

# COMMITMENT TO UKRAINE

Timeline of operational results from 2007–2022  
Contribution to the development of Ukraine



# INTRODUCTION

Ferrexpo is proudly Ukrainian, being a global company and a significant exporter of iron ore pellets.

We contribute to the Ukrainian economy through taxes, royalties and exports. We are a major employer in the Poltava region and in Ukraine. In 2022, Ferrexpo contributed 0.7% to the GDP of Ukraine and over 20% to the economy of the Poltava region, even during the war.

We are long-term investors in Ukraine, a nation that continues to demonstrate its resilience since the full-scale invasion by Russia. We continue to demonstrate our resilience as Ukrainian business. Ferrexpo has succeeded in maintaining its capital expenditures on the average level of the last 7 years – US\$161 million in 2022.

Ferrexpo generated 2.1% of Ukraine's export revenues in 2022,

supporting the economy during a time of war.

Since 2007, the Group has almost doubled its GDP contribution. We invested US\$3.3 billion during 2007-2022, representing 2.5% of total industrial capital expenditure in Ukraine, the majority of which is focussed on development projects.

Ferrexpo considers the environment in all its investment decisions, with a strong focus on reducing its carbon footprint. Horishni Plavni is recognised as the most environmentally friendly industrial town in Ukraine. Ferrexpo remains committed to this approach and made its carbon targets more ambitious, despite the war, planning to reduce emissions (Scope 1 and 2) by 50% by 2030.

During the full-scale Russian invasion, Ferrexpo has continued to

actively support Ukraine as a major taxpayer, paying US\$ 164 million last year. Ferrexpo ensures development of the region, with a population of 1.5 million, provided 21% of taxes in the Poltava region. In total, the Group paid US\$ 1.4 billion in taxes to various budgets in Ukraine between 2007 and 2022.

As a long-term investor, our first priority will always be the safety and wellbeing of our people. Investments into automatizing production processes lead Ferrexpo to the position of one of the global safety leaders in the global iron ore sector with LTIFR 0.51 in 2022. We are happy to promote the best practices of safety management in Ukraine. In 2022, the average salaries at Ferrexpo were almost 60% higher than the average salary in the Poltava region and 40% higher than in industrial sectors of Ukraine.

The war has placed significant strain on the ability of local authorities to provide consistent support to communities. To streamline our support we established a dedicated Ferrexpo Humanitarian Fund, to finance 70 individual projects with US\$15 million committed so far. Approximately 750 of our colleagues are serving in the Armed Forces of Ukraine, who we have supported with key protective equipment. Also, we donated a number of vehicles worth US\$5 million to the defenders of Ukraine. Ferrexpo will continue its support for as long as it is needed.

Ferrexpo aims to create the successful business case in Ukraine that will help in attracting new foreign investors, in rebuilding and healing of Ukraine once the war is over. Slava Ukraini!

**Lucio Genovese**  
*Executive Chair of Ferrexpo plc*

# ABOUT FERREXPO

**TOP 10** exporter of pellets globally, the 3<sup>rd</sup> largest exporter in 2021

**6.1<sup>mt</sup>** pellet production in 2022, lower than previous years due to the war in Ukraine

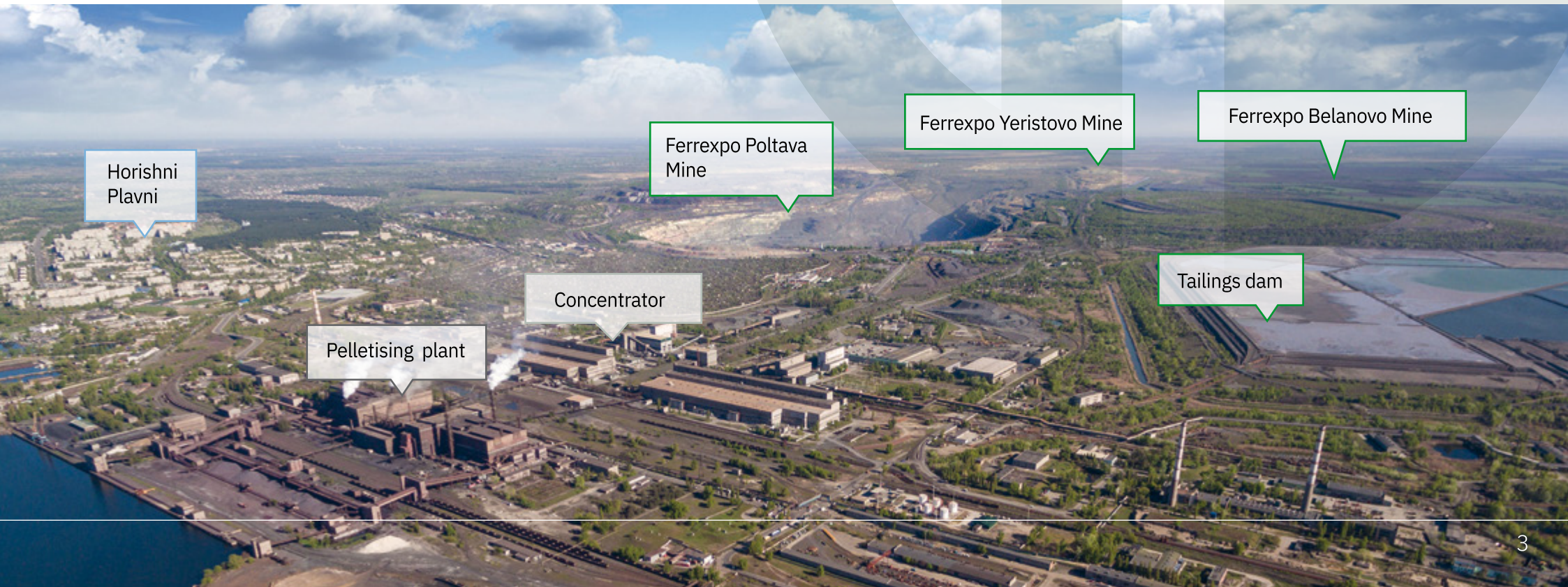
**9,774** employees and contractors in 2022, over 95% are located in Ukraine

