	6,847	7,207	7,279	3,845	Below threshold	15.0%	0.0%
	Full Cash Costs reported (C1 costs GPL+Yeristovo) (US$/tonne)	5.0%	84.0	83.0	81.5	84.6	Below threshold	7.5%	0.0%
	FYM Total Movement Cost (US$/tonne)	5.0%	2.9	2.8	2.7	3.2	Below threshold	7.5%	0.0%
Sales & Marketing	FPM pellet stockpile (kt)	10.0%	400	200	100	293	Between threshold and target	15.0%	6.4%
Total		**60.0%**						**90.0%**	**24.0%**
Scorecard outcome									**24.0%**

In determining the outcome for the business scorecard, the Committee reflected that 2023 had been an even more challenging year for the business as compared with 2022. The constraints imposed on the business by a second year of war in Ukraine, together with lagging demand by steel makers for the Group's products had impacted the Group's ability to achieve a number of scorecard targets set at the start of the year. The continued limited access to Black Sea export routes, had served to constrain the Group's ability to ship to customer markets outside of Europe. This had caused the Group to curb production and to only operate one, or sometimes two, out of four pellet lines. The lower production requirement meant that mining volumes also had to be cut which led to the pellet volume, mining movement and the EBITDA targets being missed. At the same time, rising world-wide energy prices, exacerbated by the war in Ukraine, and global inflation had impacted input costs, resulting in this target also being missed.

The Committee was pleased to note that, despite the disruption caused by the war, most ESG targets had been achieved at stretch which evidenced that the focus on achieving gender balance had continued unabated. The Committee considered that this was a particularly significant achievement in light of the complexity caused by the need for ongoing variable staffing at operations. This presented the potential to derail the Group's diversity and talent management strategy. The record LTIFR score was similarly viewed positively as it evidenced an unwavering determination by senior management to safeguard the workforce, being cognisant of people's potentially disrupted mental health, arising from the perilous environment in the country which could cause people to be distracted whilst working, leading to accidents.

Remuneration Report continued

Aside from the scorecard result, the Committee also noted that despite the rigours of war, management had worked tirelessly to preserve the integrity of the Group's assets, which had enabled the Group to continue to produce and sell our high-grade pellets despite the challenging circumstances. The strategy to right-size the business quickly had also enabled the Company to be more responsive to unpredictable circumstances. Disruption had been minimised through optimising the available logistics capacity to ensure continuous supply to the Group's European customers, whilst safeguarding the long-term interests of the business, ensuring it remained cash flow positive, with a strong cash balance and no financial debt.

Strong leadership at operations had also inspired a high level of engagement and trust by the workforce who demonstrated incredible resilience and commitment to the Company, in the very challenging circumstances caused by Russia's invasion of Ukraine. It was evident that people had remained a primary focus, with support provided through equipping those serving in the military with basic needs such as warm clothing, first aid kits, body armour, helmets and boots. Employee support programmes had also been established, offering counselling for employees and family members, where needed. A rehabilitation programme for employees returning from serving at the front had also been established, which included the provision of medical assistance, physical rehabilitation, access to prosthetics and psychological counselling where needed, with the aim of reintegrating veterans back into the workforce and civil society.

The Committee did not adjust the overall scorecard result and confirmed an outcome of 24.0% of salary (against a maximum of 90%) for all participants.

Strategic objectives (40% of STIP)
The following strategic targets applied to the CFO during 2023:

Objective	Weighting	Threshold 50%	Target 75%	Stretch 150%	Outcome	Assessment	Max as a % of salary	Bonus awarded as a % of salary
Compliance with Ukrainian foreign currency rules for intercompany operations	10.0%	FPM Compliance assured	FYM Compliance assured	Compliance at both FPM and FYM	Stretch	Compliance assured at both operations.	15.0%	15.0%
Banking Relationships	10.0%	Existing banking relationships maintained	Additional banking relationships secured for main entities	Adequate banking operational providing security for the Group	Above target	New banking relationships established in November 2023	15.0%	10.4%
IFS Implementation	10.0%	Risks module operational by end the end of June 2023	Warehouse Module implemented at FYM and commenced at FPM before year end	Repair Module implemented at FPM and capturing materials/ spare parts expenses; Mobile Equipment extension added for FYM by year end	Target	IFS Risk module operational; Warehouse and Repair modules in advanced stages	15.0%	10.0%
BEPS 2.0 and Group international structure	10.0%	Approval of Phase 1 and implementation	Revised Company structure with all changes completed by year end	Assessment of business model optimisation to investigate relocation of functions to lower cost jurisdictions	Stretch	Strategy presented to Board including business model optimization, enhanced operational flexibility and cost base analysis	15.0%	15.0%
Total	**40.0%**						**60.0%**	**50.4%**
Total STIP (Composite result of business scorecard and personal objectives achievement)							**150.0%**	**74.4%**
Outcome as a percentage of salary								**74.4%**

The Committee considered Mr Kladiev's personal performance against his strategic targets during 2023 and confirmed that the CFO had made a significant contribution to the performance of the Group in 2023, despite the outcome of the overall business result which was outside of the CFO's control and attributable to the war in Ukraine.

The Committee noted that a number of projects had been successfully led and executed by the CFO in 2023. The Company faced a myriad of challenges against the backdrop of the second year of the war in Ukraine but despite this very challenging environment, Mr Kladiev's personal leadership had been evident and his impact and presence since joining the Board was noteworthy.

With regards to compliance with foreign currency rules in Ukraine, the Committee was particularly satisfied that the CFO had made a significant contribution in preserving the Group's on-shore liquidity in 2023. The Committee noted that exchange control regulations had become considerably more restrictive, as a result of the proclamation of Martial Law in Ukraine. These tighter restrictions required that the CFO implement a range of measures to ensure that the Group did not breach exchange control regulations. In this respect, it was considered that the CFO had taken appropriate steps to not only ensure that there was sufficient liquidity to operate the Group but also that it did not incur any financial penalties as a result of cross border transactions.

Similarly, the finance team under Mr Kladiev's leadership, had also provided a clear blueprint for the international structure of the Group to mitigate the impact of BEPS 2.0 that was now being implemented in a number of the Group's jurisdictions. This would be executed following Board approval and when the Group's capital programme could be fully reinstated, potentially only when the war in Ukraine ends.

It was also noted that despite the backdrop of a very difficult business operating environment, where the Group was dealing with a myriad of challenges, the CFO had also successfully secured the services of additional banks to support the Group. However, the Committee confirmed that further work was still needed to secure additional banking support for the Group's financial transactions. This will continue to be progressed in 2024.

Considering the CFO's personal performance in 2023, the Committee was comfortable with confirming a bonus payment for the CFO at 74.4% of salary in respect of his personal strategic objectives and did not use any discretion.

In light of the performance delivered against the targets set both from the business scorecard and from his personal strategic objectives, the Committee determined that a bonus of 49.6% of the maximum (74.4% of salary) was earned by the CFO. In determining that the final bonus amount was appropriate, the Committee had regard to the wider stakeholder experience during the year, including the returns generated for shareholders and the bonus awards made across the executive leadership team which were calculated on the same basis.

In line with the policy, 25% of the bonus (net of tax) will be deferred into shares which will be released after two years.

STIP framework for 2024

The CFO's 2024 STIP opportunity will remain at 150% of salary for maximum performance, calculated as a percentage of salary earned during the year. Given the dynamic nature of operating during a war, the Committee is adjusting its approach to setting bonus targets for the current financial year. As in prior years, the bonus targets will be set to align with the budgeted levels of performance. However, given the challenges presented by the war, we will not set defined performance ranges around budget. Instead, above target bonuses (i.e. earning above 50% of the maximum bonus for each part of the scorecard) will only be achieved once the budget set for that measure has been exceeded. If budget numbers are missed, only a below target bonus will be payable. The precise size of the bonuses under both scenarios will then be determined based on the Committee's assessment of the factors contributing to the over or under performance (i.e. do these relate to genuine outperformance or external factors being better or worse than planned). Additionally, the Committee has determined that for 2024, as a consequence of the war, that it is not appropriate to set personal strategic targets for the CFO (or Group employees more generally) as any strategic personal targets set are likely to be as much impacted by external factors as actions taken by the CFO. Strategic targets will therefore not be set and, instead, performance will only be measured against financial, operational and ESG targets to determine a 100% of any bonus award in 2024. This revised approach to bonuses will operate across the Group executive. Furthermore, the Committee will retain discretion across all Group employees to recognise exceptional personal contribution by making a positive adjustment to formulaic outcomes (e.g. by a factor of 1.2) and also in the event of under performance by making a negative adjustment (e.g. by a factor of 0.8) to ensure there is clear alignment between performance and reward. Any such adjustment would not result in bonuses exceeding the maximum opportunities set at the start of the financial year. Whilst this is a non-standard approach and includes greater Committee judgment than has been the case in prior years, it will enable the Committee to achieve a fair relationship between performance and reward given it will enable a more holistic assessment of performance albeit anchored within a defined framework. The Committee does not consider it appropriate to set up a bonus structure that has the potential to pay maximum or no bonuses in the event that, for example, power outages or labour availability materially change through the year.

The Committee has also reduced the number of metrics and rebalanced their weightings to better reflect current strategic priorities. In addition, it has reduced the number of adjustments to budgeted numbers that will be made for external factors (e.g. adjustments will be limited to restating the underlying cash EBITDA target if prices are outside of the normal +/-5% band of budgeted prices but not for changes to input costs versus budgeted levels). This simplifies the assessment of performance and enables the Committee to take a broader view. The key change to metrics is an increased weighting on underlying cash EBITDA (from 15% to 20%) with a view to both reflecting the near-term priorities and better aligning costs with performance and reward. A summary of the 2024 scorecard is set out below for completeness. Due to commercial sensitivity, details of performance targets will be disclosed retrospectively and in certain instances may be aggregated.

25% of any bonus earned, net of any tax, will either be required to be deferred into shares for two years, or alternatively, the Committee may determine that 25% of any bonus earned is deferred into a share award which will be released after two years.

KPI	Weighting
Financial Underlying cash EBITDA	30.0%
ESG Safety Diversity Environmental compliance	30.0%
Operational Production Total mining movement tonnes	25.0%
Sales and Marketing Sales volume	15.0%
Total	**100.0%**

LTIP award vesting (audited)

The performance period for the 2021 LTIP awards ended on 31 December 2023. The 2021 LTIP rewarded TSR outperformance of a tailored comparator group (75% weighting), Production of 67% Fe pellets (12.5% weighting) and Carbon emissions reductions (12.5% weighting).

As detailed in the Chair's Introductory Statement, the Russian invasion of Ukraine weighed heavily on the Company's share price resulting in TSR being below the bespoke Index of comparable Iron Ore and Composite Miners and therefore there was no score for this element.

With regards to the proportion of 67% Fe pellets produced as percentage of total pellet production over the three year performance period ending 31 December 2023, this was calculated in line with the original target at 3.71% over the period, delivering a vesting outcome of 4.28% out of a possible 12.5%.

Over the same three-year period, Scope 1 and Scope 2 carbon emissions as a proportion of total production (i.e. emissions intensity per thousand tonnes) fell by 6.1% resulting in full score of 12.5% for this element. The target was tested on the basis it was originally set with the use of an intensity target taking account of the reduced production through the period. Taken as a whole, the Committee therefore determined that the 2021 LTIP vested at 16.78%.

Performance condition	Weighting	Threshold target (20% vests)	Maximum target (100% vests)	Result	
TSR[1]	75.0%	Index	Index + 8.0% p.a.	0% out of 75%	
Production of 67% Fe pellets[2]	12.5%	3.0% over period	7.0% over period	3.71% over the period, so vesting at 4.28% out of 12.5%	Straight line vesting takes place between performance points
Carbon emissions reduction	12.5%	3.0% p.a.	5.0% p.a.	Reduction of 6.1% over the period, so vesting at 12.5% out of 12.5%	

1. TSR is measured against an index of iron ore and diversified miners.
2. Subject to the cessation of the war in Ukraine and the re-opening of export port facilities enabling delivery to DR-pellet customers.

Mr North was granted the 2021 LTIP award in respect of his role as Chief Operating Officer. Following Mr North stepping down from the Board and leaving the Company in June 2023, his 2021 Award was pro-rated, as set out on pages 149 to 150. Details of the number of shares under the 2021 Award vesting are set out in the table below.

	Date of grant	Number of shares	Award share price[2]	Value awarded based on grant price	Vesting percentage	Number of shares vesting	Value vesting based on grant price	Share price at date of vesting[3]	Value based on vesting price[4]	Impact of share price appreciation
J North	25.03.21	82,922[1]	216.40p	£179,443	16.78%	13,914	£30,111	76.9p	£10,696	(94%)
N Kladiev	25.03.21	13,200	216.40p	£28,565	16.78%	2,215	£4,793	76.9p	£1,703	(94%)

1. Original number of shares granted was 87,800 which has been pro-rated based on the time employed in the Group.
2. Based on the average share price over the three-month period from 1 October to 31 December 2020 preceding the start of the performance period.
3. Based on the three-month average share price to 31 December 2023 of 76.9 pence. Value figures exclude dividends received over the vesting period of US$15,189 and CHF2,171 to Mr North and Mr Kladiev respectively.
4. Excludes value of shares in lieu of dividends (2023: nil) in the reporting year.

LTIP granted in 2023 (audited)

Mr North was granted a 2023 LTIP award in respect of 224,800 shares. Following his stepping down from the Board and leaving the Company in June 2023, his 2023 Award was pro-rated for time, reducing his original award to 62,444 shares which had a face value of 40% of salary based on the share price on the date of grant of 136.8 pence.

Prior to joining the Board, Mr Kladiev was granted a 2023 LTIP award in respect of 64,600 shares as shown in the table below.

Executive Director	Date of grant	Number of shares	Face value[2]	Face value (% of salary)	Vesting for minimum performance (% of maximum)	End of performance period
N Kladiev	09.03.23	64,600	£88,373	22%	20%	31.12.25
J North	09.03.23	224,800[1]	£307,526	40%	20%	31.12.25

1. Reduced to 62,444 shares as a result of pro-rating based on the time employed in the Group.
2. Based on the average share price over the three-month period preceding the start of the performance period from 1 October to 31 December 2022 of 136.8 pence.

The 2023 LTIP award will vest to the extent that the performance conditions set out below are met. The TSR and Production targets are aligned with those used for the 2022 award but the weightings have been increased from 75% and 12.5%, respectively. The carbon reduction targets used in 2022 have been removed for 2023. Given the impact of the Russian invasion on the Company's energy usage and ability to invest in new technologies, the Committee considers it more appropriate to retain discretion to reduce vesting if satisfactory progress in delivering the Board's carbon reduction objectives is not achieved, allowing for the dynamic circumstances in place as a result of the Russian invasion.

Consistent with the inclusion of the windfall gain provision, and the Committee's broader discretion, at the time of vesting the Committee will consider whether any adjustments to the awards are required for example to ensure that the formulaic outcome is in line with underlying intent of the performance conditions.

A two-year holding period will apply to any shares that vest and in line with the policy, malus and clawback provisions also apply to the award.

Performance condition	Weighting	Threshold target (20% vests)	Maximum target (100% vests)	
TSR[1]	85.0%	Index	Index + 8.0% p.a.	Straight line vesting takes place between performance points
Production of 67% Fe pellets[2]	15.0%	3.0% over period	7.0% over period	

1. TSR is measured against an index of iron ore and diversified miners. The constituents of the index for the recent awards are summarised in the table below.
2. Subject to the re-opening of export port facilities enabling delivery to DR-pellet customers.

		2019	2020	2021	2022	**2023**
Focused iron ore miners	Weighting	60%	60%	60%	60%	**60%**
Cleveland-Cliffs		✓	✓	✓	✓	✓
Fortescue Metals		✓	✓	✓	✓	✓
Kumba Iron Ore		✓	✓	✓	✓	✓
Mount Gibson		✓	✓	✓	✓	✓
Mineral Resources[1]		–	–	✓	✓	✓
Global diversified miners	Weighting	40%	40%	40%	40%	**40%**
Anglo American[1]		–	–	✓	✓	✓
BHP		✓	✓	✓	✓	✓
Rio Tinto		✓	✓	✓	✓	✓
Vale		✓	✓	✓	✓	✓
Glencore		✓	✓	✓	✓	✓

1. The Committee reviewed the constituents of the comparator index in 2021 and included Mineral Resources in the Focused iron ore miners and Anglo American in the Global diversified miners given the nature and scale of their operations and considered that the above constituents remained appropriate for awards granted in 2023.

TSR is calculated on a common currency basis to ensure that comparisons with international comparators listed overseas are fair, with a TSR share price averaging period of three months for the 2023 award to ensure short-term movements in Ferrexpo's share price or the share price of comparator companies does not unduly impact the performance assessment.

Dividend equivalents accrue on shares over the vesting period and are paid in cash on shares that vest. Subsequent dividends that arise post vesting are paid to participants in shares.

LTIP framework for 2024

This Directors' Remuneration Report is published prior to the grant date of awards. Subject to the Policy being approved at the 2024 AGM, the Committee intends to grant Mr Kladiev a Restricted Share Award which is expected to have a face value of 25% of his salary, which sits at the lower end of the award possible under the policy.

Remuneration Report continued

The number of shares under the award will be based on the average share price over such period as the Committee determines is appropriate prior to grant and the Committee will retain the ability to adjust the number of shares vesting in the event that there is to be a perceived windfall gain.

The award will vest three years after grant, subject to continued service, with any shares vesting subject to a two-year holding period. An underpin will also apply. The Committee will consider the Company's performance relative to its mid to long-term financial, operational and sustainability plans as well as individual performance and may reduce the vesting level, including to zero, if performance is not considered consistent with the Board's plans. This assessment will take into account the dynamic operating environment that currently prevails as a result of the Russian invasion of Ukraine.

Any shares vesting from these awards will be subject to recovery provisions (as detailed in the Remuneration Policy on page 135).

Non-executive Directors (including the Chair)
Since assuming the role of Executive Chair in July 2023, Lucio Genovese receives only a fixed fee for his role which was set at US$1,000,000 p.a., and is split between his Non-executive Board Chair fee of US$525,000 and an additional US$475,000 on an interim basis while he serves as Executive Chair. This fee reflects his increased time commitment in role and non-participation in the Company's incentive plans.

The Non-executive Directors' fees were also reviewed in light of the workload and time commitment increasing and taking into account all relevant factors including external market levels and considering the level of involvement that Non-executive Directors are required to devote to the activities of the Board and its Committees. For 2024, the Board (excluding the Non-executive Directors) determined that all Non-executive Directors should receive a base fee of US$148,000 p.a. Given the time commitment involved, the Board was comfortable this was an appropriate base fee for all Non-executive Directors.

Role	Current fee levels	Change
Chair fee	US$525,000	+0%
Non-executive Director base fee	US$148,000	+4%
Committee Chair fee[1]	US$20,000	+0%
Senior Independent Director fee	US$35,000	+0%
Audit Chair fee	US$30,000	+0%
Remuneration Chair fee[2]	US$25,000	+0%
Employee Engagement Director fee	US$35,000	+0%

1. The fee applies to the Chairs of Committee of Independent Directors, Health, Safety, Environment and Community Committee and Nominations Committee.
2. Remuneration Chair fee increased from US$20,000 to US$25,000 with effect from 1 March 2023.

In addition to his fee as Executive Chair of the Board, Mr Genovese serves as a Non-executive Director of Ferrexpo AG for which he receives a fee of US$80,000 p.a.

Directors' shareholdings (audited)
Total interests of the Directors in office (and connected persons) as at 31 December 2023:

	At 31 December 2023	At 31 December 2022
AC Andersen[1]	**–**	–
G Dacomb	**–**	–
L Genovese	**233,651**	233,651
N Kladiev[2]	**127,574**	–
V Lisovenko	**–**	–
F MacAulay	**3,536**	3,536
J North[3]	**650,005**	566,233
N Polischuk	**–**	–
K Zhevago[4]	**294,993,686**	296,077,944

1. AC Andersen stood down as a Non-executive Director on 25 May 2023.
2. N Kladiev joined the Board on 25 May 2023.
3. J North's shareholding reflects his current holding. He stepped down as CEO on 30 June 2023.
4. K Zhevago has interest in these shares as a beneficiary of The Minco Trust, which is the ultimate shareholder of Fevamotinico S.a.r.l., which owns 294,993,686 shares in the Company. Mr Zhevago resigned from the Board on 29 December 2022.

Executive Directors are subject to shareholding requirements under which they are required to build up a holding of shares of equivalent value to 200% of salary. Executive Directors will be expected to retain half their vested LTIP shares on an after-tax basis, along with half of shares deferred under the annual bonus following the end of their holding period, until the required level is achieved. Shares deferred under the annual bonus 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. Only 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) during an Executive Director's tenure will count for the purposes of the post-cessation guideline. The Committee will retain discretion to disapply the guideline in exceptional circumstances (e.g. death).

In accordance with the post-cessation shareholding requirement introduced at the 2021 AGM, Mr North is required to hold, for two years following his cessation of employment, shares which vested under LTIP awards following the date of the 2021 AGM or which were acquired as deferred bonus shares in 2022 or later years, in each case on an after-tax basis.

As at cessation of employment, Mr North held 650,005 shares worth 62.4% of his salary, of which 278,101 shares, worth 0.27% of his salary as at the date of cessation, count towards the post-cessation shareholding requirement. Mr North needs the permission of the Executive Chair and the Remuneration Committee to sell any of these shares.

Mr Kladiev's shareholding against the guideline as at 31 December 2023 was as follows:

	Shareholding requirement (% salary)	Owned outright	Subject to performance[1]	Current shareholding[2] (% salary)	Requirement met?
N Kladiev	200%	127,574	102,040	29%	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 2023 and a share price of 90.3 pence on 29 December 2023 and an exchange rate of £1=CHF1.1169.

Details of LTIP awards held by Mr North, which are subject to performance, and pro rating following his cessation of employment with the Company, are provided below.

	Award	At 1 January 2023	Granted (2023 award)	Vested	Lapsed	Total at 31 December 2023	Award share price (pence)[1]	End of performance period
J North	2021 Award[2]	87,800		13,914	73,886[3]	0	216.4	01.01.24
	2022 Award	152,400	–	–	59,267	93,133	247.1	30.05.25
	2023 Award	–	224,800	–	162,356	62,444	136.8	31.12.25
Total		**240,200**	**224,800**	**13,914**	**295,509**	**155,577**		
N Kladiev	2021 Award	13,200		2,215	10,985	0	216.4	01.01.24
	2022 Award	37,440				37,440	247.1	30.05.25
	2023 Award		64,600			64,600	136.8	31.12.25
Total		**50,640**	**64,600**	**2,215**	**10,985**	**102,040**		

1. Based on the average share price over the three-month period preceding the start of the performance period. For the 2023 Award, based on the three-month volume weighted average price prior to 3 January 2023 of 136.8 pence.
2. The vesting of the 2021 Award is set out on page 146.
3. The number of lapsed shares included in the table above for Mr North relate to the application of a pro-rata reduction for the proportion of each relevant period that Mr North was employed relative to three years. In relation to the 2021 award, part of the lapsed number of shares also relates to the application of the performance conditions as detailed on page 146. His entitlement to the pro-rata number of shares noted for the 2022 and 2023 awards remains subject to the application of the relevant performance conditions.

There have been no changes in the interests of the Directors from the end of the period under review to 17 April 2024 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 2023 are equivalent to 0.044% 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 2023, 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 2023.

As set out in the information which has been available on the Company's website from 24 May 2023 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 25 May 2023 and the signing of a settlement agreement, Mr North left his position as CEO with effect from 30 June 2023 and his employment terminated on 31 October 2023.

Mr North's remuneration payments were in line with his entitlements under his service contract and the Directors' Remuneration Policy. As disclosed in the 2022 Directors' Remuneration Report, given changes to UAE employment law (with this being Mr North's location of employment), he was in the process of transitioning from a service contract with a six-month notice period to a five-year fixed-term service contract with a three-month notice period. Given the status of the transition at the time of his termination, he continued to receive his salary and contractual entitlements (save for his entitlement to location allowance and provision of a car which ceased on 30 June 2023) in line with a six-month notice period to 31 October 2023, with an aggregate amount of US$422,592 paid for the period from 25 May 2023 to 31 October 2023.

Remuneration Report continued

In the context of the changed circumstances of Ferrexpo since the appointment as CEO of Mr North, with the focus changing following the Russian invasion of Ukraine from accelerating growth, decarbonisation and cultural development to business continuity and operational resilience, the role of CEO changed. With this background, it was mutually agreed that Mr North should step down. In the context of a mutually agreed departure, and in accordance with the discretions included in the relevant plan rules, he was treated as a good leaver in relation to his outstanding long-term incentive awards. Accordingly, the LTIP awards granted on 25 March 2021 over 87,800 shares, 1 June 2022 over 152,400 shares and 1 January 2023 over 224,800 shares remain outstanding and will be capable of assessment at the normal vesting date of each award, subject to performance and time pro-rating to reflect the proportion of the relevant periods for which Mr North was in employment as detailed above. It was agreed with Mr North that notwithstanding his treatment as a good leaver, he would not be entitled to a pro-rata STIP for the financial year ending 31 December 2023.

In addition to the above, Mr North was paid a sum of US$154,991 in respect of accrued but untaken annual leave and, in accordance with the laws of the United Arab Emirates, a statutory end of service gratuity payment of US$529,322 which had been accrued during his employment in lieu of pension contributions.

Furthermore, the Company also made additional payments to Mr North of US$550,000 in respect of him entering into new and extended restrictive covenant arrangements to protect the business of the Group and US$60,000 in respect of the settlement of any claims and/or entitlements against the Group. These payments reflected the exceptional circumstances at the Company. The additional restrictive covenants ensured that the Company was protected for a total period of 12 months in relation to key commercial relationships which remain critical in the context of the current commercial circumstances at the Company and reflect standard 12-month restrictive covenants in UK Plc CEO contracts. The payment of US$60,000 followed advice from the Company's lawyers to ensure there are no potential claims against the Company as a result of the change to the nature of the role of CEO at Ferrexpo and the process followed in relation to Mr North stepping down from the role.

In aggregate, the Board was comfortable with the total payments in light of the additional protection the payments provide to the Company and in recognition of the exceptional circumstances that have been created by the Russian invasion of Ukraine.

No other payments were made to past Directors in the year.

Percentage change in Directors' remuneration compared to employees

The table below sets out the percentage change in salary, taxable benefits and annual bonus between 2023 and 2022, and prior periods for the Directors of the Company and the average for an all-employee population.

	2022 vs 2023			2021 vs 2022			2020 vs 2021			2019 vs 2020		
	Change in salary/ fees	**Change in benefits**	**Change in bonus**	Change in salary/fees	Change in benefits	Change in bonus	Change in salary/fees	Change in benefits	Change in bonus	Change in salary/fees	Change in benefits	Change in bonus
All employee average[1]	**7.6%**	**0%**	**-29.7%**	3.0%	0%	-16.8%	13.4%	0%	37.1%	24.0%	0%	2.9%
J North (former CEO)[2]	**-15%**	**-91.6%**	**N/A**	0%	9.8%	-25.5%	0%	1,703.4%	-0.5%	11.6%	0%	12.8%
N Kladiev (CFO)[3]	**N/A**	**N/A**	**N/A**	–	–	–	–	–	–	–	–	–
L Genovese (Exec. Chair)[4]	**90%**	**0%**	**0%**	0%	0%	0%	0%	0%	0%	400.0%	0%	0%
V Lisovenko (EED)[5]	**5%**	**0%**	**0%**	0%	0%	0%	0%	0%	0%	0%	0%	0%
AC Andersen[6]	**5%**	**0%**	**0%**	0%	0%	0%	–	–	–	–	–	–
S Brown[7]	**–**	**–**	**–**	–	–	–	–	–	–	–	–	–
G Dacomb[8]	**5%**	**0%**	**0%**	9.7%	0%	0%	0%	0%	0%	35.0%	0%	0%
F MacAulay[9] (SID)	**5%**	**0%**	**0%**	0%	0%	0%	0%	0%	0%	35.0%	0%	0%
N Polischuk[10]	**5%**	**0%**	**0%**	0%	0%	0%	–	–	–	–	–	–

1. The All Employee population is based on the remuneration for the Executive Committee excluding the CEO. This population is being used as Ferrexpo plc does not have any employees. The chosen population is considered the most relevant employee comparative group given the Group-wide nature of roles performed by incumbents.
2. Mr North, the CEO, was appointed to the Board in July 2020 and stepped down from the Board on 25 May 2023. In 2023, Mr North received Company-provided healthcare but did not utilise an available location allowance totalling US$225,00 per year. Mr North did not receive a bonus in respect of 2023.
3. N Kladiev was appointed to the Board as CFO with effect from 25 May 2023.
4. Mr Genovese was appointed to the Board in February 2019 and appointed Chair in August 2020. He assumed the role of Executive Chair with effect from 1 July 2023.
5. Mr Lisovenko served as SID from August 2019 until February 2022 when he was appointed Employee Engagement Director ("EED") and received the same additional fee as when he served as SID.
6. Ms Andersen was appointed to the Board in March 2021 and stood down as a Non-executive Director on 25 May 2023.
7. Mr Brown was appointed to the Board on 22 October 2023.
8. Mr Dacomb was appointed to the Board on 10 June 2019. In August 2022, his fee was increased as a Chair of the Audit Committee. Mr Dacomb resigned as a Non-executive Director on 31 December 2023.
9. Ms MacAulay was appointed to the Board in August 2019, and was appointed SID in February 2022.
10. Ms Polischuk was appointed to the Board on 29 December 2021.

Relative importance of spending on pay

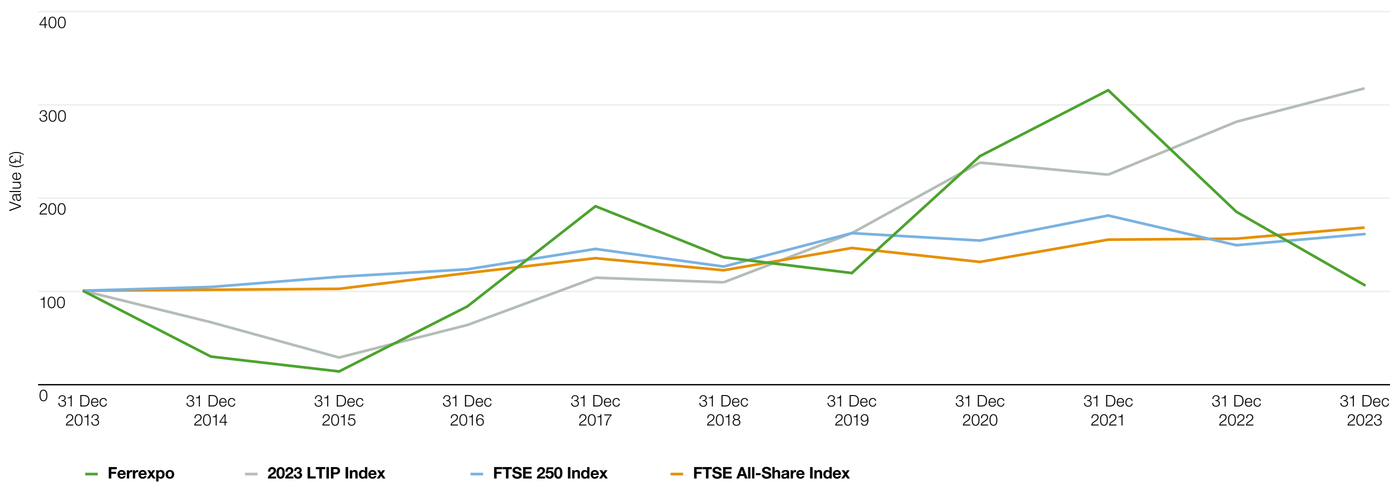
The table below shows Ferrexpo's dividend and total employee pay expenditure (this includes pension and variable pay, including STIP and fair value of LTIP, but not social security) for the financial years ended 31 December 2022 and 31 December 2023, and the percentage change.

US$ million	2023	2022	Year-on-year change
All-employee remuneration	**68**	84	-18.4%
Distributions to shareholders[1]	**0.46**	155	-99.7%

1. Includes dividends and share buy-backs.

Comparison of Company performance and Executive Director pay

The graph shows the value, at 31 December 2023, of £100 invested in Ferrexpo's shares on 31 December 2013 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 2023.

Chief Executive Officer's pay

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	KZ	**KZ**	**KZ**	**KZ**	**KZ**	**KZ**	**CM/JN**	**JN**	**JN**	**JN/LG**
Single figure total remuneration (US$000)[1]	243	243	243	255	251	257	595/1,147	2,473	2,147	**540/249**
STIP vesting (% max)	K Zhevago did not participate in the STIP						36/67	67	50	**0/ N/A**
LTIP vesting (% max)	K Zhevago did not participate in the LTIP						0/0	100	72	**17/ N/A**

1. 2020 single figure remuneration total based on the total for Mr Mawe in the period from 1 January to 28 May 2020 and for Mr North in the period between 28 May and 31 December 2020.
2. 2023 single figure remuneration total based on the total for Mr North as CEO in the period from 1 January to 30 June 2023 and for Mr Genovese as Executive Chair in the period from 1 July to 31 December 2023.

Statement of shareholder voting

The following table shows the results of the binding vote on the Remuneration Policy and the advisory vote on the 2022 Remuneration Report at the 2021 and 2023 AGMs, respectively.

	For		Against		Withheld
	Shares (millions)	%	Shares (millions)	%	Shares (millions)
Remuneration Policy (at 2021 AGM)	499	98.1%	10	1.9%	0
2022 Remuneration Report (at 2023 AGM)	456	97.5%	12	2.6%	8

This report was approved by the Board on 17 April 2024.

