

Management report

1. The Board of Directors presents its report together with the audited consolidated financial statements of Global Ports Investments Plc (hereafter also referred to as "GPI" or the "Company" or "Global Ports") and its subsidiaries and joint ventures (hereafter collectively referred to as the "Group") for the year ended 31 December 2021. The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (hereafter also referred to as "IFRS") as adopted by the European Union ("EU") and the requirements of Cyprus Companies Law, Cap. 113.

Principal activities and nature of operations of the Group

2. The principal activities of the Group are the operation of container and general cargo terminals in Russia and Finland. The Group offers its customers a wide range of services for their import and export logistics operations. There were no changes in principal activities of the Group in the current year.

Results

3. The Group's results for the year are set out on pages 31 and 32.

Changes in group structure

4. The management continues the optimization of the Group structure and elimination of the excess companies from the Group. As a part of simplification and streamlining of Group structure the following steps were implemented in 2021.
 - a. On 01.04.2021 Alocasia CO. Ltd and Belvo Establishment Ltd transferred their ownership in Ust-Luga Container Terminal JSC to First Container Terminal Inc (0.543% and 1.63% respectively). First Container Terminal Inc directly owns 80% of the share capital of Ust-Luga Container Terminal JSC.
 - b. On 24.06.2021 NCC Group Ltd was liquidated.
 - c. On 11.10.2021 a legal merger of National Container Holding Company Ltd into Global Ports Investments Plc was completed. As a result of the reorganisation, Global Ports Investments Plc directly holds 100% in Vostochnaya Stevedoring Company LLC, JSC Petrolesport, Farvater LLC and Shakhovo-18 LLC and indirectly owns 100% in First Container Terminal Inc and 80% in Ust-Luga Container Terminal JSC via JSC Petrolesport.
 - d. On 11.10.2021 Global Ports Investments Plc transferred one share of Global Ports (Finance) PLC to Farvater LLC.
 - e. A members' voluntary liquidation of Alocasia CO. Ltd and Belvo Establishment Ltd was initiated in October 2021.
 - f. On 22.12.2021 VIFS LLC, wholly-owned subsidiary of Vostochnaya Stevedoring Company LLC, was liquidated.

These reorganisations did not have an impact on the underlying assets/liabilities and overall activities of the Group.

5. There were no other material changes in the group structure. However, the Board of Directors is regularly reviewing the Group structure and the possibilities to optimize it and will continue its efforts in the following years.

Review of Developments, Position and Performance of the Group's Business

6. Strong market growth in 2021 saw the Russian marine container market achieving all-time-high volumes in 2021 of 5.4 million TEUs (+7.1% y-o-y), driving growth in both containerised import of 11.1% and containerised export of 4.2%.
7. As a result of the sharp rise in freight rates in most of the main global container shipping trades, very tight network capacity in the Asia-Europe trade and a deficit of empty containers globally, market players increasingly preferred faster container import and export supply chains via the shortest sea leg. As a result, market growth was concentrated in the Far Eastern basin (+14.0% y-o-y) and the Southern basin (+6.4% y-o-y) while the combined throughput of terminals located in Saint Petersburg and the surrounding area declined by 3.7% y-o-y in FY 2021.

Management report (continued)

8. The Group successfully improved in 2021 its market share position in both its basins of presence, with VSC throughput improving 14.8% y-o-y and throughput of its terminals in the Baltic Basin declining by 2.3% y-o-y (being less than market decline). In total, Consolidated Marine Container Throughput increased by 2.8% y-o-y in 2021 to 1,576 thousand TEUs.
9. As previously announced, VSC ceased the coal handling activities in September 2021, enabling the terminal to concentrate on the Group's core strategic operations of driving container volumes. As a result, the Group's Consolidated Marine Bulk Throughput decreased in 2021 by 14.6% y-o-y to 4.3 million tonnes.
10. High and Heavy Ro-Ro handling increased by 24.4% to 25.2 thousand units, while car handling increased by 27.8% to 104.9 thousand units.
11. Consolidated revenue increased by 30.8% to USD502.8 million; excluding the impact of VSC transportation services, like-for-like revenue increased by 17.1% as 25.0% increase in Consolidated Container Revenue offset 5.2% decrease in Consolidated Non-container Revenue on the back of ceased coal handling at VSC.
12. Like-for-like Total Operating Cash Costs increased by 16.4% to USD131.8 million due to inflationary pressures, volumes growth and also the fact that operating in a high demand environment and high capacity utilisation rates at VSC required controlled cost increases to drive Adjusted EBITDA growth.
13. Adjusted EBITDA increased by 17.4% to USD246.2 million as a result of volume growth and Revenue per TEU increase (like-for-like Revenue per TEU increased by 21.6% to USD188.7 as a result of positive cargo, customer and basin mix changes, as well as customers' appreciation of our quality services in high demand environment in the Far Eastern basin). Profitability improved with a like-for-like Adjusted EBITDA Margin to 65.4% posting an increase of 15 basis points.
14. The Group achieved significant Free Cash Flow growth of 46.9% generating USD129.1 million over the year.
15. The Group reduced Net Debt by USD120.7 million in 2021 allowing Net Debt to Adjusted EBITDA to decrease from 2.9x as of 31 December 2020 to 2.0x as at the end of the reporting period, achieving the Group's long-term deleveraging target.

The terms used above are defined as follows:

Adjusted EBITDA (a non-IFRS financial measure) for Global Ports Group is defined as profit for the period before income tax expense, finance income/(costs)—net, depreciation, write-off and impairment of property plant and equipment, depreciation and impairment of right-of-use assets, amortisation, write-off and impairment of intangible assets, share of profit/(loss) of joint ventures accounted for using the equity method, other gains/(losses)—net.

Net Debt (a non-IFRS financial measure) is defined as the sum of current borrowings, non-current borrowings, current and non-current lease liabilities (following adoption of IFRS 16) and swap derivatives less cash and cash equivalents and bank deposits with maturity over 90 days.

Revenue per TEU is defined as the Global Ports Group's Consolidated Container Revenue divided by total Consolidated Container Marine Throughput.

Adjusted EBITDA Margin (a non-IFRS financial measure) is calculated as Adjusted EBITDA divided by revenue, expressed as a percentage.

Consolidated Container Revenue is defined as revenue generated from containerised cargo services.

Consolidated Non-Container Revenue is defined as a difference between total revenue and Consolidated Container Revenue.

Consolidated Marine Bulk Throughput is defined as combined marine bulk throughput by consolidated terminals: PLP, VSC, FCT and ULCT.

Consolidated Marine Container Throughput is defined as combined marine container throughput by consolidated marine terminals: PLP, VSC, FCT and ULCT.

Free Cash Flow (a non-IFRS financial measure) is calculated as net cash from operating activities less net cash used in investing activities and interest paid on borrowings and lease liabilities.

Total Debt (a non-IFRS financial measure) is defined as the sum of current borrowings, non-current borrowings, current and non-current lease liabilities (following adoption of IFRS 16) and swap derivatives.

Management report (continued)

Future Developments of the Group

16. The Board of Directors does not expect any significant changes in the activities of the Group in the foreseeable future.

Risk Management Process, Principal Risks and Uncertainties

17. Global Ports is exposed to a variety of risks and opportunities that can have commercial, financial, operational and compliance impacts on its business performance, reputation and licence to operate. The Board recognises that creating shareholder value involves the acceptance of risk. Effective management of risk is therefore critical to achieving the corporate objective of delivering long-term growth and added value to our shareholders.
18. Global Ports bases its risk management activities on a series of well-defined risk management principles, derived from experience, best practice, and corporate governance regimes. The Group's enterprise risk management processes (ERM) are designed to identify, assess, respond, monitor and, where possible, mitigate or eliminate threats to the business caused by changes in the business, financial, regulatory and operating environment.
19. The Board has overall oversight responsibility for GPI's risk management and for the establishment of the framework of prudent and effective controls. As such, it systematically monitors and assesses the risks attributable to the Group's performance and delivery of the GPI strategy. Where a risk has been identified and assessed, the Group selects the most appropriate risk measure available in order to reduce the likelihood of its occurrence and mitigate any potential adverse impact.
20. The Board delegates to the Chief Executive Officer of LLC Global Ports Management the responsibility for the effective implementation and maintenance of the risk management system. Day-to-day responsibility for risk management lies with the management team. The Audit and Risk Committee is authorized by the Board to monitor, review and report on the organization, functionality and effectiveness of the Group's Enterprise Risk Management (ERM) system.
21. Global Ports is exposed to a variety of risks which are listed below. The order in which these risks are presented is not intended to be an indication of the probability of their occurrence or the magnitude of their potential effects.
22. Not all of these risks are within the Group's control, and the list cannot be considered to be exhaustive, as other risks and uncertainties may emerge in a changing external and internal environment that could have a material adverse effect on the Group's ability to achieve its business objectives and deliver its overall strategy.
23. Further information on our risk management system, including a detailed description of identified risk factors, is in the notes to the Consolidated Financial Statements attached to this report.
24. The Group's financial risk management and critical accounting estimates and judgments are disclosed in Notes 3 and 4 to the consolidated financial statements.
25. The Group's contingencies are disclosed in Note 28 to the consolidated financial statements.