**US\$3.3<sup>bn</sup>** CAPEX in Ukraine during 2007–2022, US\$161<sup>m</sup> in 2022

**US\$15.5<sup>bn</sup>** exports from Ukraine in 2007–2022, 2.1% in total exports of goods from Ukraine in 2022

**US\$1.4<sup>bn</sup>** taxes paid in Ukraine in 2007–2022, US\$164<sup>m</sup> in 2022

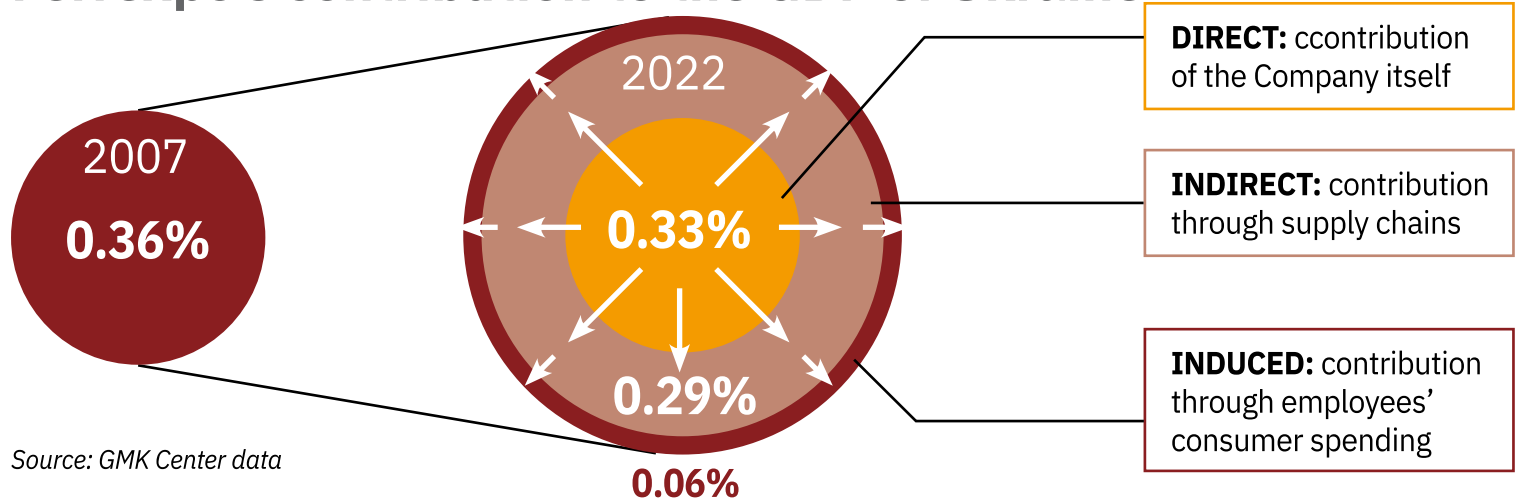
## Map of Ferrexpo production assets





# DEVELOPING BUSINESS, CONTRIBUTING TO THE ECONOMY

## Ferrexpo's contribution to the GDP of Ukraine



Source: GMK Center data

**Ferrexpo contributed 0.7% to the economy of Ukraine in 2022, despite ongoing war.**

The Group, as a basis of the Ukrainian economy, generated US\$0.5 billion of gross domestic product in 2022.

Ferrexpo provided 0.35% of GDP in other sectors, being large consumer of goods and services, and a major employer. Its indirect and induced contribution are part of total contribution.

Ferrexpo's activities are crucial for the welfare of the Poltava region. More than 20% of the gross regional product (GRP) of the Poltava region depends on the Group.

Local and regional procurements of Ferrexpo accounted for 20% in total procurements in 2022. Therefore, the Group ensured revenues of regional businesses to the tune of about US\$182 million, including small and medium entities.

By 2022, Ferrexpo's share in the Ukrainian economy had increased by 1.9 times since the IPO. It reflects large-scale investments by the Group and positive impact on the local and national economy.

Ferrexpo's investments contributed to resilient business model, that enables to provide stability to the Ukrainian economy and support communities in such difficult times.