Signed on behalf of the Board

Fiona MacAulay
Chair of the Remuneration Committee
17 April 2024

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 2023.

The ongoing war in Ukraine continues to have an adverse impact on the Group's cash flow generation and profitability as the access to logistics network required for the Group's seaborne sales is still restricted. The war poses a material uncertainty in respect of the Group's going concern assessment (see Note 2 Basis of preparation to the Consolidated Financial Statements on page 176 for further details).

The Group is also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 76 and 78). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties, which represents another material uncertainty as at the approval of these consolidated financial statements. Note 30 Commitments, contingencies and legal disputes provides further information on ongoing legal proceedings and disputes, including a contested sureties claim in the amount of UAH4,727 million (US$124 million as at 31 December 2023), for which the Group recognised a full provision in accordance with the relevant accounting standard.

Information about the use of financial instruments by the Group is given in Note 27 Financial instruments to the Consolidated Financial Statements on page 209.

Dividends
Results for the year are set out in the Consolidated Income Statement on page 171.

The Group did not make any dividend payments during the financial year 2023, compared to US$155 million during the financial year 2022.

The Group announced on 18 January 2024 an Interim Dividend of 3.3 US cents, which was due for payment to the shareholders on 23 February 2024. Following subsequent and unexpected events in Ukraine relating to a claim against one of the Group's Ukrainian subsidiaries (see Note 30 Commitments, contingencies and legal disputes for further information), the Group announced on 20 February 2024 that the Board has reconsidered the Interim Dividend and decided to withdraw it.

In view of Russia's invasion of Ukraine, the Board has decided not to declare an interim dividend in conjunction with the Group's full year results for 2023. The Board will continue to assess the situation and, when appropriate, will make a decision in relation to shareholder returns.

Directors
The Directors of the Company who served during the year and up to the date of approval were:

- Ann-Christin Andersen (resigned 25 May 2023)
- Graeme Dacomb (resigned 31 December 2023)
- Lucio Genovese
- Nikolay Kladiev (appointed 25 May 2023)
- Vitalii Lisovenko
- Fiona MacAulay
- Jim North (resigned 25 May 2023)
- Natalie Polischuk
- Stuart Brown (appointed 22 October 2023)

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 set out in the Directors' biographies on pages 98 to 99. 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 126 to 151.

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	186
Details of long-term incentive schemes (LR 9.8.4R (4))	Remuneration Report	126
Contracts of significance (LR 9.8.4R (10))	See Note 30 Commitments, contingencies and legal disputes and Note 34 Related party disclosures to the Consolidated Financial Statements. Transactions with FC Vorskla are considered to be contracts of significance under the Listing Rules	217 225
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	142
Details of waivers of dividends by shareholders (LR 9.8.4R (12) and (13))	As at 16 April 2024, the Employee Benefit Trusts contain 9,766,759 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	93
Disclosures concerning greenhouse gas emissions	Strategic Report	36
Engagement with suppliers, customers and others	Strategic Report and pages 64 to 71	
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	209
Events since the balance sheet date	See Note 35 Events after the reporting period to the Consolidated Financial Statements	228
Likely future developments in the business	Strategic Report	11
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Information that fulfils the requirements of DTR 7.2 (other than DTR 7.2.6)	Corporate Governance Report	94

Disclosures required by statute

Employees

Information on the Group's employment policies can be found in the Strategic Report on pages 60 to 61. Employee numbers are stated in Note 29 Employees to the Consolidated Financial Statements on page 217. The Group employs fewer than 250 staff in the United Kingdom and therefore it does not disclose its policies on employee involvement or employing disabled people. However, the Group gives fair consideration to applications for employment from disabled people.

Political donations

The Group made no political donations, political expenditure or political contributions during the year.

Energy consumption and greenhouse gas emissions reporting

In the UK, our energy consumption is less than 40,000kWh, which is below the threshold for energy and greenhouse gas emissions disclosure. The Group does report on its global energy consumption and greenhouse gas emissions and this information can be found in the Strategic Report on page 36. UK energy consumption was the equivalent of less than 0.001% (2022: 0.001%) of the Group's energy consumption in 2023 and UK greenhouse gas emissions were the equivalent of less than 0.001% (2022: 0.001%) of the Group's greenhouse gas emissions in 2023.

Share capital and rights attaching to the Company's shares

The Company has a single class of Ordinary Shares of 10 pence each.

Subject to applicable statutes and other shareholders' rights, shares may be issued with such rights and restrictions as the Company may by ordinary resolution decide, or (if there is no such resolution or so far as it does not make specific provision) as the Board may decide. At each AGM, the Board proposes to put in place annual shareholder authority for the Company's Directors to allot new shares in accordance with relevant institutional investor guidelines.

Details of the issued share capital of the Company are shown in Note 31 Share capital and reserves to the Consolidated Financial Statements on page 223.

Directors’ Report continued

Variation of rights

Subject to the provisions of the Act, the rights attached to a class of shares may be varied or abrogated either with the consent in writing of the holders of at least three-quarters of the nominal amount of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate meeting of the holders of the issued shares of that class validly held in accordance with the Articles.

Transfer of shares

Any share in the Company may be held in uncertificated form and, subject to the Articles, title to uncertificated shares may be transferred by means of a relevant system. Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the Uncertificated Securities Regulations 2001 and where, in the case of a transfer to joint holders, the number of joint holders to whom the uncertificated share is to be transferred exceeds four.

Subject to the Articles, any member may transfer all or any of their certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. The Board may decline to register a transfer of a certificated share if it is not in the approved form. The Board may also decline to register any transfer of any share which is not a fully paid share. The Board may decline to register a transfer of any of the Company’s certificated shares by a person with a 0.25% or greater interest if such a person has been served with a notice and has failed within 14 days to provide the Company with information concerning interests in those shares required to be provided under the Act, unless the transfer is shown to the Board to be pursuant to an arm’s length sale.

The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or that may result in restrictions on voting rights.

Repurchase of shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Act. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

The Company was given authority to make market purchases of up to approximately 10% of its existing Ordinary Share capital by a resolution passed on 25 May 2023. This authority will expire at the conclusion of the Company’s 2024 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 2023.

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 2023, 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]	294,993,686	294,993,686	49.32%
BlackRock, Inc.	45,018,700	45,018,700	7.53%
Schroder Investment Management	39,077,468	39,077,468	6.53%

As at 12 April 2024, 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]	294,993,686	294,993,686	49.32%
BlackRock, Inc	29,331,096	29,331,096	4.90%
Schroder Investment Management	28,281,771	28,281,771	4.73%

1. Fevamotinico S.a.r.l. is a wholly owned subsidiary of The Minco Trust of which Kostyantin Zhevago and two other members of his family are the beneficiaries.

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 on page 104. The Relationship Agreement ceases to apply if Ferrexpo's shares cease to be listed and traded on the London Stock Exchange, or if the holding of Fevamotinico S.a.r.l., The Minco Trust or Mr Zhevago individually or collectively falls below 24.9% of the issued share capital of the Company and they are no longer a controlling shareholder for the purposes of the UK Listing Rules.

Going concern

As at the date of the approval of these consolidated financial statements, the war in Ukraine is still ongoing and the duration is difficult to predict. During the year, the Group continued to demonstrate a high level of commitment and resilience that enabled it to operate at a constant, but lower capacity, with a high degree of flexibility to adapt its operations to such changing circumstances.

The ongoing war and the situation in the country continues to represent a material uncertainty in terms of the Group's ability to continue as a going concern. In addition to the war-related material uncertainty, the Group is also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 76 to 78). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties, which represents another material uncertainty as at the date of approval of these consolidated financial statements.

As part of management's going concern assessment, the Group continuously adjusts its long-term model in order to reflect the latest developments mainly related to the provision and availability of logistics capacity required for the delivery of the Group's products to customers in its key markets, subject to the availability of Black Sea ports in Ukraine. During the year, as was the case in 2022, the Group had to adjust its production level to the sales currently possible, which continued to have an impact on the Group's cash flow generation and profitability. However, throughout the year, the Group continued to adapt within the difficult environment by proactively planning how to manage existing uncertainties in order to ensure production of the committed volumes to customers were met.

Considering the threats caused by the ongoing war, the Group also prepared sensitivities for reasonably possible or plausible adverse changes, but also reverse stress tests for more severe adverse changes. See Note 2 Basis of preparation to the Consolidated Financial Statements for further information.

Directors' Report continued

As disclosed in the Group's 2022 Annual Report & Accounts, the ongoing war in Ukraine and other circumstances facing the Group have led to an escalation of a number of risks, including risks relating to the political environment and the independence of the legal system in Ukraine, which could have a material negative impact on the Group's business and reputation. The Group announced on 29 January 2024 that a Ukrainian court of appeal has confirmed a claim against Ferrexpo Poltava Mining ("FPM") in the amount of UAH4,727 million (approximately US$124 million as at 31 December 2023), in respect of contested sureties (see Note 30 Commitments, contingencies and legal disputes for further details). The claim and court decision are other examples of the risk of operating in a dynamic and adverse political landscape in Ukraine, which creates additional challenges for both the Group's subsidiaries in Ukraine and also for the Group. Although the Group's management is of the opinion that this claim is without substance and legal merit and FPM has appealed this decision to the Supreme Court of Ukraine, the magnitude of this specific claim and the risks associated with judicial system in Ukraine, the outcome of this ongoing legal dispute represents a material uncertainty in terms of the Group's ability to continue as a going concern. In accordance with the requirements of IAS 37 Provisions, contingent liabilities and contingent assets, the Group recorded a full provision for this claim as at 31 December 2023, with a consequent significant impact on the Group's result for the financial year 2023.

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;

iii) the feasibility and effectiveness of all available mitigating actions within the Group management's control for identified uncertainties; and

iv) the legal merits in terms of the ongoing legal dispute mentioned above and potential future actions available to protect the interests of the Group in case of a negative decision from the Supreme Court of Ukraine,

there remains a material uncertainty in respect of the ongoing war and the legal dispute, which is outside of the Group management's control, with the duration and the impact of the war still unable to be predicted, and uncertainty in relation to the independence of the judicial system and its immunity from economic and political influences in Ukraine.

In respect of the contested sureties claim mentioned above, no enforcement procedures have been commenced as at the date of the approval of these consolidated financial statements, however the commencement of such procedures may be initiated by the claimant anytime between this approval and the date of the expected hearing by the Supreme Court of Ukraine. The commencement of the enforcement procedures could have a material negative impact on the Group's business activities and its ability to continue as a going concern

Considering the current situation of the war in Ukraine, the Group's ability to swiftly adapt to the changing circumstances caused by the war, as demonstrated during the financial years 2023 and 2022, 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, as explained above, many of the identified uncertainties are outside of the Group management's control and are unpredictable, which may cast significant doubt upon the Group's ability to continue as a going concern.

The ongoing legal disputes, mainly in respect of the potential impact of seizure of assets in respect of the contested sureties claim, requires a high degree of management judgement. For more information on critical judgements made by management in preparing these consolidated financial statements, see also Note 30 Commitments, contingencies and legal disputes.

Statement on disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in the Act) of which the Group's auditors are unaware, and that each Director has taken all steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information (as defined) and to establish that the Group's auditors are aware of that information.

Following a rebranding exercise on 15 May 2023 the trading name of the company's independent auditor changed from MHA MacIntyre Hudson to MHA. A resolution to reappoint MHA as independent auditor will be proposed at the next Annual General Meeting.

Amendments to Articles of Association

The Articles may be amended by special resolution in accordance with the Act.

AGM

The Board intends to hold the AGM of the Company on Thursday 23 May 2024 at 11.00am. Further information will be sent to shareholders in a separate letter from the Chair summarising the business of the meeting together with the Notice convening the AGM.

The Strategic Report on pages 2 to 92 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 17 April 2024.

For and on behalf of the Board

Lucio Genovese
Executive Chair
17 April 2024

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 that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year, and of the profit or loss of the Group for the financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted in the United Kingdom (“UK adopted IFRS”) and have also chosen to prepare the Parent Company financial statements in accordance with the United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, and applicable law).

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Parent Company and of their profit or loss for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK adopted IFRS 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 and Directors’ Remuneration Report comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the Group and Parent Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Annual Report and Accounts

The Directors consider that the Annual Report and Accounts, 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 and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 98 to 99 of the Corporate Governance Report, confirms that to the best of their knowledge:

(a) the Group financial statements, prepared in accordance with UK adopted IFRS, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the subsidiary undertakings included in the consolidation taken as a whole and attention is drawn to the material uncertainty in terms of the Group’s ability to continue as a going concern on page 155 of the Directors’ Report and Note 2 Basis of preparation of the Consolidated Financial Statements on page 176;

(b) the Parent company financial statements, which have been prepared in accordance with United Kingdom Accounting Standards, comprising FRS 101 Reduced Disclosure Framework, give a true and fair view of the Company’s assets, liabilities and financial position of the Parent Company;

(c) the Strategic Report and Directors’ 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 93 to 157.

This responsibility statement was approved by the Board of Directors on 17 April 2024 and is signed on its behalf by:

Lucio Genovese
Executive Chair

Nikolay Kladiev
Executive Director/Chief Financial Officer
17 April 2024

Financial contents

Independent Auditor's Report
To the members of Ferrexpo plc

For the purpose of this report, the terms "we" and "our" denote MHA 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 161 to 164 that sets out the key audit matters and how our audit addressed the key audit matters, the terms "we" and "our" refer to MHA. The Group financial statements, as defined below, consolidate the accounts of Ferrexpo plc and its subsidiaries (the "Group") and include the Group's share of associates. The "Parent Company" is defined as Ferrexpo plc, as an individual entity. The relevant legislation governing the Parent Company is the United Kingdom Companies Act 2006 ("Companies Act 2006").

Opinion

We have audited the financial statements of Ferrexpo plc for the year ended 31 December 2023 which comprise:

- the consolidated income statement;
- the consolidated statement of comprehensive income;
- the consolidated statement of financial position;
- the consolidated statement of cash flows;
- the consolidated statement of changes in equity;
- the notes to the consolidated financial statements, including significant accounting policies;
- the parent company statement of financial position;
- the parent company statement of changes in equity; and
- the notes to the parent company financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards adopted for use in the United Kingdom ("UK adopted IFRS"). The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2023 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted IFRS;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under those standards are further described in the auditor 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.

Material uncertainty relating to going concern

We draw your attention to Note 2 of the Group financial statements on page 176 and Note 2 of the Parent Company financial statements on page 231, which indicates that the ongoing war in Ukraine poses a threat to the Group's mining, processing and logistics operations within Ukraine and may cast significant doubt on the ability of the Group to continue as a going concern. As stated in Note 2, management has assessed that the unpredictable duration and severity of the impact of the war in Ukraine indicate that a material uncertainty exists as some of the uncertainties identified are outside of the Group management's control.

In addition, there is a further uncertainty as disclosed in Note 2, due to the uncertainty in the application of local legislation in Ukraine in respect of the outcome of the proceedings in which the Group is involved. The award in favour of the claimants by the Ukraine Court of Appeal in the contested sureties claim. This has imposed potential increased demand on the Group's current and future cash resources, the timing of which is outside of Group management's control. Furthermore, the possible opening of the creditor protection proceedings might potentially affect FPM's ability to continue as a going concern and, as a result, also the Group's. These circumstances indicate the existence of a material uncertainty that may cast significant doubt upon the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent Auditor's Report continued
To the members of Ferrexpo plc

Our evaluation of the Directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting, having considered the impact of the war and of the general risks related to the political, fiscal and legal uncertainties of operating in Ukraine, included:

- Challenging management's assessment of the potential risks and uncertainties relevant to the Group as a result of the ongoing war;
- Challenging whether the Group's further mitigating actions are reasonable and within the Group's control;
- Assessing for reasonableness the assumptions applied in the going concern assessment cash flow forecast, evaluating the potential future impact of the war on the cash available to the Group, including the ability to continue its operations in case of disruption to supplies and to its logistics network, as well as assessing management's downside scenarios;
- Reviewing recent production and trading activity to verify the operational results following the year end, to verify the underlying data on which the going concern assessment is based;
- Testing the mathematical accuracy and appropriateness of the model used to prepare the forecasts;
- Evaluating management's assessment on the expected outcome of the contested sureties claim and the assumptions regarding the impact of various scenarios relating to the timing and quantum of economic outflows and any consequences of potential actions that may be taken by the claimant, in conjunction with the feasibility and impact of mitigating actions planned by the Group;;
- Considering the impact on available cash resource under sensitised and stress tested models together with consideration of potential cash outflows in respect of contingency matters and challenge of management's plans to mitigate any impact;
- Evaluating management's assessment of the legal proceedings in which the Group is involved, including the probability of outflows of resources, as detailed in the key audit matter "Contingencies and completeness of litigations and claims". With regards to the creditor protection proceedings, the evaluation extended the Group's management intent, ability and impact of potential mitigating actions;
- We have used an internal legal expert in respect of certain legal proceedings to help us in evaluating management's assessment of the impact and potential outcome of those cases; and
- Assessing the Group's going concern related financial statement disclosures.

In relation to the Group's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' Statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Scope	We directed and supervised Baker Tilly member firms ("Component Auditors") to report on the operations of the two main mining and processing entities in Ukraine and we directly performed work over the two other material subsidiaries being the Swiss and Middle East sales and marketing companies and we also performed the work over the Parent Company. Material subsidiaries were determined based on: – financial significance of the component to the Group as a whole; and – 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 99% of the Group's revenue, 98% of the Group's loss and 98% of the net assets.
Materiality	The materiality that we used for the Group financial statements was US$15.6 million (2022: US$35.7 million). This represents 3.2% of the three-year average of adjusted profit before tax and 1.4% of net assets (2022: 5% of a three-year average of profit before tax) in accordance with our revised approach to determine materiality that now also includes the net assets balance sheet metric. The materiality used for the Parent Company financial statements was US$8.8 million (2022: US$8.2 million), which was determined as 2% of the Company's net assets (2022: 2%). Performance materiality was set at 60% of materiality for both the Group and Company financial statements (2022: 60%).
Key audit matters	The key audit matters that we identified in the current year relating to the Group are: Recurring: – Treatment and likelihood of contingencies and litigations & claims (Group and parent Company) – Taxation – IFRIC 23 and critical judgements of transfer pricing and the international structure (Group only) – Impairment of PPE and other intangible assets (Group only) – Management override of controls (Group and parent Company) – Completeness of related party transactions (Group and parent Company) Our assessment of the Group's key audit matters is consistent with 2022.

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.

Treatment and likelihood of contingencies and litigation & claims

Key audit matter description	As indicated in Note 30, the Group is subject to a number of legal proceedings. Management has assessed the probability of an outflow of resources in the various proceedings and considered how to account and/or disclose the claims in accordance with IAS 37. The Group has disclosed the legal cases for which it has provided amounts in the financial statements. Our procedures have focused on managements assessment of these claims in line with IAS37 to conclude as to whether these are deemed probable rather than possible. The two key cases provided for by management are the contested sureties claim and the squeeze-out of minority shareholders which we have directed our attention to. The Group has disclosed the contingencies which exist as a result of past transactions or events in Note 30. Our audit has given particular consideration to the three main claims in which the Group is involved, being the FPM share dispute, the royalty related investigation and the currency control measures imposed in Ukraine. Management judgement is involved in assessing the accounting for contingencies and claims. Particular judgement is required in considering the probability of any claim against the Group being successful and we have accordingly designated this as a key audit matter of the audit. The key risk related to the claims and contingencies is mainly associated with the completeness of the disclosure and provisions in the financial statements. We draw attention to Note 30 to the consolidated financial statements which describes the uncertainty in the application of local legislation in Ukraine in respect of the outcome of the proceedings in which the Group is involved. Our opinion is not modified in respect of this matter.
How the scope of our audit responded to the key audit matter	We enquired directly and obtained documentation from the Group's internal and external legal advisors and counsel about their assessment of the various claims to evaluate the appropriateness of management's judgements and subsequent conclusions. We discussed the cases with management, and reviewed correspondence and other documents exchanged between the Group and the other parties involved. We considered and assessed the likelihood of an outflow of resources arising as a result of each individual claim on the basis of the information obtained. We used the component auditor's internal legal expert to review certain cases and conclude on the likelihood of the claims' outcome. We read the minutes of the board meetings and inspected the Group's legal expenses, in order to ensure all cases have been identified. We discussed and challenged the disclosures for completeness and accuracy of any financial impact based on our procedures detailed above.
Key observations	The results of our audit procedures regarding the treatment and likelihood of contingencies and litigation & claims were satisfactory, and we concur that the disclosures are materially appropriate.

Independent Auditor's Report continued
To the members of Ferrexpo plc

Taxation – IFRIC 23 and critical judgements of transfer pricing and the international structure

Key audit matter description	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, that comply with applicable legislation. The STS launched two additional tax audits on 18 February 2020 into the cross-border pricing arrangements with other Group subsidiaries for periods from 2013 to 2017. 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 2017. The STS made formal claims for US$45.5million and US$6.8m, against two of the Ukrainian subsidiaries, excluding fines and penalties. Due to the adverse Supreme Court ruling in 2022 regarding the 2015 period, 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. This matter is described in Note 11 to the financial statements and considered by the Audit Committee on page 118 of the Annual Report. The IFRIC 23 framework can be challenging to apply in the context of international taxation and contentious transfer pricing matters, in particular regarding the fact that the treatment of transfer pricing cases will typically shift from matters of policy and application in an enquiry to matters of evidence and jurisprudence in an adjudication by a court. In an enquiry, a tax authority has the disadvantage of not knowing the full facts and circumstances upfront in the same way as a taxpayer. The framework therefore asks the taxpayer to equalise this dynamic by basing any IFRIC 23 analysis on the assumption that there is no information asymmetry as between the taxpayer and the tax authority. Further, in an enquiry, it is accepted that any disagreement will likely be settled by a negotiation in the first instance. There will be many factors to account for in predicting the outcome of a negotiation such as the nature of the dispute as well as wider commercial and policy pressures. The nature of court proceedings is that there is a need for clear adjudication on matters of law and jurisprudence. This means that negotiation does not come into it at all, albeit the parties are free to settle the dispute at any time. Rather the court process is an impartial evidence-based process that involves judges applying the law to the facts. The lower courts will usually resolve points of fact and the higher courts will usually address points of law. Adjudication of points of law tends to be a more technically involved process whose outcome is extremely difficult to predict. Consequently, the higher the level of court hearing a matter, the more difficult it becomes to apply the IFRIC 23 framework. This is because the highest courts operate at the highest levels of discretion.
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 key correspondence and calculation of the assessed risk with assistance from international tax and transfer pricing specialists. In addition, we have reviewed recent similar cases in Ukraine and the results of the court proceedings. We have relied on experts to assess the risk of an adverse ruling taking place based on their knowledge of the Ukrainian legal system. The consideration of IFRIC 23 requires the Group to consider the position at each financial year end based upon the information as at that date. We have challenged management and considered a sensitivity analysis upon the application of IFRIC 23 to consider the significant judgements made in relation to both transfer pricing and international taxation matters impacting the Group. This included a detailed IFRIC 23 assessment for the inherent risks in relation to the transfer pricing claims and 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.

Impairment of PPE and intangible assets

Key audit matter description	Due to the ongoing war in Ukraine, management does not expect the Group to be operating and trading at full capacity for an uncertain period in the future, resulting in reduced expected cash flows from the Group's assets over the period of uncertainty. The calculation of the value in use to assess the recoverable amount of the Group's cash generating unit ("CGU") as at the year-end date is derived from management long-term model and is driven by a number of key inputs which are obtained either from external sources or management's best estimates. Therefore, this is an area subject to a high level of estimation uncertainty and judgement. We draw attention to Note 13 to the consolidated financial statements which describes the uncertainty related to the estimate of the recoverable amount of the Group's Cash Generating Unit. Our opinion is not modified in respect of this matter.
How the scope of our audit responded to the key audit matter	Reviewed the mathematical accuracy of the value in use calculation to identify any computational errors that may have fed into the forecasts. We have challenged management as to the source and selection of the data used in the Group's forecasts to ensure that these are relevant and reasonable in light of the Group's circumstances and the ongoing war in Ukraine. We have challenged the key judgements and assumptions underpinning the forecasts to ensure that these are appropriate and reasonable based on our understanding of the Group's circumstances and the ongoing war in Ukraine. We have reviewed, with the help of our external valuation expert, the determination of the discount rate applied in the value in use calculation and considered whether it is reasonable in the Group's circumstances. We have considered whether the value in use calculation has considered all available relevant information and verified whether it is mathematically accurate. We have considered whether the assets included in the carrying amount of the GCU were accurate and verified the amount of the impairment loss. We have considered whether, in light of the current situation in Ukraine, whether any of the previously recorded impairment loss should be reversed in line with IAS 36. We have reviewed the disclosures in respect of the impairment assessment including the appropriateness of the sensitivities detailed and the accuracy of their financial impact.
Key observations	The results of our audit regarding the Impairment of PPE and other intangibles were satisfactory, and we concur with managements conclusions that neither an impairment nor impairment reversal should be recorded in the consolidated financial statements and that disclosures in the consolidated financial statements are materially appropriate.

Independent Auditor's Report continued
To the members of Ferrexpo plc

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 Executive Chair and Acting Chief Marketing Officer, Group legal counsel and with lower-level operational management throughout the organisation and at different levels and in different functions to identify if they are aware of any instances of override of controls. We evaluated the design and implementation of key controls including, in particular, high-level management review controls and controls over purchase-to-pay procurement processes, as part of our risk assessment. We reviewed internal audit reports to help identify significant control deficiencies for any actual or suspected non-compliance with controls. We tested the appropriateness of journal entries and other adjustments recorded in the general ledger and other adjustments in the preparation of the financial statements at both the Parent Company and consolidated Group level. We evaluated whether the judgments and decisions made in determining the accounting estimates included in the financial statements, even if they are individually reasonable, indicate a possible bias on the part of the entity's management that may represent a risk of material misstatement due to fraud. We evaluated the business rationale for significant transactions that are outside the normal course of the business for the entity. We held discussions with the Audit Committee, senior management and internal audit regarding the risk of fraud, effectiveness of key oversight controls and any fraud or suspected fraud identified during the year.
Key observations	From the audit procedures we have undertaken we did not identify any instances of management override of controls.

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$17.2 million (2022: US$29.1 million) and other income of US$0.3 million (2022: US$0.6 million) in 2023. 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 to the Financial Statements and the Group's controls are described in the Report of the Audit Committee on page 119.
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 its register and recording transactions with those related parties. 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 2023 that are significant or outside the normal course of business. We used our data analytics tool to search for transactions with related parties which had not been included in the related party disclosures. We completed a reconciliation of related party transactions extracted from management's system for the related party disclosures to ensure that it was complete. We tested a sample of suppliers in Ukraine to establish whether they are genuine businesses against information held on public record. We performed independent searches of the Board of Directors' other appointments and shareholdings and to identify any counterparties on the list which were not included in the related party disclosures. Obtained representation from the Board of Directors as to the completeness of the list of related parties and transactions with those related parties. Reviewed the Related Party disclosures in the Financial Statements against the relevant reporting requirements and the results of our work.
Key observations	We are satisfied that the related party transactions and balances are appropriately disclosed in the financial statements.

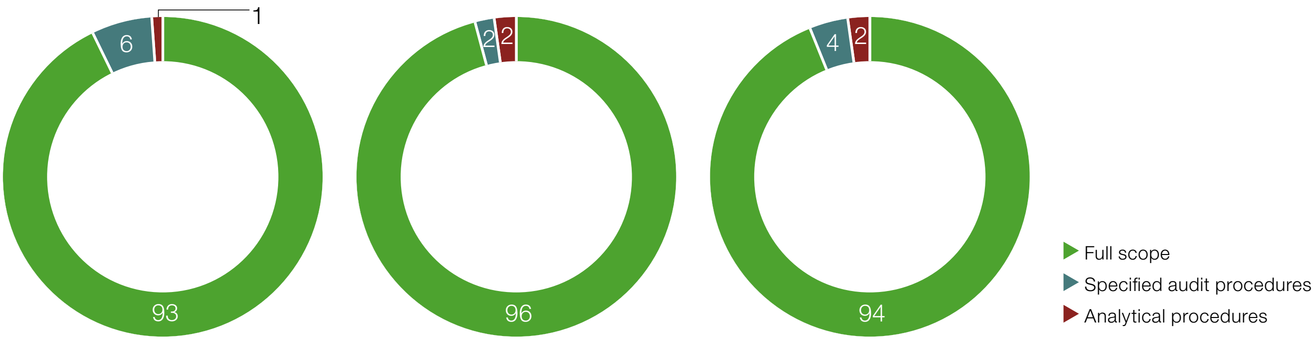
How we tailored the audit scope

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 in the UK, while the head office and marketing companies are based in Switzerland and the primary mining operations are located in Ukraine.

Considering operational and financial performance and risk factors, we focused our assessment on the significant components and performed full scope audits of the Ukrainian Ferrexpo Poltava Mining and Ferrexpo Yeristovo Mining components; the sales and marketing entities Ferrexpo AG and Ferrexpo Middle East; Ferrexpo Finance plc; and Ferrexpo plc entity; along with specified Group-level audit procedures over the assets of the non-operating Ukrainian Ferrexpo Belanovo component; the assets of the Hungarian Helogistics Asset Leasing entity including the vessels; and revenue of the Hungarian DDSG Mahart entity. Our full scope and specified audit procedures cover revenue (99% of Group total), profit before tax (98% of Group total) and net assets (98% of Group total).

The remaining 21 components represent 2% of the Group's loss before tax and individually do not represent more than 1% of the Group's loss before tax. The work performed by the component audit teams is guided by the Group audit team and is executed at levels of materiality applicable to each individual entity, which were lower than Group materiality and ranged from US$1.1 million to US$5.5 million (2022: US$1.4 million to US$7 million).

Revenue (%) **Profit before tax (%)** **Net assets (%)**



The Group audit team was involved in the audit work performed by the component auditor in Ukraine through a combination of our Group planning meetings and calls, provision of Group instructions (including detailed supplemented procedures), review and challenge of related component interoffice reporting and of findings from their work (which included the audit procedures performed to respond to risks of material misstatement), attendance at component audit closing conference calls and weekly interaction on audit and accounting matters which arose. As a visit to the Ukrainian team was not practicable due to the ongoing war in Ukraine, the Group audit team intensified the interaction with that local team through video conferences to review and direct the audit approach taken in respect of significant risks and a number of other relevant risks of material misstatement.

Ferrexpo plc and Ferrexpo Finance plc are registered in the UK; hence the audits were carried out by the Group audit team.

The Swiss and Middle East sales and marketing entities have a common finance function with the Group finance team and as such the audits of these components were carried out by the Group audit team.

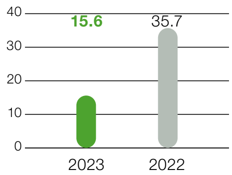
At the Parent entity level, we also tested the consolidation process and carried out analytical procedures to confirm our conclusion that there were no significant risks of material misstatement of the aggregated financial information of the remaining components not subject to audit or audit of specified account balances.

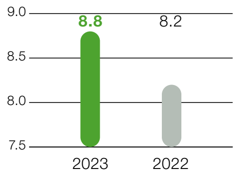
Our application of materiality

The scope of our audit was influenced by our application of materiality. Our definition of materiality considers the value of error or omission on the financial statements that, individually or in aggregate, would change or influence the economic decision of a reasonably knowledgeable user of those financial statements. Misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Independent Auditor's Report continued
To the members of Ferrexpo plc

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)


Overall Materiality amounting to US$15.6 million (2022: US$35.7 million)</td><td>Parent Company materiality
(US$ Million)


Overall Materiality amounting to US$8.8 million (2022: US$8.2 million)</td></tr>
<tr><td>Performance materiality</td><td>We set our 2023 performance materiality at 60% of overall materiality (2022: 60%), amounting to US$9.4 million (2022: US$21.4 million) to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. In determining performance materiality, we considered a number of factors – the history of misstatements, our risk assessment and the strength and robustness of the control environment.</td><td>We set our 2023 performance materiality at 60% of overall materiality (2022: 60%), amounting to US$5.3 million (2022: US$4.9 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></tr>
<tr><td>How we determined it</td><td>We have applied our revised approach to determining materiality that, alongside the previous metric of three-year average of adjusted profit before tax, now includes the net assets balance sheet metric. We have determined materiality of US$15.6 million on the basis of our professional judgement which represents:
– 3.2% of three-year average of adjusted profit before tax
– 1.4% of net assets
– (2022: 5% of a three-year average of adjusted profit before tax)</td><td>2% of Parent Company's net assets (2022: 2%)</td></tr>
<tr><td>Rationale for the benchmark applied</td><td>Range approach to determining materiality
In determining materiality we have adopted a range approach which considers both the upper and lower bounds of a reasonable materiality level and which incorporates both of the above benchmarks. We have selected a point within that range that, in our professional judgement, appropriately reflects the sensitivity of the users of the financial statements to Ferrexpo's current year performance and financial position.

Three-year average of adjusted profit before tax
We consider the approach of using a three-year average of adjusted profit before tax as a benchmark to continue to be appropriate given the nature of the mining industry which is exposed to cyclical commodity price fluctuations and to therefore provide a normalised metric reflective of the scale of the Group's size and operations.