Management report (continued)

Risk factor

Risk management approach

Strategic risks

Market conditions:

Global Ports' operations are dependent on the global macroeconomic environment and resulting trade flows, including in particular container volumes.

Container market throughput is closely correlated to the volume of imported goods, which is driven by domestic consumer demand, and influenced by RUB currency fluctuations against USD/Euro, and exported goods, which in turn correlate with the Russian rouble exchange rate fluctuations and global commodity markets' trends.

The Group remains exposed to the risk of contraction in the Russian and world economy which, if it were to occur, could further dampen consumer demand and lead to a disruption in the container market which could have an adverse impact on the Group.

At the same time being part of Russian and world logistics chains, the terminals of the Group are exposed and feel the impact of the disruptions and disbalances in these logistics chains caused by COVID-19 and such cases like Ever Given accident.

Competition:

Barriers to entry are typically high in the container terminal industry due to the capital-intensive nature of the business. However, challenging market trading conditions mean that competition from other container terminals continues to be a significant factor, which is also supported by the existing excess capacity in the market, i.e., in the North-West of Russia. Further consolidation between container terminal operators and container shipping companies, the creation of new strategic alliances, the introduction of new/upgraded capacity and carrier consolidation could result in greater price competition, lower utilisation, and potential deterioration in profitability.

Strategic international investors may develop or acquire stakes in existing competitor Russian container terminals, which could bring new expertise into the market and divert clients and cargoes away from the Group.

Also, Beneficial Cargo Owners may optimise their logistics chains and decide to control them, which may lead to changes in the competitive environment.

The Group has responded to throughput volatility in the container market by:

- Focusing on quality and value-driven services (getting closer to the customer)
- Greater focus on balancing export and import container flows as well as the cargo mix
- Offering operational flexibility to all clients via operational excellence
- Investments in infrastructure development and equipment
- Termination of handling coal at VSC to optimise the handling of containers
- Effective cost containment
- Development of IT solutions
- Adopting new revenue streams and attracting new cargoes

The Group actively monitors the competitive landscape and adjusts its strategy accordingly, i.e., the Group prioritises building close long-term strategic relationships with its leading customers (locally, regionally and with headquarters).

The Group's focus on service quality is a key differentiator from its competition and the Group believes this is one of its key competitive advantages.

The Group continues to invest in its terminals and infrastructure to ensure competitive levels of service. It takes a long-term approach to managing its network of terminals that represent core infrastructure assets in Russia with an expected operating lifespan of 10 to 20 years and beyond. The Group owns a significant land bank giving it flexibility should market conditions require it. The Group maintains level of capital expenditure in line with the requirements needed to maintain effective development of its existing capacity. The Group has developed long-term operating master plans for each of its terminals that enable it to react quickly in the case of additional market demands being placed on its facilities' infrastructure and equipment. The Group's healthy cash flow generation and decreasing leverage allow financial flexibility in terms of timing and size of the required capital expenditure program.

Management report (continued)

Risk factor

Given the historically high margins in the Russian container handling industry, this trend may continue, which is demonstrated by growing competition in the Russian Far-East where a number of new projects were announced at the Far-Eastern Economic Forum in September 2021. Though we do not expect new major capacity to come to the market in the next 3–4 years, the conversion of some of the existing terminals into the handling of containers already started.

Political, Geopolitical, military conflicts and economic and social instability:

Russian foreign affairs and geopolitics could lead to instability in the Russian economy. Therefore, uncertain operating environment and decreasing, as a result of social and political instability, could affect the Group's profitability and ability to sell its services due to significant economic and political risks.

Certain government policies or the selective and arbitrary enforcement of such policies could make it more difficult for the Group to compete effectively and/or impact its profitability.

The current geopolitical situation and conflict surrounding Russia and Ukraine will adversely affect operations of the Group, i.e. the management of the Group is aware of the fact that some shipping lines have announced that they temporarily suspend shipments to and from Russian Federation. It is possible that other shipping lines will follow with similar restrictions. The Group may also be adversely indirectly affected by US, EU, UK and other jurisdictions sanctions against Russian business/companies – measures that have had and may continue to have an adverse effect on the Russian economy and demand for goods, commodities and services as well as supply of equipment and spare parts, interest rates and RUB/USD exchange rate. Ongoing sanctions could also slow down or make it very challenging to process the settlements with clients and suppliers and to deal with certain persons and entities in Russia or in other countries.

Following already imposed sanctions on Russian Central Bank, its restrictions for capital movements outside Russian Federation and other developments of the confrontation, there is an uncertainty about the availability of the options for refinancing in 2023 when principal payments of Eurobonds 2023 fall due. The situation is largely dependent on actions of Russian Government and Central Bank that are difficult to foresee.

Risk management approach

In light of the geopolitical and macroeconomic challenges faced by the ports industry in recent years, the Group has focused on improving its resilience, in particular its ability to withstand short-term economic fluctuations in Russia, as well as the wider regional and global environment. This has included a strong focus on cost containment measures, and on strengthening its financial position by refinancing its debt, switching to longer maturities at fixed rates, execute the investment programs ahead of time and increase the resilience of its treasury operations. In addition, the Group has developed its growth strategy to embrace exports and new revenue streams to counteract the impact of any fall in consumer sentiment or any macro-economic downturn.

The Group has strengthened its system to monitor compliance with restrictions posed by international sanctions and fend off the risk of secondary sanctions.

The Group continues to maintain an international base of shareholders, bondholders and business partners.

The Group's management is closely monitoring events in Russia and Ukraine, as well as the possibility of the imposition of further sanctions in connection with the escalating confrontation and any resulting increase of tensions between Russia, and the US, UK and/or the EU. The management understands what needs to be done under current circumstances and believes that it has required resources to lead the Group through these difficult times.

The Group has a strong track record in promptly meeting all its debt obligations, successful refinancing and deleveraging and enjoys high credibility in local and international banking and capital markets that we expect should support the Group in its efforts to refinance in September 2023 or earlier.

The Group is not aware of any specific sanctions related to its ownership or operations.

Management report (continued)

Risk factor

Coronavirus (COVID-19):

The global coronavirus (COVID-19) pandemic that emerged during 2020 impacted the container ports industry and Global Ports own operations, resulting in significant interruption to global trade, disruption to supply chains, reshuffling of vessel calls, and high FX volatility.

Despite the introduction of vaccination programs, visibility remains low, new strains of virus are emerging, and the risk of future outbreaks and disruption to business operations remains. Risks include:

- personnel shortages due to COVID-19 related illness
- inability to deliver contracted services due to regulatory or safety requirements
- loss of revenue due to business interruption, loss of customer volumes or customer withdrawals
- additional process steps or safety measures
- liquidity issues associated with delays in customer payments, potential customer failures or availability of financing.

Risk management approach

The authorities in Russia demanded that the transport industry enterprises ensure that at least 80% of employees are vaccinated, which the Group's terminals completed within the required time frame.