**0.7%**  
or US\$0.5 billion – total contribution of Ferrexpo to the GDP of Ukraine in 2022, incl. supply chains

**20.2%**  
total contribution of Ferrexpo to GRP of Poltava region<sup>1</sup>

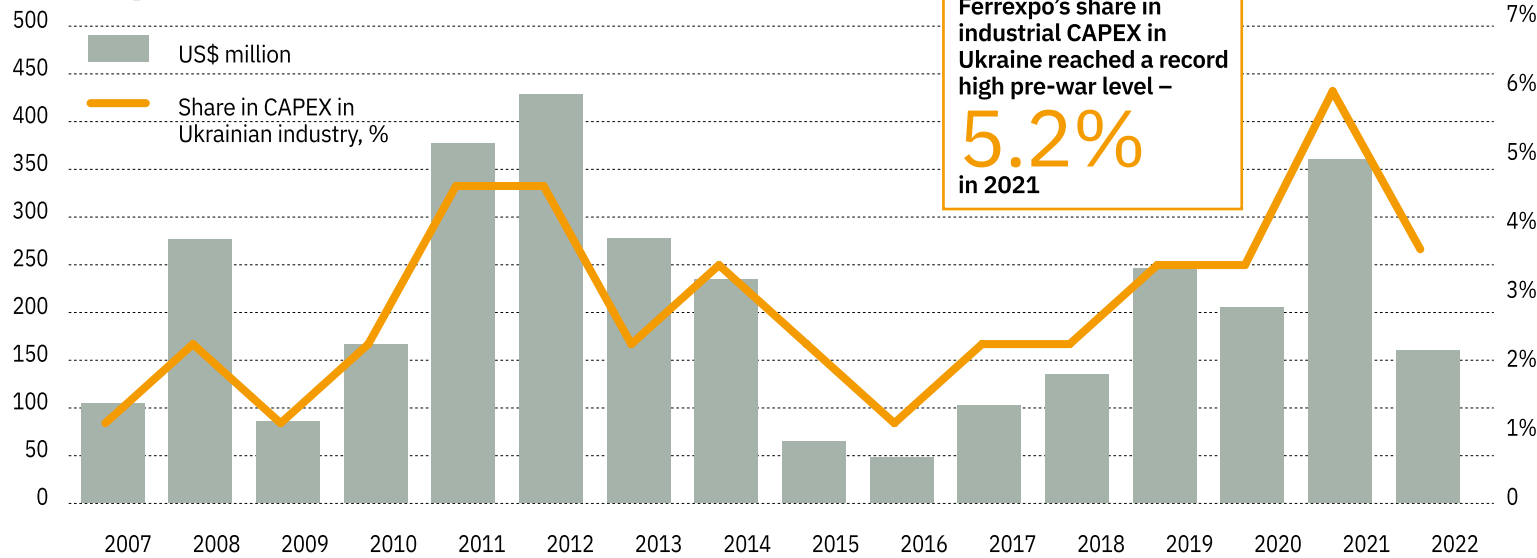
**x1.9**  
growth in Ferrexpo's share in Ukrainian GDP since 2007

<sup>1</sup> in 2021, data on GRP of Poltava region has not been disclosed as of date of publication

# SUPPORTING INVESTMENTS AT A REGIONAL AND NATIONAL LEVEL



## Ferrexpo`s CAPEX



Sources: Ferrexpo reports, State Statistics Service of Ukraine

**Ferrexpo committed to Ukraine with more than 16 years of investments since the IPO in 2007, amounting to over US\$3.3 billion.**

Ferrexpo is one of the largest investors in the Ukrainian economy with an average share of total industrial CAPEX of 2.5% in 2007–2022.

In the Poltava region, Ferrexpo accounts for over one fifth of the total CAPEX.

Since the full-scale invasion of Ukraine, Ferrexpo has demonstrated its resilience as a business, investing US\$161 million in 2022.

Ferrexpo maintained its CAPEX in 2022 at the average level for the

period 2015-2021, despite the war.

As a long-term investor, Ferrexpo committed to Ukraine and its potential. This is evidenced by 65% of CAPEX in 2022 being spent on development projects.

Ferrexpo aims to foster a successful business case in Ukraine that will help to attract new foreign investors when the war is over.

**US\$3.3<sup>bn</sup>**

Ferrexpo`s CAPEX in 2007–2022

**2.5%**

Ferrexpo's share in total CAPEX of Ukrainian industrial sectors in 2007–2022

**22%**

Ferrexpo's share in total CAPEX of the Poltava region<sup>1</sup>

**65%**

of CAPEX spent on development projects in 2022

<sup>1</sup> 2007-2021, data on CAPEX of Poltava region for 2022 has not been disclosed as of date of publication

# AN EXAMPLE OF SUCCESSFUL INVESTMENTS



**+27%**

growth in Ferrexpo pellet output from 2007–2021, drop by 46% year-on-year in 2022 because of the war