The profit before tax metric is adjusted to remove items which, due to their nature and variable financial impact and/or the infrequency of the underlying events, are not considered to be representative of the normalised operations of the Group. If these items were included, they would distort materiality year-on-year and make it volatile.</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.</td></tr>
</table>

	Group financial statements	Parent Company financial statements
Rationale for the benchmark applied continued	**Net Assets additional benchmark** The war in Ukraine has produced an overall reduction of the Group's activity and profitability. The Group's assets are scaled on business levels that the Group consistently achieved before the war and the focus of stakeholders will also have turned to long-term profitability and related recoverability and valuation of the Group's assets, which is not reflected in the above short-term profit benchmark. The resumption of a higher normal level of activity in the future is also likely to require strategic decisions in respect of the access to further capital (be it short-term or long-term). In that respect, the inclusion of the net assets metric in our approach to determining materiality increases consistency with the stakeholders' focus and the expected scale of the Group's business. **Revised approach to materiality determination** In determining materiality, we have considered both benchmarks and calculated a range of reasonable levels where the upper and lower points were based on the application of our audit methodology for each benchmark. We then used our professional judgement to select a point within the range that would suitably represent the sensitivity of the users to misstatements in the Group's results and financial position.	

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$0.8 million (2022: US$1.8 million) for the Group as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. All differences in excess of US$0.4 million (2022: US$0.4 million) are reported for the Parent Company.

We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

The control environment

We evaluated the design and implementation of those internal controls of the Company which are relevant to our audit, such as those relating to the financial reporting cycle. We also tested operating effectiveness, but did not place reliance on certain controls over several of the key business cycles.

We deployed our internal IT audit specialists to gain an understanding of general IT controls and perform walkthroughs of the key operating cycles.

Climate-related risks

In planning our audit and gaining an understanding of the Group, we considered the potential impact of climate-related risks on the business and its financial statements. We obtained management's climate-related risk assessment, along with relevant documentation and reports relating to management's assessment and held discussions with management to understand its process for identifying and assessing the related risks.

We engaged internal specialists to assess, amongst other factors, the benchmarks used by management, the nature of the Group's business activities, its processes and the geographic distribution of its activities.

We critically reviewed management's assessment and challenged the assumptions underlying its assessment. We made enquiries to understand the extent of the potential impact of climate change risks on the Group's financial statements. This has included a review of critical accounting estimates and judgements, and the effect on the MHA audit approach. We also considered the ongoing viability of the business in respect both direct physical climate risks and transition risks, such as changes in legislation, as nations grapple with their commitments to reduce emissions.

Independent Auditor's Report continued
To the members of Ferrexpo plc

Reporting on other information
The other information comprises the information included in the Annual Report and Accounts other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' Remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- a corporate governance statement has not been prepared by the Parent Company.

Corporate governance statement
We have reviewed the Directors' Statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the entity's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- Directors' statement with regard to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on pages 155 and 156;
- Directors' explanation as to its assessment of the Group's prospects, the period this assessment covers and why they period is appropriate set out on page 91;
- Directors' statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities set out on page 92;
- Directors' statement on fair, balanced and understandable set out on page 157;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 91;
- Section of the Annual Report and Accounts that describes the review of effectiveness of risk management and internal control systems set out on page 119; and
- Section describing the work of the Audit Committee set out on pages 114-116.

Responsibilities of Directors
As explained more fully in the Directors' responsibilities statement set out on page 157, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

Identifying and assessing potential risks arising from irregularities, including fraud

The extent of the procedures undertaken to identify and assess the risks of material misstatement in respect of irregularities, including fraud, included the following:

- We considered the nature of the mining industry and sector on the control environment, business performance including remuneration policies and the Company's own risk assessment that irregularities might occur as a result of fraud or error. From our sector experience and through discussion with the Directors and legal advisors, we obtained an understanding of the legal and regulatory frameworks applicable to the Company focusing on laws and regulations that could reasonably be expected to have a direct material effect on the financial statements, such as provisions of the Companies Act 2006, Listing Rules, Corporate Law in Ukraine and international tax legislation. In addition, we considered compliance with the UK Bribery Act, employee legislation, terms of the Group's mining licences and environmental regulations as fundamental to the Group's operations;
- We enquired of the Directors and management, including the in-house legal counsel and Audit Committee concerning the Company's policies and procedures relating to:
  - identifying, evaluating and complying with the laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they had any knowledge of actual or suspected fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations.
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur by evaluating management's incentives and opportunities for manipulation of the financial statements. This included utilising the spectrum of inherent risk and an evaluation of the risk of management override of controls. We determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce costs, creating fictitious transactions to hide losses or to improve financial performance, and management bias in accounting estimates, particularly in the value in use calculation for the Group's assets, and in significant accounting judgements in respect of the assessment of contingencies and legal claims and uncertain tax treatments. The Group engagement team shared this risk assessment with the significant subsidiaries auditors so that they could include appropriate audit procedures in response to such risks in their work.

Independent Auditor's Report continued
To the members of Ferrexpo plc

Audit response to risks identified
In respect of the above procedures:

- We corroborated the results of our enquiries through our review of the minutes of the Company's board, Finance and Risk Committee and Audit Committee meetings;
- Audit procedures performed by the engagement team in connection with the risks identified included:
  - reviewing legal correspondence and documentation from the Group's lawyers in addition to discussions on the ongoing legal matters;
  - reviewing financial statement disclosures and testing supporting documentation to assess compliance with applicable laws and regulations expected to have a direct impact on the financial statements;
  - testing journal entries, including those processed late for financial statements preparation, and those posted by infrequent or unexpected users, those posted to unusual account combinations;
  - evaluating the business rationale of significant transactions outside the normal course of business, and reviewing accounting estimates for bias;
  - enquiry of management and legal advisors around actual and potential litigation and claims;
  - challenging the assumptions made by management in measuring significant accounting estimates, in particular those included in the Group's value in use calculation, and the going concern long-term model, as well as the judgments made in respect of contingencies and legal claims and IFRIC 23 assessment of tax liabilities;
  - obtaining confirmations from third parties to confirm existence of a sample of transactions and balances;
  - the audit team in Ukraine visiting the mines in December 2023 and observing the progress of key capital projects, the mining operations, and physical verification of the inventory; and
  - the use of data analytics software to interrogate the journals posted in the year and to review areas where the incentive to override controls may be greatest. We also used our data analytics tool to identify potential transactions with related parties.
- The Group operates in a specialised mining industry. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities; and
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including experts, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Other matters which we are required to address
Following the recommendation of the Audit Committee, we were appointed by the members of the Company by ordinary resolution at the Annual General Meeting held on 25 May 2023 to audit the financial statements for the year ending 31 December 2023. Our total uninterrupted engagement is five years, covering the years ending 31 December 2019 to 31 December 2023.

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.

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
17 April 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Consolidated Income Statement

US$000	Notes	Year ended 31.12.23	Year ended 31.12.22
Revenue	6	651,795	1,248,490
Operating expenses	5/7	(616,107)	(1,192,046)
Other operating income	8	4,067	9,233
Operating foreign exchange gains	9	31,371	339,439
Operating profit		71,126	405,116
Recognition of provisions for legal disputes	30	(131,117)	–
Share of (loss)/profit from associates	33	(372)	557
(Loss)/profit before tax and finance		(60,363)	405,673
Net finance expense	10	(104)	(3,517)
Non-operating foreign losses	9	(7,934)	(63,497)
(Loss)/profit before tax		(68,401)	338,659
Income tax expense	11	(16,352)	(118,662)
(Loss)/profit for the year		(84,753)	219,997
(Loss)/profit attributable to:			
Equity shareholders of Ferrexpo plc		(84,775)	219,995
Non-controlling interests		22	2
(Loss)/profit for the year		(84,753)	219,997
(Loss)/earnings per share:			
Basic (US cents)	12	(14.41)	37.41
Diluted (US cents)	12	(14.41)	37.35

Consolidated Statement of Comprehensive Income

US$000	Notes	Year ended 31.12.23	Year ended 31.12.22
(Loss)/profit for the year		**(84,753)**	219,997
Items that may subsequently be reclassified to profit or loss:			
Exchange differences on translating foreign operations		**(54,855)**	(664,296)
Income tax effect	11	**1,479**	13,036
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		**(53,376)**	(651,260)
Items that will not be reclassified subsequently to profit or loss:			
Remeasurement gains on defined benefit pension liability	22	**899**	5,336
Net other comprehensive income not being reclassified to profit or loss in subsequent periods		**899**	5,336
Other comprehensive loss for the year, net of tax		**(52,477)**	(645,924)
Total comprehensive loss for the year, net of tax		**(137,230)**	(425,927)
Total comprehensive loss attributable to:			
Equity shareholders of Ferrexpo plc		**(137,244)**	(425,919)
Non-controlling interests		**14**	(8)
		(137,230)	(425,927)

Consolidated Statement of Financial Position

US$000	Notes	As at 31.12.23	As at 31.12.22
Assets			
Property, plant and equipment	13	826,034	807,861
Right-of-use assets	14	6,852	6,342
Goodwill and other intangible assets	15	6,368	8,249
Investments in associates	33	4,616	5,167
Inventories	17	5,883	6,277
Other non-current assets	16	38,104	37,451
Deferred tax assets	11	10,149	14,471
Total non-current assets		898,006	885,818
Inventories	17	201,429	224,454
Trade and other receivables	18	82,321	24,699
Prepayments and other current assets	19	21,380	13,352
Income taxes recoverable and prepaid	11	2,432	4,674
Other taxes recoverable and prepaid	20	26,291	88,762
Cash and cash equivalents	25	115,241	112,945
Total current assets		449,094	468,886
Total assets		1,347,100	1,354,704
Equity and liabilities			
Issued capital	31	121,628	121,628
Share premium		185,112	185,112
Other reserves	31	(2,676,294)	(2,636,891)
Retained earnings		3,482,883	3,580,329
Equity attributable to equity shareholders of Ferrexpo plc		1,113,329	1,250,178
Non-controlling interests		81	67
Total equity		1,113,410	1,250,245
Interest-bearing loans and borrowings	5/26	1,009	1,354
Defined benefit pension liability	22	16,518	16,456
Provision for site restoration	23	2,780	4,284
Deferred tax liabilities	11	2,729	1,347
Total non-current liabilities		23,036	23,441
Interest-bearing loans and borrowings	5/26	5,939	5,194
Trade and other payables	21	35,310	30,509
Provisions	30	128,050	–
Accrued and contract liabilities	24	17,328	19,593
Income taxes payable	11	15,202	20,564
Other taxes payable	20	8,825	5,158
Total current liabilities		210,654	81,018
Total liabilities		233,690	104,459
Total equity and liabilities		1,347,100	1,354,704

The financial statements were approved by the Board of Directors and authorised for issue on 17 April 2024 and signed on behalf of the Board.

Lucio Genovese
Executive Chair

Nikolay Kladiev
Chief Financial Officer and Executive Director

Consolidated Statement of Cash Flows

US$000	Notes	Year ended 31.12.23	Year ended 31.12.22
(Loss)/profit before tax		**(68,401)**	338,659
Adjustments for:			
Depreciation of property, plant and equipment, right-of-use assets and amortisation of intangible assets	7	**57,669**	96,977
Net finance (income)/expense	10	**(2,536)**	746
Losses on disposal and liquidation of property, plant and equipment	7	**11**	1,665
Write-offs and impairments	7	**978**	260,308
Share of loss/(profit) from associates	33	**372**	(557)
Movement in allowance for doubtful receivables	18	**4,403**	6,729
Movement in site restoration provision	23	**(1,377)**	1,578
Employee benefits	22	**3,518**	3,745
Share-based payments	28	**830**	490
Recognition of provisions for legal disputes	30	**131,117**	–
Operating foreign exchange gains	9	**(31,371)**	(339,439)
Non-operating foreign exchange losses	9	**7,934**	63,497
Operating cash flow before working capital changes		**103,147**	434,398
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(71,946)**	210,267
Decrease/(increase) in inventories		**15,930**	(90,385)
Increase/(decrease) in trade and other payables (including accrued and contract liabilities)		**6,724**	(55,529)
Decrease/(increase) in other taxes recoverable and payable (including VAT)	20	**62,554**	(84,110)
Cash generated from operating activities		**116,409**	414,641
Interest paid		**(223)**	(918)
Income tax paid	11	**(12,779)**	(110,243)
Post-employment benefits paid		**(2,238)**	(2,220)
Net cash flows from operating activities		**101,169**	301,260
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	13/15	**(101,247)**	(161,010)
Proceeds from disposal of property, plant and equipment and intangible assets		**91**	103
Interest received		**4,608**	894
Dividends from associates		**–**	711
Net cash flows used in investing activities		**(96,548)**	(159,302)
Cash flows used in financing activities			
Repayment of loans and borrowings	26	**–**	(42,209)
Principal elements of lease payments	26	**(5,410)**	(5,786)
Dividends paid to equity shareholders of Ferrexpo plc	12	**(456)**	(155,095)
Net cash flows used in financing activities		**(5,866)**	(203,090)
Net decrease in cash and cash equivalents		**(1,245)**	(61,132)
Cash and cash equivalents at the beginning of the year		**112,945**	167,291
Currency translation differences		**3,541**	6,786
Cash and cash equivalents at the end of the year	25	**115,241**	112,945

Consolidated Statement of Changes in Equity

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
	Attributable to equity shareholders of Ferrexpo plc						
At 1 January 2022	121,628	185,112	(1,986,131)	3,510,793	1,831,402	75	1,831,477
Profit for the year	–	–	–	219,995	219,995	2	219,997
Other comprehensive (loss)/ income	–	–	(651,250)	5,336	(645,914)	(10)	(645,924)
Total comprehensive (loss)/ income for the year	–	–	(651,250)	225,331	(425,919)	(8)	(425,927)
Share-based payments (Note 28)	–	–	490	–	490	–	490
Equity dividends to shareholders of Ferrexpo plc	–	–	–	(155,795)	(155,795)	–	(155,795)
At 31 December 2022	121,628	185,112	(2,636,891)	3,580,329	1,250,178	67	1,250,245
Loss for the year	–	–	–	(84,775)	(84,775)	22	(84,753)
Other comprehensive loss	–	–	(53,368)	899	(52,469)	(8)	(52,477)
Total comprehensive loss for the year	–	–	(53,368)	(83,876)	(137,244)	14	(137,230)
Share-based payments (Note 28)	–	–	830	–	830	–	830
Equity dividends to shareholders of Ferrexpo plc (Note 12)	–	–	–	(435)	(435)	–	(435)
Effect from transfer of treasury shares (Note 31)	–	–	13,135	(13,135)	–	–	–
At 31 December 2023	121,628	185,112	(2,676,294)	3,482,883	1,113,329	81	1,113,410

Although accounts are published in US dollars and dividends are declared in US dollars, the shares are denominated in UK pounds sterling and dividends are therefore paid in UK pounds sterling. See Note 12 Earnings per share and dividends paid and proposed for dividends paid during the year.

Notes to the Consolidated Financial Statements

Note 1: Corporate information

Ferrexpo plc (the "Company") is incorporated and registered in England, which is considered to be the country of domicile, with its registered office at 55 St James's Street, London SW1A 1LA, UK. The Company is listed on the London Stock Exchange and is a member of the FTSE 250 Index. Ferrexpo plc and its subsidiaries (the "Group") operate two mines and a processing plant near Kremenchuk in Ukraine, have an interest in a port in Odessa and sales and marketing activities around the world including offices in Switzerland, Dubai, Japan, China, Singapore and Ukraine. The Group also owns logistics assets in Austria, which operate a fleet of vessels operating on the Rhine and Danube waterways and an ocean-going vessel, which provides top-off services. The Group's operations are vertically integrated from iron ore mining through to iron ore concentrate and pellet production and subsequent logistics. The Group's mineral properties lie within the Kremenchuk Magnetic Anomaly and are currently being extracted at the Gorishne-Plavninske-Lavrykivske ("GPL") and Yerystivske deposits.

The ongoing war in Ukraine continued to have a serious impact on the Group's activities in the 2023 financial year, as the Ukrainian Black Sea ports were unavailable for a large part of the year. Following Russia's withdrawal from the Black Sea Grain Agreement, a new alternative corridor for shipments from the Ukrainian Black Sea ports was established, which was also used for non-grain shipments. Although it does have a significant impact on the Group's revenue and its ability to commit to sales volumes to customers in other markets than Europe, the Group has refrained from using this new corridor during the financial year 2023. The Group has managed to continue its operations throughout the 2023 financial year, albeit at a significantly lower level, and had to align its mining and processing plans with the logistics network available for sales to its customers in the various markets as it was done during the financial year 2022. The power supply stabilised in the second quarter of the financial year 2023 and no longer had an adverse effect on the Group's production. As at the date of the approval of these consolidated financial statements, the war is still ongoing and poses a significant threat to the Group's mining, processing and logistics operations within Ukraine. See Note 2 Basis of preparation, Note 6 Revenue and Note 13 Property, plant and equipment for further information.

The largest shareholder of the Group is Fevamotinico S.a.r.l. ("Fevamotinico"), a company incorporated in Luxembourg. Fevamotinico is ultimately wholly owned by The Minco Trust, of which Kostyantin Zhevago and two other members of his family are the beneficiaries. At the time this report was published, Fevamotinico held 49.3% (49.5% as at the time of publication of the 2022 Annual Report and Accounts) of Ferrexpo plc's issued voting share capital (excluding treasury shares).

Note 2: Basis of preparation

The consolidated financial statements of Ferrexpo plc and its subsidiaries have been prepared in accordance with International Financial Reporting Standards adopted for use in the United Kingdom ("UK adopted IFRS") and with the Companies Act 2006, as applicable to companies reporting under international accounting standards. Entities are included in the consolidated financial statements from the date of obtaining control and the inclusion in the consolidated financial statements is consequently ceased when the control over an entity is lost. For the definition of control see Note 32 Consolidated subsidiaries.

The consolidated financial statements have been prepared on a historical cost basis, except for post-employment benefits measured in accordance with IAS 19 revised *Employee benefits* and revenues related to provisionally priced sales recognised in accordance with IFRS 15 *Contracts with customers*. 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 material accounting policy information are included in the disclosure notes to the specific financial statement accounts.

Going concern

As at the date of the approval of these consolidated financial statements, the war in Ukraine is still ongoing and the duration is difficult to predict. During the financial year 2023, the Group continued to demonstrate a high level of commitment and resilience that enabled it to operate at a constant, but lower capacity, with a high degree of flexibility to adapt its operations to such changing circumstances.

The ongoing war and the situation in the country continues to represent a material uncertainty in terms of the Group's ability to continue as a going concern. In addition to the war-related material uncertainty, the Group is also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 76 to 78). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties, which represents another material uncertainty as at the date of the approval of these consolidated financial statements.

The war related material uncertainty is predominantly related to the provision and availability of logistics capacity required for the delivery of the Group's products to customers in its key markets, subject to the availability of Black Sea ports in Ukraine. As in the previous financial year, the Group had to adjust during the financial year 2023 its production level to the sales currently possible, which continues to have an impact on the Group's cash flow generation and profitability. However, the Group continued to adapt within the difficult environment by proactively planning how to manage existing uncertainties throughout the year in order to ensure the production of the volumes committed to the Group's customers. The Group's ability to operate its assets also depends on sufficient supply of key input materials required for the mining and production process as well as maintaining an adequate number of experienced and skilled members of the workforce in Ukraine. Further details are outlined in the Principal Risks on pages 74 to 84 and in the Viability Statement on pages 91 and 92.

The adverse impact on the Group's cash flow generation from the ongoing war is reflected in the periods covered by the Group's long-term model used for the going concern assessment. As mentioned above, the level of the Group's production remains predominantly dependent on the access to logistic routes within Ukraine as production volume needs to be aligned to possible sales to minimise working capital outflow and maintain a solid net cash position.

As at 31 December 2023, the Group had produced 3,845 thousand tonnes of iron ore pellets, representing a decrease of 36% compared to the year ended 31 December 2022, and sold 4,174 thousand tonnes of its products, compared to 6,183 thousand tonnes during the financial year 2022, which included two months of operations at pre-war levels.

Note 2: Basis of preparation continued

Despite the challenging situation during the financial year 2023, the Group's net cash position increased from US$106,397 thousand at the beginning of the year to US$108,293 thousand as at 31 December 2023, demonstrating the Group's capability to adjust its business operation to the changed environment in order to preserve the available liquidity as much as possible. As at the date of the approval of these consolidated financial statements, the Group is in a net cash position of approximately US$91,300 thousand with an available cash balance of approximately US$96,200 thousand. The decrease of the net cash position is driven by the increase of the Group's production during the first quarter of 2024 to benefit from favourable market conditions and the available alternative shipping corridor in the Black Sea. In addition to the available cash balance, the Group has an outstanding trade receivable balance of approximately US$48,900 thousand from its pellet and concentrate sales in the first quarter of 2024, which are expected to be collected in the next few months, and finished goods already stockpiled at different ports or storage locations other than the plant of 668 thousand tonnes.

The Group's volume of finished goods inventory is expected to reduce over the next few months, but is dependent on the number of shipments using the alternative shipping corridor.

As part of management's going concern assessment, the Group continuously adjusts its long-term model in order to reflect the latest developments in terms of possible production and sales volumes as well as latest market prices and production costs, which are adversely affected by the lower production volumes. This long-term model is also used for the impairment test of the Group's non-current operating assets and the key assumptions used when preparing this model are disclosed in Note 13 Property, plant and equipment on pages 194 and 195.

The latest base case of the long-term model shows that the Group has sufficient liquidity to continue its operations at a reduced level for the entire period of the management's going concern assessment, covering a period of 18 months from the date of the approval of these consolidated financial statements, even allowing for reasonably possible or plausible adverse changes in respect of realised prices, lower production and sales volumes as well as higher production costs. This base case assumes a production volume of 45% of the pre-war level for the financial year 2024, before an increase to approximately 80% in 2025 and an expected recovery to pre-war levels in 2026. However, as mentioned above, the production and sales volumes are dependent on the logistics network available to the Group and other potential adverse effects on the Group's operation as a result of the ongoing war. The sensitivities prepared for reasonable adverse changes show tighter available liquidity under some scenarios, but sufficient available liquidity to operate as planned for the next 18 months.

The Group also prepared reverse stress tests for more severe adverse changes, such as a combination of all reasonably possible or plausible adverse changes in respect of realised prices and production costs, which is unlikely to happen in combination as a result of the historical natural hedge between iron ore prices and prices for key input materials, as well as lower production and sales volumes, but also for a further delay of the full recovery by another year. The stress test for the most severe adverse changes shows that the Group would deplete its available cash balance by September 2024, without making use of any available mitigating actions within its control, such as further reductions of uncommitted development capital expenditure and operating costs.

As disclosed in the Group's 2022 Annual Report & Accounts, the ongoing war in Ukraine and other circumstances facing the Group have led to an escalation of a number of risks, including risks relating to the political environment and the independence of the legal system in Ukraine, which could have a material negative impact on the Group's business activities and reputation, although the financial impact cannot be reasonably quantified. The Group announced on 29 January 2024 that a Ukrainian court of appeal has confirmed a claim against Ferrexpo Poltava Mining ("FPM") in the amount of UAH4,727 million (US$124,450 thousand as at 31 December 2023), in respect of contested sureties (see Note 30 Commitments, contingencies and legal disputes for further details). The claim and court decision are another example of the risk of operating in a dynamic and adverse political landscape in Ukraine, which creates additional challenges for both the Group's subsidiaries in Ukraine and, also for the Group itself. Although the Group's management is of the opinion that this claim is without merit and FPM has appealed this decision to the Supreme Court of Ukraine, considering the magnitude of this specific claim and the risks associated with the judicial system in Ukraine, the outcome of this ongoing legal dispute represents a material uncertainty in terms of the Group's ability to continue as a going concern. In accordance with the requirements of IAS 37 Provisions, contingent liabilities and contingent assets, the Group recorded a full provision for this claim as at 31 December 2023, with a consequent significant impact on the Group's result for the financial year 2023. A future cash outflow, which also depends on the details and technicalities of a possible enforcement in the event of a negative decision by the Supreme Court, is likely to have a significant impact on the Group's future cash flow generation and available liquidity.

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;

iii) the feasibility and effectiveness of all available mitigating actions within the Group management's control for identified uncertainties; and

iv) the legal merits in terms of the ongoing legal dispute mentioned above and potential future actions available to protect the interests of the Group in case of a negative decision from the Supreme Court,

there remains a material uncertainty in respect of the ongoing war and the legal dispute in Ukraine, which are outside of the Group management's control, with the duration and the impact of the war still unable to be predicted, and the uncertainty in relation to the independence of the judicial system and its immunity from economic and political influences in Ukraine.

In respect of the contested sureties claim mentioned above, no enforcement procedures have commenced as at the date of the approval of these consolidated financial statements. Furthermore, on 1 April 2024 the Supreme Court suspended the possible enforcement of the decision of the Ukrainian court of appeal, so that such enforcement procedures cannot be initiated by the claimant until a final decision is made by the Supreme Court, or the Supreme Court's suspension order is otherwise lifted. As at the date of the approval of these consolidated financial statements, no decision has been made by the Supreme Court in the contested sureties claim and the next hearing is scheduled for 27 May 2024. The commencement of the enforcement procedures could potentially have a material negative impact on the Group's business activities and its ability to continue as a going concern. See Note 30 Commitments, contingencies and legal disputes for further information,

Note 2: Basis of preparation continued

which should be read in conjunction with this note.

A supplier and related party to the Group filed in February 2024 an application to open bankruptcy proceedings (“creditor protection proceedings”) against FPM for an amount of UAH2.2 million, which subsequently increased to UAH4.6 million (c. US$117 thousand as at 15 April 2024). It is the Group’s intention to settle this debt or seek to extend the payment terms, but noting a previous extension request has been refused by the supplier prior, to avoid the opening of such creditor protection proceedings. However, a possible opening of the creditor protection proceedings might affect FPM’s ability to continue as a going concern and, as a consequence, also the Group. See Note 30 Commitments, contingencies and legal disputes for further information, which should be read in conjunction with this note.

As at the date of the approval of these consolidated financial statements, the Group’s operations, located adjacent to the city of Horishni Plavni, have not been directly affected by the ongoing war, but this remains a risk. Should the area surrounding the Group’s operations become subject to the armed conflict, there would be a significant risk posed to the safety of the Group’s workforce and the local community, as well as a significant risk to key assets and the infrastructure required for the Group to operate effectively. See the update on the Group’s Principal Risks section on pages 74 to 84 for further information.

Considering the current situation of the ongoing war and legal disputes in Ukraine, mainly the contested sureties claim, the Group’s ability to swiftly adapt to the changing circumstances caused by the war, as demonstrated during the financial years 2023 and 2022, 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, as explained above, many of the identified uncertainties in respect of the ongoing war and legal disputes are outside of the Group management’s control, and are unpredictable, which may cast significant doubt upon the Group’s ability to continue as a going concern, including a potential seizure or forced sale of the Group’s assets in Ukraine, including movable, immovable and financial assets, in respect of the contested sureties claim. See Note 13 Property, plant and equipment and Note 17 Inventories for further information.

For more information on critical judgements made by management in preparing these consolidated financial statements, see also Note 30 Commitments, contingencies and legal disputes in respect of other ongoing legal proceedings and disputes.

If the Group is unable to continue to realise assets and discharge liabilities in the normal course of business, it would be necessary to adjust the amounts in the statement of financial position in the future to reflect these circumstances, which may materially change the measurement and classification of certain figures contained in these consolidated financial statements.

Impact of climate change on the Group’s financial statements

The Group acknowledges the potential impact of climate change on its operations and understands that there are potential direct and indirect financial implications from the climate change in future periods.

As published in the Group’s Responsible Business Reports, the Group has committed to reduce its Scope 1 and Scope 2 carbon emissions by 50% by 2030, compared to the baseline year of 2019, and is targeting a net zero production for Scope 1 and Scope 2 carbon emissions by 2050.

Despite the ongoing war in Ukraine, the Group remains committed to its net zero pathway, however, it is important to acknowledge that the Group is operating in a challenging environment, which requires the fast adaption to new circumstances and uncertainties that are outside of the Group’s control. As a result, there is a risk that the Group may also need to adapt its carbon emission reduction and net zero targets, depending on the duration and impact of the ongoing war in Ukraine. See Going concern on pages 176 to 178 for further information.

The ongoing war in Ukraine continues to have an impact on the Group’s cash flow generation and profitability. As a result, certain projects related to the Group’s Scope 1 and Scope 2 carbon emission targets and the net zero pathway have been halted at the start of the war in February 2022 and, as a consequence, the Group has not entered into any significant commitments for the renewal and replacement of its processing and mining equipment at Ukrainian operations.

Physical risks

The Group is aware of the potential increased risks that climate change could pose to its assets in Ukraine. However, there is no immediate risk at this time and the Group will continue to monitor and consider these risks when planning the renewal and replacement of its existing non-current operating assets.

Transition risks

The Group is aware of a potential shift towards a low-carbon economy and the potential implications for its business models, which could affect market demand for its iron ore products in the medium to long term. The Group is already in the position to produce Direct Reduction (“DR”) pellets and continues to monitor the market and invests in customer relationships in order to secure fixed supply volumes in the short, medium and long term. The shift does not affect the Group’s finished goods on stock as at 31 December 2023 as these are still in demand and expected to be sold in the coming months.

The transition risks as well as the Group’s Scope 1 and Scope 2 carbon emission targets and the net zero pathway could also have an impact on the Group’s processing and mining equipment required in the future. In absence of any significant commitments for processing and mining equipment as at 31 December 2023, there is no significant impact on the expected remaining useful lives of the Group’s non-current operating assets at this time. Furthermore, the Group assumes that its critical non-current operating assets will continue to be an essential part of the Group’s business activities in the future. The Group will continue to monitor and consider these risks when planning the renewal and replacement of its existing non-current operating assets.

At the time of approval of these consolidated financial statements, no significant changes to the Group’s mine plan are expected that could have a material impact on the Group’s non-current operating assets, which are amortised using the unit of production method, or on the recognised site restoration provisions.

Note 2: Basis of preparation continued

There are a number of work streams underway to develop the Group's decarbonisation pathway and creating a structure on which to plan and prioritise future investments. This pathway is however also dependent on the duration and impact of the ongoing war in Ukraine. The Group's business model will be updated as soon as there is more clarity about the current situation in Ukraine and the exact path of the Group's decarbonisation pathway, including commitments made for the renewal and replacement of processing and mining equipment.

For further information see Risks relating to climate change in the Group's Principal Risk section on page 90.

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 2022 except for the adoption of new standards, interpretations and amendments to UK adopted IFRS effective as at 1 January 2023.

New standards, interpretations and amendments adopted without an impact on the Group's consolidated financial statements

Amendments to IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2: *Disclosure of Accounting policies* require the disclosures of material accounting policies rather than significant accounting policies.

Amendments to IAS 8 *Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates* 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.

Amendments to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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.

Amendments to IAS 12 *International Tax Reform – Pillar Two Model Rules* introduce disclosure requirements related to pillar two income taxes.

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.

Notes to the Consolidated Financial Statements continued

Note 3: New accounting policies continued

Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current* were issued in January 2020 and effective for the financial year beginning on 1 January 2024. 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.

The Group expects that all other standards, interpretations and amendments issued at the reporting date, but not yet to be adopted for these financial statements, are not relevant to the Group as they do not have a material impact on its consolidated financial statements and are therefore not listed above.

Note 4: Use of critical estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs requires management to make estimates and judgements that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates and judgements are based on information available as at the date of authorising the consolidated financial statements for issue. Actual results could therefore differ from those estimates and judgements. The Group identified a number of areas involving the use of critical estimates and judgements made by management in preparing the consolidated financial statements and supporting information is embedded within the following disclosure notes:

Critical estimates

– Note 13 Property, plant and equipment – impairment consideration as a result of the ongoing war in Ukraine

The most critical estimate made by the management is in respect of the timing when the Group's operation is expected recover to pre-war levels. As disclosed in Note 13 Property, plant and equipment, there is a risk of material adjustments in future periods in case of a delay of the recovery to pre-war levels. In addition, the duration and impact of the ongoing war in Ukraine could pose a further risk for significant adjustments in future periods.

Critical judgements

– Note 2 Basis of preparation – going concern assumption
– Note 11 Taxation – transfer pricing claims, tax legislation in Ukraine and development in international tax environment
– Note 30 Commitments, contingencies and legal disputes – assessment of matters in an environment of political, fiscal and legal uncertainties

The consideration of the impact of climate change on the Group's financial statements did not require critical estimates and judgements when preparing the consolidated financial statements as at 31 December 2023. See Note 2 Basis of preparation for further details.

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 240.

US$000	Notes	Year ended 31.12.23	Year ended 31.12.22
(Loss)/profit before tax and finance		(60,363)	405,673
Losses on disposal and liquidation of property, plant and equipment		11	1,665
Share-based payments	28	830	490
Write-offs and impairments	7	978	260,308
Recognition of provisions for legal disputes	30	131,117	–
Depreciation and amortisation		57,669	96,977
Underlying EBITDA		**130,242**	**765,113**

In agreement with the Group's definition of the underlying EBITDA (see page 236 in the Alternative Performance Measures "APMs" section), the Group's underlying EBITDA includes operating foreign exchange gains of US$31,371 thousand as of 31 December 2023 (2022: US$339,439 thousand). These foreign exchange differences are predominantly dependent on the fluctuation of the exchange rate of the Ukrainian hryvnia against the US dollar. See Note 9 Foreign exchanges losses and gains for further information.

Note 5: Segment information continued

US$000	Notes	Year ended 31.12.23	Year ended 31.12.22
Revenue	6	651,795	1,248,490
Cost of sales	7	(362,495)	(582,445)
Gross profit		**289,300**	666,045

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 31.12.23	As at 31.12.22
Cash and cash equivalents	25	115,241	112,945
Interest-bearing loans and borrowings – current	26	(5,939)	(5,194)
Interest-bearing loans and borrowings – non-current	26	(1,009)	(1,354)
Net cash		**108,293**	106,397

Net cash is an APM. Further information on the APMs used by the Group, including the definitions, is provided on pages 236 and 237.

