

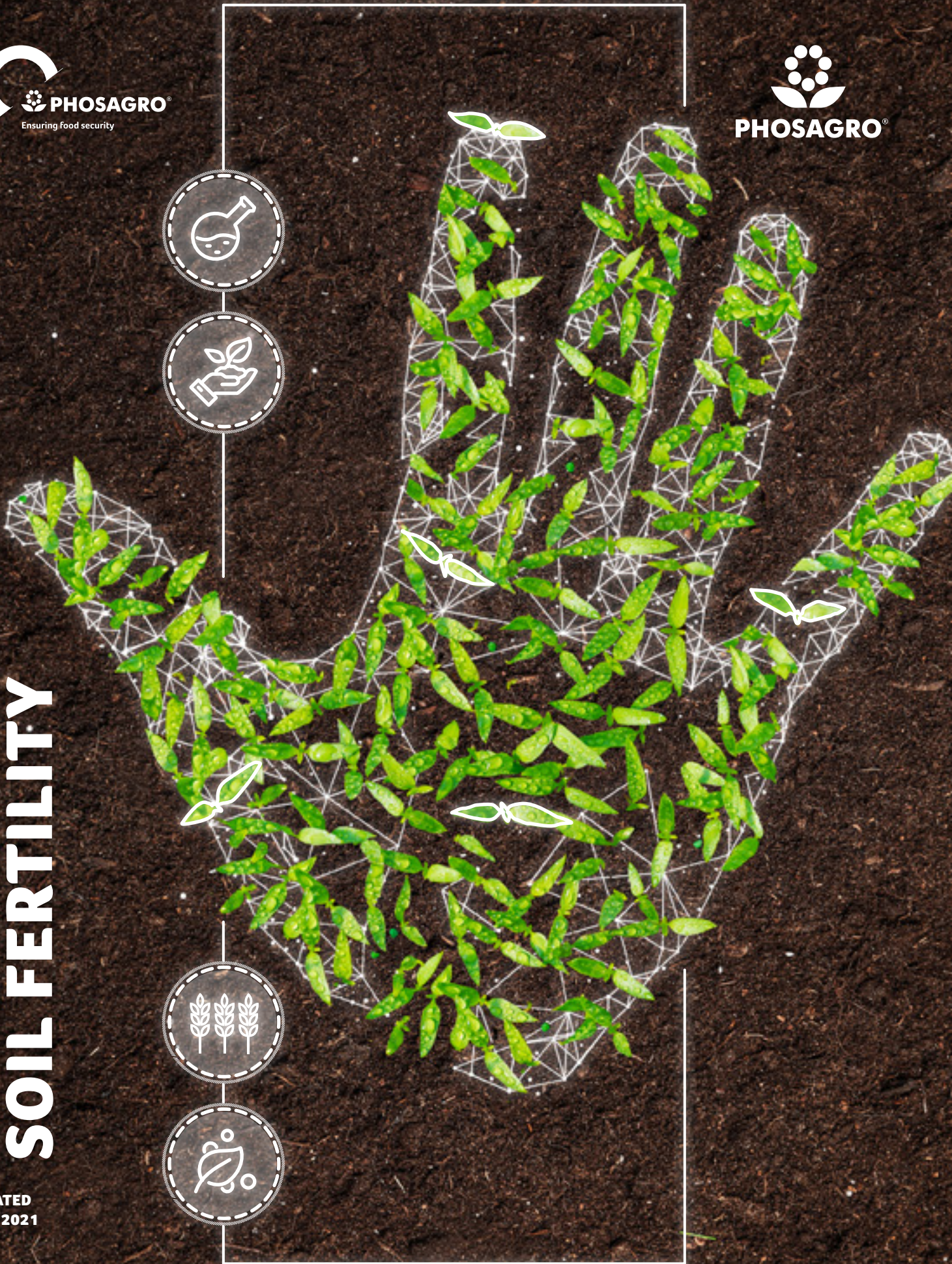
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PHOSAGRO®
Ensuring food security

PHOSAGRO®

A FRAMEWORK FOR SUSTAINABLE SOIL FERTILITY

INTEGRATED
REPORT 2021



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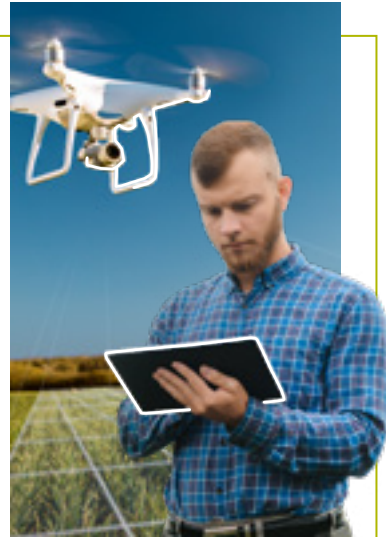
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PhosAgro

is a vertically integrated Russian company and one of the world's leading producers of phosphate-based fertilizers.



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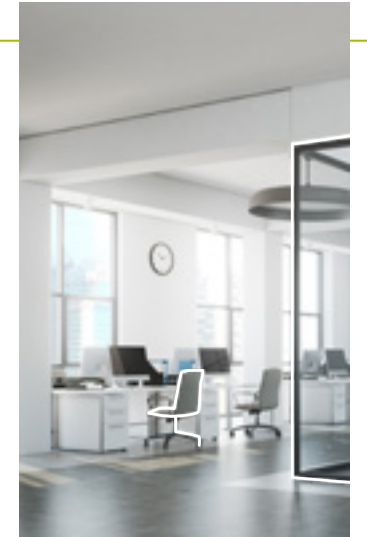
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About this Report

GRI 2-1, 2-3, 2-2

The report was pre-approved by PhosAgro's Board of Directors on 03 March 2022 (Minutes dated 05 March 2022).

It is our pleasure to welcome you to the 2021 integrated Annual Report (the "Report") of PJSC PhosAgro (PhosAgro). PhosAgro is a vertically integrated Russian company and one of the world's leading producers of phosphate-based fertilizers.

Boundaries

This Report provides insight into the performance of parent company PhosAgro and its subsidiaries (jointly referred to as "PhosAgro Group", the "Group", or the "Company"). The key subsidiaries of the Group and PhosAgro's stake in these subsidiaries are presented in the Group's 2021 IFRS consolidated financial statements. There have been no significant changes to the Group's size, structure or ownership during the reporting period.

The boundaries of the Group companies covered in this Report differ from those

The Company maintains an annual reporting cycle, with the previous report released on 28 April 2021. The Report highlights how we integrate ESG principles into everything we do. The Company's financial reporting follows the annual cycle too.



The cover of the Report symbolises the scientific approach, a man's knowledge, intelligence and strength to till the land and grow crops on fertile land.

The picture of a hand is also a symbol of the so-called "carbon handprint", that is, of all the positive actions a person takes to reduce their carbon footprint.

in consolidated financial statements when it comes to specific non-financial disclosures. To ensure compliance with the materiality principle, we determined such boundaries in a way that this Report describes all material aspects of PhosAgro Group.

The data disclosed in this Report includes information on:

Boundary 1: PhosAgro and companies that are part of the group to which PhosAgro belongs (the scope of disclosure in IFRS consolidated financial statements).

Boundary 2: PhosAgro and Apatit, including its branches and standalone business units.

Boundary 3: Apatit, including its branches and standalone business units.

For more information on specific disclosures and their boundaries used in this Report, see the GRI Indicator section on page 334.

information disclosures prepared under the related GRI Standards (the "sample information") has been assured by AO PricewaterhouseCoopers Audit (AO PwC Audit) in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. The Independent Limited Assurance Report and the GRI Content Index are both available in the Report.

Financial results in the Report have been disclosed based on the IFRS consolidated financial statements of the Group for 2021 audited by AO PwC Audit in accordance with the International Standards on Auditing.

The Company takes into account and implements global best practices in sustainable development.

Standards

GRI 2-5

The following sources of guidance and requirements were used when drafting this Report:

- » the Bank of Russia's Regulation on Disclosure of Information by the Issuers of Issue-Grade Securities No. 714-P dated 27 March 2020,
- » the Bank of Russia's Letter No. 06-52/2463 On Corporate Governance Code dated 10 October 2014,
- » the Bank of Russia's Letter On the Disclosure in the Annual Report of a Public Joint-Stock Company of a Report on Compliance with the Principles and Recommendations of the Code of Corporate Governance No. IN-06-28/102 dated 27 December 2021,
- » the Bank of Russia's Information Letter on Recommendations on Disclosure by

Joint-Stock Companies of Non-Financial Information Pertaining to Their Activities No. IN-06-28/49 dated 12 July 2021,

- » the Listing Rules of the Moscow Exchange,
- » the Guide to Listing of the London Stock Exchange,
- » the AA 1000 and ISO 26000 standards,
- » CDP – Carbon Disclosure Project standards,
- » the Value Reporting Foundation,
- » the Task Force on Climate-Related Financial Disclosures (TCFD).

The Company has reported in accordance with the GRI Universal Standards which will take effect from January 2023. Appropriateness of the selected qualitative and quantitative

Letter from the CEO



PhosAgro's 2021 Annual Report was pre-approved by the Board of Directors on 3 March 2022. The end of February brought a set of new, unprecedented challenges for our Company.

From 10 to 14 March 2022, four directors left their positions: Irina Bokova, Andrey A. Guryev, Andrey G. Guryev, and Xavier Rolet. Andrey A. Guryev also stepped down as PhosAgro's CEO and Chairman of the Management Board. We are revising our market outlook.

Having been plunged into this challenging macroeconomic environment, we are looking towards our high degree of vertical integration and self-sufficiency in raw materials to pull us through.

This is what enables us to maintain business continuity and stable supplies amid the growing global fertilizer shortage.

At the same time, we are keeping our finger on the pulse, and should any new restrictions be introduced in our markets, we will be able to promptly redirect our exports elsewhere, as well as increase supplies to the priority domestic market.

A highly diversified debt portfolio and comfortable net debt to EBITDA ratio of 0.8x (as at the end of 2021) underlie the Company's financial resilience. No big payments on our corporate debt are scheduled for this year, and we do not plan any new borrowings.

PhosAgro's revenue is largely FX-denominated, which represents a hedge against risks. We also consider our rouble liquidity to be sufficient for sustaining the Company's operations.

Current investment projects, in particular, a new plant being built in Volkhov, are in their final



stages. In March–April, we began a trial of the new +10 m level at the Kirovsky mine. It is expected to compensate for the levels being shuttered and even increase the mine's overall output.

Contracts for most materials and equipment necessary to carry out major repairs were made in advance. In the near future, we will do an additional analysis of feasibility and potential timelines for new investment projects.

PhosAgro does not plan to optimise headcount, and all our social and charitable projects will carry on. Coupled with February's salary indexation, this will go a long way towards keeping the people socially protected and ensuring stability in our regions of operation.

However, Russian businesses may be experiencing a negative knock-on effect from the US, EU, and other sanctions. The Russian economy's prolonged exposure to such restrictions might result in a material impact on financial and logistics processes and domestic customers' ability to pay. It may also become harder for us to raise capital.

Overall, PhosAgro is going to continue delivering on its commitments to the personnel, regions of operation, creditors, and partners both in Russia and abroad.

Mikhail Rybnikov
CEO and Chairman
of the Management Board
from 11 March 2022

15 April 2022



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- Company Profile
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Letter from the Chair of the Board of Directors' Sustainable Development Committee



In this report, we have endeavoured to paint as comprehensive a picture of PhosAgro in 2021 as possible. In doing so, we strive to match the holistic approach the Board of Directors and management takes to steering this one-of-a-kind company. Indeed, in a business environment defined by the persisting COVID-19 pandemic and great uncertainties, highly changeable domestic and global legislation, and increasing public attention to food security, climate change and corporate social responsibility, it would be nigh impossible to remain successful without adopting such a holistic approach.

This year, the Company celebrated its 20th anniversary. It is an important milestone, where we, on the one hand, cast our minds back and take stock, while, on the other, look boldly to the future and set new ambitious goals.

In keeping with this past-conscious and future-forward ideology, we have chosen to look at all of PhosAgro's activities through the lens of the product life cycle, much in tune with our "from mine to plate" principle.

When disclosing the Company's operational results, we have done our best to comply with the TCFD non-financial disclosure principles, such as strategy, governance, risks and opportunities, performance and metrics.

This approach has enabled us to take a 360-degree view of our value chain make-up and its links, as well as to show how effective corporate governance facilitates internal synergies.

On behalf of the Board of Directors, I would like to thank PhosAgro Group's employees and managers for the

daily hard work you put in to ensure the Company's sustainable development, which in turn trickles down to all stakeholder communities and regions. In the end, only you decide whether we reach our environmental, climate and social goals. And if 2021's impressive results are anything to go by, it appears you have made your decision.

Irina Bokova
Chair of the Board of Directors' Sustainable Development Committee from May 2019 to 15 March 2022



Material topics GRI 3-1, 3-2

Defining material topics: approach and steps

In 2021, we revised our approach to identifying material topics to be disclosed in an integrated report. We used our previous experience of working with stakeholders and actively built on it.

We managed to draft a more relevant list of material topics as we included more ESG ratings in our score analysis, obtained a Second Party Opinion (SPO) based on five ESG indicators

from a leading sustainability agency, worked to advance the UN Sustainable Development Goals (SDGs) and the UN Global Compact, and identify any new non-financial disclosure requirements.

Evolution of our approach to selecting material topics

Source of data for selecting material topics	2019	2020	2021
Stakeholder surveys (within the Company)	Conducting a survey of the management on significant operational aspects that has an impact on the society and the environment	Conducting a survey of the management on significant operational aspects that has an impact on the society and the environment	Conducting a survey of the management on significant operational aspects that has an impact on the society and the environment
Stakeholder surveys (outside the Company)	Conducting a survey of key stakeholders to find out how important and relevant these topics are for them	Conducting a survey of key stakeholders to find out how important and relevant these topics are for them	Conducting a survey of key stakeholders to find out how important and relevant these aspects of the Company's operations are for them
Investor material topic surveys	None	Conducting a survey of investors on a list of ESG-related questions jointly with IR	Obtaining a five-component SPO to map out KPIs as part of the preparation for issuing green finance instruments. Planning a survey of investors on a list of ESG-related questions in cooperation with IR for 2022
Analysis of global and local ESG ratings and rankings	None	Analysing reports and questionnaires of global ESG rankings (MSCI ESG Research, Sustainalytics, CDP Climate Change)	Expanding the range of global ESG ranking questionnaires (MSCI ESG Research, Sustainalytics, CDP Climate Change, CDP Water Security, Standard & Poor's Corporate sustainability assessment (S&P CSA), RAEX)
Analysis and prioritising of the UN SDGs	None	Setting UN SDG priorities on a PwC-led project in late 2020	Analysing the activities to advance the UN SDGs, revising their scope, and conducting social responsibility research together with the Donors Forum

Our work to define material topics resulted in a materiality matrix based on the entire range of stakeholder interests and opinions related to the Company's disclosures.

A disclosure approach focused on a product's lifecycle enables us to provide the most complete and well-structured information about the Company's performance in 2021, while maintaining a balance between the interests of diverse stakeholder groups.

For more information, see the GRI Indicator section on page 334

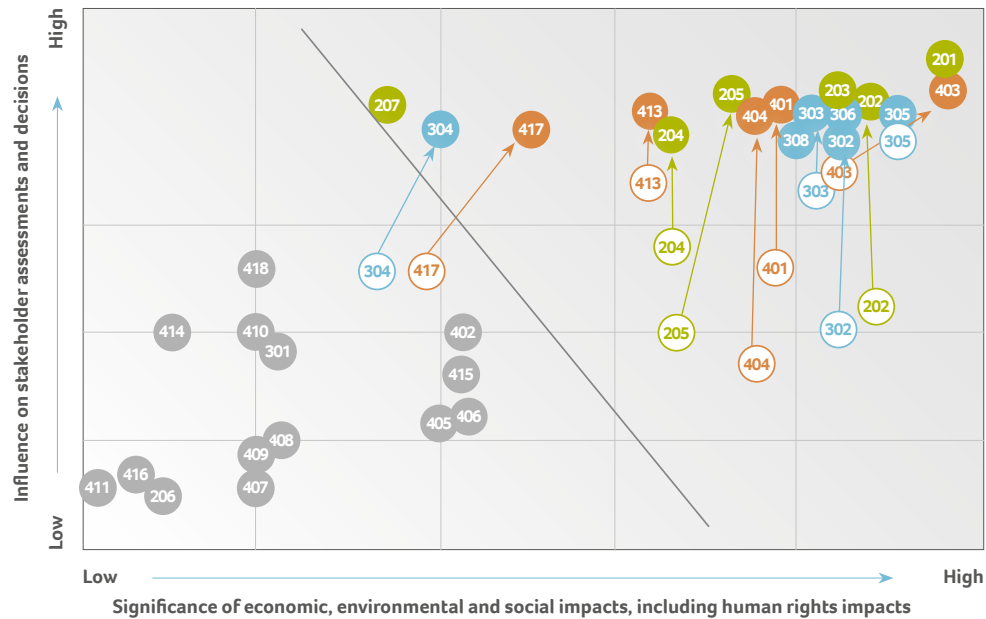
Key changes in 2021 reporting that deserve a special mention

1 Disclosure of our sustainability metrics in this Report is prepared in accordance with the revised GRI Universal Standards early adopted by the Group. In line with the revised GRI requirements, we excluded three GRI standards from the list of material topics:

- » Environmental Compliance (GRI 307) and Socioeconomic Compliance (GRI 419) were replaced with Compliance with Laws and Regulations (GRI 2-27) which became a part of General (Universal) GRI 2 standard which is mandatory for disclosure;
- » Human Rights Assessment (GRI 412) is has been covered by general (universal) GRI standards.

As these standards are no longer subject to the materiality assessment process, we did not include their respective indicators in our matrix, but disclosed them in the Report.

2 40 GRI indicators underwent external independent limited assurance procedures by AO PwC Audit.



Material topics

Economic Category

- 201 Economic performance
- 202 Market presence
- 203 Indirect economic impacts
- 204 Procurement practices
- 205 Anti-corruption
- 207 Taxes

Environmental Category


- 302 Energy
- 303 Water and waste water
- 304 Biodiversity
- 305 Emissions
- 306 Waste
- 308 Supplier environmental assessment

Social Category

- 401 Employment
- 403 Occupational health and safety
- 404 Training and education
- 413 Local communities
- 417 Marketing and labelling

Less relevant topics

- 206 Anti-competitive behaviour
- 301 Materials
- 402 Labour/management relations
- 405 Diversity and equal opportunity
- 406 Non-discrimination
- 407 Freedom of association and collective bargaining
- 408 Child labour
- 409 Forced or compulsory labour
- 410 Security practices
- 411 Rights of indigenous peoples
- 414 Supplier social assessment
- 415 Public policy
- 416 Customer health and safety
- 418 Customer privacy

 **Questions and requests from interested parties can be sent to ir@phosagro.ru**



Stakeholder engagement

Approach to stakeholder engagement; identifying and selecting stakeholders

GRI 2-29

Wherever we operate, PhosAgro is an integral part of a community that includes businesses, government agencies, NGOs and individuals – locally, globally and nationwide. Our ability to listen and understand, be quick in our response, and effectively work with a wide range of stakeholders is key to the approach we use in doing business. It provides a solid foundation for delivering on strategic SDGs.

For us, engagement with stakeholders begins when we realise our common goals and interests. A stakeholder is a person or organisation that has an interest in what we do. Stakeholders also include persons or organisations that may be affected by our activities or can influence our business decisions.

Understanding stakeholder views facilitates many processes. It helps us develop new products for our customers, raise awareness among farmers about modern agricultural practices and techniques, work with researchers to present ambitious innovative projects connecting

science and business and, most importantly, make informed practical choices to improve economic, social and environmental conditions where the Company can make a difference.

PhosAgro's framework for stakeholder engagement management covers relevant areas on all tiers of corporate governance, with the Board of Directors as the supreme body responsible for this process. The Sustainable Development Committee considers matters related to stakeholder engagement at least twice a year. On the day-to-day level, this matter is handled by dedicated functions that have annual plans based on an analysis of material topics, survey results, known expectations and other factors.

In our engagement with our stakeholders, we strive to be constructive, open and principled. Thus, we work hard to build relationships with people at all government levels in the countries where we operate and ensure that we strictly comply with all applicable regulatory requirements.



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For more details, see page 273

Investment and finance community

The core of our business philosophy is our commitment to creating shareholder value and ensuring sustainably high returns on investment, including regular dividend and coupon payments, strict compliance with our loan obligations, and a responsible financial policy.



For more details, see page 190

Regional governments and local communities

We are a major taxpayer whose payments to regional and local budgets have a direct impact on the socioeconomic environment across our footprint. As a responsible long-term partner, we also allocate significant funds to support local communities, contribute to charitable causes and develop social infrastructure.



For more details, see page 114

Suppliers and contractors

A socially responsible and efficient supply chain is a key value creation tool in today's economy. Our priority is to purchase goods and services from responsible suppliers and contractors who provide top quality on the most attractive terms and adhere to responsible business principles. We also place a special emphasis on expanding our cooperation with local suppliers to maximise the benefits we can bring to their regions.



For more details, see page 93

Consumers

We are committed to building mutually beneficial long-term relationships with our customers by gaining a deep understanding of their needs, using advanced information and education technologies and providing advisory services. Other crucial qualities we seek to demonstrate are flexibility and sympathy amid market volatility. In July 2021, for example, PhosAgro announced a decision not to change its mineral fertilizer prices.

Company's stakeholders



For more details, see page 122

Employees and trade unions

PhosAgro has one of the most professional and successful teams in the industry. Our employees and their families can expect not only safe working conditions without injuries or health hazards, but also job security, competitive pay, professional development and access to social programmes matching PhosAgro's level.



For more details, see page 112

International organisations

As a leading global producer of fertilizers, PhosAgro cannot afford to, and will not, stand on the sidelines when it comes to addressing today's key global challenges, such as climate change, soil depletion and contamination, and hunger. We work with FAO, UNESCO, UNEP and United Nations Global Compact and take part in other international projects and initiatives to help solve these and other problems for the good of humanity.



For more details, see page 104

Research community

Science is what underpins our industry, and PhosAgro is fully aware of the key role that scientists and researchers play in creating breakthrough agricultural solutions. We seek to support promising studies by leveraging our R&D capabilities and prolific partnerships with the Russian Academy of Sciences, Russian State Agrarian University – Moscow Timiryazev Agricultural Academy, International Union of Pure and Applied Chemistry and others.



For more details, see page 104

Business and industry associations

In our opinion, making the business community act in concert is a natural way of solving acute social issues – and the most effective one. In line with this approach Andrey Guryev, PhosAgro's CEO, became head of the RSPP Coordinating Council for COVID-19. PhosAgro also plays an active role in the International Fertilizer Association, Russian Association of Fertilizer Producers and other key business unions.

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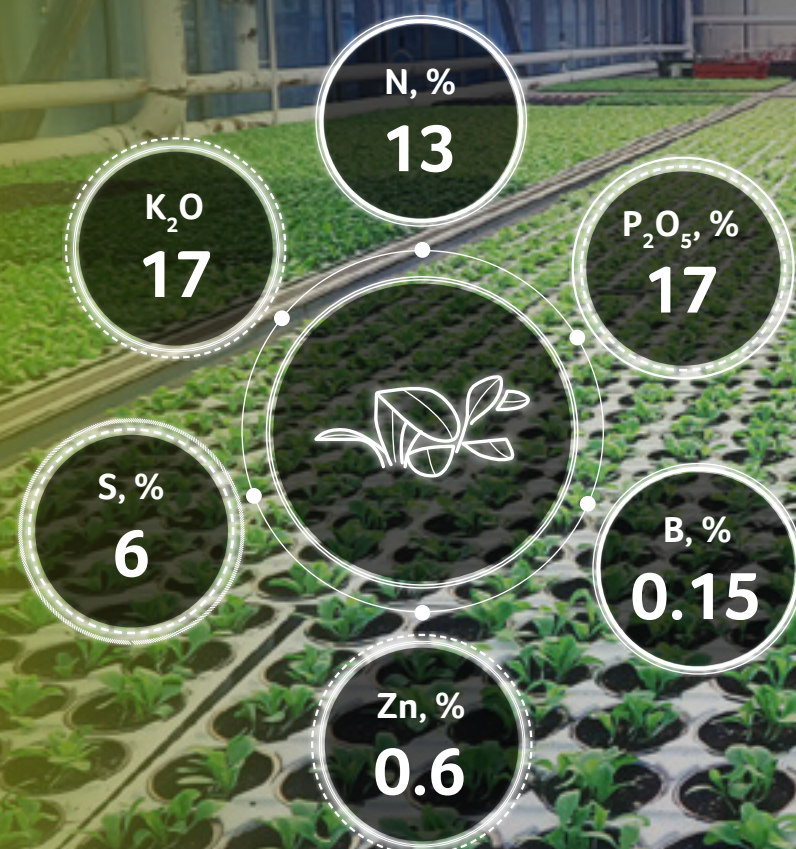
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COMPANY PROFILE



Nowadays, we are facing unique challenges, such as climate change, soil degradation, and water scarcity. At PhosAgro, we are convinced that the solution to these challenges rests on our ability to combine the hands-on experience and knowledge we have accumulated over the past 20 years with groundbreaking research.

Siroj Loikov,
Member of the Management Board,
First Deputy CEO of PhosAgro



Science-based approach

PhosAgro runs the Samoilov Scientific Research Institute for Fertilizers and Insectofungicides (NIUIF) and PhosAgro Innovation Centre, unique research centres that are unparalleled nationwide. Thanks to developments by the Company's scientists, 2021 saw PhosAgro's sales of ultra-modern fertilizer grades created over the last five years reach RUB 71 bln, or 17% of total revenue. Technological innovations and advances implemented throughout our production cycle also has a positive effect worth tens of billions of roubles.

176%

Growth in the output
of fertilizers with
micronutrients in 2021



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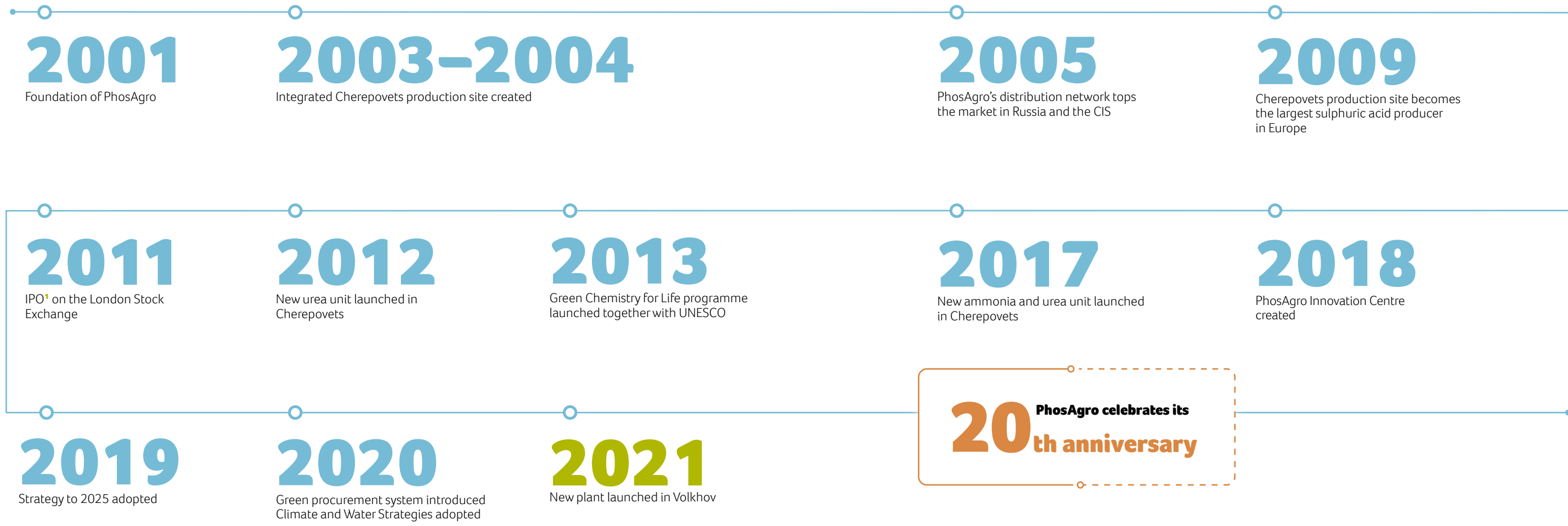
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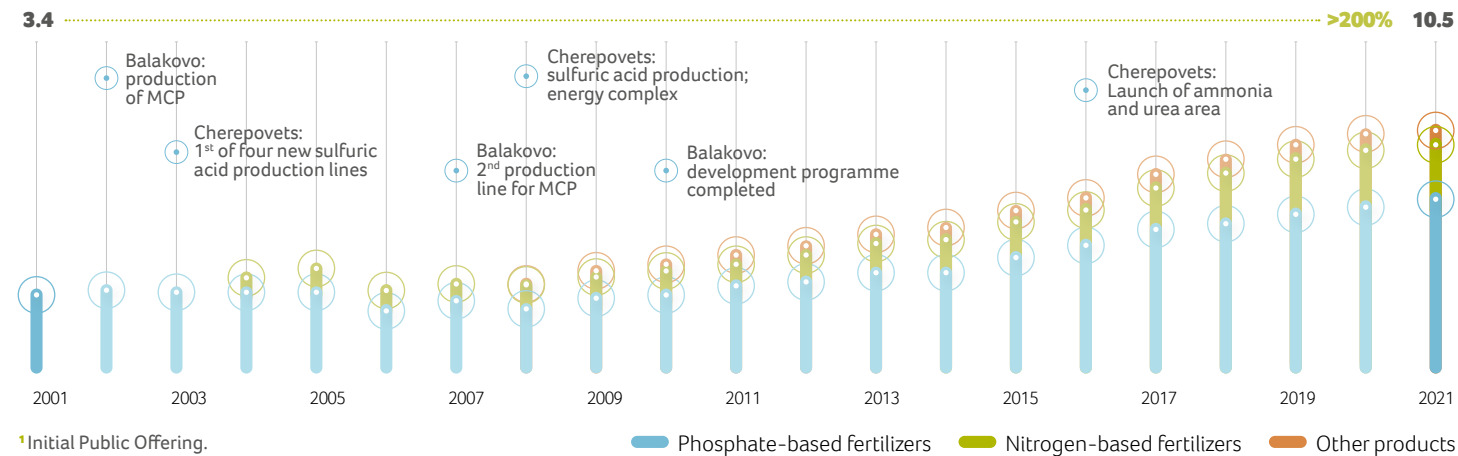
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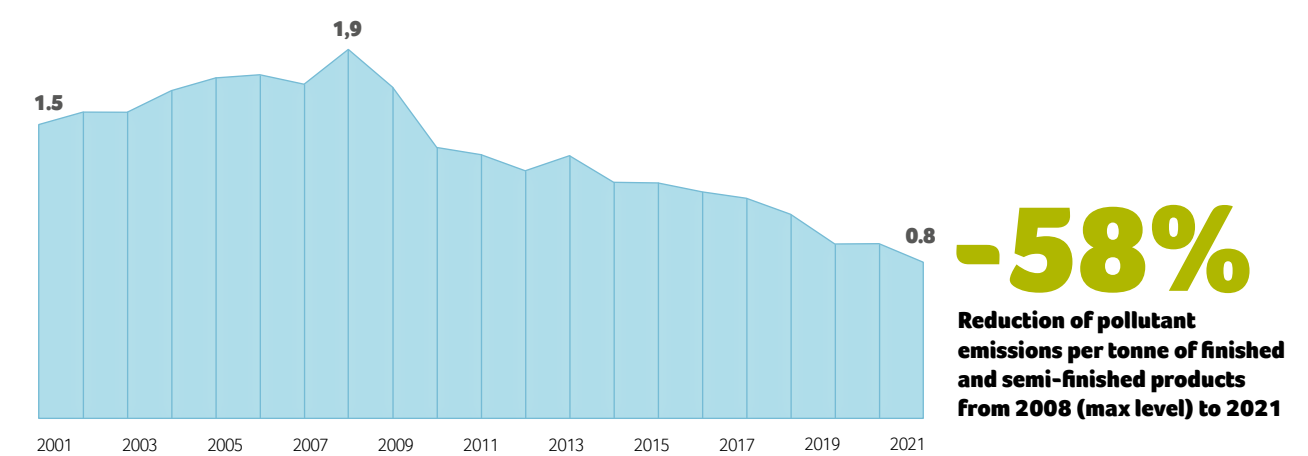
Our History



Production of fertilizers and phosphate-based products, mt



Reduction of unit pollutant emissions, kg per tonne of finished and semi-finished products

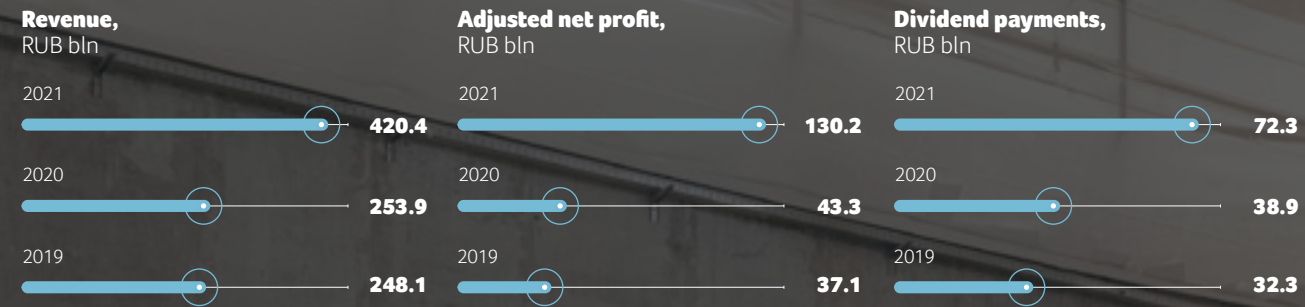


Key Activities in 2021

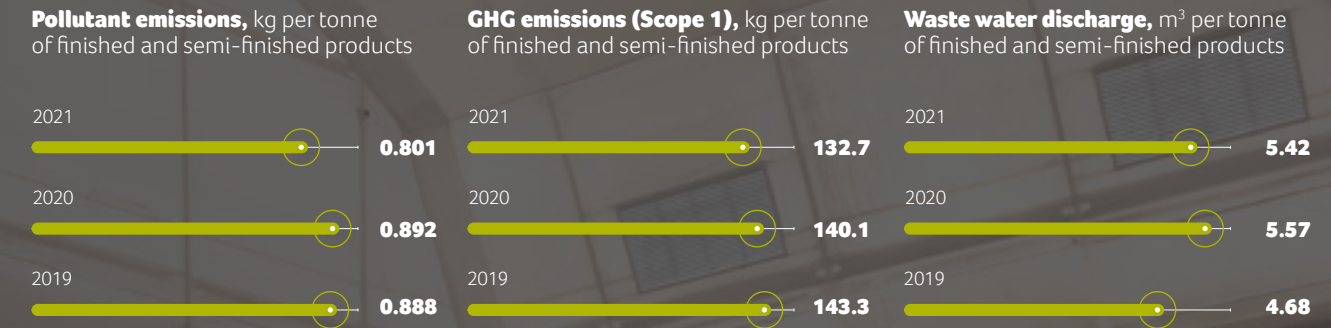
January	April	May	June	July	August	September	October	December
 <p>Contract signed to provide the mining and processing plant at the Kirovsk branch of Apatit with green energy from TGC-1 hydroelectric power plants</p>	 <p>MSCI ESG Research upgraded PhosAgro's sustainability rating from BBB to A</p>	 <p>Strategic agreements signed at the St Petersburg International Economic Forum to develop new agribusiness services with Demetra-Holding, expand the use of green energy with TGC-1, and develop agribiotechnologies and support agricultural education with Innopraktika</p>	 <p>Moody's affirms PhosAgro's Baa3 rating</p>	 <p>The United Nations once again names PhosAgro a Global Compact LEAD company</p>	 <p>PhosAgro Group becomes first in Russia to achieve certification under the national standard for improved production</p>	 <p>ISO 9001:2015 and ISO 14001:2015 certification of quality management systems completed at all PhosAgro's production facilities</p>	 <p>Sustainalytics gives PhosAgro the highest ESG rating in the global agrochemical sector</p>	 <p>PhosAgro and the Food and Agriculture Organisation of the United Nations (FAO) expand cooperation in global soil protection</p>
 <p>Fitch affirms PhosAgro's investment-grade BBB- rating with a stable outlook</p>	 <p>PhosAgro and the Russian Academy of Sciences launch a project to build a carbon farm in the Vologda region</p>	 <p>PhosAgro places USD 500 mln worth of seven-year Eurobonds at 2.6% per annum, a record-low rate for a Russian company</p>	 <p>PhosAgro becomes CGI Russia's general strategic partner in the chemical industry</p>	 <p>PhosAgro Group's facilities set a new historical record for annual output (10.5 mt)</p>	 <p>PhosAgro Group becomes first in Russia to achieve certification under the Vitality Leaf international environmental standard</p>	 <p>Standard & Poor's affirms PhosAgro's investment-grade BBB- rating with a stable outlook</p>	 <p>PhosAgro Group announces a decision not to change its domestic mineral fertilizer prices</p>	 <p>Aluminium fluoride plant fully upgraded at the Cherepovets production site</p>

Key Highlights

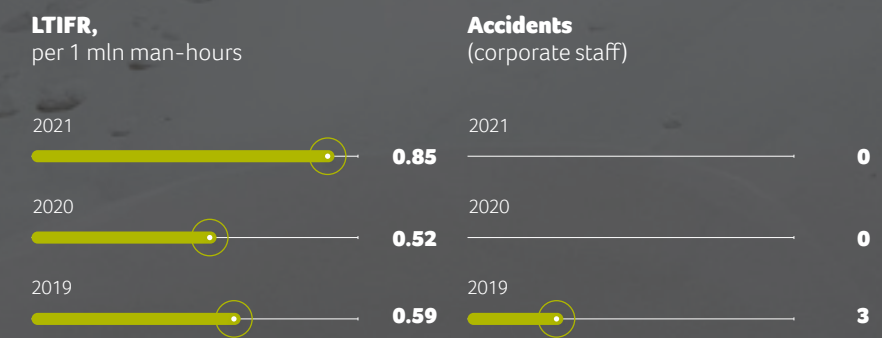
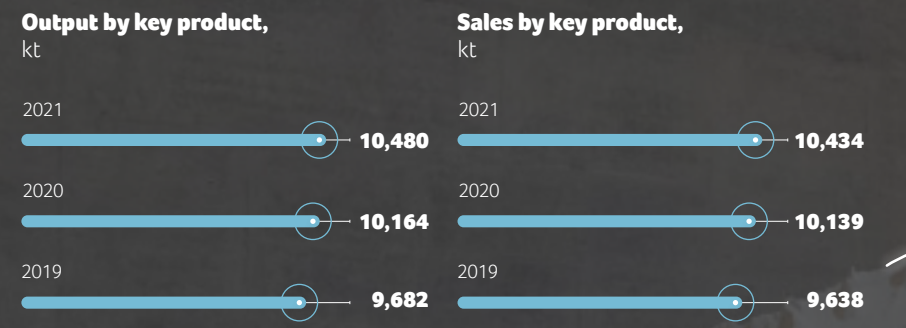
Financial highlights



Sustainable development indicators



Operational highlights



Our Mission and Values

Our mission ▾

Caring for Earth fertility for prosperous lives

The Company acknowledges its responsibility for the global food security and efficiently works towards this cause

The Company offers eco-efficient fertilizers, as well as delivery services and optimal application solutions. We work for those who feed the world



Our vision



Our values



Navigator on UN SDGs

17 UN SDGs are the most important benchmark in our making both strategic and day-to-day management decisions. Committed to the Company's mission and values, which are underpinned by our Strategy to 2025, we look to contribute to, and monitor the progress against, targets of our eleven priority UN SDGs.



We are among the 37 Global Compact LEAD companies



Target 2.4 ▲

Fertilizers help increase food production and ensure the availability of nutrients required for human health. Together with UNESCO and FAO, we implement projects to promote conservation agriculture and equal opportunity and ensure that farmers in developing countries have access to science-based agricultural practices.

📄 For more details, see page 104



Targets 3.4 and 3.9 ▼

Our production facilities comply with requirements regarding the use of best available techniques for reducing pollutant emissions and environmental impact.

📄 For more details, see page 156



Target 4.4 ▲

Our social priorities include providing full-time employment opportunities, training and building a team of professionals, and supporting schools and colleges in regions where the Company operates (to promote modern education). Together with UNESCO, we run the Green Chemistry for Life programme to support young scientists.

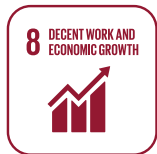
📄 For more details, see page 136



Targets 6.1 and 6.3 ▲▼

Under the Company's Water Strategy, we reduce fresh water withdrawal and consumption by increasing recycling, i.e. water reuse in industrial processes. We implement zero discharge technologies.

📄 For more details, see page 183



Targets 8.3, 8.5 and 8.8 ▲▼

We aim to have zero fatalities, demonstrate top health and safety performance across the key indicators and comply with the highest standards in this area.

📄 For more details, see page 138



Target 9.1 ▲

We make a significant contribution to the development of regional infrastructure. The Company is streamlining product shipments to reduce their carbon footprint and embracing the best available techniques to support a circular economy, cut emissions and waste, and reduce water use.

📄 For more details, see page 156



Target 11.3 ▲

We ensure comfortable living conditions by investing heavily in housing construction, transportation and social infrastructure. We also support local entrepreneurs by creating a responsible supply chain (taking into account ESG aspects).

📄 For more details, see page 190



Target 12.4 ▲▼

We make an essential contribution to the circular economy of food security, human health and well-being. Our products carry eco-labels that attest to their safety. Together with our suppliers and customers, we implement initiatives to improve ESG metrics, including supplier ESG assessment and ranking.

📄 For more details, see page 93



Targets 13.1 and 13.2 ▲▼

We take tangible practical measures under our Climate Strategy, which includes a climate risk analysis, GHG emission reduction programme (supported by the Energy Efficiency Strategy) and low-carbon transition plan.

📄 For more details, see page 163



Target 15.1 ▼

Our Innovation Centre and Scientific Research Institute work to create smart next-gen eco-efficient fertilizers.

📄 For more details, see page 108

- ▲ Making a positive impact
- ▼ Minimising the negative impact



Target 17.16 ▲

We ensure a long-term positive impact of social investing by building ties with local communities and working with UNESCO, FAO and the United Nations Environment Programme (UNEP) to promote educational projects across our footprint in Russia and abroad.

📄 For more details, see page 112



For more information on how we set UN SDG priorities, see the Sustainability section of the Company's website



For more information on SDG 2, see the Commitment to UN goals section of the Company's website

Business Model

We use

- Market and technology insights**
- Energy and water**
- Partner, supplier and customer relationships**
- Finances**
- Management, production and sales competencies**
- Mineral resources and materials**
- Public and private infrastructure**

PhosAgro Group's business model is based on the simple idea that we must better than our competitors understand the ever-changing customer needs and respond to them quicker using a wide product range, large distribution network and robust logistics. This requires flexible high-tech production facilities, high self-sufficiency in quality raw materials, deep vertical integration and, most importantly, continuous feedback from end customers and analysis of our product performance. All this helps PhosAgro Group maintain a low cost position in the industry, while also ensuring top quality and unique eco-efficiency of its fertilizers. We leverage our competitive advantages and seek to meet the highest operational standards throughout our product lifecycle.

For more information on the Company's Strategy to 2025, see the Strategic Report section on page 56.



We secure

- Sustainable soil fertility**
- Sustainably high returns on investment**
- Consistent tax payments and local community development**
- Well-paid jobs and social benefits**
- New research and technological innovations**
- Large-scale purchases of local products and services**
- Basis for making safe food products**
- Contribution to international programmes addressing global challenges**
- Educational initiatives and upskilling opportunities**

PhosAgro's competitive advantages

Product development

Target 2.4

We operate the industry's largest research centre at Samoilov Scientific Research Institute for Fertilizers and Insectofungicides, Russia's oldest of its kind (founded in 1919)

Wide product range:

52 fertilizer grades of all kinds

Ultra-modern product offering:

17% grades developed in the last five years account

Mineral resources

Target 12.4

Apatite-nepheline ore of magmatic origin, which is unique in terms of quality and safety and does not have as much cadmium or other heavy metal content as would be dangerous for health, with a reserves-to-production ratio (RPR) of 60 years

High vertical integration (% of total demand):

Own production

100% of phosphate rock
79% ammonia
94% sulphuric acid
55% ammonium sulphate

Operational performance on page 88.
 Customers and product management on page 93.

Production

Target 8.3
Target 3.9

Large-scale upgrade and construction programmes in Cherepovets, Volkhov and Balakovo

Strong commitment to reducing emission intensity and waste water discharges, and improving energy efficiency

11.8 mt phosphate rock and nepheline concentrate **+0.8%**
7.9 mt phosphate-based fertilizers **+4.2%**
2.4 mt nitrogen-based fertilizers **+0.4%**

Operational performance on page 88.
 Environmental review on page 156.

Logistics

Target 9.1

24.7 mtpa

High throughput capacity on key rail routes

Reliable delivery: a large own fleet of railcars and port terminals on key export routes

Geographical footprint on page 26.
 Strategy on page 64.

Sales

Target 2.4

31 distribution centres in Russian regions

Largest distribution network in Russia

Global presence and diversified exports

shipping to **>100 countries**

Operational performance on page 88.
 Geographical footprint on page 26.

Application

Target 17.16

Service model for customers: our product is a combination of a fertilizer and our agronomic expertise, all available in a digital environment

PhosAgro's agronomic service: training, agronomic advice and support for customers

Digitalisation of sales and customer services:

>100 online lectures
3 independent online platforms on fertilizer sales
1.7 ^{+99% κ 2020} ths online requests
 for **21** agricultural universities
8.6 ths mobile app downloads
7.8 ^{+244% κ 2020} ths unique Agro Calculator users

Customers and product management on page 93.
 Strategy on page 63.

Research and education on page 104.

Geographical Footprint

GRI 2-1, 2-6

PhosAgro Group's eco-efficient mineral fertilizers and feed phosphates are sold all over the world via an extensive distribution network relying on the Groups' robust logistics infrastructure. Our key production facilities (including mining and processing assets), port terminals and research centre are located in Russia. A flexible business model, well-thought-out production and sales strategy and deep knowledge of customer preferences help us maintain a strong position across the main fertilizer markets, primarily in Russia and other premium markets.

100+
supplies countries

>18 ths
employees

10.3 mt
sales in 2021



Upstream and downstream



R&D



Logistics

With an up to 6.5 mtpa port transshipment capacity across key export routes, the Company can ensure a reliable supply to foreign customers and guarantee timely delivery against its contractual obligations.



Distribution

PhosAgro Group's network of sales offices is the largest in Russia and covers most of the world's key agricultural regions, making the Company's quality products available to farmers across the globe.



Bayonne (France)

Hamburg (Germany)

Zug (Switzerland)

Kotka (Finland)

Vilnius (Lithuania)

Minsk (Belarus)

Volkhov

Moscow (Head Office)

Cherepovets

Nizhny Novgorod

Kazan

Belgorod

Lipetsk

Tambov

Saransk

Krasnodar

Stavropol

Rostov-on-Don

Bykov Otrog

Volgograd

Samara

Yekaterinburg

Limassol (Cyprus)

Nur-Sultan (Kazakhstan)

Barnaul

Novosibirsk

Krasnoyarsk

Ussuriysk

The Volkhov branch (Volkhov, Leningrad region) is Russia's only producer of sodium triphosphate and one of Russia's leading producers of mineral fertilizers.

The Kirovsk branch (Kirovsk, Murmansk region) is the world's leading producer of high-grade (P₂O₅ content of at least 37.5%) phosphate rock and Russia's only producer of nepheline concentrate. It develops six Khibiny deposits: Kukisvumchorr, Yukspor, Apatitovy Cirque, Rasvumchorr Plateau, Koashva and Njorkpahk.

Apatit (Cherepovets Vologda Region) is Europe's biggest producer of phosphate-based fertilizers and of phosphoric and sulphuric acids, as well as one of the Russian leaders by NPK¹, ammonia and ammonium nitrate output.

PhosAgro Group runs Samoilov Scientific Research Institute for Fertilizers and Insectofungicides (Cherepovets, Vologda region), Russia's only research centre specialising in this area and one of the largest in Europe. Founded in 1919, this institute paved the way for the country's strong mineral fertilizer industry.

The Balakovo (Bykov Otrog, Saratov region) focuses on phosphate-based fertilizers (a leading producer in Europe) and feed phosphates (a leading producer in Russia, and the country's only manufacturer of feed monocalcium phosphate).

In 2021, we reorganised our distribution in Siberia and the Russian Far East, establishing a regional sales office in Novosibirsk to spur business development in promising agricultural regions everywhere between the Urals and the Pacific.

For more information on our geographical footprint, please visit the Company's website

¹Nitrogen-phosphorus-potassium fertilizers.

Investment Case and Credit Ratings

45.6%

EBITDA margin

60 years

The mine life of mineral resource base

1 A global producer of high-quality phosphate-based fertilizers



PhosAgro is Europe's largest producer of phosphate-based fertilizers¹ and a top 5 global producer of DAP/MAP² by capacity.



ISO 9001:2015, ISO 14001:2015, ISO 45001:2018, ISO 14024:2018, GMP+ (B2), (B1), (B4) certifications that attest to the high quality of products and management efficiency throughout their lifecycle.



The Company successfully passed a certification audit for compliance with the International Fertilizer Association's *Protect and Sustain* standard. The audit was conducted by SGS, the world's leading inspection, verification, testing and certification company.



Customer focus. A leading supplier of all types of mineral fertilizers in the Russian market in aggregate terms. An extensive domestic sales network and trading offices in all key export markets. Netback-driven sales model with a global presence.



Products exported to European Union customers have been registered pursuant to Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation and Authorisation of Chemicals (REACH).



The technologies used at PhosAgro's production sites meet the highest global standards.

top 5
global producer of DAP/MAP² by capacity

No. 1
No. 1 globally as a producer of high-quality phosphate rock

¹ By total production capacity for DAP/MAP/NP/NPK/NPS.
² Monoammonium phosphate / diammonium phosphate.

2 Unique resource base and sector-leading margins



Unique mineral resource base. The mine life is estimated at around 60 years.



Wide range of ready-to-use solutions for farmers. Our in-house R&D function enables us to develop and launch new fertilizer grades in a prompt manner in order to deliver the crop nutrient solutions our customers need.



No. 1 globally as a producer of high-quality phosphate rock (P₂O₅ content at 39% and above).



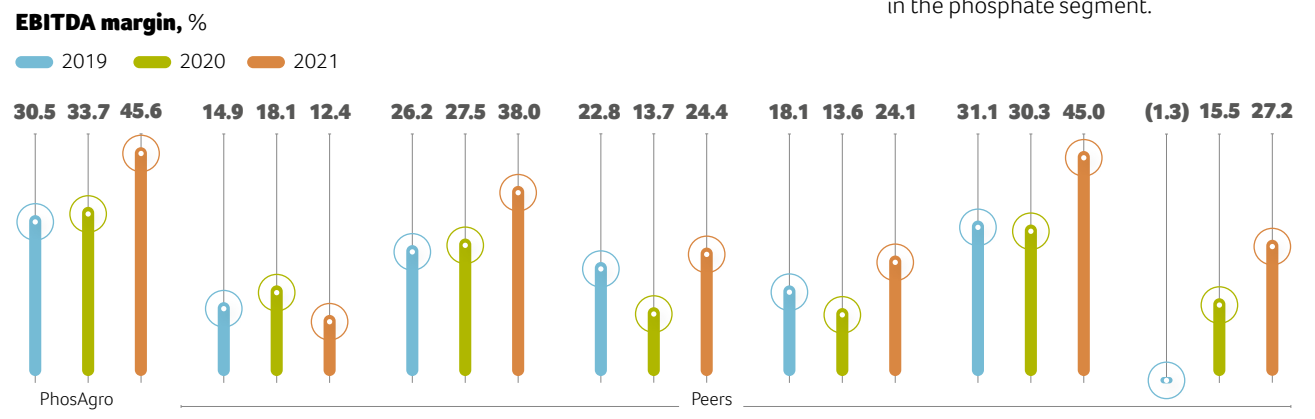
Important food safety factor. Thanks to its magmatic origin, phosphate rock mined on the Kola Peninsula boasts exceptional purity.



Self-sufficiency in major inputs: 100% in phosphate rock, 79% in ammonia, 94% in sulphuric acid.



One of the highest gross margins in the phosphate segment.





Transparent ownership structure with
>30%
 of shares in free float

3 Eco-efficient fertilizers



Green One
 GRI 417-1

In 2021, PhosAgro Group became first in Russia to achieve certification under the national standard for improved production. As a result, we will be able to use eco-labels that prove this and were adopted with support from all members of the Russian Association of Fertilizer Producers. Today, all of the products made at our mineral fertilizer facilities have been certified under [GOST R 58658-2019](#), which has introduced the world's most rigorous limits on heavy metal and arsenic content. This is a testament to the unique eco-efficiency of our products, which can now be labelled with the green brand.

Green labelling guarantees that Russian-made mineral fertilizers conform to the most stringent international requirements for environmental safety, including the EU's recent restrictions on the content of heavy metals, such as cadmium, lead and arsenic, in fertilizers.



Vitality Leaf

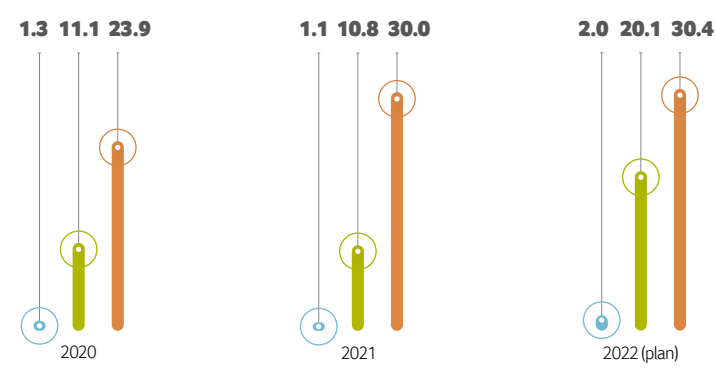
In the reporting year, products made at the Company's sites in Cherepovets and Volkhov successfully passed voluntary certification under the Vitality Leaf framework. This ISO 14024-compliant framework was designed to assess a product's environmental safety throughout its lifecycle, including mining and processing of raw materials, their delivery to the plant, storage, transportation and use of finished products, and packaging recycling.

4 Sound capital allocation in highly effective investment projects

Investment projects may get a go-ahead subject to their high IRR¹ (20%+), compliance with the BAT and sustainability criteria along with the CAPEX/EBITDA target, and a comfortable net debt / EBITDA covenant headroom.



Breakdown of CAPEX², RUB bln

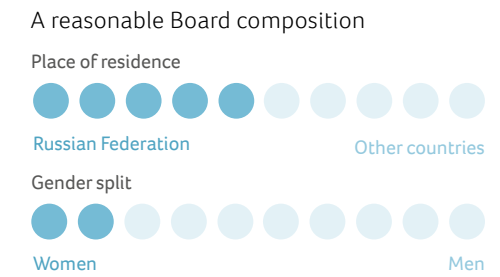


¹ Internal Rate of Return.
² CAPEX excluding capitalised repairs.

5 Well-balanced corporate governance

Seven (70%) independent non-executive directors on the Board of Directors

Six Board committees meeting on a regular basis with **five** of them chaired by independent directors



³ SUSTAINALYTICS materially amended its methodology in 2019. The indicators currently reflect the level of unmanaged ESG risks. The decrease in the absolute value of the score reflects a position improvement.
⁴ PhosAgro was first included in the rating in 2021.
⁵ This publication contains information developed by Sustainalytics (www.sustainalytics.com). The information and data are property of Sustainalytics and/or its third party suppliers (Third Party Data) and provided for informational purposes only. They do not intend to endorse any product or project, do not constitute investment advice and are not warranted as to their completeness, timeliness, accuracy or fitness for a particular purpose. The terms of their use are available on the website <https://www.sustainalytics.com/legal-disclaimers>

Stable credit ratings

Credit rating	31.12.2019	31.12.2020	31.12.2021
S&P Global	BBB-	BBB-	BBB-
MOODY'S	Baa3	Baa3	Baa3
FitchRatings	BBB-	BBB-	BBB-

Increasingly higher ESG ratings

ESG rating	2019	2020	2021
MSCI	BB	BBB	A
CDP	Climate	C	B-
	Water	F	F
SUSTAINALYTICS ⁵		45.2 ³	26.9 ³
	Percentile among all companies globally (100 for the worst performance, 1 for the best performance)	69	45
S&P Global CSA		31	3
	Percentile among all agrochemical producers globally (100 for the worst performance, 1 for the best performance)	31	3
S&P Global CSA	n/a	n/a	46 ⁴

STRATEGIC REPORT

Growing sales in premium markets

The Company's strategic goal is to increase sales in priority markets to 11.6 mt by 2025. One of the expected drivers is our position as a producer of fertilizers that are free of heavy metals harmful to human health and soils. In 2021, PhosAgro's sales in premium markets almost hit 10.3 mt.