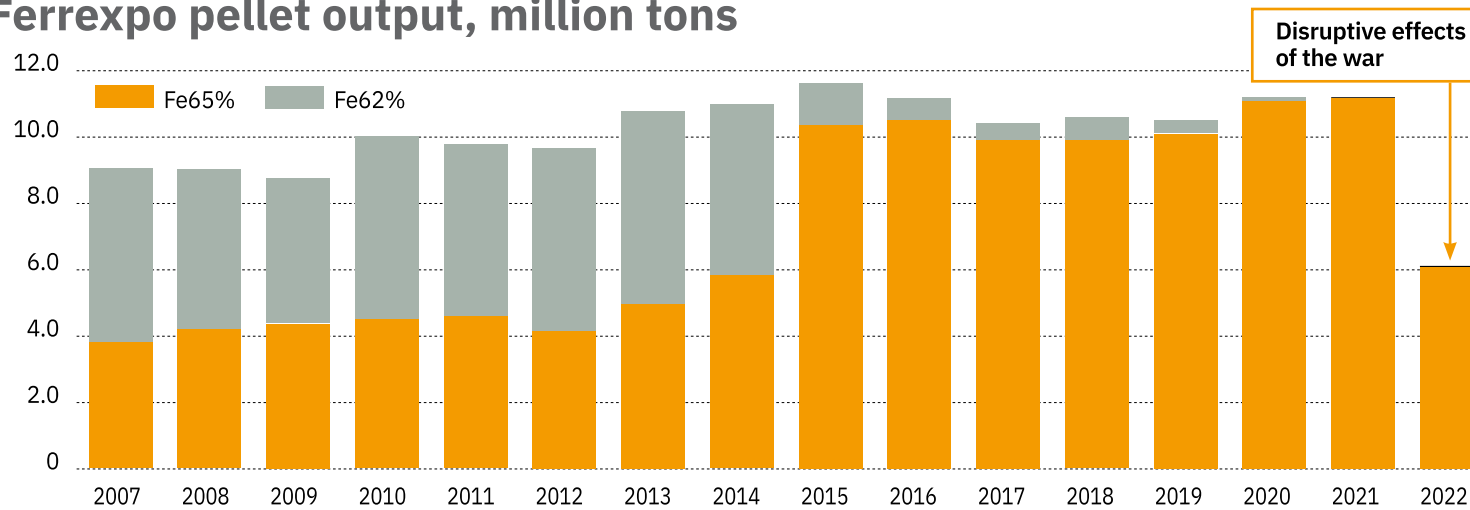
**100%**

The share of >Fe65% pellets increased from 42% in 2007 to 100% in 2021-2022

**6%**

The share of DR pellets (>Fe67%) in total Ferrexpo's output in 2022 or 350 thousand tonnes

**Ferrexpo pellet output, million tons**



Source: Ferrexpo reports

**Ferrexpo is focussed on the future – both the future of Ukraine and the future of low emissions steelmaking. That's the target of the Group's investments.**

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At the end of 2020, Ferrexpo upgraded the concentrator, which enabled the production of DR pellets, a premium product that helps steelmakers reduce emissions.

In 2022, the share of DR pellets reached 6% in total output, compared to 4% in 2021. Ferrexpo plans to focus on the production of DR pellets, as they are driving the green transition in the steel industry.

Ferrexpo remains committed to its long-term target of raising annual pellet output by about 80% to 20 million tonnes.

The Group intends to resume Wave 1 Expansion Programme and invest US\$600 million to raise pellets output by 3 million tons once the war-related risks in Ukraine are reduced.

All Ferrexpo investment projects consider improving efficiency. Pre-war, the Group had a cost advantage over 50% of iron ore pellet suppliers in the world.

Now, this margin is the key to the resilience of the company that continues to operate despite a number of disruptions.



# ENSURING MACROECONOMIC STABILITY

**Ferrexpo is one of the largest exporters of pellets globally, generating more than US\$15.5 billion in foreign exchange revenue for Ukraine since 2007.**

Ferrexpo's strategy is to produce and supply high-quality product to a range of premium steelmakers in an environmentally friendly manner.

Ferrexpo generated 2.1% of Ukraine's export of goods revenues in 2022, even though output and iron ore prices declined.

The Group maintained its contribution to the Ukrainian exports last year at a similar level as over the last decade (2.1%).

The war in Ukraine has highlighted the effectiveness of Ferrexpo's approach of having flexibility and diversity within logistics chain.

## Ferrexpo's export



Sources: Ferrexpo, State Statistics Service of Ukraine

Shipments to Europe declined by 23% in 2022, due to reduced logistics availability, whilst total shipments declined by 46%.

The Group continues to demonstrate flexibility in logistics to supply customers by alternate transport routes depending on availability.