Disclosure of revenue and non-current assets
The Group does not generate significant revenues from external customers attributable to the UK, the Company's country of domicile. The information on the revenues from external customers attributed to the individual foreign countries is given in Note 6 Revenue. The Group does not have any significant non-current assets that are located in the country of domicile of the Company. The vast majority of the non-current assets are located in Ukraine.

Note 6: Revenue

Accounting policy

Revenue recognition

Revenue is recognised to the extent that it is probable that the Group will collect the consideration to which it expects to be entitled in exchange for transferring promised goods or services to a customer. The following specific recognition criteria are to be met before revenue is recognised.

Sale of goods including sales of pellets and fuel from bunker business

Revenue is recognised when the control of the goods has passed to the buyer and can be reliably measured.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes. The Group does not have any material variable considerations, such as retrospective volume rebates and rights of returns, in the contracts with its customers. Revenues related to provisionally priced sales are initially recognised at the estimated fair value of the consideration receivable based on the forward price at each reporting date for the relevant period outlined in the different contracts. In terms of the associated commodity risk, see Note 27 Financial instruments for further information.

The control of goods passes when title for the goods passes to the customer as determined by the contractual sales terms based on the International Commercial Terms ("Incoterms"). The sales are typically made under CIF ("Cost Insurance and Freight"), CFR ("Cost and Freight", DAP ("Delivery At Place") and FOB ("Free on Board") terms.

Under DAP Incoterms, revenue is recognised when goods arrive at the agreed destination or at the border crossing, whereas under the other above-mentioned terms the title passes on the date of the bill of lading. If the sales agreement allows for adjustment of the sales prices based on survey of the goods by the customer (e.g. ore content) the revenue is recognised based on the most recent determined product specification.

The Group enters into long-term contracts with some of its customers, which become subject to either renewal or extension when about to expire. As the performance obligations under the old contracts are not affected by the renewal or extension, the new modified contracts are accounted for as separate contracts.

The Group has no unsatisfied or partially unsatisfied performance obligations relating to contracts with customers with original expected duration of more than one year. The Group has therefore taken advantage of the practical expedient provided in IFRS 15 and needs not disclose the transaction price allocated to the remaining performance obligations.

Freight services related to sales of pellets and concentrate

For CIF and CFR contracts the Group must contract for and pay the freight necessary to bring the goods to the named port of destination. Consequently, the freight services under CIF and CFR Incoterms meet the criteria of a separate performance obligation and the corresponding revenue is shown separate from the revenue from sales of iron ore pellets and concentrate.

Freight revenue is recognised over time, as the obligation to perform freight services is fulfilled, along with the associated costs.

For the separate presentation of the freight revenue as required under IFRS 15 *Revenue from contracts with customers*, the Group measures freight revenue based on the average freight rates of the relevant pricing period for specific shipments as outlined in the contracts with its customers. In case the relevant pricing period is after the end of the reporting period (normally within 60 days), revenue is measured based on forward freight rates at the reporting date.

Notes to the Consolidated Financial Statements continued

Note 6: Revenue continued

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.

Revenue for the year ended 31 December 2023 consisted of the following:

US$000	Year ended 31.12.23	Year ended 31.12.22
Revenue from sales of iron ore pellets and concentrate	**598,909**	1,144,079
Freight revenue related to sales of iron ore pellets and concentrate	**652**	43,557
Total revenue from sales of iron ore pellets and concentrate	**599,561**	1,187,636
Revenue from logistics and bunker business	**45,343**	54,491
Revenue from other sales and services provided	**6,891**	6,363
Total revenue	**651,795**	1,248,490

The sales through the Black Sea port of Pivdennyi to the markets outside of Europe have represented approximately half of the Group's sales prior to the Russian invasion into Ukraine in February 2022. As a result of the ongoing war in Ukraine, the Group's seaborne sales through the port of Pivdennyi have still been suspended as the port was unavailable for a large part of the year. The Group continued to divert its iron ore pellet sales during the financial year 2023 to the European market through the available railway network and its barging operations on the Danube. The market in Europe was, however, not able to absorb all the volumes that would have been sold to other markets with ocean-going vessels. Following Russia's withdrawal from the Black Sea Grain Agreement, a new alternative corridor for shipments from the Ukrainian Black Sea ports was established, which was also used for non-grain shipments. Although it does have a significant impact on the Group's revenue and its ability to commit to sales volumes to customers in other markets than Europe, the Group has refrained from using this new corridor during the financial year 2023 due to the associated risks.

Revenue for the year ended 31 December 2023 includes the effect from the derecognition of contract liabilities of US$75 thousand (2022: US$7,648 thousand) deferred as revenue in the comparative year ended 31 December 2022 as the performance obligations were not fulfilled and were included in the balance of the contract liabilities. There was no deferral of freight related revenue for the year ended 31 December 2023 due to the absence of sales under the Incoterms CFR. See Note 24 Accrued and contract liabilities for further information.

Total sales of iron ore pellets and concentrate by geographical destination showing separately countries that individually represented 10% or more of total sales in either the current or prior year were as follows:

US$000	Year ended 31.12.23	Year ended 31.12.22
Europe, including Turkey	**599,869**	944,859
Austria	*258,853*	*460,492*
Czech Republic	*115,873*	*148,128*
Slovakia	*–*	*138,302*
Turkey	*122,556*	*86,640*
Germany	*64,981*	*38,195*
Others	*37,606*	*73,102*
China & South East Asia	**(83)**	164,397
North East Asia	**–**	47,496
Middle East & North Africa	**(225)**	29,982
North America	**–**	902
Total sales of iron ore pellets and concentrate	**599,561**	1,187,636

The Group markets its products across various regions. The disclosure of the segmentation reflects how the Group makes its business decisions and monitors its sales. Information about the composition of the regions is provided in the Glossary on pages 238 and 239. The Group's sales of iron ore pellets and concentrate were significantly impacted by the ongoing war in Ukraine during the financial years 2023 and 2022. Due to the start of the war at the end of February 2022, the Group's operations in the financial year 2022 include two months at pre-war levels, as the Group's seaborne sales through the port of Pivdennyi have been suspended and sales had to be diverted to the market in Europe at the point of time of the Russian invasion into Ukraine.

Note 6: Revenue continued

During the year ended 31 December 2023, sales made to four customers accounted for 81% of the revenues from sales of iron ore pellets and concentrate (2022: 70%).

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 31.12.23	Year ended 31.12.22
Customer A	258,853	461,394
Customer B	115,873	148,128
Customer C	–	138,302
Customer D	109,661	86,633

Considering the constraints imposed by the ongoing war, the Group was not able to fulfil the demands from all its customers since the beginning of the war in Ukraine in February 2022 and sales volumes were therefore allocated to markets and customers based on logistics and market considerations. Relationships with long-standing customers are maintained and the Group expects to be able to meet their demand again as soon as the geopolitical situation in Ukraine improves.

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 2023 consisted of the following:

US$000	Year ended 31.12.23	Year ended 31.12.22
Cost of sales	362,495	582,445
Selling and distribution expenses	161,315	236,085
General and administrative expenses	63,509	63,847
Other operating expenses	28,788	309,669
Total operating expenses	**616,107**	**1,192,046**

Total operating expenses include:

US$000	Year ended 31.12.23	Year ended 31.12.22
Inventories recognised as an expense upon sale of goods	339,349	540,010
Employee costs (excl. logistics and bunker business)	73,924	92,144
Inventory movements	3,910	(52,953)
Depreciation of property, plant and equipment and right-of-use assets	56,294	95,127
Amortisation of intangible assets	1,375	1,851
Royalties	24,693	43,461
Costs of logistics and bunker business	57,739	55,916
Audit and non-audit services	1,924	2,073
Community support donations	3,781	14,536
Write-offs and impairments	978	260,308
Losses on disposal and liquidation of property, plant and equipment	11	1,665

Note 7: Operating expenses continued

US$000	Notes	As at 31.12.23	As at 31.12.22
Write-off of inventories		177	269
Write-off of property, plant and equipment	13	606	5,562
Write-off of receivables and prepayments		195	–
Total write-offs		**978**	**5,831**
Impairment of property, plant and equipment	13	–	219,931
Impairment of goodwill and other intangible assets	15	–	29,103
Impairment of other non-current assets	16	–	5,443
Total impairments		**–**	**254,477**
Total write-offs and impairments		**978**	**260,308**

Impairment of property, plant and equipment, goodwill and other intangible assets as well as of other non-current assets for the comparative year ended 31 December 2022 are caused by the Russian invasion into Ukraine in February 2022. See Note 13 Property, plant and equipment, Note 15 Goodwill and other intangible assets and Note 16 Other non-current assets for further information.

Auditor remuneration

US$000	Year ended 31.12.23	Year ended 31.12.22
Audit services		
Ferrexpo plc Annual Report and Accounts	1,334	1,631
Subsidiary entities	317	185
Total audit services	**1,651**	**1,816**
Audit-related assurance services	273	255
Total audit and audit-related assurance services	**1,924**	**2,071**
Non-audit services		
Other services	–	2
Total non-audit services	**–**	**2**
Total auditor remuneration	**1,924**	**2,073**

Auditor remuneration paid is in respect of the audit of the financial statements of the Group and its subsidiary companies and, when applicable, for the provision of other services not in connection with the audit. Audit services for the comparative year ended 31 December 2022 include US$242 thousand relating to year-end audit for the financial year 2021 for additional costs incurred as a result of the war in Ukraine.

Note 8: Other income

Accounting policy

Other income mainly includes lease income generated from rail cars, mining equipment and premises, and the proceeds from the sale of spare parts, scrap metal and fuel and compensations received from insurance companies. Lease income is recognised based on the underlying contractual basis over the term of the lease. Other income from the sale of consumable materials is recognised as revenue when the title passes.

Other income for the year ended 31 December 2023 consisted of the following:

US$000	Year ended 31.12.23	Year ended 31.12.22
Lease income	637	704
Other income	3,430	8,529
Total other income	**4,067**	**9,233**

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 2023 consisted of the following:

US$000	Year ended 31.12.23	Year ended 31.12.22
Operating foreign exchange gains		
Conversion of trade receivables	31,685	340,189
Conversion of trade payables	(177)	(623)
Other	(137)	(127)
Total operating foreign exchange gains	31,371	339,439
Non-operating foreign exchange losses		
Conversion of interest-bearing loans	(11,740)	(77,678)
Conversion of cash and cash equivalents	1,895	9,711
Other	1,911	4,470
Total non-operating foreign exchange losses	(7,934)	(63,497)
Total foreign exchange gains	23,437	275,942

The translation differences and foreign exchange gains and losses were in the past 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. A devaluation of the local currency has generally a positive effect on the Group's production costs and results in operating foreign exchange gains on the conversion of the Ukrainian subsidiaries' trade receivables denominated in US dollar. The effect arising on the translation of non-US dollar functional currency operations, mainly in Ukrainian hryvnia, are included in the translation reserve.

The Ukrainian hryvnia remained unchanged at 36.568 to the US dollar from 21 July 2022 to 30 September 2023, when the National Bank of Ukraine ("NBU") lifted the peg that had been in place since the devaluation of the local currency from 29.255 to 36.568 (34%). As a result of the significant balance in foreign currencies currently held by the NBU, the local currency remained relatively stable until the end of the financial year 2023, compared to a depreciation of the Ukrainian hryvnia of c. 34% during the financial year 2022 resulting in significant foreign exchange gains and reduction of the Group's net assets as assets and liabilities of the Ukrainian subsidiaries are denominated in the local currency. See Note 31 Share capital and reserves for further details on the effects reflected in the translation reserve.

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 31.12.23	As at 31.12.22	Year ended 31.12.23	Year ended 31.12.22
UAH	36.574	32.342	37.982	36.569
EUR	0.925	0.951	0.906	0.934

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.

Notes to the Consolidated Financial Statements continued

Note 10: Net finance expense continued

Finance expense and income for the year ended 31 December 2023 consisted of the following:

US$000	Notes	Year ended 31.12.23	Year ended 31.12.22
Finance expense			
Interest expense on loans and borrowings		–	(479)
Less capitalised borrowing costs		–	479
Net interest on defined benefit plans	22	(2,640)	(2,678)
Bank charges		(1,118)	(871)
Interest expense on lease liabilities		(85)	(233)
Other finance costs		(859)	(664)
Total finance expense		(4,702)	(4,446)
Finance income			
Interest income		4,602	888
Other finance income		(4)	41
Total finance income		4,598	929
Net finance expense		(104)	(3,517)

With the exception of lease liabilities, the Group does not have any outstanding interest-bearing loans and borrowings and borrowing costs are therefore no longer capitalised.

Note 11: Taxation

Accounting policy

Current income tax

Current income taxes are computed based on enacted or substantively enacted local tax rates and laws at the reporting date and the expected taxable income of the entities of the Group for the respective period.

Current income taxes are recognised as an expense or income in the consolidated income statement unless related to items directly recognised in other comprehensive income or equity or if related to the initial accounting for a business combination.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are generally recognised for taxable temporary differences that will become taxable. Deferred income tax assets are generally recognised for deductible temporary differences, carry forwards of available unused tax credits and tax losses, to the extent that it is more likely than not that they will be recovered in a future period against taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

No deferred assets or liabilities are recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction, other than in a business combination, which affects neither the accounting profit nor taxable profit or loss.

Deferred tax liabilities are recognised in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets in relation to temporary differences on such investments and interests are recognised to the extent that it is probable that there are sufficient taxable profits available against which the benefits of the temporary differences can be utilised and that they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow 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.

Note 11: Taxation continued

Critical judgements

Tax legislation

The Group operates across a number of jurisdictions through its value chain and prices its sales between its subsidiaries using international benchmark prices for comparable products covering product quality and applicable freight costs. The Group judges these to be on terms which comply with applicable legislation in the jurisdictions in which the Group operates.

Two audits were initiated by the State Tax Service of Ukraine ("STS"), formerly known as State Fiscal Service of Ukraine ("SFS"), on 18 February 2020 in relation to the sale of iron ore products by the Group's major subsidiary in Ukraine during the financial years 2015 to 2017. 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. The Group's two major subsidiaries in Ukraine received the tax audit reports on 13 September 2023 and 8 November 2023, stating potential claims for underpayment of corporate profit taxes in Ukraine of UAH2,162 million (US$56,921 thousand as at 31 December 2023), including fines and penalties, and UAH259 million (US$6,819 thousand as at 31 December 2023), without fines and penalties, respectively. Both subsidiaries filed the objections against the potential claims stated in the tax audit reports received. The amount stated in one of the tax audit reports is excluding potential fines and penalties and the magnitude of fines and penalties for this specific claim will be known only once the final tax reports are issued by the tax authorities.

Based on past experience, it is to be expected that no agreements will be reached with the tax authorities and that the claims will be heard by the courts in Ukraine.

In relation to claims made by the SFS regarding a tax audit of cross-border transactions for the period from 1 September 2013 to 31 December 2015 at the Group's major subsidiary in Ukraine, the Supreme Court of Ukraine ruled on 27 June 2022 partially in favour of the SFS, despite two favourable verdicts received by the Group's subsidiary from lower courts. As a result of this court decision, an amount of UAH234 million (US$7,999 thousand) became a legally binding obligation and was paid in July 2022.

Despite the partially negative verdict of the Supreme Court mentioned above, the Group continues to believe that it has complied with the applicable legal provisions in all its cross-border transactions based on the relevant technical grounds, including those during the financial years 2015 to 2017 for which substantial claims have been received. It is the Group's position that the STS used the previous verdict of the Supreme Court as a precedent for the claims made, although the court did not appropriately consider relevant technical grounds and the applicable legislation when ruling on this specific case.

In terms of the new claims received, the Group will continue to defend its methodology applied to determine the prices between its subsidiaries in the Ukrainian courts, but there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld. As at the date of the approval of these consolidated financial statements, no final court decisions have been made for the claims received by two of the Group's Ukrainian subsidiaries totalling UAH2,162 million (US$56,921 thousand as at 31 December 2023) and UAH259 million (US$6,819 thousand as at 31 December 2023) and, as a consequence, no provisions have been recorded as at 31 December 2023, neither for the claims received nor for any subsequent years, which might also be material, as it is impossible to reasonably quantify the potential exposure. See Note 30 Commitments, contingencies and legal disputes on page 223 for further information.

Separate from the cases mentioned above, on 23 June 2020 Ferrexpo Poltava Mining ("FPM") received a court ruling, which grants access to information and documents to the State Bureau of Investigation in Ukraine ("SBI") in relation to the sale of iron ore products to two subsidiaries of the Group outside of Ukraine during the years 2013 to 2019. FPM cooperated with the SBI and provided the requested information as per the court ruling in order to support these investigations. There had been no actions or any new requests from the SBI until 20 October 2023, when the SBI raided the offices of FPM with the intention to collect documents and information for ongoing transfer pricing investigations.

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 claims received and for cross-border transactions in subsequent years under the provisions of this interpretation. The Ukrainian legislation and regulations on taxation are not always clearly written and are therefore subject to varying interpretations and inconsistent enforcement by local, regional and national tax authorities. Considering the uncertainties of the legal and tax framework in Ukraine, the Group will defend its pricing methodology applied during all the years in the courts in Ukraine. An unfavourable outcome of any future court proceedings would have an adverse impact on the Group's total income tax expense and effective tax rate in future periods, as it was the case during the financial year 2022 in respect of the legally binding decision of the Supreme Court. See also the Principal Risks section on pages 76 to 78 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.

Notes to the Consolidated Financial Statements continued

Note 11: Taxation continued

The income tax expense for the year ended 31 December 2023 consisted of the following:

US$000	Year ended 31.12.23	Year ended 31.12.22
Current income tax		
Current income tax charge	12,672	100,064
Amounts related to previous years	(1,601)	6,389
Total current income tax	11,071	106,453
Deferred income tax		
Origination and reversal of temporary differences	5,281	12,209
Total deferred income tax	5,281	12,209
Total income tax expense	16,352	118,662

Tax effects on items recognised in other comprehensive income consisted of the following for the year ended 31 December 2023:

US$000	Notes	Year ended 31.12.23	Year ended 31.12.22
Tax effect of exchange differences arising on translating foreign operations	31	(1,479)	(13,036)
Total income tax effects recognised in other comprehensive (credit)/charge		(1,479)	(13,036)

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 for the financial year 2023 was 11.7%, before the effect of the recognised provisions for legal disputes in the amount of US$131,177 thousand in the consolidated income statement (2022: 13.8%). 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 2023 is as follows:

US$000	Year ended 31.12.23	Year ended 31.12.22
(Loss)/profit before tax	(68,401)	338,659
Notional tax (credit)/charge computed at the weighted average statutory tax rate of 11.7% (2022: 13.8%)	(8,031)	46,769
Derecognition of deferred tax assets[1]	10,505	14,757
Expenses not deductible for local tax purposes[2]	1,721	4,615
Income exempted for local tax purposes[3]	(1,560)	(158)
Effect from non-recognition of deferred taxes[4]	23,601	34,882
Effect from non-recognition of deferred taxes on current year losses[5]	732	2,884
Effect of different tax rates on local profit streams[6]	(425)	(3,412)
Withholding tax on dividends and interests[7]	–	11,540
Prior year adjustments to current tax[8]	(1,601)	6,389
Effect from share of profit from associates[9]	67	(100)
Other (including translation differences)	(518)	496
Total income tax expense	16,352	118,662

1. The majority of the derecognition in 2023 and 2022 is related to an additional allowances of US$10,145 thousand and US$10,749 thousand, respectively, on deferred tax assets recognised by two of the Group's subsidiaries in Ukraine as a result of uncertainties as some of the temporary differences are not expected to unwind in the near future. Considering the material uncertainty in terms of the Group's going concern, the relevant period for the recovery of the recognised net balance of deferred tax assets has to be aligned to the period of the going concern assessment. The remaining amounts in 2022 are primarily related to the derecognition of deferred tax assets recognised in 2019 in light of the change of the tax law in Switzerland and the available transitional measures for companies losing the special tax status. The recognised deferred tax assets are utilised on a straight-line basis with a potential positive effect from the amortisation of the step-up goodwill for tax purposes, depending on the profitability of the subsidiaries. Whilst the initial recognition is considered of a non-recurring nature, the utilisation will occur for the last time during the financial year 2024.
2. The effects predominantly relate to expenses not deductible in Ukraine. This effect is expected to be of a recurring nature as a portion of operating expenses in Ukraine is historically not deductible for tax purposes according to the enacted local tax legislation.
3. The effects in 2023 and 2022 relate to income expected to be tax exempted in the United Kingdom as primarily related to the adoption of IFRS 9. This effect is considered to be of a recurring nature.
4. The effect in 2023 relates to the recognition of provisions totalling US$128,050 thousand for legal disputes in Ukraine and the effect in 2022 predominantly relates to the impairment loss of US$254,477 thousand on the Group's non-current operating assets as a result of the war in Ukraine, net of the effect from the changed depreciation pattern for the impaired assets. The effect in 2023 is considered to be of a non-recurring nature whereas the one in 2022 could be of a recurring nature, also depending on the situation in Ukraine. In the case that the situation in Ukraine will significantly improve, there is a chance that the recorded impairment losses will reverse in a future period. Such potential positive effects are expected to be tax exempted.
5. The effect relates mainly to a subsidiary in Ukraine. Due to the uncertainty in respect of the timing of the subsidiary becoming profitable for local tax purposes, no deferred tax asset has been recognised. This effect was considered to be of a recurring nature until this subsidiary becomes operative and profitable.

Note 11: Taxation continued

6. The effects relate to the different tax rates applying to different income streams in Swiss subsidiaries as a result of their specific tax status. The effect is of a recurring nature.
7. The effect in 2022 relates to effects of dividends paid by one subsidiary in Ukraine, which are subject to withholding tax, whereas the dividend income was not subject to income taxes under the participation exemption regime in place in Switzerland. The effect in future years depends on the level of dividend payments made.
8. The effect in 2023 primarily relates to the reversal of a tax provision recorded in the accounts of one of the Swiss subsidiaries, which was not required as a result of an impairment loss recorded on the Ukrainian subsidiaries in the statutory accounts and the tax treatment was not confirmed at the time of the approval of the Group's consolidated financial statements. This effect is partially offset by withholding tax on dividend paid by one subsidiary in 2023, which were declared already in 2022. The effect in 2022 primarily relates to a negative decision received in respect of the transfer pricing claim for the financial year 2015, for which a final decision was received from the relevant court instance in 2022. Similar effects, irrespective of the jurisdiction, can also occur in future years.
9. Share of loss or profit from associates is generally recognised net of taxes of the associates. This effect is of a recurring nature.
10. Effective 1 April 2023, the applicable corporate tax rate in the United Kingdom increased from 19.0% to 25.0%. Similar effects, irrespective of the jurisdiction, can also occur in future years.

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 2023 was 26.1%, before the effect of the recognised provisions for legal disputes in the amount of US$131,177 thousand in the consolidated income statement, compared to 35.0% for the comparative year ended 31 December 2022.

The effective tax rate for the financial year 2023, before the effect of the recognised provisions for legal disputes, was affected by the release of a tax provision for a previous year of US$7,174 thousand, an additional allowance on deferred tax assets of US$10,145 thousand and withholding tax expense on intercompany dividends of US$3,943 thousand to be included in the corporate profit tax expense of the financial year 2023. Without these effects, the effective tax rate for the financial year 2023 would have been 15.1%. The effective tax rate for the comparative year ended 31 December 2022 was affected by the fact that no deferred tax asset was recognised for the temporary differences resulting from a recorded impairment loss of US$254,477 thousand on the Group's non-current operating assets, which is not tax deductible in Ukraine. Further to that, the Group recorded an allowance of US$10,749 thousand on deferred tax assets recognised by two of the Group's subsidiaries in Ukraine. Without these two effects, the effective tax rate for the financial year 2022 would have been 18.2%.

The net balance of income tax payable changed as follows during the financial year 2023:

US$000	Year ended 31.12.23	Year ended 31.12.22
Opening balance	(15,890)	(36,502)
Charge in the consolidated income statement	(11,071)	(106,453)
Booked through other comprehensive (loss)/income	1,479	13,036
Tax paid	12,779	110,243
Translation differences	(67)	3,786
Closing balance	**(12,770)**	(15,890)

The net income tax payable as at 31 December 2023 consisted of the following:

US$000	As at 31.12.23	As at 31.12.22
Income tax receivable balance	2,432	4,674
Income tax payable balance	(15,202)	(20,564)
Net income tax payable	**(12,770)**	(15,890)

Notes to the Consolidated Financial Statements continued

Note 11: Taxation continued

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 2023:

	Consolidated statement of financial position		Consolidated income statement	
US$000	As at 31.12.23	As at 31.12.22	Year ended 31.12.23	Year ended 31.12.22
Property, plant and equipment	6,720	13,474	(4,747)	(4,106)
Right-of-use assets	–	526	(519)	129
Intangible assets	2,050	3,956	(1,905)	(1,944)
Inventories	648	205	462	(152)
Allowance for restricted cash and deposits	–	–	–	(2,862)
Defined benefit pension liability	608	459	149	(77)
Other	2,439	1,325	1,292	177
Tax losses recognised	262	255	7	(1,901)
Total deferred tax assets/change	**12,727**	20,200	**(5,261)**	(10,736)
Thereof netted against deferred tax liabilities	(2,578)	(5,729)		
Total deferred tax assets as per the statement of financial position	**10,149**	14,471		
Property, plant and equipment	(327)	(320)	(1,717)	239
Intangible assets	(415)	(384)	(47)	(33)
Financial assets	(4,127)	(4,076)	(50)	56
Inventories	–	(1,334)	1,315	(1,334)
Lease obligations	–	(503)	592	(305)
Other	(437)	(459)	(113)	(96)
Total deferred tax liabilities/change	**(5,306)**	(7,076)	**(20)**	(1,473)
Thereof netted against deferred tax assets	2,577	5,729		
Total deferred tax liabilities as per the statement of financial position	**(2,729)**	(1,347)		
Net deferred tax assets/net change	**7,420**	13,124	**(5,281)**	(12,209)

The movement in the deferred income tax balance is as follows:

US$000	Year ended 31.12.23	Year ended 31.12.22
Opening balance	13,124	32,805
Charge in consolidated income statement	(5,281)	(12,209)
Translation differences	(423)	(7,472)
Closing balance	**7,420**	13,124

The net deferred tax asset balance of US$7,420 thousand (2022: US$13,124 thousand) includes net deferred tax assets totalling US$9,524 thousand (2022: US$14,448 thousand) related to temporary differences of the Group's two major subsidiaries in Ukraine, with the remaining balance reflecting deferred tax liabilities of subsidiaries outside of Ukraine. The recoverability of these deferred tax assets depends on the level of taxable profits realised by the two subsidiaries in future periods and the duration of the unwind of the temporary differences. Considering the material uncertainty in terms of the Group's going concern, the relevant period for the recovery of the recognised net balance of deferred tax assets has been aligned to the period of the going concern assessment. Considering the expected taxable profits of the Ukrainian subsidiaries for the period covered by the going concern assessment, additional allowances of US$10,145 thousand were booked during the financial year 2023 as a result of uncertainties in terms of the timing of the unwind of some of the temporary differences. The level of taxable profits in Ukraine depends on many factors, such as the volatility in the global iron pellet market and foreign exchange rate changes, but also on the implications of the ongoing war in Ukraine, mainly in terms of the available logistics network.

As at 31 December 2023, the Group had available tax loss carry forwards in the amount of US$86,883 thousand (2022: US$83,105 thousand) for which no deferred tax assets were recognised. US$41,614 thousand (2022: US$39,585 thousand) of those losses do not expire and are related to losses incurred in Ukraine and Hungary. US$38,406 thousand (2022: US$30,252 thousand) expires after seven years or more and are related to losses incurred in Hungary and Ukraine. The remaining balance of US$6,863 thousand (2022: US$13,268 thousand) expires in less than seven years and is primarily related to losses incurred in Hungary.

Note 11: Taxation continued

No deferred tax liabilities have been recognised on temporary differences in the amount of US$517,838 thousand (2022: US$663,536 thousand) arising from undistributed profits from subsidiaries as no distributions are planned. Other temporary differences of US$442,192 thousand have not been recognised as at 31 December 2023 (2022: US$270,939 thousand). The vast majority relates to provisions for legal disputes totalling US$128,050 thousand recognised as at 31 December 2023 in Ukraine and to an impairment loss of US$254,477 thousand recorded during the comparative year ended 31 December 2022, mainly in Ukraine, on property, plant and equipment.

BEPS – Pillar Two

Whilst the Group's consolidated revenues are less than EUR750 million for the financial year 2023, it is considered to be in the scope of the BEPS Pillar Two Model Rules as the consolidated revenues for the financial years 2022 and 2021 were well above the threshold set.

The Group makes use of the temporary exception issued by the IASB in May 2023 in respect of the accounting requirements for deferred taxes under IAS 12. As a result, the Group does neither recognise nor disclose any information on deferred tax assets and liabilities related to Pillar Two income taxes in its consolidated financial statements for the financial year 2023.

Although the Group's effective tax rate for the financial year 2023 is well above the minimum tax rate of 15.0%, there are still some jurisdictions with enacted statutory tax rates where the Group is operating below the minimum tax rate set under the BEPS Pillar Two Model Rules. The Group currently operates in two key jurisdictions with relevant statutory income tax rates below 15.0%. On 22 December 2023, the Swiss government, where Ferrexpo plc, the parent company of the Group, has its tax domicile, enacted the Pillar Two income taxes legislation effective from 1 January 2024. The legislation in Switzerland currently only provides for the Qualifying Domestic Minimum Top-up Tax ("QDMTT") and the implementation of the other elements of the BEPS Pillar Two Rules, including the Income Inclusion Rule ("IIR") and the Undertaxed Profits Rule ("UTPR") is postponed.

As a result of the legislation enacted in Switzerland, the Group's subsidiaries in Switzerland will become subject to the QDMTT for the taxable profits from the financial year 2024 onwards. Based on the BEPS Pillar Two Global Anti-Base Erosion ("GloBE") Model Rules, the parent company of the Group, Ferrexpo plc with its tax domicile in Switzerland, is considered to be the Ultimate Parent Entity ("UPE"). Considering the fact that Switzerland postponed the implementation of the IIR, profits generated in jurisdictions with tax rates below the global minimum tax rate of 15.0% are expected to be taxed by another jurisdiction in which the Group operates, until the IIR is also implemented by Switzerland. Considering the circumstances under which the Group has to operate due to the ongoing war in Ukraine, it is currently impossible to reasonably forecast the profit split by jurisdiction for the financial year 2024 and beyond.

Based on the profit split for the financial year 2023 and considering the effects from the QDMTT and the IIR under the BEPS Pillar Two GloBE Model Rules, the impact on the Group's income tax expense is expected to be insignificant.

The Group's future effective tax rate, before any special items included in the profit before tax for the period and the income tax expense, is expected to be in a range of 16.0% to 19.0%. The Group's effective tax rate is also dependent on the volatility in the global iron ore pellet market and on foreign exchange rate movements, primarily between the Ukrainian hryvnia and the US dollar, and any one-off events, such as impairment losses that might not be tax deductible in some jurisdictions.

Note 12: Earnings per share and dividends paid and proposed

Accounting policy

Basic number of Ordinary Shares outstanding

The basic number of Ordinary Shares is calculated by reducing the total number of Ordinary Shares in issue by the weighted average of shares held in treasury and employee benefit trust reserve. The basic earnings per share ("EPS") are calculated by dividing the net profit for the year attributable to ordinary equity shareholders of Ferrexpo plc by the weighted average number of Ordinary Shares.

Dilutive potential Ordinary Shares

The dilutive potential Ordinary Shares outstanding are calculated by adjusting the weighted average number of Ordinary Shares in issue on the assumption of conversion of all potentially dilutive Ordinary Shares. All share awards that are potentially dilutive are considered in the calculation of diluted earnings per share.

Distributable reserves

Ferrexpo plc (the "Company") is the Group's holding company, with no direct operating business, so its ability to make distributions to its shareholders is dependent on its ability to access profits held in the subsidiaries. The Group's consolidated retained earnings shown in the consolidated statement of changes in equity do not reflect the profits available for distribution in the Group as at 31 December 2023.

	Year ended 31.12.23	Year ended 31.12.22
(Loss)/earnings for the year attributable to equity shareholders – per share in US cents		
Basic	(14.41)	37.41
Diluted	(14.41)	37.35
(Loss)/profit for the year attributable to equity shareholders – US$000		
Basic and diluted (loss)/earnings	(84,753)	219,997
Weighted average number of shares – thousands		
Basic number of Ordinary Shares outstanding	588,274	588,017
Effect of dilutive potential Ordinary Shares	8,847	931
Diluted number of Ordinary Shares outstanding	**597,121**	**588,948**

Note 12: Earnings per share and dividends paid and proposed continued

Dividends proposed and paid

The Group announced on 18 January 2024 an interim dividend of 3.3 US cents, which was due for payment to the shareholders on 23 February 2024. Following subsequent and unexpected events in Ukraine relating to a claim against one of the Group's Ukrainian subsidiaries (see Note 30 Commitments, contingencies and legal disputes for further information), the Group announced on 20 February 2024 the decision to withdraw the interim dividend. 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$119,520 thousand as at 31 December 2023 (2022: US$118,624 thousand).

Future distributable reserves at the Ferrexpo plc level are also dependent on the payment of dividends by the subsidiaries to the respective parent companies within the Group. Distributable profits at subsidiaries' level are also subject to potential impairment losses to be or already recorded in the respective stand-alone statutory financial statements as a result of war-related uncertainties. Certain Group companies are currently restricted from paying dividends outside of Ukraine as a result of Ukrainian currency control measures imposed under Martial Law. Furthermore, the uncertainties related to the political environment and the independence of the legal system and other circumstances facing the Group (see Note 30 Commitments, contingencies and legal disputes) could also have a negative impact on Ferrexpo plc's ability and potential for future dividend payments. As at 31 December 2023, one of the Group's subsidiaries in Ukraine recognised provisions for legal disputes totalling US$128,050 thousand reducing the distributable profits of this subsidiary by this amount. Although this subsidiary still has a considerable amount of distributable profits, an outflow of funds in this amount would have an adverse impact on the Group's available liquidity for potential future dividend payments.