Group measures to mitigate risk are grouped under/focused on four main priorities:

- Protecting all employees (operations and admin) and communities: including on-site vaccination at the terminals, medical examinations, restrictions on travelling and external/internal meetings, social distancing, additional disinfection according to the schedule, personal protective equipment provided for personnel, improved cleaning, purchasing protective masks, gloves and COVID-19 tests for the local hospital in Nakhodka, Far East. Administrative staff had been either recommended or moved to work from home. The Group tried to establish the maximum comfort for its employees during remote work. The IT infrastructure was adapted to new challenges and was working without major failures. As of the date of signing the financial statements, the employees were not fully returned from working from home. The Group has not taken a final decision, on whether some of the employees shall continue working from home going forward. Any return to the office is and will be accompanied by following the strict safety protocols including social distancing, disinfection, use of masks, limitation of external contacts.
- Supporting customers: uninterrupted 24/7 operations (quay, yard and gates), to support and protect customers' supply chains in Russia, improved commercial and operational flexibility;
- Strengthening online channels, including maximum digitalisation of documentation and customer integration, further development of online solutions to decrease the necessity of client's presence at the terminal, improvement of resilience of IT systems to external shocks and cyber attacks;
- Ensuring financial stability and cash preservation, including proactive management of costs, receivables and capacity for effective adaptation to crisis and its consequences, Stress testing of financial performance and liquidity position, revisiting financial plans.

All these measures implemented ensured that the terminals of the Group (quay, yard and gates) remained 100% operational to service vessels/handle cargoes throughout the pandemic as well as the call and service centres of the Group were working without interruption.

Management report (continued)

Risk factor	Risk management approach
Operational risks	
Leases of terminal land:	
<p>The Group leases a significant amount of the land and quays required to operate its terminals from government agencies and to a lesser extent from private entities. Any revision or alteration to the terms of these leases or the termination of these leases, or changes to the underlying property rights under these leases, could adversely affect the Group's business.</p>	<p>The Group believes it has a stable situation at present regarding its land leases and its terminals have been in operation for a number of years. The Group owns the freehold on 66% of the total land of its terminals and 70% of the land of its container and inland terminals in Russia. The remainder is held under short and long-term leases routinely renewable at immaterial costs.</p>
Customer Profile and Concentration:	
<p>The Group is dependent on a relatively limited number of major customers (shipping lines, freight forwarders etc.) for a significant portion of its business.</p> <p>These customers are affected by conditions in their market sector which can result in contract changes and renegotiations as well as spending constraints, and this is further exacerbated by carrier consolidation.</p>	<p>The Group conducts extensive and regular dialogue with key customers and actively monitors changes that might affect our customers' demand for our services.</p> <p>The Group has a clear strategy to reduce its dependence on its major customers, by targeting new customers, increasing the share of business from other existing global customers, and new cargo segments.</p> <p>The Group is also relying on the contribution from non-container revenues through building its presence in marine bulk cargoes like coal and scrap metal (share of non-container revenue was 22% and 17% in 2020 and 2021 respectively).</p>
Reliance on third parties:	
<p>The Group is dependent on the performance of services by third parties outside its control, including all those other participants in the logistics chain, such as customs inspectors, supervisory authorities, Russian Railways, rolling stock operators and others, and the performance of security procedures carried out at other port facilities and by its shipping line customers.</p>	<p>The Group strives to maintain a continuous dialogue and cooperation with third parties across the supply chain. In addition, its geographic diversification provides it with some flexibility in its logistics, should bottlenecks develop in one area.</p>
Tariff regulation:	
<p>Tariffs for certain services at certain of the Group's terminals have in the past, been regulated by the Russian Federal Antimonopoly Service (FAS). As a result, the tariffs charged for such services were, and may potentially in the future be, subject to a maximum tariff rate and/or fixed in Russian roubles as PLP, VSC, and FCT, like many other Russian seaport operators, are classified as natural monopolies under Russian law.</p>	<p>All tariffs are set in Russian roubles. To the best of the knowledge of the Group's management, the Group is in full compliance with the tariff legislation.</p> <p>The Group continues to monitor for any legislative proposals and regulatory actions that could lead to changes to the existing tariff regulations and its natural monopoly status. It seeks a proactive dialogue with the relevant Russian federal authorities. It believes it is as well placed as any market participant to adapt to any future changes in tariff regulation.</p>

Management report (continued)

Risk factor

Human resources management:

The Group's competitive position and prospects depend on the expertise and experience of its key management team and its ability to continue to attract, retain and motivate qualified personnel.

Lack of qualified workers in the market and active competitions can lead to a deficiency of human resources.

Industrial action or adverse labour relations could disrupt the Group's operating activities and have an adverse effect on performance results.

Changes in work conditions as well as growing competition on the labour market may lead to higher staff turnover.

Risk management approach

The Group annually reviews labour market trends and aligns employee salaries and benefits at all levels to foster and retain skilled labour.

The Group invests in the professional development of its staff at all levels, including international best practices implementation and internal development/ training programmes.

The Group engages in socially responsible business practices and the support of local communities.

The Group is regularly exploring employee's satisfaction and loyalty and provide measures to keep a sufficient level of these metrics.

The Group strives to maintain a positive working relationship with labour unions at its facilities. Moreover, it pursues overall labour policies designed to provide a salary and COVID support benefit package in line with the expectations of our employees.

Health, safety, security:

Accidents involving the handling of hazardous materials at the Group's terminals could disrupt its business and operations and/or subject the Group to environmental and other liabilities.

The risk of safety incidents is inherent in the Group's businesses.

The Group's operations could be adversely affected by terrorist attacks, natural disasters or other catastrophic events beyond its control.

The Group has implemented clear safety policies designed around international best practices and benchmarks using such measures as GPI Global Minimum Requirements.

Safety is one of the Group's top priorities. A safety strategy and annual action plans have been developed and are being implemented, to build a sustainable safety culture across the whole Group. The detailed roadmap is designed to ensure sustainable implementation of safety culture over the medium term.

GPI is constantly improving its safety practices by involving the employees in identifying and mitigating potential safety risks.

Similarly, GPI works with all its stakeholders to maintain high level of physical security around port facilities and vessel operations to minimise the risk of terrorist attacks.

Environment:

Degradation of the environment and the consequences from stringent environmental regulations and investor sustainability expectations may influence the profitability of the business.

The Group constantly monitors the environmental, legislation changes and expectations and in response is developing its ESG targets which will be aligned with its business strategy, governance and risk management processes.

In 2021 the coal handling operations were ceased in one of the Company's subsidiaries.

Management report (continued)

Risk factor

Information technology and security:

The Group's container terminals rely on IT and technology systems to keep their operations running efficiently, prevent disruptions to logistic supply chains, and monitor and control all aspects of their operations.

Any IT glitches or incidents can create major disruptions for complex logistic supply chains.

Any prolonged failure or disruption of these IT systems, whether a result of a human error, a deliberate data breach or an external cyber threat could create major disruptions in terminal operations. This could dramatically affect the Group's ability to render its services to customers, leading to reputational damage, disruption to business operations and an inability to meet its contractual obligations.

Risk management approach

The Group has centralised its IT function in recent years which is an important step in ensuring both the efficiency and consistency of the Group's security protocols implementation. We are continuing to align our IT strategy with the business objectives.

We regularly review, update and evaluate all software, applications, systems, infrastructure and security, i.e., in November 2021 VSC and Solvo completed testing and commissioning of a new terminal operating system (TOS). The new TOS enables real-time tracking of all ship and container handling procedures at the terminal and critical functions like operational accounting, warehouse management, railhead container handling and planning, vehicle handling, and oversight of containers during customs clearance.

All software and systems are upgraded or patched regularly to ensure that we minimise vulnerabilities.

Each of our business units has an IT disaster recovery plan.

Our security policies and infrastructure tools are updated or replaced regularly to keep pace with changing and growing threats.

Our security infrastructure is updated regularly and employs multiple layers of defence.

Connectivity to our partners' systems is controlled, monitored and logged.

Regulatory and compliance risks

Regulatory compliance:

The Group is subject to a wide variety of regulations, standards and requirements and may face substantial liability if it fails to comply with existing regulations applicable to its businesses.

The Group's terminal operations are subject to extensive laws and regulations governing, among other things, the loading, unloading and storage of hazardous materials, environmental protection and health and safety.

The Group strives to be in compliance at all times with all regulations governing its activities and devotes considerable management and financial resources to ensure compliance.