**US\$15.5<sup>bn</sup>**

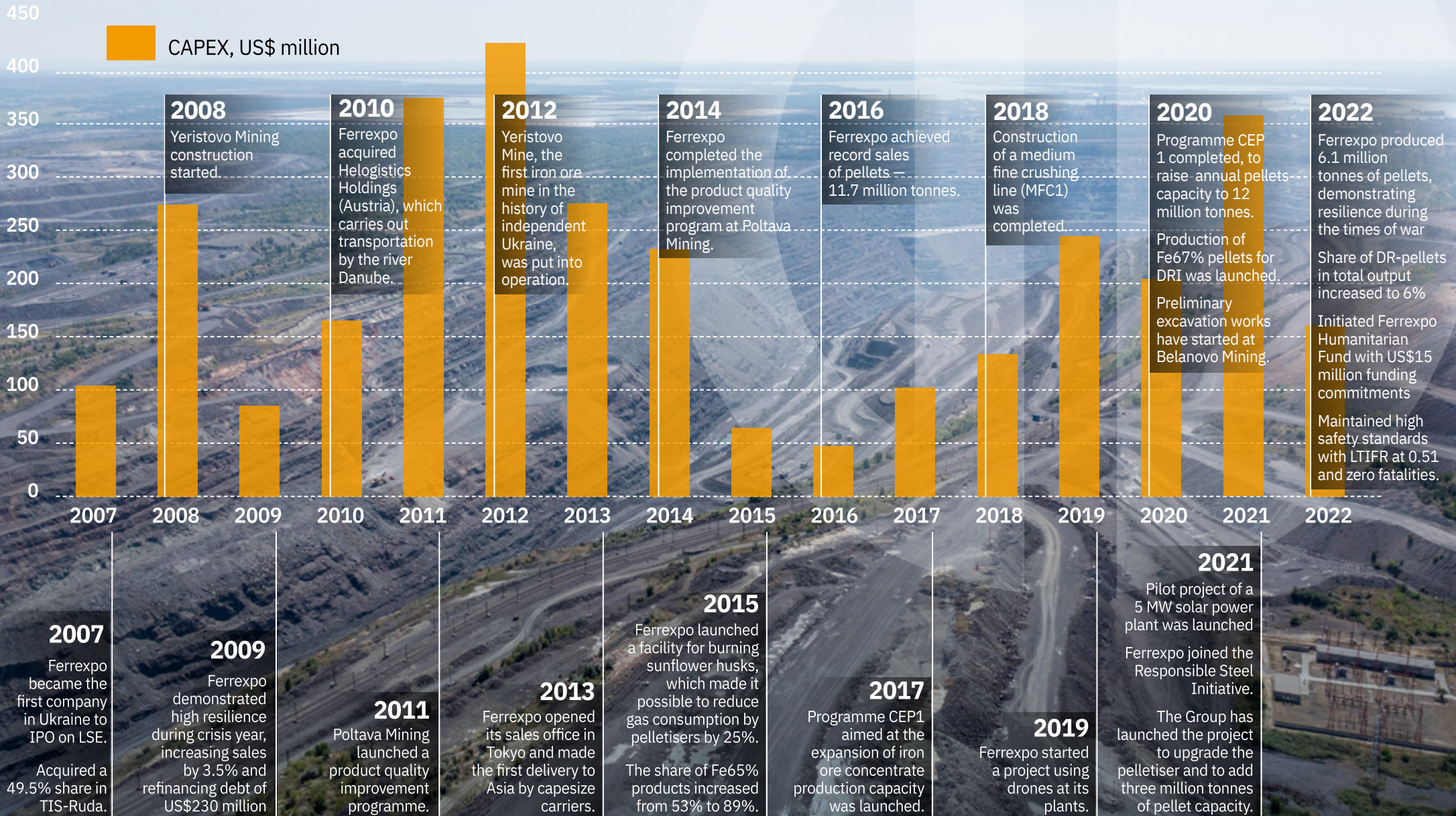
**Ferrexpo export revenues in 2007–2022**

**1.8%**

**Share of Ferrexpo in exports of goods from Ukraine during 2007–2022**



# THE HISTORY OF FERREXPO'S SUCCESS





# IMPROVING THE WELL-BEING OF UKRAINIANS



5.9%

Ferrexpo's share of total wages in the Poltava region in 2022, direct impact only

60%

higher average wage at Ferrexpo compared to the average wage in the Poltava region in 2022

40%

the average wages at Ferrexpo higher than the average wages in industrial sector of Ukraine in 2022

3.7%

Ferrexpo's share in employment in the Poltava region in 2022, direct impact only

**Ferrexpo considers human capital a key strength of the business. Despite the war, the Company tries to maintain competitive level of remuneration for employees.**

In 2022, the average salaries at Ferrexpo were almost 60% higher than average salaries in the Poltava region. Compared to average wages in Ukrainian industrial sector, Ferrexpo's wages were 40% higher.

In 2022, the Company has changed its approach to calculating performance bonuses for staff. As a result, in

2022, 30% more employees received bonuses as compared to 2021.

In January 2023, the Company also paid all employees additional financial incentives based on the results of work in 2022.

During production stoppages, Ferrexpo engaged as many employees as as possible. Workers were involved in ensuring protection of equipment, repair activities, jobs previously performed by contractors.

Ferrexpo has developed its own

strategy concerning creation of new multifunctional and well-paid working places. The Company's Technical Expertise Center organises regular trainings, which allow the workers to realise new professions. Trainings include simulators with augmented reality to practice certain types of work.

In 2022, Ferrexpo employed 3.7% of total workforce of the Poltava region. Before the war, the Company employed 62% of the regular workforce in Horishni Plavni, where Ferrexpo's main facilities are located.

Last year, Ferrexpo paid 5.9% of all wages in the Poltava region, while the Group's share of the total wage bill in Ukraine was 0.2%.

In 2022, average salary in iron ore plants of Ferrexpo was 28.6% higher than that of domestic peers.

Ferrexpo remains committed to supporting the wellbeing of its workforce, understanding the effects of living in a war zone. The Company provides a range of support offers to employees to mitigate the impact of the war.