US$000	Year ended 31.12.23
Dividends paid during the year	
Dividends on vested awards	456
Total dividends paid during the year	456

Dividends paid during the financial year 2023 totalled US$456 thousand and related to the Group's share-based scheme. Further information is provided in the remuneration report.

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.

US$000	Year ended 31.12.22
Dividends paid during the year	
Final dividend for 2021: 6.6 US cents per Ordinary Share	38,679
Interim dividend for 2022: 13.2 US cents per Ordinary Share	76,899
Interim dividend for 2021: 6.6 US cents per Ordinary Share	39,517
Total dividends paid during the year	155,095

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

Note 13: Property, plant and equipment continued

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 and capitalised 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.

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.

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.

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.

Capitalised exploration and evaluation expenditures are carried forward as an asset as long as these costs are expected to be recouped in full through successful development and exploration in a future period.

Exploration and evaluation assets are measured at cost and are neither amortised nor depreciated, but monitored for indications of impairment. To the extent that the capitalised expenditures are not expected to be recouped, the excess is fully provided for in the financial year in which this is determined.

Upon reaching the development stage, exploration and evaluation assets are either transferred to assets under construction or other intangible assets, if those costs were associated with the acquisition of licences.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale ("qualifying asset") are capitalised as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs incurred in connection with the borrowing of the funds. In the case of general borrowings used to fund the acquisition or construction of a qualifying asset, the borrowing costs to be capitalised are calculated based on a weighted average interest rate applicable to the relevant general borrowings of the Group during a specific period.

Impairment testing

Property, plant and equipment is considered to be part of a single cash-generating unit ("CGU"). The recoverable amount of the CGU is determined to be the fair value less cost of disposal. The Group assesses at each reporting date whether there are indications that assets may be impaired or previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets' recoverable amounts. If the carrying amount of an asset exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount. Impairment losses are recognised in the consolidated income statement.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. In this case, the carrying amount of the asset is increased to its recoverable amount, but not exceeding the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the consolidated income statement and the basis for future depreciation is adjusted accordingly.

Notes to the Consolidated Financial Statements continued

Note 13: Property, plant and equipment continued

Critical estimates

As at the date of the approval of these consolidated financial statements, the war in Ukraine is still ongoing and the duration is difficult to predict.

During the financial year 2023, the Group continued to demonstrate a high level of commitment and resilience that enabled it to operate at a constant, but lower capacity, with a high degree of flexibility to adapt its operations to changing circumstances.

The ongoing war continues to have an adverse impact on the Group's production volume and cash flow generation and it is expected that this will continue to be the case until the war comes to an end. The unavailability of the Port of Pivdennyi in Ukraine had a significant adverse impact on the Group's seaborne sales and consequently on its cash flow generation during the financial year 2023.

The Group's impairment test is based on cash flow projections over the remaining estimated lives of the GPL and the Yerystivske deposits, which are expected to expire in 2058 and 2048, respectively, according to the current approved mine plans. The cash flow projection is based on a financial long-term model approved by senior management and the estimated future production volumes do not take into account the effects of expected future mine life extension programmes. Several significant judgements and estimates are used when preparing the financial long-term model of the Group, which are, together with the key assumptions used, reviewed by the Audit Committee with specific consideration given to the realistically plausible production volumes in light of the current situation in the country, sales price and production cost forecasts as well as the discount rate used to discount the cash flows.

The long-term model was updated in January 2024 using management's best estimate of reasonably conservative key assumptions, taking also into account the current circumstances the Group has to operate in. In terms of the key assumptions used, an average iron ore price of US$105 per tonne of 65% Fe fines CFR North China was used in the assumptions for the cash flow projection for the next five years. When assessing its expected future long-term selling price, the Group considers external and internal analysis of the short-term and longer-term supply and demand dynamics on the international market for iron ore products as well as more specific local supply and demand balances affecting its major customers. The level of the Group's production remains predominantly dependent on the access to logistic routes within Ukraine as the production volume is still to be aligned to currently possible sales to minimise working capital outflow and maintain a solid net cash position. As a result, the production capacity used for the base-case cash flow projection is expected to be approximately 45% of the pre-war level for the financial year 2024, before an increase to approximately 80% in 2025 and an expected recovery to pre-war levels in 2026. The increase of the future production capacity planned for years covered by the long-term model before the war started has been adversely affected as the work on certain growth projects had to be slowed down or even halted to preserve the Group's available liquidity in light of the lower cash flow generation. There is no perpetual growth rate applied for the cash flow projections beyond the last year covered by the Group's long-term model. Expected production and shipping costs are determined by considering local inflationary pressures, major exchange rate developments between the Ukrainian hryvnia and the US dollar, the short-term and longer-term trends in energy supply and demand and the expected movements in steel-related commodity prices, which affect the cost of certain production input materials. An average devaluation of the hryvnia of 6.5% per year was assumed over the next five years in the Group's cash flow projection, with the expected local inflation having an offsetting effect.

The key assumptions used for the preparation of the Group's long-term model are:

Key assumptions	Basis
Future sales and production	Proved and probable reserves and available logistics capacity and power supply
Commodity prices	Contract prices and longer-term price estimates
Capital expenditures	Future sustaining capital expenditures
Cost of raw materials and other production/distribution costs	Expected future cost of production
Exchange rates	Longer-term predictions of market exchange rates
Nominal pre-tax discount rate	Cost of capital risk adjusted for the resource concerned

The outcome of the Group's impairment test is predominantly dependent on the forecasted cash flow generation and the nominal pre-tax discount rate to be applied. The WACC of 23.0% (31 December 2022: 23.4%) is still significantly higher than the pre-war WACC of 13.8% as at 31 December 2021 and reflects the current situation in the country as underlying macro-economic data is still adversely affected by the war in Ukraine. Based on the base case of the Group's impairment test prepared for the 2023 year-end accounts, there is no additional impairment loss on the Group's single cash-generating unit's operating non-current assets, including property, plant and equipment as well as other intangibles assets and other non-current assets, to be recognised as at 31 December 2023. The key assumptions in respect of production and sales volumes, and of production costs, are largely dependent on the easing of the war-related risks facing the Group's business in Ukraine, and therefore a wide range of alternative outcomes are possible, reflecting a high level of uncertainty.

A delay of the recovery of the production and sales volumes to a pre-war level by another year, with all other assumptions remaining unchanged, would reduce the value in use of the Group's non-current operating assets by approximately US$393,500 thousand. A reduction of the realised price by 10% in 2024 and 5% for each year until 2048 would reduce the value in use by approximately US$227,100 thousand and a decrease of the production and sales volume by 10%, combined with an increase of the production costs by 5%, again for the entire period of the assessment, would would reduce the value in use by approximately US$274,300 thousand whereas every 1.0% increase of the nominal pre-tax discount rate would impact the value in use by approximately US$52,600 thousand, with all other assumptions remaining unchanged.

As at the end of the comparative year ended 31 December 2022, the Group recorded an impairment loss of US$254,477 thousand, reflecting the difference between the computed value in use of the Group's non-current operating assets and the carrying value as at this date. Of the total impairment loss recorded, US$219,931 thousand was allocated to various asset categories within property, plant and equipment, US$29,103 thousand to Goodwill and other intangible assets (see Note 15 Goodwill and intangible assets) and US$5,443 thousand to other non-current

Note 13: Property, plant and equipment continued

assets (see Note 16 Other non-current assets). The impairment losses recorded during the financial year 2022 will be re-assessed again at the end of any future reporting periods. If there are positive developments in the Group's future cash flow generation and the relevant macro-economic data, the impairment loss or a portion of it might reverse in future periods. Conversely, an adverse change in the above key assumptions might further reduce the value in use of the Group's operating non-current assets. As at 31 December 2023, there is no partial or full reversal of the impairment loss recognised during the financial year 2022 to be recorded.

As disclosed in Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes, the Group announced on 29 January 2024 that a Ukrainian court of appeal has confirmed a claim against Ferrexpo Poltava Mining ("FPM") in the amount of UAH4,727 million (US$124,450 thousand as at 31 December 2023), in respect of contested sureties. Despite the fact that it is management's view that FPM has compelling arguments to defend its position in the Supreme Court of Ukraine, given the magnitude of this specific claim and the underdeveloped and fragile judicial system in Ukraine, the Group recorded a full provision for this claim as at 31 December 2023 in accordance with IAS 37 Provisions, contingent liabilities and contingent assets. If the ruling of the Supreme Court is not in favour of FPM, there is a risk that some of the Group's property, plant and equipment will be seized or subject to a forced sales process as part of the enforcement proceedings. Although the Group has recognised a provision for the full amount of the contested sureties claim, there is a risk that any assets subject to seizure or a forced sales process are valued at an amount which is different than their current carrying values as at 31 December 2023. Note 2 Basis of preparation provides further information in terms of the possible implications on the Group's ability to continue as a going concern.

As at 31 December 2023, 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 2022	1,665	10,530	276,560	269,900	131,501	443,491	264,822	10,881	458,086	1,867,436
Additions	258	155	1,316	19	6,334	179	217	9	191,842	200,329
Transfers	–	77	–	17,147	83	55,498	17,147	880	(90,832)	–
Disposals	–	–	–	(635)	(1)	(778)	(1,208)	(679)	(22,274)	(25,575)
Translation differences	(424)	(2,694)	(70,261)	(69,225)	(5,340)	(111,360)	(55,115)	(2,223)	(123,629)	(440,271)
At 31 December 2022	1,499	8,068	207,615	217,206	132,577	387,030	225,863	8,868	413,193	1,601,919
Additions	–	171	–	118	–	1,416	2,901	48	107,439	112,093
Transfers	–	73	121,058	49,253	2,439	29,168	2,749	174	(204,914)	–
Disposals	–	–	(2,453)	(1,714)	5	(1,000)	(162)	(94)	(1,366)	(6,784)
Translation differences	(56)	(306)	(12,329)	(9,240)	2,870	(13,577)	(6,484)	(233)	(12,237)	(51,592)
At 31 December 2023	1,443	8,006	313,891	255,623	137,891	403,037	224,867	8,763	302,115	1,655,636
Accumulated depreciation and impairment:										
At 1 January 2022	–	17	79,035	110,264	77,715	218,229	152,478	6,138	6,867	650,743
Depreciation charge	–	19	4,030	17,276	4,242	40,949	26,714	932	–	94,162
Disposals	–	–	–	(253)	–	(949)	(986)	(365)	(223)	(2,776)
(Write-backs)/write-offs and impairments	–	–	34,320	24,398	9,881	46,439	21,037	16	91,054	227,145
Transfers of impairments	–	–	–	2,020	–	877	1,022	33	(3,952)	–
Translation differences	–	–	(27,807)	(35,112)	(2,708)	(58,317)	(32,109)	(1,104)	(18,059)	(175,216)
At 31 December 2022	–	36	89,578	118,593	89,130	247,228	168,156	5,650	75,687	794,058
Depreciation charge	–	3	1,554	9,271	4,433	28,302	14,509	816	–	58,888
Disposals	–	(16)	–	(1,593)	–	(733)	(132)	(90)	(4)	(2,568)
(Write-backs)/write-offs and impairments	–	–	–	262	–	28	248	(2)	1,361	1,897
Transfers of impairments	–	–	21,576	8,951	–	5,388	532	35	(36,482)	–
Translation differences	–	–	(3,890)	(4,891)	1,614	(8,766)	(4,712)	(144)	(1,884)	(22,673)
At 31 December 2023	–	23	108,818	130,593	95,177	271,447	178,601	6,265	38,678	829,602
Net book value:										
At 31 December 2022	1,499	8,032	118,037	98,613	43,447	139,802	57,707	3,218	337,506	807,861
At 31 December 2023	1,443	7,983	205,073	125,030	42,714	131,590	46,266	2,498	263,437	826,034

Notes to the Consolidated Financial Statements continued

Note 13: Property, plant and equipment continued

Assets under construction consist of ongoing capital projects amounting to US$227,206 thousand (2022: US$225,885 thousand) and capitalised pre-production stripping costs of US$36,231 thousand (2022: US$111,621 thousand) for components of ore bodies expected to be put into operation in future periods only. Once the extraction of ore commences in relation to these ore bodies, the capitalised stripping costs are transferred to mining assets and the depreciation commences.

As at the end of the comparative year ended 31 December 2022, the Group recorded an impairment loss within property, plant and equipment of US$219,931 thousand, of which US$84,624 thousand was allocated to assets under construction. On completion of the assets and when put into operation, the costs of constructions are transferred to the appropriate asset categories in property, plant and equipment along with the associated impairment losses.

Deferred pre-production stripping costs in the amount of US$243,767 thousand relate to components of the ore bodies put into operation and are included in mining assets (2022: US$111,608 thousand). No production stripping costs are capitalised as of this point in time.

Property, plant and equipment includes a total of capitalised borrowing costs on qualifying assets of US$32,110 thousand (2022: US$35,694 thousand). With the exception of lease liabilities, the Group does not have any outstanding interest-bearing loans and borrowings and borrowing costs are therefore no longer capitalised.

The gross value of fully depreciated property, plant and equipment that is still in use is US$146,917 thousand (2022: US$103,553 thousand).

See Note 2 Basis of preparation in respect of the impact of climate change on the Group's financial statements.

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 2023 primarily refer to long-term rental contracts for several of the Group's office premises with rental periods of five to ten years, leased equipment and land not used for the direct extraction of ore.

The lease agreements for land in Ukraine are with the Ukrainian government and have typically a duration of up to 49 years requiring land lease payments in the form of rental taxes based on annually determined rates by the government. Consequently, related right-of-use assets and lease liabilities are recognised over a lease term of 12 months only, reflecting the period over which substantially fixed lease payments are expected. Beyond this period, payments are subject to non-market driven changes in either the normative value of land and/or in the rental tax rate and are disclosed as commitments as they cannot be considered in-substance fixed payments or as variable lease payments that depend on an index or a rate.

Right-of-use assets

The right-of-use asset is recognised at the commencement date of the lease (when the asset is ready for use) and initially measured at cost. The cost includes the balance of the lease liability recognised, initial direct costs and lease payments made at or before the commencement date.

In subsequent periods, the value of the right-of-use assets is adjusted for accumulated depreciation, impairment losses and remeasurement of the lease liability, if any. The depreciation is on a straight-line basis over the shorter of the estimated useful life of the underlying asset and the lease term.

Payments for short-term leases or leases for assets of a low value are recognised as an expense on a systematic basis over the lease term.

Lease liabilities

At the commencement date, lease liabilities are measured at the net present value of the remaining lease payments, discounted using the interest rate implicit in the lease or, when not available, the incremental borrowing rate computed for a group of leases with similar characteristics as regards to type of asset, lease term, contract currency and economic environment.

The carrying amount of the lease liabilities is subsequently increased to reflect the interest on the lease liability and decreased by the lease payments made during the period. Lease payments are split between principal elements and interest and are allocated to net cash flows from financing activities and operating activities, respectively. The carrying amount is subject to remeasurement in subsequent periods to reflect any lease modifications.

Commitments

Future minimum rental payments

These commitments relate to leases under the scope of IFRS 16 to which the lessee is committed, but not commenced.

Future commitments for contingent rental payments

These commitments include future cash flows dependent on non-fixed rates related to the long-term portion of leases of land not used for the direct extraction of ore and accounted for under IFRS 16, whereas the short-term portion is recognised as a lease liability in the statement of financial position.

Note 14: Leases continued

As at 31 December 2023, 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 2022	–	4,375	–	1,967	–	–	–	–	–	6,342
At 31 December 2023	–	**4,975**	–	**1,877**	–	–	–	–	–	**6,852**
Depreciation charge:										
Year ended 31 December 2022	–	3,633	–	1,093	–	708	–	2	–	5,436
Year ended 31 December 2023	–	**4,400**	–	**728**	–	–	–	–	–	**5,128**

During the year ended 31 December 2023, the additions to right-of-use assets totalled US$5,824 thousand (2022: US$5,034 thousand).

Leased assets and assets under hire purchase contracts are pledged as security for the related finance leases and hire purchase liabilities.

As at 31 December 2023, the carrying amount of the lease liabilities consisted of the following:

US$000	Notes	Year ended 31.12.23	Year ended 31.12.22
Non-current	26	**1,009**	1,354
Current	26	**5,939**	5,194

The total cash outflow for leases falling under the scope of IFRS 16 ***Leases*** during the year ended 31 December 2023 was US$5,562 thousand (2022: US$6,103 thousand). During the year ended 31 December 2023, US$740 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 (2022: US$576 thousand). Furthermore, interest expense on lease liabilities in the amount of US$85 thousand was recognised in the consolidated income statement during the year ended 31 December 2023 (2022: US$233 thousand).

Lease-related commitments for future contingent rental payments were US$118,124 thousand as at 31 December 2023 (2022: US$88,910 thousand).

Note 15: Goodwill and other intangible assets

Accounting policy

Goodwill

If the cost of acquisition in a business combination exceeds the identifiable net assets attributable to the Group, the difference is considered as purchased goodwill, which is not amortised. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the detailed accounting policy on impairment testing see Note 13 Property, plant and equipment.

Impairment testing

The goodwill acquired through business combinations in previous periods has been allocated for impairment purposes to a single cash-generating unit, as the Group only has one operating segment, being the production and sale of iron ore products. This represents the lowest level within the Group at which goodwill is monitored for internal management purposes. See Note 13 Property, plant and equipment for information on key assumptions used when preparing the Group's long-term model used for the impairment test.

Goodwill is subject to an annual impairment review and a further review is made when indicators of impairment arise following the initial review. An impairment loss recognised for goodwill is never reversed in a subsequent period. In the case that the identifiable net assets attributable to the Group exceed the cost of acquisition, the difference is recognised in profit and loss as a gain on bargain purchase. For each business combination, the Group measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. If the initial accounting for a business combination cannot be completed by the end of the reporting period in which the combination occurs, only provisional amounts are reported, which can be adjusted during the measurement period of 12 months after acquisition date.

Exploration and evaluation assets

See the policy disclosed in Note 13 Property, plant and equipment.

Patents and licenses, computer software and other intangible assets

Patents and licenses, computer software and other intangible assets acquired separately are measured on initial recognition at cost and the useful lives are assessed as either finite or indefinite. Following the initial recognition, the intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. If amortised, the intangible assets are amortised on a straight-line basis over the estimated useful life of the asset, ranging between one and three years. Capitalised mineral licences are amortised on a unit of production basis.

The cost of other intangible assets acquired in a business combination is its fair value as at the date of acquisition.

Notes to the Consolidated Financial Statements continued

Note 15: Goodwill and other intangible assets continued

As at 31 December 2023, 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 2022	29,248	4,900	4,804	12,532	514	51,998
Additions	–	–	–	6	542	548
Disposals	–	–	(6)	(5)	(11)	(22)
Transfers	–	–	352	56	(408)	–
Translation differences	(1,908)	(1,266)	(1,216)	(2,906)	(140)	(7,436)
At 31 December 2022	27,340	3,634	3,934	9,683	497	45,088
Additions	**–**	**–**	**–**	**5**	**116**	**121**
Disposals	**–**	**–**	**(11)**	**(21)**	**(386)**	**(418)**
Transfers	**–**	**–**	**8**	**47**	**(55)**	**–**
Translation differences	**(782)**	**(138)**	**(124)**	**(268)**	**(10)**	**(1,322)**
At 31 December 2023	**26,558**	**3,496**	**3,807**	**9,446**	**162**	**43,469**
Accumulated amortisation and impairment:						
At 1 January 2022	–	932	1,821	5,647	12	8,412
Amortisation charge	–	–	308	1,543	–	1,851
Write-offs and impairments	27,340	709	–	1,054	–	29,103
Disposals	–	–	(6)	(96)	(11)	(113)
Translation differences	–	(399)	(406)	(1,608)	(1)	(2,414)
At 31 December 2022	27,340	1,242	1,717	6,540	–	36,839
Amortisation charge	**–**	**–**	**284**	**1,091**	**–**	**1,375**
Write-offs and impairments	**–**	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**(13)**	**(26)**	**–**	**(39)**
Translation differences	**(782)**	**(50)**	**(52)**	**(190)**	**–**	**(1,074)**
At 31 December 2023	**26,558**	**1,192**	**1,936**	**7,415**	**–**	**37,101**
Net book value:						
At 31 December 2022	–	2,392	2,217	3,143	497	8,249
At 31 December 2023	**–**	**2,304**	**1,871**	**2,031**	**162**	**6,368**

Impairment testing

The impairment test performed as at 31 December 2023 did not result in an additional impairment loss compared to an impairment loss of US$254,477 thousand recorded on the Group's operating non-current assets as at 31 December 2022. Of this impairment loss, US$27,340 thousand was allocated to the goodwill, which was fully impaired at this point of time, and US$1,763 thousand to various asset categories within intangible assets. See Note 13 Property, plant and equipment for detailed information on the Group's impairment test performed as at 31 December 2023.

Sensitivity to changes in assumptions

The goodwill was fully impaired as of the end of the comparative year ended 31 December 2022 and, under the relevant accounting standard, this impairment loss will not reverse in a future period. See Note 13 Property, plant and equipment on pages 194 and 195 in terms of the impact of changes in key assumptions on the impairment in future periods.

Note 16: Other non-current assets

As at 31 December 2023, other non-current assets comprised:

US$000	As at 31.12.23	As at 31.12.22
Prepayments for property, plant and equipment	32,871	32,184
Other non-current assets	5,233	5,267
Total other non-current assets	**38,104**	**37,451**

Prepayments for property, plant and equipment net of a total impairment loss of US$5,443 thousand, which is the result of a proportional allocation of the total impairment loss to this asset category during the comparative year 2022. This impairment is caused by the Russian invasion into Ukraine in February 2022, resulting in a significant lower cash flow generation of the Group. The impairment test performed as at 31 December 2023 did not result in an additional impairment loss. See Note 13 Property, plant and equipment for further information.

Other non-current assets include a prepayment of US$5,000 thousand in relation to an investment in a joint venture with an expected closing date of the transaction once Martial Law is lifted in Ukraine.

Note 17: Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials – at cost on a first-in, first-out basis.
- Finished goods and work in progress – at cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity, but excluding borrowing costs.
- Low-grade and weathered ore – at cost, if lower than net realisable value.

The net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion (conversion into pellets or concentrate) and the estimated costs necessary to sell the product or goods.

Major spare parts and servicing equipment that meet the definition of property, plant and equipment are, in accordance with IAS 16, included in property, plant and equipment and not in inventory.

At 31 December 2023, inventories comprised:

US$000	As at 31.12.23	As at 31.12.22
Raw materials and consumables	47,302	51,437
Spare parts	88,000	91,334
Finished ore pellets	45,040	52,625
Work in progress	18,844	25,832
Other	2,243	3,226
Total inventories – current	**201,429**	**224,454**
Weathered ore	5,883	6,277
Total inventories – non-current	**5,883**	**6,277**
Total inventories	**207,312**	**230,731**

Inventories classified as non-current comprised low-grade and weathered ore that were, based on the Group's processing plans, not planned to be processed within the next 12 months. The balances of weathered ore as at 31 December 2023 and 2022 are net of impairment losses of US$231,111 thousand recorded as at 31 December 2021, as it could not be reliably predicted when additional processing capabilities will be available to specifically process the stockpiled low-grade and weathered ore. The stockpiled low-grade ore is still considered as an asset for the Group and some or all of the impairment losses might reverse in the future, once changed facts and circumstances can be considered in the net realisable value test of this asset. However, the ongoing war in Ukraine makes it currently difficult to accelerate the commenced engineering studies for the exploration of possible options for new processing capabilities for the specific purpose of processing low-grade ore, so that there are no changes in facts and circumstances to be considered as at 31 December 2023.

During the comparative year ended 31 December 2022, low-grade ore totalling US$9,690 thousand was extracted and directly recognised in the consolidated income statement, included in the cost of sales. No such ore was extracted during the year ended 31 December 2023, also a result of the lower mining activity due to the ongoing war and the reduced operating activity.

As disclosed in Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes and, there is a risk that some of the Group's inventories are seized or subject to a forced sales process, if enforcement procedures in respect of an ongoing legal dispute commence. Although the Group has recognised a provision for the full amount of the contested sureties claim, there is a risk that the future net realisable value of potentially seized finished goods subject to any potential seizure or forced sales process is different than the value recognised at cost in the consolidated financial statements as at 31 December 2023.

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 2023 is disclosed in Note 27 Financial instruments.

At 31 December 2023, trade and other receivables comprised:

US$000	As at 31.12.23	As at 31.12.22
Trade receivables	76,586	28,838
Other receivables	18,765	4,559
Expected credit loss allowance	(13,030)	(8,698)
Total trade and other receivables	82,321	24,699

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 2023 include US$3,196 thousand (2022: US$3,284 thousand) owed by related parties. The detailed related party disclosures are made in Note 34 Related party disclosures.

The movement in the expected credit loss allowance for trade and other receivables during the year under review was:

US$000	Year ended 31.12.23	Year ended 31.12.22
Opening balance	8,698	3,031
Increase	4,585	7,205
Release	(182)	(987)
Translation differences	(71)	(551)
Closing balance	13,030	8,698

During the financial year 2023 and the comparative year 2022, 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:

		Days past due			
As at 31.12.23 US$000	Current	Less than 45 days	45 to 90 days	Over 90 days	Total
Expected loss rate	0.8%	1.6%	3.3%	76.7%	13.7%
Trade receivables – gross carrying amount	52,014	11,542	1,808	11,222	76,586
Other receivables – gross carrying amount	3,815	2	10,533	4,415	18,765
Expected credit loss allowance	442	179	408	12,001	13,030

Despite the higher outstanding balance of trade receivables as at 31 December 2023, the expected credit loss rate decreased due to the lower default risk ratings of the Group's customers, but is still affected by the heightened Ukraine country risk. The rate as at the end of the comparative year ended 31 December 2022 was primarily affected by the heightened Ukraine country risk as a consequence of the war in the country.

Note 18: Trade and other receivables continued

As at 31.12.22 US$000	Current	Days past due Less than 45 days	45 to 90 days	Over 90 days	Total
Expected loss rate	2.5%	16.8%	25.3%	87.2%	26.0%
Trade receivables – gross carrying amount	17,056	2,541	1,359	7,882	28,838
Other receivables – gross carrying amount	3,943	1	1	614	4,559
Expected credit loss allowance	519	426	344	7,409	8,698

The change of the balance of impairment losses on trade receivables recognised in the consolidated income statement as at 31 December 2023 and during the comparative year ended 31 December 2022 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 2023, prepayments and other current assets comprised:

US$000	As at 31.12.23	As at 31.12.22
Prepayments to suppliers:		
Electricity and gas	6,013	2,387
Materials and spare parts	4,385	939
Services	7,075	7,442
Other prepayments	185	211
Prepaid expenses	3,598	2,312
Other	124	61
Total prepayments and other current assets	21,380	13,352

Prepayments at 31 December 2023 include US$513 thousand (2022: US$865 thousand) made to related parties. The detailed related party disclosures are made in Note 34 Related party disclosures.

Freight costs in the amount of US$169 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 2023 (2022: US$7,443 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 2023, other taxes recoverable comprised:

US$000	As at 31.12.23	As at 31.12.22
VAT receivable	25,639	79,064
Other taxes prepaid	652	9,698
Total other taxes recoverable and prepaid	26,291	88,762

Notes to the Consolidated Financial Statements continued

Note 20: Other taxes recoverable and payable continued

The table below provides a reconciliation of the VAT receivable balance in Ukraine:

US$000	Year ended 31.12.23	Year ended 31.12.22
Opening balance, gross	76,387	46,963
Net VAT incurred	66,987	121,369
VAT refunds received in cash	(115,348)	(65,149)
Translation differences	(922)	(26,796)
Closing balance, gross	27,104	76,387
Allowance	(3,188)	(499)
Closing balance, net	23,916	75,888

There were no VAT balances overdue as at 31 December 2023 (2022: 47,149 thousand). The vast majority of the outstanding VAT balance as of 31 December 2023 was collected in full in January and February 2024. Regular refunds in future period do also depend on the situation in Ukraine and how the country is going to cope with the state budget constraints as a result of the ongoing war.

The Group's subsidiaries in Ukraine received generally regular refunds during the financial year 2023 after the automated VAT refund regime resumed again in October 2022. Following the Russian invasion into Ukraine in February 2022, the VAT refunds were suspended and the Group's outstanding VAT balance peaked at US$108,846 thousand as at 31 October 2022. From the total VAT refunds of US$115,348 thousand received during the financial year 2023, US$54,180 thousand related to the financial year 2022.

The recorded allowance of US$3,188 thousand (2022: US$499 thousand) is related to uncertainties in terms of the timing of the recovery of VAT receivable balances for the Group's Ukrainian subsidiaries.

As at 31 December 2023, other taxes payable comprised:

US$000	As at 31.12.23	As at 31.12.22
Environmental tax	341	269
Royalties	3,695	951
VAT payable	253	146
Other taxes	4,536	3,792
Total other taxes payable	8,825	5,158

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 2023, trade and other payables comprised:

US$000	As at 31.12.23	As at 31.12.22
Materials and services	25,898	18,856
Payables for equipment	9,182	11,441
Other	230	212
Total current trade and other payables	**35,310**	30,509

Trade and other payables at 31 December 2023 include US$1,219 thousand (2022: US$2,301 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 2023, the pension schemes in Ukraine covered 2,743 current employees (2022: 2,820 people) and there are 681 former employees currently in receipt of pensions (2022: 707 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.

Notes to the Consolidated Financial Statements continued

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 2023, the Swiss pension scheme covered 20 people (2022: 19 people).

The principal assumptions used in determining the defined benefit obligation are shown below:

	Year ended 31.12.23		Year ended 31.12.22	
	Ukrainian schemes	Swiss scheme	Ukrainian schemes	Swiss scheme
Discount rate	18.0%	1.5%	18.0%	2.3%
Retail price inflation	8.7%	1.5%	8.7%	1.5%
Expected future salary increase	8.5%	2.0%	7.3%	2.0%
Expected future benefit increase	8.5%	–	7.3%	–
Female life expectancy (years)	79.8	89.6	79.8	89.5
Male life expectancy (years)	75.6	87.8	75.6	87.7

US$000	As at 31.12.23	As at 31.12.22
Present value of funded defined benefit obligation	5,011	3,754
Fair value of plan assets	(3,697)	(2,870)
Funded status	1,314	884
Present value of unfunded defined benefit obligation	15,204	15,572
Defined benefit pension liability	16,518	16,456
Thereof for Ukrainian schemes	*15,064*	*15,463*
Thereof for Swiss scheme	*1,314*	*884*
Thereof for schemes in other jurisdictions	*140*	*109*

Amounts recognised in the consolidated income statement or in other comprehensive income are as follows:

US$000	Year ended 31.12.23	Year ended 31.12.22
Defined benefit cost charged in the consolidated income statement:		
Current service cost	887	1,098
Past service cost	(26)	(40)
Interest cost on defined benefit obligation	2,711	2,685
Interest income on plan assets	(71)	(7)
Administration cost	17	10
Total defined benefit costs charged in the consolidated income statement	3,518	3,746
Remeasurement (gains)/costs in consolidated statement of other comprehensive income:		
Remeasurement effect from demographic assumptions	43	(137)
Remeasurement effect from financial assumptions	1,469	(7,139)
Experience adjustment	(2,346)	1,528
Return on plan assets	(65)	412
Total remeasurement gains in other comprehensive income	(899)	(5,336)
Total defined benefit losses/(gains)	2,619	(1,590)
Thereof for Ukrainian schemes	*1,980*	*(1,397)*
Thereof for Swiss scheme	*627*	*(201)*
Thereof for schemes in other jurisdictions	*12*	*8*

Note 22: Pension and post-employment obligations continued

The remeasurement gains are primarily the net effect from the remeasurement of financial assumptions and experience adjustments, with opposite and lower effects than in the comparative year ended 31 December 2022. The remeasurement losses from financial assumptions as at 31 December 2023 are driven by the increase of the inflation rate and the future salary increase assumption in Ukraine whereas the remeasurement gains as at the end of the comparative year ended 31 December 2022 were mainly related to the increase of the discount rate for the Ukrainian pension schemes as a result of the situation in the country. As at 31 December 2023, the discount rate for the Ukrainian pension schemes remained unchanged at 18.0% with no such effects. The gains from experience adjustments as at 31 December 2023 result from a lower effective salary increase in Ukraine than expected as at the end of the comparative year ended 31 December 2022, with the opposite effect as at 31 December 2022, and the higher than expected turnover.

Changes in the present value of the defined benefit obligation are as follows:

US$000	Year ended 31.12.23	Year ended 31.12.22
Opening defined benefit obligation	19,326	29,119
Current service cost	886	1,098
Interest cost on defined benefit obligation	2,711	2,685
Remeasurement gains	(834)	(5,748)
Contributions paid by employer	(1,798)	(1,874)
Contributions paid by employees	134	102
Benefits paid and net transfers through pension assets	(50)	(63)
Plan amendments	(26)	(40)
Translation differences	(150)	(5,953)
Closing defined benefit obligation	**20,199**	**19,326**
Thereof for Ukrainian schemes	*15,064*	*15,463*
Thereof for Swiss scheme	*5,011*	*3,754*
Thereof for schemes in other jurisdictions	*124*	*109*
Thereof for active employees	*10,060*	*8,757*
Thereof for vested terminations	*5,264*	*6,105*
Thereof for pensioners	*4,875*	*4,464*

The durations of the defined benefit obligation for the different schemes as at 31 December 2023 are 8.9 years in Ukraine (2022: 8.5 years) and 19.6 years in Switzerland (2022: 18.7 years).