Management report (continued)

Risk factor

Changes in regulations:

Changes to existing regulations or the introduction of new regulations, procedures or licensing requirements are beyond the Group's control and may be influenced by political or commercial considerations not aligned with the Group's interests. Any expansion of the scope of the regulations governing the Group's environmental obligations, in particular, would likely involve substantial additional costs, including costs relating to maintenance and inspection, development and implementation of emergency procedures and insurance coverage or other financial assurance of its ability to address environmental incidents or external threats.

Conflict of interests:

The Group's controlling beneficial shareholders may have interests that conflict with those of the holders of the GDRs or notes.

The major implications of this risk are that (i) co-controlling shareholders pursue other businesses not related to GPI and hence may not be deeply involved with developing GPI and (ii) one of the major shareholders is also a major customer of the Group.

The employees of the Group may have interests in the companies, that may or potentially may have the business with the Group.

Legal and tax risks:

An adverse determination of pending and potential legal actions involving the Group's subsidiaries could have an adverse effect on the Group's business, revenues and cash flows and the price of the GDRs. Weaknesses relating to the Russian legal and tax system and appropriate Russian law create an uncertain environment for investment and business activity and legislation may not adequately protect against expropriation and nationalisation. The lack of independence of certain members of the judiciary, the difficulty of enforcing court decisions and governmental discretion claims could prevent the Group from obtaining effective redress in court proceedings.

Risk management approach

The Group maintains a constructive dialogue with relevant federal, regional and local authorities regarding existing and planned regulations. The Group does not have the power to block any or all regulations it may judge to be harmful, but this dialogue should ensure it has time to react to changes in the regulatory environment.

The Group's corporate governance system is designed to maximise the company's value for all shareholders and ensure the interests of all stakeholders are taken into account. The Group's LSE listing ensures our compliance with the highest international standards. In addition, the Board consists of highly experienced individuals including strong independent directors.

In 2020 the Group adopted the Policy on Conflicts of Interest regulating the potential conflicts of interest by the employees of the Group and updated it in 2021.

The Group maintains a strong and professional legal function designed to monitor legal risks, avoid legal actions where possible and carefully oversee any changes in applicable legislation that may occur.

The Group performs ongoing monitoring of changes in relevant tax legislation and court practice in the countries where its companies are located and develops the Group's legal and tax position accordingly.

Management report (continued)

Risk factor	Risk management approach
<p>Financial risks</p> <p>Foreign exchange risks:</p> <p>The Group is subject to foreign-exchange risk arising from various currency exposures, primarily the Russian rouble and the US dollar. Foreign-exchange risk is the risk of fluctuations in profits and cash flows of the Group arising from the movement of foreign-exchange rates. Risk also arises from the revaluation of assets and liabilities denominated in foreign currency.</p>	<p>As of 2021, all Group tariffs are denominated in Russian roubles, and part of the Group's debt is denominated in US Dollars. Most of the Group's operating expenses, on the other hand, are and will continue to be denominated and settled in Russian roubles.</p> <p>In order to mitigate the possibility of foreign exchange risks arising from a significant mismatch between the currency of revenue and the currency of debt ('open FX position'), the Group is converting part of its existing USD debt into RUB, the currency of revenue. During 2018-2022 the Group bought back and / or redeemed part of its USD denominated Eurobonds exposure and currently ~57% of the total issued Eurobonds have been bought back and / or fully redeemed.</p> <p>New debt in 2020-2021 was attracted/raised only in Russian rouble, i.e., VSC bonds in the amount of 12.5 billion RUB-USD equivalent of USD 168.25 mln.</p> <p>In addition, the Group has negotiated with some of its customers the right to change its Russian rouble tariffs in conjunction with RUB/USD exchange rate fluctuations within a range of +/- 15% each time when the average RUB/USD exchange rate for a given month falls beyond 5% from the base exchange rate used for translating original USD tariffs to RUB, however, the risk above the levels of these currency moves remains.</p>
<p>Credit risk:</p> <p>The Group may be subject to credit risk, arising primarily from trade and other receivables, loans receivable and cash and its equivalents and derivative financial instruments.</p> <p>The Group's business is also dependent on several large key customers.</p>	<p>The Group closely tracks its accounts receivable overall and the creditworthiness of key customers and suppliers.</p>

Management report (continued)

Risk factor

Debt, leverage and liquidity:

The Group's indebtedness or the enforcement of certain provisions of its financing arrangements could affect its business or growth prospects.

Failure to promptly monitor and forecast compliance with loan covenants both at the Group and individual terminal levels may result in covenant breaches and technical defaults.

If the Group is unable to access funds (liquidity) it may be unable to meet financial obligations when they fall due, or on an ongoing basis, to borrow funds in the market at an acceptable price to fund its commitments.

Risk management approach

The Group has been able to reduce its total debt level. FCT Series 2–3 Bonds were repaid in 2021 using their own funds. Debt reduction beyond minimum repayment requirements remains a management priority in 2022.

Liquidity risk is carefully monitored, with regular forecasts prepared for the Group and its operating entities.

As of the end of 2021 Group Net debt/EBITDA ratio reached 2.0x.

The Group deleveraging strategy together with the better business development outlook led to Moody's upgrade rating of the Company and the Group financial instruments by 1 notch to Ba1, RA Expert by 2 notches to ruAA, Fitch Ratings affirmation at BB+ in 2021.

The risk of liquidity has been significantly reduced via extensions of debt maturities through public debt issuance in 2021:

VSC issued Russian rouble bonds in the amount of 7.5 billion RUB – USD equivalent of USD 100.95 mln, which is a part of the rouble-denominated Bond Program of VSC with Moscow Exchange which provides VSC with the potential to issue additional bonds of RUB 17.5 billion – USD equivalent of USD 235.56 mln, over an unlimited period of time with a maturity of up to 10 years. FCT has a similar Bond Program for RUB 50 billion – USD equivalent of USD 673.01 mln. In addition, the Group has over US Dollars 300 million of open uncommitted limits for credit line facilities from the banks which in combination with VSC and FCT bonds can facilitate financial flexibility and diversification of the debt portfolio of the Group and the refinancing of the existing debt of the Group and ensure all obligations of the Group falling due in the next 12 months are met.

The Group regularly stress tests scenarios when different negative trends that could affect cash flows are identified. The liquidity position is carefully monitored in case of further deterioration of financial performance.

Management report (continued)

Internal control and risk management systems in relation to the financial reporting process

26. The internal control and risk management systems relating to financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and to ensure compliance with applicable laws and regulations. The description below applies to all companies of the Group and the Group as a whole.
27. Financial reporting and supervision are based on approved budgets and on monthly performance reporting.
28. The Audit and Risk Committee of the Board of directors of the Company reviews certain high-risk areas at least once a year, including the following:
 - Significant accounting estimates;
 - Material changes to the accounting policies.
29. Reporting from various Group entities to the centralised unit is supervised on an ongoing basis and procedures have been established for control and checking of such reporting. Procedures have also been set up to ensure that any errors are communicated to, and corrected by, the reporting entities. The internal controls are subject to ongoing reviews, including in connection with the regular control inspections at subsidiaries conducted by the central unit. The results from these reviews are submitted to the executive management, the Audit and Risk Committee and the Board of Directors. The internal financial reporting ensures an effective process to monitor the Group's financial results, making it possible to identify and correct any errors or omissions. The monthly financial reporting from the respective entities is analysed and monitored by the centralised department in order to assess the financial and operating performance as well as to identify any weaknesses in the internal reporting, failures to comply with procedures and the Group accounting policies. The Audit and Risk Committee follows up to ensure that any internal control weaknesses are mitigated and that any errors or omissions in the financial statements identified and reported by the auditors are corrected, including controls or procedures implemented to prevent such errors or omissions.

Use of financial instruments by the Group

30. The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. For a description of the Group's financial risk management objectives and policies and a summary of the Group's exposure to financial risks please refer to Note 3 of the consolidated financial statements.