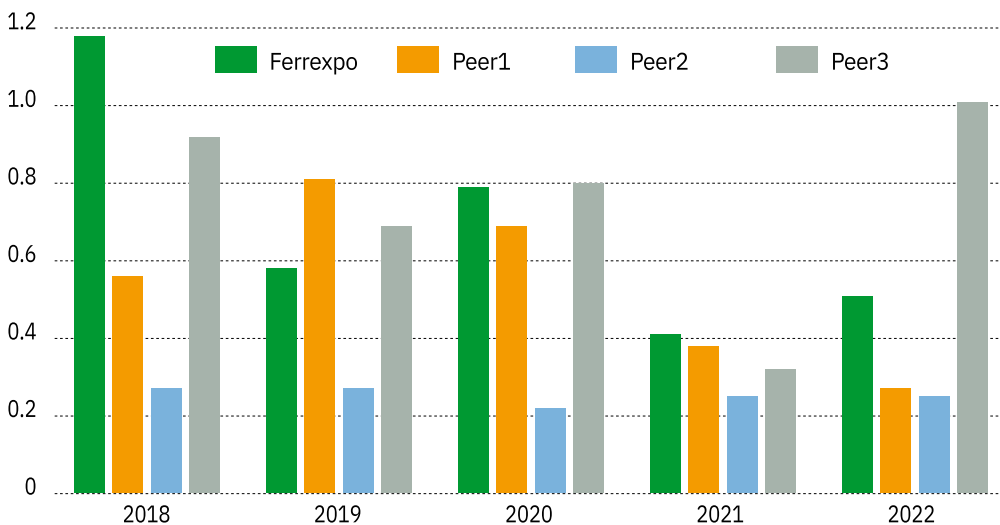


**0.31**  
 Ferrexpo's LTIFR in 1H 2023, well below the historic five-year trailing average of 0.69

**Zero**  
 Fatality-free for second successive year (2021–2022)

# PRIORITISING SAFETY

## Lost Time Injury Frequency Rate (LTIFR) of global iron ore producers in 2022



Source: corporate reports

**Safety is the highest priority for Ferrexpo. The Group has been consistently investing in assets and training of personnel to ensure safe working conditions.**

Ferrexpo promotes the best practices of safety management in Ukraine and is recognized as a safety leader in the global iron ore sector with LTIFR 0.51 in 2022 and 0.31 in the first half of 2023.

This leadership position was achieved by automating production processes and conducting regular safety analysis.

The war added specific risks to the activity of the Company and its employees. Nevertheless, Ferrexpo helps workers and their families to adapt to new conditions.

Some employees with suitable roles have the opportunity to work remotely. For on-site workers, the Company equipped air-raid shelters; shift patterns have been devised to align with nighttime curfews, including the provision of free meals.

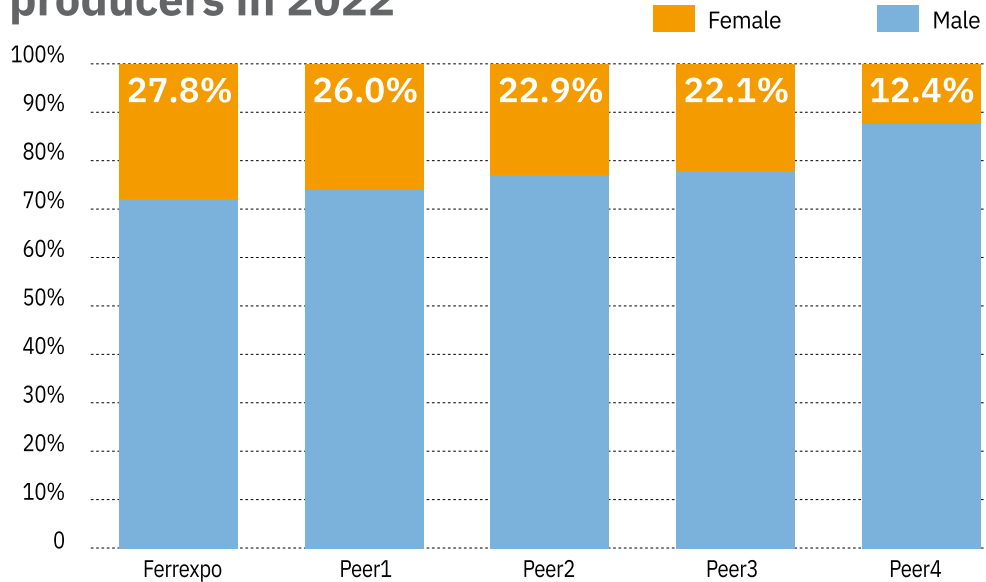
For second successive year, the Company recorded zero fatalities, despite a number of challenges.

In 2022, the number of hazard reports increased due to adoption of ISO 45001:2019 in 2021. It is expected that this will help to prevent the frequency of accidents in the future.

Remuneration of top managers at Ferrexpo is linked to Company's safety performance.

# INVESTING IN PEOPLE

## Staff structure by gender of global iron ore producers in 2022



Source: corporate reports

**Despite the war, Ferrexpo continues to support its workers and their families. The health and wellbeing of employees is a priority for the Company.**

For more than 15 years, Ferrexpo has consistently been investing in employees, providing training and skill development.

Due to the war, in 2022 total number of training courses only fell by 4.6%,

however, the number of employees passing safety training increased by 16%. It confirms Ferrexpo's commitment to maintaining a safe working environment.

In January 2022, Ferrexpo passed Sedex Members Ethical Trade Audit. It confirmed the high quality of medical care and medical insurance provided to employees.

Despite the war, Ferrexpo



continues to make good progress in implementing diversity initiatives. In 2022, 21% of managerial positions were held by women.

The Group remains committed to increase the share of women in managerial positions to 25% by 2030.

Ferrexpo is a leader in its industry with 28% of women in its workforce in 2022.