Contributions to the defined benefit plans, including benefits paid by employer and employee contributions, are expected to be US$1,860 thousand for the schemes in Ukraine and US$207 thousand in Switzerland in the next financial year.

The expenses in relation to the defined contribution plan in the UK and Singapore totalled US$47 thousand (2022: US$49 thousand).

Changes in the fair values of the plan assets are as follows:

US$000	Year ended 31.12.23	Year ended 31.12.22
Opening fair value of plan assets	2,870	3,045
Interest income	71	7
Contributions paid by employer	305	244
Contributions paid by employees	134	102
Benefits paid and net transfers through pension assets	(50)	(63)
Return on plan assets	65	(412)
Administration cost	(16)	(10)
Translation differences	318	(43)
Closing fair value of plan assets	**3,697**	**2,870**
Thereof for Swiss scheme	*3,697*	*2,870*

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 31.12.23	As at 31.12.23	As at 31.12.22	As at 31.12.22
Scheme assets at fair value				
Equities	32.0	1,182	27.9	802
Bonds	28.7	1,061	30.1	863
Properties	17.9	661	17.7	508
Other	21.4	793	24.3	697
Fair value of scheme assets	100.0	3,697	100.0	2,870

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:

	Year ended 31.12.23					
US$000	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 (%)	(956)	(751)	(7)	1,072	1,047	4
Future salary increases (%)	543	158	6	(500)	(137)	(6)
Local inflation (%)	22	4	n/a	(33)	–	n/a
Indexation of pension (%)	n/a	403	n/a	n/a	n/a	n/a
Life expectancy (years)	257	57	n/a	(309)	(55)	n/a

	Year ended 31.12.22					
US$000	Ukrainian schemes	Swiss scheme	Other jurisdictions	Ukrainian schemes	Swiss scheme	Other jurisdictions
	Increase by			Decrease by		
Change	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year	1.0% or 1 year
Discount rate (%)	(995)	(526)	(5)	1,116	727	7
Future salary increases (%)	582	114	6	(531)	(103)	(5)
Local inflation (%)	11	–	n/a	(15)	(1)	n/a
Indexation of pension (%)	n/a	264	n/a	n/a	n/a	n/a
Life expectancy (years)	265	35	n/a	(318)	(35)	n/a

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.

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.

The provisions are classified in the Group's consolidated financial statements either as non-current or current, depending on the expected timing of the outflow of resources.

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 are classified as non-current and changed as follows during the financial year 2023:

US$000	Year ended 31.12.23	Year ended 31.12.22
Opening balance	4,284	3,873
Unwind of the discount	771	382
Charge to the consolidated income statement	(2,148)	1,033
Translation differences	(127)	(1,004)
Closing balance	**2,780**	4,284

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 2050, 2055 and 2065 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 17.24% (2022: 18.24%).

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.

Further to that, the Group is subject to various ongoing legal proceedings and disputes, which require management to make significant estimates and judgements. See Note 30 Commitments, contingencies and legal disputes in respect of provisions for ongoing legal proceedings and disputes, which are classified as current.

See Note 2 Basis of preparation in respect of the impact of climate change on the Group's financial statements.

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 2023, accrued and contract liabilities comprised:

US$000	As at 31.12.23	As at 31.12.22
Accrued expenses	2,800	2,033
Accrued employee costs	12,580	15,048
Contract liabilities	1,915	2,438
Other	33	74
Total accrued and contract liabilities	**17,328**	19,593

For further information on the change in contract liabilities during the year ended 31 December 2023 see Note 6 Revenue.

Notes to the Consolidated Financial Statements continued

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 2023, cash and cash equivalents comprised:

US$000	As at 31.12.23	As at 31.12.22
Cash at bank and on hand	115,241	112,945
Total cash and cash equivalents	**115,241**	112,945

The debt repayments net of proceeds during the period ended 31 December 2023 totalled US$5,562 thousand (31 December 2022: US$48,249 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$11,175 thousand as at 31 December 2023 (31 December 2022: US$45,229 thousand). Despite the foreign exchange control measures imposed under Martial Law in Ukraine (see Note 30 Commitments, contingencies and legal disputes), this balance is fully available to the Group for its operations in Ukraine and is therefore not considered restricted.

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 31.12.23	As at 31.12.22
Current			
Lease liabilities	14	5,939	5,194
Total current interest-bearing loans and borrowings		**5,939**	5,194
Non-current			
Lease liabilities	14	1,009	1,354
Total non-current interest-bearing loans and borrowings		**1,009**	1,354
Total interest-bearing loans and borrowings	27	**6,948**	6,548

The table below shows the movements in the interest-bearing loans and borrowings:

US$000	Year ended 31.12.23	Year ended 31.12.22
Opening balance of interest-bearing loans and borrowings	**6,548**	50,349
Cash movements:		
Principal and interest elements of lease payments	(5,562)	(6,103)
Change of trade finance facilities, net	–	(42,146)
Total cash movements	**(5,562)**	(48,249)
Non-cash movements:		
Additions to lease liabilities	5,812	5,340
Others (incl. translation differences)	150	(892)
Total non-cash movements	**5,962**	4,448
Closing balance of interest-bearing loans and borrowings	**6,948**	6,548

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 trade and other receivables, cash and cash equivalents, loans and borrowings (including lease liabilities) and trade and other payables.

Derivative financial instruments
Except for the provisionally priced receivables disclosed in Note 18 Trade and other receivables, the Group does not hold any derivative financial instruments.

Initial measurement
Non-derivative financial instruments
Financial assets and financial liabilities (excluding lease liabilities) are initially measured at fair value. Any transaction costs that are directly attributable to the acquisition or issue of financial assets or financial liabilities are added or deducted from its fair value except for financial assets and financial liabilities at fair value through the consolidated income statement. For those financial assets and financial liabilities, the transaction costs are recognised immediately in the consolidated income statement.

All regular way purchases and sales of financial assets are recognised on the trade date (i.e. the date that the Group commits to purchase or sell the asset). Regular way purchases or sales are those that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The subsequent measurement is based on the classification of the financial instruments.

Subsequent measurement
Financial assets
Financial assets measured at amortised cost
Except for the provisionally priced receivables disclosed in Note 18 Trade and other receivables, the Group's financial assets are non-derivative with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the financial assets are derecognised or impaired along with the amortisation process.

Financial liabilities
Trade and other payables
Trade and other payables are subsequently measured at amortised cost using the effective interest method.

Interest-bearing loans and borrowings
Interest-bearing loans and borrowings (excluding lease liabilities) are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the consolidated income statement when the liabilities are derecognised as well as through the amortisation process. For the accounting policy of lease liabilities see Note 14 Leases.

Impairment of financial assets
In addition to the individual assessment at each reporting date whether a financial asset or group of financial assets is impaired, the Group also assesses the expected credit losses on financial assets carried at amortised cost. As all of the Group's financial assets carried at amortised cost are classified as current based on the agreed terms and conditions, the loss allowance is measured at an amount equal to the 12-month expected credit losses based on publicly available credit default ratings adjusted for current observable circumstances, forecast information and past history of credit losses. This assessment is performed individually for all financial assets that are individually significant and collectively for those that are not individually significant and have similar credit risk characteristics. The carrying amount of the financial assets is reduced by an allowance account with the change of the allowance being recognised in the consolidated income statement.

Individual balances are written off when management deems that there is no possibility of recovery.

Notes to the Consolidated Financial Statements continued

Note 27: Financial instruments continued

The accounting classification of each category of financial instruments and their carrying amounts are set out below:

		As at 31.12.23			
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	115,241	–	–	115,241
Trade and other receivables	18	82,321	–	–	82,321
Other financial assets		5,245	–	–	5,245
Total financial assets		202,807	–	–	202,807
Financial liabilities					
Trade and other payables	21	–	35,310	–	35,310
Accrued liabilities	24	–	15,387	–	15,387
Interest-bearing loans and borrowings	26	–	–	6,948	6,948
Total financial liabilities		–	50,697	6,948	57,645

		As at 31.12.22			
US$000	Notes	Financial assets measured at amortised cost	Financial liabilities measured at amortised cost	Lease liabilities	Total
Financial assets					
Cash and cash equivalents	25	112,945	–	–	112,945
Trade and other receivables	18	24,699	–	–	24,699
Other financial assets		5,443	–	–	5,443
Total financial assets		143,087	–	–	143,087
Financial liabilities					
Trade and other payables	21	–	30,509	–	30,509
Accrued liabilities	24	–	17,099	–	17,099
Interest-bearing loans and borrowings	26	–	–	6,548	6,548
Total financial liabilities		–	47,608	6,548	54,156

Note 27: Financial instruments continued

Fair values and impairment testing

Financial assets and other financial liabilities

The fair values of cash and cash equivalents, trade and other receivables and payables are approximately equal to their carrying amounts due to their short maturity.

Interest-bearing loans and borrowings

The fair values of interest-bearing loans and borrowings are based on the discounted cash flows using market interest rates (Level 2) and are approximately equal to their carrying amounts.

Fair value measurements recognised in the statement of financial position

Except for the provisionally priced trade receivables (Level 2) disclosed in Note 18 Trade and other receivables, the Group does not have any financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to Level 3 based on the degree to which the fair value is observable. There were no transfers between Level 1 and Level 2 during the financial year 2023 and the comparative year ended 31 December 2022.

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk – including currency and commodity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements. The Board has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee and the CFO.

The Group operates a centralised financial risk management structure under the management of the Executive Committee, accountable to the Board.

The Executive Committee delegates certain responsibilities to the CFO. The CFO's responsibilities include authority for approving all new physical, commercial or financial transactions that create a financial risk for the Group. Additionally, the CFO controls the management of treasury risks within each of the business units in accordance with a Board-approved treasury policy.

Financial instrument risk exposure and management

Natural hedges that can be identified and their effectiveness quantified are used in preference to financial risk management instruments. Derivative transactions may be executed for risk mitigation purposes only – speculation is not permitted under the approved treasury policy – and are designed to have the effect of reducing risk on underlying market or credit exposures. Appropriate operational controls ensure operational risks are not increased disproportionately to the reduction in market or credit risk.

The Group has not used any financial risk management instruments that are derivative in nature, or other hedging instruments, in this or the comparative year.

Credit risk

Trade and other receivables

The Group, through its trading operations, enters into binding contracts, which contain obligations that create exposure to credit, counterparty and country risks. It is the primary objective of the Group to manage such risks to reduce uncertainty of collection from buyers. A secondary objective is to minimise the cost of reducing risks within acceptable parameters.

Credit risk is the risk associated with the possibility that a buyer will default, by failing to make required payments in a timely manner or to comply with other conditions of an obligation or agreement. Where appropriate, the Group uses letters of credit to assist in mitigating such risks.

Counterparty risk crystallises when a party to an agreement defaults. Where letters of credit are used to minimise this risk, the Group uses a confirming bank with a similar or higher credit rating to mitigate country and/or credit risk of the issuing bank.

Notes to the Consolidated Financial Statements continued

Note 27: Financial instruments continued

Country risk is the potential volatility of foreign assets, whether receivables or investments, that is due to political and/or financial events in a given country.

Group Treasury monitors the concentration of all outstanding risks associated with any entity or country, and reports to the Group CFO on a timely basis.

Investment securities

Outside Ukraine the Group limits its cash exposure to credit, counterparty and country risk by only investing in liquid securities and with counterparties that are incorporated in an A+ or better "S&P" rated OECD country. A ratings approach is used to determine maximum exposure to each counterparty. Cash not required for production, distribution and capital expenditures is invested with counterparties rated by S&P or Moody's at a level of long-term B "S&P" or short-term A3 "S&P" or better with any exceptions subject to approval by the Board.

Recognising that the principal activities of the Group are predominantly in Ukraine, special consideration is given to Ukrainian transactional banking counterparties where the sector is small and constrained by the sovereign credit rating. Exceptions may be made under the following conditions:

- the counterparty is resident in Ukraine; and
- the counterparty is included in the top 15 financial institutions in Ukraine based on the Group's assessment of the financial institution.

Irrespective of the counterparty risk assessment above, the Group only uses subsidiaries of Western banks for transactional purposes unless required differently by law.

The Group is currently working with three banks in Ukraine, two of which are subsidiaries of Western banks, and is therefore exposed to Ukraine country and banking sector risk in this respect.

Guarantees

The Group's policy is to provide financial guarantees under limited circumstances only for the benefit of wholly owned or substantially wholly owned subsidiaries.

Exposure to credit risk

The carrying amount of financial assets at 31 December 2023 was US$202,807 thousand (2022: US$143,087 thousand) and represents the maximum credit exposure. See page 210 for further information.

Of the total maximum exposure to credit risk, US$34,635 thousand (2022: US$56,131 thousand) related to Ukraine.

The total receivables balance relating to the Group's top three customers was US$24,030 thousand (2022: US$6,700 thousand), making up 42% of the total amounts receivable (2022: 56%). The top three customers are considered to be crisis-resistant top-class steel mills and sales are made under long-term contracts.

The Group's credit risk related to its customers depends primarily on the state of the global steel industry. In times of lower prices for steel products, the margins and cash flows of steel producers also fall, which could have an adverse impact on the Group's credit risk. The Group has not had any significant bad debts in the past and outstanding amounts are thoroughly reviewed and evaluated to mitigate the risk for such losses. The credit risk related to suppliers of equipment and services in Ukraine is still impacted by the heightened Ukrainian country risk due to the ongoing war. See the Principal Risks section on page 79 for additional information on the counterparty risks.

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 losses for the different counter parties or risking damage to the Group's reputation by holding a adequate balance of cash and cash equivalents. As at the date of the approval of these consolidated financial statements, the Group does not have any drawn or undrawn committed credit facilities, mainly due to the current situation in Ukraine. The ongoing war in Ukraine has had a significant impact on the cash flow generation of the Group during the financial years 2022 and 2023 and the war is expected to continue during the financial year 2024 and to adversely affect the Group's cash flow generation. For further information see also the Group's going concern statement in Note 2 Basis of preparation.

The Group prepares detailed rolling cash flow forecasts, which assist it in monitoring cash flow requirements and planning the allocation of cash. Typically, the Group intends to ensure that it has sufficient cash on demand to meet expected operational expenses. In normal times, the Group also makes use of uncommitted trade finance facilities to manage its short-term liquidity requirements. Trade finance generally refers to the financing of individual transactions or a series of revolving transactions and is often self-liquidating, whereby the lending bank stipulates that all sales proceeds to be collected are applied to settle the loan, with the remainder returned to the Group. Trade finance transactions are approved by the Group Treasurer and Group CFO. As at 31 December 2023, no trade finance facilities are available to the Group as a result of the ongoing war in Ukraine.

For further information see Note 26 Interest-bearing loans and borrowings and the Group's Viability Statement on pages 91 and 92.

Note 27: Financial instruments continued

The following are the contractual maturities of financial liabilities:

US$000	As at 31.12.23 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							
Lease liabilities	6,092	832	245	5	–	–	7,174
Total interest-bearing	**6,092**	**832**	**245**	**5**	**–**	**–**	**7,174**
Non-interest-bearing							
Trade and other payables	35,310	–	–	–	–	–	35,310
Accrued liabilities	15,387	–	–	–	–	–	15,387
Future interest payable	–	–	–	–	–	–	–
Total non-interest-bearing	**50,697**	**–**	**–**	**–**	**–**	**–**	**50,697**
Total financial liabilities	**56,789**	**832**	**245**	**5**	**–**	**–**	**57,871**

US$000	As at 31.12.22 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							
Lease liabilities	5,355	880	579	9	6	–	6,829
Total interest-bearing	5,355	880	579	9	6	–	6,829
Non-interest-bearing							
Trade and other payables	30,509	–	–	–	–	–	30,509
Accrued liabilities	17,092	–	–	–	–	–	17,092
Future interest payable	18	–	–	–	–	–	18
Total non-interest-bearing	47,619	–	–	–	–	–	47,619
Total financial liabilities	52,974	880	579	9	6	–	54,448

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 reporting currency is the US dollar.

The Group's sales are denominated in US dollars as well as its major lines of borrowings in the past, with costs of local Ukrainian production mainly in hryvnia. The value of the hryvnia is published by the NBU. The Ukrainian hryvnia remained unchanged at 36.568 to the US dollar from 21 July 2022 to 30 September 2023, when the National Bank of Ukraine ("NBU") lifted the peg that had been in place since the devaluation of the local currency from 29.255 to 36.568 (34%). As a result of the significant balance in foreign currencies currently held by the NBU, the local currency remained relatively stable at around 37.982 to the US dollar until the end of the financial year 2023, compared to a depreciation of the Ukrainian hryvnia of c. 34% during the financial year 2022.

A depreciation of the Ukrainian hryvnia decreases the operating costs of the production unit in US dollar terms and the value of hryvnia payables recorded in the statement of financial position at the year end in US dollars, with the opposite effect in case of an appreciation of the Ukrainian hryvnia. As the majority of sales and receivables are denominated in US dollars, a change in the local currency will result in operating exchange differences recorded in the consolidated income statement. See Note 9 Foreign exchange gains and losses for further information.

In case of a change of the local currency compared to the US dollar, US dollar-denominated loans held by the Ukrainian subsidiaries result in non-operating exchange differences to the extent these are not matched by US dollar-denominated assets. Fixed assets of the Group's major and asset intensive subsidiaries in Ukraine are denominated in the local currency and a change in the local functional currency different to the US dollar results in a change of the Group's net assets as these effect are recorded in the translation reserve.

As mentioned above, the NBU manages and determines the official exchange rates. An interbank market for the exchange of currencies exists in Ukraine and is monitored by the NBU. The Group, through financial institutions, exchanges currencies at bank offered market rates.

Note 27: Financial instruments continued

Trade receivables are predominantly in US dollars and are not hedged. Trade payables denominated in US dollars are also not hedged on the market but are matched against US dollar currency receipts. This includes the interest expense, which is principally payable in US dollars. Trade receivables and trade payables in Ukrainian hryvnia are not hedged as a forward market for the currency is generally not available.

Other Group monetary assets and liabilities denominated in foreign currencies are considered immaterial as the exposure to currency risk mainly relates to corporate costs within Switzerland and the UK.

The Group's exposure to foreign currency risk was as follows as of 31 December 2023:

US$000	As at 31.12.23	As at 31.12.22
Total financial assets	**202,807**	143,087
Thereof exposed to Ukrainian hryvnia	*–*	*–*
Thereof exposed to US dollar	*255*	*1,742*
Thereof exposed to euro	*2,737*	*1,846*
Thereof exposed to Swiss franc	*1,124*	*921*
Thereof exposed to other currencies	*1,170*	*416*
Total exposures to currencies other than local functional currencies	**5,286**	4,925
Total financial liabilities	**(57,645)**	(54,149)
Thereof exposed to Ukrainian hryvnia	*–*	*–*
Thereof exposed to US dollar	*(631)*	*(815)*
Thereof exposed to euro	*(7,626)*	*(7,094)*
Thereof exposed to Swiss franc	*(461)*	*(192)*
Thereof exposed to other currencies	*(682)*	*(145)*
Total exposures to currencies other than local functional currencies	**(9,400)**	(8,246)

No other subsidiaries of the Group, apart from the Ukrainian subsidiaries, have financial assets and liabilities denominated in the Ukrainian hryvnia. The functional currency of the Ukrainian subsidiaries is the Ukrainian hryvnia and the translation of financial assets and financial liabilities denominated in the Ukrainian hryvnia does therefore not pose a foreign currency risk exposure in the consolidated income statement of the Group as translation differences are reflected in the translation reserve (see Note 31 Share capital and reserves).

Interest rate risk

Historically, the Group predominantly has borrowed bank funds that were predominantly at floating interest rates and was therefore exposed to interest rate movements. As at 31 December 2023, the Group does not have any significant balances of interest-bearing loans and borrowings. No interest rate swaps have been entered into in the current and prior years.

Commodity risk

Revenues related to provisionally priced sales are initially recognised at the estimated fair value of the consideration receivable based on the forward price at each reporting date for the relevant period outlined in the different contracts. As a consequence, the receivable balance may change in a future period when final invoices can be issued based on final iron ore prices to be applied according to the specific underlying contract terms. There were no provisionally priced sales as at 31 December 2023 and 2022.

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% weakening of the US dollar against the following currencies at 31 December would have (decreased)/increased the consolidated result and equity by the amounts shown below. The percentage applied to the sensitivity analysis of the Group's foreign currency exposure is based on the average change of the Ukrainian hryvnia, the Group's most relevant foreign currency, compared to the US dollar in past years, which might repeat again in the near future. This percentage was also applied for the Group's less relevant foreign currencies and does not have a significant effect on the total effect of this sensitivity analysis. This assumes that all other variables, in particular interest rates, remain constant.

Note 27: Financial instruments continued

US$000	Year ended 31.12.23 Income statement/ equity	Year ended 31.12.22 Income statement/ equity
Ukrainian hryvnia	(63)	154
Euro	(815)	(875)
Swiss franc	111	122
Other	81	45
Total	**(686)**	(554)

A 20% strengthening of the US dollar against the above currencies would have an opposite effect totalling US$1,028 thousand on the consolidated result and equity, on the basis that all the other variables remain constant.

US dollar denominated intercompany receivable and payable balances are not considered in the Group's sensitivity analysis as eliminated in the Group's consolidated financial statements. However, the possible exposure on these US dollar denominated balances held by the Ukrainian subsidiaries can be material, depending on the change of the Ukrainian hryvnia to the US dollar. Based on these net intercompany balances outstanding as at 31 December 2023, a 20% weakening of the Ukrainian hryvnia against the US dollar would have a positive impact of approximately US$90,000 thousand (2022: approximately US$89,000 thousand) on the consolidated result and equity. A 20% strengthening would have a negative impact of approximately US$60,000 thousand (2022: approximately US$59,000 thousand) on the consolidated result and equity. Further information on the actual foreign exchange gains and losses during the financial years 2022 and 2023, including those on US dollar denominated intercompany balances, are provided in Note 9 Foreign exchange gains and losses.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not hold any derivatives (e.g. interest rate swaps). Therefore, a change in interest rates at the reporting date would not affect the consolidated income statement.

Cash flow sensitivity for variable rate instruments

An increase of 100 basis points ("bps") in interest rates would have increased equity and the consolidated result by the amounts shown below. The possible change applied to the cash flow sensitivity represents a plausible scenario taking into account the average movement of variable interest rates in the last years and possible changes in the near future. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

US$000	Year ended 31.12.23	Year ended 31.12.22
Net finance charge	1,152	1,129

A decrease of 100bps would decrease equity and profit by US$3,112 thousand for the year ended 31 December 2023 (2022: US$328 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 the level of dividends to ordinary shareholders over the total shareholders' equity, excluding non-controlling interests. 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$106,397 thousand at the beginning of the year to US$108,293 thousand as at 31 December 2023. The slightly higher net cash position reflects the Group's resilience through these unprecedented and challenging times, demonstrating the Group's management ability to focus on adequately balancing the available liquidity, working capital requirements and overall business operation.

The capital base of the Group can be adversely affected by falls in the price of iron ore reducing reported revenues and profitability. The price that the industry earns for iron ore products is cyclical in nature and the Board of Directors continues to review its capital base in line with industry trends. The Board seeks to maintain a balance between the higher net returns that might be achievable through leverage and advantages and security provided by a low gearing and strong capital position.

Growth projects are approved under consideration of potential future market constraints, liabilities management across the Group's balance sheet and expected returns to shareholders.

The Board maintains a dividend policy consistent with the Group's profile, reflecting the investment activities the Group has made supporting current and future production growth and the cash generated by existing operations, while maintaining a prudent level of dividend distributions after an appropriate level of liquidity is ensured on an ongoing basis.

The Group has been subject to the currency control measures implemented by the National Bank of Ukraine ("NBU") under Martial Law since 24 February 2022, which limits the ability of the local Group companies to convert local currency into US dollars and settle cash flows between onshore and offshore accounts of the Group. The Group has implemented various measures to reduce the risk of fines that may arise from the currency control measures, but there exists legal uncertainty in the application of the currency control regulations during Martial Law in Ukraine. See Note 30 Commitments, contingencies and legal disputes for further information.

Note 27: Financial instruments continued

The Company is the Group's holding company, with no direct operating business, so its ability to make distributions to its shareholders is dependent on its ability to access profits held in the subsidiaries and on the available liquidity above the minimum ongoing buffer requirements determined by management and the Board. The Group's consolidated retained earnings shown in the consolidated statement of changes in equity do not reflect the profits immediately available for distribution in the Group as of 31 December 2023. 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	2023 LTIP	2022 LTIP	2021 LTIP	Total
Year ended 31.12.23	**595**	**–**	**–**	**595**
Year ended 31.12.22	–	453	–	453
Year ended 31.12.21	–	–	295	295

The following expenses have been recognised in 2023 and 2022 in respect of the LTIP:

US$000	2023 LTIP	2022 LTIP	2021 LTIP	2020 LTIP	Total
Year ended 31.12.23	**203**	**48**	**103**	**476**	**830**
Year ended 31.12.22	–	129	282	55	466

The expenses recognised in 2023 and in the comparative year 2022 include the effect of lapsed awards resulting from the departure of one member of the key management (2022: one).

	Year ended 31.12.23 WAFV (US$)	Year ended 31.12.22 WAFV (US$)	Year ended 31.12.23 No. (000)	Year ended 31.12.22 No. (000)
LTIP				
Beginning of the year	1.98	2.22	1,040	1,046
Awards granted during the year	1.12	1.54	595	453
Awards vested during the year	2.38	2.40	(289)	(347)
Awards lapsed during the year	1.40	2.22	(405)	(112)
Outstanding unvested awards at 31 December	1.80	1.98	941	1,040

The main inputs to the valuation of the 2023 LTIP awards were the share price at date of grant of US$1.65 (2022 LTIP awards: US$2.33), the volatility of the share price of 68% p.a. (2022 LTIP awards: 65% p.a.) and a risk-free interest rate of 5.1% p.a. (2022 LTIP awards: 2.7% 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.

Note 28: Share-based payments continued

As at 31 December 2022, 71.6% of the 2020 awards under the LTIP vested as the vesting conditions were partially met (31 December 2021: 100% of the 2019 awards). As a result, the beneficiaries of this plan at the date of exercise received 288,727 shares for the 2020 awards during the financial year 2023 (2022: 347,529 shares for the 2019 awards under the LTIP). The share price at the date of exercise of these awards was US$1.44 (2022: US$3.29). 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 2023 consisted of the following:

US$000	Notes	Year ended 31.12.23	Year ended 31.12.22
Wages and salaries		63,577	77,830
Social security costs		11,346	14,211
Post-employment benefits	22	887	1,098
Other employee costs		3,087	4,391
Share-based payments	28	830	490
Total employee benefits expenses		**79,727**	**98,020**

The table above includes compensation for Non-executive Directors, Executive Directors and other key management personnel as outlined below:

	Year ended 31.12.23			Year ended 31.12.22		
US$000	Non-executive and Executive Directors	Other key management	Total	Non-executive and Executive Directors	Other key management	Total
Wages and salaries	3,769	2,068	5,837	3,438	2,455	5,893
Social security costs	122	48	170	94	57	151
Post-employment benefits	91	48	139	80	64	144
Other employee costs	155	–	155	315	32	347
Share-based payments	107	264	371	225	370	595
Total compensation for key management	**4,244**	**2,428**	**6,672**	**4,152**	**2,978**	**7,130**

The totals of shared-based payments for employees and for key management recognised in 2023 and in the comparative year 2022 include the effect of lapsed awards resulting from the departure of one (2022: one) member of the key management.

The average number of employees during the financial year 2023 is detailed in the table below:

Average number of employees	Year ended 31.12.23	Year ended 31.12.22
Production	4,939	5,873
Marketing and distribution	409	439
Administration	1,214	1,303
Other	328	363
Total average number of employees	**6,890**	**7,978**

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*.

Notes to the Consolidated Financial Statements continued

Note 30: Commitments, contingencies and legal disputes continued

Commitments

Commitments as at 31 December 2023 consisted of the following:

US$000	Year ended 31.12.23	Year ended 31.12.22
Total commitments for the lease of mining land (out of the scope of IFRS 16)	52,739	50,963
Total capital commitments on purchase of property, plant and equipment	128,934	134,842
Commitments for investment in a joint venture	6,064	6,064

For further information on lease-related commitments see Note 14 Leases.

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, and consequently Ukrainian legislation might be inconsistently applied to resolve the same or similar disputes. See also the Principal Risks section on pages 76 to 78 for further information on the Ukraine country risk and Note 35 Events after the reporting period in terms of another court order received.

Critical judgements

The Group is exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 76 to 78). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties, which require a significant portion of critical judgements to be made by the management team, mainly in respect of the contested sureties claim, for which a provision was recorded as at 31 December 2023, and the other matters listed under critical judgements below.

Critical judgements for ongoing legal proceedings and disputes with corresponding provisions

Contested sureties claim

On 7 December 2022, FPM received a claim in the amount of UAH4,727 million (US$124,450 thousand as at 31 December 2023) in respect of contested sureties. These contested sureties relate to Bank F&C, a Ukrainian bank owned by the Group's controlling shareholder and which the Group previously used as its main transactional bank in Ukraine. Bank F&C is still going through the liquidation process after having been declared insolvent by the National Bank of Ukraine and put under temporary administration on 18 September 2015.

The counterparty in this claim alleges that it acquired rights under certain loan agreements originally concluded between Bank F&C and various borrowers, some of which are associated entities of the Group's controlling shareholder, by entering into the assignment agreement with the State Guarantee Fund on 6 November 2020. The counterparty further claims that Ferrexpo Poltava Mining ("FPM") provided sureties to Bank F&C to ensure the performance of obligations under these loan agreements. On 9 August 2023, the court of first instance ruled in favour of the claimant and FPM filed an appeal in September 2023. On 26 January 2024 a Ukrainian court of appeal confirmed the claim against FPM in the amount of UAH4,727 million (US$124,450 thousand as at 31 December 2023). On 30 January 2024, FPM filed a cassation appeal to the Supreme Court of Ukraine and the first hearing was scheduled for 20 March 2024, but the hearing did not take place as the presiding judge recused himself. Following the appointment of a new panel of judges, on 1 April 2024 the Supreme Court suspended the possible enforcement of the decision of the court of appeal. A Supreme Court hearing on 17 April 2024 considered primarily procedural matters and the next hearing is scheduled for 27 May 2024.

Notwithstanding the two negative court decisions of the lower courts and based on legal advice obtained, management remains of the view that these claims are without merit and FPM has compelling arguments to defend its position in the Supreme Court. However, considering the magnitude of this claim and the risks associated with the judicial system in Ukraine as further described above, the Group recorded a full provision for this claim as at 31 December 2023, in accordance with the requirements of IAS 37 *Provisions, contingent liabilities and contingent assets*.

As at the date of the approval of these consolidated financial statements, no enforcement procedures have commenced and, further to the Supreme Court's order of 1 April 2024 suspending possible enforcement of the decision of the court of appeal, such procedures cannot be initiated by the claimant until a final decision is made by the Supreme Court, or the current suspension order is otherwise lifted. If the final ruling of the Supreme Court is not in favour of FPM, the claimant may take steps to appoint either a state or a private bailiff and request the commencement of the enforcement procedures, which could have a material negative impact on the Group's business activities and its ability to continue as a going concern, as the assets of FPM could be seized or subject to a forced sale. The potential seizure or forced sale of FPM's assets, including moveable, immovable and financial assets, may have a material adverse impact on the Group's cash flow generation, profitability and available liquidity in future periods. As at the date of the approval of these consolidated financial statements, it is not possible reasonably to assess the implications of a potential seizure or forced sale of assets on the Group's business activities, as the timing, scope and impact are unknown and outside of the Group's control. However, the Group is considering and preparing a number of mitigating actions and responses within its control in order to seek to ensure continuation of production and generation of revenue streams. Beyond that, in case of an enforcement, FPM will challenge orders and actions of the bailiff in the court, which will allow the Group to continue to trade and generate resources to meet its other liabilities as they fall due. See Note 2 Basis of preparation, Note 13 Property, plant and equipment and Note 17 Inventories for further information.

Note 30: Commitments, contingencies and legal disputes continued

Critical judgements for ongoing legal proceedings and disputes without corresponding provisions

Creditor protection application against Ferrexpo Poltava Mining ("FPM")

In February 2024, a supplier and related party to the Group filed an application to open bankruptcy proceedings ("creditor protection proceedings") against FPM, which was accepted by the relevant court for further consideration. The amount of debt claimed by the supplier of FPM was initially UAH2.2 million. The operation of FPM is not affected by this application and the supplier continued to provide its services to FPM. The amount of debt claimed by the supplier subsequently increased to UAH4.6 million (c. US$117 thousand as at 15 April 2024). A preparatory court hearing was scheduled by the court for 12 March 2024. This hearing did not take place and a further hearing scheduled for 9 April 2024 was also postponed. A new hearing is scheduled for 30 April 2024. The creditor protection proceedings are a lengthy process, which is not expected to limit the Group to continue to trade and generate resources to meet its other liabilities as they fall due. Furthermore, it is the Group's intention to settle this debt or seek to extend the payment terms, but noting a previous extension request has been refused by the supplier, to avoid the opening of such creditor protection proceedings. See Note 2 Basis of preparation for further information.