The Role of the Board of Directors

31. The Company is governed by its Board of Directors (also referred as "the Board") which is collectively responsible to the shareholders for the short- and long-term sustainable success of the Group, generating value to shareholders and contributing to the wider society as a whole. Its responsibility is to promote adherence to best-in-class corporate governance.
32. The Board of Directors' role is to provide entrepreneurial leadership to the Group through establishing the Group's purpose, values and strategy, setting out the corporate governance standards, satisfying itself that these and its culture are aligned, ensuring that the necessary financial and human resources are in place for the Group to meet its objectives and reviewing management performance. The Group seeks directors who bring strong track records and a deep understanding of the industry. The Board sets the Group's values and standards and ensures all obligations to shareholders are understood and met. The Board ensures the Group establishes a framework of prudent and effective controls, which enables risk to be assessed and managed and maintains a sound system of internal control, corporate compliance and enterprise risk management to safeguard the Group's assets and shareholders' investments in the Group.
33. The roles and responsibilities of the Chairman, Senior Independent Director, Board and committees' members are set out in writing in the Terms of Reference of the Board and committees. The latest version of the Terms of Reference of the Board of Directors was approved by the shareholders on 18 June 2019. It is available on the Company's website.

Management report (continued)

Members of the Board of Directors

34. The Board of Directors leads the process in making new Board member appointments and makes recommendations on appointments to shareholders. In accordance with the Terms of Reference of the Board, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment, and to re-election at intervals of no more than one year. Any term beyond six years for a Non-Executive Director is subject to particularly rigorous review, and takes into account the need to refresh the Board on a regular basis.
35. The Board currently has 11 members and they were appointed as shown on page 2.
36. On 27 May 2021 Messrs. Demos Katsis, Sergey Shishkarev and Andrey Yashchenko resigned from the Board and Messrs. Vladimir Bychkov, Andrey Lenvalskiy and Andriy Pavlyutin replaced them on the same date. All new Board members were reviewed and recommended for appointment by the Nomination and Remuneration Committee.
37. All other Directors were members of the Board throughout the year ended 31 December 2021, including the independent directors: Ms. Britta Dalunde, Ms. Inna Kuznetsova and Mr. Lampros Papadopoulos.
38. There were no significant changes in the responsibilities of the Directors during 2021 except for membership in the committees as described below.
39. There is no provision in the Company's Articles of Association for the retirement of Directors by rotation. However, in accordance with the Terms of Reference of the Board of Directors and the resolutions adopted by the Shareholders at the Annual General Meeting held on 27 May 2021 all present directors are subject to re-election at the next Annual General Meeting of the Shareholders of the Company, which will take place in 2022.

Directors' Interests

40. The interests in the share capital of Global Ports Investments Plc, both direct and indirect, of persons discharging managerial responsibilities, as well as persons closely associated with them as of 31 December 2021 and 31 December 2020 are shown below. Mr. Sergey Shishkarev resigned from the position of Director on 27 May 2021. Mr. Vladimir Bychkov was appointed to the position of Director on the same date.

Name	Type of holding	Shares held at 31 December 2021	Shares held at 31 December 2020
Britta Dalunde	Through holding of the GDRs	7,000 GDRs representing 21,000 ordinary shares	7,000 GDRs representing 21,000 ordinary shares
Sergey Shishkarev	Through shareholding in LLC Management Company "Delo" and other related entities	NA NA	88,769,817 ordinary shares 34,605,183 ordinary non-voting shares
Vladimir Bychkov	Through holding of the GDRs	235,301 GDRs representing 705,903 ordinary shares	NA

Management report (continued)

Chairman of the Board of Directors

41. Mr. Soren Jakobsen is the Chairman of the Board since 24 April 2020, when he replaced Mr. Morten Engelstoft.
42. The role of the Chairman of the Board of Directors is to ensure that Board meetings are held as and when necessary, lead the directors, ensure their effectiveness and review the agenda of Board meetings. The Chairman together with the Secretary of the Board review Board materials before they are presented to the Board and ensure that Board members are provided with accurate, timely and clear information. The members of the management team who have prepared the papers, or who can provide additional insights into the issues being discussed, are invited to present papers or attend the Board meeting at the relevant time. Board members regularly hold meetings with the Group's management to discuss their work and evaluate their performance.
43. The Chairman monitors communications and relations between the Group and its shareholders, the Board and management, and independent and non-independent directors, with a view to encouraging dialogue and constructive relations. The Chairman should demonstrate objective judgement and promote a culture of openness and debate. In addition, the Chairman facilitates constructive board relations and the effective contribution of all non-executive directors.
44. The Group separates the positions of the Chairman and CEO to ensure an appropriate segregation of roles and duties.

Non-executive and Independent Directors

45. All of the Board members are non-executive directors.
46. Mrs. Britta Dalunde, Mrs. Inna Kuznetsova and Mr. Lampros Papadopoulos are independent directors, and have no relationship with the Group, its related companies or their officers. This means they can exercise objective judgment on corporate affairs independently from management.
47. Although all directors have equal responsibility for the Group's operations, the role of the independent non-executive directors is particularly important in ensuring that the management's strategies are constructively challenged. As well as ensuring the Group's strategies are fully discussed and examined, they must take into account the long-term interests, not only of the major shareholders, but also of the GDR holders, bondholders, other lenders, employees, customers, suppliers and the communities in which the Group conducts its business.
48. Mrs. Britta Dalunde was appointed as the Senior Independent Director on 31 May 2018. The role of the Senior Independent Director is to provide a sounding board for the Chairman and serve as an intermediary for the other directors and shareholders. Led by the senior independent director, the non-executive directors should meet without the Chairman present at least annually to appraise the Chairman's performance, and on other occasions as necessary.

The Board Committees

49. Since December 2008 the Board of Directors established the operation of three committees: an Audit and Risk Committee, a Nomination Committee and a Remuneration Committee. The composition of the committees was changed by the Board of Directors in June 2019: Nomination Committee and Remuneration Committee were merged into one and a new Strategy Committee was established.

The Audit and Risk Committee

50. The Audit and Risk Committee comprises of five Non-Executive Directors, three of whom are independent, and meets at least four times a year. The Audit and Risk Committee is chaired by Mrs. Britta Dalunde (an Independent Non-Executive Director appointed as of 12 May 2017), and its other members are Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Lampros Papadopoulos (an Independent Non-Executive Director appointed as of 01 January 2018), Mr. Mogens Petersen (appointed as of 18 June 2019) and Mr. Andrey Lenvalskiy (appointed as of 27 May 2021). Mr. Andrey Yashchenko resigned from the Audit and Risk Committee on 27 May 2021.

Management report (continued)

51. The Committee is responsible for:
- monitoring the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance, and reviewing significant financial reporting judgments contained in them;
 - providing advice (where requested by the board) on whether the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the company's position and performance, business model and strategy;
 - reviewing the company's internal financial controls and internal control and risk management systems;
 - monitoring and reviewing the effectiveness of the company's internal audit function;
 - making recommendations to the board, about the appointment, reappointment and removal of the external auditor, and giving the recommendations in relation to remuneration and terms of engagement of the external auditor for audit and non-audit services;
 - reviewing and monitoring the external auditor's independence and objectivity;
 - reviewing the effectiveness of the external audit process;
 - developing and implementing policy on the engagement of the external auditor to supply non-audit services; and
 - reporting to the Board on how it has discharged its responsibilities.
52. In 2021 the Audit and Risk Committee met 12 times (2020: 10 times) to review and discuss inter alia the following significant issues and matters in addition and on top of those listed above, among others:
- Meetings with internal auditors to discuss the results of their audits and ad-hoc reviews, working plans and progress in monitoring the execution of internal audit recommendations;
 - Meetings with external auditors to discuss the matters related to the audit work done by them and any issues arising from their audits' reviews;
 - Discussion of the level of clarity and completeness of disclosures in financial statements with the management and external auditors and making the recommendations to the Board;
 - Assessment of efficiency of external auditor by discussing the audit approach and audit plan, monitoring of compliance with the plan, receiving the feedback from the members of the management team, involved in the audit process, assessing the internal resources allocated by the external auditor, the key risks to the audit process and their mitigation measures, review of the auditor's management letter, consideration of the level and quality of communication between the external auditor and Committee during the audit process.
 - Consideration and approval of audit schedules and review of the impairment models and the impact of the new IFRS standards on the Company's financial statements. The Committee's task is to align the impairment models with the short-, mid- and long-term forecasts and to understand what impact the new standards would have on the financial statements and Group's compliance with the covenants;
 - Consideration and approval of the engagement of external auditors for rendering of non-audit services. In each particular case the Committee was assessing the impact of non-audit services on the independence and objectivity of the external auditor. The Committee reviewed the scope of services on compliance with the list of permitted non-audit services, the potential impact of the services on the audit work and financial statements and discussed with the external auditor how their internal compliance procedures were performed and whether all internal compliance requirements were met. The Committee monitors the share of non-audit service in relation to its compliance with the standards;
 - Review of the public materials containing financial information in relation to compliance with the financial statements, the disclosure and transparency requirements and Board's view on the mid and long-term development of the Group;
 - Consideration of various reports from the management;
 - Review of the major risks. The Committee had meetings with Risk Management of GPM to discuss the Key Risks and Risk and Internal Controls Matrices' development status;

Management report (continued)

- Review of GDPR and sanctions compliance requirements;
- Review of accepted IT risks;
- Review the results of centralisation of the functions of the Group;
- Review of tax related matters;
- Review of Charity activity in 2021 and budget 2022;
- Review various other compliance related matters;
- Review of the report on the results of an external assessment of Global Ports Internal Audit Function vs conformance with the International Standards for the Professional Practice of Internal Auditing;
- Consideration and giving the recommendations to the Board to offer KPMG Limited for election as the Company's auditor for FY2021 and monitoring of the audit hand over from PwC to KPMG;
- Consideration and giving the recommendations to the Board of Directors for the approval of the Related Parties Transactions Policy and the updated and restated Accounting Policy.