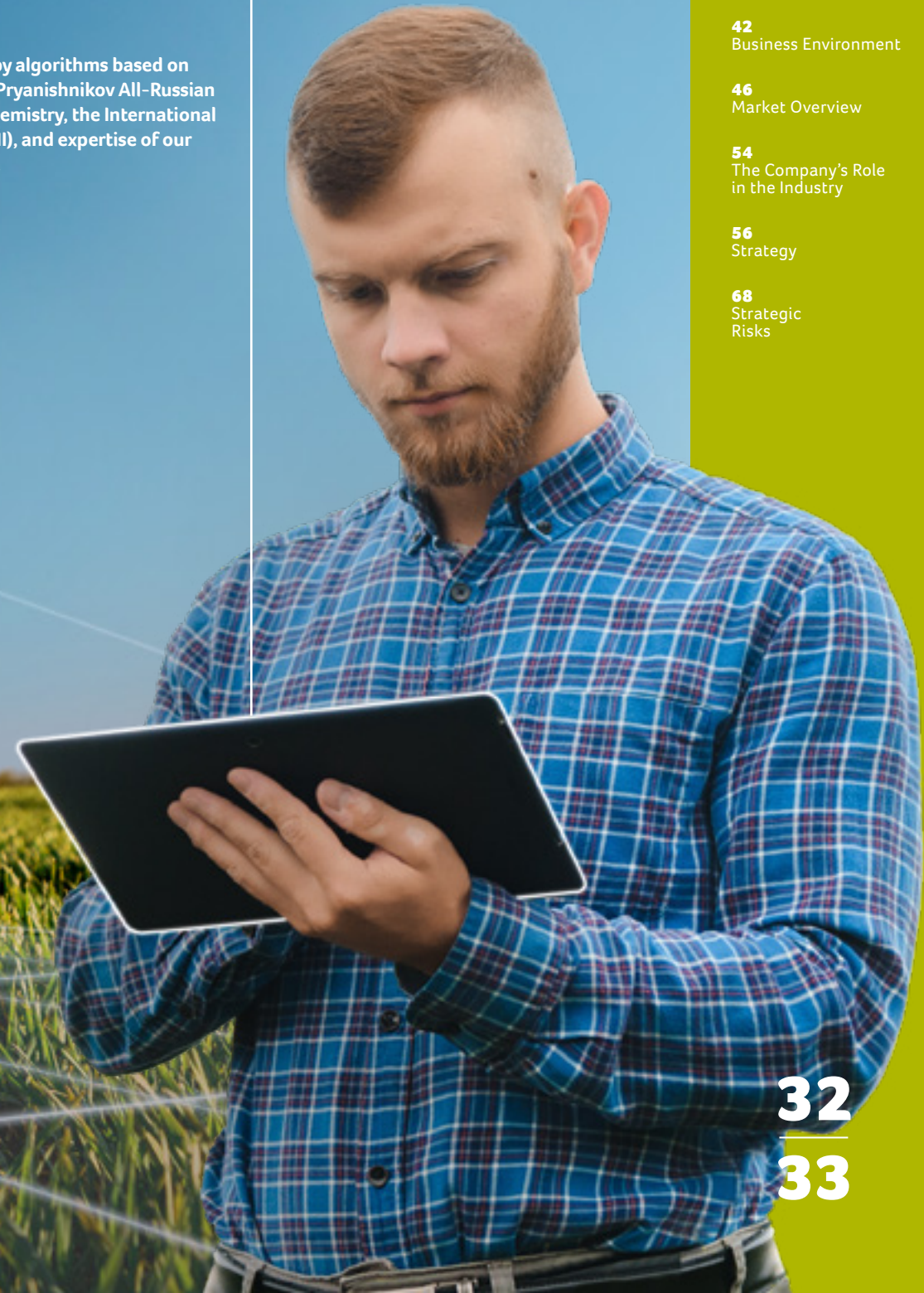
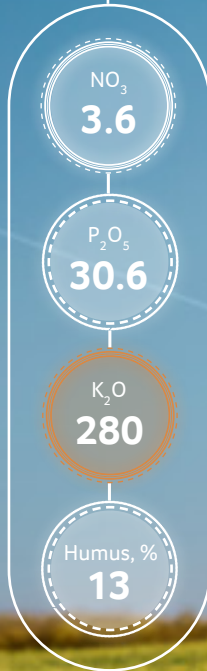
20%

Minimum IRR of development projects

Innovation and digitalisation

Drones and new digital technologies open up unprecedented opportunities for farmers to improve crop yields and profit margins. Drones are able to collect data on soils and plants in real time. Once analysed, it can promptly suggest responses to nutrient deficiencies, as well as to the risk of fungus or diseases. This data can also be fed into our Agro Calculator, which will help determine what fertilizers are necessary.

Agro Calculator is powered by algorithms based on years-long research by D.N. Pryanishnikov All-Russian Research Institute of Agrochemistry, the International Plant Nutrition Institute (IPNI), and expertise of our in-house agronomic service.



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Chairman's Statement

10.3 mt

all-time high fertilizer output in 2021

Dear colleagues,
2021 was of particular significance for PhosAgro

as it marked the 20th anniversary of the Company and the 10th year of our public listing on London Stock Exchange. Over these 20 years, we have demonstrated consistent growth and solid results, and 2021 was no exception.



As the pandemic persisted, we continued to focus on occupational disease prevention initiatives to ensure the health and safety of our employees and the residents of the cities where we operate. All the while, we maintained an uninterrupted supply of environmentally friendly fertilizers to farmers both worldwide and in Russia, our priority market.

I believe that we successfully navigated through all of the last year's challenges and managed to consolidate PhosAgro Group's leadership in the industry.

Strategic investments in capacity expansion

In spite of all the difficulties we faced in 2021, our resilient business model and unique resource base, as well as coherent and professional guidance from the management team led by Andrey Guryev, helped us make considerable progress on the Strategy to 2025.

We continued to implement our key investment projects in line with the strategy which views the 20% increase in fertilizer and feed phosphate production by 2025 as the Company's main growth target. In 2021, the PhosAgro Group invested RUB 41.9 bln (excluding capitalised repairs) in strategic projects, with an additional RUB 250 bln earmarked for investment over the next five years.

The launch of a new sulphuric acid plant with a daily capacity of 3.3 kt (SK-3300) and reconstruction of the Kriolit railway station marked the completion of a large-scale development programme at PhosAgro's Cherepovets production site and became a significant milestone of 2020 for the Company. Previously, as part of the investment programme worth more than RUB 120 bln (PhosAgro's total investments for the past seven years are estimated at RUB 240 bln), the Company commissioned a 760 ktpa ammonia plant and a 500 ktpa granulated urea unit.

As a result, the production site's fertilizer output hit the all-time high of 7.6 mt in 2021. All this led to an increase in tax contributions and the creation of over 650 jobs for highly qualified employees.

But PhosAgro Group's ambitious investment programme does not stop there. Key future projects include the completion of an advanced phosphate-based fertilizer facility and support infrastructure in Volkhov, as well as further development of the mining segment, first phase of construction of a new ammonia and urea facility in Cherepovets, and initiatives to boost output at the Balakovo branch of Apatit. These and some other projects will be included in the updated version of the Strategy to 2025 to be reviewed by the Company's Board of Directors in spring 2022.

I am convinced that successful implementation of the investment programme will enable PhosAgro Group to increase its growth rates and ramp up the production of environmentally friendly fertilizers that are free of toxic substances (including cadmium) harmful to human health and soils. Such endeavours are of critical importance in light of the food safety challenges posed by the pandemic and mounting concerns around global food quality and safety.

Fertilizer market and PhosAgro Group's performance

From the beginning of 2021, demand for mineral fertilizers in international markets grew steadily, driven by a substantial increase in global prices and the need for popular grains and oilseeds, which account for over 50% of fertilizer use worldwide. Higher agricultural prices, in their turn, pushed up the demand for fertilizers.

This market environment satisfied all the required conditions for PhosAgro Group's productivity improvement efforts to pay off and fully translate into the Company's operational results.

~18%

of products manufactured by the Apatit mining and processing plant using green power

Results

Contribution to sustainability

GRI 2-22

PhosAgro has always been a champion of sustainability.

In 2021, we scaled up the use of green power in agrochemical production by signing a contract for the supply of hydroelectric power with TGC-1, which covered around 18% of products manufactured by the Apatit mining and processing plant. During the 24th St Petersburg International Economic Forum, PhosAgro and TGC-1 had entered into an agreement designed to boost the share of green energy used in the production of mineral fertilizers. The 2021 green energy supplies totalled approximately 300 mln kWh. In 2021, we also published our first ever report in accordance with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), which discloses the Company's FY2020 results. The report provides information on how climate issues are integrated into PhosAgro's strategy, corporate governance and risk management.

In December 2021, PhosAgro and the Food and Agriculture Organisation of the United Nations (FAO) announced plans to extend their cooperation in the protection of the planet's soils. At this new stage, the FAO and PhosAgro intend to focus on soil pollution issues, including contamination with heavy metals. Over the next two years, PhosAgro will provide another USD 1.2 mln in funding for the initiative. This will bring PhosAgro's total contribution to the project to USD 2.4 mln by 2023.

We are happy that food safety concerns are being addressed at the international level. In 2021, the European Commission made a significant step forward by

introducing drastic caps on the content of toxic cadmium in certain food products within the European Union. As a producer of environmentally friendly fertilizers with a perfectly low cadmium content, PhosAgro fully supports this initiative designed to protect public health and to boost food safety.

We are glad to see that Russia is also becoming increasingly concerned with food safety issues. In June 2021, Russia's President signed Federal Law No. 159-FZ On Agricultural Products, Raw Materials and Food with Improved Environmental Characteristics that will come into effect on 1 March 2022. This law allows for environmentally safe products to be sold under the national green brand, which will enable consumers to make responsible food choices while also increasing the competitiveness of Russia's agricultural industry.

All our sustainability efforts do not go unnoticed by the international expert community. Sustainalytics, a leading independent ESG research, rating and data firm, improved PhosAgro's rating in their ESG risk management framework from 27.3 to 22.8, placing the Company among the world's 30 top-performing chemical companies – ahead of all global agrochemical producers. Furthermore, CDP upgraded PhosAgro's climate change score from B- to B, and its water security score from F to C, while MSCI ESG Research highlighted the Company's leadership position and reaffirmed its A rating. In September, the United Nations confirmed PhosAgro's Global Compact LEAD status, which underscores the Company's high sustainability. Today this honour is held by just 38 organisations worldwide.

22.8

Sustainalytics ESG risk management framework (ahead of all global agrochemical producers)

Corporate governance

The year of 2021 required that we demonstrate strong coordination and professionalism at all levels of the corporate governance framework. I am honoured to have been elected Chairman of the Board of Directors once again. Of equal importance is the fact that the remaining directors also secured re-election to the Board this time around. Given the scale of our operations and the risks that we face, the current line-up of the PhosAgro Board of Directors is very well placed to tackle the Company's tasks and business goals.

In 2021, the Expert Council of the 15th Director of the Year National Award Ceremony chose me and four other directors (Irina Bokova, Andrey Guryev, Marcus J. Rhodes and Andrey Sharonov) as recipients of the prize for our contributions to the development of corporate governance and promotion of best corporate practices in Russia.

PhosAgro's corporate governance framework is indeed impressive. This is confirmed by both the results of the Board's self-assessment completed in early 2022 and the findings of experts assessing the entire corporate governance system. In line with the best global practices, seven out of ten current directors are independent. Independent directors chair five of the six Board committees. PhosAgro works continuously to enhance its transparency and meet the interests of all stakeholders. I am proud to emphasise the pace and quality of our development and the improvements that we bring to our corporate practices.

COVID-19 response

In 2021, COVID-19 remained one of the key factors to reckon with for PhosAgro Group, the industry and global community. We are firmly convinced that collaborative approach is the only way to deal with the fallout from the pandemic. That is why PhosAgro continues to cooperate with the Russian Union of Industrialists and Entrepreneurs, the Russian Association of Fertilizer Producers and the International Fertilizer Association in a bid to change the situation for the better through joint efforts.

From the beginning of the pandemic until the end of 2021, the Company invested over RUB 2.6 bln to fend off the coronavirus infection.

We also continue to pay close attention to maintaining herd immunity at PhosAgro Group by informing employees about the importance of vaccines, encouraging them to get a jab and providing comfortable conditions for vaccination.

On behalf of the Board of Directors, I would like to thank all members of PhosAgro's team for their joint work in these harsh times to ensure uninterrupted operation of our business and to provide farmers with environmentally friendly fertilizers, thus making a significant contribution to global food safety.

Xavier R. Rolet,
Chairman of the Board of Directors of PJSC PhosAgro from May 2019 to 10 March 2022



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Corporate Governance

Share Capital

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CEO's Statement

RUB **41.9** bln
CAPEX



About this Report

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Strategic Report

2021 marked
two major events —

the 20th anniversary of PhosAgro and the 10th anniversary of our public listing on the London Stock Exchange. This gives us a suitable opportunity to look at the progress we have made thus far.



Since the IPO, we have more than doubled our output of mineral fertilizers and feed phosphates. From 2011 up to now, we have invested close to USD 6 bln in the Company's development. Over these ten years, we have achieved a nearly four-fold increase in labour productivity at our production sites, while also reducing workplace injury rates by more than two thirds. PhosAgro Group's product portfolio has quadrupled to count more than 50 grades of mineral fertilizers for different soils and crops. We have penetrated new markets and expanded our sales geography: today our fertilizers are shipped to over 100 countries.

2021 was not only a year of anniversaries, but also a year of new significant achievements. PhosAgro Group completed a number of investment initiatives, entered into important partnership agreements and demonstrated solid operational and financial results. All this was achieved by placing an emphasis on the principles of sustainability and responsible business conduct, which are deeply integrated into our strategy and day-to-day operations.

Progress against the Strategy to 2025

PhosAgro is making considerable strides towards the goals set out in the Strategy to 2025. This document focuses on further enhancement of PhosAgro Group's presence in its priority market (Russia) and premium export markets, as well as on the strengthening of its role as a producer of environmentally friendly phosphate-based fertilizers boasting some of the lowest cash costs in the industry.

In 2021, we continued developing efficient and flexible hi-tech production capacities, while CAPEX (excluding capitalised repairs) for the reporting period amounted to RUB 41.9 bln, or 21.8% of EBITDA, which is fully in line with our Strategy to 2025.

In particular, we are now completing the investment project of creating a state-of-the-art mineral fertilizer facility in Volkhov. Two start-up facilities with an aggregate capacity of over 800 kt of MAP came on stream in March and June 2021. Furthermore, new sulphuric acid production sites were built. Once the plant is complete, the facility's capacity will increase more than four-fold.

In Cherepovets, we launched a new sulphuric acid production unit with a capacity of 3.3 kt per day leveraging the best available techniques developed by the nation's leading R&D institutions. These techniques helped significantly improve the unit's energy efficiency and minimise emissions. The steam generated by the sulphuric acid unit is used by our heat and power plant to produce electricity, which allows us to reduce natural gas consumption and the carbon footprint of PhosAgro

Group's products. The unit will produce higher-quality sulphuric acid as a feedstock for larger volumes of environmentally friendly fertilizers.

A revamped Kryolite station enabled PhosAgro Group to increase rail freight turnover at the Cherepovets site, which brought the site's logistics capacities to a completely new level, while also improving the environmental efficiency of cargo handling. This is fully in line with our strategic goal of modernising the logistics and port infrastructure and increasing its throughput capacity by 2025.

In December, PhosAgro Group also completed an upgrade of the aluminium fluoride plant at the Cherepovets site, increasing its production capacity from 57 to 73 ktpa. This helped cover 70% of the country's demand for aluminium fluoride with locally produced feedstock, while also contributing to the resolution of environmental issues in line with the principles of circular economy: as the new plant processes fluosilicate acid, a by-product of phosphoric acid, into a marketable product, we are able to fully utilise the fluorine recovered from phosphate rock.

As a result, PhosAgro Group's output of mineral fertilizers and other products increased by more than 3% year-on-year to 10.5 mt. Strong operational performance and a favourable market environment allowed us to deliver impressive financial results in 2021: EBITDA came in at RUB 191.8 bln (up 124% year-on-year), while EBITDA margin amounted to 45.6% (vs 33.7% in 2020).

Strong performance

In 2021, we significantly ramped up our output thanks to new and upgraded production capacities. A substantial increase in global prices for key grain cereals and oilseeds and demand for mineral fertilizers drove up our margins and contributed to solid cash flows.

Results

I am also happy to report yet another success of PhosAgro in capital markets. The Company issued USD 500 mln in seven-year bonds at 2.6% per annum. This is a record low coupon rate for a Russian company's USD-denominated issue of comparable maturity. The offering helped the Company reduce the total cost of its debt portfolio.

RUB 191.8 bln
EBITDA

Sustainability as a priority

Sustainability and responsible business conduct lie at the heart of PhosAgro Group's strategy and business model. The key focus areas of our Strategy to 2025 include commitment to UN SDGs and meeting customer demand for phosphate-based fertilizers that are free of toxic concentrations (including those of cadmium) harmful to human health and soils.

Today, as a LEAD company under the UN Global Compact, the world's most credible platform for socially responsible businesses, PhosAgro directly contributes to 11 UN SDGs.

In 2021, PhosAgro Group became Russia's first company to pass certification under the national standard for products with improved environmental characteristics. The Cherepovets, Volkhov and Balakovo sites were certified under GOST R 58658-2019, which has introduced the world's most rigorous limits on heavy metal and arsenic content. This is a testament to the unique eco-efficiency of our products, which can now be labelled with the green brand.

In February 2021, the European Commission adopted a Communication on the visual appearance of the label on EU fertilizing products with a cadmium content of less than 20 mg per kg of P₂O₅. This voluntary label will enable manufacturers (including PhosAgro Group) to raise customer awareness about the outstanding eco-efficiency of their products.

Furthermore, starting from 16 July 2022, the EU will ban the sale of phosphate-based fertilizers with a cadmium content of more than 60 mg per kg of P₂O₅.

PhosAgro Group actively supports the government's fight against climate change. For example, PhosAgro Group entered into an agreement with the Vologda region and the Russian Academy of Sciences to create a greenhouse gas monitoring system, which represents an important step on the path towards carbon neutrality in the region and across PhosAgro's product range. A carbon farm with a design sequestration capacity of 0.7 mtpa of CO₂ will form an integral part of this new system.

PhosAgro Group's carbon sequestration project is set to become a veritable breakthrough and a model for roll-out across the nation's other industrial regions. For the Company, this is an opportunity to produce carbon neutral fertilizers that will be required for foodstuffs with a zero carbon footprint. This is a new trend and a much desired environmental niche in the global market.

I am particularly proud of the Young Global Leader title conferred on me in 2021 by the World Economic Forum and the prize in the Contribution to the Development of ESG Culture category that I received at the 15th Director of the Year National Award Ceremony. That said, PhosAgro's championship of social sustainability would have been impossible without the joint efforts of all our team members. I would therefore like to take this opportunity to thank each and every employee of the Group for their contribution.

COVID-19 response

In 2021, the coronavirus pandemic continued to have the upper hand in determining how the business and global communities live and operate. All members of PhosAgro Group's team and me personally as a chairman of the RSPP Coordinating Council for COVID-19 made consistent efforts to protect our labour force and strengthen the anti-pandemic shield put up by the government.

I was also highly honoured to receive the Order of Pirogov from the President of the Russian Federation Vladimir Putin, as this award represents recognition of the contribution made by the Russian business community to the fight against COVID-19.

We can safely say that PhosAgro Group is fully aware of its responsibility towards a wide range of stakeholders when it makes decisions on measures to fend off the pandemic. We seek to protect our employees and maintain uninterrupted operation of our production facilities that ensure food security for Russia and over 100 countries across the inhabited continents, while also providing support to healthcare and social institutions across the Company's footprint.

In terms of epidemiological safety, we do not only implement a wide array of restrictions and protective measures such as regular health and temperature checks, social distancing at the workplace and inside corporate vehicles, and regular COVID-19 testing, but also strive to raise employee awareness about the importance of voluntary vaccination.

World-class virologists, infectious disease doctors and vaccine developers are invited to participate in meetings with PhosAgro's staff. Employees also get information and answers to their questions through corporate media, the intranet, and guidelines, as well as during online and offline meetings.

In addition, we have partnered with trade unions and local authorities. All these initiatives have enabled us to achieve an 88% herd immunity and maintain this rate with an enthusiastic attitude towards revaccination.

As part of our support of local communities, PhosAgro Group participates in the #WeAreTogether nationwide campaign. The Company's facilities collect funds to support healthcare and social institutions, volunteering centres, elderly citizens, people with limited mobility, and medical staff. I would like to thank all members of PhosAgro's team for their dedication in the face of uncertainty, strict compliance with preventive requirements, and timely development and quick implementation of safety standards across the Group's assets.



Andrey A. Guryev,
Chief Executive Officer and Chairman
of the Management Board of PJSC PhosAgro
from August 2013 to 10 March 2022

Business Environment



December 2019 — present

COVID-19 pandemic

While it is still too early to speak about the final victory over coronavirus, there is substantial evidence indicating that the whole world and Russia in particular are learning how to cope with the pandemic and keep their economies afloat.

The Company's response task force continues with its efforts to curb the spread of coronavirus, and there are stringent regulations in place to ensure employee safety at the workplace. We remain in touch with regional and municipal governments, local offices of the Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor), and healthcare facilities in order to prevent and combat the coronavirus infection. Some of our employees continued to work from home. All these measures helped ensure uninterrupted operation of our production units and contractors working at the Group's production sites.

The RSPP Coordinating Council for COVID-19 led by PhosAgro's CEO Andrey Guryev did not cease its efforts to fend off the infection.

The Company is closely watching new COVID variants and proactively adjusts measures to manage the pandemic-related risks.



Looking back at 2021

Spikes in global food prices

We believe that global prices for food products will keep growing into 2022.

According to many experts, we should expect a third inflationary wave next year caused primarily by rising food prices. High inflation rates are quickly becoming a global trend aggravated by the energy crisis and supply chain disruptions that further drive prices to unexpectedly high levels.

The pandemic brought about the energy crisis, which has come to be considered as a major factor behind the increase in food inflation. With gas prices at all-time highs, some of the largest producers of nitrogen-based fertilizers in Europe and the US had to shut up shop, while China halted exports.

This may lead to a situation where farmers from different regions will drastically reduce fertilizer use, with crop yields falling to inadequate levels.

The Russian agricultural sector is well-positioned in this respect. Thanks to producers of mineral fertilizers, the annual fertilizer demand announced by the Russian Ministry of Agriculture has been fully satisfied. There is no shortage of mineral fertilizers either countrywide or in any particular region and no sign of it occurring in the near future, which means that there is no threat to Russia's food security.



February

EU resolution on voluntary green labels for mineral fertilizers

The European Commission published guidelines for manufacturers and market regulators with information on eco-labels for mineral fertilizers. Suppliers of fertilizers with low levels of the toxic metal cadmium (less than 20 mg/kg), including PhosAgro, can now mark their products with a special green label. The new labelling is set to help identify eco-efficient fertilizers. This is the first step in the EU's strategy to restrict fertilizers with higher content of heavy metals, including cadmium. PhosAgro Group's products are fully compliant with the new requirements, with the Company expecting this regulatory change to support its performance in the premium European market.

March

Restrictions imposed by the US

The US Department of Commerce announced its affirmative final determination to impose the countervailing duties (CVD) on imports of phosphate fertilizers from Russia and Morocco. Given its commitment to fair trade practices, PhosAgro Group strongly opposed any restrictive measures that impede healthy competition. Farmers all over the world need a reliable source of quality mineral fertilizers, especially as global fertilizer prices continue to rise sharply. This is only possible in a free competitive market without artificial barriers. PhosAgro Group appealed against the imposition of duties by the US, with the decision expected in the first half of 2022.

June

Federal Law No. 159-FZ On Agricultural Products, Raw Materials and Food with Improved Environmental Characteristics dated 11 June 2021

Today, agriculture is a promising and booming sector of the Russian economy. The creation of a green brand for products with improved environmental characteristics will further accelerate its growth. Federal Law No. 159-FZ On Agricultural Products, Raw Materials and Food with Improved Environmental Characteristics dated 11 June 2021 came into effect on 1 March 2022 and marked the emergence of a new market niche for agricultural products, raw materials, and foods under the Green One national brand. Goods with this labelling will face tougher requirements across the production cycle – from the unique environmentally safe base of raw materials in Russia’s mineral fertilizer industry to the sale of eco-friendly food products to end consumers.

The Green One promoted by PhosAgro puts Russia at the forefront of a growing global movement advocating eco-friendly food and global agricultural security to achieve the UN Sustainable Development Goals.

By various estimates, the global market for environmentally friendly foods exceeds USD 300 bln. As people pay increasing attention to healthy lifestyles, it is expected to keep growing in the future. Russian farmers are well-positioned to stake out a solid share of this promising market.

The outstanding eco-efficiency of Russian mineral fertilizers is the cornerstone of the green brand. Nowadays, our industry provides an excellent example of innovative Russian products that are sought after globally. The international demand for fertilizers is skyrocketing, and domestic demand will double by 2025 (vs last year) as per estimates of the Russian Ministry of Agriculture.

July

Federal Law No. 296-FZ On Limiting Greenhouse Gas Emissions dated 2 July 2021 (took effect on 30 December 2021)

The law laid the foundation for Russia’s green transition by introducing, among other things, mandatory carbon disclosures and a register of GHG emissions, while also empowering businesses to implement climate projects to reduce GHG emissions and ramp up GHG capture.

In 2022, Russia plans to launch an implementation mechanism for climate projects and a carbon trade system, providing for solutions and technologies with enhanced sustainability and increased GHG capture by natural ecosystems, e.g. forests, as well as transition to capturing and processing of carbon dioxide.

This law became an important part of Russia’s regulatory efforts to tackle climate change, but there are also other significant steps taken in that direction. Ahead of the COP26 summit in Glasgow, the country adopted the Low-Carbon Development Strategy to 2030, with some government support already in place for green initiatives in the private sector, including those addressing climate change. The scope of government support is subject to expansion.

Publication of the European Commission’s proposals for a carbon import tax designed to ensure carbon border adjustments in the EU

On 14 July 2021, as part of the Fit for 55 package the European Commission published a proposal for a carbon border adjustment mechanism (CBAM), which is considered to be an essential tool for combating climate change in the EU. CBAM is expected to operate similarly to a custom duty calculated based on the amount of direct GHG emissions embedded in the product (with a possibility for indirect emissions to be partially included in the carbon regulation framework) and on the market price of mandatory carbon certificates under the European Union Emissions Trading System (EU ETS). PhosAgro Group is actively pursuing the Climate Strategy and low-carbon transition plan to reduce CO2 emissions, striving for

close cooperation with the EU on this matter. In 2022, we will continue to closely monitor developments surrounding the introduction of CBAM and participate in the discussions of Russian producers on this matter. We hope that a constructive dialogue between the European partners, on the one hand, and Russia’s Ministry of Economic Development and the Russian Association of Fertilizer Producers, on the other hand, will make a positive contribution to the development of CBAM by-laws.

August

Limits for toxic metal concentrations in EU-marketed food products

The European Commission’s Regulation No. 2021/1323 of 10 August 2021 cut the previously approved maximum concentrations of cadmium in the EU market’s foodstuffs by at least 200%. The expanded list of food products subject to cadmium content limitations includes 66 items now as opposed to 20 items in the previous version. By adopting this Regulation, the European Commission tightened limits on cadmium and lead concentrations in a wide range of foodstuffs as a way to improve the safety of EU consumers. Lower caps on cadmium content were recognised by the European Commission as an effective tool to fight growing cancer rates caused by the weekly intake of cadmium in excess of 2.5 µg per kg of body weight and its further accumulation in human body (primarily in kidneys).

November

Temporary quotas for exports of nitrogen-based and complex fertilizers in Russia

The Russian government decided to introduce six-month quotas on exports of nitrogen-based and complex fertilizers by Russian producers. This move basically formalised the current split of sales between export shipments and the high-priority Russian market. The temporary measures are thus expected to produce no material effect on PhosAgro Group’s foreign trade operations, financial and operational results, or investment plans.

December

EU’s Common Agricultural Policy (CAP) reform

The CAP reform was officially approved on 2 December 2021 and is expected to come into effect on 1 January 2023. The new Policy is intended to meet the following nine objectives: ensuring a fair income to farmers, increasing their competitiveness, rebalancing the power in the food chain, taking a climate change action, encouraging environmental care, preserving landscapes and biodiversity, supporting generational renewal, reviving rural areas, and protecting food and health quality.

The reform is implemented under the EU’s Green Deal initiative and Farm to Fork strategy in line with their goals. Focus on the environmental friendliness of fertilizers applied in the EU implies stricter requirements for the quality of mineral fertilizers, primarily as regards the content of toxic and harmful impurities such as cadmium.

July 2022

Limitations on the availability of fertilizers with a high content of toxic cadmium to come into effect in the EU

The respective regulation was drafted in 2016, but the European Parliament only adopted it in 2019 following long-running discussions. According to the document, fertilizer products containing more than 60 mg cadmium per kg will be banned from the EU from mid-2022, and this limit will be further reduced in 2026 – to 40 mg per kg. PhosAgro Group’s products are fully compliant with these new standards (if not miles ahead of them), as they contain no concentrations of cadmium or other toxic substances that are harmful to human health and soils.



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Market Overview

Macro environment

2021 saw the global economy recover despite being hit with new waves of COVID-19 towards the middle and end of the year (the spread of delta and omicron variants).

According to the IMF outlook¹, the global economy will grow by 5.9% and 4.9% in 2021 and 2022 respectively, which sheds 0.1–0.2% from previous projections. The downward revision of the 2021 forecast reflects a more pessimistic outlook for advanced economies (partly due to supply disruptions) and low-income developing economies predicated mostly on the pandemic taking a turn for the worse. This is partially offset by better short-term prospects for some emerging markets and developing economies that export commodities. The employment growth is expected to generally lag behind the recovery of production rates.

According to forecasts, global growth rates are going to slow down in the medium term to approximately 3.3% after 2022. The output of advanced economies is projected to exceed mid-term pre-pandemic forecasts, largely thanks to robust government support and economy-bolstering measures being (and expected to continue to be) implemented in the US.

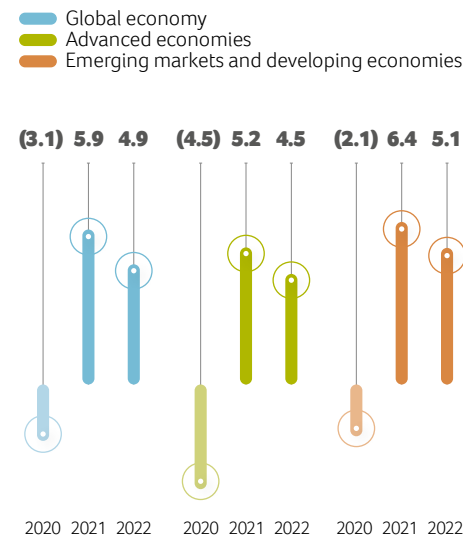
In contrast, the output of emerging markets and developing economies is expected to suffer a long-term decline because of lower vaccination rates and the overall weaker government support compared to advanced economies.

These economic gaps stem from major differences in the access to vaccination and government support measures. Nearly 60% of people in advanced economies have been fully vaccinated, with some of them now receiving booster shots, whereas in low-income countries, roughly 96% of the population are yet to receive their first dose. Emerging markets and developing economies, faced with greater financing challenges and higher risks of de-

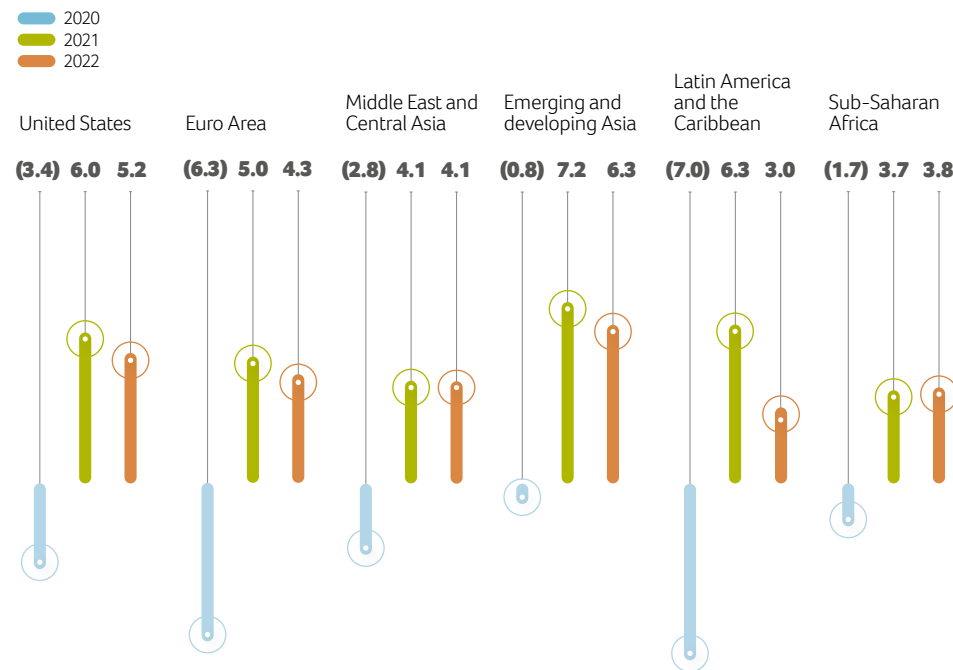
anchored inflation expectations, are quicker to wind down support measures despite more drastic output reductions.

Another economic policy issue is supply disruptions. On the one hand, pandemic outbreaks and adverse weather conditions have led to shortages of key inputs and materials, hindering production rates in different countries. On the other hand, these shortages, coupled with unleashed pent-up demand and recovering commodity prices, have brought on rapid growth of consumer price inflation, as seen in the US and Germany, as well as in many emerging markets and developing economies. Food prices have risen most steeply in low-income countries, where food security had already been a major issue, which puts impoverished families at an even greater disadvantage and increases the risk of social unrest.

World Economic Outlook, October 2021 %
(2021/2022 — Projections)



Most recent growth projections by region, % (2021/2022 — Projections)



¹World Economic Outlook, International Monetary Fund, October 2021.



Russian economy

Russia leans on a solid economic foundation laid over the previous years. Modern Russia is a developing country classified by the World Bank into the upper middle income bracket, meaning the country's catch-up potential is practically exhausted.

The new COVID-19 pandemic has exacerbated the existing global economic problems and created new challenges, the main ones being risks to global macro stability, opaque post-pandemic demand landscape and business environment, technological challenges, growing trend towards economic regionalisation, and climate agenda. All of this increases the level of uncertainty for the Russian economy.

Hence, the second objective, on top of ensuring target growth rates, is to increase the economy's resilience to external shocks and make it more adaptable to change.

Russian Ministry of Economic Development reports¹ that the nation's economy continued to recover in 2021. According to the report, in Q2 2021 the country's GDP climbed back to pre-pandemic levels. In July 2021, it increased by 4.7% year-on-year (by 0.4% vs July 2019), in Q2 2021 – by 10.5% year-on-year (by 1.9% vs Q2 2019), and between January and July 2021 – by 4.8% year-on-year (by 1.1% vs the corresponding period of 2019). GDP growth in 2021 is estimated at 4.2%.

The output of key non-commodity sectors (manufacturing, agriculture and construction industries) significantly exceeds pre-pandemic levels (by 4.5% on average in July and by 5% in June according to estimations). At the same time, the mining output still lags behind pre-COVID levels by over 2% under the OPEC+ deal.

4.2%
GDP growth in 2021 in Russia

¹ Forecast of Social and Economic Development of the Russian Federation for 2022 and the Target Period of 2023 and 2024, Ministry of Economic Development of Russia, September 2021.

Global fertilizer demand

According to the International Fertilizer Industry Association (IFA)¹, global fertilizer consumption in 2020/21 stood at 203.8 mt nutrient, which is almost 12 mt (6.3%) more than in 2019/20. This is the biggest annual increase in mineral fertilizer consumption since 2009/10. The demand for nitrogen-based fertilizers, which account for more than half of global fertilizer consumption, increased by 5.0% (+5.5 mt) to 113.7 mt of N, while the demand for phosphate-based fertilizers grew by 6.8% (+3.1 mt), reaching 49.7 mt of P₂O₅. The demand for potash fertilizers went up by 9.1% (+3.4 mt) to 40.4 mt of K₂O.

Significant growth in fertilizer consumption in 2020/21 is explained by a combination of several factors: surging prices for major crops, a good fertilizer/crop price ratio (fertilizer affordability), favourable weather conditions in key markets, and stronger government support for agriculture.

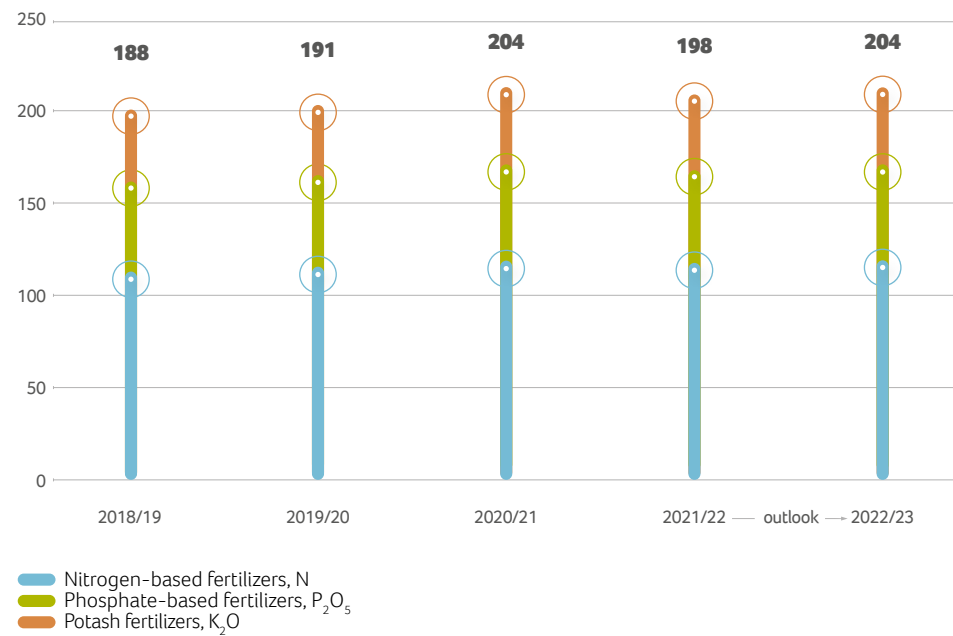
» Global crop prices enjoyed substantial growth in 2H 2020, underpinned in part by the growing demand for forage crops, which itself was partially caused by the recovery of hog production in China after the swine flu epidemic in 2018–2019. The United States Department of Agriculture reports a 3% and 4% global acreage expansion for grain and soy respectively in the 2020/21 crop year.

» The weather conditions were favourable in key consumer markets, including India, China, Australia and South Africa. Western and Central Europe also enjoyed a spell of fine weather, which had significantly improved since the poor vegetation period of winter wheat planted in late 2019.

+15%

Growth of demand for fertilizers in Latin America

Global fertilizer consumption estimates, mt nutrient



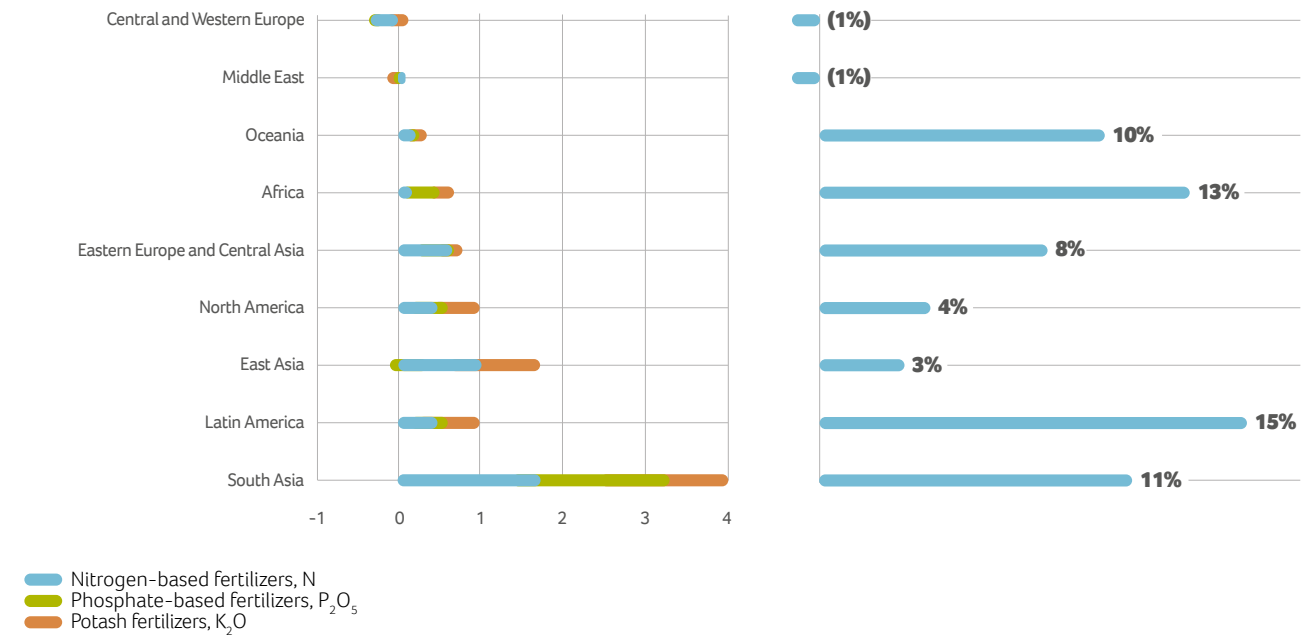
» COVID-related restrictions and mitigation measures introduced across the globe had a limited effect on sales, logistics, and supplies of fertilizers to farmers. In fact, stronger government support for agriculture amid the pandemic has boosted the demand for fertilizers in certain countries, even despite numerous and ever-shifting sanitary measures taking their toll on the fertilizer industry in terms of supply, transportation and delivery to farmers.

Unofficial data suggests that some farmers purchased fertilizers in advance in 2020, anticipating possible supply disruptions or further currency weakening.

Regionally, South Asia and Latin America accounted for nearly two thirds of the growth in fertilizer consumption in 2020/21, owing mostly to India and Brazil. The demand in Africa, Oceania, Eastern Europe and Central Asia also increased significantly. Relatively low growth rates in fertilizer consumption could only be observed in the Middle East and some parts of Europe. In relative terms, the 2020/21 demand grew particularly fast in four regions: Latin America (+15%), Africa (+13%), South Asia (+11%) and Oceania (+10%).

According to preliminary IFA estimates, global fertilizer demand could decline by 3% (or by 5.5 mt nutrient) to 198.2 mt nutrient in 2021/22. In 2022/23, fertilizer consumption is expected to rebound to 204 mt nutrient, which should balance out the market and ensure a favourable pricing environment for both fertilizer and crop markets.

Changes in demand geography in 2020/21 compared to the previous season, mt nutrient



Global fertilizer supply

In 2021, the supply of fertilizers was rather erratic due to affordability issues caused by disruptions and high raw material prices. This prompted some countries, including China, Egypt, Turkey and Russia, to intensify their self-sufficiency efforts and impose trade restrictions on fertilizer exports in the second half of the year as a means to safeguard supply for the domestic market and avoid possible shortages.

Key fertilizer markets experienced some supply disruptions in 2021. The output of major types of fertilizers – urea, ammonium phosphate and potassium chloride – was lower than in 2020, according to preliminary IFA estimates. Various supply disruptions seen in different regions across all major product groups have resulted in fertilizer prices rapidly growing over the past six months.

The disruptions could be classified into three main categories: physical, economic and geopolitical.

» Physical disruptions hindered the production of nitrogen- and phosphate-based fertilizers in the US. In the late summer, a series of intense hurricanes caused temporary downtime at fertilizer plants in the Gulf of Mexico, halting the production of nitrogen- and phosphate-based products for several weeks.

» Economic headwinds affect the production of nitrogen-based fertilizers in Europe. Shortages in the energy market led to a steep rise in prices, with Europe facing a particularly difficult situation as prices there reached an all-time high in 2H 2021. Compared to the average annual European gas price in 2020, which stood at USD 3.2 / MMBtu, regional costs of natural gas production have risen exponentially, often exceeding USD 30–35 / MMBtu throughout Q4 2021. Nitrogen fertilizer production costs have also risen rapidly in China, which relies on coal as the key feedstock. Manufacturers in both parts of the world were forced to limit production for economic

reasons. For nitrogen-based fertilizers, the cost of the energy-intensive production has had a direct impact on the market. Other fertilizer markets have also become increasingly affected by energy-related headwinds: the production of phosphate-based fertilizers, for example, relies on energy-derived products – ammonia and sulphur – as raw materials.

» Geopolitical tensions also took their toll on the fertilizer market in 2021, with economic sanctions imposed against Belarus being the most significant factor. In June 2021, the EU implemented sanctions against certain industries of the Belarusian economy, namely the oil, tobacco and potash sectors. The US joined in with even more crippling sanctions that pose an additional threat to supplies of Belarusian potash, especially if they restrict the ability to accept USD-denominated payments from other countries. Any escalation of sanctions could jeopardise global supplies of potash fertilizers and food security as a result.

¹ Short-Term Fertilizer Outlook 2021–2022 Market Intelligence Service, IFA Secretariat, IFA Strategic Forum, November 2021.

Phosphate rock and phosphate-based fertilizer market

According to IFA's preliminary estimates, global production of phosphate rock in 2021 stood at 211 mt, which is 4 mt or 2% more than in 2020. The growth was mainly associated with a favourable environment in the markets for phosphate-based fertilizers and other phosphate products, as well as with the recovery of China's phosphate industry from COVID-related restrictions imposed in 2020. North African countries (Morocco, Algeria and Egypt) have also ramped up their production.

Exports of phosphate rock totalled roughly 31.5 mt in 2021, up 1.0 mt from 2020, primarily due to rising demand for phosphate rock with low P₂O₅ content from Asian markets (India and Southeast Asia).

Pricing in the phosphate rock market was influenced by shifts in global prices for end products (phosphate-based fertilizers), with

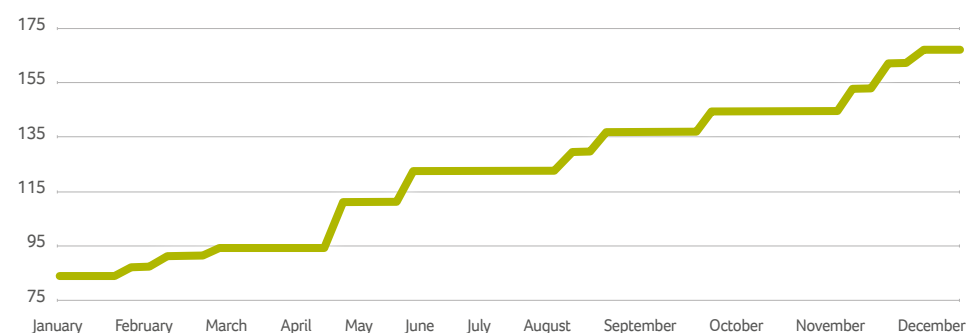
the usual time lag associated with contract pricing in the majority of consumption markets.

In 2021, global production of phosphoric acid increased by roughly 300 kt to 47.0 mt of P₂O₅, which is also explained by China recovering from production disruptions caused by the pandemic in 2020. The ramp-up in Chinese production has partially offset declines in North America and some Asian countries.

211_{mt}

global production of phosphate rock in 2021

Phosphate rock prices, FOB Morocco (32% P₂O₅), USD/t



47.0_{mt}

of P₂O₅ global production of phosphoric acid

Preliminary data suggests that the global output of compound fertilizers (DAP/ MAP) in 2021 totalled 62.2 mt, roughly the same as in 2020. Higher DAP/MAP output in China and Russia was negated by the decline in North Africa and North America due to process-related stoppages. In 2021,

62.2_{mt}

global output of compound fertilizers (DAP/MAP) in 2021

global production of complex NPK fertilizers increased by roughly 2.0 mt (to 98.1 mt) primarily on the back of production recovery in China, which also offset lower numbers in Europe in the second half of the year.



Global trade in DAP/MAP in 2021 was 31.7 mt, up 0.8 mt vs 2020, driven by rapid import growth rates in North and Latin America markets, particularly in 1H 2021, as well as by favourable conditions in agricultural markets. In 2021, global DAP trade shed some 0.4 mt, mostly due to lower import demand in India partially caused by insufficient subsidies on phosphate-based fertilizer imports. Exports of NPK fertilizers remained roughly flat at around 18.5 mt.

Global prices for compound and complex phosphate-based fertilizers were driven by outpacing demand growth in key consumption markets, particularly in 1H 2021. The restrictions on exports of fertilizers in China to promote domestic growth, combined with a sharp increase in global energy prices, helped keep global prices for fertilizers high in 2H 2021.

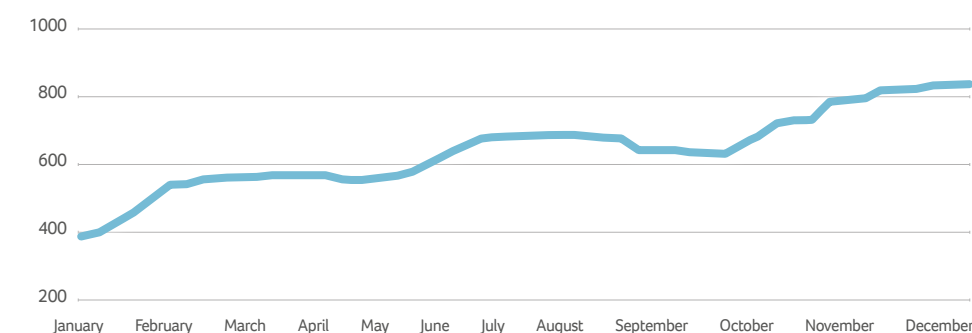
18.5_{mt}

Global trade in NPK fertilizers

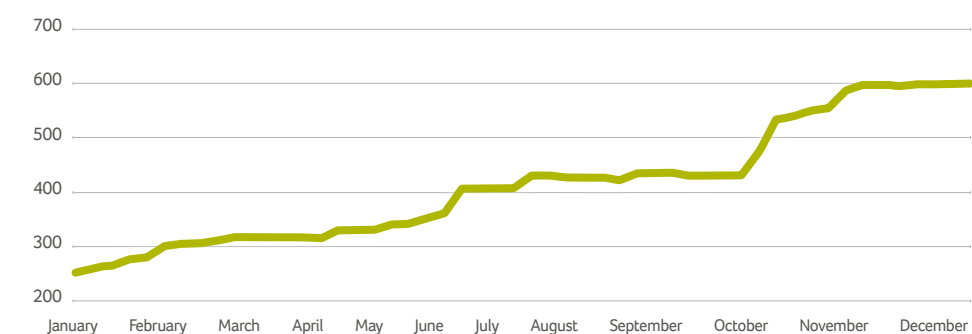
31.7_{mt}

Global trade in DAP/MAP in 2021

Global DAP/MAP prices in 2021, FOB Baltic, USD/t



Global NPK prices (15-15-15), FOB Baltic in 2021, USD/t



Ammonia and urea market

Preliminary estimates suggest that global ammonia production shrank to 180 mt in 2021, down 3% year-on-year, due to disruptions in production and supply caused by technical reasons in the first half of the year and higher global energy prices, particularly in the natural gas market in Europe and Asia and the coal market in China.

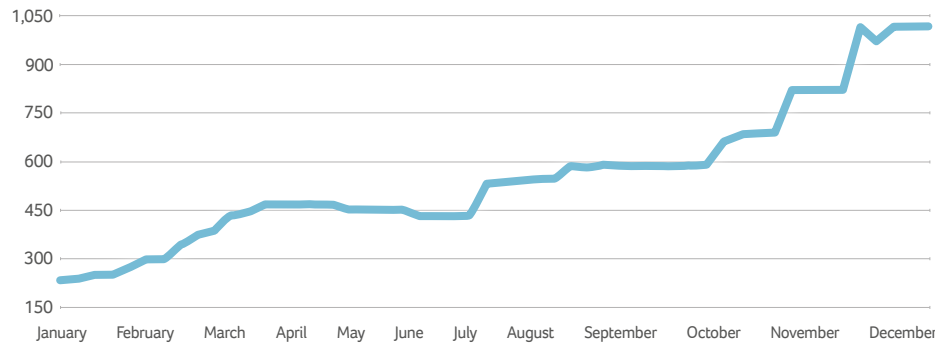
Merchant ammonia trade, which is largely influenced by industrial consumption, is expected to recover to nearly 19 mt in 2021, nevertheless falling short of the previous peak in 2018 (20 mt). This is associated with import demand recovering in the US, India, Southeast Asia and Europe, especially in the second half of the year following a decline in domestic production due to a surge in natural gas prices. Greater import demand for merchant ammonia was mostly being offset by increased supply from Algeria, Indonesia and Russia, despite lower exports from the Middle East. Merchant ammonia prices were largely determined by an unbalanced supply/demand landscape and a significant increase in global natural gas prices.

The global urea market also exhibited a downward trend. In 2021, global urea production stood at around 171 mt, almost 4.0 mt down vs 2020, driven by production cuts in China, Europe and several Asian countries going through a record-high growth of energy prices and subsequent reduction in capacity utilisation.

Global urea trade volumes also declined by around 2.0 mt mainly because of lower import demand from India, despite other major import markets (Europe, North and South America) increasing their imports due to cuts in domestic production and other factors.

Global urea prices were driven both by seasonal changes in the demand landscape in the first half of the year and by record-high price spikes in the second half caused by high energy prices and restrictions on urea exports in China to ensure domestic supply.

Ammonia prices in 2021, FOB Baltic, USD/t



180_{mt}

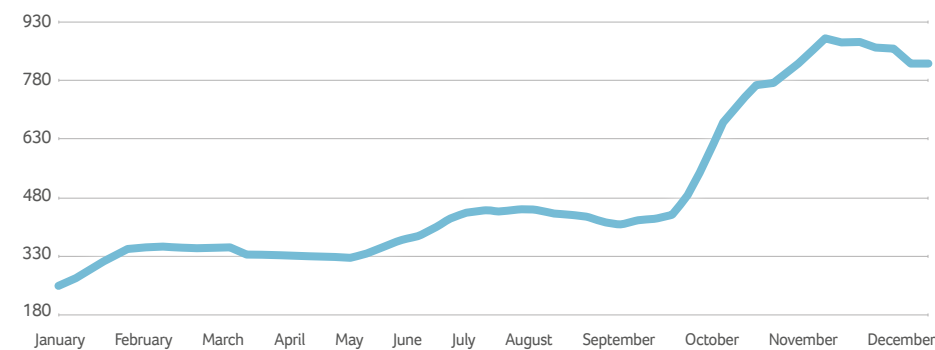
global ammonia production in 2021

171_{mt}

global urea production in 2021



Urea prices in 2021, FOB Baltic, USD/t



Potash fertilizer market

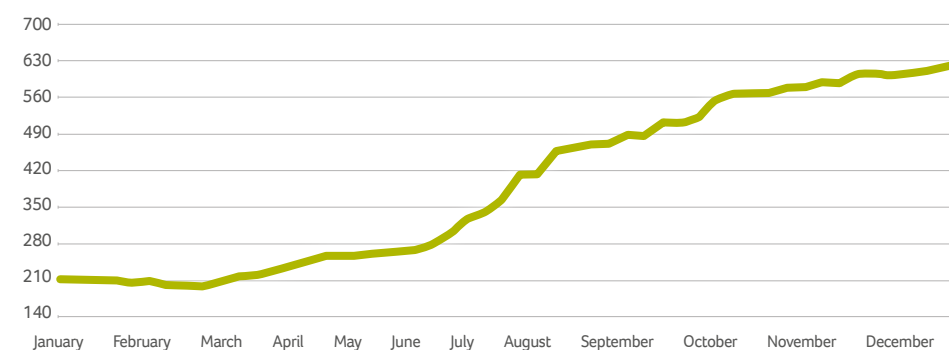
The potash market is an exception to the downward supply trend of 2021. According to preliminary estimates, global potash production stood at around 69 mt, almost 2.0 mt more than in 2020, mainly due to a ramp-up in production in Russia and Belarus. Global trade volumes for potassium chloride also increased on the back of outpacing growth of import demand in North and South America as well as in Southeast Asia. At the same time, the sanctions imposed against Belarus, which accounts for almost 20%

of global potassium chloride exports, pose a significant threat to the potash fertilizer market going forward and have already played a major part in the spike of potash fertilizer prices in 2021.

69_{mt}

global potash production in 2021

MOP prices, FOB Baltic, USD/t



The Company's Role in the Industry



World's N°1
producer of high-quality phosphate rock (P₂O₅ content at 39% and above)



Top-5
global producer of DAP/MAP by capacity



Europe's largest producer of phosphate-based fertilizers¹



N°1
A leading supplier of all types of mineral fertilizers in the Russian market in aggregate terms



N°1
in Europe in terms of urea and mineral fertilizer capacity concentrated at one production facility (Apatit, Cherepovets)

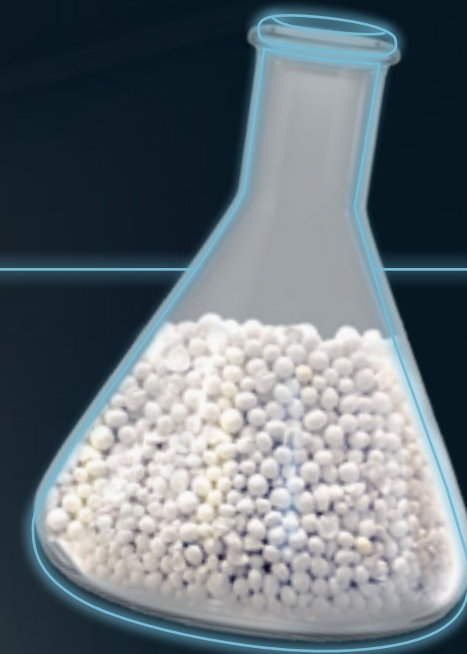


One of the global leaders in production of major types of fertilizers in terms of profitability



The only Russian and one of the leading European producers of monocalcium phosphate feed grade and liquid complex fertilizers

¹ By total production capacity for DAP/MAP/NP/NPK/NPS.



Share of PhosAgro's supplies in the key sales markets (share of DAP/MAP/NPS/NPK supplies in total regional imports, 2021 estimates), %



Global DAP production cost curve, FOB production, kt



Source: CRU Industry Cost Curves 2021

Global urea production cost curve, FOB production, kt



Source: CRU Industry Cost Curves 2021

Strategy

Strategy to 2025

In 2021, PhosAgro continued to make good progress towards the goals of Strategy to 2025 approved by the Company's Board of Directors in 2019. The new strategic cycle envisages construction of high-tech production sites and further ramp-up of agrochemical output. In this context, 2021 marked an important milestone, with production hitting a record high of 10.5 mt. I

Importantly enough, sustainability principles and are deeply integrated in all of the Strategy aspects



ESG agenda

Addressing environmental efficiency, climate issues, energy and resource saving is integral to the Company's Development Strategy. Every addition to our production capacities is designed to employ the best available techniques and operated in strict compliance with the applicable sustainability standards. PhosAgro's framework for assessing promising investment projects is based, among other criteria, on their potential environmental impact. In 2021, we created a methodology for incorporating the carbon price into the system for evaluating the climate impact as a factor in our final investment decisions. This methodology is currently in the process of approval. In 2020, the Board of Directors completed the integration of PhosAgro's climate and environmental agendas into its business strategy by approving Climate and Water strategies that set measurable, achievable targets for minimising the Company's environmental footprint through specific initiatives.

We are committed to making our operations as green and energy-efficient as possible. Based on this approach, in 2021 we re-equipped the aluminium fluoride shop in Cherepovets with a view to maximising the use of waste in production. The project is in line with the principles of circular economy and contributes to UN SDG 12 as regards the sustainable management of chemicals and all wastes throughout their life cycle.

¹ Excluding capitalised repairs.