Shares freeze in relation to claim from the Ukrainian Deposit Guarantee Fund ("DGF")

As announced on 7 March 2023 on the Regulatory News Service of the London Stock Exchange, the Group became aware of a press release by the DGF suggesting that a restriction has been placed on shares held by Ferrexpo AG ("FAG"), the Group's Swiss subsidiary, in three main operating subsidiaries of the Group in Ukraine, covering 50.3% of the shares held in each subsidiary. According to the subsequently published court order in the Ukrainian official register of court decisions, the Kyiv Commercial Court ordered the arrest (freeze) of 50.3% of FAG's shareholding in each of Ferrexpo Poltava Mining ("FPM"), Ferrexpo Yeristovo Mining ("FYM") and Ferrexpo Belanovo Mining ("FBM"). The court order also prohibits each of FPM, FYM and FBM from making changes to the amount of its authorised capital. The court order does not affect ownership of the shares in these three subsidiaries of the Group in Ukraine, but prohibits the disposal by FAG of 50.3% of its shareholding in each named subsidiary. This court order was issued by the Kyiv Commercial Court during a hearing in the commercial litigation between the DGF and Mr. Zhevago, the Group's controlling shareholder, in relation to the liquidation of Bank F&C in 2015.

In addition to the restriction covering 50.3% of FAG's shareholding in each of FPM, FYM and FBM, the court order also contains a prohibition on Fevamotinico S.a.r.l. disposing of its shares in Ferrexpo plc and Ferrexpo plc disposing of any of its shares in FAG. As at the date of the approval of these consolidated financial statements, the Group has no intention, and never has had any intention, of transferring the shares in FPM, FYM, FBM or FAG. The Group does not expect an impact on its operations as a result of this court order.

The Group's subsidiaries affected by this court order, including FAG, filed appeals in Ukraine in March 2023 to remove the restrictions. A hearing at the Northern Commercial Court of Appeal took place on 21 June 2023 and the court accepted FAG and the three Ukrainian subsidiaries as third parties to this litigation. On 26 July 2023, the court of appeal dismissed the appeals of FAG, FPM, FYM and FBM in relation to the restrictions covering 50.3% of the corporate rights in FPM, FYM and FBM so that the imposed restrictions remain effective. The Group's subsidiaries filed cassation appeals to the Supreme Court of Ukraine in August 2023 and a first hearing of the case at the Supreme Court took place on 8 November 2023, without any decision being taken. On 10 January 2024, the Supreme Court rejected the cassation appeals from the Group's subsidiaries and the restrictions remain effective. After a review by the Supreme Court of other cassation appeals related to the main dispute between the DGF and Mr. Zhevago, to which the Group is not a party, the case is expected to be sent to the court of first instance, the Kyiv Commercial Court, to proceed with consideration of the main dispute between the DGF and Mr. Zhevago.

Based on advice from Ukrainian legal counsel, management considers that the court order was made in contradiction to Ukrainian law because the restricted 50.3% of corporate rights in the three Ukrainian subsidiaries are the property of FAG and not of any other person as a matter of Ukrainian law. The Group will file new applications and motions to challenge the validity of these restrictions once the case is returned to the Kyiv Commercial Court.

However, as with other ongoing legal proceedings in Ukraine, there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld and in that case the Group might not be successful in procuring the cancellation of such restrictions.

Shares freeze in relation to claim from the National Bank of Ukraine ("NBU")

In addition to the case initiated by the Ukrainian Deposit Guarantee Fund ("DGF") as described above, there is a commercial litigation between the NBU and Mr. Zhevago, the Group's controlling shareholder, in relation to the personal surety given by Mr. Zhevago for the loan provided by the NBU to Bank F&C prior to its insolvency. In respect of this commercial litigation, the Chief State Bailiff of the Ministry of Justice of Ukraine issued in September 2023 a resolution on arrest (freeze) of property of Mr. Zhevago as part of intended enforcement proceedings.

As part of this September 2023 resolution, the State Bailiff imposed an order to arrest (freeze) 50.3% of the issued share capital of FYM and FBM, owned by FAG, based on the incorrect assumption that these corporate rights are owned by Mr. Zhevago. In reaching this decision to arrest these corporate rights, the State Bailiff relied on conclusions made by the Northern Commercial Court of Appeal that Mr. Zhevago is the ultimate beneficial owner of the Ukrainian subsidiaries and that all companies in the Group are just nominal owners of the assets ultimately owned by Mr. Zhevago. FAG filed a civil claim in October 2023 seeking to cancel the order and to block the enforcement procedure initiated by the State Bailiff. On 30 November 2023, the Komsomolskyi Town Court of Poltava Region, a court of first instance, suspended the enforcement procedure, prohibiting the State Bailiff from taking any actions to forcefully sell FAG's corporate rights in FYM and FBM. The State Bailiff filed an appeal, but the Poltava Court of Appeal has not opened appeal proceedings to date. The date of the first hearing at the Poltava Court of Appeal in these proceedings is currently unknown. In parallel, the NBU made an application to stay the main proceeding. On 9 January 2024, the court of first instance suspended the court proceedings until there is a written decision from the Supreme Court of Ukraine in respect of the restrictions imposed in the above-mentioned case initiated by the DGF.

Notes to the Consolidated Financial Statements continued

Note 30: Commitments, contingencies and legal disputes continued

Shares freeze in relation to investigation in connection with Bank F&C

As part of the ongoing investigation in connection with Bank F&C, on 25 March 2024, the Group became aware of a court order dated 18 January 2024 in the Ukrainian Register of Court Decisions regarding restrictions on certain corporate rights in all of the Group's Ukrainian subsidiaries. These restrictions are imposed on 49.5% of the shares in all of the Group's Ukrainian subsidiaries, except for Nova Logistics LLC and TIS-Ruda LLC, an associated company of the Group, where the relevant percentages restricted are 25.2% and 24.7%, respectively.

The restrictions do not affect ownership of the relevant shares, but prohibit their transfer and restrict the right to use corporate rights of such shares, including the right to vote. The Group is not a party to the proceedings in which the restrictions have been imposed and these restrictions were imposed without official notification to the Group and/or its subsidiaries. The Group plans to file an appeal to seek the cancellation of these restrictions on the corporate rights.

Currency control measures imposed in Ukraine

With the start of the Russian invasion into Ukraine on 24 February 2022, the Ukrainian government introduced Martial Law affecting, among others, aspects relating to lending agreements, foreign exchange and currency controls and banking activities.

As a result of the introduced Martial Law, the National Bank of Ukraine ("NBU") has introduced significant currency and capital control restrictions in Ukraine. These measures are affecting the Group in terms of its cross-border payments to be made, which are restricted and may be carried out only in exceptional cases. The maximum period for settlements of invoices under export and import contracts was decreased as of 1 April 2022 from what was previously 360 days to 180 days.

These measures put additional pressure on the Group's liquidity management as the Ukrainian subsidiaries are currently not in the position to make cash transfers outside of Ukraine. As it is essential to the Group that sufficient liquidity is held outside of Ukraine in order to ensure that the Group's liabilities can be settled when falling due, intercompany receivable balances due to the Ukrainian subsidiaries have historically only been paid when falling due and after considering the local cash requirements for the operating activities and the capital expenditure programmes.

The currently lower operating activities and the reduced capital expenditure programmes due to the ongoing war have reduced the local cash requirements and consequently increased the imbalance between payments to be made into Ukraine and local cash requirements. As a result of the imposed currency control measures, the Group has to carefully manage the payments to be made into Ukraine, as the local subsidiaries cannot transfer any surplus funds back to the Group entities outside of Ukraine, if required.

Failure to comply with the currency control regulations can result in fines. The offence against the currency control regulations would result in fines of 0.3% per day calculated on the cumulative overdue receivable balances. The Group has implemented various measures to mitigate the impact of the currency control regulations and reduce the risk of material fines, but there exists legal uncertainty in the application of the currency control regulations during the application of Martial Law in Ukraine. The currency control regulations may also be subject to change in the future (including with retrospective effect). Therefore, there is a risk that the Group may become subject to challenges from regulatory authorities in connection with the application of the regulations.

Given the amount of outstanding receivable balances between Group companies, there is a risk of material fines becoming payable in the future. However, as a result of different interpretations of the currency control regulations during the application of Martial Law and the measures initiated by the Group to mitigate the risk of potential fines, it is currently not possible to reliably estimate the amount of a potential exposure.

Share dispute

On 23 November 2020, the Kyiv Commercial Court reopened court proceedings in relation to an old shareholder litigation.

This old shareholder litigation started in 2005, when a former shareholder in Ferrexpo Poltava Mining ("FPM") brought proceedings in the Ukrainian courts seeking to invalidate the share sale and purchase agreement concluded in 2002 pursuant to which a 40.19% stake in FPM was sold to nominee companies that were previously ultimately controlled by Mr. Zhevago, amongst other parties. After a long period of litigation, all old claims were fully dismissed in 2015 by the Higher Commercial Court of Ukraine.

In January 2021, Ferrexpo AG ("FAG") received a claim from a former shareholder in FPM seeking to invalidate the share sale and purchase agreement concluded in 2002.

In February 2021, FAG became aware that an additional three new claims had been filed by three other former shareholders in FPM. Taken together, four claimants sought to invalidate the share sale and purchase agreement concluded in 2002 pursuant to which a 40.19% stake in FPM was sold, similar to the previous claims made back in 2005. The Kyiv Commercial Court ruled on 27 May 2021 in favour of FAG and the opposing parties filed their appeals in June 2021. The Northern Commercial Court of Appeal opened the appeal proceedings. After several hearings, in September 2022 the Group received a judgment from the appeal court, which stated that the share sale and purchase agreement concluded in 2002 was invalid and ordered that 40.19% of the current share capital in FPM should be transferred to the claimants.

Following the identification of numerous errors in the application of Ukrainian law in the judgment of the Northern Commercial Court of Appeal by the Group's Ukrainian legal advisors, FAG filed a cassation appeal and requested the Supreme Court of Ukraine to review the ruling made by the Northern Commercial Court of Appeal. During the hearing on 19 April 2023, the judges of the Grand Chamber of the Supreme Court ruled in favour of the Group.

Allegations of bribery against the Head of the Supreme Court made by the National-Anti-Corruption Bureau of Ukraine ("NABU") and the Specialised Anti-Corruption Prosecutor's Office ("SAPO") in May 2023 make reference to the ruling made by the Supreme Court on 19 April 2023 and the Group's controlling shareholder. Following the subsequent removal of the Head of the Supreme Court, investigations by NABU and SAPO are underway into the conduct of the former Head of the Supreme Court and a lawyer who allegedly acted as the intermediary in the alleged bribery. On 3 August 2023, NABU announced that the Group's controlling shareholder had been issued with a notice of suspicion in NABU's and SAPO's investigation.

Note 30: Commitments, contingencies and legal disputes continued

If the Ukrainian Anti-Corruption Court concludes that a judge received a bribe for the favourable decision in the share dispute case, and such verdict of the Anti-Corruption Court remains valid after any potential appeal, then the claimants may apply to the Supreme Court to review the decision of the Grand Chamber of the Supreme Court given on 19 April 2023 due to exceptional circumstances. In February 2024, all four claimants were dissolved according to the records at the UK Companies House. As at the date of the approval of these consolidated financial statements, no allegations have been made against the Group in connection with the alleged bribery and it is currently not possible to anticipate future developments in this case with any certainty.

If the case were to be reviewed by the Grand Chamber of the Supreme Court once again, management remains of the view that FAG has compelling legal arguments to defend its position. Based on the legal considerations and arguments in the case and taking into account the advice received from the Group's Ukrainian legal advisors, management remains of the view that the decision should be in favour of the Group, but there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld. A hypothetical reversal of the decision by the Grand Chamber of the Supreme Court would result in the loss of a significant proportion of the shareholding in the Group's main operating subsidiary in Ukraine, which holds approximately 65% of the Group's non-current operating assets, and would have a material adverse impact on the shareholders' equity attributable to the shareholders of Ferrexpo plc. Due to the uncertainties, it is currently not possible to reasonably estimate the financial impact, but it could be material. A negative decision could also have an impact on potential future dividends from FPM to FAG and, as result, on the distributable reserves of Ferrexpo plc (see Note 12 Earnings per share and dividends paid and proposed for further details).

No non-controlling interest has been recognised as of 31 December 2023 because FPM remains wholly owned by FAG as at the date of the approval of these consolidated financial statements. It is management's view that a hypothetical reversal of the decision by the Grand Chamber of the Supreme Court will not cast significant doubt on the Group's ability to continue as a going concern. However, such a decision might complicate the daily business of the Group's major subsidiary in Ukraine, as the intentions of the opposing parties, the claimants in the share dispute case, are not clear at this point in time.

Other ongoing legal proceedings and disputes

Other ongoing legal proceedings and disputes with corresponding provisions

Challenge of squeeze-out of minority shareholders

Following the completion of squeeze-out procedures in 2019 in respect of the one of the Group's subsidiaries in Ukraine, Ferrexpo Poltava Mining ("FPM"), two former minority shareholders of FPM challenged the valuation of the shares of FPM. This valuation formed the basis for the mandatory buy-out of minority shareholders according to Ukrainian law.

On 19 September 2023, a court of first instance ruled in favour of the two former minority shareholders and decided that FPM should pay UAH136 million (US$3,720 thousand as at 31 December 2023) in aggregate to the two former shareholders of FPM. Following the appeal filed by FPM, the court of appeal in Kharkiv refused on 21 February 2024 to satisfy the appeal of FPM, and FPM subsequently filed a cassation appeal to the Supreme Court of Ukraine. On 25 March 2024, the Supreme Court suspended the enforcement of the decision of the court of appeal and scheduled a court hearing for 17 April 2024. On 17 April 2024, the Supreme Court heard the arguments of the parties and scheduled another hearing for 27 May 2024.

The Group recorded a full provision for this claim as at 31 December 2023, in accordance with the requirements of IAS 37 *Provisions, contingent liabilities and contingent assets*.

Other ongoing legal proceedings and disputes without corresponding provisions

Royalty-related investigation and claim

On 3 February 2022, Ferrexpo Poltava Mining ("FPM") and Ferrexpo Yeristovo Mining ("FYM") received letters from the Office of Prosecutor General notifying them about an ongoing investigation into the potential underpayment of iron ore royalty payments during the years 2018 to 2021. The amount of underpayment was not specified in the letters. As part of the investigation, the Office of Prosecutor General requested documents related to iron ore royalty payments and requested four representatives of the Group's subsidiaries to appear as witnesses for investigations.

On 8 February 2022, FPM received a tax audit report, which claims the underpayment of iron ore royalty payments during the period from April 2017 to June 2021 in the amount of approximately UAH1,042 million (US$27,434 thousand as at 31 December 2023), excluding fines and penalties. The Group provided its objections to the claims made in the tax audit report. On 11 August 2023, FPM received a tax notification-decision, which claims the underpayment of royalty payments in the amount of UAH1,233 million (US$32,462 thousand as at 31 December 2023), which is higher than the amount initially stated in the tax audit report due to imposed fines and penalties. FPM challenged the notification received as part of administrative procedures with the tax authorities. On 20 October 2023, the tax authorities decided that the amount in the notification-decision is final and not subject to changes. In November 2023, FPM filed a lawsuit before the court to challenge the tax authorities' decision and the first court hearing took place on 29 January 2024. The hearing scheduled for 18 March 2024 did not take place due to air raid alerts and a reconvened court hearing on 15 April 2024 decided that the court proceedings are suspended until the review of another case.

On 16 November 2022, detectives from the Bureau of Economic Security of Ukraine conducted searches at FPM and FYM in connection with the royalty-related investigation. On 3 February 2023, a notice of suspicion was delivered to a senior manager of FPM, which claimed underpayment of royalty payments in the amount of approximately UAH2,000 million (US$52,656 thousand as at 31 December 2023). Bail of UAH20 million (US$527 thousand as at 31 December 2023) was approved by the court on 9 February 2023 and subsequently paid by the Group.

On 6 February 2023, the court arrested the bank accounts of FPM. Following a motion to change the scope of the arrest filed by FPM, the court on 8 February 2023 and on 16 February 2023 added exceptions to the original court order to arrest the bank accounts of FPM in order to allow FPM to make payments for salaries, local taxes, social security charges, payments for utilities as well as payments to state and municipal companies. An appeal to cancel the arrest of the bank account of FPM was heard by the court of appeal on 19 April 2023, but the court did not satisfy the Group's appeal and the arrest order remains in effect.

Notes to the Consolidated Financial Statements continued

Note 30: Commitments, contingencies and legal disputes continued

On 31 October 2023, a notice of suspicion was delivered to another senior manager of FPM. On 13 November 2023, a court of first instance approved the bail in the amount of approximately UAH800 million (US$21,062 thousand as at 31 December 2023). An appeal was filed by the Group's subsidiary and after several scheduled court hearings were postponed, the next court hearing of the court of appeal to determine the amount of bail for this senior manager was scheduled for 20 March 2024. However, this hearing was postponed and a reconvened hearing was scheduled for 2 April 2024, but was postponed to 29 April 2024.

Based on legal advice obtained, it is management's view that FPM and FYM have compelling arguments to defend their positions in the court and, as a consequence, no associated liabilities have been recognised in relation to the claim in the consolidated statement of financial position as at 31 December 2023. However, as with other ongoing legal proceedings, there is a risk that the independence of the judicial system and its immunity from economic and political influences in Ukraine is not upheld and, in that case, there could be a material adverse impact on the Group.

Investigations on use of waste product and asset freeze

On 10 January 2023, the State Bureau of Investigations ("SBI") in Ukraine performed several searches in respect of investigations on alleged illegal extraction of minerals ("rubble"). The National Police of Ukraine also carried out investigations on the same matter and made searches and collected samples of the rubble on 17 January 2023 at Ferrexpo Poltava Mining ("FPM"). FPM's position is that the minerals in question are not a separate mineral resource, but that it is a waste product resulting from the crushing of iron ore during the technical process for the production of iron ore pellets.

On 29 June 2023, the SBI issued notices of suspicion to three representatives of FPM's senior management and the head of one division for allegedly selling the rubble without the appropriate permit. The FPM employees were detained by the SBI and subsequently released after FPM paid bails totalling UAH122 million (US$3,336 thousand at this point of time) that were approved by the court.

On 22 September 2023, the National Police of Ukraine searched the private residence of a senior manager of FPM and issued a notice of suspicion. The senior manager was subsequently detained by the National Police of Ukraine. On 26 September 2023, a court of first instance approved bail in the amount of UAH999 million (US$26,302 thousand as at 31 December 2023) and then on 30 October 2023 the court of appeal reduced the bail to UAH400 million (US$10,531 thousand as at 31 December 2023). Following payment of the bail by the Group, the senior manager was released.

The sales of the rubble were subject to inspections by the State Service for Geology and Subsoil of Ukraine for many years and the sales were suspended by the Group in September 2021. The position of FPM is that based on the mining license held, FPM complied with the relevant legislation. In the pre-trial investigation of the rubble case and following an application from the prosecutor to arrest (freeze) all rail cars and railway access tracks owned by FPM, a court of first instance issued the order to do so. FPM filed an appeal and at a hearing of the court of appeal on 30 October 2023 the court of appeal confirmed the arrest (freeze) of assets, but refused to provide clarifications on the exact scope of the order which created an alleged restriction on the use of one type of FPM's rail cars. Since that time FPM has not been using this type of rail cars (totalling 1,339 units), but continues to use another type of its rail cars (totalling 1,043 units). FPM filed new applications to several courts to remove the arrest order. In the same pre-trial investigation of the rubble case, some of the real estate assets and transport vehicles of FPM were also arrested, but this arrest does not restrict the use of these assets in operations. As disclosed under the royalty-related investigation and claim on page 221, a court in Ukraine arrested on 6 February 2023 the bank accounts of FPM. Following a motion to change the scope of the arrest filed by FPM, the court on 8 February 2023 and on 16 February 2023 added exceptions to the original court order to arrest the bank accounts of FPM in order to allow FPM to make payments for salaries, local taxes, social security charges, payments for utilities as well as payments to state and municipal companies. On 5 March 2024, the same bank accounts were again arrested by another governmental body, the National Police of Ukraine, but in respect of the investigations on the use of waste products. FPM has filed again a motion to the court to change the scope of the arrest to allow certain payments to be made from these arrested bank accounts. A court of appeal hearing scheduled for 16 April 2024 did not take place and a hearing is now scheduled for 14 May 2024.

No associated liabilities have been recognised in relation to this case in the consolidated statement of financial position as at 31 December 2023 as no damage has been claimed from FPM.

Ecological claims

As discussed in detail in the 2022 Annual Report and Accounts, the State Ecological Inspection carried out an inspection of Ferrexpo Yeristovo Mining ("FYM") and on 1 October 2021 issued an order to remove a number of alleged violations of environmental rules. After the court of first instance ruled in favour of FYM on 19 July 2022 the State Ecological Inspection filed an appeal. The court of appeal returned the appeal claim to the State Ecological Inspection on 20 March 2023 due to procedural mistakes when filing the claim and the State Ecological Inspection subsequently requested an extension of the deadline for the filing of their next appeal. The State Ecological Inspection subsequently filed another appeal and on 20 July 2023 the court of appeal returned the appeal claim back to the State Ecological Inspection. There had been no actions in respect of this dispute until 5 October 2023, when the National Police of Ukraine reviewed land plots of FYM.

Based on legal advice obtained, it is management's view that FYM has compelling arguments to defend its position in the court and, as a consequence, no associated liabilities have been recognised in relation to these matters in the consolidated statement of financial position as at 31 December 2023.

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.

Note 30: Commitments, contingencies and legal disputes continued

The Galeschynske deposit is a project in the exploration phase that is situated to the north of the Group's active mining operations. Following the cancellation of this license and considering the fact that the outcome of the proceedings is currently uncertain, all capitalised costs associated with this licence totalling US$3,439 thousand were written off during the financial year 2021. A court hearing took place on 4 April 2023 and the judges considered the evidence presented, but have not yet concluded on the legal merits of this dispute. Another court hearing took place on 12 February 2024 with no decision being taken and the date of the next hearing is unknown as at the date of the approval of these consolidated financial statements.

Taxation

Tax legislation

As disclosed in Note 11 Taxation, following the completion of tax audits in respect of its cross-border transactions, the Group's major subsidiaries, Ferrexpo Poltava Mining ("FPM") and Ferrexpo Yeristovo Mining ("FYM") received tax claims in the amount of UAH2,162 million (US$56,921 thousand as at 31 December 2023), including fines and penalties, and UAH259 million (US$6,819 thousand as at 31 December 2023), still subject to potential fines and penalties, respectively. The Group's subsidiaries filed the objections to be considered by the tax authorities. Based on past experience, it is expected that no agreement will be made with the tax authorities and that the claims will need to be heard by the courts in Ukraine. On 28 February 2024, a court of first instance opened a case in relation to the lawsuit filed by FPM to challenge the tax-notification-decisions dated 27 November 2023. The first preparatory hearing took place on 1 April 2024 and the next hearing is scheduled for 20 May 2024. As at the date of the approval of these consolidated financial statements, the court preparatory hearings have just commenced and, as a result, no final decisions have been made for the claims received by the Group's subsidiaries in Ukraine. An unfavourable outcome would have an adverse impact on the Group's cash flow generation, profitability and liquidity. See Note 11 Taxation and also the update on the Group's Principal Risks on pages 76 to 78 in terms of the Ukraine country risk.

Note 31: Share capital and reserves

Accounting policy

Ordinary Shares

Ordinary Shares are classified as equity. Incremental costs directly attributable to the issue of Ordinary Shares and share options are recognised as a deduction from equity, net of any tax effects.

Employee benefit trust reserve

Ferrexpo plc shares held by the Group are recognised at cost and classified in reserves. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from the sale and the original cost to be recorded in reserves. No gain or loss is recognised in the consolidated income statement on the purchase, issue or cancellation of equity shares.

Treasury shares

Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from equity and represent a reduction in distributable reserves. No gain or loss is recognised in the consolidated income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in reserves.

Translation reserve

The translation reserve represents exchange differences arising on the translation of non-US dollar functional currency operations, mainly those in Ukrainian hryvnia, within the Group into US dollars.

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 2023 was 613,967,956 Ordinary Shares (2022: 613,967,956) at a par value of £0.10 paid for in cash, resulting in share capital of US$121,628 thousand (2022: US$121,628 thousand) per the statement of financial position. The interest of the Group's largest shareholder, Fevamotinico S.a.r.l., in voting rights of Ferrexpo plc is 49.3% as at the date of this report (49.5% as at the time of publication of the 2022 Annual Report and Accounts).

Notes to the Consolidated Financial Statements continued

Note 31: Share capital and reserves continued

As at 31 December 2023, 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 2022	31,780	(77,260)	(1,679)	(1,938,972)	(1,986,131)
Foreign currency translation differences	–	–	–	(664,286)	(664,286)
Tax effect	–	–	–	13,036	13,036
Total other comprehensive loss for the year	–	–	–	(651,250)	(651,250)
Share-based payments	–	–	490	–	490
At 31 December 2022	31,780	(77,260)	(1,189)	(2,590,222)	(2,636,891)
Foreign currency translation differences	–	–	–	(54,847)	(54,847)
Tax effect	–	–	–	1,479	1,479
Total other comprehensive loss for the year	–	–	–	(53,368)	(53,368)
Share based payments	–	–	830	–	830
Effect from transfer of treasury shares	–	29,000	(15,865)	–	13,135
At 31 December 2023	31,780	(48,260)	(16,224)	(2,643,590)	(2,676,294)

Uniting of interest reserve

The uniting of interest reserve represents the difference between the initial investment by Ferrexpo AG in Ferrexpo Poltava Mining 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. On 10 March 2023, the Group transferred 9,513,000 shares from the treasury shares reserve to the Group's employee benefit trust reserve, resulting in 15,830,814 shares in the treasury share reserve as of 31 December 2023 (2022: 25,343,814 shares).

Employee benefit trust reserve

This reserve represents the treasury shares held 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. Subsequent to the transfer of 9,513,000 shares from the treasury share reserve on 10 March 2023, the employee benefit trust reserve includes 9,801,643 shares as at 31 December 2023 (2022: 577,370 shares).

Translation reserve

The Ukrainian hryvnia remained unchanged at 36.568 to the US dollar from 21 July 2022 to 30 September 2023, when the National Bank of Ukraine ("NBU") lifted the peg that had been in place since the devaluation of the local currency from 29.255 to 36.568. As a result of the significant balance in foreign currencies currently held by the NBU, the local currency remained relatively stable until the end of the financial year 2023, compared to a depreciation of the Ukrainian hryvnia of c. 34% during the financial year 2022 resulting in a significant reduction of the Group's net assets as assets and liabilities of the Ukrainian subsidiaries are denominated in the local currency and the effect from the translation is reflected in the translation reserve. See also page 172.

Note 32: Consolidated subsidiaries

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 235.

Note 32: Consolidated subsidiaries continued

The Group does not have any other interests of 20% or more in undertakings that are not disclosed on page 235, 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% (2022: 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 31.12.23	Year ended 31.12.22
Opening balance	5,167	7,034
Share of profit[1]	(372)	557
Dividends declared	–	(881)
Translation adjustments	(179)	(1,543)
Closing balance	**4,616**	**5,167**

For the year ended 31 December 2023 the summarised financial information for the associate was as follows:

	Revenue		Net (loss)/profit	
US$000	Year ended 31.12.23	Year ended 31.12.22	Year ended 31.12.23	Year ended 31.12.22
TIS Ruda LLC[1]	773	4,077	(745)	1,116

1. Based on preliminary and unaudited financial information.

Since February 2022, the operations at the port of Pivdennyi have been suspended due to the war in Ukraine, which has an adverse impact on the business and financial position of TIS Ruda LLC. Following Russia's withdrawal from the Black Sea Grain Agreement, a new alternative corridor for shipments from the Ukrainian Black Sea ports was established, which was also used for non-grain shipments. TIS Ruda started the preparations for the re-start of its operations at the end of 2023 and resumed the port operation again in January 2024. The situation remains very volatile and the level and duration of TIS Ruda's operations is still difficult to reliably predict.

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 2023, the associate's total assets were US$14,345 thousand (2022: US$15,237 thousand) and the total liabilities were US$5,094 thousand (2022: US$4,883 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.

The Group became aware that a governmental body in Ukraine tried to confiscate UAH355 million (US$9,346 thousand) of TIS Ruda's available liquidity during the financial year 2023, but was not successful as the bank refused to confiscate the amount without a valid court order. As at the date of the approval of these consolidated financial statements, the amount is still on TIS Ruda's bank account, but currently not fully available for general business expenses. A successful confiscation of this amount by the governmental body would have an impact on the Group's share in the equity of the associate.

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% (2022: 49.9%). See Note 33 Investments in associates for further details. 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 141 and 142.

Notes to the Consolidated Financial Statements continued

Note 34: Related party disclosures continued

Related party transactions entered into by the Group during the years presented are summarised in the following tables:

Revenue, expenses, finance income and expense

US$000	Year ended 31.12.23 Entities under common control	Year ended 31.12.23 Associated companies	Year ended 31.12.23 Other related parties	Year ended 31.12.22 Entities under common control	Year ended 31.12.22 Associated companies	Year ended 31.12.22 Other related parties
Other sales[a]	271	–	1	560	–	2
Total related party transactions within revenue	271	–	1	560	–	2
Materials and services[b]	6,473	–	–	6,784	–	–
Spare parts and consumables[c]	1,730	–	–	7,056	–	–
Other expenses[d]	1,289	–	–	1,948	–	–
Total related party transactions within cost of sales	9,492	–	–	15,788	–	–
Selling and distribution expenses[e]	5,825	20	–	6,542	3,819	–
General and administration expenses[f]	200	–	691	398	–	567
Other operating expenses[g]	1,019	–	–	2,019	–	–
Finance expense	3	–	–	8	–	–
Total related party transactions within expenses	16,539	20	691	24,755	3,819	567
Total related party transactions	16,810	20	692	25,315	3,819	569

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$170 thousand (2022: US$361 thousand);

b Purchases of oxygen, scrap metal and services from Kislorod PCC for US$1,020 thousand (2022: US$1,437 thousand);

b Purchases of cast iron balls from OJSC Uzhgorodsky Turbogas for US$4,552 thousand (2022: US$4,258 thousand); and

b Purchase of maintenance and construction services from FZ Solutions LLC for US$779 thousand (2022: US$997 thousand).

c Purchases of spare parts from OJSC AvtoKraz Holding in the amount of US$2 thousand (2022: US$1,799 thousand);

c Purchases of spare parts from CJSC Kyiv Shipbuilding and Ship Repair Plant ("KSRSSZ") in the amount of US$218 thousand (2022: US$902 thousand);

c Purchases of spare parts from OJSC Uzhgorodsky Turbogas in the amount of US$746 thousand (2022: US$1,460 thousand);

c Purchases of spare parts from FZ Solutions LLC of US$372 thousand (2022: US$1,125 thousand);

c Purchases of spare parts from Kislorod PCC in the amount of US$256 thousand (2022: US$410 thousand); and

c Purchases of spare parts from Valsa GTV of US$137 thousand (2022: US$1,231 thousand).

d Insurance premiums of US$1,289 thousand (2022: US$1,948 thousand) paid to ASK Omega for insurance cover in respect of mining equipment and machinery.

e Purchases of advertisement, marketing and general public relations services from FC Vorskla of US$5,823 thousand (2022: US$6,541 thousand).

g Insurance premiums of US$804 thousand (2022: US$1,085 thousand) paid to ASK Omega for workmen's insurance and other insurances;

g Purchase of marketing services from TV & Radio Company of US$210 thousand (2022: US$212 thousand); and

g Purchase of food under the Ferrexpo Humanitarian Fund from JSC Kremenchukmyaso in the amount of US$798 thousand in the comparative year ended 31 December 2022. No such purchases as at 31 December 2023. See page 228 for further information on the Ferrexpo Humanitarian Fund.

Associated companies

The Group entered into related party transactions with its associated company, TIS Ruda LLC, which were carried out on an arm's length basis in the normal course of business for the members of the Group (see Note 33 Investments in associates).

e Purchases of logistics services in the amount of US$20 thousand (2022: US$3,819 thousand) relating to port operations, including port charges, handling costs, agent commissions and storage costs. The scope of the services procured from TIS Ruda is heavily affected by the ongoing war in Ukraine as the Group's seaborne sales through the port of Pivdennyi were suspended since the beginning of the war. See Note 33 Investments in associates for further information.

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$510 thousand (2022: US$387 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 2023 (2022: US$100 thousand).

Note 34: Related party disclosures continued

Purchases of property, plant and equipment

The table below details the transactions of a capital nature, which were undertaken between Group companies and entities under common control, associated companies and other related parties during the years presented.

US$000	Year ended 31.12.23 Entities under common control	Year ended 31.12.23 Associated companies	Year ended 31.12.23 Other related parties	Year ended 31.12.22 Entities under common control	Year ended 31.12.22 Associated companies	Year ended 31.12.22 Other related parties
Purchases in the ordinary course of business	3,499	–	–	11,634	–	–
Total purchases of property, plant and equipment	**3,499**	**–**	**–**	11,634	–	–

During the year ended 31 December 2023, the Group purchased major spare parts and equipment from FZ Solutions LLC totalling US$3,499 thousand (2022: US$11,598 thousand) in respect of the continuation of the Wave 1 pellet plant expansion project.

The FPM Charity Fund owns 75% of the Sport & Recreation Centre ("SRC") in Goryshnye Plavnye and made contributions totalling US$69 thousand during the year ended 31 December 2023 (2022: US$154 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:

US$000	As at 31.12.23 Entities under common control	As at 31.12.23 Associated companies	As at 31.12.23 Other related parties	As at 31.12.22 Entities under common control	As at 31.12.22 Associated companies	As at 31.12.22 Other related parties
Other non-current assets[g]	3,001	–	–	3,847	–	–
Total non-current assets	**3,001**	**–**	**–**	3,847	–	–
Trade and other receivables[h]	71	3,125	–	38	3,245	1
Prepayments and other current assets[i]	124	389	–	745	120	–
Total current assets	**195**	**3,514**	**–**	783	3,365	1
Trade and other payables[j]	1,219	–	–	2,057	244	–
Total current liabilities	**1,219**	**–**	**–**	2,057	244	–

A description of the balances over US$200 thousand in the current or comparative year is given below.