The Nomination and Remuneration Committee

53. The Nomination and Remuneration Committee was established in June 2019 following the merger of the Nomination Committee and Remuneration Committee in order to simplify the work of the committees and Board members.
54. The Committee is a committee of the Board of Directors which assists the Board in discharging its corporate governance responsibilities in relation to nomination, appointment and remuneration of all Directors and the Chairman / Chairwoman of the Board of Directors and of the senior executive management of the Company and its subsidiaries and joint venture companies, and oversee the development of a diverse pipeline for succession as well as to evaluate the performance of the Board of Directors, its committees, the Chairman / Chairwoman of the Board of Directors and individual directors. The main objective of the Committee is to determine the framework and policy for the nomination and remuneration of Independent Non-Executive Directors, Executive Directors and senior company executives ensuring the consistency with the company talent strategy, remuneration policy, market trends and company's commitment for Diversity and Inclusion; ensure onboarding for new directors; set the framework for succession planning and talent management; run annual Board Performance evaluation process to ensure its growing effectiveness.
55. The Nomination and Remuneration Committee as of the date of this report comprises three Directors, one of whom is independent. The Committee meets at least once each year. Currently, the Nomination and Remuneration Committee is chaired by Mrs. Inna Kuznetsova (an Independent Non-Executive Director appointed as the Chairwoman of the merged Nomination and Remuneration Committee as of 18 June 2019). The other members are Ms. Alexandra Fomenko (appointed as a member of the committee as of 11 November 2019) and Mr. Soren Jakobsen (appointed as a member of the committee as of 24 April 2020).
56. The Committee meets at least once each year.
57. In 2021 the Nomination and Remuneration Committee met 13 times (16 times in 2020):
- to discuss and recommend the candidates to be elected to the Board and Board Committees;
 - to discuss the management succession and talent development program, as well as Global Ports Management LLC Chief Executive Officer Succession Planning directions and next steps;
 - to discuss and recommend to the Board:
 - a. the appointment of new Managing Director of Vostochnaya Stevedoring Company LLC, Chief Operations Officer of Global Ports Management LLC, new Chief Executive Officer of Moby Dik LLC and Yanino Logistics Park LLC,
 - b. fees payable to members of the Board of Directors,

Management report (continued)

- c. new remuneration payable to the Group Senior Management Team and Key Management team members of the Group companies. In determining the level of remuneration of the key senior management of the Group the Committee referred to the level of skills and expertise, the position and scope of work and responsibilities as well as to the market levels for similar positions.

58. In the year 2021 the key focus of the Nomination and Remuneration Committee was on the Chief Executive Officer of Global Ports Management LLC succession planning program, talent management, remuneration of the members of the Board of Directors and Board performance evaluation.

The Strategy Committee

59. The Strategy Committee was established in June 2019. As per its terms of reference, the Committee meets at least once each year. The Strategy Committee as of the date of this report comprises five Directors, one of whom is independent. Currently, the Strategy Committee is chaired by Mr. Vladimir Bychkov (appointed as of 27 May 2021). The other members are Mr. Mogens Petersen, Mr. Soren Jakobsen and Mr. Lampros Papadopoulos (an Independent Non-Executive Director), all appointed as of 18 June 2019, and Mr. Andrey Lenvalskiy (appointed as of 27 May 2021). Messrs. Sergey Shishkarev and Andrey Yashchenko resigned from the Strategy Committee on 27 May 2021. The Strategy Committee' Terms of references were updated at the end of 2021.
60. The Committee is a committee of the Board of Directors that assists the Board of Directors in discharging its corporate governance responsibilities in relation to the setting and oversight of the strategy and strategic initiatives of the Company and its subsidiaries and joint venture companies (the Group) to be approved by the Board of Directors from time to time, and providing oversight over the implementation and development of those by executive management. The Committee has been formed to foster a cooperative, interactive strategic planning process between the Board and executive management.
61. In 2021 the Strategy Committee met 13 times (8 times in 2020) to consider and give recommendations to the Board for approval of:
- various investment proposals, including Vostochnaya Stevedoring Company LLC Operating Master Plan;
 - merger of National Container Holding Company Ltd with Global Ports Investments PLC, as a part of further optimization of Group structure;
 - the amended and restated Strategy Committee Terms of Reference; and
 - admission to trading of the Global Ports Investments PLC GDRs on Moscow Exchange.
62. In addition, the Strategy Committee reviewed and discussed the strategic priorities and strategic targets, development of competitive environment and Group reaction to it, strategic risks and their mitigation, functional strategies and action plans for their execution, as well as various strategic projects in the pipeline.

Board Performance

63. The Board meets at least five times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.
64. In 2021 the Board met formally 12 times (2020: 13) to review current performance and to discuss and approve important business decisions.
65. In 2021 the Board met to discuss and approve important business decisions, which included among others:
- FY2020 financial statements, 1H2021 interim financial statements and Annual Report;
 - Review of segments financial and operational performance;
 - Consideration of 2022 financial budget, major risks and uncertainties, commercial strategy, corporate social responsibility matters, internal control framework;
 - Changes in Group management and the Board of Directors;

Management report (continued)

- Revision and adoption of various group-wide policies and regulations, namely the Related Parties Transactions Policy, Internal Audit Service's Quality Assurance and Improvement Policy, the amended and restated Terms of Reference of the Strategy Committee; amended and restated Corporate Accounting Policies Guidelines of the Group;
- Consideration of various compliance matters;
- Consideration and approval of the revision of external and internal financing arrangements and organizational restructurings;
- Consideration and approval of new financing arrangements, e.g., issue of VSC bonds for refinancing of Eurobonds 2022; intra-group financing of Eurobonds 2022 redemption.
- Consideration and approval of major capital expenditures and investment projects; and
- Consideration and approval of various resolutions related to the operations of the Company's subsidiaries and joint ventures.

66. The number of Board and Board Committee meetings held in the year 2021 and the attendance of directors during these meetings was as follows:

	Board of Directors		Nomination and Remuneration Committee		Strategy Committee		Audit and Risk Committee	
	A	B	A	B	A	B	A	B
Vladimir Bychkov	6	7	-	-	8	8	-	-
Britta Dalunde	12	12	-	-	-	-	12	12
Kristian Bai Hollund	12	12	-	-	-	-	-	-
Alexandra Fomenko	12	12	13	13	-	-	-	-
Soren Jakobsen	12	12	13	13	12	13	-	-
Demos Katsis	5	5	-	-	-	-	-	-
Inna Kuznetsova	12	12	13	13	-	-	12	12
Andrey Lenvalskiy	6	7	-	-	8	8	5	5
Shavkat Kary Niyazov	12	12	-	-	-	-	-	-
Lampros Papadopoulos	12	12	-	-	13	13	12	12
Andriy Pavlyutin	6	7	-	-	-	-	-	-
Mogens Petersen	12	12	-	-	13	13	12	12
Sergey Shishkarev	5	5	-	-	5	5	-	-
Andrey Yashchenko	5	5	-	-	5	5	7	7

A = Number of meetings attended
B = Number of meetings eligible to attend during the year

67. The operation of the Board, its Committees and individual Directors is subject to regular evaluation. The evaluation of the Board and individual Directors' performance can be conducted through self-assessment, cross-assessment or by an external third party. The Non-Executive Directors, led by the Senior Independent Director, are responsible for the performance evaluation of the Chairman of the Board. The Board did not engage any external advisors for evaluation of its performance in the years 2020 and 2021.
68. In 2021 the Board conducted the self-evaluation, which results were discussed in December 2021.