² Other investment projects: ramp-up of phosphate-based fertilizer capacities in Cherepovets modernisation of Ammonia-3 Plant in Cherepovets with an increase of capacity to 2,350 tpd, retrofitting of MFPU No. 1 to switch to MAP production in Volkhov, increased output of sulphuric acid in Balakovo

Capital investments

A disciplined approach to CAPEX

The minimum project IRR of **20%**

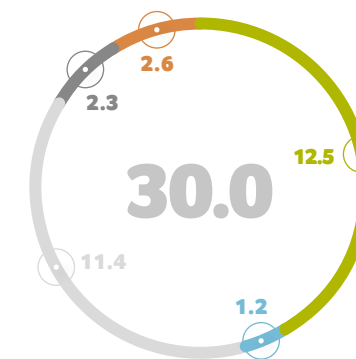
Annual CAPEX budget of up to **50%** of EBITDA

More efficient working capital management

Expenditures¹, RUB bln

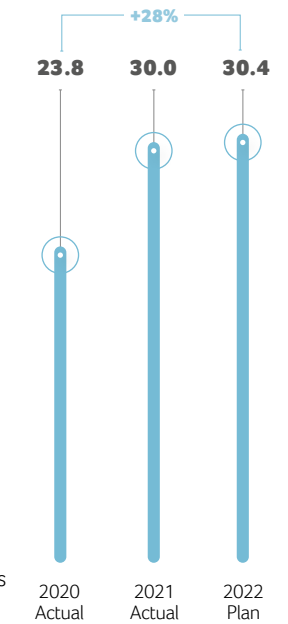
Item	2019 actual	2020 actual	2021 actual	2022 plan
Investment projects	20.8	23.8	30.0	30.4
Maintenance	13.3	10.4	10.8	20.1
Non-industrial construction	1.9	2.1	1.1	2.0
Total	36.0	36.3	41.9	52.5

Financing of key projects in 2021, RUB bln



- Capacity ramp-up programme in Volkhov
- The second stage of development at the Balakovo site
- Development of the ore and raw material base in Kirovsk
- Aluminium fluoride production in Cherepovets
- Other investment projects²

Investments in development, RUB bln



Increasing sales in priority markets

Progress

Expansion of the foothold in premium markets

Sales volume, mt

Russia and the CIS **3.7 / 2.9**

North and South America **3.5 / 3.5**

Europe **3.1 / 2.8**

Number of distribution and logistics centres

35 / 31

Total storage capacity, kt

>650 / 765

Liquid complex fertilizer storage capacity, kt

62 / 66

Higher share of premium fertilizer brands in the sales mix

Share of complex fertilizers (NPK/NPS/PKS) in total output

43% (5 mt) / 35% (3.6 mt)

Boosting logistics efficiency

Progress

Reduction of transportation costs

Increased reliance on own rolling stock
Use of innovative railcar fleet

Alignment of production and sales

Rail infrastructure throughput at key production sites, mt

28.3 / 24.7

Developing port infrastructure

Efficient mix of port capacities in terms of costs and supply reliability, mt

5.6 / 4.5

Operating efficiency and production growth

Progress

Capacity expansion

Production of phosphate rock, mt

11.1 / 10.7

Mineral fertilizer and feed phosphate production, mt

11.6 / 10.3

Phosphate rock processing, mt

8.6 / 7.9

Stronger operating efficiency

Implementation of organisational development projects with an IRR of above

20% in line with the BAT and sustainability criteria

Maintaining high feedstock self-efficiency

Ammonia

76% / 79%

Ammonium sulphate

75% / 55%

Sulphuric acid

91% / 94%

New promising projects

Apart from projects envisaged by the Strategy to 2025, the Company also considers and implements new promising initiatives with a significant business and environmental potential. These projects meet the criteria approved by the Board of Directors as part of the Strategy (IRR above 20%) and aim to promote further development in line with the Company's strategic priorities – progressive production growth, innovative and ESG-compliant products and processes, and operating efficiency.

The second stage of re-equipping the aluminium fluoride shop in Cherepovets

IRR 20%

Project schedule: 2021

Targets: Increase in aluminium fluoride production by 26% (15 kt)

Investments: **2.9** RUB bln

Status: All production facilities were launched in November 2021

Updating the Strategy to 2025 and stating the 2030 vision

The world has changed a great deal since 2019, when we adopted our Strategy to 2025. Today, we are dealing with new risks and witnessing new opportunities. Hence, the need to refine our strategic calculations and plans. We are currently working on an updated version of Strategy to 2025 and further to 2030. It will be made available before the year's end. A special emphasis in the updated strategy will be made on the ESG agenda that has been deeply integrated in all aspects of our activities and has become a key element of PhosAgro's business philosophy.



Increasing sales in priority markets

UN SDG:



SDG 2.4

Expanding sales of eco-efficient mineral fertilizers and developing innovative plant nutrition systems



SDGs 13.1 and 13.2

Producing mineral fertilizers which enhance the quality of soils as natural sinks of CO2 and help reduce GHG emissions and adapt to climate change



SDGs 6.3, 12.4, 15.1

Promoting and raising awareness about best farming practices and developing the service model

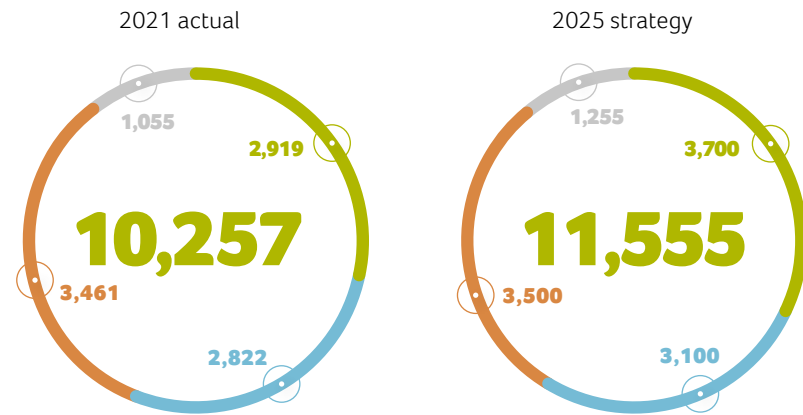
PhosAgro Group is successfully increasing the profitability of its sales by active involvement in the most high-margin markets and through boosting sales of premium mineral fertilizer grades, primarily complex fertilizers

Expansion of the foothold in premium markets

The Company's strategic goal is to increase sales in its priority markets by 2025: up to 3.7 mt in Russia and the CIS, 3.5 mt in North and South America, and 3.1 mt in Europe by strengthening its position as a producer of fertilizers that are free of heavy metals harmful to human health and soils amid toughening of the EU cadmium regulations. We are well on course to achieve this goal, with strong sales in priority markets despite

the introduction of a countervailing duty by the US in 2021. Given the unique eco-efficiency of our products, we are optimistic about reaching our Strategy to 2025 goals with respect to the Company's sales in the European market. The sales breakdown of premium markets is generally in line with our strategy, with minor differences attributable to changes in the market environment and the netback-driven sales model.

PhosAgro fertilizer and feed phosphates structure in premium markets, kt



43%

Share of complex fertilizers 2025 strategy

From 2018 to 2021, a total of over RUB 2.5 bln was invested in the development of the Russian regional network. In 2021, the network's total storage capacity exceeded 765 kt, including 66 kt for liquid mineral fertilizers (a new record for Russia). The number of distribution and logistics centres rose to 31.

35%

Share of complex fertilizers 2021 actual

In 2022, PhosAgro Group will focus on further expanding its distribution network, and developing existing and launching new logistics centres in the regions with the greatest agricultural growth potential.



Progress towards our targets

The ongoing expansion of storage and logistics capacities in Russia is in line with our strategy

Indicator	2021	Goal 2025
Distribution and logistics centre (DLC), kt	31	35
Storage capacity, kt	765	>650
Liquid complex fertilizer storage capacity, kt	66	62

Higher share of premium fertilizer brands in the sales mix

In 2021, the share of complex fertilizers in production and sales saw a slight year-on-year decrease. This is due to the strong growth in Europe and Latin America, markets that traditionally consume large volumes of dual fertilizer grades. As a result, monoammonium phosphate and diammonium phosphate had the highest margins in the reporting year. We expect this positive trend to continue in 2022.

Change in the product structure of the premium segment, kt

Fertilizer grades	2021 actual	2025 strategy
Urea / AN / AS	2,495	2,620
MCP	405	472
APP	206	213
NPK/PK/PKS	3,586	4,980
MAP/DAP	3,565	3,270
Total	10,257	11,555
Share of complex fertilizers, %	35	43

Innovative products developed by PhosAgro Group

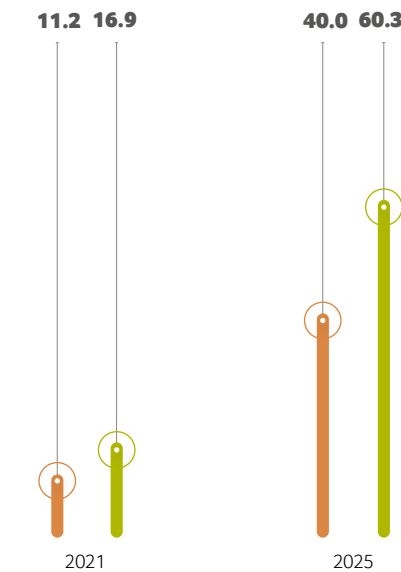
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Sales of fertilizers produced over the last five years (2017–2021) amounted to RUB 71 bln, or 17% of total revenue. Strong R&D capabilities of NIUIF and PhosAgro Group Engineering Centre and the flexibility of production capacities achieved through a fundamental overhaul in recent years, allow the Company to deliver a high share

1,691.1 kt

Production of fertilizers with micronutrients in 2021

Urea with urease inhibitor



Legend:
■ Urea with urease inhibitor, kt
■ Emission reduction in CO₂ equivalent, kt

of new grades. All of these give PhosAgro a competitive edge and help the Company meet the growing demand for the specific grades that are best suited to certain crops, soils, and farming practices.

Fertilizers with micronutrients

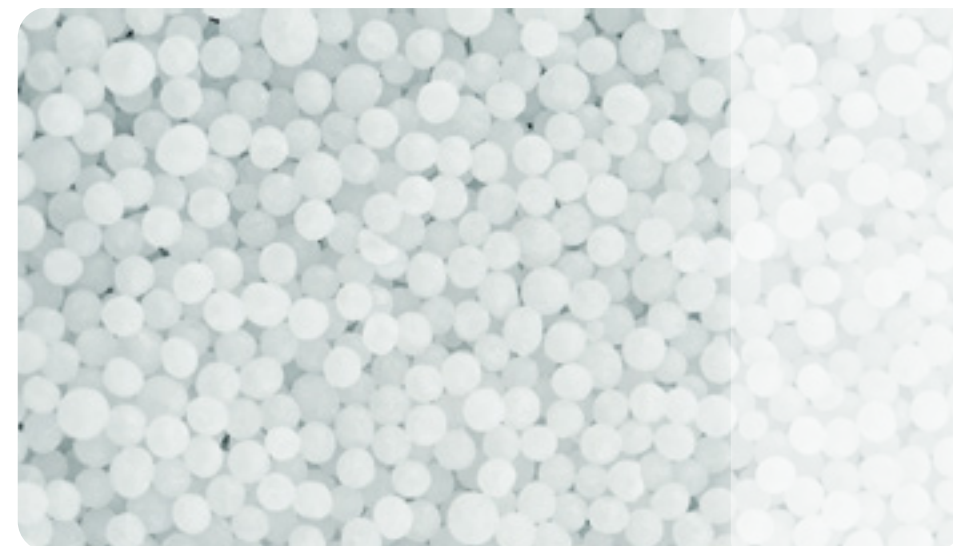
Fertilizers with micronutrients can be accumulated by plants and are considered one of the most potent ways to combat malnutrition and reduce nutrient deficiencies. In recent years, PhosAgro Group has been aggressively ramping up its production of this promising type of mineral fertilizers.

Urea with urease inhibitor

Tighter environmental regulations in the EU are shaping a new market for eco-efficient fertilizers, such as urea with urease inhibitor. The effects of use include an up to 98% reduction in gaseous losses of nitrogen and a 5% boost in crop yields as urea remains in effect in the soil for extra 7–14 days, thus extending the period of incorporation or

RUB 71 bln¹

Sales of fertilizers developed by PhosAgro for the last five years



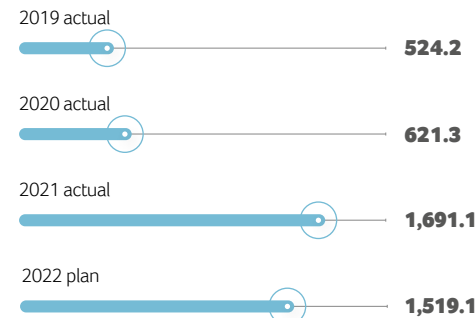
irrigation. The Company started producing this innovative high-performance fertilizer in 2020 and expect a strong demand in the coming years.

Biological and biomineral fertilizers

PhosAgro's Innovation Centre also focuses on developing biostimulants and biomineral fertilizers as part of the Green One for eco-friendly agricultural products.

Work is ongoing to create special biological and biomineral fertilizers. Biotechnology advances are set to greatly boost crop yields without damaging ecosystems and bring the agriculture to a whole new level of development. Given the limited soil resources and the strong population growth, biotechnology is key to achieving the global food security.

Fertilizers with micronutrients, kt



PhosAgro Group's digital ecosystem

In 2021, the target audience had over 4.5 million interactions with PhosAgro's digital ecosystem (+57% year-on-year). Late last year, the number of active users of PhosAgro's digital services exceeded 13,500.

There are 600 active personal accounts registered with the Russia/CIS online trading platform (each user makes 1.2 orders annually on average) and

1,164 active users of the AgroResult app (each user makes 2.5 settlements monthly on average).

Pro Agro, the Company's YouTube channel, has 11,820 subscribers.

In 2021, we added six languages to our website (the total number was 14 as at the end of 2021). The Field Trials section on our website became an important element of communication with our customers in the domestic market.

In 2021, the number of visits to the Russia/CIS platform that converted to requests rose from 2.4% to 3%, while the number of online requests to purchase fertilizers amounted to 1,678 (up 99% year-on-year).

To further improve our Agro Calculator, we introduced recommendations in 2021 for seasonal nutrition systems covering four crops (sugar beet, corn, soybean, and rapeseed).

In its second season, our YouTube channel featured twelve playlists, individual thematic videos, and blogger endorsements. User statistics (almost 12,000 subscribers and over 5.4 million views) show that, in 18 months, we were able to create a popular agronomic YouTube channel highlighting PhosAgro's expertise in plant nutrition systems.

Consultancy
Agronomic YouTube channel

Fertilizer ordering
Agro Calculator / monitoring and scouting

Information
Website available in ten languages

Service and support
Online fertilizer sales platform
Farmer's personal account

¹ Due to accounting features, the revenue shown in the table does not take into account the margin of traders included in the PhosAgro Group.

Boosting logistics efficiency

UN SDG:



SDG 9.1

Developing rail infrastructure and contributing to the development of local communities through our value chain

Enhancing port network, along with offering employment opportunities, developing infrastructure and implementing social investment programmes



SDG 12.4

Managing chemicals and wastes wisely throughout their life cycle, including transportation



Without reliable, flexible, and cost-efficient logistics, it is impossible to ramp up supplies to premium markets to any tangible extent and maintain sales margins. Our key logistics efforts focus on cutting transportation costs, ensuring alignment of production and sales, and developing port infrastructure.

Reduction of transportation costs

Rail transport accounts for the most part of PhosAgro Group's domestic shipments (ca. 99%). In 2021, transportation volumes totalled 23.1 mt, up 3% against 2020. Rail shipments are also subject to key measures aimed at reducing transportation costs. Ensuring a reliable and secure supply is a top priority for us.

In 2019–2021, we significantly increased reliance on our own rolling stock, buying mostly innovative railcars with a higher capacity and longer run life. Increased reliance on PhosAgro's own rolling stock means:

- » higher cost efficiency, as corporate railcars are cheaper in use than third-party rolling stock;
- » enhanced safety of operation and more reliable supplies, as PhosAgro's production and logistics processes are less dependent on third-party services;
- » positive environmental effect, as the use of innovative rolling stock with higher cargo tonnage per railcar and train reduces the impact on the environment per tonne of cargo.

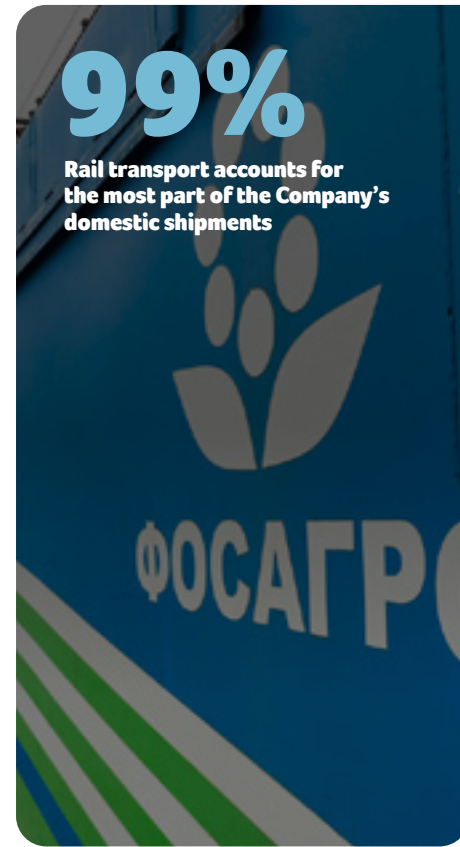
Given these results, we are considering further purchases of railcars. For example, the Company has already decided to acquire 1,000 extra mineral hoppers between 2022 and 2024.

Alignment of production and sales

Rail infrastructure throughput capacity at the Company's fertilizer hubs is critical to efficient transportation. Thanks to our investment programmes, we have been able to expand throughput capacity to or above target levels over the last three years.

Cherepovets

As the Kryolite station has come on stream, long trains (71 railcars vs the standard 56)

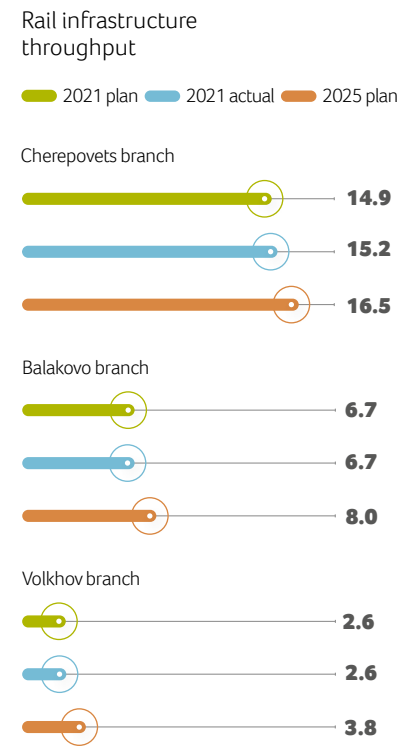


Other efforts to cut logistics costs in 2021:

- » signing a long-term (until 2024) service agreement;
- » securing tariff preferences for the shipment of liquid sulphur and sulphuric acid;
- » reducing the rates for using third-party rolling stock, outsourcing shunting services.

now run along the Apatity–Cherepovets–Ust-Luga–Apatity loop. With this loop, created under an ambitious joint project with Russian Railways, long trains account for 65% of PhosAgro Group's transportation volumes. The decision to electrify the Kryolite station during its construction enabled PhosAgro to spare diesel locomotives, resulting in a positive economic and environmental effect. The project came to an end in late 2021, with the station operating as planned.

Performance against targets, mtpa



Volkhov

In 2022, we plan to expand the Volkhov production site's rail infrastructure throughput capacity to 3.6 mtpa from 2.64 mtpa as at the end of 2021. The project is on schedule, with the first stage already completed. Apatit and Russian Railways agreed on a deal to co-finance the development of public infrastructure as part of the second stage. In line with the arrangement, 70% of the investment will be made by Russian Railways and 30% by Apatit.

Developing port infrastructure

In addition to developing logistics and sales infrastructure across Russia, our priority market, we are working to increase the reliability and efficiency of our exports by both reducing transportation costs and providing state-of-the-art transshipment capacities.

Our strategic aim is to develop and maintain a balanced port sales network in terms of costs and reliability with a capacity of at least 5.6 mtpa. To achieve this aim, in 2021 the Company signed a number of transshipment contracts covering 4.5 mtpa of fertilizers effective through 2024. As of today, our overall capacities reach 6.5 mtpa (expandable to 8.5 mtpa in case of robust export growth).

PhosAgro is a strong contributor to the project that will see the erection of Ultramar Terminal in Vistino, Leningrad region. In the long term, these ports will be active in addition to the major ports currently

Balakovo

In 2021, an upgrade in Balakovo prompted us to start planning the development of infrastructure that would facilitate shipments of a new feedstock and allow for increased transportation of finished products. By 2025, we expect to ramp up rail infrastructure throughput capacity at the Balakovo branch to 8 mtpa vs 6.7 mtpa as at the end of 2021.

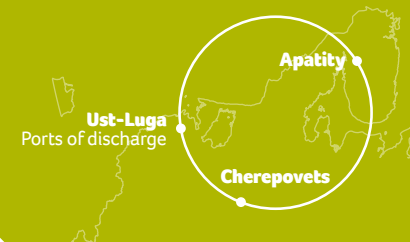
in operation: European Sulphur Terminal in the Baltic Sea and Murmansk Bulk Terminal in the Barents Sea. Kotka Terminal (Finland) to be put into operation for transshipment of premium fertilizer brands.

The new transshipment destinations enable the Company to optimise empty runs and come closer to achieving even more ambitious goals of increasing the train carrying capacity. The joint project between PhosAgro Group and Russian Railways provides for both companies' infrastructure upgrades and aims to start operating 100-car trains on the Apatity–Cherepovets–Ust-Luga–Apatity loop as early as in 2023. If successful, this project will make transportation of phosphate rock and mineral fertilizers much more efficient, both economically and environmentally. Key to this endeavour has been the already launched Kryolite station in Cherepovets designed to service 100-car trains.

Switching to long trains (100 railcars in length)

- 2020** Kryolite station launched (Apatit)
- 2022** Port infrastructure improvement in Vistino with the Northern park to be launched (phase 2)
- 2023** Revamp of the Aykuven railway station (Kirovsk Branch of Apatit)

- 1) Higher traffic speed
- 2) Quicker railcar turnaround
- 3) Environmental effect



Operating efficiency and production growth

UN SDG:



SDG 8.3

Maintaining and developing existing operations and creating innovative facilities



SDG 12.4

Making eco-efficient products in line with sustainability requirements and maximising the use of production waste in further processes

Capacity expansion

Despite short-term volatility concerns, mineral fertilizer demand is set to demonstrate solid growth in the long term. In order to respond to stronger demand, PhosAgro focuses on expanding capacities to produce its key products.

Progress towards our targets

Feedstock self-efficiency, %

Indicators	2021 strategy	2021 actual	2025 strategy
Ammonia	84%	79%	76%
Production, mt	1.9	1.9	1.9
Consumption, mt	2.3	2.5	2.5
Sulphuric acid	95%	94%	91%
Production, mt	7.4	7.4	7.8
Consumption, mt	7.8	7.8	8.6
Ammonium sulphate	47%	55%	75%
Production, mt	0.3	0.3	0.7
Consumption, mt	0.6	0.5	0.9

Progress towards our targets, mt

Indicators	2021 strategy	2021 actual	2025 strategy
Production of nitrogen-based fertilizers	2.2	2.4	2.6
Production of phosphate-based fertilizers and MCP	7.7	7.9	8.9
Production of phosphate rock	10.5	10.7	11.1
In-house processing of phosphate rock	7.9	8.0	8.4

7.9_{mt}

Production of phosphate-based fertilizers and MCP in 2021

Higher self-sufficiency in feedstock

Strong vertical integration is PhosAgro's major competitive advantage. With our phosphate rock reserves covering 100% of the Company's needs for raw materials required for phosphate-based mineral fertilizers, we are ramping up the production of other key commodities, thus increasing our self-efficiency in feedstock.

2.4_{mt}

Production of nitrogen-based fertilizers in 2021

Stripping and mine development preparations: +10 m at the Kirovsky mine
First start-up facility

IRR of **27%**

Project schedule: 2022

Targets: Ore reserves 95 mt

Investments: RUB **36** bln

Status: First ore mined in February 2022

Development of the Volkhov branch

IRR of **20%**

Project schedule: 2021

Targets: Fertilizer output increase by 881 kt

Investments: RUB **30.7** bln

Status: General scope of work to switch production units No. 2 and 3 to MAP completed. For the third stage (production of water-soluble MAP), launch is scheduled for December 2022

Capacity ramp-up of the SK-20 sulphuric acid unit to 3.3 kt per day (Balakovo)

IRR of **27%**

Project schedule: 2023

Targets: Monohydrate output increase by 350 kt

Investments: RUB **3.2** bln

Status: Earthwork completed. Design documentation development in progress, tender procedures and equipment procurement underway

Capacity ramp-up of the Am-3 unit to 107%

IRR of **20%**

Project schedule: 2022

Targets: Output increase by 53 kt

Investments: RUB **1** bln, including technology costs

Status: Works to replace the CO₂ gas recovery system packed bed and catalyst reloading completed. Bottlenecking soon to be completed. Production launch scheduled for April 2022

Operating efficiency improvements

At PhosAgro Group, we are implementing a whole range of projects and initiatives to improve our technologies and organisational approaches to optimise production processes. All of these projects meet the threshold 20%+ IRR requirement and criteria of best available technologies and sustainability. Some of the initiatives include:

Underground mining control (second stage completed in 2021)

- » Ore output at the combined Kirovsky mine increased by 10%.
- » Production capacity of underground loaders at the Kirovsky and Rasvumchorrsky mines increased by 15%.
- » Unique reporting system introduced, including e-reports, equipment performance reports, monitoring reports, and calibration reports.

Digital twin in transport logistics (in progress)

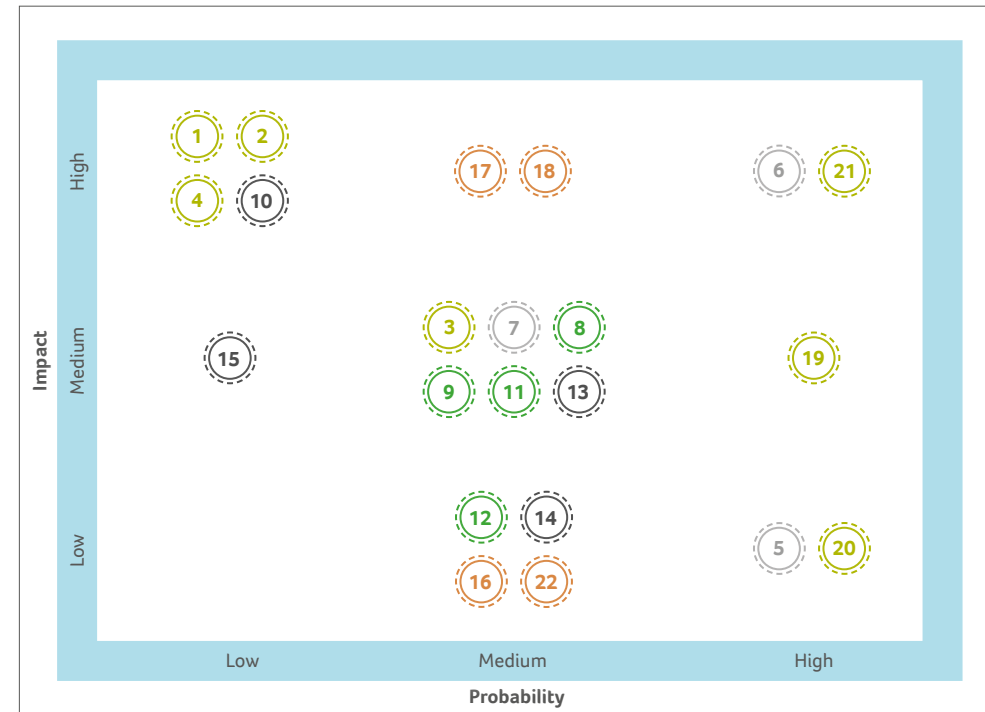
- » Development of five-year target model concept for transport logistics management.
- » Reduction of costs associated with transporting feedstock and finished products.
- » Improvement of railcar turnaround by one day.
- » Improvement of transportation efficiency by using various modes of transport (rail, road, river, and sea).
- » Better transportation management.

Strategic Risks

Robust risk management

is a sine qua non for PhosAgro to achieve its strategic goals and sustainable development. We continuously develop and improve our risk management framework, which enables us to identify external and internal risks in a timely manner and develop effective mitigants.

Key risks associated with PhosAgro's activities



List of key risks for 2021

Strategic risk

- 1 Strategic planning risk
- 2 Failure to deliver on SDGs
- 3 Social risk
- 4 HR risk
- 19 Climate risk
- 20 Infectious disease risk
- 21 Sanctions risk

Production risk

- 5 Production risk
- 6 Health and safety risk
- 7 Environmental risk

Financial risk

- 16 Credit risk
- 17 Currency risk
- 18 Commodity risk
- 22 Interest rate risk

Operational risk






- 8 Project risk
- 9 Business processes and systems risk
- 11 Information security risk
- 12 Economic security risk




Regulatory risk





- 10 Tax risk
- 13 Regulatory risk
- 14 Corruption risk
- 15 Reputational risk




Material strategic risks




Risk	Description	Risk mitigants	Key indicators / risks materialised / changes in the risk
Strategic planning 1	Risk associated with the adoption of an incorrect strategic decision and ensuing management decisions, resulting from an erroneous assessment of internal and external factors that have an impact on the Company's prospects for development and its ability to achieve strategic objectives.	The Company actively monitors both internal and external factors that could impact the strategy. PhosAgro also takes a systematic approach to assessing the potential costs and benefits of new strategic projects to facilitate and improve the decision-making process. In 2021, PhosAgro started updating its strategy to 2030 to reflect the latest changes in the external and internal environments.	Downside deviations of actual strategic performance from targets No material risk events occurred. The update of the Company's strategy helps mitigate this risk. Change in the risk: ↓
Failure to deliver on ESG and sustainable development goals 2	Risk factors include failure to set ESG targets and Sustainable Development Goals (SDGs) or update them in a timely manner, as well as the lack of resources and processes necessary to achieve these targets and goals.	The Board of Directors' Sustainable Development Committee helped set and prioritise SDGs and strategic ESG targets. To achieve the same, PhosAgro developed and is successfully implementing the low-carbon transition plan, the Climate Strategy, the Water Strategy, the Energy Efficiency Programme, and other initiatives. Significant work done in this area has enabled the Company to materially improve its ratings and become a leader in ESG. <i>For more information on the Company's activities and indicators in this area, see page 22</i>	Downside deviations of actual ESG and SDG performance from targets. No material risk events occurred. Change in the risk: —
Social 3	Risk of an adverse social environment in the regions of operation	With its commitment to the principles of partnership and cooperation between private business and the government, the Company runs a number of social programmes on a proactive basis. Social projects are designed, among other things, to support local authorities in promoting sports and culture, and enhancing the public utilities and opportunities for growth in the cities where the Company operates. Sustainable development in the regions of operation is one of the key goals the Company pursues in its community activities. <i>For more information on the Company's activities in this area see the Contributing to Local Communities section on page 190</i>	Downside deviations of actual ESG performance (social dimension) from targets. No material risk events occurred. Change in the risk: —




Risk	Description	Risk mitigants	Key indicators / risks materialised / changes in the risk
HR 	Developments and decisions related to the hiring, development and retention of employees	<p>PhosAgro Group runs independent and joint programmes seeking to attract young talents, including those from other regions, develop employees' skills and enhance employee motivation as a way to improve retention and efficiency rates. Given the rising number of employees working from home, PhosAgro Group has introduced an online personnel appraisal system along with additional qualification criteria.</p> <p> For more information on the Company's activities in this area, see the People Development section on page 122</p>	<p>Personnel turnover and skill mismatch</p> <p>No material risk events occurred. The ongoing correction in the labour market contributes to higher exposure to this risk.</p> <p>Change in the risk: ↑</p>
Production 	Technical/industrial disruptors of production processes, unscheduled equipment downtime	<p>PhosAgro Group seeks to ensure uninterrupted operation of machinery and reduce unscheduled equipment downtime. To that end, the Company invests in the construction and upgrade of equipment and carries out preventative maintenance and major overhauls by relying on backup equipment and a reserve pool of components, accessories and spare parts.</p> <p>PhosAgro Group's insurance programme covers the risk of production disruptions.</p>	<p>Unscheduled equipment downtime</p> <p>No material risk events occurred.</p> <p>Change in the risk: —</p>
Health and safety risk 	Risk associated with injuries, occupational illnesses, accidents and incidents at production facilities, and non-compliance with statutory requirements in the realm of health and safety.	<p>PhosAgro Group enforces health and safety in workplaces in line with applicable laws and best global practices. To that end, the Company trains staff in health and safety and regularly checks their knowledge, promotes safety culture, and makes sure that all contractors adhere to the health and safety standards. In addition, safety audits and inspections ensure compliance with applicable regulations and OHSAS 18001 requirements. Tasks and measures to reduce the corresponding risks in various PhosAgro Group's activities are defined in its health and safety documents.</p> <p> For more information on the Company's indicators in this area, see the Health and Safety Review section on page 138</p>	<p>Workplace injuries and other incidents</p> <p>2021 saw some risks materialise in terms of workplace injuries. The Company carefully investigated each accident, with remedial action plans developed to prevent their recurrence.</p> <p>Change in the risk: —</p>

Risk	Description	Risk mitigants	Key indicators / risks materialised / changes in the risk
Environmental 	Risk of potential environmental damage resulting from the Company's operations	<p>PhosAgro Group has put in place the Environmental Policy, the Water Strategy, and the Code of Conduct for Counterparties setting out key environmental requirements for suppliers and contractors. PhosAgro conducts regular analysis and assessment of its impact on the environment. The environmental impact is mitigated through the upgrade of treatment and warehousing facilities and the implementation of energy efficiency programmes. PhosAgro Group implements projects to address all the main areas of environmental impact (water use, greenhouse gas and other emissions, waste, biodiversity).</p> <p>The Company partners with the UNESCO and the International Union of Pure and Applied Chemistry (IUPAC) to provide research grants as part of the Green Chemistry for Life project seeking to protect the environment and human health through energy efficient processes and eco-efficient technologies based on innovative solutions. PhosAgro's investment projects harness the best available techniques to reduce unit feedstock and energy costs while also cutting unit emissions of regulated substances. The Company discloses its environmental impact minimisation goals and performance in line with applicable laws and as part of global initiatives (CDP, TCFD).</p> <p> For more information on the Company's activities in this area, see the Sustainability Report: Environmental Review section on page 156</p>	<p>Exceeding maximum permissible levels of negative environmental impact.</p> <p>No material risk events occurred Regulators' actions to tighten control over the environmental footprint contribute to higher exposure to this risk.</p> <p>Change in the risk: ↑</p>
Project 	Risk associated with delays and budget overruns in construction and upgrade projects, along with failure to deliver project efficiency targets.	<p>PhosAgro Group strives to adhere to approved project budgets and schedules and to take a unified implementation approach leveraging a variety of project management tools. All projects go through a multi-step review and approval process. For large-scale and strategically important projects, dedicated project management offices are set up. The Company regularly monitors progress against project budgets and deadlines.</p>	<p>Downside deviations of actual project efficiency indicators from targets.</p> <p>No material risk events occurred.</p> <p>Change in the risk: —</p>

Risk	Description	Risk mitigants	Key indicators / risks materialised / changes in the risk
Business processes and systems 	Inefficiency or disruption of the Company's business processes, including risks related to counterparties and supply chain.	<p>PhosAgro seeks to maximise efficiency of all its business processes and systems.</p> <p>Business process efficiency reviews are conducted on a regular basis to identify potential bottlenecks and develop and implement efficiency improvement initiatives. PhosAgro Group strives to minimise the risk of disruptions in supplies of key raw materials to its production facilities.</p> <p>To that end, PhosAgro Group uses multi-stage tender procedures and enters into long-term contracts with its most reliable suppliers. In addition, it continuously works to optimise the logistics infrastructure and ensure sufficient rolling stock. The Company also monitors its IT infrastructure on an ongoing basis and carries out a number of initiatives to mitigate risks associated with business process disruptions caused by technological factors or cyberattacks.</p>	<p>Downside deviations of actual business process indicators (by focus area) from targets.</p> <p>No material risk events occurred.</p> <p>Change in the risk: —</p>
 Tax 	Potential claims lodged by tax authorities in response to the Company's failure to correctly file tax returns or pay taxes in due time	PhosAgro Group complies with tax legislation in the countries where it operates. The Company tracks all changes (including the planned ones) in tax laws, analyses the law enforcement practices, and seeks clarifications from the government on taxes. In addition, law and accountancy experts are engaged to advise on the administration of applicable tax laws. The Company also has a tax monitoring system in place to quickly identify and minimise tax risks in coordination with the Federal Tax Service of Russia.	<p>Tax claims</p> <p>No material risk events occurred.</p> <p>Change in the risk: —</p>
Information security 	Losses incurred on PhosAgro Group's property and assets as a result of unauthorised access to its information systems or disclosure of confidential data	PhosAgro Group implements a number of initiatives to prevent unauthorised access to its information systems and disclosure of confidential data. A wide variety of technical and software solutions, including those based on encryption, are used to control access to information resources and systems. Access rights are granted to specific user groups. There is a clear definition of what constitutes confidential information and how it should be handled. The Company undertakes regular audits to ensure strict compliance with the Company's confidentiality policy. In December 2021, the Company's Board of Directors adopted the Information Security Policy.	<p>Unauthorised disclosure of confidential data, unauthorised access to IT systems.</p> <p>No material risk events occurred.</p> <p>Change in the risk: —</p>

Risk	Description	Risk mitigants	Key indicators / risks materialised / changes in the risk
Economic security 	Losses incurred on PhosAgro Group's property and assets as a result of economic crimes committed by employees or third parties, including fraud and theft.	The Company takes steps to prevent potential damage to its property and assets as a result of economic law infringements, including by introducing access authorisations to the Company's administrative and production facilities, clearly differentiating between responsibilities as part of contract or transaction execution, vetting counterparties before signing a contract, and putting in place a dedicated hotline. Moreover, additional checks are undertaken by a variety of PhosAgro Group's functions.	<p>Theft and fraud incidents.</p> <p>No material risk events occurred.</p> <p>Change in the risk: —</p>
Regulatory 	Untimely receipt/extension of licences; legislative changes that might bring about higher cost of doing business, restrictive policies by regulators, weaker equity story of the Company and/or adverse transformation of the competitive landscape.	PhosAgro is in full compliance with applicable laws. To make sure it gets timely updates on potential legislative changes, the Company closely tracks initiatives of legislators, the government and regulators, and takes part in discussing such initiatives and drafting relevant recommendations in partnership with professional associations. PhosAgro Group prepares and submits documents in due time to receive or extend licences required for its business.	<p>Deviations related to regulatory compliance.</p> <p>No material risk events occurred.</p> <p>Change in the risk: —</p>
Corruption 	Losses resulting from non-compliance or inadequate compliance with applicable anti-corruption laws by PhosAgro Group or its employees (penalties levied against the Company by state authorities and other damages)	<p>PhosAgro Group makes sure its facilities and partners fully comply with applicable anti-corruption laws. To that end, it provides training in combating corruption and administrating the anti-corruption law, and promotes zero tolerance towards corruption among the Company's employees and partners. Among other things, the Company has approved the Anti-Fraud and Anti-Corruption Policy, the Code of Ethics, and the Regulations on Conflict of Interest. PhosAgro Group's counterparties are obliged to declare their compliance with anti-corruption laws.</p> <p>The Company is a member of the Anti-Corruption Charter of Russian Business.</p>	<p>Corrupt practices, conflicts of interest.</p> <p>No material risk events occurred.</p> <p>Change in the risk: —</p>

Risk	Description	Risk mitigants	Key indicators / risks materialised / changes in the risk
Reputation 	<p>Damage caused to the Company's business reputation as a result of misleading or defamatory information or allegations about the Company made publicly available, leakages of confidential information, and breaches of business ethics on the part of the Company's employees.</p>	<p>In its operations, PhosAgro demonstrates commitment to transparency by disclosing all relevant material facts and circumstances. The Company has adopted an information policy and a media engagement policy. Information about the Company is available on its website and in the mass media. PhosAgro provides comments in response to media enquiries and regularly monitors coverage in both Russian and international (social) media.</p> <p>To protect its business reputation, the Company has approved the Code of Ethics setting out unified rules for PhosAgro's employees based on the principles of integrity, good judgement, fair play and partnership and designed to support the Company's success.</p>	<p>Stakeholder confidence</p> <p>No material risk events occurred.</p> <p>Change in the risk: —</p>
Credit 	<p>Financial losses caused by the failure of buyers, commercial contractors and other financial counterparties to fulfil their financial obligations to PhosAgro Group in full and on time</p>	<p>PhosAgro has approved policies on managing credit risks to institutionalise a number of credit risk mitigation techniques, including deliveries against full or partial prepayments with full or partial insurance of credit risks, use of letters of credit, and factoring (securitisation) of accounts receivable. Providing advance payments to suppliers and contractors is only considered after the counterparties have proved their reliability or after they have offered adequate bank guarantees for advance payments that exceed approved internal limits. The Company partners with banks, financial organisations and insurance companies that boast a high level of financial stability and meet the criteria set out in the Company's treasury policy. PhosAgro monitors all covenants under the existing loan agreements on an ongoing basis.</p> <p> For more information on the Company's activities and indicators in this area, see the Financial Risk Management. Credit Risk section of the Notes to the consolidated financial statements on page 318</p>	<p>Overdue accounts receivable, provision for bad debt.</p> <p>No material risk events occurred.</p> <p>Change in the risk: —</p>

Risk	Description	Risk mitigants	Key indicators / risks materialised / changes in the risk
Currency 	<p>Financial losses arising from unfavourable changes in FX rates against the Company's base currency.</p>	<p>In the context of oil price volatility and fluctuations of the rouble exchange rate against major international currencies, the Company seeks to align the currency breakdown of its debt financing with the FX structure of its sales. As of now, most of PhosAgro's debt is denominated in US dollars as a natural hedge against predominantly USD-denominated sales. The Company carefully tracks analyst forecasts and factors that may influence the rouble exchange rate against major currencies.</p> <p>If need be, PhosAgro can hedge its FX positions either fully or partially.</p> <p> For more information on the Company's activities and indicators in this area, see the Financial Risk Management. Currency Risk section of the Notes to the consolidated financial statements on page 316</p>	<p>Adverse changes in exchange rates</p> <p>No material risk events occurred.</p> <p>Change in the risk: —</p>
Commodity 	<p>Losses associated with unfavourable changes in the market prices for mineral fertilizers and other products or a hike in prices for key feedstock and equipment sourced by PhosAgro Group.</p>	<p>In the context of heightened price volatility in the core product markets, PhosAgro Group takes consistent steps to optimise its sales structure in terms of the fertilizer grade offering and regional sales focus as a way to maximise the Company's margins. PhosAgro Group also continues to increase the share of sales to end consumers, improve production efficiency and offer its customers add-on services such as packaging, blending and storage. PhosAgro Group has offices in Buenos Aires (Argentina), Belgrade (Serbia), Hamburg (Germany), Bayonne (France), Zug (Switzerland), Limassol (Cyprus), Vilnius (Lithuania), Warsaw (Poland), São Paulo (Brazil) and Singapore. With a foothold firmly established in the priority export markets, the Company can respond more quickly to changes in the market demand and customer needs. To reduce its feedstock and equipment expenses, PhosAgro Group invites multiple suppliers to take part in tenders, enters into long-term supply contracts and develops lasting relationships with its suppliers.</p>	<p>Adverse changes in product and feedstock prices</p> <p>No material risk events occurred. However, potential correction in mineral fertilizer prices following their strong growth in 2021 contributes to a moderate increase in this risk.</p> <p>Change in the risk: ↑</p>

Risk	Description	Risk mitigants	Key indicators / risks materialised / changes in the risk
<p>GRI 201-2</p> <p>Climate</p> <p>19</p>	<p>Risks associated with changes in natural processes or phenomena as a result of climate change (physical factors) or with political, economic, financial or other decisions made by governments, multilateral organisations, financial institutions, or producer or consumer associations or other NGOs to curb climate change by reducing GHG emissions through carbon border adjustment or restrictions on the use of fossil fuels or non-renewable energy (transitional factors).</p>	<p>Processes to identify and assess climate change risks are being integrated throughout the value chain and form an integral part of PhosAgro Group's risk management and internal control framework.</p> <p>The Board of Directors approved PhosAgro's climate strategy, the key elements of which are analysis of climate risks and opportunities, scenario analysis, science-based targets, and a low-carbon transition plan. In accordance with the climate strategy, priority actions are being taken to develop and implement the following measures: direct (Scope 1) emission reduction programmes; an internal energy efficiency programme, and communication with energy suppliers to improve the climate profile of energy supplies (Scope 2); and a supplier and customer engagement plan and supplier ESG ratings (Scope 3).</p> <p>Thanks to these actions, the Company has improved its ratings for climate disclosure (CDP) and sustainable development (Sustainalytics, S&P, and MSCI ESG).</p>	<p>Adverse deviations resulting from climate impacts (by focus area).</p> <p>In 2021, there were severe weather events, with effects including heat waves and squalls. However, at this stage it is quite difficult to assess the extent to which this weather was caused by climate change. In any case, PhosAgro Group did not incur any significant losses associated with these natural phenomena. At the same time, potential changes related to transition climate factors contribute to higher exposure to this risk.</p> <p>Change in the risk: ↑</p>
<p>Infectious diseases</p> <p>20</p>	<p>Risks associated with the outbreak and spread of infectious diseases that pose a threat to business continuity.</p>	<p>2021 saw further spread of a newly discovered coronavirus (COVID-19) around the world.</p> <p>PhosAgro Group has been taking a set of measures to prevent mass infection and to support vaccination among its employees and local communities in its regions of operation (jointly with government agencies). Thanks to these measures, PhosAgro Group managed to minimise the pandemic's negative impact on its operations, ensure business continuity and deliver on its business targets. The Company's successful experience of COVID-19 response and the procedures it has established help react to further developments associated with COVID-19, as well as to other infectious disease outbreaks.</p>	<p>Confirmed cases, business process disruptions.</p> <p>The number of confirmed cases among PhosAgro Group's employees in 2021 generally follow overall trends in the Company's regions of operation. At the same time, by quickly developing and putting in place anti-COVID-19 response measures, PhosAgro Group ensured business continuity and delivered on its targets.</p> <p>Change in the risk: —</p>

Risk	Description	Risk mitigants	Key indicators / risks materialised / changes in the risk
<p>Sanctions</p> <p>21</p>	<p>Foreign sanctions imposed on the Group's companies</p>	<p>The global nature of international economy and increased geopolitical tensions create a background for various sanctions to be imposed on the Russian economy and the Company's foreign operations by individual countries or their groups. PhosAgro Group's flexible production and sales model would help minimise any negative impact should such a risk event occur.</p>	<p>Losses associated with sanctions.</p> <p>No material risk events occurred. At the same time, increased geopolitical tensions contribute to an increase in this risk.</p> <p>Change in the risk: ↑</p>
<p>Interest rates</p> <p>22</p>	<p>The Company borrows money to finance its investment programme and working capital requirements, including via floating interest rate loans. Rising floating rates might lead to higher debt service costs and adversely impact the bottom line.</p>	<p>Should the Company accumulate significant floating interest rate borrowings, it would hedge this risk using interest rate derivatives. PhosAgro closely monitors and manages its fixed-to-floating debt ratio to mitigate interest rate risk.</p> <p><i>For more information on the Company's activities and indicators in this area, see the Financial Risk Management. Interest Risk section of the Notes to the consolidated financial statements on page 318</i></p>	<p>Losses associated with changes in interest rates.</p> <p>No material risk events occurred.</p> <p>Change in the risk: —</p>

PERFORMANCE REVIEW



Unique mineral resource base.
The mine life is estimated at around 60 years.



Thanks to its magmatic origin,
phosphate rock mined on the Kola Peninsula boasts exceptional purity.



High-quality phosphate rock
(P₂O₅ content at 39% and above).

Efficient products for bumper crops

In 2021, PhosAgro was at its best in many respects. The Company continued to strengthen its industry-leading profitability through cost control programmes and financial and investment discipline. Our objective is to set new standards for the industry in terms of product eco-efficiency as a way to promote public health, protect the environment, and prevent air and water pollution. We are integrating sustainability principles into all aspects of our operations.



PHOSAGRO

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Financial performance

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Operational performance

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Customers and product management

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Research and education

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Supply chain

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People development

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Industrial safety

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Environmental review

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Contributing to local communities

Financial performance



In 2021, the Company's EBITDA more than doubled year-on-year to a record RUB 191.8 bln. PhosAgro also remains a leader among its direct competitors by EBITDA margin, which grew to 45.6% in 2021. The robust growth was driven by historically high output and sales volumes and favourable conditions in global agricultural markets.

Our financial performance reached record highs for the second consecutive year. Importantly, this upward trend comes on the back of an increase in fertilizer output and sales, supported by our ability to maintain competitive cost levels and our long-term investment programme. In addition, our strong performance in 2020–2021 is driven by favourable price conditions in the global markets.

In the reporting year, we continued implementing our development projects and increased investment in fixed assets, including capitalised overhauls, by 17% year-on-year to RUB 48 bln. These funds were allocated to finance the final stage of construction of an advanced production facility in Volkhov and other projects under PhosAgro's long-term development programme. Despite significant spending on PhosAgro Group's development, our efforts to improve efficiency and sustainability of all business processes coupled with a flexible sales system focusing on the most profitable markets resulted in an 83% year-on-year growth of free cash flow to a record of RUB 78 bln.

As at the end of 2021, our net debt to EBITDA ratio decreased to a comfortable level of 0.8x vs 1.8x as at 31 December 2020, mainly due to robust financial performance and a well-balanced investment programme.

We expect the favourable trend in agricultural markets to continue into 2022 due to low carry-over stocks of key crops (primarily grain cereals and oilseeds). This will help maintain stable earnings for farmers and fertilizer demand. Restrictions on fertilizer exports from China and Russia aimed at bolstering domestic supply will be an additional factor supporting prices, especially during the seasonal spikes of activity in the key markets. The continued price volatility in the global energy markets that is particularly expected in the European natural gas market will be one of the main price factors for the global merchant ammonia and nitrogen-based fertilizers markets.

Alexander Sharabaiko
Deputy CEO for Finance and International Projects



RUB 191.8 bln

Record-high EBITDA in 2021



Key external drivers of financial results

Other drivers of PhosAgro's outstanding financial performance in 2021 along with an increase in sales and competitive cost levels include:



significant growth in fertilizer consumption, especially in Latin America, Africa, South Asia and Oceania, due to a good fertilizer/crop price ratio (fertilizer affordability), favourable weather conditions in key markets, and stronger government support for agriculture;



restrictions on exports of phosphate-based fertilizers from China to bolster domestic supply;



growth of global crop prices, underpinned in part by the increasing demand for forage crops, which itself was partially caused by the recovery of hog production in China after the swine flu epidemic in 2018–2019.

Revenue analysis

Revenue for 2021 grew by 65.6% year-on-year and amounted to RUB 420.5 bln. The growth was mainly associated with PhosAgro Group's record output of finished products,

the recovery in global fertilizer prices during the year and strong demand from end consumers on the back of low inventory levels in key markets.

RUB 420.5 bln
Revenue for 2021
+66%
Growth year-on-year

FY 2021 financial and operational highlights, RUB mln¹

Item	2020	2021	Change y-o-y, %
Revenue	253,879	420,488	65.6
EBITDA ²	85,659	191,810	123.9
EBITDA margin	33.7%	45.6%	11.9 p.p.
Net profit	16,921	129,674	666.3
Adjusted net profit ³	43,370	130,205	200.2
Free cash flow	42,519	77,857	83.1
	31.12.2020	31.12.2021	
Net debt	156,875	153,718	
12M net debt / EBITDA	1.83	0.80	
Sales volume, kt	2020	2021	Change y-o-y, %
Phosphate-based fertilizers and feed phosphates	7,669	7,762	1.2
Nitrogen-based fertilizers	2,286	2,495	9.1
Total fertilizers	9,955	10,257	3.0
Other products	184	177	(3.8)
Total fertilizers and other products	10,139	10,434	2.9

¹ RUB/USD exchange rate: average rate in Q4 2021 – 72.6; average rate in Q4 2020 – 76.2; rate as at 31 December 2021 – 74.3; rate as at 31 December 2020 – 73.9.

² EBITDA is calculated as operating profit adjusted for depreciation and amortisation.

³ Adjusted net profit means net profit less foreign exchange gain or loss from financing activities

Revenue breakdown by key product, RUB bln

Item	2020	2021	Change y-o-y, %
Phosphate-based products	203.6	333.0	64
Nitrogen-based products	38.7	71.9	86
Other	11.6	15.6	35
Total	253.9	420.5	66

Revenue breakdown by region, RUB bln

Region	2020	2021
Russia	85.1	110.5
Europe	66.5	116.8
South America	41.9	103.9
North America	12.3	31.8
India	21.6	19.8
Africa	12.3	17.9
CIS	10.5	12.2
Asia	3.6	7.7

Operating costs analysis

Cost of sales, RUB mln

Item	2020	2021	Change y-o-y, %
Depreciation and amortisation	23,743	24,812	4.5
Materials and services	40,937	47,084	15.0
<i>Phosphate rock transportation</i>	8,134	9,105	11.9
<i>Repair</i>	10,134	11,373	12.2
<i>Drilling and blasting</i>	3,168	3,486	10.0
<i>Other materials and services</i>	19,501	23,120	18.6
Raw materials	35,514	63,534	78.9
<i>Ammonia</i>	4,802	14,277	197.3
<i>Sulphur and sulphuric acid</i>	4,360	17,707	306.1
<i>Potassium</i>	12,253	16,574	35.3
<i>Natural gas</i>	12,342	12,635	2.4
<i>Ammonium sulphate</i>	1,757	2,341	33.2
Salaries and social contributions	13,807	15,286	10.7
Electricity	6,311	6,740	6.8
Fuel	3,885	5,578	43.6
Products for resale	9,333	12,725	36.3
Customs duties	1,482	2,483	67.5
Freight, port and stevedoring expenses	19,128	28,587	49.5
Russian Railways and operators' fees	11,452	10,728	(6.3)
Other	1,111	1,250	12.5
Total	166,703	218,807	31.3

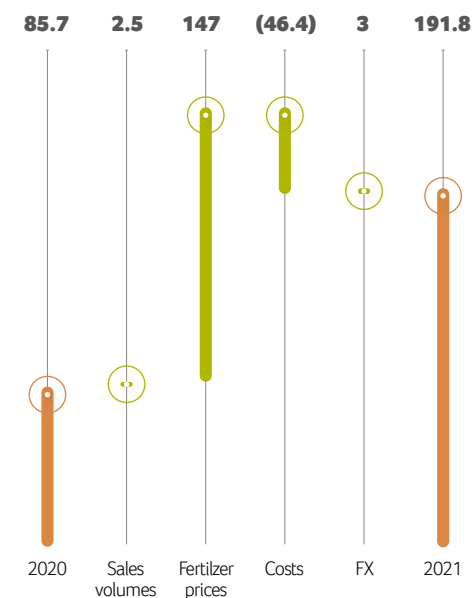
In 2021, cost of sales grew by 31.3% year-on-year to RUB 219 bln, mainly on the back of higher sales volumes and increased prices for key feedstocks.

Raw materials costs added 79% year-on-year and amounted to RUB 63.5 bln as a result of a significant increase in the global prices for all key inputs, including sulphur and sulphuric acid, ammonia, potassium, ammonium sulphate and natural gas.

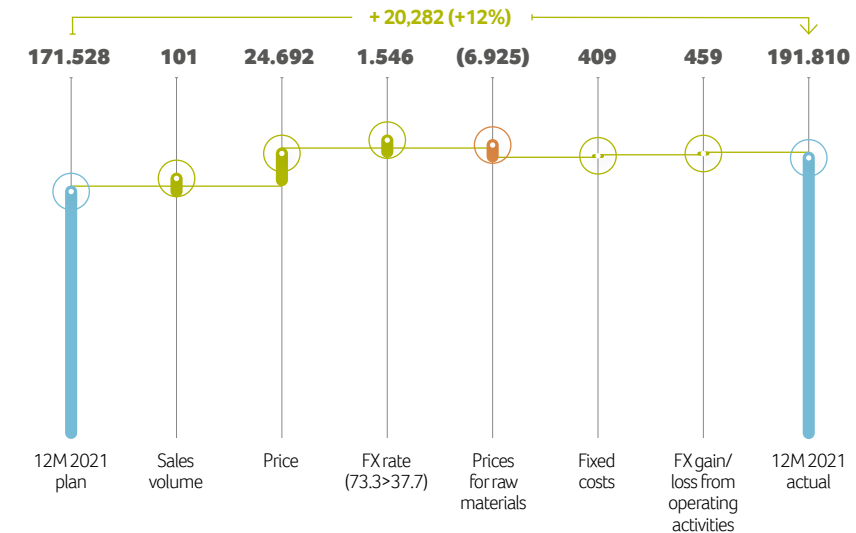
Despite the higher costs, PhosAgro remains one of the industry's most efficient players and leads the pack globally in terms of production costs. The main way we ensure effective cost control is by sourcing the key inputs and materials from domestic suppliers.

EBITDA

EBITDA in 2021 vs actual 2020, RUB bln



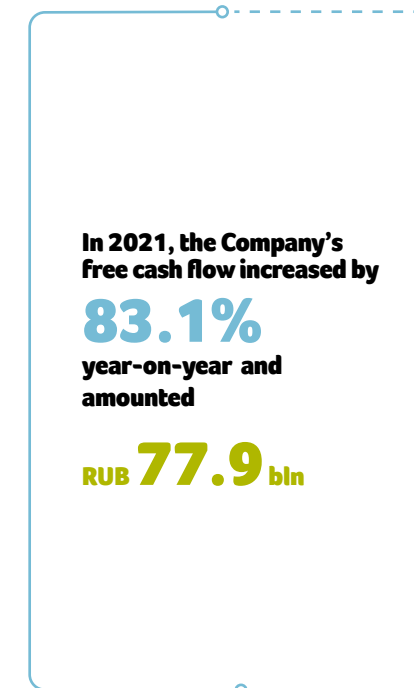
2021 EBITDA (plan/actual), RUB bln



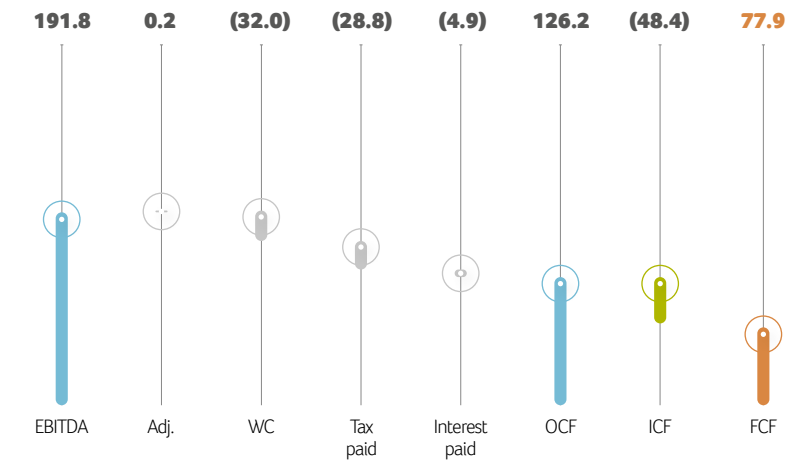
In 2021, EBITDA more than doubled year-on-year and reached a record

RUB 191,8 bln. EBITDA margin for the reporting period grew to 45.6%.