Entities under common control

g Other non-current assets include prepayments for property, plant and equipment totalling US$2,990 thousand (2022: US$3,787 thousand) were made to FZ Solutions LLC mainly in relation to the Wave 1 expansion project of the processing plant.

i Prepayments and other current assets to ASK Omega for insurance premiums in the amount of US$233 thousand as at the comparative year ended 31 December 2022. No such prepayments as at 31 December 2023; and

i Prepayments and other current assets totalling US$89 thousand to FZ Solutions LLC (2022: US$327 thousand) related to the purchase of spare parts and services.

j Trade and other payables of US$703 thousand (2022: US$1,603 thousand) related to the purchase of spare parts and services from FZ Solutions LLC; and

j Trade and other payables of US$317 thousand (2022: nil) related to the purchase of spare parts from Uzhgorodsky Turbogas, OJSC.

Associated companies

h Trade and other receivables included US$3,125 thousand (2022: US$3,245 thousand) related to dividends declared by TIS Ruda LLC.

i Prepayments and other current assets included US$389 thousand (2022: US$120 thousand) related to cargo storage services from TIS Ruda LLC.

j Trade and other payables to TIS Ruda LLC related to purchases of logistics services in the amount of US$244 thousand in the comparative year ended 31 December 2022. No such purchases as at 31 December 2023.

Payments on behalf of a key management member

As disclosed in Note 30 Commitments, contingencies and legal disputes, the Group is subject to various legal actions and ongoing court proceedings initiated by certain governmental bodies in Ukraine. It is current practice of these governmental bodies to issue notices of suspicion to members of the senior management of the Group's subsidiaries in Ukraine and requesting significant bail payments.

During the financial year ended 31 December 2023, the Group made bail payments totalling UAH540 million (US$14,901 thousand at the applicable exchange rates on dates of payments) on behalf of four members of the senior management of one of the Group's subsidiaries in Ukraine.

Due to their roles as key management members of the Group, the payments made are considered to be related party transactions under the Listing Rules as the payments were made to their benefit. As a result and as required by the Listing Rules, the Group consulted its sponsor before making any of these payments.

Notes to the Consolidated Financial Statements continued

Note 34: Related party disclosures continued

One bail payment made in November 2023 in the amount UAH400 million (US$11,062 thousand at the applicable exchange rate on date of payment) was a smaller related party transaction for the purposes of Listing Rule 11.1.10R and, as per the requirements of Listing Rule 11.1.10R, the Group has obtained written confirmation from its sponsor that the terms of the transaction are fair and reasonable as far as the shareholders of Ferrexpo plc are concerned. Further to that, the Group made an announcement in accordance with Listing Rule 11.1.10R(2)(c) on 2 November 2023.

The Ferrexpo Humanitarian Fund

Following the Russian invasion into Ukraine in February 2022, the Group has established the Ferrexpo Humanitarian Fund with total approved funding of US$15,000 thousand in order to support local communities in Ukraine. The Group procured during the previous financial year ended 31 December 2022 medicine totalling US$404 thousand from Arterium LLC and food totalling US$798 thousand from JSC Kremenchukmyaso, both under common control of Kostyantin Zhevago, a controlling shareholder of Ferrexpo plc. During the financial year ended 31 December 2023, no procurements were made from these companies under the Ferrexpo Humanitarian Fund.

Note 35: Events after the reporting period

As disclosed in Note 30 Commitments, contingencies and legal disputes, following the end of the reporting year the Group received two negative decisions from courts of appeal in Ukraine in respect of ongoing legal proceedings and disputes that existed during the financial year 2023. The first negative court decision related to a contested sureties claim, details of which were announced on 29 January 2024 on the Regulatory News Service of the London Stock Exchange, and the second negative court decision related to a historic squeeze-out of minority shareholders in one of the Group's Ukrainian subsidiaries. As a result of these negative court decisions, the Group recorded provisions in the amount of US$124,450 thousand for the contested surety claim, and US$3,720 thousand in relation to the claim from two former minority shareholders of one of the Group's Ukrainian subsidiaries in respect of a squeeze-out of minority shareholders. The outcome of the contested sureties claim could have a material negative impact on the Group's business activities and its ability to continue as a going concern. See Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes for further information.

As announced on 20 February 2024, the Board of Directors decided not to proceed with the interim dividend of 3.3 US cents per ordinary share, which was announced on 18 January 2024 and was due to be paid to the shareholders on 23 February 2024. The decision to withdraw this dividend followed the unexpected court decision in the contested sureties claim mentioned above. See Note 12 Earnings per share and dividends paid and proposed for further information.

As announced on 11 March 2024 on the Regulatory News Service of the London Stock Exchange, a supplier and related party to the Group filed an application to open bankruptcy proceedings ("creditor protection proceedings") against Ferrexpo Poltava Mining ("FPM"), which was accepted by the relevant court for further consideration. The initial amount of debt claimed by the supplier of FPM was UAH2.2 million, which subsequently increased to UAH4.6 million (c. US$117 thousand as at 15 April 2024). See Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes for further information.

The Group also announced on 11 March 2024 that FPM received a notification of a court order issued at the request of the prosecutor in Ukraine to freeze the bank accounts of FPM. The freeze of FPM's bank accounts is linked to an ongoing investigation in Ukraine concerning the alleged illegal extraction of minerals ("rubble"). See Note 30 Commitments, contingencies and legal disputes for further information.

As announced on 26 March 2024 on the Regulatory News Service of the London Stock Exchange, the Group became aware on 25 March 2024 of a court order dated 18 January 2024 in the Ukrainian Register of Court Decisions regarding restrictions on certain corporate rights in all of Group's Ukrainian subsidiaries. These restrictions are part of the ongoing investigation in connection with Bank F&C and the Group is not a party to the proceedings in which the restrictions have been imposed. See Note 30 Commitments, contingencies and legal disputes for further information.

No other material adjusting or non-adjusting events have occurred subsequent to the year-end other than the events disclosed above.

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 2023 and 2022, 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 Material 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 31.12.23	As at 31.12.22 (Restated)
Fixed assets			
Investment in subsidiary undertakings	4	163,276	162,446
Total fixed assets		163,276	162,496
Current assets			
Debtors: amounts falling due within one year	5	10,577	118,664
Debtors: amounts falling due after more than one year	5	275,653	148,437
Cash at bank and in hand		340	12
Total current assets		286,570	267,113
Creditors: amounts falling due within one year		8,636	5,384
Net current assets		277,934	261,729
Total assets less current liabilities		441,210	424,175
Net assets		441,210	424,175
Capital and reserves			
Called up share capital	6	121,628	121,628
Share premium account		185,112	185,112
Treasury share reserve	6	(48,260)	(77,260)
Employee benefit trust reserve	6	(16,224)	(1,189)
Retained earnings	6	198,954	195,884
Total capital and reserves		441,210	424,175

The profit after taxation for the Company, registration number 05432915, was US$16,640 thousand for the financial year ended 31 December 2023 (2022: US$101,926 thousand).

See Note 4 Investment in subsidiary undertakings in relation to the restatement of balances as at the end of the comparative year ended 31 December 2022.

The financial statements were approved by the Board of Directors and authorised for issue on 17 April 2024 and signed on behalf of the Board.

Lucio Genovese
Executive Chair

Nikolay Kladiev
Chief Financial Officer and 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 2022	121,628	185,112	(77,260)	(1,679)	249,753	477,554
Profit for the year	–	–	–	–	101,926	101,926
Total comprehensive income for the year	–	–	–	–	101,926	101,926
Equity dividends paid to shareholders	–	–	–	–	(155,795)	(155,795)
Share-based payments	–	–	–	490	–	490
At 31 December 2022	121,628	185,112	(77,260)	(1,189)	195,884	424,175
Profit for the year	**–**	**–**	**–**	**–**	**16,640**	**16,640**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**16,640**	**16,640**
Equity dividends paid to shareholders	**–**	**–**	**–**	**–**	**(435)**	**(435)**
Share-based payments	**–**	**–**	**–**	**830**	**–**	**830**
Effect from transfer of treasury shares	**–**	**–**	**29,000**	**(15,865)**	**(13,135)**	**–**
At 31 December 2023	**121,628**	**185,112**	**(48,260)**	**(16,224)**	**198,954**	**441,210**

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 and two other members of his family are the beneficiaries. At the time this report was published, Fevamotinico held 49.3% (49.5% at the time of publication of the 2022 Annual Report and Accounts) of the Company's issued voting share capital (excluding treasury shares).

Note 2: Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

The financial statements are presented in US dollars (US$), the Company's functional currency, and all values are rounded to the nearest thousand, except where otherwise indicated. The functional currency is determined as the currency of the primary economic environment in which the Company operates. The majority of the Company's operating activities are conducted in US dollars.

The Company has taken advantage of the following disclosure exemptions under FRS 101 as the Company is included in publicly available consolidated financial statements, which include disclosures that comply with the standards listed below:

- the requirements of paragraphs 45(b) and 46–52 of IFRS 2 *Share-based payments*;
- the requirements of IFRS 7 *Financial instruments: Disclosures*;
- the requirements of paragraphs 91–99 of IFRS 13 *Fair value measurements*;
- the following paragraphs of IAS 1 *Presentation of financial statements*:
  - 10 (d) (statement of cash flows);
  - 16 (statement of compliance with all IFRSs);
  - 38A (requirement for minimum of two primary statements, including cash flow statements);
  - 38B-D (additional comparative information);
  - 111 (cash flow statement information); and
  - 134–136 (capital management disclosures).
- the requirements of IAS 7 *Statement of cash flows*;
- the requirements of paragraphs 30 and 31 of IAS 8 *Accounting policies, changes in accounting estimates and errors*; and
- the requirements of paragraph 17 of IAS 24 *Related party disclosures* and the requirements to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary, which is a party to the transaction, is wholly owned by such a member of the same standard.

The Company has applied the exemption not to present a third statement of financial position as at the beginning of the preceding period where there has been a retrospective restatement, in accordance with paragraph 10(f) (a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements); and 40A–D (requirements for a third statement of financial position). See Note 4 Investments in subsidiary undertakings and Note 5 Debtors for further information.

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 141 and 142.

Going concern

As at the date of the approval of these financial statements, the war in Ukraine is still ongoing and the duration is difficult to predict. During the financial year 2023, the Group continued to demonstrate a high level of commitment and resilience that enabled it to operate at a constant, but lower capacity, with a high degree of flexibility to adapt its operations to such changing circumstances.

The ongoing war and the situation in the country continues to represent a material uncertainty in terms of the Group's ability to continue as a going concern. In addition to the war-related material uncertainty, the Group is also exposed to the risks associated with operating in a developing economy, which may or may not be exacerbated by the war and/or the current circumstances facing the Group's controlling shareholder (see Ukraine country risk on pages 76 to 78 of the Group's consolidated financial statements). As a result, the Group is exposed to a number of risk areas that are heightened compared to those expected in a developed economy, such as an environment of political, fiscal and legal uncertainties, which represents another material uncertainty as at the date of the approval of these financial statements.

Considering the current situation of the ongoing war and legal disputes in Ukraine, mainly the contested sureties claim, the Group's ability to swiftly adapt to the changing circumstances, as demonstrated during the financial years 2023 and 2022, and the results of the management's going concern assessment, the Company continues to prepare its financial statements on a going concern basis. However, many of the identified uncertainties in respect of the ongoing war and legal disputes in Ukraine are outside of the Group management's control, and are unpredictable, which may cast significant doubt upon the Company's ability to continue as a going concern, including a potential seizure of the Group's movable and immovable assets in Ukraine in respect of the contested sureties claim.

See Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes of the Group's consolidated financial statements for further information, which should be read in conjunction with this note.

If the Group, and as a consequence the Company, is unable to continue to realise assets and discharge liabilities in the normal course of business, it would be necessary to adjust the amounts in the statement of financial position in the future to reflect these circumstances, which may materially change the measurement and classification of certain figures contained in these financial statements.

Notes to the Parent Company Financial Statements continued

Note 3: Material accounting policies

Foreign currencies
The accounting policy is consistent with the Group's policy set out in Note 2 Basis of preparation to the Group's consolidated financial statements.

Investments in subsidiary undertakings
Equity investments in subsidiaries are carried at cost less any provision for impairments. Investments are reviewed for impairment at each reporting date. If indication exists that investments may be impaired, the investments' recoverable amounts are estimated. If the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. Impairment losses are recognised in the income statement.

Amounts owed by subsidiary undertakings
Amounts owed by subsidiary undertaking are interest-bearing loans provided to entities of the Group. These loans are recognised at cost, being the fair value of the consideration transferred. After initial recognition, interest-bearing loans are subsequently measured at amortised cost using the effective interest method. In addition to the individual assessment at each reporting date whether a financial asset or group of financial assets is impaired, the Company also assesses the expected credit losses on financial assets carried at amortised cost. The loss allowance is measured at an amount equal to the lifetime expected credit losses. On consideration of the fact that the Group has a fully integrated organisational structure with no history of default of its subsidiaries, the calculation of the allowance for amounts owed by subsidiary undertakings is based on the default risk and recovery ratings of the Group adjusted for current observable circumstances and forecast information. This assessment is performed individually for all financial assets that are individually significant and collectively for those that are not individually significant and have similar credit risk characteristics. The carrying amount of the financial assets is reduced by an allowance account with the change of the allowance being recognised as a component of the profit after taxation. Individual balances are written off when management deems that there is no possibility of recovery.

Financial guarantees
Financial guarantee liabilities issued by the Company, including guarantees issued in favour of subsidiary undertakings, are those contracts that require a payment to be made to reimburse the holder for a loss, which is incurred because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument.

Financial guarantees provided are initially recognised at fair value and subsequently measured at the higher of the loss allowances determined under IFRS 9 *Financial instruments* and the amount initially recognised less, when appropriate, cumulative fees recognised as revenue under IFRS 15 *Contracts with customers*.

Treasury share reserve
Own equity instruments, which are reacquired (treasury shares), are recognised at cost and deducted from equity shown in the treasury share reserve. No gain or loss is recognised in the income statement on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognised in reserves.

Share-based payments
The accounting policy is consistent with the Group's policy set out in Note 28 Share-based payments to the Group's consolidated financial statements.

Employee benefit trust reserve
Ferrexpo plc shares held by the Company are classified in capital and reserves as employee benefit trust reserves and recognised at cost. Consideration received for the sale of such shares is also recognised in equity, with any difference between the proceeds from sale and the original cost taken to revenue reserves. No gain or loss is recognised on the purchase, sale issue or cancellation of equity shares.

Dividend income
Dividend income is recognised to the extent that the Company has the right to receive payment, typically upon declaration by the subsidiary.

Taxation
The accounting policy is consistent with the Group's policy set out in Note 11 Taxation to the Group's consolidated financial statements.

Changes in accounting policies
The accounting policies adopted and applied in the preparation of the financial statements are consistent with those of the previous year, except for the adoption of new and amended IFRSs and IFRIC interpretations effective as of 1 January 2023. The new and amended IFRSs and IFRIC interpretations adopted are consistent with the Group's new accounting policies set out in Note 3 New accounting policies to the Group's consolidated financial statements and have not had a significant impact on these financial statements.

Use of critical estimates and judgements
Critical judgements made by management in preparing the separate Parent Company financial statements predominantly relate to the basis of preparation of these financial statements in respect of the going concern assumption (see previous page).

The Company has not identified any area involving the use of critical estimates.

Note 4: Investment in subsidiary undertakings

Investment in subsidiary undertakings as at 31 December 2023 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 31.12.23	At 31.12.22 (Restated)
Investment in subsidiary undertakings	163,276	162,446
Total investment in subsidiary undertakings	**163,276**	**162,446**

During the year it was identified that previous share-based payment transactions in relation to the Group's long-term incentive plan had been erroneously recognised as a receivable instead of a contribution in kind to be reflected in investments in subsidiary undertakings. The Company reclassified during the financial year 2023 a net balance of US$12,600 thousand in relation to this error and, as a consequence, restated certain balances as at the end of the comparative year ended 31 December 2022. The balances of investments in subsidiary undertakings and creditors falling due within one year increased by US$14,950 thousand and US$2,350 thousand, respectively, and the balance of debtors falling due within one year decreased by US$12,600 thousand. The restatement did not affect the Company's result for the financial year 2022 or its retained earnings as at 31 December 2022.

See Note 32 Consolidated subsidiaries to the Group's consolidated financial statements for further information on subsidiaries indirectly held by the Company.

Note 5: Debtors

Debtors as at 31 December 2023 related to the following:

US$000	At 31.12.23	At 31.12.22 (Restated)
Amounts falling due within one year		
Amounts owed by subsidiary undertakings	–	114,437
Prepaid expenses	942	600
Income tax receivable	–	139
Accrued interest owed by subsidiary undertakings	9,635	3,488
Total amounts falling due within one year	**10,577**	**118,664**
Amounts falling due after more than one year		
Amounts owed by subsidiary undertakings	275,045	148,437
Deferred tax asset	608	–
Total amounts falling due after more than one year	**275,653**	**148,437**
Total debtors	**286,230**	**279,701**

Amounts owed by subsidiary undertakings falling due after more than one year include loans and dividend receivable balances contractually payable on demand but having assessed the expected repayment profile and payment date, this balance is presented as falling due after more than one year.

The table above includes the impact from the application of the expected credit loss impairment model under IFRS 9 *Financial instruments*. The effect from the change of impairment losses on debtors included in the profit after taxation was a gain of US$830 thousand for the year-end ended 31 December 2023 (2022: loss of US$1,027 thousand). The total expected credit loss allowance booked on the statement of financial position was US$604 thousand as at 31 December 2023 (2022: US$1,434 thousand).

See Note 4 Investment in subsidiary undertakings in relation to the restatement of balances as at the end of the comparative year ended 31 December 2022.

Note 6: Share capital and reserves

Share capital

Share capital represents the nominal value on issue of the Company's equity share capital, comprising £0.10 Ordinary Shares. The fully paid share capital of the Company as at 31 December 2023 was 613,967,956 Ordinary Shares (2022: 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 (2022: US$121,628 thousand) per the statement of financial position.

Treasury share reserve

In September 2008, the Company completed a buy-back of 25,343,814 shares for a total cost of US$77,260 thousand. These shares are currently held as treasury shares by the Group. The Companies Act 2006 forbids the exercise of any rights (including voting rights) and the payment of dividends in respect of treasury shares. On 10 March 2023, the Group transferred 9,513,000 shares from the treasury shares reserve to the Group's employee benefit trust reserve, resulting in 15,830,814 shares remaining in the treasury share reserve as of 31 December 2023 (2022: 25,343,814 shares).

Employee benefit trust reserve

This reserve represents the treasury shares used to satisfy future grants for senior management incentive schemes. The employee benefit trust reserve includes 9,801,643 shares as at 31 December 2023 (2022: 577,370 shares), including 9,513,000 shares transferred on 10 March 2023 from the treasury shares reserve to the employee benefit trust reserve.

Notes to the Parent Company Financial Statements continued

Note 6: Share capital and reserves continued

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 2023 do not reflect the profits that are available for distribution by the Company as of this date. Taking into account relevant thin capitalisation rules and provisions of the Companies Act 2006, the total available distributable reserves of Ferrexpo plc is US$119,520 thousand as of 31 December 2023 (2022: US$118,624 thousand). Details on dividends are disclosed in Note 12 Earnings per share and dividends paid and proposed of the Group's consolidated financial statements.

Note 7: Events after the reporting period

One of the Group's subsidiaries in Ukraine received two negative decisions from courts of appeal in Ukraine in respect of ongoing legal proceedings and disputes that commenced already during the financial year 2023. The outcome of one of these legal disputes could have a material negative impact on the Group's business activities and its ability to continue as a going concern, and consequently also on the Company's ability to continue as a going concern. See Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes of the Group's consolidated financial statements for further information.

As announced on 20 February 2024, the Board of Directors has decided not proceed with the interim dividend of 3.3 US cents per ordinary share, which was announced on 18 January 2024 and was due to be paid to the shareholders on 23 February 2024. See Note 12 Earnings per share and dividends paid and proposed of the Group's consolidated financial statements for further information.

As announced on 11 March 2024 on the Regulatory News Service of the London Stock Exchange, a supplier and related party to the Group filed an application for opening bankruptcy proceedings ("creditor protection proceedings") against one of the Group's subsidiaries in Ukraine, which was accepted by the relevant court for further consideration. See Note 2 Basis of preparation and Note 30 Commitments, contingencies and legal disputes of the Group's consolidated financial statements for further information.

In addition to the claim mentioned above, the Group also announced that one of its subsidiaries in Ukraine received a notification of a court order issued at the request of the prosecutor in Ukraine to freeze the bank accounts of the subsidiary. See Note 30 Commitments, contingencies and legal disputes of the Group's consolidated financial statements for further information.

As announced on 26 March 2024 on the Regulatory News Service of the London Stock Exchange, the Group became aware on 25 March 2024 of a court order dated 18 January 2024 in the Ukrainian Register of Court Decisions regarding restrictions on certain corporate rights in all of Group's Ukrainian subsidiaries. See Note 30 Commitments, contingencies and legal disputes of the Group's consolidated financial statements for further information.

No material adjusting or non-adjusting events have occurred subsequent to the year-end other than the events disclosed above.

Additional Disclosures

See Note 32 Consolidated subsidiaries for further information on the Group.

Unless otherwise stated, the equity interest disclosed includes ordinary or common shares, which are owned by subsidiaries of the Group.

			Equity interest owned	
Name	Address of consolidated subsidiary's registered office	Principal activity	31.12.23 %	31.12.22 %
Consolidated subsidiaries				
Ferrexpo AG	Bahnhofstrasse 13, 6340 Baar, Switzerland	Holding company and sale of iron ore pellets and concentrate	100.0	100.0
PJSC Ferrexpo Poltava Mining	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining and processing	100.0	100.0
LLC Ferrexpo Yeristovo Mining	Budivelnykiv Street 15, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	100.0	100.0
LLC Ferrexpo Belanovo Mining	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Iron ore mining	100.0	100.0
Ferrexpo Middle East FZE	Office A2207, Jafza One, Jebel Ali Free Zone, Dubai, U.A.E., P.O. Box 18341	Sale of iron ore pellets and concentrate	100.0	100.0
Ferrexpo Finance plc	55 St James's Street, London SW1A 1LA, United Kingdom	Finance	100.0	100.0
Ferrexpo Services Limited	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Management services and procurement	100.0	100.0
Universal Services Group Ltd.	Naberezna Street 2, 39800 Horishni Plavni, Poltava Region, Ukraine	Asset holding company	100.0	100.0
DP Ferrotrans	Portova Street 65, 39802 Horishni Plavni, Poltava Region, Ukraine	Trade, transportation services	100.0	100.0
LLC FerroLocoTrans	Portova Street 65, 39802 Horishni Plavni, Poltava Region, Ukraine	Trade, transportation services	100.0	100.0
United Energy Company LLC	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Holding company	100.0	100.0
Nova Logistics Limited	Budivelnykiv Street 16, 39802 Horishni Plavni, Poltava Region, Ukraine	Service company	51.0	51.0
Ferrexpo Singapore PTE Ltd.	1 Fullerton Road, One Fullerton #02-01, Singapore 049213, Singapore	Marketing services	100.0	100.0
Ferrexpo Shipping International Ltd.	Ajeltake Road, MH-96960 Ajeltake Island – Majuro, Marshall Islands	Holding company	100.0	100.0
Iron Destiny Ltd.	Ajeltake Road, MH-96960 Ajeltake Island – Majuro, Marshall Islands	Shipping company	100.0	100.0
First-DDSG Logistics Holding GmbH	Handelskai 348, 1020 Wien, Austria	Holding company	100.0	100.0
Erste Donau-Dampfschiffahrt Gesellschaft GmbH in Liqu.	Handelskai 348, 1020 Wien, Austria	Barging company	100.0	100.0
DDSG Tankschiffahrt GmbH in Liqu.	Handelskai 348, 1020 Wien, Austria	Barging company	100.0	100.0
DDSG Services GmbH	Handelskai 348, 1020 Wien, Austria	Service company	100.0	100.0
DDSG Mahart Kft.	Sukorói út 1., 8097 Nadap, Hungary	Barging company	100.0	100.0
Pancar Kft.	Sukorói út 1., 8097 Nadap, Hungary	Barging company	100.0	100.0
Ferrexpo Port Services GmbH	Handelskai 348, 1020 Wien, Austria	Bunker business	100.0	100.0
Transcanal SRL	Ecluzei Street 1, Agigea, Constanta, Romania	Port services	77.6	77.6
Helogistics Asset Leasing Kft.	Sukorói út 1., 8097 Nadap, Hungary	Asset holding company	100.0	100.0
LLC DDSG Ukraine Holding	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Holding company	100.0	100.0
LLC DDSG Invest	Building 4/6, Ioanna Pavla II Street, 01042 Kyiv, Ukraine	Asset holding company	100.0	100.0
LLC DDSG Ukraine Shipping Management	Patris Lumumba Street 4/6, 01042 Kyiv, Ukraine	Barging company	100.0	100.0
LLC DDSG Ukraine Shipping	Radhospna Street 18, 39763 Kamiani Potoky, Kremenchuk District, Poltava Region, Ukraine	Asset holding company	100.0	100.0
Ferrexpo Poltava Mining Charity Fund[1]	Heroiv Dnipra Street 23-a, 39802 Horishni Plavni, Poltava Region, Ukraine	Charity fund	100.0	100.0
Associate				
TIS Ruda LLC	Oleksiya Stavnitzera Street 50, 67543 Vizirka Village, Odesa Region, Ukraine	Port development	49.9	49.9
Fair value through 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 2023 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$000	Notes	Year ended 31.12.23	Year ended 31.12.22
C1 cash costs		**294,213**	503,975
Non-C1 cost components		**45,136**	36,035
Inventories recognised as an expense upon sale of goods	7	**339,349**	540,010
Own ore produced (tonnes)		**3,845,325**	6,053,397
C1 cash cost per tonne (US$)		**76.5**	83.3

Underlying EBITDA

Definition: The Group calculates the underlying EBITDA as profit before tax and finance plus depreciation and amortisation, adjusted for net gains and losses from disposal of investments property, plant and equipment, effects from share-based payments, write-offs and impairment losses and exceptional items. 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 31.12.23	Year ended 31.12.22
Underlying EBITDA		**130,242**	765,113
Losses on disposal and liquidation of property, plant and equipment	7	**(11)**	(1,665)
Share-based payments	28	**(830)**	(490)
Write-offs and impairments	7	**(978)**	(260,308)
Recognition of provisions for legal disputes	30	**(131,117)**	–
Depreciation and amortisation		**(57,669)**	(96,977)
(Loss)/profit before tax and finance		**(60,363)**	405,673

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 31.12.23	As at 31.12.22
Cash and cash equivalents	25	**115,241**	112,945
Interest-bearing loans and borrowings – current	26	**(5,939)**	(5,194)
Interest-bearing loans and borrowings – non-current	26	**(1,009)**	(1,354)
Net cash		**108,293**	106,397

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 31.12.23	As at 31.12.22
Purchase of property, plant and equipment and intangible assets (net cash flows used in investing activities)	13/15	101,247	161,010

Total liquidity

Definition: Sum of cash and cash equivalents, available committed facilities and undrawn uncommitted facilities. No committed facilities outstanding as at 31 December 2023 and the end of the comparative year ended 31 December 2022. 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 31.12.23	As at 31.12.22
Cash and cash equivalents	25	115,241	112,945

Glossary

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

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
Fevamotinico S.a.r.l. holds 49.3% of the voting rights in Ferrexpo plc as at the date of this report. The Minco Trust is a discretionary trust that has three beneficiaries, consisting of Mr Zhevago and two other members of his family. Each of the beneficiaries of The Minco Trust is considered a controlling shareholder of Ferrexpo plc

Corporate Governance Code
2018 UK Corporate Governance Code

CPI
Consumer Price Index

CRU
The CRU Group provides market analysis and consulting advice in the global mining industry (see www.crugroup.com)

CSR
Corporate Social Responsibility

DAP
Delivery at place

DFS
Detailed feasibility study

Directors
The Directors of the Company

Direct reduction
Used in Direct Reduction Iron ("DRI") production

"DR" pellets
In regions where natural gas is cheap and plentiful, such as the Middle East, DR pellets are mixed with natural gas to produce DRI, an alternative source of metallic to scrap in Electric Arc Furnace ("EAF") steelmaking. DR pellets are a niche, higher quality product with Fe content greater than 67% and a combined level of silica and alumina of <2%

EBT
Employee benefit trust

EPS
Earnings per share

ERPMC
Executive Related Party Matters Committee

Europe (including Turkey)
This segmentation for the Group's sales includes Austria, Czech Republic, Germany, Hungary, Romania, Serbia, Slovakia and Turkey

Executive Committee
The Executive Committee of management appointed by the Board

Executive Directors
The Executive Directors of the Company

FBM
LLC Ferrexpo Belanovo Mining, a company incorporated under the laws of Ukraine

Fe
Iron

Ferrexpo
The Company and its subsidiaries

Ferrexpo AG Group
Ferrexpo AG and its subsidiaries, including FPM

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

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

Glossary continued

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, adjusted for net gains and losses from disposal of investments property, plant and equipment, effects from share-based payments, write-offs and impairment losses and exceptional items

Underlying EBITDA margin
Underlying EBITDA (see definition above) as a percentage of revenue

US$/t
US dollars per tonne

Value-in-use
The implied value of a material to an end user relative to other options, e.g. evaluating, in financial terms, the productivity in the steelmaking process of a particular quality of iron ore pellets versus the productivity of alternative qualities of iron ore pellets

VAT
Value added tax

WACC
Weighted average cost of capital

WAFV
Weighted average fair value

WMS
Wet magnetic separation

Yeristovo or Yerystivske
The deposit being developed by FYM

Useful contact information

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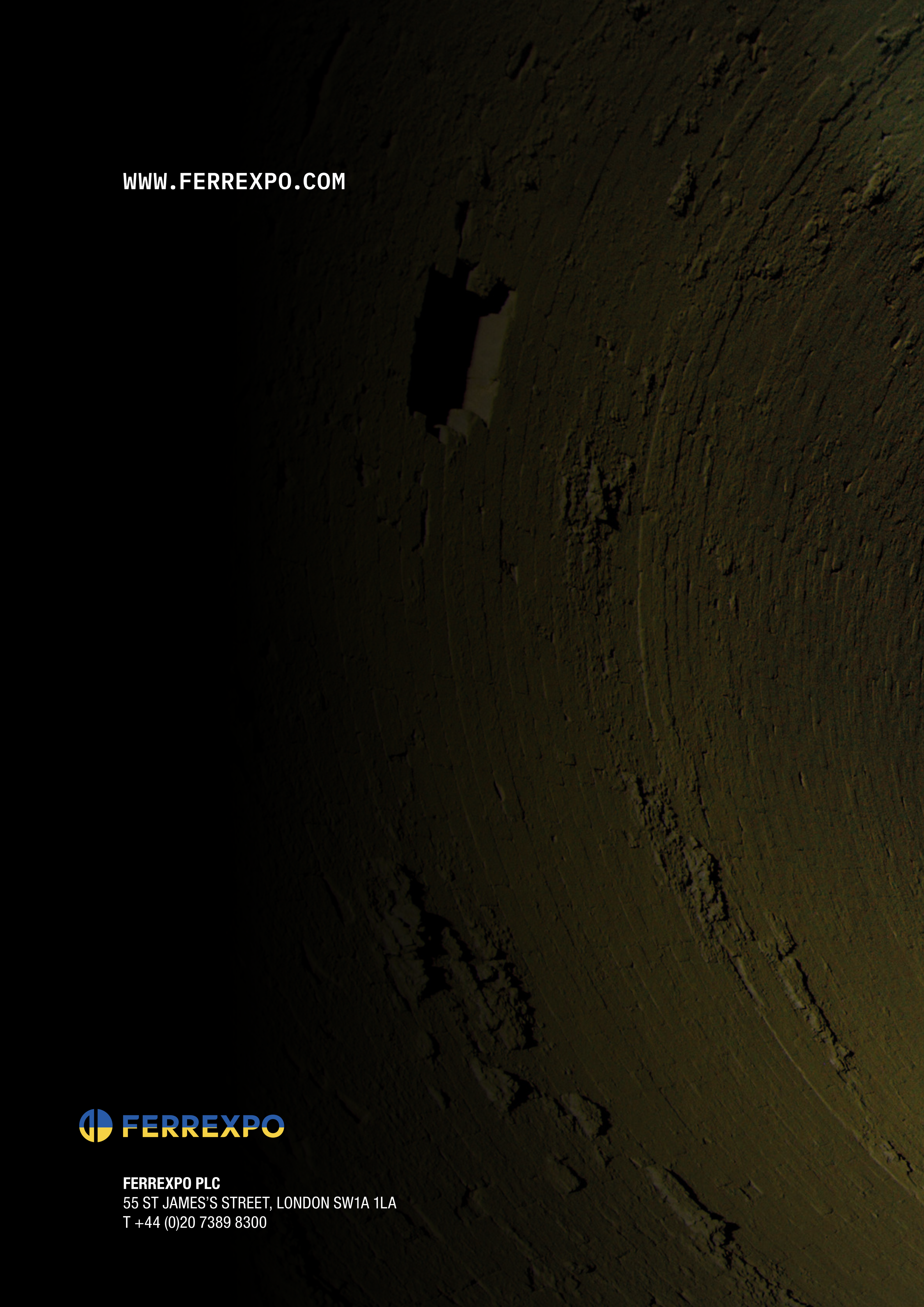

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