**21%**  
share of women in managerial positions in Ferrexpo in 2022. The Group's 2030 target is 25%

**3,960**  
employees passed safety training in 2022 (+16% year-on-year)



# GENERATING TAX REVENUES FOR THE DEVELOPMENT OF UKRAINE

**US\$1.4<sup>bn</sup>**

taxes paid by Ferrexpo to various budgets in Ukraine during 2007–2022

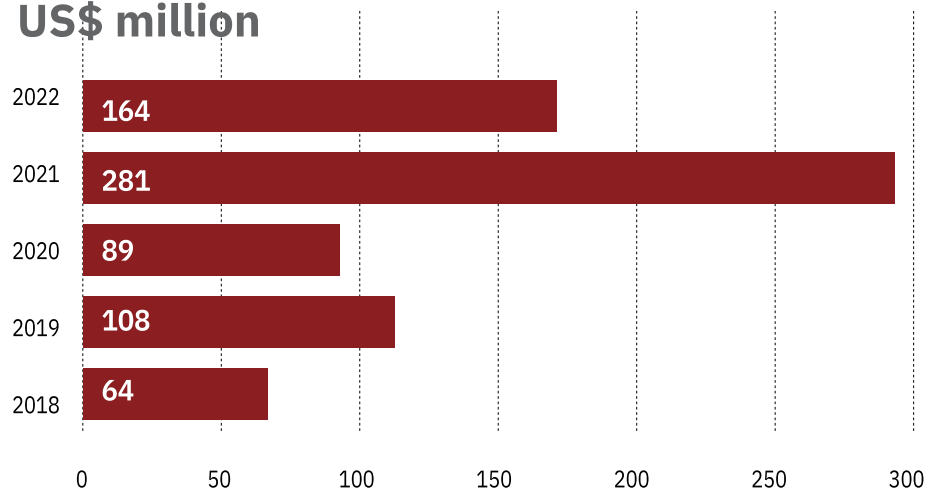
**21%**

share of Ferrexpo in the total tax revenues of the Poltava region budget in 2022

**TOP 10**

Ferrexpo Poltava Mining is one of the ten largest corporate taxpayers in Ukraine

## Total taxes paid by Ferrexpo in Ukraine, US\$ million



Sources: Ferrexpo reports

**Ferrexpo recognises its significance to the economy of Ukraine as well as to the Poltava region and takes its position as a responsible corporate citizen seriously.**

This is evidenced by the fact that Ferrexpo Poltava Mining is one of the top ten payers of corporate tax, royalty and environmental tax in Ukraine.

Since the IPO, Ferrexpo has paid more than US\$1.4 billion in taxes.

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Since the full-scale Russian invasion of Ukraine, the Group has continued to actively support the country as a major taxpayer, paying US\$164 million in 2022.

Ferrexpo is a significant contributor to the Ukrainian economy through taxes and royalties both on national and regional scale.

Ferrexpo's contribution to the local budget has increased by 13% in

Ferrexpo's contribution to the local budget has increased by 13% in national currency, despite drop in output and iron ore prices.

The Group provided 64% of the budget tax revenues in Horishni Plavni and 21% of the Poltava region's budget tax revenues in 2022.

Through various fiscal contributions, Ferrexpo ensures development of the region, with a population of 1.5 million.



# SUPPORTING COMMUNITIES

**US\$232<sup>m</sup>**

invested by Ferrexpo into local communities during 2007-2022

**US\$600<sup>ths</sup>**

value of helmets and body armour provided to emergency response workers in the Poltava region

**9 ambulances**

were donated to local medical institutions

**>3,500**

Internally displaced people have been housed in company's accommodation facilities

**US\$15<sup>m</sup>**

total committed funding of humanitarian support as at the end of 2022

**US\$5<sup>m</sup>**

value of vehicles, donated to the defenders of Ukraine

Source: Ferrexpo 2022 Responsible Business Report

**The war has placed significant strain on the ability of local authorities to provide consistent support to communities. Ferrexpo recognizes the importance of supporting Ukrainians during the current difficult times.**

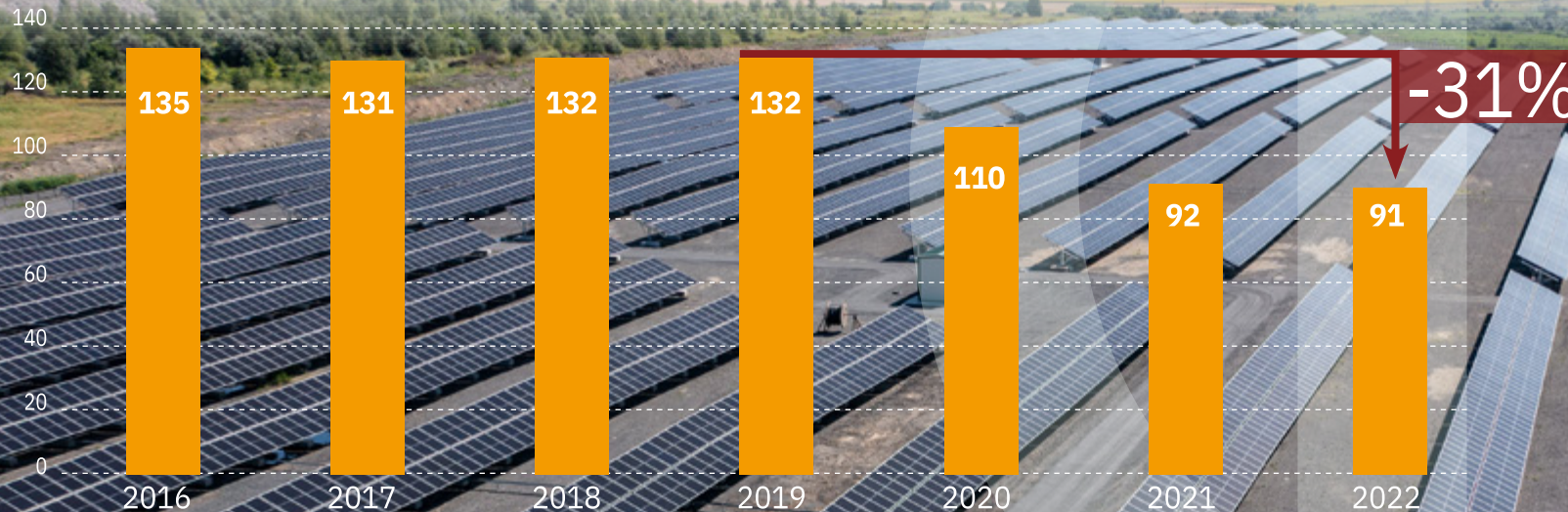
At the beginning of the full-scale war, the Board of Directors approved the establishment of the Ferrexpo Humanitarian Fund, focused on providing direct assistance to communities affected by the war.