Free cash flow



EBITDA to FCF conversion in 2021, RUB bln

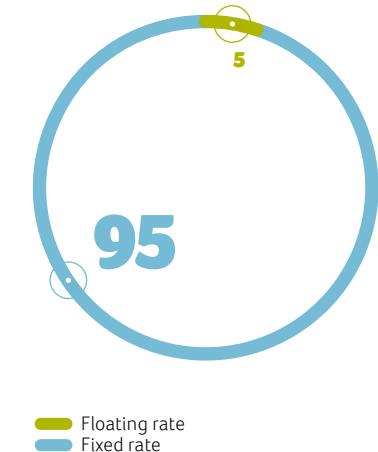


Debt

At the 2021 year-end, our net debt to EBITDA ratio was 0.8x vs 1.8x as at 31 December 2020, primarily thanks to EBITDA growth and a well-balanced investment programme. Net debt as at 31 December 2021 was slightly down year-on-year at RUB 153.7 bln.

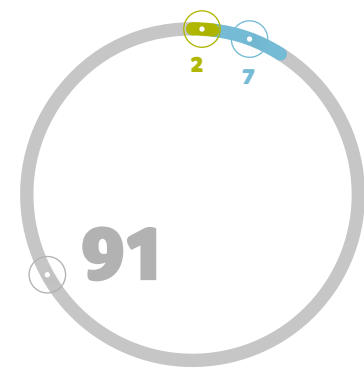
In September 2021, the Company's SPV issued a USD 500 mln 7-year Eurobond with a coupon rate of 2.6%, listed on the Irish Stock Exchange.

Loans and borrowings breakdown by rate type as at 31 December 2021, %



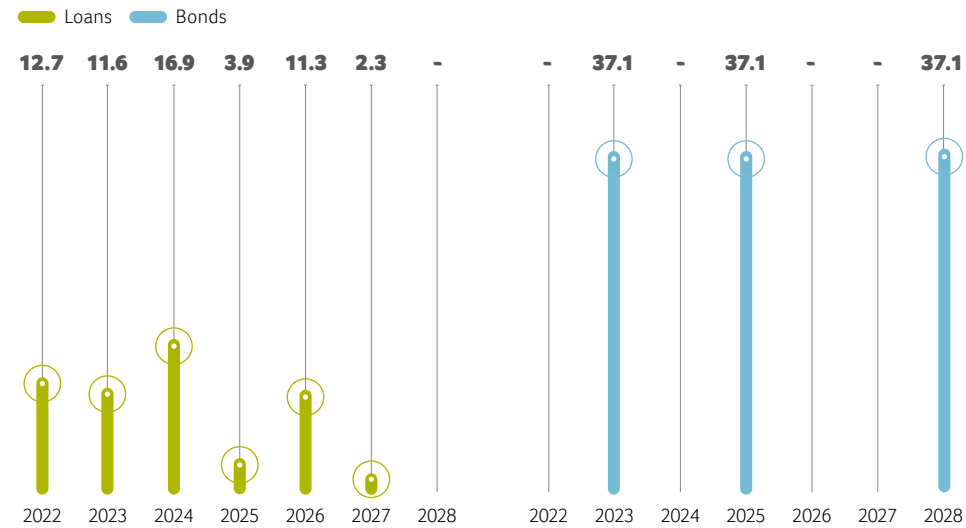


Loans and borrowings breakdown by currency as at 31 December 2021, %



■ RUB-denominated
■ EUR-denominated
■ USD-denominated

Repayment schedule, RUB bln



Generated and distributed direct economic value, mln RUB

GRI 201-1

Item	Stakeholder	2019	2020	2021
Direct economic value generated		249,583	254,854	422,459
Revenue from sales		239,130	242,262	404,849
Revenue from other sales	Wide range of stakeholders	8,995	11,617	15,639
Revenue from financial investments		1,458	975	1,971
Revenue from sale of assets		0	0	0
Economic value distributed		(243,077)	(247,254)	(363,715)
Operating expenses, including:		(194,090)	(193,263)	(250,101)
wages and other payments to employees	Suppliers and contractors	(24,706)	(28,540)	(32,781)
social expenses	Employees	(2,661)	(2,570)	(3,378)
Payments to providers of capital:		(32,244)	(38,852)	(72,260)
payments to shareholders	Shareholders and creditors	(4,635)	(4,132)	(4,335)
payments to creditors		(12,108)	(11,007)	(37,019)
Tax expenses and other payments to government:	Government	(9,724)	(8,045)	(31,073)
including income tax expense		6,506	7,600	58,744

Tax policy

Management approach GRI 207-1

In 2021, the topic of taxes was for the first time identified as material for disclosure based on polling of executives and key stakeholders on significant aspects of the impact of the Company's operations on the society and the environment, as well as following the analysis of the requirements of international ESG rating agencies. For more information on our approach to identifying material topics to be disclosed in an integrated report, see the About this Report section.

In 2021, the Company drafted a tax strategy, which will be discussed at the next meeting of the Audit Committee and presented to the Board of Directors in the first half of 2022. The tax strategy is updated and refined as necessary, but at least once every two years. Our approach to taxation was developed in accordance with the Company's Strategy to 2025 and combines social responsibility for developing and maintaining the well-being of regions across PhosAgro's footprint, minimising tax litigation risks, and maximising the use of the Company's leverage toolkit stipulated by law for actively investing companies, in particular Investment Protection and Promotion Agreements (IPPAs) and Special Investment Contracts (SPICs).

The Group's taxation principles

Centralisation and alignment

The Group follows a unified and consistent tax policy aligned with its sustainability targets and ensures that all of its companies take a uniform approach to meeting tax legislation requirements.

Legality

Group companies rigorously comply with the Russian tax legislation, international agreements and other taxation acts, as well as the legislation of foreign jurisdictions in the Group's geography, including the EU legislation.

Integrity

Taxes are calculated and paid based on the

real economic substance of the Group companies' business operations. Group companies do not carry out transactions with a primary purpose of tax savings, nor do they employ aggressive tax planning practices.

Group companies are located in the jurisdictions of their actual operations. The Group comprises no companies registered in offshore zones recognised as such by the Russian Federation or in territories that do not exchange tax information with the European Union.

Effectiveness

The Group's tax strategy is implemented rationally, taking into account the interests of investors and shareholders, as well as the Group's long-term strategic development goals. The Group relies on a leverage toolkit that complies with the applicable laws and includes Investment Protection and Promotion Agreements (IPPAs) and Special Investment Contracts (SPICs).

Due diligence

Group companies undertake all necessary measures to avoid entering into transactions with counterparties whose activities may indicate dishonesty or evasion of tax liabilities (obtaining an unjustified tax benefit). The Group has supplier screening procedures in place to verify the business integrity of its future counterparties before entering into agreements.

Planning

To fulfil its fiscal obligations in an efficient and timely manner, the Group procures to plan and forecast tax payments with respect to external and internal factors likely to affect its tax burden, as well as to monitor their performance.

Openness GRI 207-3

The Group complies with international requirements for public disclosure,

including annual publications on payments to the government in line with the UK Financial Conduct Authority's Disclosure and Transparency Rules.

PhosAgro seeks to build an open dialogue with the general government to foster a favourable business and social environment across its footprint. Group companies assist tax authorities in their tax control efforts by addressing their enquiries in full and on time, providing access to information and disclosing tax information in strict compliance with international reporting standards and applicable laws where they operate.

Starting from 1 January 2021, tax monitoring was introduced at Apatit, the Group's key production asset, which accounts for more than 80% of the Group's total tax payments. Such tax control initiative consists in voluntarily providing tax authorities with real-time access to accounting and tax records (in lieu of in-office and on-site audits). Tax monitoring will be rolled out at PhosAgro starting from 1 January 2023.

To minimise possible differences in connection with market price definition and controls, Group companies enter into pricing agreements with tax authorities.

Contributing to the making of the government tax policy

The Group takes an active part in shaping and implementing the government tax policy, as well as in discussing and development tax legislation.

The Company's representatives participate in four working groups that help the Russian Ministry of Taxation ensure tax transparency: Integration of Taxpayers' Accounting Systems as part of Tax Monitoring Initiative under Tax-3 AIS, Internal Control and Risk Management System, Tax Register Standards and Requirements, Control Procedure Standards.

As an active member of the Russian Union of Industrialists and Entrepreneurs (RSPP), the Group helps develop and review legislative initiatives, while also promoting its agenda in key focus areas. The Group also joined the RSPP's Social Charter of the Russian Business.

Flexibility (promptitude)

The Group promptly adapts its tax policy to changes in tax laws and practices and accordingly fine-tunes its accounting policy.

Independent approach to intra-group pricing

The Group is best positioned to comply with both national and international transfer pricing requirements, with controls in place that help assess the efficiency of arm's length pricing and traders' margins in export supply chains

Group's tax function

Group companies run their own tax functions in line with this strategy

PhosAgro's Board of Directors is in charge of strategic tax planning. Strategic tax planning and guidance in Russia is the responsibility of

the Tax Administration Office under the Legal Department. It also oversees the Tax Planning and Tax Risk Management Unit (part of the Economics Department) and the tax function of the Department of Accounting and Tax Records at Apatit which is part of the Group that holds its key production assets.

The Group has a tax risk management and internal control system in place

GRI 207-2

PhosAgro's Board of Directors determines the key principles of, and approaches to, risk management and internal controls and reviews quarterly reports on key risks, including tax risks. The key objectives, roles and responsibilities for the risk management and internal control system are set out in the Group's Risk Management and Internal Control Policy.

The Company takes a conservative approach to tax matters and seeks to minimise possible disputes with tax authorities.

The internal tax control system is subject to annual assessment, monitoring and audit, with an action plan to be developed to improve its efficiency.

In case of material tax risks, Group companies take steps to mitigate or eliminate the same to ensure compliance

with tax laws and prepare reliable financial statements on time. The Group discloses material tax risks so identified. The accuracy of information disclosed by the Group in its financial statements is confirmed by an external auditor. The Company's financial statements are available on its website: www.phosagro.com.

Group companies have developed and adopted a set of corporate legal information and explanatory measures intended to enhance high ethical standards of our shared corporate culture and to minimise risks of employee involvement in illegal activities, including in tax evasion. The Group has internal and external mechanisms in place for seeking advice on ethical and lawful behaviour and matters related to organisational integrity. Any Group employee, as well as any member of the Board of Directors and Management Board who has become aware of any actual or potential violation of law, including tax laws, is obliged to give a prompt notice of the same to the PhosAgro Hotline.

RUB 35.1 bln
Total amount of taxes paid in 2021

The key subsidiaries whose payments in 2021 are disclosed in the table below and their jurisdictions are listed in note 33 to financial statements.

GRI 207-4 metrics, will be disclosed in full starting from 2022, following adjustments to the Company's accounts and records.

Payments made in 2021, RUB

Payment type	Total	Russia	Rest of the world	Including		
				Switzerland	Poland	France
Income tax	28,735,968,675	28,401,440,415	334,528,260	136,977,010	59,179,526	314,898
VAT	(11,812,679,063)	(12,520,017,776)	707,338,713	178,124,867	524,432,926	196,547,190
Personal income tax	4,298,126,240	3,984,664,584	313,461,655	187,089,040	19,972,095	10,876,768
Social contributions	7,331,606,366	6,895,734,742	435,871,624	284,826,147	27,795,231	36,592,645
MET	3,390,504,629	3,390,504,629	0	0	0	0
Property tax	1,025,227,238	1,023,322,461	1,904,776	0	0	2,500
Pollution fees	206,774,612	199,636,309	7,138,303	0	0	0
Land tax	228,761,729	228,761,729	0	0	0	0
Water use charges	50,343,097	50,343,097	0	0	0	0
Transport tax	14,691,497	14,551,268	140,229	0	0	0
Water tax	2,813,264	2,813,264	0	0	0	0
Regular subsoil use fees	2	2	0	0	0	0
Other taxes	45,960,947	33,000,868	12,960,079	0	21,181	3,251,517
Tax fines and penalties	4,482,606	4,091,543	391,063	0	0	354,762
Dividend income tax	1,590,791,000	1,590,791,000	0	0	0	0
Total	35,113,372,837	33,299,638,134	1,813,734,702	787,017,064	631,400,959	247,940,281



Operational performance



In 2021, the Company delivered outstanding production results. Sound investments in our facilities and technological improvements have helped us create a seamless and well-balanced value chain from ore mining to packaging and delivery of end products. We can promptly and efficiently adjust its capacities to meet the demand for any of our products, responding to market dynamics for the benefit of our shareholders.

Total agrochemical output reached an all time high of 10.5 mt. Phosphate-based fertilizers have been growing at a rate of over 4% for the second year in a row, driven by a nearly 9% increase in the output of phosphoric acid, a key ingredient of phosphate-based fertilizers, following upgrades of production units and improved equipment utilization. The production of sulphuric acid increased by almost 8% due to the Cherepovets unit reaching its full capacity and a new unit coming on stream at the Volkhov facility. In the nitrogen-based fertilizer segment, commercial ammonium sulphate saw the most significant growth with output more than doubling to reach 74 kt.

Strong customer focus helped us promptly respond to demand changes in key markets and increase total fertilizer sales by 3% year-on-year to a record 10.3 mt primarily in the most popular and high-margin products. Nitrogen-based fertilizers showed the best results, with sales growing by more than 9% year-on-year.

The development of the Volkhov facility was the Company's key investment project in the reporting year. Worth over RUB 30 bln, it provides for ramp-up of the site's production capacity to about 900 kt of phosphate-based fertilizers per year and construction of the necessary infrastructure. In 2021, we fully completed the first and the second stages.

We also continued to enhance health and safety at our facilities, but there is still room for improvement in this area, as we seek to completely eliminate workplace injuries among both PhosAgro and contractor employees. In 2021, we carried on with the effort to increase workplace safety among contractors and plan to further strengthen this work in 2022.

Mikhail Rybnikov
First Deputy CEO, Executive Director of PhosAgro until 10 March 2022

10.5 mt

Total agrochemical output



Product portfolio

Our customers are at the heart of our business.

In 2021, we had **52** fertilizer grades in our portfolio. A significant portion of our offering consists of newest fertilizer grades developed over the past five years.

PhosAgro is the largest producer of liquid nitrogen-phosphorus fertilizers in Russia

Mineral fertilizers

APAVIVA®
Nitrogen-phosphorus and complex fertilizers

APAVIVA®+
Nitrogen-phosphorus and complex fertilizers with micronutrients

NITRIVA®
Nitrogen-based fertilizers

APALIQUA®
Liquid complex fertilizers

Feed additives

NITRIVA® Feed
Feed grade urea

APAFEED®
Monocalcium phosphate feed grade

Concentrates

- » High-grade phosphate rock
- » Syenite alkali aluminium concentrate
- » Nepheline concentrate

Industrial phosphates

Sodium triphosphate (STPP)



Industrial products



Upstream and downstream

Upstream

Apatit's Kirovsk branch mines apatite-nepheline ore at six fields of the Khibiny deposit in Russia's Murmansk Region using both underground and open-pit mining methods. PhosAgro Group's feedstock reserves are of igneous origin, which means that they do not have concentrations of toxic heavy metals. The Company's phosphate rock is extremely rich in P₂O₅.

The mineral resource base at one of the world's richest and purest deposits is expected to last for about 60 years.

The decrease in reserves compared to 2020 is primarily due to the transfer of balance reserves for underground mining at the Koashva deposit to off-balance reserves following the examination by the State Commission on Mineral Reserves of the feasibility study with calculation of reserves. There were no significant changes at other deposits.

To support growing production of phosphate-based fertilizers, PhosAgro adopted a programme in 2019 to increase the mining of apatite-nepheline ore to 41 mt by 2027.

It envisages major investments in the expansion of existing and construction of new mining capacities, as well as in upgrading purchasing advanced equipment to ensure safe and efficient ore production.

In 2021, the production of phosphate rock and nepheline concentrate increased by 0.8% year-on-year to **11.8 mt**

PhosAgro Group ore reserves as at 1 January 2022

Deposit	Balance reserves, kt (A+B+C1+C2)	Average P ₂ O ₅ content, %
Kukisvumchorr	359,212	14.16
Yukspor	467,853	13.79
Apatitovy Cirque	93,104	13.75
Rasvumchorr Plateau	86,859	10.64
Koashva	258,073	17.21
Njorkpahk	60,326	13.84
Total	1,325,427	14.35

Technologies

In 2021, the Company produced 38.4 mt of apatite-nepheline ore, compared to 37.65 mt in 2020.

In the reporting year, we switched to remote drilling of deep wells at the Rasvumchorrsky mine, a project similar to that previously implemented at the Kirovsky mine.

We also renewed our dump truck fleet for open pit mining (Vostochny mine) to increase technical availability and utilisation ratios of the equipment.

On top of that, we continued to implement our sustainable development strategy. In January 2021, the mining and processing plant of Apatit signed a contract to receive electricity from the TGC-1 hydroelectric power plants. In the reporting year, green electricity supplies to the plant totalled 299 MWh.

Ore processing

Production volume, kt

Item	2020	2021	Change y-o-y, %
Phosphate rock	10,541.4	10,675.5	1.3
Nepheline concentrate	1,159.4	1,123.1	(3.1)
Total	11,700.8	11,798.6	0.8

Chemical production

Feedstock

Feedstock production, kt

Item	2020	2021	Change y-o-y, %
Ammonia	1,970.3	1,931.1	(2.0)
Phosphoric acid	2,716.8	2,952.0	8.7
Sulphuric acid	6,815.6	7,352.2	7.9
Ammonium sulphate	293.9	259.0	(11.9)
Total	11,796.6	12,494.3	5.9

Phosphate-based fertilizers

Phosphate-based fertilizer production, kt

Item	2020	2021	Change y-o-y, %
DAP/MAP	3,164.4	3,610.7	14.1
NPK	2,840.3	3,111.3	9.5
NPS	928.9	561.6	(39.5)
APP	205.8	208.6	1.4
MCP	392.1	390.6	(0.4)
PKS	46.4	10.8	(76.7)
Total	7,577.9	7,893.6	4.2

In 2021, the production of phosphate-based fertilizers grew by 4.2% year-on-year to 7.9 mt helped by increased output of phosphoric acid.

The output of DAP/MAP fertilizer brands increased by 14.1% to exceed 3.6 mt. The rapid growth rates of DAP/MAP fertilizers was due to launching and ramp-up to full capacity of MAP production at

the Volkhov facility, and the higher demand and prices for bicomponent fertilizers in 2021.

NPK production in 2021 rose by 9.5% year-on-year to 3.1 mt, while the output of NPS and PKS dropped by 39.5% and 76.7% respectively amid lower margins in the global market.

Nitrogen-based fertilizers

Nitrogen-based fertilizers production, kt

Item	2020	2021	Change y-o-y, %
Ammonium nitrate	691.5	694.8	0.5
Urea	1,679.1	1,643.2	(2.1)
Ammonium sulphate	31.7	74.1	133.8
Total	2,402.3	2,412.1	0.4

In 2021, the production of phosphoric acid, the key feedstock used in phosphate-based fertilizers, reached 3 mt, increasing by 8.7% year-on-year on the back of earlier production unit upgrades and increased equipment utilisation efficiency.

In 2021, sulphuric acid production surged by 7.9% year-on-year to 7.4 mt driven by the ramp-up to full capacity of the new unit in Cherepovets and the commissioning and reaching the design capacity of a new unit at the Volkhov facility.

Ammonia output decreased slightly year-on-year to 1,931 mt, due to scheduled maintenance in August–September 2021. However, PhosAgro Group was still able to exceed the planned yearly output of 1,906 mt.

In the phosphate segment, production grew by

4.2%

In the nitrogen segment, production grew by

0.4%

In 2021, production in the nitrogen segment went up by 0.4% year-on-year reaching 2.4 mt. PhosAgro Group continued to increase the output of commercial ammonium sulphate by more than doubling it year-on-year to 74.1 kt. The production of ammonium nitrate grew by 0.5% to 694.8 kt, while urea output in 2021 saw a slight planned decrease to 1.643 mt.

Sales

Sales of phosphate-based fertilizers in 2021 amounted to 7.8 mt, a rise of 1.2% year-on-year. The increase comes on the back of the consistently high demand for these fertilizers in Russia and Latin America. We were able to meet the growth in demand by boosting the production of MAP in 2021 after launching a new facility at the Volkhov facility.

In the nitrogen segment, sales were up by 9.1% year-on-year, primarily due to a high seasonal demand and the availability of fertilizers for end users.

In 2021, our total fertilizer sales increased by 3% year-on-year to a record 10.3 mt.

Sales by key product, kt

Item	2020	2021	Change y-o-y, %
Phosphate rock	3,151.8	2,677.6	(15.0)
Nepheline concentrate	1,159.0	1,125.2	(2.9)
Total	4,310.8	3,802.8	(11.8)
Phosphate-based fertilizers			
DAP/MAP	3,203.4	3,564.5	11.3
NPK	2,924.6	3,011.1	3.0
NPS	912.2	566.8	(37.9)
APP	200.3	206.3	3.0
MCP	378.6	405.2	7.0
PKS	49.8	8.5	(82.9)
Total	7,668.9	7,762.4	1.2
Nitrogen-based fertilizers			
Ammonium nitrate	618.6	798.0	29.0
Urea	1,649.0	1,616.3	(2.0)
Ammonium sulphate	18.1	80.2	343.1
Total	2,285.7	2,494.5	9.1
Total fertilizers	9,954.6	10,256.9	3.0
Other products			
STPP	93.3	94.4	1.2
Other	90.4	82.9	(8.3)
Total other products	183.7	177.3	(3.5)



Customers and product management

Contribution to the UN SDGs



to **96%**
Increase in customer satisfaction index

2021 highlights

PhosAgro becomes first in Russia to achieve certification under the national standard for improved production.

Improved customer support: website in 15 languages, development of online trading platforms and Agro Calculator.

82
Net Promoter Score

Strategy






One of the major challenges faced by the world today is producing sufficient amount of quality and safe food accessible to all. According to the UN, the world population is expected to reach nearly 10 billion by 2050. However, the environmental and social issues reflected in the UN SDGs are far from being promptly and effectively addressed. In this context, we realise PhosAgro's strategic and globally important

mission of supplying safe and eco-efficient fertilizers for the agricultural industry to ensure food security in Russia and across world.

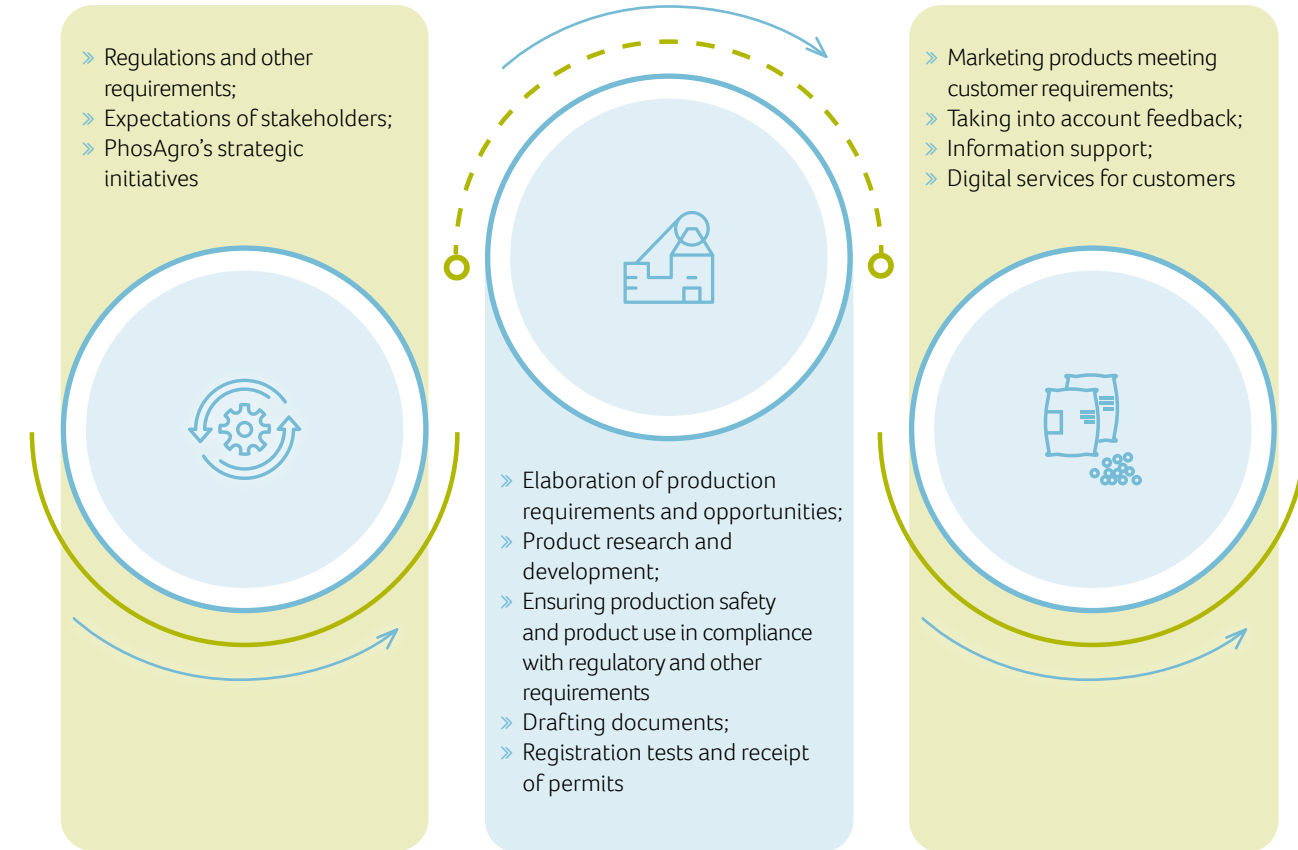
We believe that tackling global problems is only possible through open dialogue, cooperation, and building synergies between all stakeholders. This approach lies at the heart of our interaction with customers.

We are committed to responsible use of our products making sure they are safe for people and the environment. Product life cycle management at PhosAgro is in full compliance with applicable Russian and international standards and regulatory requirements. We seek to minimise any potential negative impact of our products on safety, health and the environment throughout the value chain, from product development to the end of its life cycle.

To provide consumers with safe, eco-efficient, and quality innovative products and services, the Company's Strategy to 2025 has identified the following focus areas:

 <p>Design of innovative products</p> <p>that meet customer requirements and enable farming with due consideration of environmental factors, the climate agenda and need to reduce greenhouse gas emissions in the value chain, as well as soil and crop requirements</p>	 <p>Development of digital technologies in agriculture</p> <p>to boost crop yields and quality in the near term</p>	 <p>Enhancement of PhosAgro's competitive strengths</p> <p>as the world's leading supplier of eco-efficient phosphate fertilizers for farmers</p>	 <p>Expansion of PhosAgro Group's involvement in programmes to protect human health and the environment, ensure food security and combat soil degradation</p>	 <p>Development of circular economy</p> <p>and increased recycling, including the use of waste generated by PhosAgro Group</p>
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The product management framework can be seen in the chart below:



An open dialogue with customers helps us understand their expectations for products and services, management system, expectations and, in some cases, their vision of future products. This valuable information creates a solid foundation for the Company's further strategic growth and new product development.

- › open dialogue with stakeholders regarding their expectations and satisfaction with PhosAgro Group's products and services;
- › integration into the quality management and environmental management systems.

PhosAgro Group's responsible production management framework is based on the following principles:

- › compliance with Russian and international standards and regulations;
- › accurate tracking of materials, elements and substances from product development to the end of life cycle;
- › open and transparent information about the properties and quality of products for customers and other stakeholders;

PhosAgro Group's vertically integrated business model is a key competitive advantage. PhosAgro's upstream assets benefit from extensive and high-quality resource base boasting unmatched purity. Our downstream assets are located close to key mineral resources used in fertilizer production.

At PhosAgro Group, we have a product management framework that relies on the assessment of product life cycle. It covers all production facilities and stages of product life.



The product management framework conforms to ISO 14040 and ISO 14044, and its efficiency is underpinned by PhosAgro Group's existing quality and environmental management systems. In 2021, the environmental management system and the quality management system were certified across the Group's production facilities and were found to be in full compliance with ISO 14001 and ISO 9001, respectively.

System for planning and defining criteria for product development

Planning is an important element of PhosAgro Group's management system. Planning involves complex and comprehensive research to determine a set of criteria for the development of a future product, including:

- » stakeholder requirements and opinions about products and services;
- » regulatory requirements applicable to activities and products;
- » market expectations, requirements and trends;

- » innovative methods and technologies of production, including those aimed at ensuring greater safety of the product and its manufacturing processes for humans and the environment;
- » opportunities for implementing the circular economy principles and contributing to UN Sustainable Development Goals.

PhosAgro's quality management system defines processes that ensure traceability throughout the product life cycle to meet the stringent quality requirements for the end product, from ore and material selection to end product research.

Importantly, the quality management system guarantees product safety and full compliance with all requirements for hazardous substances for humans and the environment

Management approach

Interaction with customers and product safety are closely related issues regularly discussed by the Board of Directors' committees and submitted to the Board of Directors for consideration.

Each facility has designated staff members to maintain the quality and environmental management systems, which includes implementing initiatives,

performing internal audits, updating records, collecting and providing input data for review by top management to improve governance across the board. Every year, the quality and environmental management systems undergo an external audit by an independent firm to confirm their compliance with ISO 9001 and ISO 14001. The systems are supported by internal and external audits that help

promptly reveal areas for improvement and introduce best practices into management systems.

Development of products and manufacturing processes is implemented in partnership with the Samoilov Scientific Research Institute for Fertilizers and Insectofungicides (NIUIF), Russia's only institute specialising in this area.

Risks and opportunities

The Company has a risk management system in place to identify and mitigate product related risks in cooperation with customers.

The following strategic risks affect our product and customer related objectives ([📄 for more information, see the Strategic Risks section, page 68](#)):

- 7 environmental risk;
- 9 risk related to business processes and systems;
- 13 regulatory risk.

Activity specific risks are listed below:

- 1» risks associated with chemicals management and product safety;
- 2» risks associated with customer satisfaction and innovation;

- 3» risks associated with ensuring ethical research and production principles.

The Company develops corrective measures as necessary and unlocks opportunities to mitigate those risks. Below you can find more information about what we do on this front.

Regulatory environment and management of risks associated with chemicals.

The Company constantly monitors regulatory and other requirements that affect its business and products

PhosAgro Group facilities ensure timely receipt of all necessary licences for their activities to strengthen public confidence in the safety of their operations and products. All PhosAgro fertilizers are certified.

PhosAgro Group is committed to reducing hazardous substances in its activities. We ensure full transparency with respect to the chemicals we use and the content and properties of our products.

Regulations and certain requirements applied to mineral fertilizers in Russia

We tap our extensive knowledge base and technologies to design products that are safe for the environment and people. In strict compliance with the regulations, all PhosAgro products undergo the necessary environmental and toxicological tests as part of their registration process before being marketed to our customers.

Mineral fertilizers produced by PhosAgro Group are subject to mandatory state registration of agrochemicals by the Russian Ministry of Agriculture. All grades of PhosAgro mineral fertilizers registered in Russia underwent a mandatory examination for compliance with toxicological and hygienic, biological, environmental, and sanitary and epidemiological standards. The examination was performed by experts of the F.F. Erisman Federal Research Centre of Hygiene, D.N. Pryanishnikov All-Russian Research Institute of

0.2 mg per kg of P₂O₅
PhosAgro Group's unique phosphate-based fertilizers have perfectly low cadmium content

Agrochemistry, Rosprirodnadzor and Lomonosov Moscow State University, and Rospotrebnadzor, respectively.

PhosAgro Group's unique phosphate-based fertilizers have perfectly low cadmium content (0.2 mg per kg of P₂O₅), making them among the safest in the world. On 5 June 2019, the European Council and European Parliament approved the EU Regulation 2019/1009 (FPR) on fertilizers (also known as EU Fertilizing Products), establishes new EU-wide rules for CE-marked fertilizers. The regulation provides for reducing cadmium content in EU fertilizers, by introducing a single cap at 60 mg per kg of P₂O₅ and banning inorganic fertilizers in EU with a cadmium content above that cap starting from 16 July 2022. Going forward, the regulation provides for gradual reduction of cadmium content to 20 mg per kg of P₂O₅. The plans of cutting the cap to 40 mg per kg of P₂O₅ have been already announced. At the same time, the French Agency for Food, Environmental and Occupational Health & Safety (ANSES) has already issued recommendations for a cadmium content in inorganic phosphate-based fertilizers of less than 20 mg per kg of P₂O₅. Thus, PhosAgro Group's phosphate-based fertilizers have a much lower cadmium content than required in EU, which is reflected in our product slogan: Pure minerals for healthy lives

We are committed to the ethical principles of animal welfare and seek to avoid using animals for research. This issue is addressed at the highest level by the Company's Board of

Directors. In 2021, we revised our Code of Ethics to state our position on this matter. In line with its Code of Ethics, PhosAgro does not conduct experiments on animals, except as required by law; when conducting an expert examination of fertilizers, the main method of evaluating information on the toxicity and hazard of a multi-component substance to animals is to analyse information from national and international databases, as well as information on previously registered fertilizers.

Presently, there are very few alternatives to animal research that are recognised by the government. We are doing our best to expand the range of allowed research methods and reduce experiments on animals.

Voluntary ESG certification of products

GRI 2-28, 417-1

In 2021, PhosAgro Group became Russia's first entity certified under the national standard for improved production. This will enable the Company to eco-label its products. Certificates numbered 1, 2 and 3 were issued to PhosAgro's Cherepovets, Volkhov and Balakovo sites respectively. Today, all of the products made at our mineral fertilizer facilities have been certified under GOST R 58658–2019, which has introduced the world's most rigorous limits on heavy metal and arsenic content. This is a testament to the unique eco-efficiency of our products, which can now be labelled with the green brand.

Eco-friendly products and responsible consumption are currently gaining momentum in Russia and abroad, with more consumers setting great store by environmental properties of a product. This is confirmed by international and Russian research:

- » over 44% of Russians trust eco-labels, while 42% pay a premium for more environmentally friendly products and packaging (Green Response, 2021);
- » Three in five global consumers are interested in learning more about where their food comes from and how it is made. Three in four global consumers expect companies to invest in sustainability (Innova Consumer Survey, 2020);
- » Some 37% of Russians are likely to opt for goods and services provided by a responsible business, should they all be in the same price range (Romir jointly with Plan B and SKOLKOVO Sustainable Business Lab, 2019).



PhosAgro Group has become the first company in the Russian mineral fertilizer industry to receive a certificate of compliance with the Ecological Union's Vitality Leaf standard and the right to use the internationally recognised eco-label on its products. This is a credible testimonial to the outstanding eco-efficiency of our mineral fertilizers. It is worth noting that the Ecological Union uses a science-based approach grounded in a comprehensive life cycle analysis to evaluate products, projects and services. Certificate for compliance with the Standard STO-56171713-023-2020 (Mineral fertilizers. Requirements for environmental safety and assessment methods):

- » developed by the Ecological Union;
 - » recognised by the Global Ecolabelling Network (GEN)¹;
 - » authorises the use of internationally recognised Vitality Leaf eco-label.
- Going forward, PhosAgro Group's fertilizers that have successfully completed certification will bear the Vitality Leaf eco-label.
- The Vitality Leaf eco-label on PhosAgro's fertilizers confirms that:
- » these fertilizers are essential to sustainable agriculture, as they are a part of sustainable intensive farming practices;
 - » they do not contain any heavy metal concentrations such as cadmium, chromium, mercury, or nickel, which can

harm the environment and people. The requirements imposed by the Ecological Union on the content of most heavy metals align with the EU directive due to be enacted on 16 July 2022.

- » fertilizers come with precise dosage recommendations, which serve to preserve soil fertility;
- » the production cycle is designed to ensure a sustainable use of resources and apply the best available techniques;
- » the feedstock suppliers have passed all environmental safety checks, as PhosAgro Group has put in place the Green Procurement system.

Eco-labelling is an opportunity to make an informed choice in favour of PhosAgro products with internationally recognised environmental credentials.

Additionally, PhosAgro's Green Label environmental claim asserts that the product is free from dangerous cadmium concentrations capable of harming soils.

Finally, our products are labelled with an EU pictogram developed under Regulation (EU) 2019/1009 and ensuing rules for voluntary labelling of safe fertilizers in terms of heavy metals content.

> 44%
of Russians trust eco-labels



Regulations and certain requirements applied to mineral fertilizers by the European Union, REACH, and SVHC

PhosAgro Group's products exported to European Union (EU) customers were registered pursuant to Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation and Authorisation of Chemicals (REACH). Effective since 1 June 2007, REACH replaced previous EU legislation on chemicals. REACH seeks to ensure a higher level of safety and to protect human health and the environment. For companies, REACH conformity means greater responsibility for assessing the risks associated with the use of chemicals and providing users with relevant safety information.

Companies producing or importing 10 tonnes or more of hazardous substances per year are required to submit not only technical data, but also a chemical safety assessment (CSA). All information on such substances is communicated by PhosAgro Group in full to the regulators.

Pursuant to Regulation (EC) No. 1907/2006 (REACH), Apatit's products contain no substances which are subject to restrictions on their sales in the European Union (EU).

We produce ammonium nitrate (AN) CAS N 6484-52-2 EC No. 229-347-8, which is subject to para 58, Annex XVII of REACH. However, it does not apply if a fertilizer conforms to specifications defined in Annex III to Regulation (EC) No. 2003/2003 of the European Parliament and of the Council.

To confirm compliance, samples of ammonium nitrate are sent quarterly to the Inspectorate Estonia AS lab for detonation resistance and oil retention tests. The results are formalised by a protocol for compliance with the requirements of Annex III of Regulation (EC) 2003/2003.

In addition, para 30 of Annex XVII to REACH lists substances specified in Part 3 of Annex VI to Regulation (EC) No. 1272/2008 and classified as toxic to reproduction, Category 1A/1B. These include sodium tetraborate which is on the list of Substances of Very High Concern (SVHC) and is classified as a reproductive toxicant, Category 1B, but the restrictions only apply to individual concentrations in the mixture above 4.5%. We produce NPK fertilizers with

boron that contain sodium tetraborate at a concentration of 2–3%. Therefore, the special concentration level as defined in Part 3 of Annex VI to Regulation (EC) No. 1272/2008 is not reached.

Thus, PhosAgro Group faces no restrictions under Annex XVII of Regulation 1907/2006.

The quality and safety of mineral fertilizers produced by PhosAgro Group is confirmed by state registration certificates, declarations of conformity, and safety data sheets. According to expert reviews, new fertilizer grades are effective and environmentally and toxicologically safe. The products are properly classified, labelled and packaged in accordance with Regulation (EC) No. 1272/2008 (CLP Regulation). All types of manufactured fertilizers have safety data sheets (SDS).

¹ Global Ecolabelling Network (GEN)

Russia is represented in the GEN only by the Vitality Leaf eco-label operated by the Ecological Union. Apart from that, the non-profit association includes internationally recognised Type I eco-labels focusing on life cycle analysis such as the EU Flower (EU countries), Blue Angel (Germany), Nordic Swan (Nordic countries), etc

Results

Consumer research – 1



As part of the research, PhosAgro Group analysed consumer awareness of products and services, their preferences for new products and assessed attitudes to the Company's environmental initiatives.

In 2021, the Company took a set of measures to make information about PhosAgro Group's products and services more accessible. Customers enjoy our digital services, which are complementary to PhosAgro's core products and allow us to expand consumer opportunities, including by offering faster access to the relevant information and competencies of PhosAgro Group experts. During the COVID-19 pandemic, these services have been particularly effective and have flourished. [For more information on PhosAgro Group's digital services in 2021, see the Strategy section on 56.](#)

PhosAgro Group Innovation Centre provides expert support to consumers and is also engaged in:

- » promotion of new products;
- » promotion of core assortment in other countries (including registration tests);
- » on-demand expertise for other related business units;
- » preparation of agrochemical materials;
- » participation in educational programmes.

Ensuring customer satisfaction is key for PhosAgro Group's operations. Customer satisfaction is assessed in accordance with the requirements of ISO 9001

Monitoring of customer satisfaction helps obtain unbiased data on the performance of the quality management system, collect comments, search for the root cause of inconsistencies and timely develop corrective actions. We also take on board our customers' wishes and suggestions, which are duly considered to boost customer satisfaction, expand our product range, acquire new customers and tap into new markets, both domestic and international.



Conducted from June to November 2021, the survey was organised as part of regional field days, PhosAgro field days, Chemistry, Yug Agro, and Golden Autumn exhibitions, as well as via the corporate website.

During the survey, we measured the following indicators:

- » awareness and attitude towards environmental initiatives in Russia as a whole and those carried out by PhosAgro Group;
 - » the degree to which different factors influence the decision to buy fertilizers;
 - » awareness of the Company's products and services;
 - » media preferences;
 - » attitude towards new fertilizer brands and selection criteria..
- Surveying method: questionnaire (paper/digital).

Key conclusions of the survey

Icon	Key conclusions	Additional information
	Environmental safety Survey participants are positive about environmental initiatives in Russia and can identify the Company's green label; respondents also consider PhosAgro Group's products to be eco-efficient.	>60% of respondents have heard of the Russian law On Agricultural Products, Raw Materials and Food with Improved Environmental Characteristics. >70% of those surveyed support the creation of a green brand for domestic agricultural products.
	Quality and efficiency For agricultural producers, the main criterion for choosing fertilizers is quality. In this regard, it is very important that the respondents' first association with PhosAgro Group's fertilizers is quality.	According to the survey results, quality (>80% of respondents) and user experience (80% of respondents) are the factors that most influence consumer choice.
	Product awareness Consumer awareness of PhosAgro Group's brands has increased significantly over the past year. Networking at specialised events and the printed catalogue remain the most preferred channels for learning about products; with that, consumers have become way more interested in digital channels (website, email newsletters, YouTube channel) over the past year.	> 70% of respondents are familiar with PhosAgro Group's digital ecosystem
	Development and launch of innovative products Almost all respondents (90%) expressed interest in fertilizers with controlled and prolonged effect.	When choosing new products, attention is paid to increasing yield targets and economic efficiency. This was reported by about half of the respondents. About 40% are eager to introduce new practices.

The survey of consumers' opinion on PhosAgro Group and its products explicitly confirms that:

- » the implementation of Strategy to 2025 is fully consistent with stakeholders' needs and expectations;
- » environmental properties of products, their quality and eco-efficiency, as well as PhosAgro Group's efforts to promote its green label and the new paradigm with respect to agricultural products, raw materials and food with improved characteristics are of importance for consumers;
- » digitalisation and digital services are as essential as in-person interaction and are an effective channel of communication with a variety of stakeholders

Consumer research – 2



Additional research included an analysis of consumer requirements and expectations in terms of product quality, assortment, and output.

The research was carried out by means of an online consumer survey both in Russia and abroad.

The respondents were asked to rate their satisfaction level on a scale from 1 (the lowest score) to 5 (the highest). The survey used a

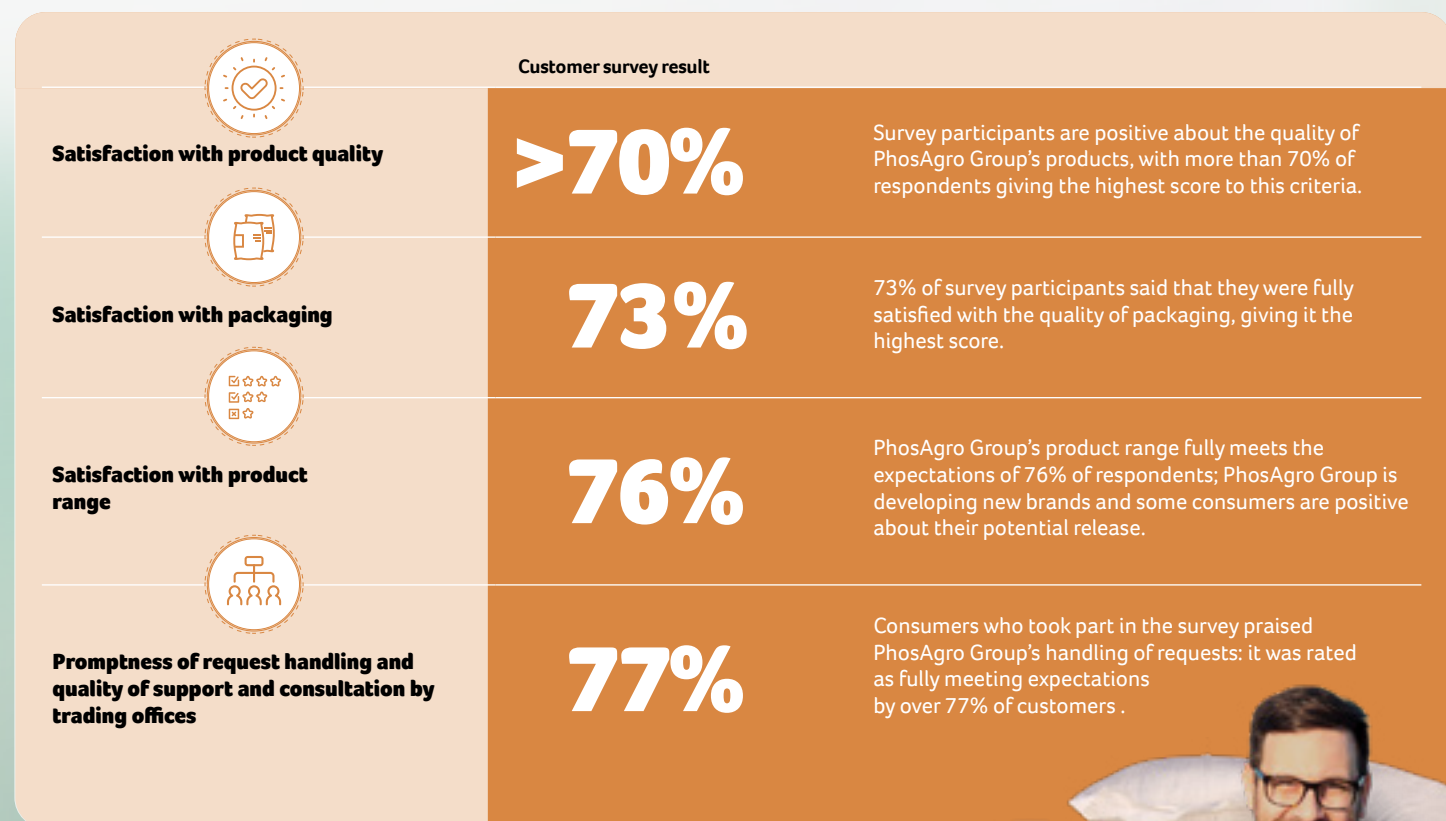
number of customer satisfaction criteria, including:

- » quality of the products supplied;
- » packaging of the products supplied;
- » product range;
- » promptness of request handling and quality of support and consultation by trading offices.

The data obtained serves as the basis for the annual assessment of customer satisfaction.

In 2021, the survey covered 11.8% of PhosAgro Group's total customer base by revenue, with 24% of them being from Russia and 76% from abroad.

Key results of the customer satisfaction survey



Degree of consumer satisfaction from 2019 to 2021, %



Following the customer satisfaction survey, corrective measures were developed, with their effectiveness to be evaluated in the next research cycle.



18% are “neutrals”: they are not dissatisfied, but neither are they completely sure that they would recommend PhosAgro Group. The percentage of “neutrals” was significantly higher in general than in Russia, where customers are noticeably more loyal to the brand.

Brand loyalty a sssessment

In addition to the basic criteria underpinning the quality management system, the findings of the survey were studied in terms of behavioural characteristics and customer loyalty to the brand. For this purpose, the net promoter score (NPS), an index that measures customer loyalty to a product or company, was calculated. It totalled 82 for the Russian and foreign customers. This is a very high score, which means that many respondents are likely to recommend PhosAgro Group and our products to their friends.

The prevalence of “promoters” shows that PhosAgro Group has a competitive edge in terms of a hefty share of loyal customers and the possibility of growth through customer recommendations.

It was essential for us not only to have our performance evaluated against various criteria, but also to get a deep understanding of what lays behind respondents' high scores. The main aspects that consumers cited as the most motivating for being loyal to PhosAgro Group were as follows:

- » reliability and convenience of cooperation;
- » customer focus, flexibility;
- » innovativeness;
- » good packaging.

At the same time, we received a number of comments on isolated matters. They were investigated as part of the quality management efforts, with appropriate corrective measures further developed. Some consumers noted that our product range is not wide enough. We are actively working to improve the situation; under the Strategy to 2025, the Company plans to introduce 50+ new product grades to the global market, including not only fertilizers, but also complementary products, such as crop protection agents..

82% of respondents can be categorised as “promoters”, or highly loyal customers.

- » value for money;
- » quality products (the most popular answer);
- » quality service (agricultural support, logistics and speed of delivery);
- » personnel qualification;

Research and education

Global Sustainable Development Goals (SDGs)



Research and education is an integral part of our operations. PhosAgro Group strives to ensure efficient and safe agricultural production and develops new innovative fertilizers while also working to minimise the

environmental impact of mineral fertilizer application and production. In doing so, the Company relies on Russian and international experience and leading research and production practices.

2021 highlights

~x3

The growth in the output of mineral fertilizers with micronutrients almost to 1.7 mt (vs 621 kt in 2020²).

RUB 71.2 bln ^{17% of total revenue}

was generated by sales of fertilizers produced for the last five years

Urea with urease inhibitor was marketed

The use of phosphogypsum in agriculture was recognised as a best practice by International Fertilizer Association (IFA).

Strategy

Our Strategy to 2025 envisages efforts to increase the share of innovative products, develop technology and production, and ramp up potential for cooperation with stakeholders and partners in the area of innovation and research.

Another important focus under this strategy is to ensure efficient production and its compliance with high standards for environmental responsibility, circular economy principles, and safety.



¹ Due to certain aspects of accounting, the revenue does not include the margin of PhosAgro Group's traders

² For grades registered as fertilizers with micronutrients in 2020, production output since 2021 is presented

Management approach

Our innovation, product development and education management system is seamlessly integrated into our quality management system, which is aligned with ISO 9001:2015.

Management approach to innovation, product development, and education

PhosAgro Group runs the Samoilov Scientific Research Institute for Fertilizers and Insectofungicides (NIUIF), Russia's only institute specialising in this area. The Group actively cooperates with the Russian Ministry of Agriculture, the Russian Academy of Sciences, federal research centres, universities, innovation funds, and international R&D organisations (UniLaSalle Polytechnic Institute (France), University of Belgrade, Poland's Research Centre for Cultivar Testing, Mendel University in Brno (Czech Republic), Lithuanian Research Centre for Agriculture and Forestry, Latvia University of Life Sciences and Technologies, University of Tartu (Estonia), and Brazil's Federal University of Lavras). Moreover, in 2018, PhosAgro Group set up the Innovation Centre to create cutting-edge products and technologies in partnership with research institutions in Russia and abroad.

The NIUIF and PhosAgro Innovation Centre bring together researchers, engineers, and experts from various areas. With PhosAgro Group pursuing ambitious development goals, its business units have been attracting new highly qualified experts. In 2021, the average staff headcount at PhosAgro Group's R&D units reached 427 employees.

Furthermore, the Company has a competence centre that employs a broad range of experts. The tasks of this centre include:



promotion of new products;



promotion of core assortment in other countries (including registration tests);



on-demand expertise for other related business units



writing/editing agrochemical materials;



monthly reviews on cadmium and other pollutants;



participation in educational programmes.

PhosAgro is working closely with international organisations to provide broad support to humanitarian and research-intensive projects.

Research and education fall within the remit of the Technical Development Department and are discussed at the meetings of the Sustainable Development and Strategy Committees of the Board of Directors. These matters are subject to an annual review by the Board of Directors

Risks and opportunities

The following strategic risks affect our research and educational objectives

([for more information, see the Strategic Risks section on page 68](#)):

- 1 strategic planning risk;
- 13 regulatory risk;
- 19 climate risk.

Activity specific risks are listed below:

- » non-compliance of products' manufacturing process and their use with carbon footprint standards and other environmental aspects associated with the adoption of the European Green Deal (primarily the From Farm to Fork Strategy) and potential similar restrictions in other markets;
- » insufficient environmental friendliness of production processes;
- » inability to ensure full compliance of plant nutrition systems with specific farming practices;
- » inability to accommodate customers' expectations of advisory support regarding the use of products.

The Group develops corrective measures as necessary and unlocks opportunities to mitigate those risks. Below you can find more information about what we do on this front.



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Performance

NIUIF performance in 2021



Sulphuric acid production

The NIUIF is a leading research centre that explores sulphuric acid technology and production and supports facilities countrywide. In 2021, in addition to providing services to PhosAgro Group sites, the institute also carried out a review of process and technical solutions of engineering documentation of one of the leading manufacturers of non-ferrous metals. The findings resulted in expert opinions and recommendations on technologies used in the project, process solutions, equipment selection and configuration, construction materials, and production technologies.

The second stage of creating in-house production of high-performance vanadium sulphuric acid catalysts, carried out jointly with the Boreskov Institute of Catalysis (Siberian Branch of the Russian Academy of Sciences), included provision of input data for a feasibility study. This work will continue in 2022.

The development of sulphuric acid production (in particular SK-650 and SK-20 in Balakovo, SKU-23/40 boiler furnace in Volkhov) is being monitored and provided with advisory support across all of PhosAgro Group's major production facilities.

The installation of the SK-800 sulphuric acid production unit in Volkhov was supported with R&D and advisory services during boiler efficiency testing. Some of the work will continue in 2022.

Phosphoric acid

As part of R&D support for phosphoric acid production, the NIUIF kept up efforts to monitor and analyse the efficiency of raw material processing, as well as develop hemihydrate and dihydrate production of wet-process phosphoric acid across all of PhosAgro Group's sites.

In Cherepovets, Balakovo, and Volkhov, the NIUIF developed vacuum evaporation of wet-process phosphoric acid. In particular, core engineering solutions were developed to design a vacuum-evaporating unit with a capacity of 50 ktpa of P₂O₅ as part of wet-process phosphoric acid production in Cherepovets and to expand the capacity of dihydrate technology systems EFK-1, EFK-2 to 311 ktpa of P₂O₅ in Balakovo.

Production of mineral fertilizers

At the Cherepovets facility, the NIUIF is working to intensify MFPU-2 operation that uses a catalytic converter. The NIUIF staff also provide R&D support for the commissioning and start of crystalline ammonium sulphate production and develop core technical solutions for the reconstruction of magnesium additive injection systems for MFPU.

In Volkhov, the NIUIF is responsible for R&D support of production at MFPU Sections No. 1 and No. 3, as well as for utilising capacity and reaching production targets at MFPU Section No. 2.

In Balakovo, we are also planning to develop and implement a technology involving ammoniator-granulators and drum driers to develop production of mineral fertilizers.

The range of the NIUIF activities features, among other things, R&D support and advisory services with regard to product quality requests, preparation for and participation in pilot production of new fertilizer grades, examinations and lab tests of fertilizer samples.



11 methods

of quantitative chemical analysis developed and certified in 2021

In 2021, the NIUIF employees developed and certified eleven methods of quantitative chemical analysis to ensure analytical monitoring of production processes, with five methods certified at a federal level.

We developed the industry's first simulator to train granulation operators.

Last year, we had an in-depth study of physical and chemical properties inherent in monocalcium phosphate to reduce caking tendency during transportation and storage.

The NIUIF is a leading research centre that explores sulphuric acid technology and production and supports facilities countrywide.

Development of advanced types of fertilizers and other products

In 2021, the NIUIF and Moscow Timiryazev Agricultural Academy continued with research efforts to explore potential for developing innovative grades of slow and controlled-release fertilizers produced by applying inorganic coatings/shells. Cultivation tests brought positive results and enabled us to file national patent application No. 2021126117 "A Method to Produce Slow and Controlled-Release Fertilizers". This work will continue in 2022.

The NIUIF employees explored available technologies and developed core technical solutions to produce water-soluble monocalcium phosphate as both an end product and feedstock for water-soluble NPK fertilizers.

They also developed technical solutions to upgrade sodium tripolyphosphate production and create a product with a low bulk density at the Volkhov production site.

The NIUIF held a set of studies to refine a technology for injecting zinc-containing additives into mineral fertilizers. Cultivation tests were carried out to assess the impact of zinc-containing fertilizers on the accumulation of biomass and plant nutrients. In 2022, the NIUIF will further assess the impact of technological processes on agrochemical performance of zinc-containing fertilizers.

Environmental R&D, including with a focus on the use of recycled materials

The NIUIF staff took part in the upgrade and improvement of scrubbing systems at the PhosAgro Group's production facilities in Cherepovets and Balakovo. In particular, they put forward suggestions on reducing aggregate dust emissions from MFPU No. 3, block 2.70 in Cherepovets.

As part of the programme to develop the Volkhov branch, the NIUIF provided R&D support for water circulation facilities after the implementation of a zero-discharge production scheme. Its employees also support design and construction of a neutralisation station and slaked lime station in Volkhov.

The technical upgrade of the Balakovo branch also saw the water use system improve. Jointly with St Petersburg Mining University, the NIUIF monitored the condition and stability of dump sites in Balakovo.

In 2022, the NIUIF will further provide R&D support for the design of a unit for the integrated treatment of by-products from wet-process phosphoric acid – fluosilicate acid and phosphogypsum production (based on the NIUIF technology), as well as for the design of aluminium fluoride shop reconstruction with increased capacity.

In the reporting year, the NIUIF developed a technology for hydrogen sulphate treatment of Kola nepheline concentrate with production of aluminium hydroxide and by-products. 2022 will see the NIUIF staff advance this technology further.

The NIUIF will further develop a technology to produce crystalline ammonium sulphate by processing phosphogypsum and carbon dioxide.