Management report (continued)

Board Diversity

69. The Company does not have a formal Board diversity policy with regards to matters such as age, gender or educational and professional backgrounds, but the Board has the full commitment to diversity within the Group. Following the best practice, while making the new appointments and considering the current composition of the Board of Directors, these aspects are taken into account.
70. As of the date of publication of these financial statements the Board has 3 females representing 27% of the total number of directors. The average age of directors is 51 years ranging from 33 to 63 years. The Board has a necessary balance of skills and expertise to run the Company and the Group. The Board members have the following educational backgrounds: port and transportation industry, accounting and financial, banking sector and legal. There are 5 nationalities represented on the Board. The Board members reside in 7 countries.

Board and Management Remuneration

71. Non-Executive Directors serve on the Board pursuant to the letters of appointment. Such letters of appointment specify the terms of appointment and the remuneration of Non-Executive Directors. Only Independent Non-Executive Directors receive remuneration.
72. Levels of remuneration for the Independent Non-Executive Directors reflect the time commitment, responsibilities of the role and membership of the respective committees of the Board. Directors are also reimbursed for expenses associated with discharge of their duties. Directors are not eligible for bonuses, retirement benefits or to participate in any incentive plans operated by the Group. Additional remuneration is paid for membership and chairmanship of the committees by the Independent Non-Executive Directors.
73. The shareholders of the Company approved the remuneration of the members of the Board on 29 June 2018, 30 December 2019, 16 April 2020, 29 May 2020 and 22 October 2021.
74. Neither the Board members, nor the management has long-term incentive schemes. However, the performance-based part of the remuneration of the senior management is aligned to the strategic goals and initiatives approved by the Board.
75. The performance-based part of the remuneration of the Key Management is based on the Key Rules of Awarding and Payment of Performance Based Bonuses of GPI Group adopted by the Board on 15 June 2016 and regularly updated with the last update on 29 October 2020. The Nomination and Remuneration Committee monitors the efficiency of the Rules and makes recommendations to the Board on their amendment and revision.
76. Refer to Note 30(f) to the consolidated financial statements for details of the remuneration paid to the members of the Board and key management.

General Manager

77. Mr. Alexander Iodchin occupies the position of General Manager and the Board granted him the powers to carry out all business related to the Company's operation up to a total value as established by the Authority Matrix. It has also granted him powers to discharge other managerial duties related to the ordinary course of business of the Company, including representing the Company before any government or government-backed authority.
78. The decisions for all other matters are reserved for the Board. The Authority Matrix contains the list of such reserved matters.
79. Mr. Iodchin is also acting as the Board Secretary since December 2008 and as the Chief Strategy and Business Development Officer at Global Ports Group pursuant to Board's decision on 29 October 2020.

Company Secretary

80. The Group maintains a company secretary, who is responsible for safeguarding the rights and interests of shareholders, including the establishment of effective and transparent arrangements for securing the rights of shareholders.
81. Team Nominees Limited has been acting as the company secretary since the Group's incorporation in February 2008.

Management report (continued)

82. The company secretary's responsibilities include ensuring compliance by the Group, its management bodies and officers with the law and the Group's charter and internal documents. The company secretary organises the communication process between the parties to corporate relations, including the preparation and holding of general meetings; storage, maintenance and dissemination of information about the Group; and review of communications from shareholders.

Corporate Governance and Corporate Social Responsibility (CSR)

83. The Group has a diverse set of stakeholders, from international institutions holding our shares and bonds and bank financial institutions which provided bank borrowings to the Group, to our customers, employees, regulators and communities. Made up of seasoned industry professionals, the Board of Directors is committed to acting in the best interest of all stakeholders. The Company is not subject to the provisions of the UK Corporate Governance Code, but follows internationally recognised best practices customary to the public companies having GDRs with standard listing and admitted to trading at London Stock Exchange.
- In addition, the Company has not yet been subject to the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations and Recommended Disclosures, however, it monitors applicable legislation updates and strives to be in compliance with them.
84. CSR is an integral part of realising core strategic priorities of the Group. The objectives for the Group's business and CSR strategies are the same – to generate sustainable shareholder value over the long term. The Group prepares annual CSR report, last available at https://www.globalports.com/upload/iblock/ffb/GP_AR20_EN_CSR_Report.pdf.
85. Improving its corporate governance structure in accordance with the internationally recognised best practices the Group adopted important policies and procedures, which it regularly reviews and updates.
86. On 18 June 2019 a new Terms of Reference of the Board of Directors were adopted. As of the same date, the Board merged Nomination and Remuneration Committees and established Strategy Committee. Consequently, the terms of reference of the new committees were adopted in June 2019. The amended and restated Terms of Reference of the Strategy Committee were adopted on 10 December 2021.
87. The Company's corporate governance policies and practices are designed to ensure that the Company is focused on upholding its responsibilities to the shareholders. They include, inter alia:
- Appointment policy;
 - Terms of reference of the Board of Directors;
 - Terms of reference of the Audit and Risk, Nomination and Remuneration and Strategy Committees;
 - Antifraud policy;
 - Policy on Investigation of Improper Activities;
 - Investigation policy;
 - Anti-Corruption Policy;
 - Data protection compliance policy;
 - Policy on Reporting Allegations of Suspected Improper Activities;
 - Risk management policy;
 - Foreign Trade Controls Policy;
 - Insurance Standard;
 - Charity and Sponsorship Policy;
 - Group Securities Dealing Code;
 - Dividend Policy;
 - Conflicts of Interest Policy adopted on 29 June 2020;

Management report (continued)

- Treasury Policy adopted on 23 April 2020;
 - Procurement Standard of the Company adopted on 18 August 2020;
 - Group Code of corporate ethics adopted on 18 August 2020; Related Party Transactions Policy adopted on 2 February 2021; and
 - Internal Audit Service's Quality Assurance and Improvement Policy adopted on 10 December 2021.
88. In order to further strengthen the corporate governance and clearly set the management authority limits within the Group the Board of Directors approved the Authority Matrix framework at the end of the year 2016, which was revised in June 2019 providing extended authorities to the Group management in order to simplify the decision making process. The implementation of this revised framework in the operating units was finalised in 2020.
89. More information on the Group's Corporate Governance can be found at <https://www.globalports.com/en/company/governance/>.

Whistleblowing Hotline of Global Ports

90. Global Ports encourages its employees, clients and other stakeholders to report cases or raise concerns about potentially unethical, unlawful or suspicious conduct or practices.

The Group operates a 24/7 confidential whistleblower service that offers a variety of routes to report concerns:

- via a dedicated e-mail address
- By calling our free confidential telephone number
- Face-to-face with a senior member of Internal Audit Department responsible for managing the service

Details of the whistleblowing service are available on the Group's internet site as well as on information boards located throughout the offices and prominently displayed at the Group's various port terminals.

The service is administered by the Internal Audit Department which operates independently of management and reports directly to the Audit & Risk Committee of the Board of directors. The Chairman of the Audit & Risk Committee is informed of all reports received and recommended follow-up actions.

All reports are immediately logged by the Internal Audit Department which administer the service. Reports are then assessed to decide if further investigation is required either by the Internal Audit Department or by the appropriate management, in the case of operational issues.

Regardless of how concerns are raised, all are treated in confidence, and investigated thoroughly and without bias always ensuring the anonymity of the whistle blower and protection from retaliation.

All investigation results and follow-up actions are presented to the Board's Audit & Risk Committee by the Head of Internal Audit Department.

91. In 2021 we have received 20 reports to the Corporate Hotline, 5 reports were not classified as Hotline claim as represented ordinary customer requests. For the remaining 15 reports, necessary investigations were performed and results communicated to the Audit & Risk Committee as well as top management and appropriate follow up measures were taken.

70% of reports (14 out of 20) were received by e-mail and the rest 30% (6 out of 20) by phone.