More than 70 projects in 8 regions were implemented through the Ferrexpo Humanitarian Fund.

The Company intends to provide direct support to communities until the end of the war.

# TAKING CARE OF THE ENVIRONMENT

## Carbon intensity of Ferrexpo operations (Scope 1 and Scope 2), kg/t



Source: Ferrexpo`s annual report

**-31%**

Ferrexpo decreased its carbon intensity during 2019–2022

**-50%**

Ferrexpo`s updated target to reduce carbon footprint (Scope 1 + Scope 2) by 2030; previously target was set at -30%

**Ferrexpo recognises the significance of the environment. Therefore, the Company is actively focussed on reducing or eliminating any negative environmental impacts.**

Despite the war, Ferrexpo reduced carbon intensity by 1% in 2022. Last year, CO2 emissions decreased by 31.1% compared to the 2019 baseline.

Recognising the risks of climate

changes, Ferrexpo upgraded carbon emissions targets to -50% by 2030 – and increase compared to the 2019 baseline that set the target at -30%.

The Group plans to gradually implement the latest technologies including rechargeable electric quarry dump trucks, electric unmanned dump trucks, construction of own solar power plants.

Ferrexpo intends to consume low

carbon electricity. Its share reached 60% in 2022. In addition, the Group reused 98% of water last year.

Ferrexpo broadened its carbon targets planning a 10% reduction in Scope 3 by 2030. This could be achieved with a focus on expanding DR-pellets output.

The Group continues to develop its decarbonization strategy, and has made it a KPI for all senior managers.

# METHODOLOGY DESCRIPTION

**All calculations in this report were performed by GMK Center LLC in accordance with the methodology described in this section, with the exception of the information that was used directly from Ferrexpo reports.**

Ferrexpo's total contribution to the GDP of Ukraine reflects the amount of direct, indirect and induced contributions, taking into account the financial results of the following Ferrexpo companies: Ferrexpo Poltava Mining, Ferrexpo Yeristovo Mining, Ferrexpo Belanovo Mining and other companies of the Group in Ukraine, according to their share of capital.

Direct contribution to GDP was estimated using the income-based method as the sum of gross profit of each company, their wages costs, taxes and depreciation charges. Indirect and induced contributions were estimated on the basis of the industry-specific multiplier 'Mining of metal ores', and particularly the ratio between direct and indirect/induced contributions, based on the analysis of the Input-Output table prepared by the State Statistics Service of Ukraine.

The Group's contribution to the GRP of the Poltava region takes into account the direct contribution of the companies located in the region and the share of indirect and induced contributions according to the share of regional and local procurements by Ferrexpo.

GRP and CAPEX data for 2022 in the Poltava region has not yet been disclosed, that made it impossible to calculate Ferrexpo's contribution.

GMK Center assumes 2022 values to remain close to historical average.

Industrial CAPEX in Ukraine for 2022 has not been disclosed. GMK Center used performance of gross fixed capital formation in 2022, as respective performance of Industrial CAPEX, applied to the latest Industrial CAPEX data for 2021.

The Group's contribution to the total payroll bill and employment in Ukraine and the Poltava region was estimated similarly to the estimation of the contribution to GDP.

The values of the indicators of the number of employees and contractors in Ukraine, the average wage and the amount of taxes paid in 2022, exports value were provided by Ferrexpo at the request of GMK Center.

Benchmark analysis of LTIFR and staff structure by gender is based on the reports of global iron ore companies.

The phrase "Pre-war the Group had a cost advantage over 50% of iron ore pellet suppliers in the world" is a personal judgement of GMK Center LLC based on the analysis of the pellet cost curve to China, according to the Ferrexpo 2021 Annual Report.

Share of low carbon electricity consumed by Ferrexpo in this report includes nuclear, hydro and other renewables.

The estimate of shares or ratios of Ferrexpo

indicators and similar averages for Ukraine or the Poltava region is based on the data from the web portals of the State Statistics Service of Ukraine and the General Department of Statistics of the Poltava region.

The values of indicators denominated in Ukrainian hryvnia were converted into the equivalent in US dollars using the average official exchange rate set by the NBU for the relevant period, including data on taxes paid.



 **FERREXPO**



Prepared by GMK Center  
Kyiv, 2023