In 2022, we also plan to focus on developing an action plan to optimise the use of chemical reaction heat, reduce natural gas consumption and, consequently, greenhouse gas emissions at the fertilizer drying stage in Cherepovets.

The NIUIF employees are developing measures to improve the quality of marketable silica gel and studying recovery and processing of waste water phosphorus.

PhosAgro innovation centre



Development of new products

PhosAgro Group's portfolio includes **52** fertilizer grades

In the reporting year, more products with innovative properties were developed. Urea with urease inhibitor – a product with a positive climate profile that improves the plants' nutrient uptake through controlled release – was brought to the market

We plan to develop and market 50 new grades by 2025, and 70 by 2030, including innovative biomineral fertilizers, fertilizers with inhibitors and ameliorants, as well as fertilizers with prolonged effect.

By 2025, PhosAgro Group looks to start producing three fundamentally new products: ApaSil, biologised fertilizers, and BioCPA (crop protection agents). Furthermore, urea with urease inhibitor, which is already registered in Europe, is currently pending registration to be supplied in the Russian market.

Phosphogypsum

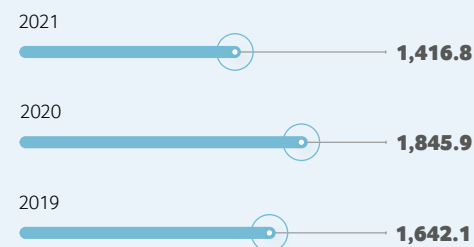
In December 2021, a working group of the International Fertilizer Association (IFA) recognised PhosAgro Group's production of improved phosphogypsum and its use in agriculture as a best practice.

Phosphogypsum is a valuable by-product of the production of mineral fertilizers. It includes, among other things, such elements as calcium, sulphur, phosphorus, zinc, silicon, magnesium, copper, which are important for the soil. The use of phosphogypsum enhances the soil structure, its water and air permeability, improves leaching highly soluble salts, and shapes favourable conditions for the development of soil biota. Phosphogypsum makes it possible to increase productivity of arable lands and reduce the cost of crop production.

For several years now, PhosAgro Group's R&D and production units have been working to make this valuable product, which used to be regarded as waste, a marketable commodity. The certification was completed in 2019. The Balakovo branch became the first to start commercial production of marketable phosphogypsum with improved properties. In 2021, 40.5 kt of phosphogypsum was supplied (vs 8.7 kt in 2020).

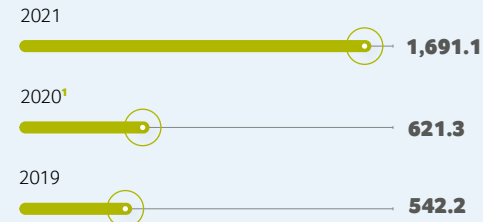
Apart from being a new revenue source, phosphogypsum contributes to circular economy principles and, thus, to PhosAgro Group's ambitious environmental goals. Another important factor is potential large-scale application of phosphogypsum in order to reuse 20 m ha of salinised land currently incapable of being cultivated. Chemical amelioration, which is required to reuse this land, cannot proceed without certain products, including phosphogypsum.

Investments in R&D activities and development of new products, RUB mln



Trends in demand for innovative products and eco-efficient fertilizers with improved characteristics over the recent years show that farmers opt for a more targeted approach to their agricultural tasks. PhosAgro Group promotes innovations in agriculture, including by way of providing farmers with access to its broad range of products, services, and digital resources.

Production of mineral fertilizers with micronutrients, kt



Sales of fertilizers produced for the last five years (2017–2021) amounted to RUB 71.2 bln, or 17% of total revenue. Strong R&D capabilities and the flexibility of production capacities achieved through a fundamental overhaul in recent years allowed the Company to deliver a high share of new grades. All of these give PhosAgro a competitive edge and help PhosAgro Group meet growing demand for the specific grades that are best suited to certain crops, soils, and farming practices.

16.9%
Share of revenue generated by sales of cutting-edge fertilizer grades developed and brought to the market in 2017–2021

* For grades registered as fertilizers with micronutrients in 2020, production output since 2021 is presented.



Revenue generated by sales of cutting-edge fertilizer grades developed and brought to the market in 2017–2021, RUB mln

Item	Revenue
Diammonium phosphate 18.1:46.2 dark	23,832.1
Diammonium phosphate 18.1:46.5 dark	10,223.2
Diammonium phosphate 18.2:46.2 green	1,668.7
Nitrogen-phosphorus-potassium diamphoska fertilizer 10.3-26.4-26.4 light brown	3,740.2
Sulphur-containing nitrogen-phosphorus-potassium fertilizer NPK(S) 8-20-30(2)+0.5Zn grade	1,152.0
Prilled urea without processing with anticaking agents	4,469.3
Nitrogen-phosphorus-potassium fertilizer 12-32-16	4,071.9
Nitrogen-phosphorus-potassium fertilizer 12-32-16 light brown	967.4
Granulated urea	15,356.5
Feed grade urea	514.6
Nitrogen-phosphorus-potassium fertilizer 12:15:21	455.4
Nitrogen-phosphorus-potassium-sulphur fertilizer NPK(S) 9-22-29(2) grade	1,342.7
Sulphur-containing nitrogen-phosphorus fertilizer NP+S=20:16+16	69.8
Sulphur-containing nitrogen-phosphorus fertilizer NP(S) = 14-40(7) grade	869.3
Sulphur-containing nitrogen-phosphorus fertilizer NP+S(Zn) 14:40+7(1.0%) grade	558.4
Ammonium sulphate	1,387.2
Ammophos 10-46 grade	432.1
NPK fertilizer 4:12:32 grade with ammonia spirit	88.7
Total	71,199.4

Note: due to certain aspects of accounting, the revenue does not include the margin of PhosAgro Group's

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Cooperation in innovation



The Company's strategy for developing new products relies on cooperation with leading scientific and research centres. PhosAgro Innovation Centre cooperates with more than 15 federal research centres and institutes.



Иннопрактика

Partner
non-government development institution and National Intellectual Development Foundation (NIDF)»

Project
Cooperation roadmap for 2021–2023

Activities in 2021
We have embarked on implementing the cooperation roadmap.

30
agricultural universities in Russia made part of PhosAgro's nationwide educational network

5,773
participants of online lectures



Partner
Russian Academy of Sciences

Project
Cooperation across a range of areas related to the climate agenda and low-carbon transition plan

Activities in 2021

At the conference, mineral fertilizer producers, agricultural market participants and leading representatives of the scientific community discussed national and regional issues of low-carbon development in Russian agriculture and related industries.

PhosAgro and the Russian Academy of Sciences (RAS) announced at the conference the launch of a project to create a carbon farm in the Vologda region. The project is a pilot in the joint work to create a system of regional monitoring of greenhouse gas emissions.

A working group of 93 experts from 19 RAS institutes was set up to implement the carbon farm project.

Partner
Partner universities

Project
Creating PhosAgro's nationwide educational network across 30 agricultural universities in Russia

Activities in 2021

Activities and results in 2021:

- » more than 100 online lectures were held for 21 agricultural universities;
- » the lectures draw 5,773 students and teachers from across Russia and the CIS;
- » the lectures covered multiple themes, including agrochemistry and agronomy, crop production, innovations and digitalisation in agriculture, economics, law and responsible farming;
- » capabilities for conducting scientific experiments were set up at PhosAgro Educational Centre's Phyto-Class of the Moscow Timiryazev Agricultural Academy, including those for students' thesis projects;

A comprehensive study was carried out and a detailed terms of reference prepared for the forestry and agricultural parts of the farm. Work on the cloning of deciduous trees specific to the Vologda region was launched to grow plantations of mixed forests.

In addition, scientific experiments were launched and are being successfully conducted at Nemchinovka Federal Research Centre jointly with RAS scholars, with a farming station set up for new crops with full crop rotation. 15 federal research centres and institutes are involved in the project.

- » vocational profiling organised jointly with teachers of the Moscow Timiryazev Agricultural Academy was made available to school students;
- » PhosAgro Educational Centre offers ongoing further education courses, hosts open days by major employers, holds meetings for young scholars and conferences, and offers lectures recordings.

Programme expansion plans for 2022:

- » integrating PhosAgro's educational programme into the curriculum of 30 Russian agricultural universities;
- » increasing the enrolment of PhosAgro's lectures to 10,000 students per year;

- Plans for further cooperation with the RAS in 2022:**
- » further progress in implementing the carbon farm project and equipment procurement;
 - » further progress in implementing other projects involving leading Russian scientists to develop and promote innovative products jointly with PhosAgro, for example:
 - » developing biotechnologies and feed additives;
 - » testing and registering new biomineral fertilizers;
 - » building a pipeline of new promising projects.

PhosAgro's international humanitarian projects

GRI 2-28



PhosAgro runs multiple humanitarian projects focused on building a modern education and science framework. In line with our strategic goals, we support young scholars and their projects addressing the challenges of biodiversity conservation, environmental well-being, sustainable development and the circular economy.



Lobbying expenses in 2021 amounted to RUB 26.4 mln

Partner	Project	Activities in 2021
UNESCO	Green Chemistry for Life, a joint grant programme by PhosAgro, UNESCO and IUPAC	<ul style="list-style-type: none"> › The final selection of project applications was held as part of the seventh round of the Green Chemistry for Life grant programme implemented jointly by PhosAgro, UNESCO and IUPAC. › Eight talented scholars from countries across Africa, Asia, Europe and Latin America (Armenia, Brazil, Vietnam, Italy, Malaysia, Croatia, Tunisia, South Africa). were named winners by the International Scientific Jury. › The grant awards ceremony is planned for 2022. › Over the nine years of the programme's existence, its International Scientific Jury considered more than 800 applications from young scientists representing 125 countries. More than 40 scholars from 29 countries received grants.
IUPAC	Summer Schools on Green Chemistry project run jointly by PhosAgro and IUPAC	<ul style="list-style-type: none"> › The fourth training session of the Summer School was held in an online-offline hybrid format. › It draw more than 150 young scientists and 40 teachers from 30 countries. › Since 2018, Summer School sessions have been held annually with PhosAgro Group's support, attracting hundreds of talented scholars from emerging and transition economies. Over the past few years, four training sessions were held, bringing together over 400 young specialists from 60 countries..
UN Food and Agriculture Organisation (FAO)	The project for Development of Sustainable Agriculture through the Implementation of the Global Soil Doctors Programme and the Creation of the Global Soil Laboratory Network (GLOSOLAN)	<ul style="list-style-type: none"> › Phosagro Group assists FAO in implementing the Global Soil Doctors Programme and creating the Global Soil Laboratory Network (GLOSOLAN), which comprises over 800 laboratories in 150 countries. › PhosAgro and FAO agreed to extend their partnership for the development of sustainable agriculture until 2023. PhosAgro Group's total contribution to the project will reach USD 2.4 mln by 2023. › PhosAgro participated in FAO's international conference on soil protection as part of the World Soil Day celebrations. › PhosAgro participated in the Global Symposium on Soil Biodiversity hosted by FAO.
International Fertilizer Association (IFA)	As a core member of the IFA, PhosAgro Group contributes to the association by providing expert advice on a wide range of topics	<ul style="list-style-type: none"> › Throughout the year, PhosAgro's experts actively contributed to the work of the IFA committees on agriculture, safety and environmental protection, international trade, communications and PR. › PhosAgro was commended as a leading responsible producer in the fertilizer industry at the IFA Strategic Forum held annually. › PhosAgro Group's agricultural use of improved phosphogypsum certified in Russia was recognised as best practice at the IFA Working Group Meeting in December 2021.
United Nations Global Compact	As a Global Compact LEAD company, PhosAgro contributes to the initiative by providing expert advice on a wide range of topics	<ul style="list-style-type: none"> › PhosAgro was for the third time recognised as a UN Global Compact LEAD company. This enhances the Company's business reputation globally, reinforces its competitive strengths and increases public trust in PhosAgro, while also helping to boost existing and forge new partnerships. › As part of the UN Global Compact, PhosAgro endorsed the CEO Water Mandate, joining the global initiative of business leaders committed to advancing water stewardship. › PhosAgro solidified its commitment to the UN Global Compact by joining the Water Resilience Coalition and Climate Ambition action platforms. › The Global Compact Network Russia, in partnership with PhosAgro and with the support of Accenture and SAP, launched a regional track of the SDG Ambition accelerator programme in Russia and Belarus

Partner	Project	Activities in 2021
Institute of Chemistry and Sustainable Development at Mendeleyev University of Chemical Technology	Partnership in promoting basic sciences and research in chemistry and related fields to further sustainable development globally	<ul style="list-style-type: none"> › In order to develop students' professional knowledge of advanced technological processes in green chemistry, PhosAgro partnered with the Institute of Chemistry and Sustainable Development to organise a series of webinars for Bachelor's and Master's Students at the UNESCO Chair of Green Chemistry for Sustainable Development at Mendeleyev University of Chemical Technology. › Webinars focused on the following global challenges: natural resource management, carbon free technologies, green guidelines, waste recycling, etc. › The focus areas were aligned with the UN's 17 Sustainable Development Goals.
International Competence Centre for Mining Engineering Education under the auspices of UNESCO	The Centre is based at St Petersburg Mining University and plays an important role in implementing the UN Sustainable Development Goals, such as improving the quality of education, combating climate change, and protecting and restoring ecosystems	<ul style="list-style-type: none"> › PhosAgro is a member of the Centre's Steering Committee and actively participates in its activities. › PhosAgro Group took part in the 4th Russian-UK Raw Materials Forum, supported by the International Competence Centre for Mining Engineering Education under the auspices of UNESCO. The forum was attended by 35 speakers, including representatives of 25 leading Russian and UK mining companies. The forum's audience exceeded 800 people. › PhosAgro Group took part in the 8th Russian-German Raw Materials Forum, supported by the International Competence Centre for Mining Engineering Education under the auspices of UNESCO. › PhosAgro's employees participated in the professional certification programme to earn verification of their qualifications with international requirements for a mining engineer.
European Sustainable Phosphorus Platform (ESPP)	Partnership on the European political, scientific and technical agenda for the sustainable use of phosphate resources.	<ul style="list-style-type: none"> › PhosAgro Group's research on its use of phosphogypsum in road construction was published in the ESPP newsletter on best practices in phosphogypsum application. › Drafting the article "Sustainable crop production: decreasing phosphorus rates or splitting phosphorus application?" for the Soil P legacy collection. › At the ESPP online conference, a report titled "Sustainable crop production: decreasing phosphorus rates or splitting phosphorus application?" was presented, featuring the results of PhosAgro Group's European field experiments conducted at a branch of the Lithuanian Research Centre for Agriculture and Forestry.
Safer Phosphates, an international alliance of environmentally friendly fertilizer producers	Partnership in protecting human health and agricultural ecosystems from contamination with heavy metals	<ul style="list-style-type: none"> › In November 2021, Safer Phosphates (where PhosAgro is a member) and OPERA, a research centre of the Università Cattolica del Sacro Cuore (Italy), published the white paper "Cadmium Limits in Phosphorus Fertilizers". This research focuses on cadmium and its negative effects on soils, food and the human body. › It calls for the introduction of evidence-based levels for cadmium in fertilizers to ensure food safety and protect human health.

Supply chain

Global Sustainable Development Goals (SDGs)



Strategy

PhosAgro Group's procurement system seeks to ensure that the Group's subsidiaries receive required resources, materials, and services with adequate quality, in full, and at reasonable prices. However, there is much more to the principles and business processes underlying our procurement activities. We believe that running a supply chain in an efficient and responsible manner is the cornerstone of the PhosAgro Group's sustainable development. In 2021, our procurements of goods and services exceeded RUB 150 bln. Thousands of our suppliers and contractors benefit directly

from these investments, and so do their employees, who have to provide for their families. We contribute to the public budget at various levels. But what is even more close to our heart is that the tools that we employ, including our environmental and social assessment of suppliers, as well as anti-corruption mechanisms, directly promote sustainable values across the Russian business community. These values are the bedrock of our business philosophy. We work to ensure that our procurement activities have a sizeable positive impact on all our stakeholders.

2021 highlights

19%

Share of local suppliers

20%

Share of procurement from SMEs

50%

Share of counterparties which have completed ESG assessment



Management approach

GRI 2-6, 3-3, 204

Procurement principles



1) Interaction with suppliers is based on full transparency in decision-making, market and formula pricing, and long-term relationships.

Procurement procedures are competitive, with bidders submitting their applications on the electronic bidding platform and a dedicated commission put in charge of organising tenders for petroleum products, materials and equipment, works and services.

PhosAgro Group has in place documented procedures for assessing and selecting suppliers.

2) Procurement activities ensure that PhosAgro Group receives the required amount of quality feedstock, materials, equipment, and services when and where it needs, supplied by a responsible partner that meets deadlines, provides good customer service, and offers a good price. To this end, all procured goods undergo a thorough selection process based on requirements for:

- » quality;
- » sustainability;
- » reliability;
- » human rights.

3) Cutting-edge solutions allow building best available procurement models, comparing prices with other suppliers within the system and in the market in general.

Key solutions in procurement.

- » Development and implementation of category strategies. This approach to procurement is designed to enhance quality,

reliability, and customer satisfaction. In 2021, the strategies covered 16 categories of raw materials, 15 categories of materials and equipment, two categories of works and services.

- » IT solutions. Procurement is managed through IT solutions. One of such solutions is SAP Process Mining by Celonis, a powerful software for analysing and streamlining procurement across multiple processes, including demand forecasting, analysing data after inventories have been issued for production, as well as identifying bottlenecks and procedural violations.

- » Robotisation. Robotic solutions reduce lead time for day-to-day and routine tasks and eliminate overlapping functions.

4) PhosAgro is committed to its anti-corruption policy. In our relationships with counterparties, we rely on the Anti-Corruption Charter of the Russian Business and, thus, mitigate the risk of fraud and/or corruption on both sides.

5) Procurement activities take account of PhosAgro Group's existing requirements, procedures, and methods based on good business practices.

Key policies and ethical compliance

PhosAgro Group's fundamental documents for supply chain management:



PhosAgro's Anti-Corruption Policy;



PhosAgro's Code of Ethics;



Code of Conduct for Counterparties.

All the above regulations are available on the Company's website and counterparties are required to read them upon registration at PhosAgro Group's electronic bidding platform (for more information, see Familiarising Business Partners with the Company's Anti-Corruption Standards and Procedures on page 256).

The standard form contract for counterparties stipulates their compliance with the Code of Ethics and Code of Conduct for Counterparties.

PhosAgro Group may refuse to cooperate with suppliers or business partners discriminating against their or their subcontractors' employees or using forced labour.

Building up a pool of suppliers



The Department works on a strategy for each procurement category to develop the supplier pool



At the initial stage, suppliers face a filtering barrier upon their registration on the EBP. It provides for documented checks. As a result, the Company creates a pool of reliable counterparties.



ESG questionnaire for counterparties to improve the discipline of suppliers and put in place additional checks for accessing the Company's platform and participating in tenders



Procurement

PhosAgro Group has a dedicated hotline, and counterparties are expected to report in good faith any concerns related to the Group's activities (including the supply of goods and services to the Company) along with potential violations of the Regulations on Conflict of Interest and other bylaws, laws, other regulations, or ethical standards.

Efficient structure

Deputy CEO of Apatit is at the helm of the Procurement Department. At PhosAgro, we have both a centralised procurement function at our primary production site in Cherepovets (Vologda region) and local procurement units at our branches in Kirovsk (Murmansk region), Balakovo (Saratov region), and Volkhov (Leningrad region). The organisational structure of the Procurement Department covers three major areas: raw materials and fuel, equipment and materials, works and services. For each area there are units engaged in routine procurement and

dedicated teams responsible for category strategies. There are individual units within the procurement function that focus on tender procedures, capital procurement, support of supplies, planning and analysis.

The function has in place key performance indicators (KPIs) aligned with the Group's business objectives to assess the effectiveness of its employees. KPIs are individual, and their calculation accounts for the personal contribution of each employee. A development plan can be

introduced at all levels in line with an employee's or task group's initiatives and projects, thus improving engagement and motivation.

The performance of the Group's procurement function is subject to annual review by the Board of Directors, while the key role in this process is assigned to its Sustainable Development Committee. After the review, the Board suggests recommendations on key development areas and ways to improve the Procurement Department's efficiency.

Factors affecting procurement



Today

- » Business partnership with the customer
- » Focus on strategic categories
- » Digitalisation
- » Goal: operational efficiency
- » Cost reduction

Tomorrow

- » Re-engineering and complete automation, single digital strategy
- » Amendments to the HR policy, enhancing appeal of the procurement function
- » Localised pool of suppliers to mitigate cross-border risks. A new global objective of the procurement function is to ensure that supply chains are resilient
- » Shifting the focus from the art of negotiation towards risk management and problem solving
- » Situational management – prompt response to emerging global challenges
- » Development of the Sustainable Development and Green Procurement Policy

Risks and opportunities

The following strategic risks affect our procurement objectives (for more information on them, see the Strategic Risks section on page 68):

- 14 corruption
- 17 FX risk
- 18 commodity risk

Procurement-specific risks are:

- » late delivery of raw materials, commodities, and equipment, including as a result of supply chain disruptions related to COVID-19;
- » violations of ESG principles by counterparties, including breach of human rights, use of child and forced labour, non-compliance of goods and services with environmental standards, etc.;

- » quality of raw materials, commodities, and equipment, dissatisfaction of the internal customer.

PhosAgro Group develops corrective measures as necessary and unlocks opportunities to mitigate those risks. Below you can find more information about what we do on this front.

Results

Supplier environmental and social assessment

GRI 308, 308-1, 308-2

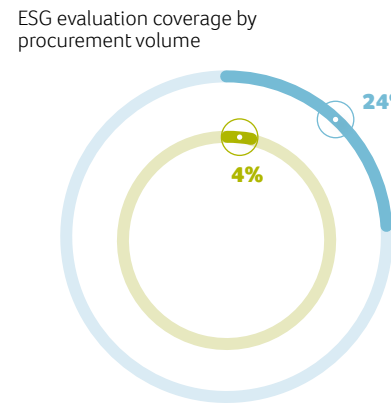
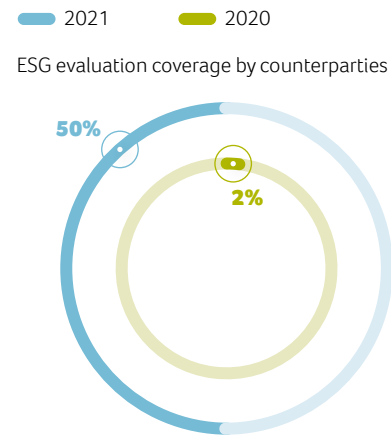
We consider procurement to be one of the most effective tools for implementing the Company's sustainability strategy and promoting responsible business principles within the Russian business community and society as a whole. We therefore pay particular attention to ensuring that our suppliers and contractors adhere to sustainability principles throughout their operations.

In 2020, based on the principles of sustainable development set forth in the Code of Conduct for Counterparties, PhosAgro developed a system to evaluate suppliers against ESG criteria that cover environmental issues, social responsibility and quality management. The assessment is based on the Sustainable Procurement Indicators checklist, which contains 61 ESG indicators, and a procedure for their evaluation depending on the category of suppliers/contractors. This assessment system includes criteria/requirements in six key aspects of ESG, providing a multifaceted view of counterparties' performance:

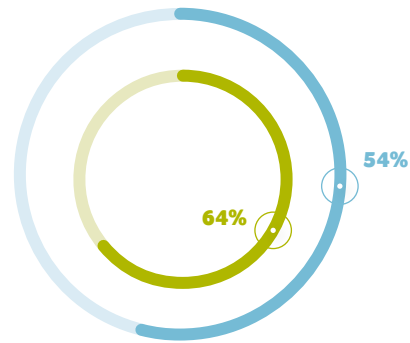
- » environment;
- » occupational health and safety;
- » human resources;
- » permits;
- » quality control;
- » corporate governance quality;

In 2021 the counterparty assessment system was automated, which significantly increased the coverage of ESG evaluation

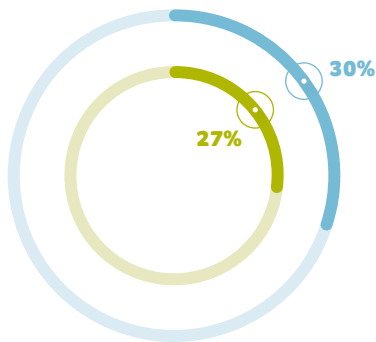
ESG evaluation indicators in 2020–2021, %



Average counterparty rating (on a 100 point scale), points



Share of producers of raw materials, fuels, energy and commodities among counterparties with an implemented and certified environmental management system that complies with ISO 14001 or a similar standard



Since the supplier evaluation system includes environmental requirements, it is fair to say that all participating suppliers and contractors (3,031 counterparties) were assessed for environmental impact.

Thirty percent of evaluated counterparties are producers of raw materials, fuels, energy, and commodities with an implemented and certified environmental management system that complies with ISO 14001 or a similar standard.

The reporting year saw revision of the supplier audit procedure, with ten technical audits conducted, which included ESG criteria. The obtained results demonstrate that suppliers are enhancing their

sustainability and identifying areas for further improvements. The audits unveiled no environmental or social violations.

Contract templates were also updated in 2021 to include a clause with a reference to the Code of Conduct for Counterparties. The clause formalised the counterparties' duty to adhere to the principles set forth in PhosAgro's Code of Conduct for Counterparties, including the obligations to observe and respect human rights, treat employees and partners with dignity and respect and never engage or otherwise participate in human trafficking, slavery, child labour, or any other form of forced labour.

Reduction of GHG emissions and carbon footprint

Current supplier engagement projects:

- » The use of white cast iron liners and steel grinding balls of the 5th hardness group is being considered, which would improve wear resistance and reduce material consumption and, accordingly, carbon footprint.
- » To enhance the ESG strategy with regards to packaging sustainability, we are considering implementing

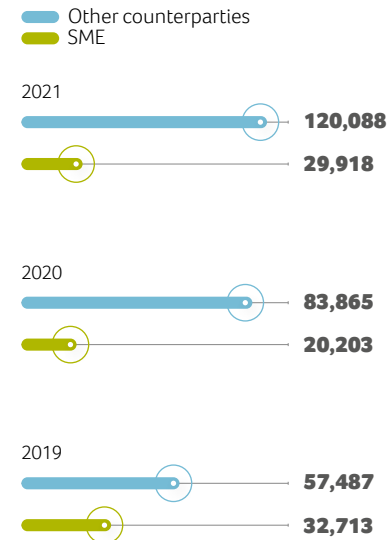
post-consumer recycling for procured big bags.

- » A project to transition the key lime supplier's production from coal to gas is en route to being greenlit, which will reduce air emissions according to preliminary estimates.
- » Throughout production, PhosAgro Group procures and processes large volumes of raw materials that

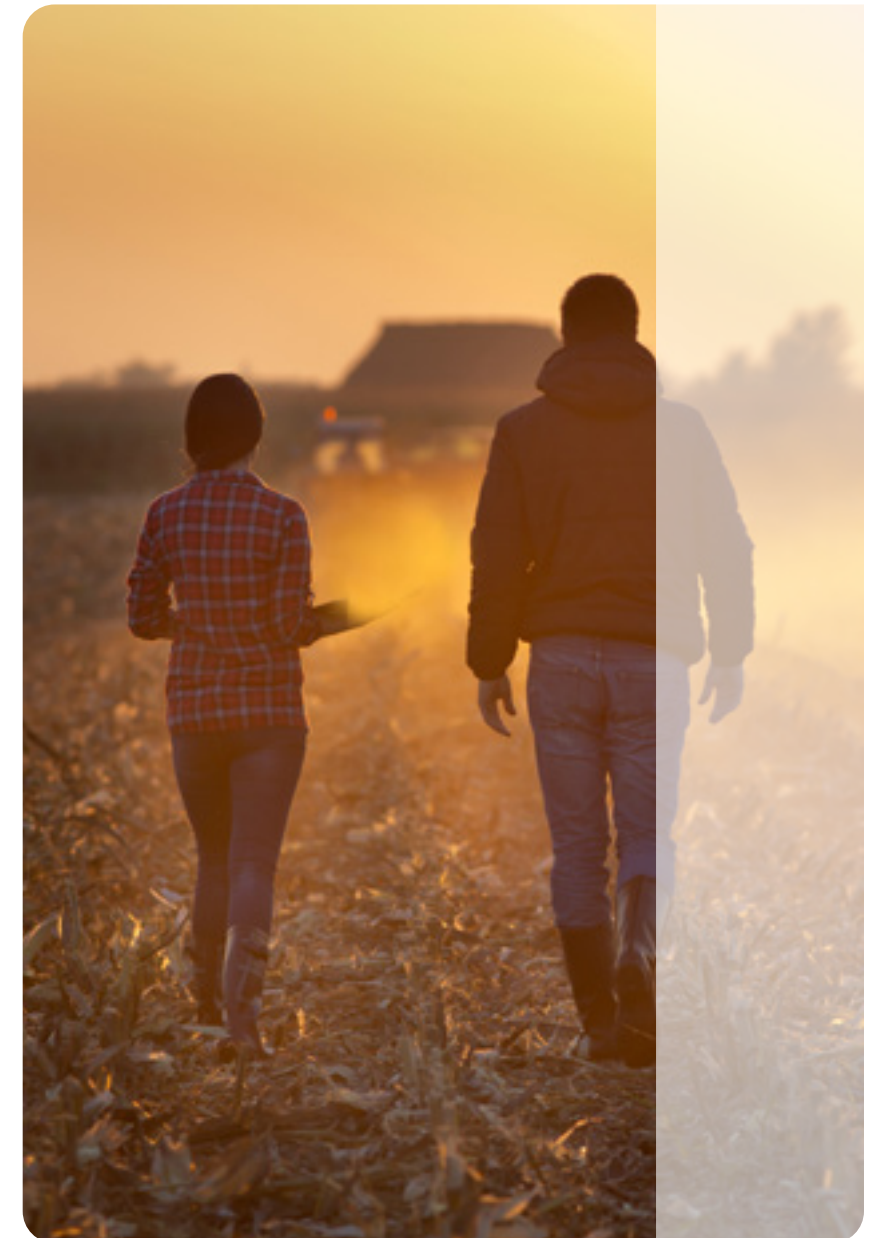
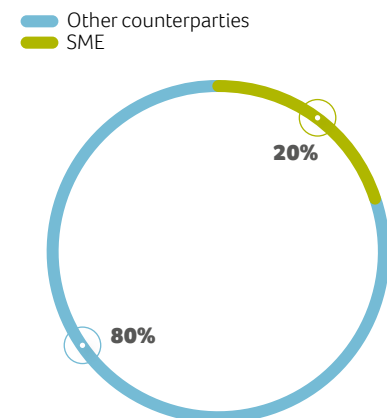
are by-products for suppliers. This reduces the environmental footprint, as these materials would otherwise be disposed for the lack of external demand. We are exploring the possibilities of further ramping up the processing of such raw materials.

GRI 204-1

Procurement in 2019–2021, RUB mln



Procurement from SME in 2021, %

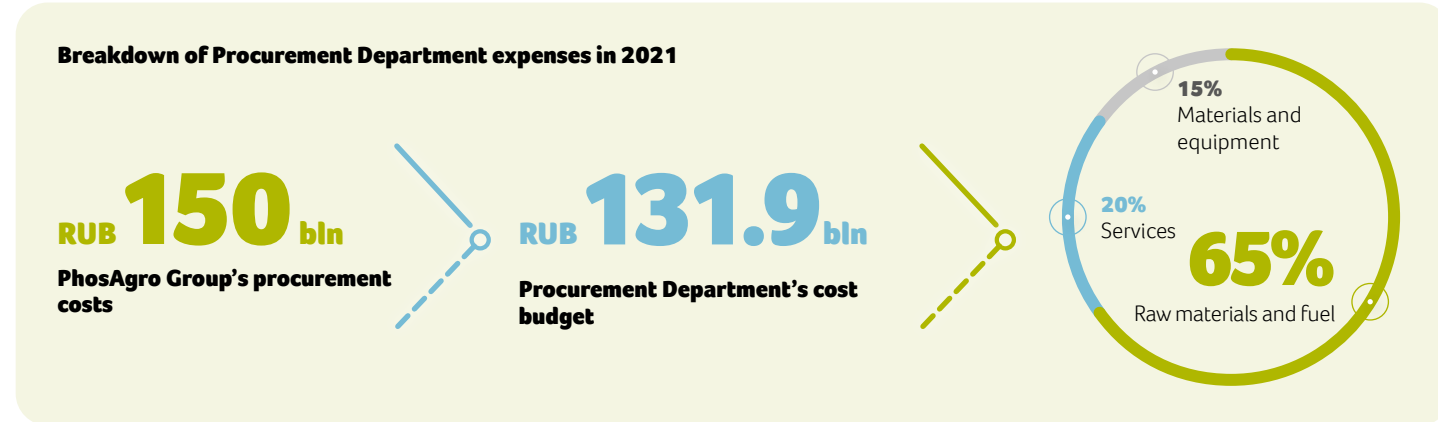


Cost budget in 2021

In 2021, PhosAgro Group's procurement costs totalled RUB 150 bln, of which RUB 131.9 bln is the Procurement Department's cost budget. Raw materials and fuel

accounted for over 60% of procurement costs. The 31% year-on-year increase in costs was mostly associated with higher prices for major categories of raw materials

and logistics expenses, coupled with intensive implementation of investment programmes.



Over the years, PhosAgro Group has been effectively expanding industrial cooperation with manufacturers to support small and medium-sized enterprises (SMEs) by engaging them as suppliers. In 2020, the government of the Vologda region, Apatit, Severstal and Urban Development Agency signed the Synergy of Growth 2.0 agreement to expand business cooperation between the region's SMEs and leading companies. Mutually beneficial partnerships between Apatit and SMEs contribute to

the sustainable development of the local economy and society, serving the interests of all parties involved.

To find reliable partners and foster win-win long-term cooperation with local suppliers, we regularly:

- » convene online meetings with representatives of local businesses and regional branches of the Russian Union of Industrialists and Entrepreneurs, as

well as the Urban Development Agency in Cherepovets;

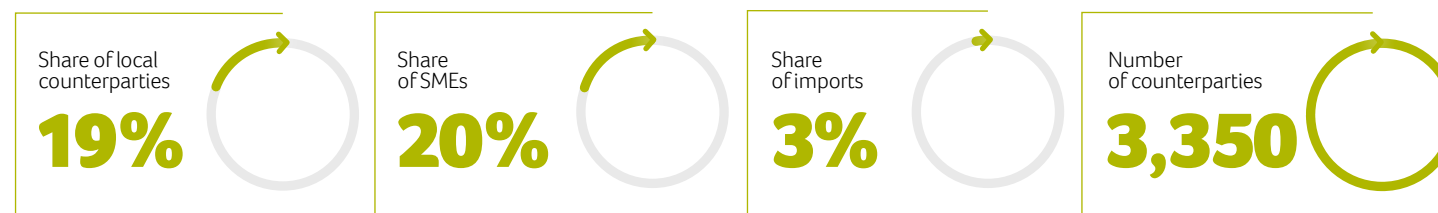
- » hold roundtables to exchange experiences;
- » participate in exhibitions and strategic sessions.

Year after year, PhosAgro Group maintains a high share of local suppliers in its supply chain and is determined to raise it further.

Procurement in 2019–2021, RUB mln.

Indicators	Total	SMEs	Local	Imports
Number of counterparties in 2021, units	3,350	2,332	772	110
2021 procurement volume	150,006.7	29,918.4	28,330.4	4,389.3
2020 procurement volume	104,069.3	20,203.7	23,467.2	2,878.5
2019 procurement volume	90,201.3	32,713.4	18,705.8	3,820.6

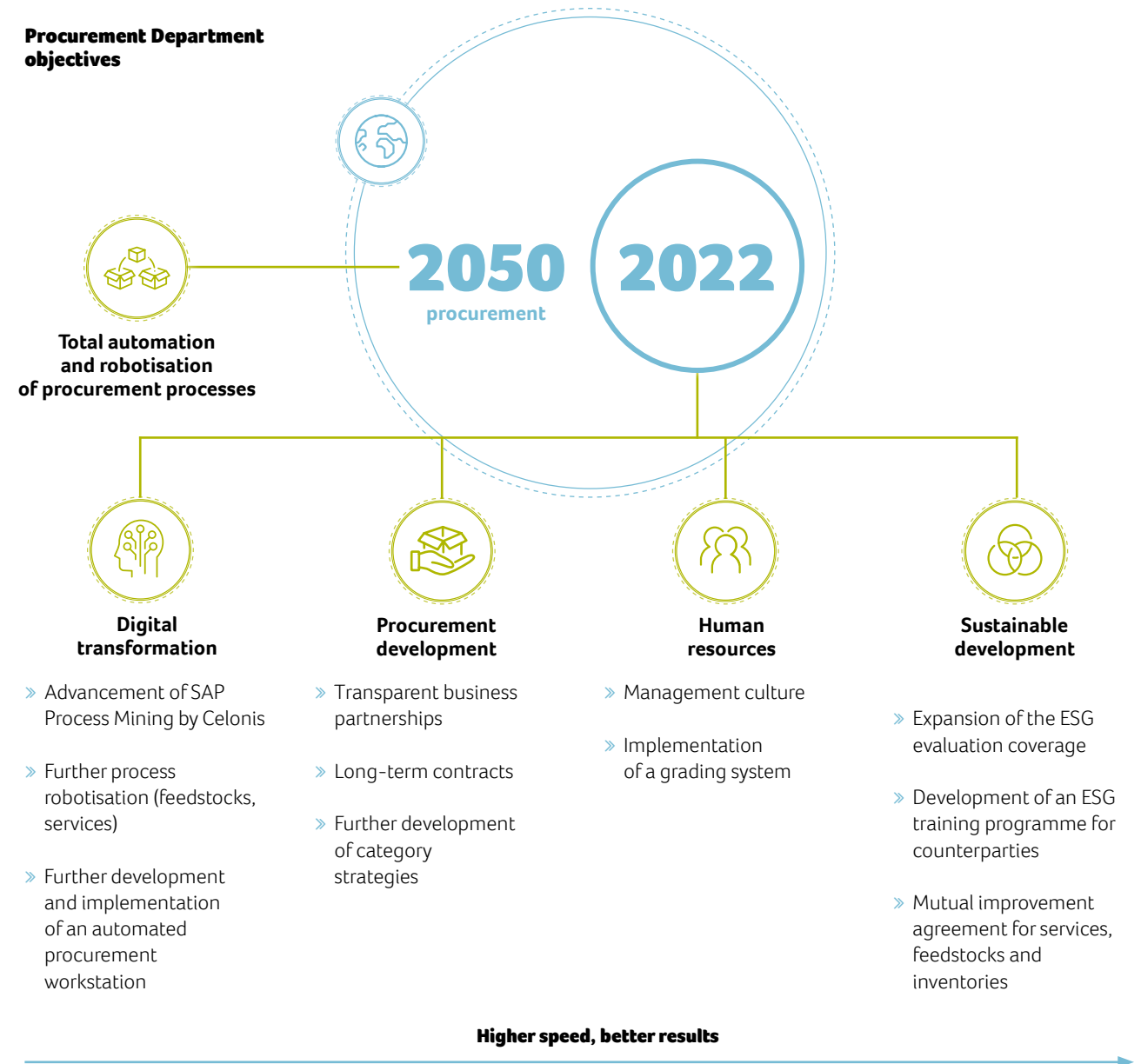
Procurement Department highlights



Service procurement

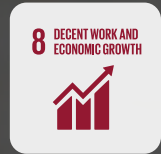
KPI	Scale			Actual
	Worst	Critical	Target	
Average number of tender participants in the reporting period, units	3	5	7	5
Tender price reduction in the reporting period, %	5	7	12	10
Holding tenders on time, %	90	95	100	99
Bidders' motivation assessment with respect to procurement quality, score	3.5	4.5	5	5

Procurement Department objectives



People development

UN sustainable development goals (SDGs)



2021 highlights

GRI 2-30

>18 ths
Employees

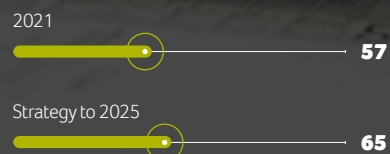
x3.5 times
More investments in social programmes for our employees

+20%
Average training hours per employee

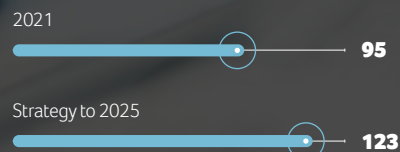
100%
Staff coverage by collective bargaining agreements

Strategic goals

Employee satisfaction and loyalty, %



Average annual training hours per employee



2021 accolades

» PhosAgro won the 1st place in the Region category of the nationwide HR Brand Award.

» PhosAgro Group's Mentoring project secured 3rd place in the Leaders of the Future category of the Creating the Future competition – a nationwide employee best practice award.

» Maxim Nadezhin, a researcher in the quality and standardisation department at NIUIF, was recognised as a winner of the Engineer of the Year contest

Strategy

PhosAgro relies on talented, professional, and committed employees that share our corporate goals and values. Our people are the backbone of our success. The Company's entire HR framework is geared towards recruiting, supporting and motivating

such employees to achieve the most ambitious professional goals. To this end, we continuously foster a culture of safety, equality and respect, provide ample opportunities to develop new competencies and offer competitive salaries and social benefits.

We seek to deliver on our targets by running the following programmes:

- » Implementing a remedial action plan based on the annual employee survey results
- » Developing and implementing online training courses on personal competencies
- » Developing and implementing e-learning modules on blue-collar jobs, occupational safety, and managerial skills; introducing an innovative approach to professional training (virtual reality simulators, 3D models for training, production training grounds for improving workplace safety skills, etc.)
- » Developing a system of corporate libraries, guidelines, and knowledge management at large
- » Employing interpersonal training tools, such as mentoring, coaching, and supervision
- » Enabling and assessing the application of skills acquired by the staff involved in real business operations and project activities.

Management approach

We believe that a robust performance management system that covers all levels – from individual employees to PhosAgro Group as a whole – is key to the Group's continued growth in line with its goals and vision. The Group leverages a diverse set of tools, approaches and automated solutions to assess staff performance.



Integrated HR management framework

Unit	Key responsibilities
The Board of Directors	<ul style="list-style-type: none"> » Supervision over the introduction and implementation of the Company's remuneration policies and various incentive programmes; » Performance appraisal in respect of executive bodies and key executives, including the assessment of their performance against the targets set forth in the long-term incentive programme; » Succession planning for executive bodies and other key executives
Management	<ul style="list-style-type: none"> » Strategic development of HR processes » Development and implementation of process methodology » Optimisation, automation, and digitalisation of HR processes » Functional management of HR services in the regions
Operations	<ul style="list-style-type: none"> » Implementation of the Personnel Management Policy » Recruitment for vacant and key positions » Organisation and implementation of initiatives for occupational training and competency building » Development and management of an incentive framework » Social support for PhosAgro Group's employees in accordance with the collective bargaining agreement

About this Report

Company Profile

Strategic Report

Performance Review

Corporate Governance

Share Capital

Additional Information

HR management principles

GRI 3-3, 406

In April 2021, the Board of Directors approved the revised version of the Personnel Management Policy which enshrines the following focus areas:

- » organisational change management system;
- » personnel attraction and recruitment system;
- » personnel training and development system;
- » incentives and rewards system;
- » social benefits system;
- » corporate communication system;
- » working hours and leisure;
- » respect for human rights and non-discrimination.

In 2019, we approved a transparency statement under the UK Modern Slavery Act. In 2021, the Board of Directors approved the amended transparency statement under the UK Modern Slavery Act, outlining the Company's actions to prevent all forms of modern slavery and human trafficking within PhosAgro Group and its supply chain. In 2020–2021, over 12,000 employees received additional human rights and corporate ethics training.

All relations between PhosAgro and its employees are strictly regulated by the Labour Code of the Russian Federation and adhere to the requirement to provide employees with a timely notice of material changes in employment terms thus respecting human rights.

We negotiate collective agreements with trade unions that address issues such as working conditions and compensation for employees at each of our production sites (usually for a three-year period, covering 100% of the employees of Apatit, its branches and standalone business units). Most of these agreements are three-year.

Non-discrimination policy and human rights

GRI 405, 405-1

PhosAgro Group is committed to respecting employees' human rights as required by the International Bill of Human Rights and the ILO Declaration on Fundamental Principles and Rights at Work, including zero discrimination, not using child or forced labour, respecting their right to exercise freedom of association and collective bargaining, and creating a safe and favourable working environment for both its own employees and the employees of its contractors, which are also expected to comply with such requirements and regulations.

PhosAgro Group appreciates and encourages diversity among its employees. We maintain our commitment to an equal opportunities policy and do not tolerate any discrimination or privacy violations in respect of our employees.

Our goal is to keep our working environment free from restrictions based on nationality, gender, age, faith or other grounds as required by the applicable laws. Any decisions regarding promotion, hiring, remuneration or benefits are based solely on the employee's qualifications, performance, skills and experience.

We expect our employees to treat their colleagues and everybody else, including customers, suppliers and other stakeholders, with due professionalism, respect and fairness.

We consider unacceptable any restriction of employee rights or freedoms, whether at workplace or in any other job-related environment.

Over the past nine years that we have been conducting employee loyalty and satisfaction surveys and collecting feedback from anyone who wishes to express their opinion, not once have we received negative feedback or report of violation of human rights. This clearly indicates that all obligations to the Group's staff are respected and met.

In **2021** PhosAgro Group's **respect of human rights** was once again assessed by the Board of Directors and the Remuneration and Human Resources Committee, with special attention paid to diversity, gender equality and staff appointments. The discussion led to the key conclusion that every employee who works dutifully and has professional skills and competencies may apply for any position within the Company, including an executive one.

The Code of Ethics

PhosAgro adopted a Code of Ethics in 2014 and updated it in 2021. It applies to all employees and is the Company's primary document that clearly outlines its corporate culture, together with all basic requirements for PhosAgro employees, and establishes rules and regulations for individual and collective behaviour within the Company. It covers all professional and business

relationships, both at PhosAgro and with business partners and other external parties. When agreeing and concluding contracts with external contractors, it is an imperative for us to cover arrangements and commitments related to mutual respect of human rights and compliance with PhosAgro's Code of Ethics. Commitment to these principles ensures that all our employees

take pride in their work and are keen to communicate with colleagues, feel comfortable in a team and can grow both professionally and personally. They help PhosAgro to avoid unjustified risks, maintain long-term business growth, strengthen our position in the Russian and foreign markets, and increase the Company's value for shareholders and other stakeholders.

Open communication channels

GRI 2-25, 2-26

Access to multiple communication and feedback channels within PhosAgro Group allows our employees to resolve employment and other job-related issues. Some of the formats are Q&As in the corporate newspaper, town-hall meetings for staff and management, corporate portal, and a hotline.

Any employee or other stakeholder can use PhosAgro Group's whistle-blower hotline to report human rights violations or discrimination of any nature, or to communicate any other issues or concerns related to employer-employee relationships. Since the start of the monitoring in 2019 through 2020, our employees reported no human rights violations via the hotline.

Responding to the way people have to communicate in the wake of the turbulences and working remotely in 2021, we are active in introducing cutting-edge technologies in corporate communications. These include enhanced personal accounts for the employees, a corporate mobile app with self-service options, and a chatbot, along with new capacities we added to our corporate portal.

Annual employee survey

Over the past nine years, PhosAgro Group has been conducting annual employee surveys which serve as a basis for subsequent remedial action plans designed to address employee concerns and requests. 2021 was no exception, with a major set of initiatives implemented.

Risks and Opportunities

The following strategic risks affect our HR objectives (🔗 for more information, see the Strategic Risks section, page 68):

- ③ social risk;
- ④ HR risk;
- ②① infectious disease risk

HR specific risks are listed below:

- » risks related to human rights and ethical standards;
- » risks related to workforce sufficiency, competence and development;
- » risks related to the provision of competitive incentives and social support to staff.

The Company develops corrective measures as necessary and unlocks opportunities to mitigate those risks. Below you can find more information about what we do on this front.

🔗 For more information on these initiatives, see the Industrial Safety section on page 153.

Gender equality

PhosAgro Group's gender ratio: an overview

20%

of women on the Board of Directors (2 out of 10)

22%

of women among managers of all levels

21%

of women in the Company's Talent Pool (6 out of 29)

33%

of women in the Company's total headcount

Women taking part in external events

CASE-IN International Engineering Championship. League of Young Professionals.

Autumn Cup (October 2021)

The championship aims to foster the professional and personal development of young professionals.

PhosAgro team consists of four people: two men and two women.

Goals:

- › assessing and developing hard and soft skills and leadership of young professionals;
- › identifying leaders among young professionals;
- › involving young professionals in tackling relevant operational challenges faced by the Company and the industry as a whole by using real cases;
- › transferring the experience and knowledge accumulated by the Company's management and leading employees to young professionals.

Women taking part in corporate events

Best Professional contest: Laboratory-Based Chemical Analysis category

11 female finalists

Young Manager – 2021 competition (2021 superfinal)
11 finalists: seven men and four women.

The event was won by Olga Ovcharenko, Head of the Chemical Water Treatment and Water Supply Section at the water supply and treatment shop of the Balakovo branch.

Young Manager – 2022 competition

Men – 47, women – 12.

Mentor of the Year first corporate contest (superfinal was in December 2021)

10 men, 2 women

To enhance women's social security in accordance with the applicable laws, the Company:

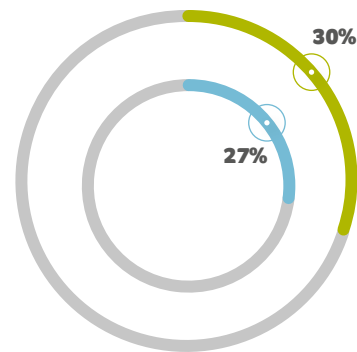
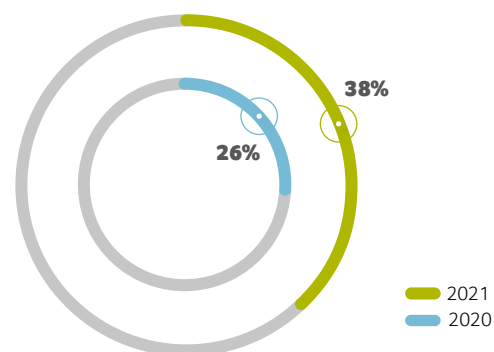
- › does not use female labour for manual lifting or carrying weights exceeding maximum allowable limits;
- › releases women from their job duties and transfers them, subject to their medical reports, from production sites to lighter-duty positions;
- › provides women, at their request, with a parental leave until the child reaches the age of three;
- › prohibits business trips, overtime or night work, work on weekends and public holidays for pregnant women, except when there are a written consent and no contraindications;
- › safeguards employment of pregnant women, with their employment contracts terminated only in the event of liquidation of the facility, as well as that of women having children up to three years of age and single mothers having children up to 18 years of age.



Share of women taking part in corporate programmes, %

High-Potential Graduates

Corporate training initiatives



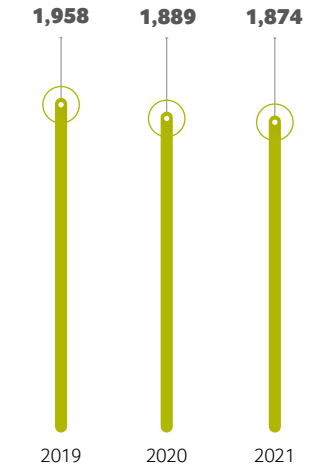
Results

GRI 2-7

Average headcount in 2021, people²

Region	Men	Women	Total
Saratov region	1,290.7	626.8	1,917.5
Murmansk region	6,044.4	2,059.5	8,103.9
Moscow region	218.2	167.3	385.5
Leningrad region	826.9	533.2	1,360.1
Vologda region	3,210.0	2,425.0	5,635.0
Other	658.6	260.3	918.9
Total	12,248.8	6,072.1	18,320.9

Productivity, t per person¹



In 2021, the Company had an average headcount of **18,320.9** people.
In 2020, the Company had an average headcount of **17,891.0** people

Average headcount², %

	2020		2021	
	Men	Women	Men	Women
Age				
Under 25	3.3	1.9	3.5	2.0
25–34	20.9	10.1	19.2	9.8
35–44	22.8	12.4	23.2	12.5
44–55	14.1	8.4	14.6	8.6
Over 55	3.7	2.3	4.0	2.5
Category				
Blue-collar workers	42.6	15.0	41.9	15.2
White-collar workers	11.7	17.2	12.0	17.2
Executives	10.6	3.0	10.7	3.0
Education³				
Higher	25.4	20.3	25.4	20.3
Basic vocational	17.8	5.3	17.1	5.3
Secondary	10.1	3.4	10.2	3.6
Secondary vocational	11.5	6.3	11.8	6.2

¹ Apatit, including its branches and standalone business units

² PhosAgro and Apatit, including its branches and standalone business units

³ Based on the classification of education levels. For employees who were recognised as having incomplete higher education in previous periods, the most recent complete education is used. Data for 2020 and 2021 is shown on a comparable basis

Headcount by region, employment type and employment contract as at 31 December 2021, people¹

GRI 2-7

Region	Gender	Full employment	Partial employment	Permanent contract	Fixed-term contract
Vologda	M	3,302	1	3,233	70
	F	2,719	3	2,501	221
	Total	6,021	4	5,734	291
Saratov	M	1,330	2	1,282	50
	F	703	7	649	61
	Total	2,033	9	1,931	111
Leningrad	M	923		830	93
	F	606		540	66
	Total	1,529	0	1,370	159
Murmanskaya	M	6,107	1	5,623	485
	F	2,293	10	2,161	142
	Total	8,400	11	7,784	627
Moscow	M	211		209	2
	F	165	1	164	2
	Total	376	1	373	4
OTHER (Stavropol, Krasnodar, Kursk, Tambov, Berezniki)	M	2		2	
	F	9		8	1
	Total	11	0	10	1
TOTAL	M	11,875	4	11,179	700
	F	6,495	21	6,023	493
	Total	18,370	25	17,202	1,193

The increase in the 2021 headcount was mainly due to the implementation of investment projects and development of production facilities.

GRI 405-2

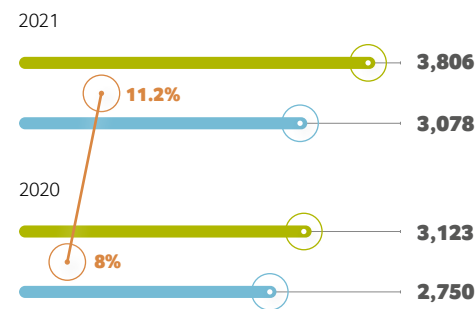
Due to the nature of our operations, there are generally more male employees than female ones.

At PhosAgro Group, we believe that professionalism, sustainably strong performance and adherence to corporate values are the essential prerequisites and the only guarantee of promotion and career advancement. Our regulations on

labour relations, remuneration and social benefits cover all of the Group's employees and underpin the principle of equitable remuneration and performance rewards. We comply with the principle by implementing a remuneration framework that offers equal pay to employees in equivalent positions, regardless of their gender.

Key personnel turnover indicators³, people

GRI 401-1



● Joiners
● Leavers
— Turnover

11.2%

Key personnel turnover indicator in 2021³

¹ Phosagro and Apatit, including its branches and standalone business units. Average headcount is calculated in accordance with the instruction to fill in Federal Statistical Observation Form No. P-4

Staff and senior management² hired from the local community³, %

GRI 202-2

Region	Share of staff hired from the local community ⁴ in total headcount	Share of senior management hired from the local community in total headcount
Vologda region	94	48
Leningrad region	82	22
Moscow region	79	92
Murmansk region	90	63
Saratov region	97	44
Average by all regions	91	61

Recruitment

As part of its comprehensive recruitment approach, PhosAgro Group continuously monitors the labour market in Russia and beyond for skilled staff and efficient managers with experience at leading global companies, always determined to excel in their roles and be one step ahead of the curve.

Our talent attraction and recruitment priorities:

- » cooperating with schools across our regions of operation;
- » cooperating with technical colleges;
- » cooperating with universities.

In 2020, PhosAgro Group introduced a training system for recruitment professionals to improve the hiring process. The system includes:

- » a competency model for recruitment professionals;
- » performance evaluation of employees responsible for recruitment;
- » ongoing training and further improvement courses for recruitment professionals.

Module 1.
Candidate flow generation

Module 2.
Candidate evaluation methods

Module 3.
Persuasive arguing skills

Module 4.
Analytics and additional methods to fill vacancies

² Senior management include N, N-1 and N-2 managers (CEO, functional manager, head of production site, chief engineer of the company (branch), director of subsidiary (affiliate, managed company), advisor to the CEO). The management levels are determined by the respective order.

³ PhosAgro and Apatit, including its branches and standalone business units. Key personnel turnover indicators by age group, gender and region see on page 342.

⁴ Based on the generally accepted concept, which describes a person or group of persons living in a certain territory, without taking into account the ethnic and cultural composition, the local community means employees whose region of registration coincides with the region of the facility's location.

Up to **97%**
of on-site employees are hired locally

The Company's key production sites are located in the Murmansk, Vologda, Leningrad, and Saratov regions. As a major contributor to the local economy and one of the largest taxpayers in these regions, PhosAgro makes a significant social impact across its geography.

In developing our production and creating new jobs, we seek to prioritise local residents when filling our vacancies.

In 2020, we launched a training course comprising four modules:

The course will help improve employee competencies, making talent recruitment more effective.

In 2021, we launched multi-stage comprehensive training in recruitment for managers. The 80+ enrollees praised the course, which covered such topics as:

- » the labour market environment and short-term outlook;
- » what is important for candidates;
- » key parameters in CV vetting;
- » the right way to use the CV during an interview;
- » interview stages;
- » three-level candidate screening;
- » the Moment of Truth technique: how to spot a liar;
- » job tests and the right way to compile one;
- » gathering references for experienced candidates;
- » common managerial mistakes in recruitment.

The training took place in interactive format and involved homework and a variety of hands-on activities.

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Training and evaluation

Due to the COVID-19 pandemic and external restrictions in 2020, personnel training, evaluation and development all went online, helping to develop distance learning and evaluation. In 2021, we continued to deploy automated solutions and services for effective personnel evaluation. These tools help quickly identify risk areas in personnel management and fine-tune the cycle of management initiatives for higher operational efficiency. We introduced motivation and commitment assessment, a number of personality questionnaires and tests, and a mechanism to gauge employee satisfaction with the teamwork between functions. This mechanism is designed to provide information that can be used to develop action plans for improving this cross-functional performance within our diversified group of companies.

Our focus on training and developing our people also helps us hedge against a potential shortage of talent at all management levels. In 2021, PhosAgro Group made substantial progress in this area by increasing the average training hours per employee by 20% year-on-year.