Key reports topics:

- Poor service – 20% (3 out of 15)
- Improper behavior by Group employee – 33% (5 out of 15)
- Inefficient operations – 20% (3 out of 15)
- HR, H&S, finance – 27% (4 out of 15)

One report contained allegations of management fraud, however, internal investigation did not confirm these allegations.

Management report (continued)

Code of ethics and conduct

92. The Code of Ethics was approved by the Board of Directors on 08 December 2016 and was introduced in the companies of the Group in the course of the year 2017. The 3rd revision of the Code of Ethics was adopted by the Board of Directors on 18 August 2020, aimed at simplifying and updating the Group' mission, values and standards of corporate engagement.
93. Global Ports' code of ethics and conduct outlines the general business ethics and acceptable standards of professional behaviour that we expect of all our directors, employees and contractors. This code, given to all new staff as part of their induction, means that everyone at Global Ports is accountable for their own decisions and conduct. As well as general standards of behaviour, the code covers fraud and corruption, ethics and conflicts of interest principles with reference to detailed policies. Employees and external parties are encouraged to report any suspected breaches, via various channels including the dedicated hotline.
94. The code is available to all staff on Global Ports' website (in the Corporate Governance section) and in the HR department at every operating facility. There are also other more detailed rules concerning our anti-fraud and whistleblowing policies.
95. The Board is updated on a regular basis on any breaches of various policies with the specific focus on the fraud incidents and resulting actions, although significant breaches have to be reported to the Board immediately.

Dividends

96. Pursuant to the Articles of Association the Company may pay dividends out of its profits. To the extent that the Company declares and pays dividends, owners of Global Depositary Receipts (hereafter also referred as "GDRs") on the relevant record date will be entitled to receive dividends payable in respect of Ordinary Shares underlying the GDRs, subject to the terms of the Deposit Agreement. The Company expects to pay dividends in US dollars. If dividends are not paid in US dollars, they will be converted into US dollars by the Depositary and paid to holders of GDRs net of currency conversion expenses.
97. The Company is a holding company and thus its ability to pay dividends depends on the ability of its subsidiaries and joint ventures to pay dividends to the Company in accordance with the relevant legislation and contractual restrictions (shareholder agreements, bank borrowings covenants, and terms of the issuance of the public debt instruments). The payment of such dividends by its subsidiaries and joint ventures is contingent upon the sufficiency of their earnings, cash flows and distributable reserves. The maximum dividend payable by the Company's subsidiaries and joint ventures is restricted to the total accumulated retained earnings of the relevant subsidiary or joint venture, determined according to the law applicable to each entity.
98. The Company has a Dividend Policy in place which provides for the payment of not less than 30% of any imputed consolidated net profit for the relevant financial year of the Group. Imputed profit is calculated as the consolidated net profit for the period of the Group attributable to the owners of the Company as shown in the Company's consolidated financial statements for the relevant financial year prepared under EU IFRS and in accordance with the requirements of the Cyprus Companies Law, Cap. 113, less certain non-monetary consolidation adjustments. The Company's dividend policy is subject to modification from time to time as the Board of Directors may deem appropriate.
99. In 2015 following the revision of current market situation, market prospects and prioritising the deleveraging strategy over dividend distribution, which should ensure the long-term robustness of the Group's finances, the Board suspended the payment of the dividends in the mid-term. The Board continues to monitor the market for recovery as well as for levels of volatility in order to identify the appropriate timing for a resumption of the payment of a dividend, subject to maintaining conservative leverage ratios.

Management report (continued)

100. During the years 2020 and 2021, the Company did not declare or pay any dividends.
101. The Board of Directors of the Company recommends to the members to approve the reduction of the share premium account of the Company by crediting the amount of US\$550 million to the retained earnings reserve. Any surplus remaining in the retained earnings reserve shall be available to be used as the Company deems appropriate from time to time. The share premium reduction is subject to ratification by the Cyprus Courts and shall become effective upon registration with the Cyprus registrar of companies.
102. The Board of Directors of the Company does not recommend the payment of a final dividend for the year 2021.

Share Capital

Significant direct or indirect holdings (including indirect shareholding through structures or cross shareholdings)

103. The information on significant direct and indirect shareholders is available at <http://www.globalports.com/globalports/investors/shareholder-information/major-shareholders>.
104. There are no special titles that provide special control rights to any of the shareholders. There are restrictions in exercising of voting rights of shares (please refer to paragraph 103 below).

Authorised share capital

105. The authorised share capital of the Company amounts to US\$175,000,000.00 divided into 750,000,000 ordinary shares and 1,000,000,000 ordinary non-voting shares with a par value of US\$0.10 each.

Issued share capital

106. The issued share capital of the Company amounts to US\$57,317,073.10 divided into 422,713,415 ordinary shares and 150,457,316 ordinary non-voting shares with a par value of US\$0.10 each.
107. The ordinary shares and the ordinary non-voting shares rank pari passu in all respects save that, the ordinary non-voting shares do not have the right to receive notice, attend or vote at any general meeting, nor to be taken into account for the purpose of determining the quorum of any general meeting.

Rules for Amending Articles

108. The Articles of association of the Company may be amended from time to time by the special resolution of the General Meeting of the shareholders.

Corporate Social Responsibility Report

109. The Corporate Social Responsibility Report is drawn up as a separate report and will be made public on the Company's website (the address of which, at the date of publication of this report, is www.globalports.com) within six months from the balance sheet date.

Events after the balance sheet date

110. The events after the balance sheet date are disclosed in Note 31 to the consolidated financial statements.

Research and development activities

111. The Group is not engaged in research and development activities.

Management report (continued)

Branches

112. The Group did not have or operate through any branches during the year.

Treasury shares

113. The Company did not acquire either directly or through a person in his own name but on behalf of the Company any of its own shares.

Going Concern

114. Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the consolidated financial statements. We base our statement on the following facts:

- inquiries and following a review of the Group's principal risks and uncertainties,
- budget for 2022 financial perspectives in the mid-term,
- the latest forecasts over a period of 5–10 years reflecting its business and investment cycles, including cash flows and borrowing facilities.

The Directors also considered

- the potential implications of the Russian-Ukrainian crisis,
- impact of the sanctions introduced against Russia,
- as well as the ban on delivery/dispatch of various containerised cargoes to/from Russia on the operational and financial performance of the Group, forecasts and going concern.

The Directors consider that the Group has adequate resources to meet its liabilities as they fall due and to continue in operation for the foreseeable future.

Internal audit

115. The internal audit function is carried out by Group's Internal Audit Service (IAS). It is responsible for analysing the systems of risk management, internal control procedures and the corporate governance process for the Group with a view to obtaining a reasonable assurance that:

- risks are appropriately identified, assessed, responded to and managed;
- there is interaction with the various governance groups occurs as needed;
- significant financial, managerial, and operating information is accurate, reliable, and timely;
- employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- resources are acquired economically, used efficiently and adequately protected;
- programs, plans and objectives are achieved;
- quality and continuous improvement are fostered in the Group's control process; and
- significant legislative or regulatory issues impacting the Group are recognised and addressed properly.

116. The Head of the IAS, Mr. Ilya Kotlov, functionally reports directly to the Audit and Risk Committee.

117. An external quality assessment review was done for Global Port's internal audit function in 2021 by one of the Big 4 companies. The assessment concluded that "Internal audit generally conforms¹ with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. Rating "Generally conforms" means that an internal audit activity has a charter, policies, and processes, which are judged to be in conformance with the Standards. Recommendations for the function enhancement have been provided and are being implemented

¹ "Generally conforms" is the best possible rating that can be awarded as the result of an external quality assessment suggested by the Standard 1320 – Reporting on the Quality Assurance and Improvement Program of the International Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors.

Management report (continued)

External auditors

118. An external auditor is appointed at the Global Ports AGM on an annual basis to review the Group's financial and operating performance.
119. This follows proposals drafted by the Audit and Risk Committee for the Board of Directors regarding the reappointment of the external auditor of the Group.
120. KPMG Limited were appointed as the auditor of the Company at the Annual General Meeting of the Shareholders held in 2021. KPMG Limited have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the next Annual General Meeting of the Shareholders.

By Order of the Board

Soren Jakobsen
Chairman of the Board

Alexander Iodchin
Secretary of the Board

02 March 2022