Our corporate training framework relies on the following principles:

- » clear alignment with the Group's strategy;
- » assessing and prioritising actual training needs of various staff categories;
- » planning, coordination, quality and efficiency audit;
- » introducing the most advanced and efficient tools from an economic and methodological perspective;
- » developing new formats;
- » using an individual approach to young talent;
- » proactively identifying and developing new leaders to succeed current ones..

Number of training hours

GRI 404-1

Assets	Average per employee in 2020	Average per employee in 2021	Change y-o-y, %
Volkhov branch	80.8	109.4	36
Balakovo branch	88.8	72.7	(17)
Kirovsk branch	55.9	61.8	11
Apatit (Cherepovets)	93.4	123.9	32
Additional online training for employees	3.5	4.3	23
Apatit and branches total	79.5	95.1	20

Training hours breakdown by employee gender and category¹, %

Category	Hours, total			Hours per person		
	M	F	Total	M	F	Total
blue-collar workers	514,799	186,735	701,534	107.8	94.7	104.0
white-collar workers	109,457	100,882	210,339	72.4	53.2	61.7
managers	109,886	30,668	140,554	83.5	81.9	83.2
total	734,142	318,285	1,052,427	96.6	75.0	88.8

¹ Apatit, including its branches and standalone business units

Number of training courses per capita²

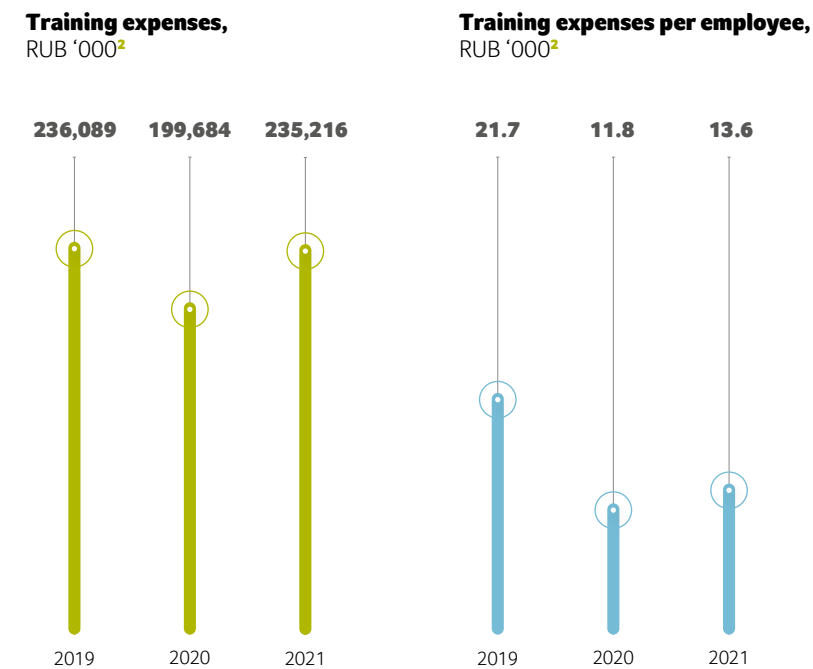
Assets	2019	2020	2021
Volkhov branch	552	1,609	1,678
Balakovo branch	2,393	2,638	2,604
Kirovsk branch	2,771	5,405	8,758
Apatit	8,769	6,518	11,728
Group total	14,485	16,170	24,768
Additional online training	n/a	21,566	16,276
Group total including additional online training		37,736	41,044

In 2021, PhosAgro Group continued to explore new opportunities for organising its personnel training and development processes. We did not stop nurturing talent but rather leveraged the external circumstances related to restrictions on

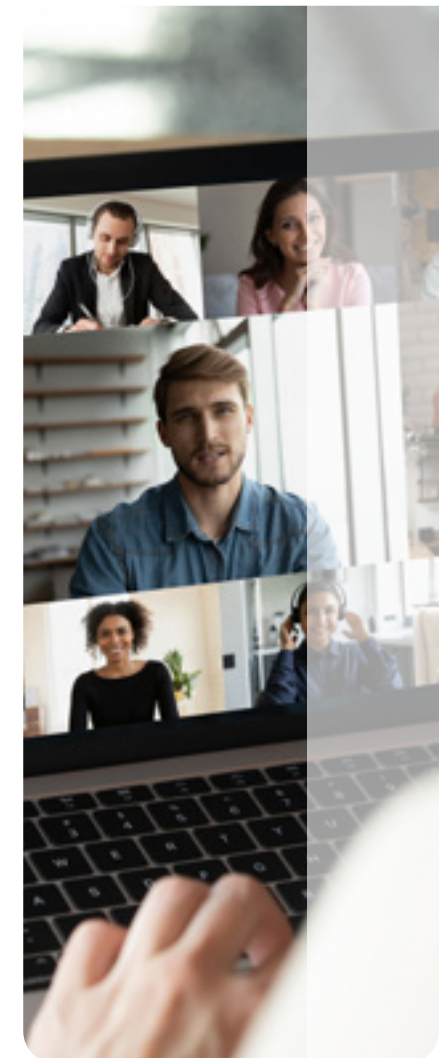
mass events to streamline this training. Most in-person events went online, allowing us to deliver on our training plans in less time and at a lower cost. Our employees highly appreciate the new opportunities they have for

self-development and training using distance learning technologies, which allows them to train and improve their competencies anywhere at any time.

The Group's personnel training budget for 2021 was spent by 80.5%, with all the planned training activities implemented to the required extent



² Apatit, including its branches and standalone business units



Retraining and development

GRI 404-2

PhosAgro relies on its Talent Pool initiative as a means of identifying talented staff with the potential to expand their roles and step into senior positions, and it provides additional training to help them achieve these goals. The programme includes management training courses on personal and business skills such as decision-making, leadership and delegation, conflict management, project management, communication skills and staff mentoring.

Since 2020, PhosAgro Group has been active in implementing a mentoring programme for senior and middle management, with the senior executives (mentors) sharing their expertise and knowledge and taking the Company's management culture to the next level. This is unique opportunity for those included in the talent pool to learn the skill of management from the best professionals. The programme involves over 30 top

managers of PhosAgro Group with more than 120 meetings held between its participants in 2021.

All people involved in the programme to develop a pool of senior executive candidates undergo comprehensive training that covers such topics as management (including practical tools), public speaking, and English. Six top management appointments were made from within this pool.

Line Manager programme for middle and junior managers

As part of this programme, line managers take part in training and development initiatives on the following topics:

- » personnel management, planning, goal setting, organisational activities and oversight;
- » analysis and decision-making;
- » focus on results;
- » effective communication;
- » mentoring.

Project results

1. A matrix of 24 corporate, job-agnostic and job-specific competencies developed.
2. Teaching packages developed for 15 corporate and job-agnostic competencies (20% of the theoretical course).
3. Ten distance learning courses developed for corporate and job-agnostic competencies, with five more to follow.
4. A tool to create online courses for nine job-specific competencies under development.

A personal account was developed for the system and made available for pilot operation at all sites. It features mandatory multi-sectioned courses, courses to develop additional competencies, process flowcharts, student atlases, etc.

We also plan to convert 100% of the theoretical course to distance learning covering four professions under a pilot project, with a view to scaling it up and using the format for the 55 most needed professions.

Virtual teaching package

In 2021, we put a lot of effort into rolling out a virtual teaching package and launching a distance learning system. This was needed because of:

- » the transition to remote work;
- » demand for a specific range of professions;
- » a large number of trainees required;
- » employees' aspirations for self-learning and keeping their knowledge up to date

10 courses

Corporate and job-agnostic competencies



Mentoring

In 2021, we continued to implement mentoring in the workplace as part of a dedicated programme. The programme's key objectives have not changed and are to:

- » create a system to accumulate Group-wide expertise to help develop the competencies of new hires;
- » identify, evaluate and develop the initial potential of employees and leverage their professional experience in line with the Group's requirements;
- » improve labour productivity;
- » reduce workplace injuries;
- » improve professional skills of employees;
- » reduce the number of errors, defects and other failures at work.

To organise the process, we identified a pool of mentors (over 1,500 people so far).

The main selection criteria included:

- » qualifications and professional experience;
- » perception by the team;
- » leadership and training skills;
- » commitment and motivation to share experience and knowledge.

When implementing the programme, we developed and approved the mentor's competence model and evaluated most of the participants using competency-based interviews. That was followed by comprehensive training covering all participants to improve knowledge and personnel development and training approaches.

The modular mentoring programme is promoted at every production site of the Group by issuing certificates and badges for programme graduates, placing information about the best mentors on stands at business units, holding awareness meetings with mentors at business units, publishing stories in corporate print outlets, setting up and running Mentoring groups on social media.

In 2021, we held the first Mentor of the Year corporate contest.

The contest aims:

- » to develop and promote mentoring and make it more prestigious;

- » to drum up interest in and encourage mentoring;
- » to reward and recognise mentors for their significant contributions to fostering young talent.

A total of 78 mentors from across the branches applied to represent their business units in the contest, filling out questionnaires that also served as self-presentations.

The best mentors from all of the Group's locations went on to compete in the grand final at its Sosnovka Recreational Compound. The eleven finalists shared their experience, discussed the programme's implementation, shared their insights on how to address issues and tried to prove their worth and win.

The mentoring programme serves to improve the professionalism of our employees and reduce personnel turnover and recruitment costs, while at the same time enhancing employee loyalty and engagement. The programme has played a major role in building the Group's profile as an attractive employer.

Personnel Assessment

To assess HR management and make efficient decisions in this area, we continuously monitor employee performance metrics and analyse the structure of staff costs, labour productivity, along with the performance of social, training and other programmes.



Personnel evaluated in 2021, people

Assets	Managers		White-collar workers		Blue-collar workers		Total
	Men	Women	Men	Women	Men	Women	
Volkhov branch	34	2	12	8	63	19	138
Apatit (Cherepovets)	43	9	31	36	14	1	134
Kirovsk branch	71	5	48	25	134	79	362
Balakovo branch	29	8	19	9	33	20	118
Group total	177	24	110	78	244	119	752

Personnel evaluated in 2021, %

GRI 404-3

Assets	Managers		White-collar workers		Blue-collar workers		Total
	men	women	men	women	men	women	
Volkhov branch	3.28	0.19	1.16	0.77	6.09	1.84	13.3
Apatit (Cherepovets)	1.04	0.22	0.75	0.87	0.34	0.02	3.2
Kirov branch	1.31	0.09	0.88	0.46	2.47	1.45	6.7
Balakovo branch	2.37	0.65	1.55	0.74	2.70	1.63	9.6
Total for the Group	1.49	0.20	0.93	0.66	2.06	1.00	6.3

Incentives and rewards

Our robust system of rewards is aligned with the Company's performance and motivates all employees to improve their performance in order to achieve our business goals.

It ensures:

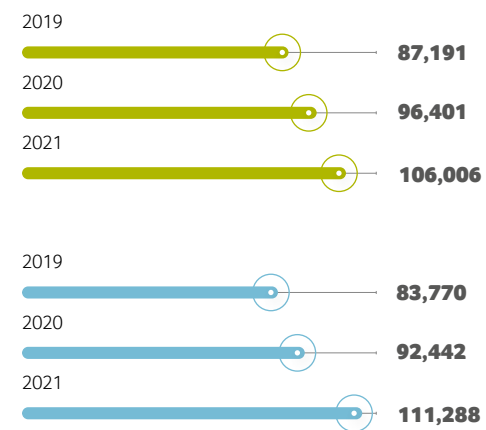
- » decent pay;
- » implementation of incentive programmes using a transparent system of KPIs to calculate managerial rewards;
- » implementation of incentive programmes to motivate blue-collar employees to deliver against their targets;
- » availability of financial and non-financial rewards;
- » employee coverage by social programmes;

- » availability of benefits for certain employee categories;
- » adherence to global best practices on benefit packages.

RUB 1.3 bln

Social investment

Average monthly pay, RUB



■ Apatit and its branches
■ Group (excluding foreign traders)

Ratios between the standard entry-level wage and the established minimum wage in the Company's regions of operation¹

GRI 202-1

Region	Men	Women
Saratov region	1.06	1.04
Murmansk region	1.00	1.00
Moscow region	2.30	1.32
Leningrad region	1.33	1.17
Vologda region	1.18	1.18

Social benefits and employee guarantees

We also provide social support to our employees, increasing amounts of financial aid, health resort rehabilitation and corporate housing programmes. In 2021, we implemented major projects worth over RUB 300 mln to improve working conditions at our facilities. For example, repairs were carried out on lounge, shower and meeting rooms, staircases, and corridors in administrative and production facilities.



Social investment, RUB mln

Programme	2020	2021	Change y-o-y, %
Financial aid to employees	48.3	64.7	34
Recreation, rehabilitation, health resort treatment and VHI	225.3	359.5	59
Improvement of working conditions	80.7	302.1	253
Corporate housing programme	67.5	76.5	13
Other social benefits and guarantees	84.6	227.7	169
Corporate and cultural events	72.3	134.2	86
Support to the trade union (special purpose funding and bonuses)	151.9	188.6	24
Total	731.3	1,353.3	83

¹ PhosAgro and Apatit, including its branches and standalone business units

Investing in PhosAgro Group's future talent



PhosAgro Classes and PhosAgro Schools

We continue to implement the PhosAgro Schools career guidance project. Since 2013, the Company has invested over RUB 600 mln in it, including RUB 400 mln spent on renovations and equipment. In 2022, we plan to ramp up our investment by 2.5 times, with Kirovsk and Apatity schools among the beneficiaries. PhosAgro Schools intend not only to develop educational and research auditoria and labs, but also to implement career guidance projects and give students, teachers and parents a better understanding of PhosAgro Group and its corporate culture.

Since 2019, the Group has employed 53 participants of the PhosAgro Classes programme who graduated from universities that had courses relevant to our core activities, including 26 hires in 2021. All of them will pursue engineering careers, having demonstrated a high level of qualification from their first days on the job. We expect to hire around 30 former PhosAgro Classes students in 2022 and over 100 more by 2025.

More than 100 PhosAgro Classes 2021 graduates have been admitted to higher educational institutions, with St Petersburg Mining University enjoying the highest popularity among them (18 graduates). Since 2015, over 700 graduates of PhosAgro Classes have been enrolled in higher educational institutions, with technical careers gaining more traction among them every year.

In September 2021, 125 new students started their 10th grade programme at PhosAgro Classes, marking the ninth admission round since the project launch.

53 participants
of the PhosAgro Classes programme were employed by the Group since 2019

Agro Class project

Launched in 2020, the Agro Class project is based on a trilateral agreement signed by PhosAgro, Voronezh Secondary School No. 102 and Voronezh State Agricultural University. The project focuses on facilitating early specialism in school education, career guidance for schoolchildren, their motivation to choose an agricultural profession and obtain the necessary in-depth knowledge in natural and exact sciences. The project targets 10th and 11th graders of Voronezh Secondary School No. 102. In 2020, the programme's first students were enrolled in the 10th grade. In 2021, 22 Agro Class students were promoted to the 11th grade and 15 were enrolled in the 10th grade.

The Company helped procure RUB 456,000 worth of research equipment in the reporting year.

The first Agro Class will graduate in 2022. We plan to monitor whether any of these students are admitted to universities relevant to our core activities and support them during their first year there.



Collaboration with technical colleges

Since 2013, as part of its focus on nurturing talent from secondary schools to employment, PhosAgro Group has been partnering with technical colleges across its footprint, including:

- › Kirovsk branch of Murmansk Arctic State University (Kirovsk, Murmansk region);
- › Cherepovets College of Chemistry and Technology (Cherepovets, Vologda region).
- › In 2021, more than 130 students were trained for and received some of the key blue-collar jobs at PhosAgro Group.

Our collaboration with technical colleges cover:

- › setting up testing grounds and labs for students to acquire hands-on experience using real equipment;
- › internship programmes at PhosAgro's facilities with highly-qualified mentors;
- › undergraduate and graduate thesis research;
- › sports, educational and research initiatives, competitions, Olympiads.

PhosAgro Group also supports a regional Training Centre at the Cherepovets College of Chemistry and Technology.

Collaboration with universities

We maintain strong relationships with 33 industry-specific universities as part of our commitment to improving access to quality education and supporting academic research.

As part of its collaboration with universities, PhosAgro Group:

- › sponsors advanced training for graduates of PhosAgro Classes in the fields relevant to PhosAgro (subject to their commitment to future employment at the Company);
- › offers scholarships to the most talented students (based on exam results);

High-Potential Graduates

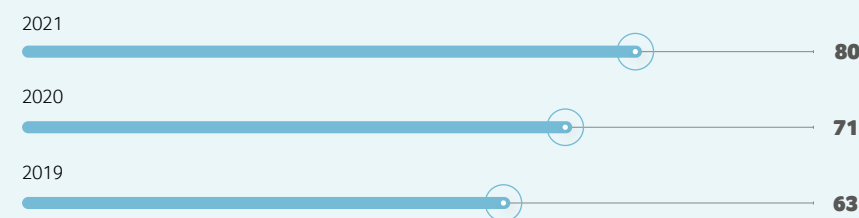
We build upon the foundation laid by PhosAgro Classes and PhosAgro Schools by partnering with universities through our High-Potential Graduates programme as an avenue to better reach university students interested in working at PhosAgro Group. We offer programme recruits a competitive

- › invites students to see the industry in practice at one of the Group's many companies;
- › offers students a job in one of the Group's popular specialisations after they graduate;
- › allocates money for repair and equipment of chemistry laboratories at dedicated universities.

We have cooperation agreements and roadmaps with many universities.

salary, as well as relocation and housing support, and we assign them a mentor upon their arrival at the workplace. The programme's key tasks are to build a talent pool for key positions within the Group and to identify career paths for young talented professionals to prepare future executives.

Number of people recruited to the High-Potential Graduates programme



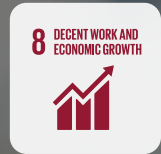
In 2021, PhosAgro Group recruited 80 young specialists through the High-Potential Graduates programme. This brought to 458 the total number of graduates who have joined the Group through this initiative since its inception in 2012. Over 300 of these employees are still with PhosAgro Group today, pursuing careers in such areas as mineralogy, geology, hydraulic engineering, chemistry, thermal energy and electricity

production, rail transport, open-pit and underground mining, and mine surveying.

Of the programme participants still employed at PhosAgro as at December 2021, over 35% had received promotions and/or had been included in our talent pool, and many of them had successfully completed the projects assigned to them upon recruitment.

Industrial safety

Global Sustainable Development Goals (SDGs)



2021 highlights

-75%

reduction in severe injuries (three cases in 2021 vs twelve in 2020)

0

 industrial accidents

lost time injury frequency rate (LTIFR) at the Balakovo branch of Apatit

-37%

reduction in road traffic accidents across the Group (19 cases in 2021 against 29 in 2020, none involving injuries or major damage)

0

 fires

Strategic goals:

to reduce workplace injuries

10%

by annually

to reduce the number of incidents

10%

by annually



Strategy

PhosAgro Group employs over 18,000 people. The headcount of our contractors working temporarily at our production sites and other facilities reaches many thousands as well. All employees of PhosAgro Group and its contractors need to go back from work to their loved ones in perfect health. This is the underlying principle of all our efforts to ensure safe, healthy and comfortable workplace conditions.

Our Strategy to -2025 focuses on fostering a safety culture and adhering to the highest occupational health and safety standards. We have also adopted a Health and Safety Strategy, which defines key focus areas and targeted initiatives to reduce the risks associated with various operations. In 2021, we kept implementing it.

PhosAgro Group is consistently improving its safety culture, employee responsibility and awareness, hazard identification procedures and danger prevention measures by putting managers at all levels in charge and studying and applying best health and safety practices. We apply continuous efforts to identify and reduce health and safety threats to PhosAgro Group employees, contractors and visitors to the Company's sites.

Our key aim is to avoid any fatalities and take a leading position among the best health and safety performers.

The Company's relevant goals and objectives, both strategic and day-to-day, are based on huge volumes of data derived from internal and external audits, inspections, incident investigations, employee recommendations and feedback.

Management approach

Health and safety management system

GRI 403-1

We pay special attention to making our health and safety management system compliant with applicable laws and the highest international standards.

To this end, we have introduced a multi-tier health and safety management system involving managers of all levels.

In 2008, the Group introduced an integrated health and safety management system which has been subject to annual recertification by an independent certification authority. In 2021, Apatit's Cherepovets site was certified for compliance with ISO 45001:2018.

Health and safety management system

	Organisational unit	Key responsibilities	
The Board of Directors	Environmental, Health and Safety Committee of the Board of Directors and Sustainable Development Committee of the Board of Directors	› sets strategic priorities and develops relevant policy;	› reviews executive management's health and safety reporting
Management	Executive bodies	› define and oversee the health and safety policy;	› review all on-site incidents involving people and machinery on a weekly basis
	OHS Department	› supervises OHS management functions across the Group's companies to implement OHS policies and strategies; › collects data and prepares OHS reports for the Management Board and the Environmental, Health and Safety Committee;	› cooperates with external consultants to implement the best practices of OHS management; › conducts audits and inspections at the Company's sites
Operations	Heads of production sites	› oversee OHS policies and strategies at respective production sites;	› develop and implement response measures following internal and external audits and accident investigations
Operational OHS staff	Local OHS management functions	› monitor the site's compliance with OHS regulations and corporate standards; › develop targeted programmes, conduct training and stage initiatives;	› interact with relevant regulatory authorities on behalf of the site and facilitate inspections; › conduct internal inspections and audits and present analytical reports to the local management.

Since 2014, health and safety committees have been functioning at the Group's companies. They are both an integral part of our OHS management system and a form of employee participation in it. In its work, the Committee relies on the principles of social partnership.

In 2021, we revised the regulation on the health and safety committee. Now, it meets on a monthly basis (previously, at least once in three months) to review reports on 14 focus areas:

- › Assessment of workplace conditions, and healthcare
- › Trade union
- › Accident/incident investigation
- › Safety assessments and audits

- › PPE effectiveness
- › Education and training
- › Contractors' safety
- › OHS leadership, promotion and communication
- › Industrial safety
- › Fire safety
- › Transport safety
- › Safety Culture Transformation Project
- › LOTO system implementation – stage 2
- › "Golden Rules" of OHS.

Workers are represented at committee meetings by heads or representatives of local unions.

Channels for health and safety feedback:

- › regular local OHS meetings;
- › OHS meetings on production sites, in departments and at facilities;
- › union and union committee meetings (for feedback from OHS officers);
- › one-on-one meetings, and supervision;
- › OHS training sessions and briefings;
- › industrial and fire safety drills;
- › corporate e-mail;
- › corporate periodicals;
- › health and safety committees;
- › employee surveys and OHS questionnaires.

Employees can also use the Public Scrutiny application to submit their health and safety proposals.

Occupational health services

GRI 403-3

Occupational health services play a key role in ensuring safety at our facilities.

Their main objectives are:

- › taking steps to ensure workers' compliance with health and safety requirements;
- › monitoring workers' compliance with OHS laws and regulations, the collective agreement, OHS agreement

Key OHS focus areas and initiatives in 2021

- › Internal investigations of every accident, including micro- and minor injuries, aimed at identifying the root causes.
- › "Golden Rules" of OHS.
- › Assessment of potential contractors for compliance with the Group's OHS requirements.
- › Improving contractor safety practices.
- › Health and safety training for employees.
- › Risk assessment procedure, including fatal hazard protocols.
- › LOTO system.
- › Efforts to strengthen the role of OHS officers.
- › Public scrutiny system.
- › OHS incentive system for employees.
- › OHS communication system.

- › and other internal regulations;
- › preventing workplace injuries, occupational diseases and work-related illnesses and improving workplace conditions;
- › advising workers on, and raising their awareness about occupational health and safety;
- › studying and disseminating best OHS practices and promoting occupational health.

Key targeted OHS programmes in 2021:

- › Improving the safety of working at heights (including a theoretical course, drills at the Vysota (Height) training centre and with mobile simulators).
- › Gas safety.
- › Improving transport safety.
- › Identifying and managing production process risks.
- › Development of gas and mine rescue, fire-fighting and fire prevention services.
- › Programme to improve contractor safety practices.

Apart from applicable laws, these activities are regulated by:

- › health and safety SOPs at the facility (shop) level;
- › production SOPs;
- › worker health and safety instructions;
- › corporate standards;
- › process regulations;
- › accident management action plans, etc.

Improving contractor safety practices

We consider the safety of contractors' employees temporarily working at our production and other facilities an indispensable component of our OHS strategy.

ESG assessment is a key factor in contractor selection (for more information, see the Supply Chain section on page 118).



Our OHS agenda is integrated into contractor relationships at all stages:



1» Contractor selection

- » OHS requirements included in the specifications.
- » OHS qualification assessment to establish the status of potential contractors: “Qualifies” for contractors with which agreements are permitted; “Does not qualify” for contractors with which agreements are not permitted.
- » Tender committee meeting (companies with higher qualification scores are prioritised).
- » The selected company receives a copy of the contractor safety requirements together with a notice of the tender results.
- » Contract award.
- » Designating the contractor’s safety officer under each contract.

2» Preparation for work

- » Drafting and negotiating the documents required for work (project implementation and task plans, obtaining permits, etc.).
- » Providing contractor data and supporting documents, as well as an order/instruction on employee allocation for the contracted activities.
- » Maintaining digital systems designed to automate data exchange and facilitate cooperation between the contractor and the Group (PhosAgro’s official website and contractor’s account in the OEBS corporate information system).
- » Providing opportunities for training contractor employees under the Vysota (Height) programme with drills at the training site of PhosAgro Education Centre.

- » Introductory briefings and pass issuance.
- » Examination of the working site to identify key risks, preventive measures and possible impediments to work.
- » Assessment of the contractor’s readiness to work by its safety officer and representatives of the Group’s business units (including visits to the contractor’s premises).
- » Audits of compliance with the contract, and organisational and technical documents (project implementation, work and task plans, etc.).
- » Briefings on labour, road and fire safety, etc. before work.

3» Contractor supervision

- » When performing work / providing services at the Company’s premises, the contractor must ensure full-time employment of one or more OHS officers.
- » OHS compliance audits are carried out:
 - » daily by heads and employees of business units;
 - » by the contractor’s OHS officer during visits to the site;
 - » by OHS Department officers.

- » Contractor audit reports accompanied by photos and/or charts (if any).
- » Danger prevention measures before resuming the work, control over addressing the drawbacks identified by audits.
- » Informing legal staff of all contractor violations with a view to applying penalties (including removal of the employee from the Company’s premises and possible termination of the contract).
- » Qualification reassessment (including changing the contractor’s OHS status upon complementing the information of the assessment questionnaire

with the findings of audits, incident investigations, etc.).

4» Preparation for work

- » Meetings with contractors’ responsible employees.
- » Work acceptance.
- » Contractor performance assessment.

The performance assessment results are later used in contractor selection based on the evaluation of their health, safety and environmental management systems and current OHS statistics.

Internal and external industrial safety audits

In line with statutory requirements, PhosAgro Group is subject to scheduled external audits by Russian authorities, including the Federal Service for the Supervision of Environment, Technology and Nuclear Management (Rostekhnadzor), State Labour Inspectorate, Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing (Rospotrebnadzor), the Ministry for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters (EMERCOM). We may also engage consulting companies, or international associations of which the Group is a member to conduct additional external audits of compliance with international standards, or as part of a special assessment of workplace conditions.

In 2021, state supervisory authorities carried out 132 audits at Apatit and its managed companies. The reduction in the number of audits (from 146 in 2020) was due to our COVID-19 response, which saw audits, including scheduled ones, cancelled or postponed.

We also run internal audits conducted by our OHS departments and directorate, managers and employees exercising production H&S control.

After external and internal audits, the Company issues orders and instructions outlining remedial action plans and establishing the deadlines and responsible persons. Identified breaches are remedied within the

agreed time limits, and gaps that can be eliminated at no additional cost are addressed immediately.

The Company has a procedure for drafting, submitting and reviewing reports on internal and external OHS audits. The results of all internal and external assessments and audits are recorded in the Safety and Instructions (Shift Assignments) management systems for further analysis, gap identification and elimination monitoring. We also submit all relevant reports to state supervisory bodies and statistical agencies in accordance with the Russian laws.

Risks and opportunities

The following strategic risks affect our OHS objectives (☑ for more information, see the Strategic Risks section on page 68):

- 4 HR risk;
- 6 health and safety risk;
- 20 infectious disease risk.

- OHS-specific risks are:
- » occupational risks of the Group’s business units, including occupational disease risks;
 - » safety culture risks, including OHS communications and safety incentives;
 - » risks of OHS-related regulatory changes.

The Group develops corrective measures as necessary and unlocks opportunities to mitigate those risks. Below you can find more information about what we do on this front.

Results

Hazard identification, risk assessment, and incident investigation

GRI 403-2



PhosAgro Group has implemented a system-based approach to hazard identification, risk assessment, and incident investigation as a fully integrated process. This approach seeks to integrate occupational health and safety management into the Group's overall business processes.

We have adopted a system that moves through a "plan-do-check-act" cycle, promoting leadership and best practices through meaningful consultation and participation of employees from all job levels in the Group.

We are constantly working to assess and mitigate risks. We perform risk assessment and identify material risks using our proprietary methodology. Following hazard identification and risk assessment, the unit's OHS officer compiles a List of Occupational Risks, which is then used as a basis for the Group's List of Material Occupational Risks. Risk assessment takes into account the following aspects:

- » degree of personnel exposure;
- » impact on personnel;
- » frequency of occurrence;
- » compliance with the applicable regulatory and other OHS requirements.

In accordance with an established procedure, information about incidents is provided by eyewitnesses to the supervisors in charge and by those supervisors to the dispatcher of the enterprise. Next, the dispatcher notifies the designated persons using text messages and phone calls.

Industrial accidents and incidents are investigated in accordance with legislative requirements and internal procedures to determine the root causes. The Company encourages its staff to disclose information on potential sources of danger to employee health and life.

For better OHS efficiency, and to automate and streamline the relevant processes, we have introduced and now use the Safety and Instructions (Shift Assignments) management systems. Both systems include a Risk Management module. The module enables internal check list-based OHS assessment at all units of Apatit. The module's new underlying principles help enhance production H&S control, while its new functions facilitate operation, monitoring and analysis.

PhosAgro Group has a formal procedure for addressing workplace hazards. When a hazard is identified, employees are required to suspend work and report it to their supervisors directly or via the Public Scrutiny mobile app (on an anonymous basis if necessary). The supervisor uses the report to assess the risk and develop a remedial action plan.

Public Scrutiny mobile app

- 1 Download the app to a mobile device and create an account.
- 2 If a hazard is identified, create a report in the app, adding the required data (location, description, suggested remedial actions) and taking a photo of the hazard. Save the report and send it for processing. The app can also be used to suggest improvements.
- 3 Track the report and its status in the app or management system.
- 4 Receive feedback (unless the report was anonymous) and a confirmation of hazard elimination, status of the suggested improvement.



LOTO system

In 2021, PhosAgro Group successfully continued the implementation of a LOTO system that helps avoid hazards associated with unauthorised use of energy (electricity, gases, liquids, etc.) and ensure the proper shutdown and prevent the restart of dangerous equipment before maintenance and repairs are complete.

253

internal training sessions and two joint training sessions with EMERCOM

Emergency response procedures

At our sites, we have introduced the following emergency response and prevention measures compliant with the Russian laws:

- » accident management action plans for all hazardous industrial facilities as defined by the Russian laws;
- » training sessions, test alerts for different scenarios, and emergency response exercises, with EMERCOM and other services also taking part. In 2021, the Company arranged 253 internal training sessions and two joint training sessions with EMERCOM;
- » Apatit's programme for developing gas and mine rescue, fire-fighting and prevention activities for 2019–2022.

Transport safety

In 2021, we carried on with our efforts to ensure safety of passenger and cargo transportation.

The systematic efforts made by the OHS Department and transport departments to mitigate traffic accident risks include drafting

internal regulations to ensure safe operation of motor vehicles, self-propelled machines and rail transport and performing targeted and full-scope inspections of vehicles used by our contractors, subsidiaries. In 2021, for example, we created mobile teams at the Volkhov and Kirovsk branches of Apatit to monitor compliance with the laws and internal regulations on road traffic safety and inspect vehicles on a daily basis (*earlier such teams were formed at Cherepovets-based Apatit and its Balakovo branch).

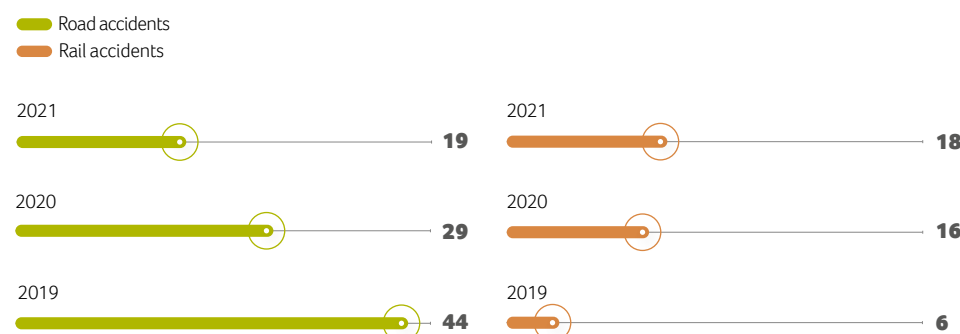
In 2019–2021, Apatit and its branches managed to reduce the number of traffic accidents

by 26% (to 37 from 50).

Vehicle safety inspections

Indicators	2019	2020	2021
Number of inspections	4,120	7,188	13,845
Number of violations	1,259	1,300	2,073
Violation frequency rate	0.31	0.18	0.15
Penalties, RUB '000	4,559	6,067	8,900

Road and rail accidents per year



Goals and metrics

Senior executives (management of the Company and its business units, as well as their direct subordinates) recognise the importance of OHS and are committed to safety and ready to take necessary managerial decisions. Since 2014, PhosAgro Group has had a system of KPIs that uses uniform standards linking the size of management remuneration to the efficiency of OHS measures, among other things. In particular, the Group established the following KPIs with regard to OHS:

- » LTIFR covering all staff categories;
- » number of action items from improvement notices issued by supervisory authorities that have not been implemented on time;
- » zero accidents;
- » number of injuries among contractor employees;
- » zero fatalities among contractor employees.

Work-related injuries

GRI 403-9

We were deeply saddened by the fatality involving a contractor's employee which occurred at the production site of Apatit's Volkhov branch during unscheduled cleaning of process equipment in December 2021. The investigation has been completed. We have thoroughly analysed the circumstances of the fatality and communicated conclusions and recommendations on preventive measures to the management and employees of the facility and contractors. This tragedy clearly shows the importance of further improving contractor safety practices.

In 2021, PhosAgro Group continued its efforts to perfect the health and safety management system and made considerable progress in reducing injuries:

- » severe injuries reduced by 75% – to three cases from twelve;
- » incidents reduced by 75% – to two cases from eight;
- » zero accidents;
- » zero fires;
- » no traffic accidents with injuries or major damage.

At the same time, the reporting year saw an increase in the number of minor workplace injuries. The total number of injuries was 41 (against 32 in 2020), of which 24 (against 22 a year earlier) happened to employees working for contractors, subsidiaries and affiliates. Across the Staff of JSC Apatit and its Kirovsk, Balakovo and Volkhov branches, the overall LTIFR¹ was 0.85 (against 0.52 a year earlier), with the Cherepovets site of Apatit slightly improving its result from

0.42 to 0.40, and Balakovo branch achieving a zero LTIFR (against 0.48 in 2020). However, higher LTIFRs at the Kirovsk and Volkhov branches did not allow us to achieve our goal of improving the Group's overall performance in the reporting year. We see this as a major shortcoming, and our action plans for 2022 reflect the absolute need to eliminate it. We also expect that active measures to improve the labour safety of contractors will soon start producing the intended outcome.

Most of the injuries in 2021 were caused by falling while in motion (mainly due to haste, failure to apply the three-point rule, or use of gadgets while moving) or by moving or rotating objects and equipment.

LTIFR, per 1 mln of hours worked

Assets	2019	2020	2021
JSC Apatit	0.56	0.42	0.40
Kirovsk branch	0.75	0.47	1.18
Balakovo branch of Apatit	0.48	0.48	0.00
Volkhov branch of Apatit	0	1.37	2.28
Total:	0.59	0.52	0.85

Fatalities as a result of work-related injury, per 1 mln of hours worked

Staff	2019	2020	2021
Employees	0.16	0	0
Staff of external contractors (including subsidiaries, affiliates and managed companies)	n/a	0.08	0.03

LTIFR, per 1 mln of hours worked

Staff	2019	2020	2021
Employees ²	0.59	0.52	0.85
Employees + staff of external contractors (including subsidiaries, affiliates and managed companies) ³	n/a	0.69	0.81

¹ Lost time injury frequency rate, excluding fatalities.

² Staff of JSC Apatit and its Kirovsk, Balakovo and Volkhov branches.

³ Staff of JSC Apatit and its Kirovsk, Balakovo and Volkhov branches; staff of external contractors carrying out work for PhosAgro Group companies; staff of internal contractors (subsidiaries, affiliates and managed companies).



High-consequence work-related injuries (excluding fatalities),
per 1 mln of hours worked

Staff	2019	2020	2021
Employees	0.11	0.21	0.05
Staff of external contractors (including subsidiaries, affiliates and managed companies)	n/a	0.25	0.07

19.9 mln
hours worked by employees

Hours worked by employees

	2019	2020	2021
Employees	18,567,299.61	19,091,953.05	19,893,115.33
Staff of external contractors (including subsidiaries, affiliates and managed companies)	n/a	24,359,432.13	29,207,298.96

Work-related injuries in 2019–2021

		Number of injured				
		Minor injuries	Serious injuries	Fatal injuries	Total	
2021	Branches of Apatit	JSC Apatit	3	–	–	3
		Balakovo branch	–	–	–	0
		Volkhov branch	4	–	–	4
		Kirovsk branch	9	1	–	10
	Subsidiaries and affiliates	7	1	0	8	
External contractors	14	1	1	16		
2020	Branches of Apatit	JSC Apatit	2	1	–	3
		Balakovo branch	–	1	–	1
		Volkhov branch	2	–	–	2
		Kirovsk branch	2	2	–	4
	Subsidiaries and affiliates	7	6	–	13	
External contractors	5	2	2	9		
2019	Branches of Apatit	JSC Apatit	4	0	0	4
		Balakovo branch	0	1	0	1
		Volkhov branch	0	0	0	0
		Kirovsk branch	5	1	3	9
	Subsidiaries and affiliates ¹	5	1	0	6	
External contractors	5	6	2	13		

¹ The above data include the following subsidiaries and affiliates: Tirvas, Gorny Tsekh, PromTransPort, Korporativnoe pitanie, Construction Materials Centre, DROZD-Khibiny, NIUIF, Aeroport, SMART, Teleset, Khibiny Electricity Retail Company, Ecoprom, PhosAgro Education Centre, Mekhanik, PhosAgro Engineering Centre, Trading House PhosAgro. Some of them are non-profit organisations or are not subsidiaries or affiliates of Apatit.

Work-related ill health

GRI 403-10

In 2021, the Company recorded 30 cases of occupational diseases, with the Kirovsk branch of Apatit accounting for 87% of them. No cases of death as a result of occupational diseases were recorded.

Starting from 2021, PhosAgro Group has been analysing cases of occupational diseases and looking for ways to manage the risks of their occurrence.

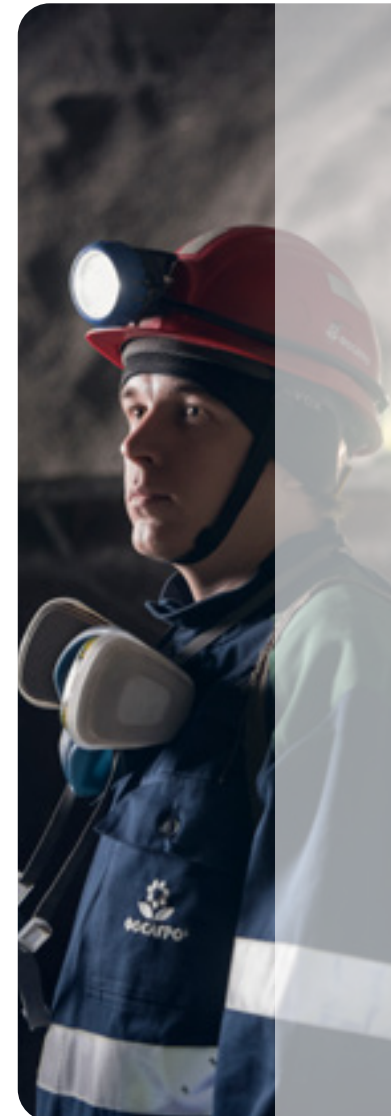
The main causes of occupational diseases are:

- › hard labour;
- › vibration (general or local);
- › noise.

Subsequent to the investigation of occupational diseases, the following initiatives were introduced in line with the orders on measures to prevent occupational diseases:

- › ensuring regular medical examinations in a timely manner;
- › timely maintenance and inspection of equipment;
- › control of PPE use at workplaces with higher risk of occupational diseases;

- › oversight of compliance with the work and rest regime and regulated workplace breaks
- › compliance with sanitary rules at workplaces with higher risk of occupational diseases;
- › unscheduled special audits of working conditions at workplaces with higher risk of occupational diseases caused by harmful and/or hazardous production factors.



Work-related ill health

	2017	2018	2019	2020	2021
Cherepovets site	0	0	0	0	4
Kirovsk branch	37	50	27	23	26
Volkhov branch	0	0	0	0	0
Balakovo branch	0	0	0	0	0

Actual OHS expenses of PhosAgro Group

OHS expenses, RUB mln

Assets	2019	2020	2021
JSC Apatit	1,094	884	1,397
Kirovsk branch of JSC Apatit	911	1,593	1,770
Balakovo branch of JSC Apatit	407	402	471
Volkhov branch of Apatit	189	150	203
Total¹	2,601	3,030	3,840

The significant increase in OHS expenses at Apatit's Cherepovets site (by 58% as compared to 2020) was due to the purchase of equipment for the LOTO project. The increased costs at the Volkov branch of Apatit (by 35% as compared to 2020) were related to the hire of a considerable number of new employees on the back of new production site launches and an associated increase in PPE, training and medical support costs.

¹ The total may differ from the sum of parts due to rounding.

Revised Golden Rules

In 2021, we adopted a revised version of our Occupational Health and Safety Golden Rules. The rules were formulated following the extensive analysis of information about injuries, incidents and accidents occurred at our production facilities and are intended to focus the attention of the Company's and third-party contractors' staff on safety issues.

The Golden Rules are mandatory for all the employees of PhosAgro Group and its contractors, as well as for the Group's visitors, and any failure to comply with them is considered a serious violation of labour discipline.

The Golden Rules provisions are communicated to the employees at the introductory OHS briefings.

Changes to labour safety promotion programmes

The Group has developed OHS promotion programmes to maintain each PhosAgro Group employee's interest in ensuring their own safety and the safety of those around them, as well as to encourage the employees to take initiative and implement OHS improvements. In 2021, the employee labour safety promotion regulations were revised as follows:

- » teams making it to the final of CEO's OHS Achievement Award contest will receive bonuses (RUB 50,000 per team);
- » frequency of bonus payments under individual incentive programmes was changed from once every six months to once a quarter;

- » a new incentive programme, The Best Business Unit of the Enterprise, was launched;
 - » bonuses under the Safety Ideas programme were increased from RUB 10,000 to RUB 30,000.
- At the moment, the promotion programme includes:
- » individual incentive programmes (Best OHS Employee and Safety Ideas);
 - » collective incentive programmes (CEO's OHS Achievement Award, and Best OHS Business Unit).

Worker participation, consultation, and communication on occupational health and safety

GRI 403-4

For better OHS communication with employees, we have adopted Regulations on the OHS Communication System. Pursuant to the Regulations, the OHS communication system is divided into internal and external communications, and provides for a feedback procedure.

Internal OHS communication is achieved through:

- » health and safety committees;
- » Group management meetings and conferences to discuss the health and safety performance of our enterprises; regular OHS meetings in departments, on production sites and at facilities;
- » health and safety bulletin boards, posters and other visuals;
- » corporate television (screens), intranet site, e-mail;
- » corporate periodicals;
- » preventive practices by OHS officers (including one-on-one meetings, training, mentoring, supervision, etc.).

Worker training on occupational health and safety

GRI 403-5

In 2021, 7,800 PhosAgro Group employees were trained in occupational health.

PhosAgro Group keeps working to improve OHS competencies and knowledge of its staff. Employees of the Group undergo online and in-person training arranged at our PhosAgro Education Centre.

Our e-courses are easy to understand since they are made in the form of illustrated slides with key highlights on them. In particular, we offer an e-course on corporate OHS standards. It is followed by tests to check the knowledge and understanding of the standards and requirements.

In 2021, we revised and rolled out three e-courses on the key occupational health and safety regulations:

- » Health and safety promotion at Apatit
 - » Occupational health and safety communication system
 - » Occupational Health and Safety Golden Rules.
 - » Management of contractors' organisational and technical documents.
- Whenever required, the courses developed earlier are updated following changes in the law and the Group's internal regulations.
- In 2021, we updated and rolled out the following e-courses:
- » Working at heights
 - » Road traffic safety system at Apatit and its branches
 - » Contractor safety requirements
 - » LOTO system in maintenance and repairs
 - » Investigation and communication of occupational health and safety accidents/incidents
- PhosAgro Education Centre organises OHS training, including that in basic fire safety and electrical safety, industrial safety pre-certification sessions, drills at the Vysota training centre, and safety training sessions to develop employee hands-on knowledge and skills.
- All our employees, from managers to blue-collar staff, receive occupational health and safety briefing and training as required by the Russian laws. Furthermore, the employees of the Group and some contractors are offered a number of additional courses.
- To improve OHS training and remind employees about workplace safety, PhosAgro Education Centre creates animated videos.

Incentive programmes

Individual

- » **Safety Ideas** (Cherepovets site – Kirovsk branch – Balakovo branch – Volkhov branch) Once a quarter **RUB 30,000 + RUB 5,000** for every idea implemented
- » **Best OHS Employee** (Cherepovets site – Kirovsk branch – Balakovo branch – Volkhov branch) Once a quarter **RUB 35,000 / RUB 10,000 / RUB 5,000** for the 1st, 2nd and 3rd places respectively

Collective

- » **Best OHS Business Unit** (Cherepovets site – Kirovsk branch – Balakovo branch – Volkhov branch) Once a year (January) **RUB 100,000**
- » **CEO's OHS Achievement Award (1 winner from the Company)** Once a year (February) **RUB 125,000 + RUB 50,000** for teams participating in the superfinal

Roll-out of the OHS remote monitoring system at the Cherepovets site of Apatit

Starting from 2021, Apatit's Cherepovets site (fluosilicate acid storage facility of the aluminium fluoride shop) participates in Rostekhnadzor's experiment to roll out an OHS remote monitoring system under Russian Government Decree No. 2415

On Experimental Roll-out of the Industrial Safety Remote Monitoring System dated 31" December 2020.

The experiment provides for the development of stand-alone remote monitoring technology

for hazardous production facilities, and a relevant legal framework. As assumed, the technology will improve the overall reliability and monitoring efficiency of safety systems, and help reduce the associated paperwork and bureaucracy.

Raising awareness about OHS

To keep our employees well-informed about our safety measures, PhosAgro constantly develops and updates OHS check lists, presentations and other visual materials that emphasise the crucial information employees must rely on in various situations, including working on particular assignments, in order to stay safe.

In 2021, the Company put in place check lists/presentation materials covering the following issues:

- » Rules for working in winter / safe driving and walking in winter
- » Safe use of stairs / flights of stairs
- » Safety briefings on operating an angle grinder
- » Golden Rules
- » Compliance with epidemiological restrictions, etc.

In October 2021, select business units of Apatit launched monthly briefings.

The key objectives of such briefings are:

- » revising industrial dangers/hazards, OHS requirements (as set out in the Company's internal regulations, OHS guidelines, technical and operational documents), and safe work practices;
- » fostering leadership skills among mid-level managers;
- » developing managers' communication skills.

We plan to roll out this initiative to all business units in 2022.



Promotion of worker health

GRI 403-6, 403-7

PhosAgro Group places a strong emphasis on disease prevention, health improvement, and high-quality affordable healthcare for the employees of all its production sites.

The Group takes part in the Health 360 programme run by the Russian Chemists Union to promote annual health self-assessments based on a dedicated questionnaire.

In 2021, the Company developed a unified policy to be approved in 2022 to manage health and well-being of its employees envisaging an ambitious plan to carry out dedicated programmes.

All our employees benefit from long-term voluntary health insurance (VHI) covering a broad range of risks.

The benefits include:

- » health resort (rehabilitation) treatment at corporate resort centres in our regions of operation and countrywide;
- » treatment (expensive, dental, medical counselling);
- » services of outpatient clinics and health posts at the Company's production facilities.

On-site clinics can provide accident and emergency care and specialist advice from a therapist, endocrinologist, neurologist, ophthalmologist, dentist and other doctors.

PhosAgro Group's production sites organise initial and regular check-ups and examinations of staff involved in potentially hazardous and/or dangerous activities.

Since 2010, the Company has been running a programme to improve social and working conditions by conducting annual scheduled repairs in all buildings housing social and sanitary facilities, canteens, and workplaces. PhosAgro has invested over RUB 1.8 bln in this programme since 2010.

In 2021, the Company made further progress on its Occupational Health and

Preventive Healthcare Programme by focusing on making workplaces more comfortable and putting in place break rooms. In doing so, we wanted to create the best conditions for employees to unwind, get away from the stresses of the job, restore productivity, and take part in psychotherapeutic activities involving emotional hygiene. These initiatives enable employees to carry out health self-assessments and get medical assistance as soon as the first negative symptoms develop. Furthermore, our employees will be able to monitor/check their health under various circumstances (emotional and physiological, after work) and report reliable information to their physician. Psychological Relief Room, another project aimed at reducing employee's emotional stress, kicked off in 2021 at Apatit's Balakovo branch. Going forward, the project will be extended to other facilities of the Group.

In 2021, Balakovo branch saw another pilot project designed to promote telemedicine by providing employees with broad and prompt access to medical services, while also reducing personal contact and the number of visits to medical facilities. The technology has become particularly relevant during the COVID-19 pandemic.

Starting from 2022, employees of all PhosAgro Group's facilities have access to Telemed, a telemedicine service offered by SOGAZ. Furthermore, DOCTIS, a project offering online counselling on critical issues, is piloted jointly by DobroService and Doctor Nearby.

Dietary/health meals and milk are distributed to employees working in harmful conditions. Food quality is monitored on an ongoing basis under the supervision of a trade union. On top of that, we have a dedicated working group that attends all of Apatit's sites to assess food quality and canteen conditions on an annual basis. As part of healthcare initiatives, staff canteens provide nutrition according to Diet No. 10 targeting patients with cardiovascular diseases.

The traffic light food labelling is underway, with the pilot project completed in 2021 at Balakovo branch.

Corporate fitness centres at PhosAgro facilities include gyms, fitness halls, air rifle shooting ranges, as well as game halls (volleyball, badminton, basketball, futsal, table tennis, billiards, and darts) and swimming pools. Under the health improvement programme, employees can visit both on-site and off-site fitness centres and pools on beneficial terms.

We also make efforts to support our employees' mental health and well-being by giving them an opportunity to seek help from an on-site psychotherapist or ask for online counselling. Automated registration of calls was introduced, and a free hotline was put in place. The counselling is also available via the corporate e-mail and messengers. The Company produced three videos addressing the issue of stress during the pandemic, which describe the ways by which COVID-19 is transmitted and relevant preventive measures, as well as motivational postcards

with information on how to withstand stress. Heads of production participate in trainings to prevent emotional burnout and encourage collaboration within the team. As part of the Week of Mental Health, we took steps to remind our employees of the need to practice emotional hygiene.

Key projects in 2021

Apatit's target programme for developing gas and mine rescue, fire-fighting and prevention activities for 2019–2022.

Apatit's target programme for developing gas and mine rescue, fire-fighting and prevention activities for 2019–2022 is ongoing at Cherepovets production site. In 2021, similar programmes were completed at Kirovsk, Volkhov, and Balakovo branches.

The total amount of funds allocated for the programme stands at approximately RUB 237 mln.

Programme results:

- » improved training facilities and equipment of gas/mine rescue and fire-fighting units;
- » enhanced quality of hands-on training for young hires;
- » achieved compliance with gas, mine, fire rescue, and personnel training regulations;
- » re-equipped gas/mine rescue and fire-fighting units, purchased new equipment and machinery.

As part of the programme, headcount of the respective business units increased by 92 people to 456 employees.

Purchased:

392 units
of gear

579 units
of equipment

17 units
of machinery

Two buildings
were renovated to
accommodate a gas
rescue squad.

396 people
participated in personnel
training initiatives

Transformation of safety culture and OHS management system

In 2021, we engaged a third-party consulting agency to complete a comprehensive evaluation of PhosAgro Group's safety culture and OHS management system, and to develop and finalise a response plan designed to improve them.

According to the evaluation findings, the Group is at the "Dependent" stage (as per Bradley curve¹) and demonstrates a "conscious" approach to hazard identification and risk assessment.

To ensure further improvements, in 2021 we launched a three-year project called "Transformation of Safety Culture and OHS Management System".

Project goals:

- » transforming the safety culture and developing OHS leadership;
- » developing, adapting and ensuring the sustainability of best practices in the field of safety culture and OHS management improvements;
- » learning how to arrange and carry out works associated with high OHS risks;
- » ensuring the sustainability of our performance and the relevance of our management system over the next five years;
- » reaching stage 3.1 as per Bradley curve by 2024 (in 2021, we were at stage 2.2)

The project covers key business units of Apatit, its entities under management, subsidiaries and affiliates, and third-party contractors engaged by our production sites.

The initial results of the project (improved safety standards for higher-risk works) are expected in the first half of 2022.

2.2

stage as per Bradley curve in 2021

¹ Reflects evolution of safety culture and OHS system efficiency. The curve assesses the transition from external supervision to the conscious attitude of each employee towards labour safety. There are four safety culture stages: reactive, dependent, independent, and interdependent).

Environmental review

UN Global Sustainable Development Goals (SDG)



Key objectives

Climate

2028: gross emissions: Scope 1 — **4,175.5** kt of CO₂ equivalent;

Scope 2 — **794.7** kt of CO₂ equivalent.

2028: gross emissions: Scope 1 — **109.1** kg/t of CO₂

Energy efficiency

Reduction of Scope 2 GHG emissions to **794.7** kt of CO₂ equivalent till 2028 due to the enhanced eco- and energy efficiency of the main technological processes.

Waste reduction

2025: **40%** of hazard class 1–4 waste recycled and decontaminated.

Reduction of air emissions

2025: pollutant emissions — **0.80** kg/t

Responsible water use

2025: waste water discharge — **4.16** m³/t.

Water withdrawal — **5.16** m³/t.

Biodiversity

Preservation of biodiversity in regions of PhosAgro Group's operation at a level securing sustainability.

Status in 2021

Gross emissions: Scope 1 — **4,675.8** kt of CO₂ equivalent;

Scope 2 — **893.3** kt of CO₂ equivalent.

Scope 1 emissions — **132.7** kg/t of CO₂ equivalent¹

Scope 2 — **893.3** kt of CO₂ equivalent.

Self-sufficiency in electricity supplies: **40.3%**

39.1% of hazard class 1–4 waste recycled and decontaminated²

0.801 kg/t³

waste water discharge — **5.42** m³/t⁴

Water withdrawal — **6.48** m³/t⁵

A set of initiatives carried out: a project to support the biodiversity preservation programme in association with an R&D organisation (Cherepovets) and another one dedicated to the programme for environmental monitoring of flora/fauna and soils (Volkhov)

Key projects in 2021

- » The Climate Agenda project was initiated to streamline the climate action management system and push forward the low-carbon transition plan.
- » In 2021, we started developing and prioritising technical and technological initiatives to reduce direct GHG emissions with due regard to their economics with the support of a leading global consultancy.
- » Output of urea with urease inhibitor (a new modern low-carbon fertilizer that helps to retain nitrogen in the soil) expanded.
- » TGC-1 contracted as a supplier of green energy generated by HPPs.
- » The actual impact of the carbon border adjustment mechanism on the Company's operating expenses measured.

- » Launch of the first of two solar power stations with a capacity of 40 kW (Balakovo).
- » Upgrade of the ceiling lighting system, with LED lights installed (Balakovo).
- » Upgrade of the lighting system at the granulated sulphur warehouse, LED lamps installed (Volkhov).
- » Upgrade of the steam pipeline, with thermal insulation system replaced (Volkhov).
- » Laying a pipeline between c. 911 and 901 to save drinking water (Cherepovets).

- » Upgrade of production facilities for aluminium fluoride (Cherepovets).
- » Enhanced ore processing mechanisms (Kirovsk).
- » Promotion of phosphogypsum as a commercial product for various uses.

- » Implementation of a Clean Air nationwide initiative (Cherepovets).
- » Installation and upgrade of gas recovery equipment (Volkhov).
- » Upgrade of gas recovery equipment (Balakovo).
- » Dust suppression of dusty surfaces (Kirovsk).

- » First stage of water use optimisation programme (Cherepovets).
- » Electricity generation based on the system of chemical water treatment and waste water reuse (Volkhov).
- » Assessment of risks and opportunities related to water use, setting goals for water withdrawal and waste water discharge, development of a detailed action plan for each facility.
- » The first reports submitted under the CDP water programme with the C rating obtained.

- » Development of comprehensive programmes to protect biodiversity (Cherepovets and Volkhov).
- » Release of young fish into water bodies across the Company's regions of operation.

¹ The indicator was calculated as the ratio of the gross emissions under GRI 305-1 to the total output of finished and semi-finished products

² The Group specific disclosure was calculated as ratio of class 1–4 waste recycled and decontaminated to the total volume of class 1–4 waste

³ The Group specific disclosure was calculated as ratio of total significant air emissions to the output of products and semi-finished products

⁴ The Group specific disclosure was calculated as the ratio of the total volume of waste water discharged into surface waters to the total output of finished and semi-finished products

⁵ The Group specific disclosure was calculated as a ratio of total water withdrawal, including mining and drainage waters to the total output of products and semi-finished products

Strategy

At PhosAgro Group, we attach much importance to environmental protection and safety, as well as climate risk management, putting every effort into all of these areas to secure the Company's sustainable development and well-being of the regions across its geography.

Our Strategy to 2025 is designed to observe strict compliance with environmental responsibility standards and practices aimed at minimising the impact of the Company's operations throughout the whole life cycle of a product, from mine to food.

We strive to produce fertilizers in a safe and eco-friendly manner, thus contributing to the sustainable agricultural development worldwide. Committed to continuous improvement, the Company keeps working to lessen the environmental impact of its production operations and across the value chain.

The key priorities set out in PhosAgro's Environmental Policy are careful use of natural resources and reduction of the environmental impact.

We had a comprehensive assessment of our operations, determining key focus areas of such impact, both direct and indirect, and weighed it against the UN Sustainable Development Goals (UN SDGs).

Based on the assessment results, we mapped out six strategic focus areas of environment protection, including:

-  climate;
-  energy efficiency;
-  waste;
-  air;
-  water;
-  biodiversity.

In 2020, we worked out the **Climate Strategy** based on PhosAgro Group's vision and expertise in GHG emissions management. The document reviews climate risks and opportunities extensively, setting targets for GHG emissions and presenting the low-carbon transition plan.

PhosAgro Group acts on the **Energy Efficiency Programme** designed to ensure compliance with the Climate Strategy and the Energy Efficiency and Energy Saving Policy tightly integrated into the Company's Strategy to 2025.

Strategy to 2025 also seeks to **reduce waste generation** substantially. Having developed a system for accumulating and analysing data on production and consumption waste from our operations, we are now

implementing a range of projects aimed at minimising waste generation and increasing the share of recycled waste.

Implementation of projects at the Cherepovets site as part of the Clean Air nationwide initiative

In the scope of the strategic objectives **to reduce air emissions**, PhosAgro Group is running a programme to re-equip production facilities and minimise pollutant emissions.

In addition, we developed the **Water Strategy** to minimise our impact on water bodies by means of lean treatment of resources: less water withdrawal and waste water discharge. As part of the Strategy, we assessed water use risks and opportunities, set targets for water withdrawal and waste water discharge and designed a detailed action plan for each facility to achieve the targets.

PhosAgro Group sticks to its **biodiversity** management system comprising the assessment of potential impact, interaction with a wide range of stakeholders, as well as monitoring practices.

We believe that our requirements should be uniform both for us and our partners engaged in PhosAgro's projects. Everything we require of ourselves equally applies to our counterparties and is enshrined in the Code of Conduct for Counterparties.

We adopted a unified approach to environmental management that relies on:



Company-wide control.

Putting Strategy to 2025 into action and compliance with the Group's Environment Policy are overseen by two committees of the Board of Directors (Environmental, Health and Safety Committee and Sustainable Development Committee) that regularly report on the Company's progress to the Board of Directors. The Environmental Protection Department exercises executive control over the Group's environmental activities.



A unified management system.

The consistency of PhosAgro Group's activities aimed at environmental protection and strengthening of the Company's environmental performance results from continuous development of the environmental management system that was certified according to the ISO 14001 standards in 2021.



Environmental compliance.

Our environmental management system relies on strict compliance with applicable laws and regulations.



Approach to environmental management

GRI 3-3

Effective environmental management is key to PhosAgro Group's long-term sustainability and indicative of the Company's commitment to run a socially responsible business, balancing its obligations to a wide range of stakeholders.

Traditionally, we put a special focus on environmental matters and stand in unconditional support of the vulnerable and rare habitats across our geography, leaving them intact and carefully treating

natural systems and resources. Our operations undergo a stringent assessment for compliance with the Environmental Policy (and the Group's other internal requirements).



For PhosAgro's Environmental Policy, see the Company's website

Environmental management

Our environmental management system is integrated in PhosAgro Group's overall management framework and is a key element in our approach to managing environmental responsibility.

In 2021, the environmental management system was certified across the Group's production facilities and was found to be in full compliance with [ISO 14001](#).

PhosAgro's environmental management system embraces all management levels and all stages

of the product's life-cycle, from R&D to manufacturing and finished product application by customers. This approach ensures uniform management requirements across all aspects of the Group's operations.

Apatit's Balakovo branch and Cherepovets site PhosAgro Group successfully passed a certification audit for compliance with the IFA (International Fertilizer Association) [Protect and Sustain standard](#). SGS, the world's leading inspection, verification, testing and certification

company, acted as the auditor. Our facilities have also put in place a procedure to manage internal environmental audits. Every year, they develop internal audit programmes taking into account the environmental significance of the reviewed processes, changes affecting the facility and previous audit outcomes. The audits provide input data for the management to analyse environmental management efficiency.

Environmental management framework



Our strategic environmental protection goals are set out in the Company's Strategy to 2025, and their achievement is included in the KPIs of managers and senior executives.

Compliance

Environmental compliance is key to running a responsible business.

PhosAgro Group's environmental management practices ensure our compliance with the applicable environmental and nature conservation regulations. To that end, the Group has developed an internal and external control framework, which includes internal audit and external compliance reviews, a reporting system

designed in accordance with legislative requirements, and a staff training system.

All our facilities that have a negative environmental impact are included in dedicated state registers, with relevant categories assigned to them. PhosAgro has all necessary permits in place for each of them.

None of PhosAgro's enterprises uses ozone-depleting substances in the production process. A small amount (not more than 250 kg/year) of carbon tetrachloride (CCl4) is used in laboratory testing.

We do not undertake cross-border hazardous waste transportation and our production sites are not situated in protected areas. Hence, there are no significant restrictions on our operations.

Spending on environmental protection, RUB mln

Item	2019	2020	2021
Operating costs of environmental protection (form 4-OS)	4,351.9	4,825.3	5,510.3
Investments in fixed assets aimed at environmental protection (form 18-KS)	4,221.9	3,120.4	4,168.8
Environmental impact payments	165.3	174.6	178.4
Environmental fines and damages	0.79/2.12	0.02	4,258
Investments in fixed assets aimed at environmental protection (not included in form 18-KS)	317.5	-	-
Total	9,059.5	8,120.3	9,860.7

Spending on environmental protection in 2021 increased due to the completion of large-scale environmental projects for which capital expenditures were included in investments in fixed assets.

In 2021, PhosAgro paid RUB 7.914 mln under a claim filed by the Baltic-Arctic Interregional Department of the Federal Service for Supervision of Natural Resources to recover outstanding payments for a negative environmental impact for 2017.

RUB 9.9 bln
Spending on environmental protection

Environmental impact payments, RUB mln

Year	Atmosphere			Aquatic environment			Waste		Total	Over-limit	Share of overlimit in total payments
	MPE	TPE	O-limit	SPD	TPD	O-limit	Limit	O-limit			
2019	2.467	0	0	1.644	3.286	0	157.880	0	165.277	0	0
2020	2.901	0	0		2.165	0	169.487	0	174.553	0	0
2021	2.440	0	0.018		3.886	0	172.091	0	178.416	0.018	0.01

In 2021, over-limit payments accounted for 0.01% of total environmental impact payments. Atmosphere impact over-limit

payments are attributable to an external voltage dip at PhosAgro's nitrogen facility and an emergency at PhosAgro's phosphate facility

in Cherepovets resulting in small ammonia emissions.

Assessment, analysis, and monitoring

Continuous improvement is inherent in our environmental management. PhosAgro Group identifies areas for improvement by reviewing its management system using an effective mechanism, which includes external and internal audits of the environmental management system (EMS), activities to monitor and assess the Group's performance, including by a wide range of stakeholders, and the analysis and assessment of the Group's performance by the Group's management. These efforts enable the Company to work out preventive and corrective action plans and proposals on how to develop and improve the EMS.

are a legitimate and effective mechanism for establishing dialogue with stakeholders using a discussion platform to express their opinions and make suggestions on the initiatives under consideration. This mechanism has a positive impact on the decision-making process and improves its efficiency. Engaging the general public and a wide array of stakeholders in discussion plays an important role and helps ensure that all points of view are considered.



List of public hearings

Stakeholder engagement is essential for PhosAgro Group's planning. Public hearings

PhosAgro Group public hearings coverage

Indicator	2019	2020	2021
Number of public hearings	13	13	15
Average number of participants per hearing	102.7	42.9	27.2

When assessing the Company's performance, much attention is paid to the analysis of international ESG ratings and investor feedback.

Risks and opportunities

GRI 201-2

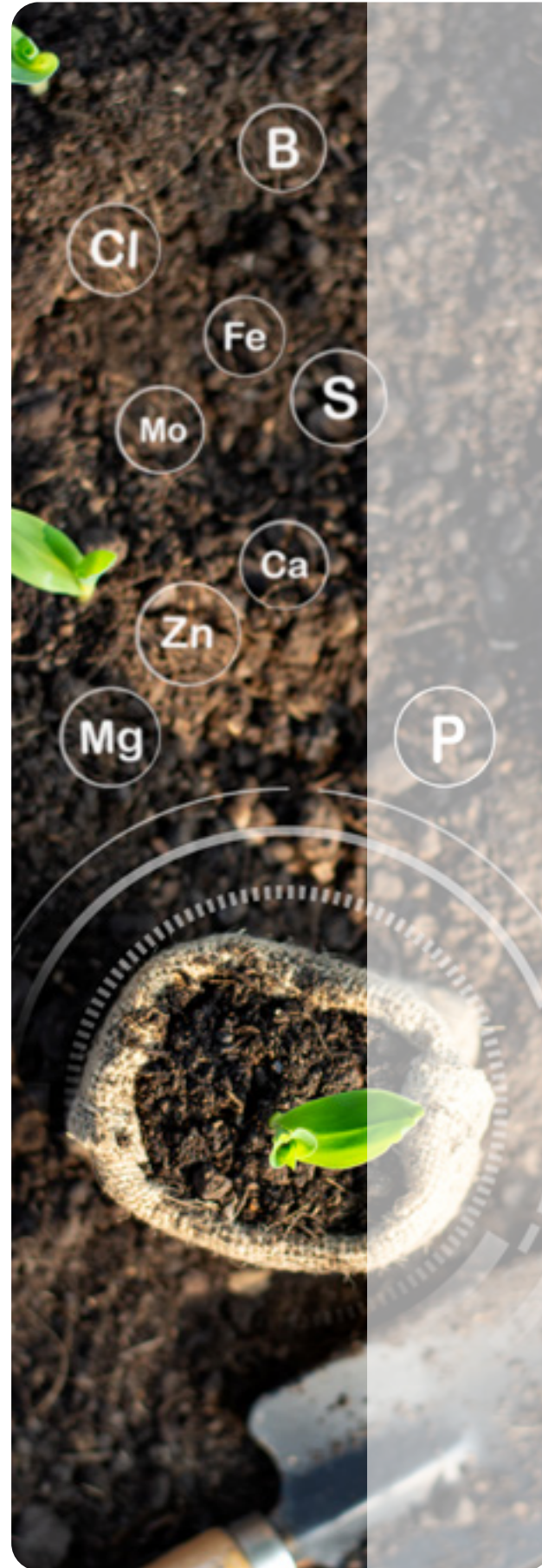
Environmental risk management is an integral part of the Company's risk governance framework.

The following strategic risks affect our environmental protection objectives (for more information, see the Strategic Risks section on page 68):

- 5 production;
- 7 environmental;
- 13 regulatory.

The environmental protection risks include non-compliance with the existing regulations on environmental impact and energy efficiency issues.

The Company develops corrective measures as necessary and unlocks opportunities to mitigate those risks. Below you can find more information about what we do on this front.



Climate

Our goals:

reduce total GHG emissions (Scope 1, 2, 3) by **14%** by 2028 vs 2018;

reduce GHG emissions (Scope 1) per tonnes of finished and semi-finished products by **31%** by 2028 vs 2018.

Gross and specific GHG emissions (Scope 1 and 2) across the Group

Indicator	2018	2019	2020	2021	2028
Gross GHG emissions (Scope 1), kt	4855.3	4656.3	4739.4	4675.8	4,175.5
Gross GHG emissions (Scope 2), kt	924.1	967.0	978.3	893.3	794.7
GHG emissions (Scope 1), kt	158.0	143.3	140.1	132.7	109.1

2021 highlights

Total Scope 1 and 2 emissions — **5,569.1 kt** of CO₂ eq

Scope 1 emissions of CO₂ equivalent — **132.7 kg/t¹**

small hydroelectric power plants and purchased from TGC-1 as part of our pilot project) to produce some 18% of phosphate rock and nepheline concentrate.

PhosAgro signed a cooperation agreement with the Russian Academy of Sciences and the Vologda region to monitor climate change and minimise the environmental impact.

PhosAgro has LEAD status under the UN Global Compact and is a participant in the Climate Ambition initiative. In 2021, the Company partnered with CGI Russia (Climate Governance Initiative), an organisation established by the World Economic Forum to raise awareness and boost efficiency of boards of directors with respect to climate change. The organisation assists in developing climate strategies and implementing them, as well as integrating the climate change agenda into day-to-day and long-term business decisions. In April 2021, PhosAgro published its first TCFD report fully addressing the climate aspects of its operations, strategy,

risks, opportunities, governance, performance, and metrics in 2020 (for more information, visit the Company's website). In June 2021, PhosAgro publicly declared support for the TCFD and its recommendations. The Company's representatives are members of climate change and sustainable development task and expert groups instituted by government authorities and non-governmental organisations, and are actively engaged in discussions on current global challenges.



2020 TCFD report

The Company increased the output of urea with urease inhibitors, a modern low-carbon fertilizer that helps deliver a material positive environmental effect by reducing emissions of nitrous oxide (N₂O), which is a greenhouse gas (in 2021, emissions were reduced by 16.9 kt of CO₂ eq.).

In 2021, we used green energy (hydroelectric power produced by

¹The indicator was calculated as the ratio of the gross emissions under GRI 305-1 to the total output of finished and semi-finished products.

Strategy

Climate matters feature prominently in PhosAgro Group's strategic and investment decisions, as well as in its day-to-day business management. The Company has identified, assessed, and prioritised climate risks, establishing their short, medium and long-term consequences for its production and business processes. We make our strategic plans and day-to-day management decisions with full awareness of the nature and extent of climate impact (both environmental and political) on

PhosAgro Group's business, strategy, and financial planning. The Group develops and takes systemic measures to reduce its carbon footprint and closely interacts with partners across its value chain (suppliers and consumers) and other stakeholders in Russia and worldwide.

PhosAgro's Climate Strategy was developed in 2020. It is a comprehensive document setting out the Company's climate policy in the face of growing climate change and uncertainty. In December 2020, the Board of Directors approved the Climate Strategy and endorsed a low-carbon transition plan. PhosAgro's Climate Strategy is based on five main principles.

Main principles of the Climate Strategy

1» Setting up targets to reduce GHG emissions in line with the Science Based Targets initiative; using climate scenario analysis.

2» Integrating climate risks into the comprehensive risk management framework for investment and day-to-day business activities.

3» Prioritising proper organisation and management on par with technology-related measures with a view to reducing GHG emissions.

4» Identifying not only risks, but also climate-related opportunities and making long-term plans for them.

5» Promoting awareness of the Company's climate initiatives and plans, as well as cooperation in specific areas.

The Strategy has set the following goals:

- » to reduce GHG emissions while increasing output;
- » to improve energy efficiency and environmental performance of the key production processes;
- » to reduce energy and carbon intensity per unit of output;
- » to enter into new emerging markets for green products;
- » to retain and expand the existing market niches by ensuring PhosAgro Group's competitive edge in terms of energy and carbon intensity.

PhosAgro Group is currently focused on creating particular metrics reflecting the impact of climate action in production and management processes on financial indicators. In 2021, we reassessed the impact of the carbon border adjustment mechanism (CBAM) on PhosAgro's operating expenses. The mechanism covers Russian industrial products, including, most likely, mineral fertilizers. Given the uncertainties as to the emission scopes the CBAM will apply to, the ability to account for PhosAgro Group's individual emission levels, and the changing carbon dioxide prices, we have determined the estimated ceiling and floor of the mechanism's impact on the Group's financial performance in 2023–2030.

Risks and opportunities

PhosAgro identifies its climate risks and opportunities taking account of climate change. The process is influenced by physical (changes in natural processes or phenomena) and transitional (changes in the policy and regulation with a view to fulfilling low-carbon transition) factors of various nature.

The following strategic risks affect our climate objectives (☞ for more information, see the *Strategic Risks* section, page 68).

- ① strategic planning risk;
- ⑬ regulatory risk;
- ⑲ climate risk.

A detailed description of climate risks and opportunities, as well as corrective measures taken in 2021 remained unchanged and is presented in the ☞ *TCFD report* on the Company's website.

Risks

R1 — disruptions in production processes and logistics operations due to increasing acute climatic effects and other climate-related factors;

R2 — flaws in supply chains, construction design, health and safety; negative environmental footprint and reduced flows of ecosystem services; lower resilience of infrastructure and communications due to increasing climatic effects;

R3 — PhosAgro Group's failure to comply with regulations reducing its negative environmental footprint (following the adoption of the carbon border adjustment mechanism);

R4 — deterioration of the Company's sustainability reputation;

R5 — increased costs and losses (as a result of customers' failure to meet their obligations, rising prices for feedstock, materials and services, higher borrowing rates) and shrinking revenues (as a result of a decline in sales, customers, countries and regions of operation).

Opportunities

O1 — boosting PhosAgro Group's appeal as an environmentally and climatically responsible supplier of products with a positive climate profile;

O2 — improved logistics driven by the new export opportunities amid shortened seasonal freeze-up of rivers and lakes due to climate change;

O3 — new financial products that open up new sources of cheaper funding (such as green bonds) for companies that embraced environmental and climate sustainability.



Climate scenario analysis

The Company views climate scenario analysis as a tool to make its climate strategy resilient to uncertainties and risks related to climate change. In line with that, we adopted climate scenarios and determined respective scenario parameters that are most probable and significant for PhosAgro Group in the short, medium and long term.

PhosAgro Group assessed the impact of climate-related risks and opportunities on its operations under two climate change scenarios: global warming of 2°C and 4°C. The key features of the scenarios are:

» 2°C scenario is expected to result in stringent climate policy measures that will increase market volatility (goods, services, finances, etc.). This is projected to bring about low-carbon transition, putting in place mechanisms of a low-carbon economy that will slow down physical climate-related impacts going forward;

» 4°C scenario is expected to result in less stringent climate policy measures as compared to the 2°C scenario, triggering faster physical climate-related changes;

» it was the 2°C scenario that we prioritised under the climate strategy;

» in accordance with criteria of the global Science Based Targets initiative (SBTi) and the pattern of global anthropogenic emissions according to RCP 2.6.

PhosAgro identified projected changes in climate risks and opportunities under the adopted climate scenarios based on risks, opportunities, scenario parameters, and time frames.

Highlights and performance related to climate change

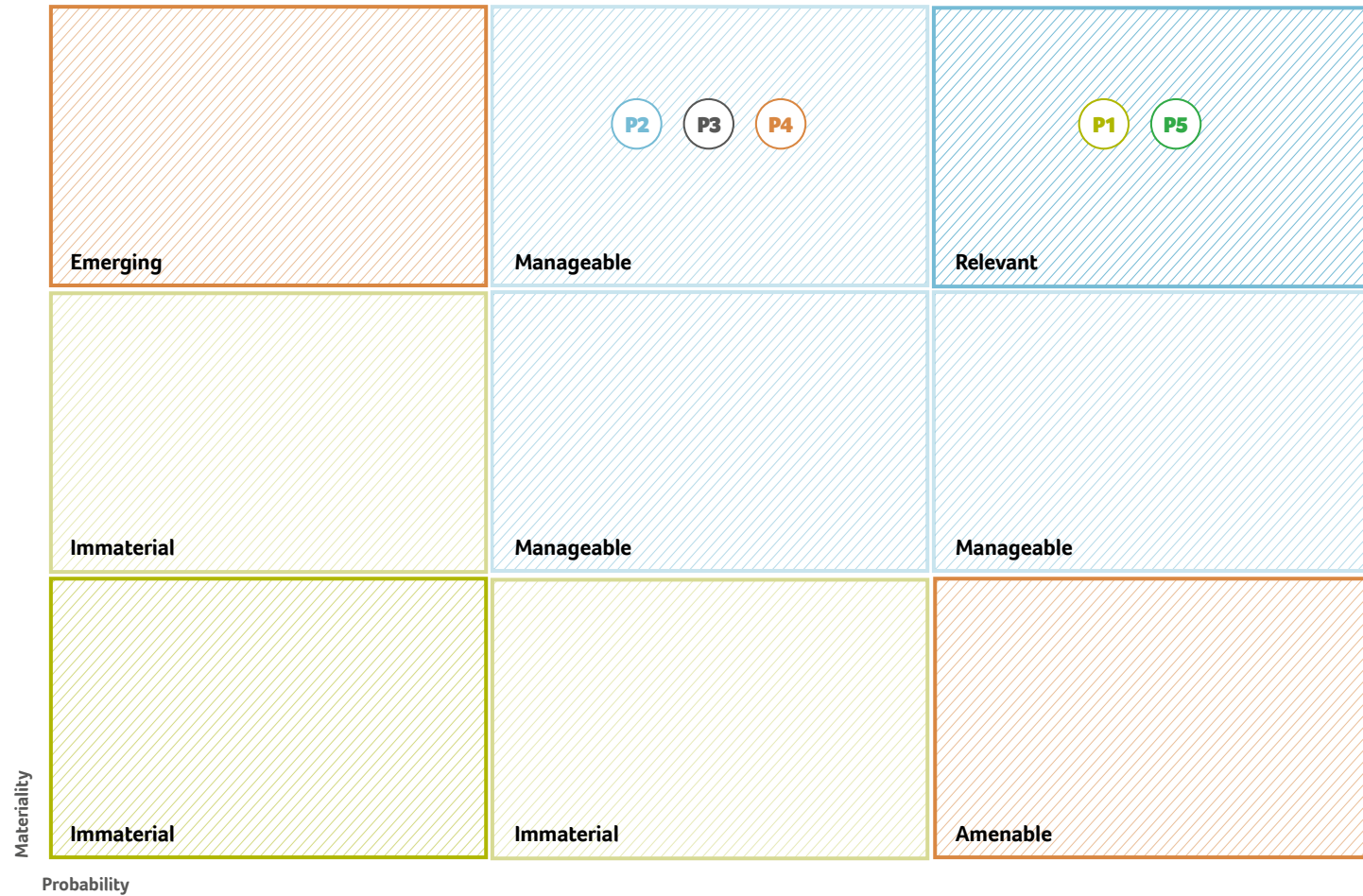
Processes to identify and assess climate change risks are being integrated throughout the value chain – from design, procurement and apatite-nepheline ore mining to finished product delivery.

Climate risk management process is baked in the company-wide risk management processes.

The assessment is carried out on a quarterly basis and covers short, medium, and long-term horizons.

The Group's climate risk management forms an integral part of its comprehensive risk management system (RMS), and meets the applicable Russian and international standards.

Climate risk priority map



Actions to deliver on the Climate Strategy

In 2021, the **Climate Agenda** project was initiated to create the climate action management system and push forward the low-carbon transition plan. The project addresses the following objectives:

- » establish a process to reduce carbon intensity per unit of output through technical and technological measures aimed at reducing direct GHG emissions;
- » identify a mechanism for shifting to low-carbon energy sources, purchasing green energy, and supporting projects that focus on GHG capture and carbon offset;
- » introduce a procedure for cooperation across the value chain involving suppliers, customers, and other stakeholders;
- » determine the most efficient technologies and methods available to capture GHG.

Low-carbon transition plan

The low-carbon transition plan is based on the specialised research data and aims to support economic development of PhosAgro Group that builds on the priority of keeping GHG emissions to a minimum. It is implemented to ensure that the GHG emission reduction targets are delivered across all scopes.

2021 initiatives

Focus areas	Climate-related risk and opportunities	Description and results
Introduce HR actions to support the implementation of PhosAgro's Climate Strategy, including additional training to improve staff competence and raise staff awareness in climate change	R1, R2, O1	Our employees took part in webinars dedicated to sustainable development and corporate climate responsibility.
Integrate climate change factors (depending on the risks and opportunities they present) into the existing regulations and provisions	R1, R2, O1	In 2021, taking into account climate factors, we updated the Company's Environmental Policy and regulations on the Committees of the Board of Directors.
Establish a task group on reduction of GHG emissions and negative effect of climate change on the efficiency of management and production processes	R1, R2, R3, O1	By initiating the Climate Agenda project we took forward thoroughly researched and technically feasible proposals to reduce the Company's climate footprint, minimise risks and maximise opportunities related to growing climate change impacts (technology, equipment, energy generation, operations, etc.).
Approve a comprehensive plan of interaction with value chain participants	R1, R2, R3, R4, R5, O1, O2, O3	A plan of interaction with value chain participants was developed and adopted for implementation (supplier-customer interactions).
Harmonise strategic documents (the Company's Development Strategy to 2025), financial planning and other policies and procedures with the low-carbon transition strategy and plan	R1, R2, R3, R4, R5, O1, O2, O3	Climate risks and opportunities were assessed and integrated into the Company's risk management framework, as well as internal regulations.
Arrange for identification, assessment, management and monitoring of climate-related risks	R1, R2, R3, R4, R5, O1, O2, O3	Climate change risks were integrated into PhosAgro's risk management framework.
Factor in climate change impacts in industrial engineering projects to build new facilities and upgrade transport infrastructure	R1, R2	At present, there is no need to proceed with this initiative. Reference documents used in engineering provide a sufficient margin of safety, with no factors driving accelerated climate changes observed.

Focus areas	Climate-related risk and opportunities	Description and results
<p>Support R&D developments related to the use of low-carbon energy and low-carbon production</p> <p>Explore options for GHG capture and select the most efficient ones to be employed by the Company</p>	R3, R4, R5, O1	<p>The Company increased the output of urea with urease inhibitors, a modern low-carbon fertilizer.</p> <p>In 2021, the mining and processing plant of Apatit (its Kirovsk branch) purchased 299 mln kWh under the agreement with TGC-1, with the energy generated by hydroelectric power plants. Therefore, the facility used green energy for 18% of its output.</p> <p>In 2021, the Russian Academy of Sciences, PhosAgro, and the Vologda region signed a cooperation agreement to monitor climate change and minimise the environmental impact. The project envisages efforts in low-carbon transition, including regional monitoring of GHG emissions. Promising methods of farming focused on emissions prevention and carbon sequestration by soils will be developed and implemented in Russia. New forests and fields will be planted and created in the Vologda region to capture and store carbon. Their capacity is estimated at 0.7 mt of CO₂ per year.</p>
<p>Introduce regular climate-related reporting in accordance with Russian and international standards</p>	R3, R4, O1	<p>Since 2020, the Company has been preparing climate reports in line with the TCFD standards and is considering options to have the reports assured starting from 2022.</p>
<p>Collaborate with international organisations and join climate initiatives</p>	R4, O1	<p>The Company participates in Climate Ambition, an initiative launched under the UN Global Compact; teams up with Climate Governance Initiative Russia; supports the TCFD; and takes part in task and expert groups of government authorities and non-governmental organisations.</p> <div style="text-align: center;">  <p>CDP DISCLOSURE LEADERSHIP ACTION</p> </div> <p>Report submitted to CDP with the Company's rating upgraded to B.</p>

Plans for 2022

Focus areas	Climate-related risk and opportunities	Description, current status, and expected outcomes
<p>Include climate metrics in incentive schemes of employees</p>	R2, O1	<p>Raising the motivation of employees and improving their climate-related performance. High-level approach to designing climate-related KPIs was defined.</p>
<p>Develop a set of technological measures to mitigate the negative impact of climate change on production processes</p>	R1, R2	<p>Developing measures to mitigate climate change risks to the Group's production processes.</p>
<p>Develop a set of technological measures to mitigate the negative impact of production processes on climate</p>	R1, R2	<p>Developing and prioritising technical and technological initiatives to reduce direct GHG emissions with due regard to their economics. The Company began the work in 2021 as part of the Climate Agenda project with the support of a leading global consultancy.</p>
<p>Prepare feasibility studies (business projects) for innovative climate-resilient products based on carbon dioxide utilisation</p> <p>Develop production in high-potential areas</p>	R3, R4, R5, O1	<p>Diversifying production to facilitate expansion into new markets and improve the climate-related performance on the back of new products better meeting consumer needs and having a positive climate profile.</p>
<p>Reduce the negative impacts of climate change on operational processes such as disruptions in transportation of products and raw materials, increased consumption of production water and waste water, product dusting, failures to use equipment in accordance with operating instructions and failures to create proper workplace conditions.</p>	R1, R2, O2	<p>Mitigating climate change risks to the Group's operating processes. Work is in progress to assess the risks and identify actions needed to manage them.</p>
<p>Introduce an automated system to collect and process primary climate data</p>	R3, R4, O1	<p>Introducing a software solution for automated collection of input data and calculation of GHG emissions (total volumes by site and product). Draft guidelines for assessing products' carbon footprint were developed and tested using PhosAgro Group's existing software. In 2022, the Company will refine the guidelines with the support of expert organisations, taking account of current and expected requirements for climate disclosure applicable in Russia and globally, and will look into implementation options.</p>

2021 metrics and highlights

PhosAgro Group's climate metrics are aligned with the goals of the Climate Strategy approved by its Board of Directors.

PhosAgro Group is working to expand and enhance the quality of climate-related measurements, including both existing and prospective metrics. Most metrics are locked on targets which are aligned with the goals of the Climate Strategy and other commitments of the Company.

The metrics are monitored and reported annually to stakeholders.

The Company's primary focus is on GHG emissions in all three Scopes (1 and 2).

The Group calculates greenhouse gas emissions in accordance with the international guidelines:

- » 2006 IPCC Guidelines for National Greenhouse Gas Inventories;
- » The Greenhouse Gas Protocol: Scope 2 Guidance;
- » the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (Revised Edition);
- » ISO 14064-1 – Specification with Guidance at the Organisation Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals.

This includes end-to-end monitoring of raw data and analysis of supply chain participants' data (Scopes 2 and 3).

The targets of 14% reduction in emissions by 2028 compared to the 2018 baseline across all scopes are set in line with minimum qualitative and quantitative criteria based on RCP 2.6, a representative concentration pathway for reduction of global anthropogenic emissions, in order to keep global temperature rise below 2°C by 2100.



List and description of existing metrics introduced in 2021 for the monitoring of performance under the climate strategy

Metric	Unit	2018	2019	2020	2021
Gross global emissions (Scopes 1 and 2) per currency unit of total revenue GRI 305-4	t of CO ₂ eq. / USD mln ¹	1,552.3	1,467.1	1,621.6	975.5
Gross global emissions (Scopes 1 and 2) per FTE GRI 305-4	t of CO ₂ eq. / FTE ²	331.0	321.6	319.6	304.0
Electricity purchased per unit of finished and semi-finished products	ths kWh/t	0.071	0.069	0.068	0.066
Energy efficiency improvement costs	RUB mln	n/a	82.0	10,500.0	17.4
Share of feedstock suppliers providing necessary input data on GHG emissions (Scope 3)	%	n/a	n/a	4.0	2.7

Direct (Scope 1) GHG emissions, kt of CO₂ eq.2

GRI 305-1, 305-4

Assets	2018	2019	2020	2021
Gross emissions of the Kirovsk branch, kt	583.1	636.3	646.4	665.3
GHG emissions of the Kirovsk branch, kg per tonne of finished and semi-finished products	53	54.7	55.5	56.7
Gross emissions of the Balakovo branch, kt	157.9	152.6	170.0	178.6
GHG emissions of the Balakovo branch, kg per tonne of finished and semi-finished products	28.4	25.7	27.9	29.6
Gross emissions of the Volkhov branch, kt	118.4	121.3	111.4	125.5
GHG emissions of the Volkhov branch, kg per tonne of finished and semi-finished products	181.5	197.4	179.5	109.2
Apatit (Vologda region), gross emissions, kt	3995.8	3,746.1	3,811.5	3,706.4
GHG emissions of Apatit (Vologda region), kg per tonne of finished and semi-finished products	295.2	261.9	246.4	227.1
Total gross emissions, kt	4,855.3	4,656.3	4,739.4	4,675.8
Total GHG emissions, kg per tonne of finished and semi-finished products	158.0	143.3	140.1	132.7

Indirect (Scope 2) GHG emissions, kt of CO₂ eq.2,

GRI 305-2

Assets	2018	2019	2020	2021
Kirovsk branch	713.0	730.9	723.9	622.5³
Balakovo branch	52.2	55.4	51.1	45.3
Volkhov branch	65.2	62.8	66.0	80.1
Apatit (Vologda region)	93.7	117.9	137.3	145.4
Total	924.1	967.0	978.3	893.3



GRI 305-5

In 2021, we changed our approach to calculating Scope 2 GHG emissions. Previously, we relied on emission factors from a study by the European Bank for Reconstruction and Development. In 2021, however, we started using factors defined by the International Energy Agency⁴, which enabled more accurate calculation of Scope 2 GHG emissions.

We have chosen 2018 as the base year for calculations because it was the Company's first reporting year and given the need to set GHG reduction targets for all three scopes based on the available emission data. In 2021, Scope 1 GHG emissions declined by 179.5 kt, or 3.7%.

Energy indirect (Scope 2) emissions also dropped by 30.8 kt, or 3.3%, vs 2018 thanks to the green electricity procured by the Kirovsk branch of Apatit, as well as energy efficiency initiatives.

¹ The indicator was calculated as the ratio of the sum of Scope 1 and 2 gross emissions under GRI 305-1 and GRI 305-2 respectively to PhosAgro Group revenue according to consolidated financial statements converted into USD mln at quarterly average (2018 and 2019) and monthly average (2020 and 2021) USD/RUB exchange rates

² The indicator was calculated as the ratio of the sum of Scope 1 and 2 gross emissions under GRI 305-1 and GRI 305-2 respectively to the total number of full-time employees under GRI 2-7

³ Including electricity from renewable energy sources

⁴ Following the comparability principle, figures for 2018-2020 in the above table Indirect (Scope 2) GHG emissions, kt of CO₂ eq.2 have been recalculated using the factors defined by the International Energy Agency

Energy efficiency

2021 highlights GRI 302-4

In 2021, the consumption of all types of energy resources per tonne of finished and semi-finished products decreased by **3.43%**, to **5.06 GJ**

2021 saw PhosAgro's self-sufficiency in electricity increase by **0.5%**, to **40.3%**

This significant reduction was underpinned by the implementation of PhosAgro Group's Strategy to 2025 and its Energy Efficiency Programme.

In 2022, the share of in-house electricity generation is expected to grow further due to the planned launch of a 34 MW heat and power plant at the Volkhov branch.

The first complex comprising two 40 kW solar power stations has been commissioned in Balakovo. In 2022, we plan to test solar power generation at Apatit's chemical facility in Balakovo to assess the viability of a further scale-up.



PhosAgro's energy efficiency strategy

In 2021, PhosAgro continued to follow the Climate Strategy approved by the Board of Directors, the Energy Efficiency and Energy Saving Policy, and the Energy Efficiency Programme, which are tightly integrated into the Company's Strategy to 2025 adopted in 2020.

The Energy Efficiency and Energy Saving Policy sets out the following key goals:

- » continuously improving energy efficiency;
- » using energy resources in a sustainable and efficient manner;

- » streamlining the energy management process for all types of operating activities.

The Company pays particular attention to energy efficiency risks:

1» Having a sufficient and reliable energy supply is a material aspect and major concern for us. We thoroughly explore all opportunities to transition to renewable energy. In 2021, we purchased electricity generated by hydroelectric power plants that had no large reservoirs and therefore no methane emissions, and implemented a solar power plant project in Balakovo.

2» Risk of Scope 2 GHG emissions being included in the carbon border adjustment mechanism in 2023–2026. PhosAgro Group's energy efficiency directly affects Scope 2 GHG emissions, which poses a potential risk under the European Green Deal.

3» Market availability of electricity from renewable energy sources. PhosAgro Group continuously monitors the market to ensure a sufficient supply of electricity from renewable energy sources.

The initiatives set out in the Energy Efficiency Programme are aimed to improve the energy efficiency of each production site and achieve strategic objectives in the following focus areas:

- » in-house power generation through utilisation of sulphuric acid production steam;
- » increase of the share of renewable energy sources;
- » introduction of technologies aimed at loss reduction and energy

savings (e.g. LED lighting, frequency converters, less heat energy losses).

In 2021, we implemented comprehensive energy efficiency projects at all of our facilities.

2021 initiatives

Project	Description and results	Expenditures, RUB mln	Completion
Balakovo: installation of a solar power plant at Apatit's Balakovo branch with a total capacity of 40 kW (Phase 2)	Phase 2 of the project to replace third-party electricity supply with an alternative energy source (solar power plant)	5.0 (Phases 1 and 2 in total)	Q3
Balakovo: upgrade of the ceiling lighting system at the wet-process phosphoric acid production unit, with LED lights installed	Energy savings due to replacing mercury lamps with LED ones	2.0	Q4
Volkhov: upgrade of the lighting system at the granulated sulphur warehouse, LED lights installation	Energy savings due to replacing mercury lamps with LED ones	1.5	Q2
Volkhov: upgrade of the 4.0 MPa steam pipeline, with thermal insulation system replaced	Heat savings	4.5	Q3
Cherepovets: installation of a new pipeline between c. 911 and 901 to save drinking water	Reduced water consumption, cost cutting	0.5	Q4

Plans for 2022

Project	Description and results	Expenditures, RUB mln	Completion
Volkhov: Construction of a heat and power plant with a 34 MW high-efficiency electric turbine and a water treatment system at Apatit's Volkhov branch	Project seeks to cut electricity costs through the utilisation of process steam from the new sulphuric acid plant at the heat and power plant of Apatit's Volkhov branch, with the objective of providing all of the facility's consumers with steam. This will also significantly reduce the need to purchase electricity from third-party power suppliers	2,941.0	Q1
Kirovsk: upgrade of the lighting system to LED at ANBP-2 of Apatit's Kirovsk branch	A 0.5 MW reduction in annual energy consumption, lower maintenance and repair costs	42.0	Q3
Kirovsk: upgrade of drum drier sections, with thermal insulation replaced	Reduced heat losses and per unit consumption of fuel oil in concentrate drying	7.0	Q4
Balakovo: installation of frequency converters on chemically treated water pumps	Reduced electricity consumption	2.0	Q3
Cherepovets: use of circulating water to cool feed water pumps	Reduced river water consumption with no discharges into the sewer system	3.5	Q3

2021 metrics and highlights

1» In 2021, the Company's production facilities were 40.3% self-sufficient in terms of electricity needs, which is 0.5% more than in 2020. In absolute terms, the electricity generated by PhosAgro went up by 50 mln kWh year-on-year, driven by the commissioning of new power generating facilities at the Volkhov branch and optimisation of the heat and power plant at the Balakovo branch. Total electricity consumption grew by 79 mln kWh year-on-year, which is attributable to the commissioning of new facilities at the Volkhov branch and Cherepovets site. In 2022, the share of electricity generated in-house is likely to increase due to the planned launch of the 34 MW heat and power plant at the Volkhov branch.

2» In 2021, PhosAgro Group commissioned a complex comprising two solar power plants at the Izumrud corporate health resort in Balakovo. The first 25 kW solar power plant was installed on the roof of the resort's medical treatment building in December 2020, with more solar panels installed on Izumrud's hotel building during Phase 2 in summer 2021. Now, the total capacity is 40 kW. In 2022, we also plan to test the technology at Apatit's chemical facility in Balakovo to assess the viability of a further scale-up.

The energy efficiency metrics are used to monitor the Company's progress towards its energy efficiency improvement target and set forth in PhosAgro's Energy Efficiency Programme and Action Plan, which helps keep track of electricity generation and consumption, energy intensity, etc.

79 mln kWh
Total electricity consumption growth in 2021

Calculation methodologies

The energy efficiency metrics are based on PhosAgro Group's raw data and calculated in accordance with the approved statistical methodologies. The Group prepares its energy efficiency reports in accordance with

GRI 3 Material Topics, GRI 302-1 Energy Consumption within the Organisation, GRI 302-3 Energy Intensity, and GRI 302-4 Reduction of Energy Consumption.

PhosAgro's energy consumption in 2021, GJ¹

GRI 302-1

Indicator	2018	2019	2020	2021
Internal use of electricity	13,142,052	13,444,848	13,751,172	14,037,317
Internal use of heat energy	45,919,608	47,440,086	49,114,094	51,444,258
Internal consumption of natural gas	104,031,330	105,465,360	105,295,320	103,592,667
Internal consumption of LNG	147,130.24	170,533.12	123,672.96	160,565
Internal consumption of fuel oil	6,525,771	6,797,256	6,473,253	6,671,968
Internal consumption of heating oil	30,686	30,945	31,922	34,294
Internal consumption of diesel fuel	1,839,667	1,827,282	2,419,273	2,539,731
Total internal consumption	171,636,246	175,176,312	177,208,709	178,480,800
Total energy consumption per unit of finished and semi-finished products, GJ/t	5.58	5.39	5.24	5.06

PhosAgro Group's energy consumption

GRI 302-1, 302-3

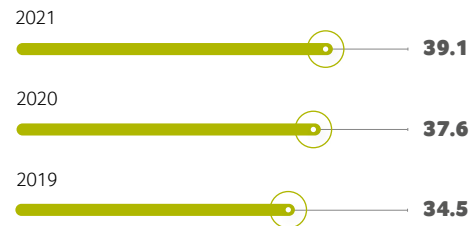
Indicator	Unit	Total for production facilities		
		2019	2020	2021
Electricity				
Purchased electricity, including	mln kWh	2,234.57	2,300.77	2,326.63
Purchased from renewable sources	mln kWh	0.00	0.00	299.00
Electricity purchased per unit of finished and semi-finished products	ths kWh / t	0.069	0.068	0.066
Produced (non-renewables)	mln kWh	1,500.11	1,519.00	1,572.62
Electricity generated (from non-renewables), per unit of finished and semi-finished products	ths kWh / t	0.046	0.045	0.045
Internal use	mln kWh	3,734.68	3,819.77	3,899.26
Internal use per unit of finished and semi-finished products	ths kWh / t	0.115	0.113	0.111
Heat energy				
Produced by TPPs	ths Gcal	2,742.82	2,435.44	2,234.32
Produced by boilers (steam)	ths Gcal	1,121.49	1,030.34	1,237.13
Purchased (in hot water)	ths Gcal	406.60	374.54	438.22
Supplied (in hot water)	ths Gcal	155.46	200.78	161.23
Exhaust steam	ths Gcal	7,215.41	8,091.16	8,538.81
Internal consumption	ths Gcal	11,330.87	11,730.70	12,287.25
Internal consumption per unit of finished and semi-finished products	Gcal/t	0.349	0.347	0.348
Natural gas				
Production purposes	mln m ³	2,704.24	2,699.88	2,656.22
Consumption per unit of finished and semi-finished products	ths m ³ / t	0.083	0.079	0.075
LNG				
Consumption	t	3,134.80	2,273.40	2,951.57
Fuel oil				
Consumption	t	154,132.80	146,785.80	151,291.8
Heating oil				
Consumption	t	703.70	725.50	779.40
Diesel fuel				
Consumption	t	40,071.98	53,054.25	55,695.87

¹ To convert energy consumption values into joules, the coefficients on the [Berkeley Institute](https://www.berkeleyinstitute.org/) (USA) website were used

Waste

2021 highlights

Share of recycled and decontaminated hazard class 1–4 waste, %¹



PhosAgro's waste management is monitored on a regular basis and discussed by the Sustainable Development Committee and the Environmental, Health and Safety Committee of the Board of Directors, with their findings communicated directly to the Board

Waste management strategy

GRI 306-2

Having developed a system for accumulating and analysing data on production and consumption waste from our operations, we are now implementing a range of projects aimed at minimising waste generation and increasing the share of recycled waste.

The management system covers:

- » an inventory of resources that are used to manufacture products and become waste afterwards;
- » data on the amount of waste generated from our own operations, including future waste in the form of products or their part provided to customers;
- » waste characteristics;
- » properties that limit or prevent the recycling (recovery) of the material or product or limit its useful life;
- » continuous monitoring of known and potential negative characteristics of certain materials after they become waste; measures to remove environmental and health hazards;
- » identification of activities and processes that generate significant amounts of waste.

PhosAgro's Development Strategy to 2025 stipulates an increase in the share of recycled hazard class 1–4 waste

to 40%



¹The Group specific disclosure was calculated as ratio of class 1–4 waste recycled and decontaminated to the total volume of class 1–4 waste according

2021 metrics and highlights

Waste generation by hazard class, t

GRI 306-3

Waste hazard class	2019	2020	2021
I	7.64	6.48	5.63
II	10.76	7.61	3.86
III	1,938.63	1,070.64	1,698.52
IV	196,725.82	180,439.54	192,698.46
V	112,458,560.40	132,492,537.10	132,227,604.7
Total	112,657,243.30	132,674,061.36	132,422,011.17

PhosAgro Group's waste by type and disposal method, t

GRI 306-4, 306-5

Disposal method	2019	2020	2021
Reused PhosAgro Group's waste	22,868,749.9	21,877,032.2	19,203,406.7
<i>Hazardous waste</i>	63,533.6	51,632.9	74,266.9
<i>Non-hazardous waste</i>	22,805,216.3	21,825,399.3	19,129,139.8
Landfilled	89,794,090.4	110,771,883.1	112,386,304.7
<i>Hazardous waste</i>	122,765.0	109,096.9	113,463.9
<i>Non-hazardous waste</i>	89,671,325.4	110,662,786.2	112,272,840.8
<i>Landfilled at the Company's waste disposal facilities</i>	89,671,202.4	110,662,686.7	112,272,350.3
Third-party recycled	37,696.5	52,377.7	72,278
<i>Hazardous waste</i>	5,149.7	16,402.3	1,432.2
<i>Non-hazardous waste</i>	32,546.8	35,975.4	70,845.8
Third-party decontaminated	289.8	262.4	332.5
<i>Hazardous waste</i>	289.8	262.4	332.5
<i>Non-hazardous waste</i>	0	0	0
Third-party processed	2,906.1	1,590.9	2,756.7
<i>Hazardous waste</i>	5.9	6.4	2.2
<i>Non-hazardous waste</i>	2,900.1	1,584.5	2,754.5
Third-party landfilled	7,471.8	4,599.9	6,076.8
<i>Hazardous waste</i>	7,348.8	4,500.2	5,586.3
<i>Non-hazardous waste</i>	123.0	99.7	490.5

Note: hazardous means hazard class 1–4 waste; non-hazardous means hazard class 5 waste



Disposal of beneficiation waste and overburden at Apatit's Kirovsk branch, t

Waste	Reused	Landfilled at waste disposal facilities
2019		
Apatite-nepheline ore processing waste (tailings)	12,500,635.0	12,560,903.0
Rocks and overburden mix	7,156,342.0	69,073,827.0
2020		
Apatite-nepheline ore processing waste (tailings)	12,015,508.0	12,947,652.0
Rocks and overburden mix	6,625,514.0	89,454,699.0
2021		
Apatite-nepheline ore processing waste (tailings)	12,535,665.7	13,483,863.3
Rocks and overburden mix	3,360,586.0	90,494,219.0

Waste generation, tonne per tonne of finished and semi-finished products

Asset	2019	2020	2021
Kirovsk branch	8.7	10.4	10.3
Balakovo branch	0.9	0.9	0.9
Volkhov branch	0.002	0.031	0.003
Apatit (Vologda region)	0.4	0.4	0.4
Total	3.5	3.9	3.8

Waste generation (hazard class 1-4), kg per tonne of finished and semi-finished products

Asset	2019	2020	2021
Kirovsk branch	0.6	0.3	0.5
Balakovo branch	19.5	16.7	21.3
Volkhov branch	2.2	27.0	0.6
Apatit (Vologda region)	5.2	3.8	3.6
Total	6.1	5.4	5.5

Key initiatives in 2021



Upgrade of production facilities for aluminium fluoride

The Cherepovets site upgraded its aluminium fluoride plant, with its capacity expanded from 57 to 73 ktpa. This helped increase the use of fluorine extracted as part of phosphate rock processing, reduce lime consumption in treating effluents, and decrease the generation and disposal of fluorine-containing waste. Investments in the project totalled RUB 3.5 bln.

Enhanced ore processing mechanisms

PhosAgro and the Kola Science Centre of the Russian Academy of Sciences have signed a long-term cooperation agreement to implement a project for improving the processing of hard-to-process apatite-nepheline ores. The agreement prioritises joint projects focused on novel production technologies. As part of the initiative, KSC RAS researchers will study key industrial ores, identify optimal mineral liberation and selective flotation modes, conduct technological and mineralogical 3D mapping of ore reserves, as well as select and develop efficient and eco-friendly flotation reagents.

Promotion of phosphogypsum

Our project to promote phosphogypsum as a chemical ameliorant agent in agriculture first saw light in February 2021. Its initial aim was to reduce the accumulation of phosphogypsum at dump sites by promoting its use on saline soils as a conditioner and source of sulphur, phosphorus and micronutrients.

To this end, we established a preparation and loading hub for bulk phosphogypsum and remodelled a railway to ensure its supply to farmers in the Moscow, Tambov, Voronezh, Lipetsk, Penza, Ulyanovsk, Samara, Saratov, and Volgograd regions.

In 2019, we sold a total of 4.1 kt of phosphogypsum. In 2020, this number stood at 8.709 kt before surging to 42 kt in 2021 (of which 41 kt was sold for agricultural purposes).

In November 2021, we made a decision to merge all our phosphogypsum-related operations into one project.

Project goals by 2026:

- » improving sales volumes;
- » reducing phosphogypsum accumulations at dump sites;
- » increasing phosphogypsum recycling rates.

A data analysis and target market review has identified eight focus areas for selling phosphogypsum. Currently, we can cover two of them:

- » agriculture;
- » road construction.

In 2022, PhosAgro Group seeks to sell around 75–80 kt and 10 kt of phosphogypsum to customers in agriculture and road construction respectively, while also expanding its customer pool.

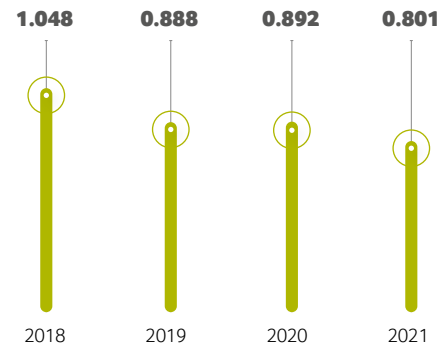
This year, we look to achieve progress in the remaining six areas as well, with R&D, state environmental expert evaluation, pilot tests, and the drafting of a relevant internal standard, specifications, and regulatory and technical documents all planned for 2022. We expect that these steps will enable us to significantly expand our phosphogypsum market reach.

Air

2021 highlights

RUB >1 bn
invested under the Clean Air initiative in 2021

Pollutant emissions, kg per tonne
of finished and semi-finished products



Strategy

23.7% reduction in emission intensity (to 0.8kg/t of products and semi-finished products) by 2025 vs 2018.

PhosAgro Group takes part in the government's Clean Air initiative, which aims to drastically reduce air pollution in major industrial cities across Russia.

In the reporting year, more than RUB 1 bln was invested in Clean Air capital projects of Apatit's Cherepovets site.

2021 metrics and highlights

PhosAgro Group has developed and now maintains an emissions management process that includes assessment of planned activities, discussion of relevant matters with a wide range of stakeholders, as well as monitoring and disclosing pollutant emissions. To effectively reduce its environmental impact, the Group is running a programme to re-equip production facilities and minimise pollutant emissions.

by **11%** emissions reduced in 2021 vs 2017 at Apatit's Cherepovets site as part of the Clean Air initiative

NO_x, SO_x and other significant air emissions, t

GRI 305-7

Pollutants	2019	2020	2021
Total			
Kirovsk branch	9,221.1	10,003.4	10,120.3
Balakovo branch	7,002.4	7,286.2	6,876.0
Volkhov branch	1,162.5	1,068.9	1,165.8
Apatit (Vologda region)	11,488.9	11,830.7	10,065.3
Total	28,874.9	30,189.0	28,227.4
Solids			
Kirovsk branch	3,734.1	5,148.6	4,939.8
Balakovo branch	410.8	429.5	425.8
Volkhov branch	610.4	461.7	528.6
Apatit (Vologda region)	1,356.3	917.3	1,055.1
Total	6,111.7	6,957.1	6,949.3

NO_x, SO_x and other significant air emissions, t

Pollutants	2019	2020	2021
Sulphur dioxide			
Kirovsk branch	3,458.3	3,104.0	3,308.2
Balakovo branch	4,293.7	4,432.1	3,975.4
Volkhov branch	161.7	180.8	206.7
Apatit (Vologda region)	3,297.4	3,367.2	3,029.2
Total	11,211.1	11,084.0	10,519.5
Carbon monoxide			
Kirovsk branch	477.6	711.1	777.0
Balakovo branch	782.8	870.0	933.1
Volkhov branch	73.3	92.4	115.3
Apatit (Vologda region)	1,476.3	1,573.5	1,274.8
Total	2,810.0	3,247.0	3,100.2
Nitrogen oxides (NO_x as NO₂)			
Kirovsk branch	1,534.8	1,012.2	1,067.8
Balakovo branch	724.1	746.9	760.7
Volkhov branch	149.8	283.1	207.6
Apatit (Vologda region)	2,309.2	2,540.0	2,401.8
Total	4,717.9	4,582.1	4,437.9
Hydrocarbons (w/o VOCs)			
Kirovsk branch	0	8.0	8.0
Balakovo branch	2.6	2.6	2.6
Volkhov branch	0.0	0.0	0.0
Apatit (Vologda region)	37.8	38.1	38.1
Total	40.4	48.7	48.7
Volatile organic compounds (VOCs)			
Kirovsk branch	16.1	19.0	19.0
Balakovo branch	340.0	340.1	340.7
Volkhov branch	3.4	4.6	5.0
Apatit (Vologda region)	2.8	2.2	2.0
Total	362.3	365.8	366.7
Other gaseous and liquid pollutants			
Kirovsk branch	0.1	0.5	0.5
Balakovo branch	448.5	465.1	437.7
Volkhov branch	163.9	46.2	102.6
Apatit (Vologda region)	3,009.1	3,392.6	2,264.3
Total	3,621.5	3,904.3	2,805.1

Initiatives implemented in 2020–2021 to achieve the target



Apatit's Cherepovets site implemented two key projects as part of the Clean Air initiative:

- » an upgrade of technological system No. 3, block 2.70 at the mineral fertilizer production site (CAPEX: RUB 777 mln);
- » a technical upgrade of the low-capacity absorption unit, blocks 7.00 and 7.01 at the mineral fertilizer production site (CAPEX: RUB 311 mln).

The total environmental effect of these measures in 2021 was a **464,9 t** reduction in pollutant emissions

The following projects were completed at the Volkhov branch in 2021¹:

- » Installation of equipment to treat waste gases as part of the effort to modernise the wet-process phosphoric acid production unit and increase its capacity to 450 ktpa. Expected environmental effect: maintaining per unit emission of gaseous fluorides on par with the best available techniques included in the best available technique guidelines (ITS2-2015) (0.31 kg/t).
- » Installation of equipment to treat waste gases as part of the construction of an 800 ktpa sulphuric acid facility. Expected effect: ensuring and maintaining SO₂ emissions on par with the best available techniques (1.292 kg/t).

» A technical upgrade at the mineral fertilizer production site (with an upgrade of gas recovery equipment). Expected effect: ensuring and maintaining emissions of hydrogen chloride and fluorine compounds (expressed as fluorine) on par with the best available techniques (0.183 kg/t).

Balakovo and Kirovsk branches

» In 2001, the first stage of a project to re-equip technological systems No. 5 and 6 of the phosphate fertilizers unit was completed at the Balakovo branch. The second stage will be implemented in 2022 and will include an upgrade of gas recovery equipment, with the environmental effect to be determined upon completion.

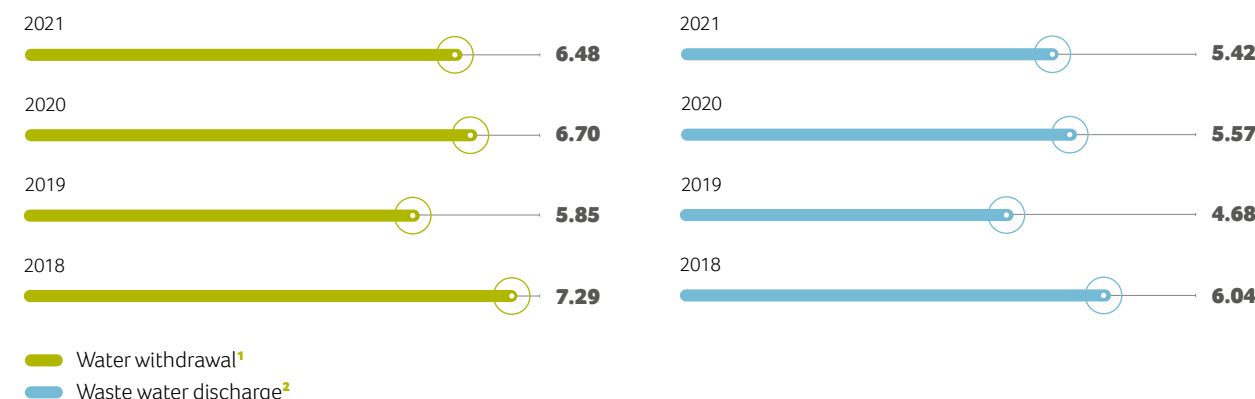
» Apatit's Kirovsk branch implements annual dust suppression of dusty surfaces. In 2021, dusty surfaces of tailing dumps were chemically stabilised at ANBP-2 (631 ha in the beach area, 47.23 ha on the dam slopes, and 67 ha in the roads) and ANBP-3 (346 ha in the beach area and 51 ha in the roads). ANBP-2 saw hydroseeding of dam slopes (15 ha), while the slopes at ANBP-3 were biologically stabilised in manual mode (5.3 ha).

¹The environmental effect of the projects completed at Apatit's Volkhov branch will be determined based on the 2022 results.

Water

2021 highlights

Water use, m³ per tonne of finished and semi-finished products



Strategy

303-1

Reduction in specific effluents by 2025 by **27%** from the 2018 level to **4.4 m³/t** of finished and semi-finished products

The main risks related to water consumption are water quality deterioration in water bodies across PhosAgro Group's footprint and the Group's non-compliance with statutory requirements for limiting negative impact on water bodies.

PhosAgro Group has implemented closed-loop water recycling systems at its sites in Volkhov and Balakovo to reuse water in production processes.

Water is an important resource for PhosAgro Group. There is no shortage of water sources in the regions where our facilities are based. According to the Water Risk Atlas and Water Risk Filter, all PhosAgro production sites are located in areas with low or moderate fresh water scarcity. However, access to clean water is a major issue facing the world.

Going forward, we plan to improve waste water management by focusing on maximum reuse of water through closed-loop water recycling systems and better treatment of effluents discharged into water bodies in addition to ongoing monitoring of water bodies in the regions of operation.

The regulatory risks include tightened waste water quality requirements, as well as restrictions on the amount of

water consumed and discharged into water bodies and centralised waste water systems.

To mitigate these risks, in 2020 we adopted and started implementing a water strategy that sought to reduce water consumption and discharge and improve waste water quality.

The strategy is implemented at all PhosAgro Group's sites, and we regularly analyse these measures to determine whether they are sufficient and effective enough to achieve our targets.

To identify the impact of the Company's operations on water bodies, we monitor these bodies in accordance with adopted programmes by engaging our own certified laboratory and external certified laboratories.



Water Strategy for 2020–2025

¹The Group specific disclosure was calculated as a ratio of total water withdrawal, including mining and drainage waters to the total output of products and semi-finished products

²The Group specific disclosure was calculated as the ratio of the total volume of waste water discharged into surface waters to the total output of finished and semi-finished products

2021 metrics and highlights

Total water withdrawal by source, ths m³

GRI 303-3

Indicators	2019	2020	2021
Surface water			
Total water withdrawal from surface sources, including:	145,179	170,862	175,943
process water	58,315	59,081	60,747
drinking water (internal use)	885	995	1,193
drinking water (for supplies to third parties)	466	399	557
mining water	79,933	104,475	107,633
drainage water	3,577	3,312	3,171
rainwater	2,002	2,600	2,642
Ground water			
Water withdrawal from ground-water sources:	2,842	2,832	2,912
Water received from third-party suppliers			
Total water received from third-party suppliers, including:	42,082	52,898	49,600
process water received from suppliers	27,546	28,443	28,373
water from municipal supply (internal use)	8,560	8,138	9,126
water from municipal supply (for supplies to third parties)	34	17	47
waste water from other waste-water discharge systems	5,943	16,300	12,054
Total	190,104	226,592	228,456



Measurement of total and specific water withdrawal including and excluding mining and drainage waters

Indicators	UoM	2019	2020	2021
Total water withdrawal, including mining and drainage waters	ths m ³	190,104	226,592	228,456
Specific water withdrawal, including mining and drainage waters ¹	m ³ /t	5.85	6.70	6.48
Total water withdrawal from surface sources, excluding mining and drainage waters	ths m ³	106,593	118,805	117,651
Specific water withdrawal from surface sources, excluding mining and drainage waters ²	m ³ /t	3.28	3.51	3.34

Total water discharge by source, ths m³

GRI 303-4

Indicators	Total water withdrawal by source, ths m ³		
	2019	2020	2021
Water discharge into surface waters			
Total water discharge into surface waters, including:	152,223	188,455	187,012
mining water	79,933	104,475	107,634
drainage water	3,577	3,312	3,170
waste water from other waste-water discharge systems	5,494	15,901	11,673
Supplies to third parties			
Total water supplies to third parties	4,118	4,147	4,222
waste water to the public water discharge system (after use)	3,170	3,314	3,238
waste water to the public water discharge system (unused)	448	399	381
water supplies to third parties from surface sources	466	417	557
water supplies to third parties from municipal sources	34	17	47
Total	156,341	192,602	191,234

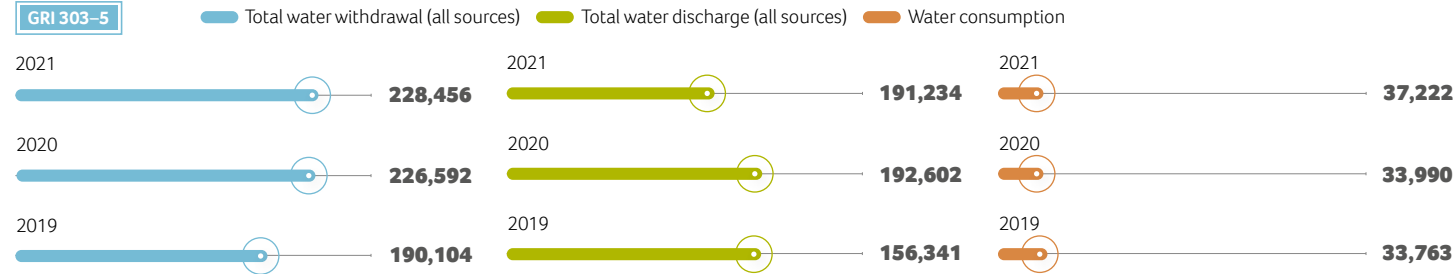
Treated effluents (reused in the production cycle)

Asset	2019	2020	2021
Total, mln m³	231.5	240.4	244.7
Share of reused water, %	87	88	87

¹ The Group specific disclosure was calculated as a ratio of total water withdrawal, including mining and drainage waters to the total output of products and semi-finished products

² The Group specific disclosure was calculated as a ratio of total water withdrawal from surface sources, excluding mining and drainage waters, to the total output of products and semi-finished products

Water consumption, ths m³



Water discharge in 2021, mln m³

GRI 303-4

Indicator	2020	2021 actual
Waste water into surface water bodies		
Kirovsk branch	173.7	173.9
Balakovo branch	0	0
Volkhov branch	0	0
Apatit (Vologda region)	14.8	13.1
Total	188.5	187.0
Discharged without treatment (% of total water discharge)		
Kirovsk branch	0	0
Balakovo branch	0	0
Volkhov branch	0	0
Apatit (Vologda region)	0	0
Total	0	0

Waste water discharge at Apatit

Waste water discharge	Receiving water body
Kirovsk branch	
Discharge 1. Discharge from ANBP-3	Zhemchuzhnaya River
Discharge 2. Discharge from ANBP-2	Belaya River
Discharge 3. Rainwater at ANBP-2	Belaya River
Discharge 4. Mining waters of the combined Kirovsky, Central and Rasvumchorrsky mines	Lake Bolshoi Vudyavr
Discharge 6. Waters of the wells installed at the Vostochny mine to reduce groundwater level	Vuonnemyok River
Discharge 5. Mining waters of the Koashva and Njorkpahk open pits	Lake Kitchepahk
Discharge 8. Mining waters of the Koashva and Njorkpahk open pits	Lake Kitchepahk
Discharge 9. Waters of water-lowering wells of the Vostochny mine	Vuonnemyok River
Apatit (Vologda region)	
Effluents from the phosphate facility	Rybinsk Reservoir
Effluents from the nitrogen facility	Rybinsk Reservoir



Key initiatives implemented under the Water Strategy in 2020–2021 to achieve the target

At the Cherepovets facility, the Company completed the first stage of the water use optimisation programme as part of its production upgrade.

» Unit for pumping treated effluent back to the phosphate facility reconstructed, helping reduce hourly discharge into the water body by 250 m³ in 2021 (with no discharge in the dry June–July period).

» Technical audit of the water use at the phosphate facility carried out.

» Technical audit of the water use at the nitrogen facility carried out.

» Measures taken to inspect the chemical water treatment facilities of blocks 303 and 308 and convert them to alternative sources of water supply, including treated waste water.

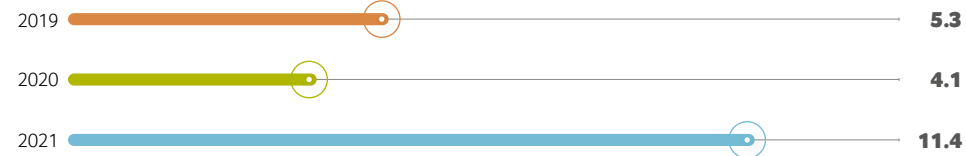
The Volkhov branch reduced its waste water discharge by 135 m³/hour by implementing the Electricity Generation Based on the System of Chemical Water Treatment (Heat and Power Plant) project. The project involved launching a system to reuse waste water produced by the thermal power plant and perform chemical water treatment of concentrates.

Biodiversity

2021 highlights

> 1,000,000
juvenile fish were released into water bodies across PhosAgro Group's footprint in 2019–2021.

Investment in biodiversity protection programmes, RUB mln



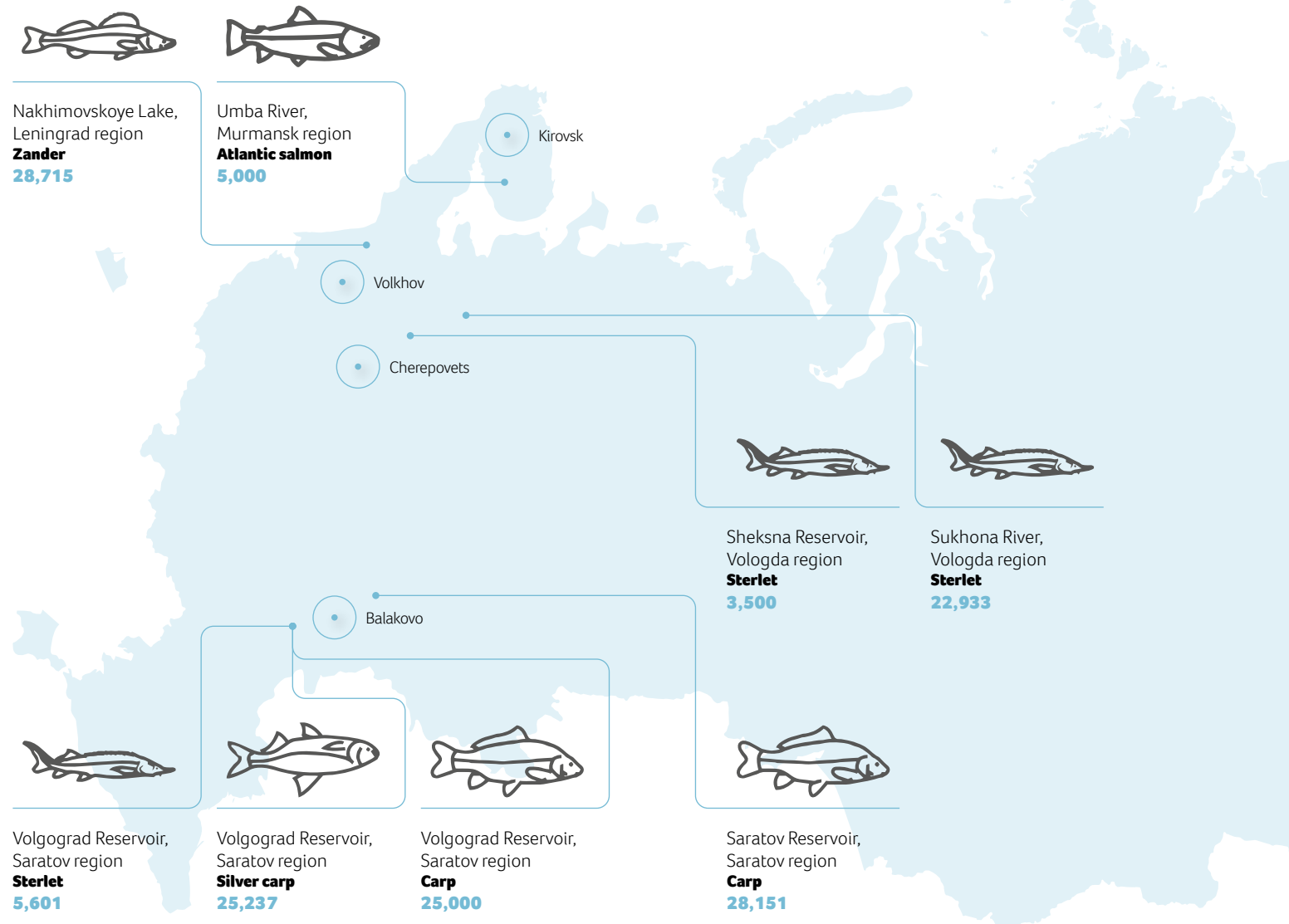
Strategy

GRI 304-3

Comprehensive biodiversity protection programmes

In 2021, the Group completed the development of comprehensive biodiversity protection programmes for the Cherepovets and Volkhov facilities.

1,031,440 juvenile fish and fry were released into water bodies across the Company's footprint in 2019–2021.



2021 metrics and highlights

GRI 304-2

In 2021, PhosAgro Group's Environmental Policy was amended to focus on the Company's obligations to preserve biodiversity, natural landscapes and habitats across its footprint and prevent its projects from causing any harm to the same.

Before building any new production facilities or renovating existing ones, PhosAgro Group conducts an environmental impact assessment (EIA) based on the results of engineering and environmental surveys. Assessment of the local flora, fauna and landscapes, as well as research, analysis and consideration of public attitudes towards biodiversity protection are integral to our EIA procedures.

For a number of years, PhosAgro Group has been working to preserve biodiversity and replenish biological

resources. In 2020, PhosAgro started developing comprehensive biodiversity protection programmes in partnership with research institutions. The effort is aimed at assessing and restoring environmental conditions across the Company's footprint and establishing its priorities in protecting biodiversity based on indicator species monitoring.

In 2021, the Company completed the development of comprehensive biodiversity protection programmes for the Cherepovets and Volkhov facilities.

Together with Cherepovets State University, we conducted biological diversity monitoring in the sanitary protection zone of the Cherepovets branch, covering 18 km along eight routes and studying over 400 species of vascular plants, mosses, lichens and fungi, as well as more than 250 animal

species. The research confirmed that all species were in a satisfactory condition and did not require special restoration or conservation measures. We also selected indicator species and developed a plan for annual biodiversity monitoring.

At the Volkhov branch, biodiversity monitoring in its sanitary protection zone was conducted jointly with FRECOM, an independent Russian company providing environmental protection services. Following large-scale wildlife, soil and geobotanical studies, an environmental flora, fauna and soil monitoring programme was developed for the Volkhov branch's industrial facilities.

Juvenile fish and larvae released into water bodies across PhosAgro Group's footprint, units

GRI 304-3

Water body	2019	2020	2021
Gorky Reservoir	6,500	6,500	-
Volgograd Reservoir, Saratov region	55,000	45,911	55,838
Sukhona River, Vologda region	84,353	-	22,933
Umba River, Murmansk region	2,130	4,000	5,000
Rybinsk Reservoir, Vologda region	-	654,400	-
Saratov Reservoir, Saratov region	-	26,393	28,151
Lake Ladoga, Leningrad region	-	2,116	-
Nakhimovskoye Lake, Leningrad region	-	-	28,715
Sheksna Reservoir, Vologda region	-	-	3,500
Total	147,983	739,320	144,137



Apatit JSC Biodiversity Preservation Program

Contributing to local communities

UN Global Sustainable Development Goals (SDG)



PhosAgro Group makes an extensive and diverse contribution to the social and economic development of local communities in the regions of our presence: we pay taxes to local budgets, create stable and well-paid jobs for local people, and place regular orders with local businesses. As a responsible long-term partner, we also allocate significant funds to support local communities, contribute to charitable causes and develop infrastructure. Stable and successful home regions are a key driver of PhosAgro Group's sustainable development.

2021 highlights

+17%

increase in social investments (RUB 3.8 bln vs RUB 3.2 bln in 2020)

+21%

increase in local procurement programmes (RUB 28.3 bln vs RUB 23.5 bln in 2020)

+702

new full-time jobs

Strategy

Our strategy is focused on long-term social and economic development programmes in the regions, cities, towns and rural communities in which our key production units operate. We implement regional development projects with a special focus on:

- › Respecting the interests of, and open communication with, all stakeholders
- › Investments in social and infrastructure development initiatives
- › Charitable support of local population and communities
- › Improving educational potential of the regions and promoting sports and a healthy lifestyle

We place a high priority on historical continuity: as a successful enduring partner of local communities in which we operate, we are committed to promoting their sustainable development. While hinging upon long-established social responsibility practices implemented by our production facilities, this partnership is perfectly tailored to meet today's challenges and relevant stakeholder expectations.

We have identified the following social investment priorities:

- › education;
- › sports and a healthy lifestyle;
- › social;
- › medicine and healthcare.

In the end, every programme or initiative involving social investments should be aligned with the goals and objectives set in PhosAgro's Development Strategy until 2025 and contribute to its successful implementation.

Management approach

Our social investment programmes are based on public benefit priorities and opportunities to partner with regional and local government authorities, local communities, non-governmental organisations, including non-profit organisations established by the Company to this end, educational institutions and other stakeholders.

We implement our social investment strategy through promoting efficient and successful cooperation with a broad range of partners in line with the highest international sustainable development standards.

The key principle underlying our interaction with local communities is a meaningful dialogue through a variety of communication channels, from public hearings and the involvement of Company representatives in the work of local legislative bodies and government authorities to setting up community liaison offices and other venues for meetings with people.

Our key interaction mechanisms include the following:

- › social and economic partnership agreements with governments of the Russian regions in which the Company operates, namely, the Murmansk, Leningrad, Vologda, and Saratov regions, as well as with the municipal authorities of five cities in the above regions;
- › agreements on the support and development of educational institutions;
- › support and establishment of non-commercial organisations to establish platforms for promoting civil initiatives of the local population, education, healthy

lifestyles, and the cultural potential, as well as supporting veterans, the disabled and other underprivileged social groups;

- › establishment of subsidiaries to promote non-core activities that have economic influence on the sustainable development of local communities;
- › grant projects;
- › support of volunteering by the Group's employees;
- › targeted assistance to people who apply directly to PhosAgro Group.

Key policies and regulations

GRI 203-2

All of the Group's social investment projects and initiatives are implemented in accordance with the requirements of the Federal Law on Charitable Activities and Charitable Organisations, the Federal Law on Advertising, and other applicable laws and regulations. To ensure transparent and effective corporate governance, the Group has developed a framework of internal regulations governing charity and sponsorship, including:

- › Code of Ethics;
- › Charity policy;
- › Rules for the Provision of Charitable Assistance by Apatit;
- › Regulations on Business Unit Interaction and Document Execution for the Provision of Charitable Assistance by Apatit and the companies managed by Apatit;
- › Regulations on Managing Community Social Projects.

	Organisational unit	Key responsibilities	
 Corporate level	Management Board Chief Executive Officer Deputy CEO Office for External Communications	» Annual budget consideration and approval » Decisions on participation in social and charitable initiatives » General coordination of activities related to charity, sponsorship and community investment	» Collection and analysis of feedback and other relevant information on ongoing projects » Organisation of public hearings and sociological surveys » Information support
	Government Relations Department Information Policy Department Human Resources and Social Policy Department Social Development Departments Commission for Social Issues and Charity	» Regular communication with business partners » Project and programme management	» Preparation of proposals on the basis of feedback » Initial consideration of new applications
 Subsidiary level			

Risks and opportunities

The following strategic risks affect our social investment objectives (for more information, see the Strategic Risks section on page 68):

-  Social risk
-  HR risk
-  Reputational risk

Social investment specific risks are listed below:

-  Insufficient regulation of social investment management processes
-  Performance evaluation of social investment programmes
-  Evolution of public priorities of social and economic development

The Company develops corrective measures as necessary and unlocks opportunities to mitigate those risks. Below you can find more information about what we do on this front.



Results GRI 413-1

We focus heavily on evaluating the results of our social investment programmes. Assessment criteria include both objective data and stakeholder views, thus ensuring comprehensive performance assessment and monitoring the evolution of public priorities related to social and economic development.

In 2021, we partnered with the Donors Forum to run an exhaustive stakeholder survey and evaluate charity programmes and projects implemented in the regions of our footprint and supported by PhosAgro Group. The survey helped us to determine our strengths in social and charitable activities and identify the areas for further development and improvement.








In 2021, charity festivals celebrated the 20th anniversary of PhosAgro. Our festival of social projects in Volkhov was named On the Wave of Good and the festival in Kirovsk – 20 Years of Success and Victories. Amid the challenging epidemiological situation, Doing Good Together, a festival in Cherepovets, was partially held online and broadcast in social media. In Balakovo, we used several interactive platforms to hold an online event, Good Deeds Chain. The festival closed on 13 November with a live celebration that was broadcast on both social media and TV. Following the events, we closely analyse feedback from festival participants and visitors, including social media publications, written questionnaires and statements. The results of our analysis will be used to improve the existing initiatives and implement new ones.

The successful matching of our projects and initiatives with UN SDGs was praised as a good practice. Importantly, PhosAgro Group engaged a broad range of partners in the implementation of its projects to ensure a greater social effect. At the same time, the survey showed that we had to give more focus to and consolidate information on volunteering. It has significantly developed in recent years, but the potential of this component is far from being exhausted. We also found that many of our projects would benefit from greater visibility to be achieved with more active information support.

We also collect a considerable amount of data used for analysing the effectiveness of our social investment programmes from the ongoing stakeholder feedback, including corporate newspapers, TV broadcasts, and social networking. In addition, PhosAgro Group delegates its employees to represent its interests in regional and local legislative bodies. Our work in these bodies provides us with information on the most urgent issues faced by local authorities. We include them in the agenda of joint working groups which discuss the methods and mechanisms for addressing the issues.

Social spending by area, %



-  Infrastructure facilities, including renovation of educational institutions
-  Educational projects (net of renovation of educational institutions)
-  Sports
-  Churches
-  Nation-wide projects
-  Organisations of veterans and disabled people
-  Membership fees

In the reporting year, we once again organised a large-scale presentation of our social projects in all cities of our presence (previously, similar presentations were held in 2016 and 2018). Such presentations have the format of charitable festivals attended by all charity recipients, with relevant project reports. We invite all city population as well as representatives of government and local authorities, public organisations and associations to attend such events.

Charitable giving and community and infrastructure investment, RUB mln

GRI 203-1

	2019	2020	2021
Contributions to charities, NGOs and research institutions (not related to the organisation's commercial research and development)	597,739	624,391	755,526
Funds allocated to support community infrastructure such as recreational facilities	1,414,990	1,885,719	2,052,495
Direct spending on social programmes, including arts and educational activities	840,276	720,438	939,227
Total	2,853,005	3,230,548	3,747,248

Key social investment programmes



Our Favourite Cities
Our main social programme aimed at improving the quality of urban environment and promoting sustainable development of PhosAgro Group.

Murmansk region

As part of Our Favourite Cities programme, we participate in a public-private partnership to develop a tourist cluster in the Murmansk region, including the construction of Bolshoi Vudyavr Ski Resort, Tirvas Health Resort and Tirvas Ski Arena, the upgrade of Severnaya Hotel, the construction of unique Plateau Panoramic Restaurant, winner of the international Ski Business Awards 2021, and the ongoing renovation of the Khibiny Airport. All of these sports facilities were certified by the International Ski Federation (FIS).

Over the last five years, the number of people visiting the ski resort has grown 3.5 times to record 245,000 visitors in the 2020–2021 season.

In future, Bolshoi Vudyavr is expected to function as an all-year resort. PhosAgro Group has invested RUB 5 bln in the development of the ski resort and the sports and tourist cluster in the Khibiny Mountains.

In 2021, we also provided assistance to local authorities in the development of an eco-park around Lastochka Equestrian Club, the construction of a new bridge over the Belaya River and the Art Skating Rink in Apatity, as well as the restoration of war graves.

Saratov region

In 2021, we doubled our investments in Our Favourite Cities programme. In the reporting year, we assisted local authorities in the construction and renovation of nine public gardens and parks, a monument to Fighters for Soviet Power, and the municipal beach and embankment, as well as with the installation of streetlights in a pedestrian zone leading towards the housing development area in Microdistrict 21. Land plots in this area have been allocated to large families.

We financed the renovation of the City Exhibition Hall, district police station No. 2, two playgrounds (Erudites and

Athletes) in Teremok Kindergarten No. 70, including the construction of a playing area and a sports zone with a race track, as well as the technological upgrade of power supply mains in the building of the Saratov Regional Centre for Psychological, Pedagogical, Medical and Social Support of Children and purchase of a car for the Centre. We also purchased an intercity bus for Art-Allez, a circus arts centre in the town of Marks.

The Company financed the construction of sports grounds and playgrounds in Novaya Yelyuzan and Naumovka villages and the renovation of sports facilities for the Mayanga village school.

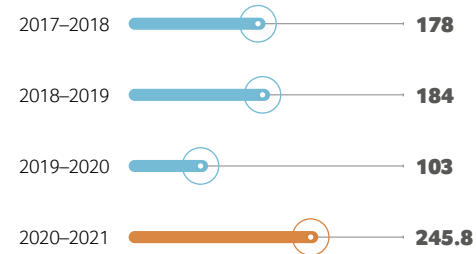
Vologda region

In 2021, we allocated over RUB 300 mln for social investment programmes in the region, up 1.5 times year-on-year.

The most important (in terms of social effect) project implemented by PhosAgro Group jointly with government authorities and other companies in Cherepovets is the construction of the Northern Ring Road (estimated total project cost is RUB 500 mln). In 2021, the Group invested RUB 168 mln in the project. We also funded the construction of a playground and a public garden for family recreation and installed security cameras in the Northern Microdistrict inhabited mainly by the Company's employees. The Company completed the renovation of a pottery for the Future Exists Charity. The pottery offers classes to more than 40 children and teenagers with autistic disorders and other health problems. We launched the construction of a dormitory for students of a technical college in the same district.

The Company assisted with the renovation of five municipal schools, including two PhosAgro Schools, and five kindergartens (including the region's kindergartens).

Number of visitors to Bolshoi Vudyavr Ski Resort, 2018–2021 winter seasons, ths.



We also completed a renovation project for a sports school in Kaduisky municipal district.

Funding was allocated for renovation of a municipal school in Nelazskoye and a municipal kindergarten in Shulma in the Cherepovetsky district.

Leningrad region

In January 2021, we inaugurated Dvugorye, a modern ski sports centre, and built two multi-use sports areas for football, volleyball and basketball in the 40th Anniversary of VLKSM and Yuri Gagarin parks. PhosAgro Group supported the initiative of Governor Alexander Drozdenko and undertook to restore Vladimir Pochivalov public garden, which used to be a favourite recreational area for local people. The renovation project is to be completed in 2022. We also assisted the municipal authorities in the installation of busts to commemorate the honorary citizens of the town – General Ivan Fedyuninsky, who commanded troops during World War II, and the People's Artist and Hero of Labour Vasily Lanovoy.

We financed a dewatering project and the cleaning of drain canals to prevent the flooding of private garden plots. Previously, some 120–130 out of 450 garden plots in the area had been flooded every spring.

PhosAgro Group employees joined the Garden of Memory international campaign and planted 50 thuja and spruces along the plant fence facing Kirovsky Prospekt on 7 May 2021 to commemorate those killed in World War II. In the same district, we also financed:

- » financed the upgrade of a car park, repairs of sidewalks along the parking lots, and the installation of "smart" bus stops with a special information system to keep passengers informed about bus arrival time;
- » renovation of two schools, including PhosAgro School No. 1;
- » preparations for the construction of a 305-apartment project for PhosAgro Group employees.



Education
Healthy, educated and professionally trained population is a critical driver of any region's social and investment attractiveness.



Since its establishment, PhosAgro Group has been deeply involved in the development of human potential in the regions of its operation, in particular, by helping to address the outflow of young people from small towns.

The Educated and Healthy Children of Russia (DROZD) programme is PhosAgro's key social initiative. In 2001, this was solely an extra-curricular and educational project, but later it was expanded to a programme that covered PhosAgro Classes and PhosAgro Schools alike.

DROZD (Educated and Healthy Children of Russia)

Project operators are independent non-profit organisations established to provide extra-curricular education and upbringing for children.

The Educated and Healthy Children of Russia (DROZD) project initiated by Andrey Guryev, the founder of PhosAgro and a member of its Board of Directors, was launched in 2001. Our project is aimed at promoting a healthy lifestyle among the young. To achieve

its goal, it is necessary to provide accessible sports infrastructure and engage as many children as possible in regular exercise. This task can be addressed through an effective combination of high-quality education and physical training to facilitate moral and ethical development and promote health of the younger generation. The key areas include organisation of athletic events, spiritual and patriotic training, environmental projects, artistic festivals, and mass cultural events.

An important feature of the project is continuous health monitoring based on the Health Navigator methodology. It helps teachers and parents to adapt educational activities as closely as possible to specific requirements of a child's body.

In 2021, the project covered more than 6,500 children (including 150 physically disabled and handicapped ones) who practised 20 athletic disciplines in 60 sports classes.

In addition, DROZD has established 11 non-sports clubs: Media School, patriotic and preliminary military training, ecology, robotics, fitness, popular science, etc. Overall, more than 50,000 participants took part in DROZD events in 2021.

As part of the project, we opened a new youth cultural centre in Kirovsk and held a sports and education festival

to celebrate the 20th anniversary of PhosAgro, as well as the 20th anniversary of DROZD Khibiny Autonomous Non-profit Organisation. PhosAgro Group invested over RUB 93 mln in the renovation and equipment of the centre.

In April 2021, a working group of the Sports Industry Commission of the Russian Union of Industrialists and Entrepreneurs (RSPP) presented its reports on the social and sports activity in the regions of our operation. Its members praised the unique experience of the Group and proposed recommending its proven solutions to other RSPP member companies.

College Classes

The project is implemented at Educational Centre No. 29, Cherepovets College of Chemistry and Technology, Ivanovo State University of Chemistry and Technology and the Kirovsk branch of Murmansk Arctic State University. Its objective is to improve the quality of preliminary professional education by providing students with opportunities for continuous learning ([For more information, see the People Development section on page 136](#)).

PhosAgro Schools

The project covers six schools, close to 6,000 pupils from grades 1 to 11, and nearly 400 teachers and schoolmasters across the Group's footprint. In addition to financial support and assistance in building renovations

provided to the schools, the project offers advanced programmes in natural sciences, economics, and management. In 2010–2021, PhosAgro Group invested more than RUB 248 mln in the programme (net of school renovation projects). [For more information, see the People Development section on page 136](#).

Career guidance and exhibition centres project

Career guidance and exhibition centres are located in all of the four key cities across our footprint and represent a combination of a modern multimedia corporate museum and an innovative and interactive popular science centre offering advanced programmes in chemistry, biology, and related professional training.

The centres are equipped with virtual and physical science laboratories designed to prepare a variety of chemical compounds, multimedia microscopes with 50,000x power, and an interactive garden where students can watch educational videos on cell life and structure and do lab experiments. There are panoramic cinemas offering career guidance and educational films, sensor tables with geographic data on minerals and countries around the world, and sensor booths to test professional aptitude.

The centres are very popular with schoolchildren for being the place to learn about different professions and a major attraction for teenagers

combining cultural entertainment and intellectual pastime.

According to a survey, 95% of teachers have noted that pupils, who took part in the centre's projects, displayed a growing interest in blue-collar and white-collar jobs and relevant school disciplines, such as chemistry, biology, geology, and geography.

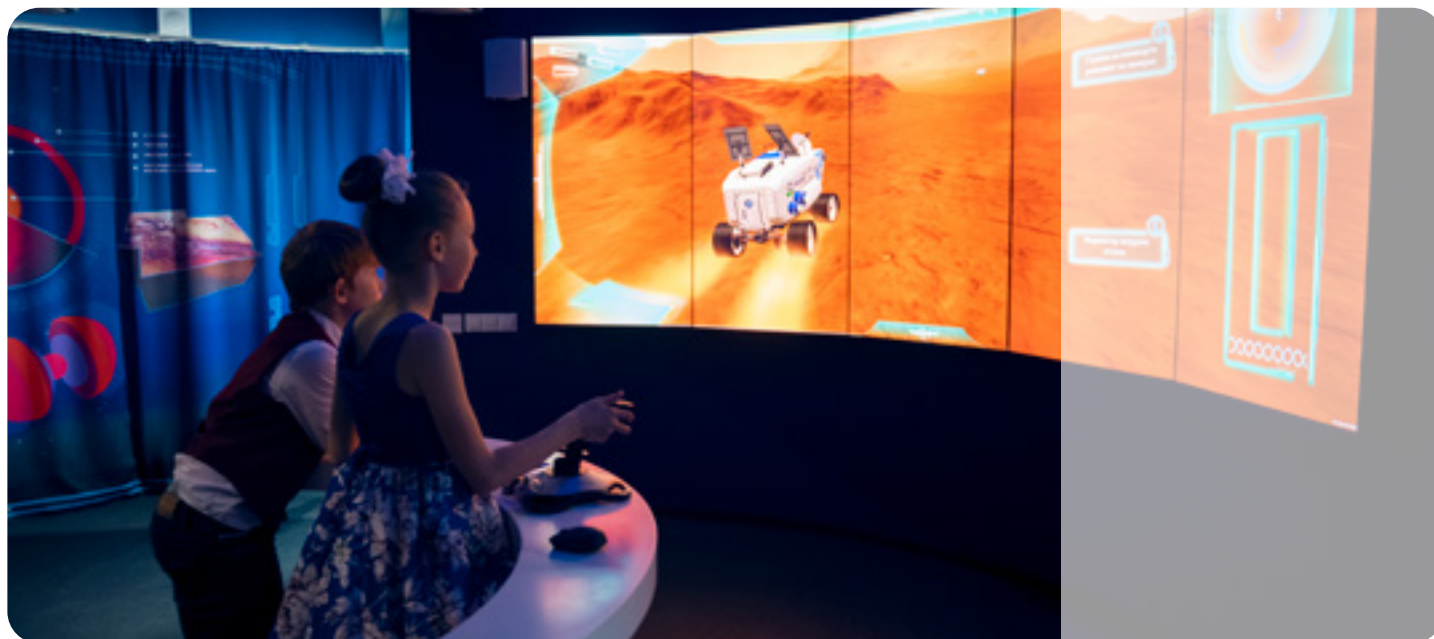
Survey findings also indicate that 98% of children have expressed a wish to revisit the centres after their participation in a career guidance project.

RUB >248 mln

PhosAgro Group invested in the programme PhosAgro Schools

Universities

Our key partners among Russian universities include St Petersburg Mining University, Murmansk Arctic State University, Ivanovo State University of Chemistry and Technology, Kuban State Agrarian University, and Timiryazev Academy. Every year, the Company offers on-the-job training and pre-graduation internship to over 600 students from these and other universities ([for more information, see the People Development section on page 136](#)).



Spiritual Revival

The main objective of the programme is to preserve and promote orthodox values, spiritual ideas, and respect for our legacy and motherland.

The programme has been underway since 2001 and is implemented in cooperation with the Russian Orthodox Church, regional and local government authorities, non-governmental organisations and civil society.

We assist in rebuilding and aiding 26 churches, including the Holy Trinity Church in Balakovo, a unique heritage-listed building designed by Fyodor Schechtel, a prominent architect of the early 20th century. In June 2021, a service was held in the church to consecrate the restored mosaic

of the Saviour. Unique pieces of high-quality smalt for the icon had been imported from Italy.

The Company also contributes to reviving a pre-revolutionary tradition of building on-site churches. The congregation of on-site churches at PhosAgro enterprises has exceeded 20,000 people and continues to grow.

In October 2021, the Andreyevsky Spiritual and Educational Centre opened at the Volkhov branch of Apatit.

In 2021, a cross and a foundation stone for a chapel of the Archangel Michael were consecrated at the Cherepovets site of Apatit. The new church is expected to be consecrated in the autumn of 2022, on Michaelmas.

The Company organises biannual pilgrimage tours to the relics of St Nicolas the Wonderworker for Russian believers. PhosAgro Group supports the project to develop the Russian Orthodox Centre in Singapore. The Group also provides assistance to the exarchate of the Russian Orthodox Church in Southeast Asia.



Connecting Generations

The programme combines the assistance to 24 non-governmental organisations of labour and war veterans as well as charitable organisations with the promotion of volunteer initiatives across the Company's footprint.

In particular, PhosAgro Group supports 10 non-governmental organisations in Cherepovets, including In the Name of Good charity, the Cultural and Recreational Centre in the Northern Microdistrict, and veteran organisations.

In Kirovsk and Apatity, we provide support to six non-governmental organisations, including a volunteer centre for the Group's pensioners.

We also support four local non-governmental organisations in Balakovo and Volkhov, respectively.

Volunteer initiatives

We see the engagement of PhosAgro Group employees in public benefit and charitable programmes as an important means of improving social environment in the regions of our operation and are committed to focus on the promotion of volunteering.

In the Murmansk region, the Group supported the creation of three volunteer centres (in Kukisvumchorr, Koashva, and Kirovsk) to work with pensioners, veterans and residents of remote communities. Any local resident can come to the centres to benefit from the services of a mini-laundry and a sewing workshop, use modern fitness equipment for exercise, play billiards, do some needlework or just enjoy a cup of tea with their good friends. Volunteers working at the centres send birthday greetings to pensioners, take care of long-livers and long-term residents, identify people in need of social assistance and submit their findings to social service centres. Volunteers also look after lonely pensioners with limited mobility (deliver food and medicines, help with correspondence, provide assistance in dealing with utility companies and social services, etc.).

During the pandemic, volunteers called up elderly residents on a regular basis, distributed masks and vitamins,

delivered food parcels, and provided comprehensive assistance.

In the Vologda region, GTO Volunteers project run by DROZD-Cherepovets won the Best Volunteer Initiative in the Non-Government Organisation (Association) nomination at the Civil Forum. The project focuses on supporting sports classes for handicapped and physically disabled children. DROZD-Cherepovets provided them with specialised sports equipment and gear. The project also included training courses for adapted physical education teachers from Cherepovets schools and kindergartens, the Sports Club for the Disabled, and DROZD-Cherepovets. Cherepovets hosted the first festival of physical training for handicapped and physically disabled children, which brought together over 150 school children and pre-schoolers, their trainers and volunteers.

Across cities of our footprint, volunteers from among our employees and their families take part in annual campaigns to plant trees and release fingerlings into rivers, help people with limited mobility and assist veterans in flat renovations.

PhosAgro Group has joined #WeAreTogether nationwide campaign. The Company's facilities collect funds, and any employee can fill in a simple form and make a charitable donation. The collected funds are sent to healthcare and social

institutions, volunteer centres, elderly citizens, people with limited mobility, and health workers. In 2021, the money collected as part of the campaign were sent to 53 recipients across PhosAgro Group's footprint.

Promotion of sports
PhosAgro Group has been traditionally supporting Russian sports on the international, national, and regional levels.

We believe that supporting the first steps of young athletes in the cities of our presence is just as important as contributing to the success of record holders.

PhosAgro Group has been a key partner of the Russian Chess Federation for 11 years. In June 2021, the Company once again renewed its partnership agreement with the Federation and became the general partner of the World Chess Championship held in Dubai in November. In addition, PhosAgro acts as a strategic partner of the Russian chess grandmaster Ian Nepomniachtchi, the challenger for the World Chess Championship.



Andrey Guryev, Chief Executive Officer of PhosAgro until 10 March 2022:
"Chess has become our traditional corporate game, an element of our corporate culture. Chess and PhosAgro have a lot in common: we always calculate a move, or rather two or three moves in advance to outdo our opponents. PhosAgro is committed to supporting Russian chess and Russian chess players. Our main goal is to return world chess crown to Russia."

Our support helped Severyanka Women's Volleyball Club from Cherepovets to achieve the highest results in its history both in Russia and internationally. In the last seven seasons, the Club has won four gold medals, two silver ones and a bronze in Major

League A, twice made it to the finals of the Russian Cup, won four gold medals in Major League B and three gold medals in First League. It can boast a constellation of athletes playing for Russian youth teams – winners and awardees of European and world championships. Severyanka also developed a training methodology and launched a Ball School project for children from DROZD autonomous organisations. As a result, DROZD students, from pre-schoolers to school graduates, play team sports. Severyanka holds annual city volleyball tournaments for children in Cherepovets and enjoys full stands of fans – mainly PhosAgro Group employees and their families – at all club fixtures in the city.

PhosAgro Group supports a number of other sports organisations, including

- » Russian Olympians Foundation
- » Russian Rhythmic Gymnastics Federation
- » Russian Cross-Country Skiing Federation
- » Russian Rugby Federation
- » Avtodor Basketball Club (Saratov) (financed under an agreement with the State Autonomous Institution of the Saratov Region Olympic Reserve Basketball School or the Olympic Reserve School)
- » Proton-Saratov Volleyball Club
- » Turbina Speedway Club (Balakovo)
- » Kovrovets Motoball Club



Supporting local communities during the COVID-19 outbreak
In 2021, the COVID-19 pandemic continued to affect social and economic environment across our footprint, and the Group did not stand aside from the common challenge.

The Cherepovets branch of Apatit continued to provide hot meals to Cherepovets health care professionals at high risk of COVID-19. 150 health workers from ambulance teams and infectious disease departments of Vologda Regional Clinical Hospital No. 2 (Cherepovets) and the COVID department of Cherepovets City Hospital received quality lunches cooked by city caterers and delivered to their workplaces.

We also purchased medicines, equipment and protective gear for several municipal clinics in the city.

In Volkhov, PhosAgro Group has been actively supporting social and healthcare institutions throughout

the pandemic. In particular, we provided protective means and disinfectants, medical equipment, and lung ventilators to the Volkhov Interdistrict Hospital. In August 2021, we gifted a RUB 5 mln certificate to the hospital for the procurement of medicines to treat COVID patients. The Company also delivered hot meals to medical teams on call during the New Year holidays.

In 2021, the Balakovo branch of Apatit continued to provide financial support to health care workers of, and purchased equipment and medicines for, hospitals and clinics in the Saratov region. Similarly, PhosAgro Group financed the same assistance, including the purchase of medicines,

protective gear, and medical equipment and bonuses to healthcare workers, in the Murmansk region.

Our initiatives during the pandemic have been highly appraised by the government. In October 2021, Andrey Guryev, CEO of PhosAgro and Chairman of the RSPP Coordinating Council for COVID-19, was awarded the Order of Pirogov for his considerable contribution to organising the efforts to provide medical care and prevent the spread of COVID-19.

CORPORATE GOVERNANCE



Committed to the highest standards

PhosAgro has been meeting high corporate governance standards since its inception. The Company's internal standards are aligned with Russian laws, recommendations of the Bank of Russia, Russia's Corporate Governance Code and the UK Corporate Governance Code

61.1

Corporate governance quality assessment of Phosagro Group assesment score by Sustainalytics

7.1

Corporate governance quality assessment of Phosagro Group assesment score by MSCI ESG Research



PHOSAGRO®

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Chairman's Statement



2021 saw important

regulatory changes in corporate governance both in Russia and abroad. Amendments made recently to national legal codes around the world reflect a dominant global trend towards greater focus on sustainable development and the increasing role of the board of directors in addressing sustainability challenges.



2021 saw important regulatory changes in corporate governance both in Russia and abroad. Amendments made recently to national legal codes around the world reflect a dominant global trend towards greater focus on sustainable development and the increasing role of the board of directors in addressing sustainability challenges. The COVID-19 crisis also significantly impacted the transformation of expectations in terms of corporate governance quality. It will take time to fully understand the structural implications of the pandemic for capital markets and its long-term impact on how boards of directors operate. However, today we are already witnessing changes in these markets and the introduction of temporary corporate governance initiatives to address them. The need to adjust existing rules and practices to the post-pandemic reality is becoming increasingly obvious, especially in areas such as ESG risk management,

digitalisation, audit quality, and creditors' rights. As boards of directors are held accountable to shareholders and other stakeholders in these fields, their scope of responsibilities will inevitably be reviewed going forward.

According to a PwC survey¹, more than 90% of current Russian directors are convinced that the role of the board of directors will change in the future. The importance of the board's supervisory and analytical functions will fade, replaced by a focus on visionary leadership, and boards will spend more time interacting with stakeholders and nurturing corporate culture and values.

In 2020 and 2021, we saw sustainable development gain momentum, with boards getting increasingly involved in the management of sustainability issues.

We expect these changes to continue in 2022, as the investment community wakes up to the new reality and stakeholder expectations shift, requiring companies to move away from simply crafting declarations to implementing practical action. Transformation of non-financial reporting is also underway, with emphasis placed on a harmonisation of standards and closer alignment with financial statements.

Non-financial reporting was the main focus of one of the critical corporate government documents issued by the Central Bank of Russia in 2021 – the Bank of Russia's Information Letter on Recommendations on Disclosure by Joint-Stock Companies of Non-Financial Information Pertaining to Their Activities No. IN-06-28/49 dated 12 July 2021.

By unifying international standards and supranational regulations in the realm of non-financial disclosure, the Russian regulator developed guidelines to ensure the relevance, practicality, consistency and comparability of non-financial indicators. We sought to integrate the Bank of Russia's key recommendations into this report as much as possible, including by reflecting the double and dynamic materiality approaches and disclosing non-financial data in the context of our strategy, management approach, risks, and metrics.

In December 2021, through its information letter No. IN-06-28/96 (dated 16 December 2021), the Bank of Russia issued recommendations to the boards of directors of public joint-stock companies on how to consider ESG factors and sustainable development in their activities. Given the growing influence ESG exerts on the operations of different organisations and the increasing impact such organisations have on the environment, society and economy, the Bank of Russia came up with these proposals in order to redefine the key responsibilities of the board of directors in areas of strategic guidance, risk management, and non-financial disclosure. PhosAgro's Board of Directors included these recommendations from the regulator in its self-assessment report for 2021.

Our directors adhere to the Company's policy of promoting ongoing research and implementing best market practices throughout all of PhosAgro's operations. PhosAgro carried out an analysis of its corporate governance framework following the publication

61.1

Sustainalytics upgraded the Company's corporate governance score from 59.1 to 61.1 (putting the Company in the top 17% globally)



Our directors adhere to the Company's policy of promoting ongoing research and implementing best market practices throughout all of PhosAgro's operations.



of the new recommendations on reporting compliance with the Corporate Governance Code in December 2021 (the Bank of Russia's letter No. IN-06-28/102 On Disclosure of the Corporate Governance Code Compliance Report in the Public Joint Stock Company's Annual Report dated 27 December 2021). The Board of Directors confirmed strong alignment between the Company's practices and the quality criteria outlined in the regulator's recommendations.

After reviewing PhosAgro's yearly corporate governance quality report, the Board of Directors discussed and approved improvements to the Company's corporate governance procedures and additional disclosure initiatives.

The directors are happy to see that the Company's sustainability efforts and significant progress in this area have won well-deserved praise from Russian and international rating agencies, as well as industry consultants. In the second half of 2021, Sustainalytics upgraded the Company's corporate governance score from 59.1 to 61.1 (putting the Company in the top 17% globally), and MSCI ESG Research upgraded it from 6.9 to 7.1 (top 19% globally).

PhosAgro continues to perform brilliantly in comparison to both Russian companies and peers from the global agrochemical industry.

The Board of Directors is highly satisfied with the management's performance and contribution to the Company's success in 2021. During a Board meeting held on 9 February 2022, the directors expressed their gratitude to PhosAgro's management team for strong operational and financial results and for achieving all of the previous year's strategic goals.

Equally important was the recognition coming from third parties. In February 2021, Andrey Guryev, PhosAgro's CEO, won the national Director of the Year award for his Contribution to the Development of ESG Culture, and in March, the World Economic Forum (WEF) recognised Guryev as a 2021 Young Global Leader.

The Board of Directors reaffirms the Company's commitment to the highest standards of corporate governance and will continue to focus closely on health and safety, sustainable development, climate change and the global challenges facing the agricultural industry. PhosAgro's directors will continue to support the management team in implementing the Strategy to 2025.

Xavier Rolet,
Chairman of the Board of Directors
of PJSC PhosAgro until 10 March 2022



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Performance Review

Corporate Governance

Share Capital

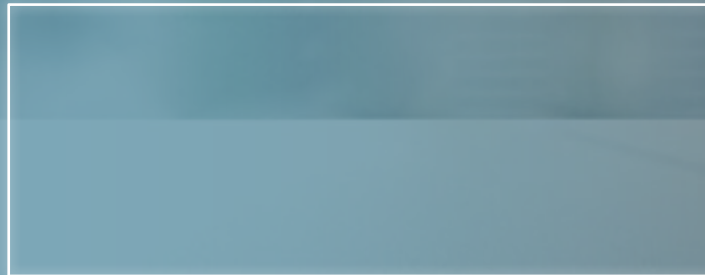
Additional Information

Corporate Governance

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¹PwC survey [The Board of the Future](#)

Corporate Governance Framework



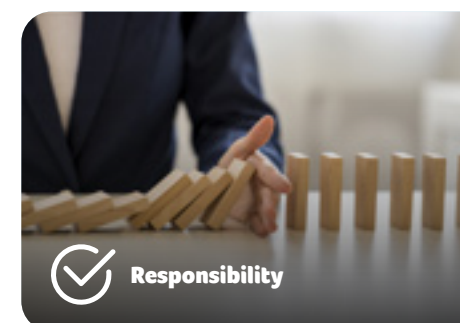
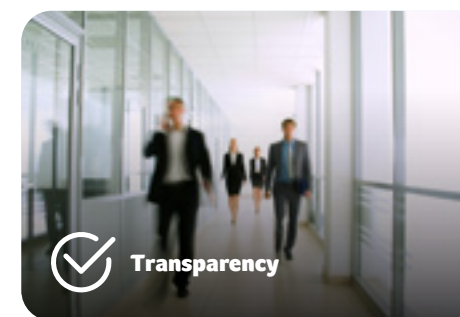
Corporate governance principles

The Company sees its commitment to the highest corporate governance standards as key to building a transparent, responsible and trustworthy governance framework to ensure further growth and sustainable financial strength.

PhosAgro's corporate governance principles, structure, practices and procedures are set forth in its Charter¹ and Corporate Governance Code. The current version of PhosAgro's Corporate Governance Code² was

developed in accordance with the Russian legislation, the Company's Charter and other internal documents, taking into account the requirements of securities market operators, as well as recommendations set out in the Corporate Governance Code approved by the Bank of Russia's Board of Directors (the "Russian CGC", the "Code"). Provisions of the Company's Corporate Governance Code do not contradict Russia's Corporate Governance Code and the UK Corporate Governance Code.

Basic principles of the Company's Corporate Governance Code



Sustainable development governance

GRI 2-9, 2-12, 2-13

Our governance framework for sustainable development (SD) relies on a number of internal and external drivers.



Internal drivers

Company's mission and values supported by our Corporate Strategy



External drivers

Stakeholder expectations and the global community's requirements for the maturity of the Company's SD governance framework

The six main components of the sustainable development governance system are listed in the Sustainable Development section on the official website



¹ For the full text of the document, please visit our website.



² The current version of the Corporate Governance Code of PJSC PhosAgro.

Documents and initiatives updated or developed in 2021



Documentation support

- » Approval of the External Auditor Selection and Cooperation Policy
- » Approval of the Personnel Management Policy as amended
- » Approval of the Environmental Policy as amended
- » Approval of the Regulations on the Remuneration and Human Resources Committee of the Board of Directors as amended
- » Approval of the Regulations on the Environmental, Health and Safety Committee of the Board of Directors as amended
- » Approval of the Internal Audit Policy (internal audit regulations) as amended
- » Approval of the Inside Information Regulations as amended
- » Approval of the Information Security Policy
- » Approval of a transparency statement under the UK Modern Slavery Act as amended
- » Approval of the Code of Ethics as amended



Business processes and organisation

- » Expanding the composition and functionality of the Sustainable Development Committee of the Board of Directors, established in 2019
- » Strengthening the sustainability management function at the corporate headquarters and the enterprises
- » Comprehensive regulations on interaction in preparing non-financial reporting drafted and implemented
- » Climate and water-related risks and opportunities identified, assessed and included in the corporate risk register
- » Certification of compliance with requirements of ISO 9001, ISO 14001, ISO 45001, GMP+ FSA
- » Investor material topic surveys (in particular, obtaining a five-component SPO from Vigeo Eris to map out KPIs as part of the preparation for issuing green finance instruments)



Project management

- » List and coverage of sustainability KPIs expanded
- » Comprehensive system to evaluate suppliers against ESG criteria developed, with its automation and migration to an e-platform in progress
- » List of initiatives pursuing individual UN SDGs-related targets being updated



Competencies and people

- » Mandatory training in various areas (for example, UN SDGs, climate, etc.) included in the sustainability training framework
- » Participation in major international and Russian initiatives (RSPP, UN Global Compact, IFA) maintained
- » FAO Global Soil Partnership, European Sustainable Phosphorus Platform, Association of Economic Cooperation with African States (AECAS).



Performance review and reporting

- » Procedure for preparing integrated annual reports drafted and approved. CEO appointed as chair of the working group in charge of the integrated annual report
- » Analysis of global and local ESG ratings and rankings and expanding the range of global ESG ranking questionnaires (MSCI ESG Research, Sustainalytics, CDP Climate Change, CDP Water Security, Standard & Poor's (S&P) CSA, RAEX)
- » Stakeholder surveys (inside and outside the Company)
- » Procedure for the Sustainable Development Committee to monitor the Company's ESG scores and ratings assigned by leading global ESG data providers (Sustainalytics, MSCI, S&P CSA, CDP, FTSE Russell) developed
- » TCFD, CDP, The Value Reporting Foundation recommendations for reporting implemented

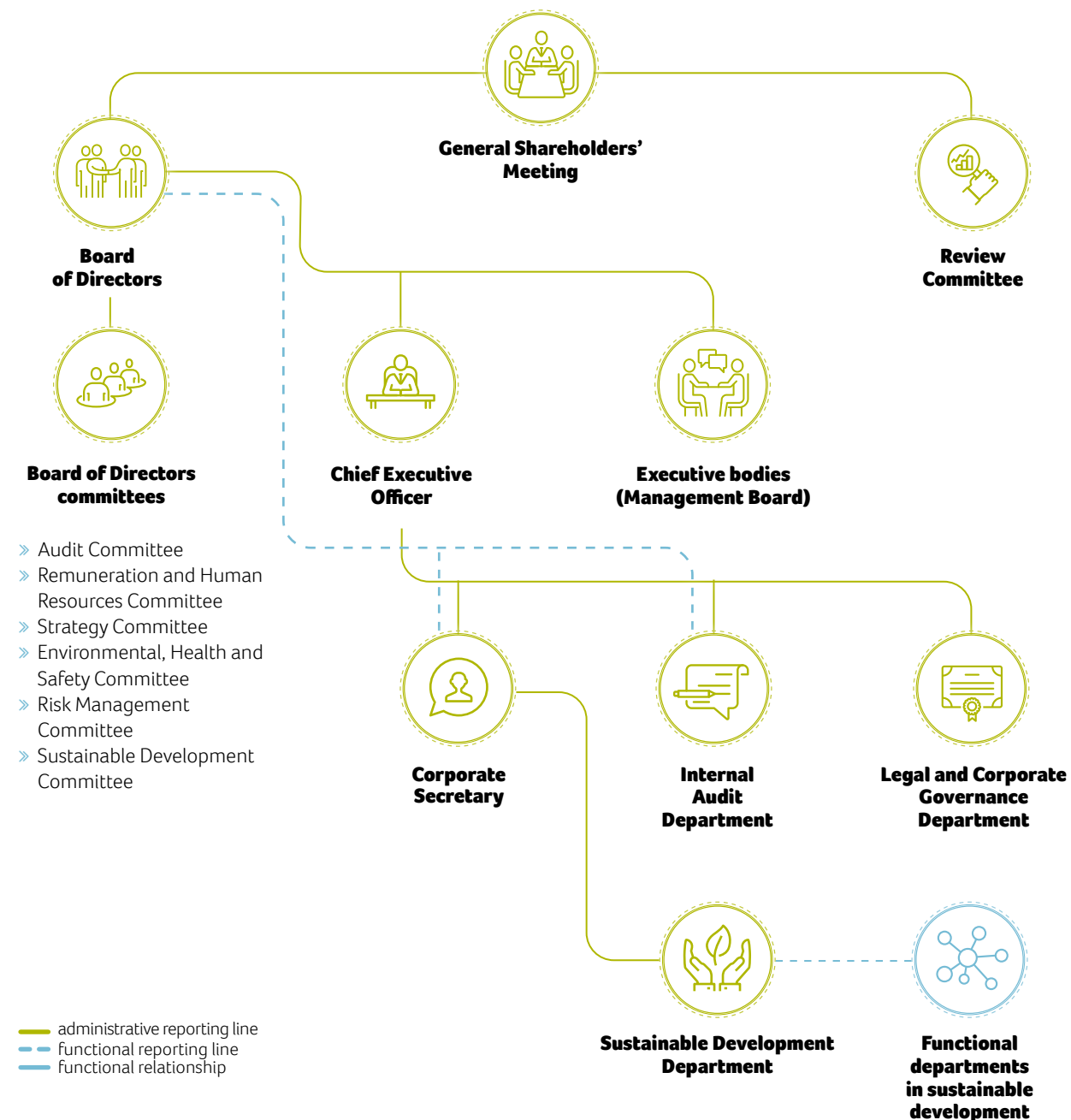


IT technologies

- » Redesign of the Sustainability page on the Company's official website

Corporate Governance Structure

Structure of corporate governance and sustainability management



Functional departments in sustainable development

Ecology and environmental management

Arranges the development of a climate and water strategy; arranges the implementation of activities approved at meetings of the Sustainability Committee and as part of the low-carbon transition plan

Technical Development, Capital Construction and Repairs, Samoilov Scientific Research Institute for Fertilizers and Insectofungicides (NIUIF)

Studies and reviews technical and organisational actions adopted at meetings of the Sustainable Development Committee and the Board of Directors, and as part of the low-carbon transition plan to reduce emissions and energy consumption

Marketing and Development, Innovations, NIUIF

Studies and reviews actions adopted at meetings of the Sustainable Development Committee and the Board of Directors, and as part of the low-carbon transition plan specifically pertaining to the development of technology for releasing and promoting new products

Develops and promotes sustainable farming practices that mitigate negative environmental effects or respond to materialised climate risks

Economic departments

Works out a mechanism for incorporation of the carbon price into the system created to evaluate the efficiency of investment projects

Human Resources and Social Policy

Works out a plan for the development of personnel competencies related to the ESG agenda

Develops and integrates ESG KPIs into the personnel incentive system

Procurement

Develops ESG-rating of suppliers and contractors, including climate criteria, and integrates it into the contractor selection system

Includes ESG criteria in the list of indicators assessed in supplier audits

Project Management

Works on matters pertaining to the establishment of a task group on reduction of GHG emissions and of negative climate change effects on the efficiency of management and production processes

Risk Management and Internal Control

Arranges for identification, assessment, management and monitoring of strategic risks, including ESG-related, subject to the approval and implementation of the Strategy to 2025



Corporate governance quality assessment

When assessing the quality of the Company's corporate governance, the recommendations of the Russian Corporate Governance Code (the "Russian CGC") and the UK Corporate Governance Code (UK CGC, FRC, 2018) are adopted as best practices. PhosAgro's Corporate Governance Code is based on the Russian CGC, and the degree of consistency between these two documents is reflected on PhosAgro's corporate website. The actual compliance with the CGC is measured on an annual basis and disclosed in a dedicated report (report on compliance with the principles and recommendations of the Corporate Governance Code, hereinafter the CGC Report), which is subject to review and approval by the Board of Directors and is included in the Company's annual report as an appendix.

In December 2021, the updated recommendations of the Bank of Russia on drafting the report on compliance with the principles of the Russian CGC and the relevant report form were published. The self-assessment of compliance with the principles and recommendations of the Code in 2021 was carried out with due regard to the above updates.

In April 2021, the Board of Directors reviewed the management report on the quality of the Company's corporate governance in 2020, taking into account the results of assessments by the rating agencies MSCI, CDP and Sustainalytics, the 2020 CGC Report. Noting a high level of compliance as a result of the review, the Board of Directors also reviewed the governance quality criteria, which for certain reasons were not met fully or partially, and discussed an improvement plan.

In March 2022, the Audit Committee of the Board of Directors reviewed the results of the improvement plan implementation in 2021, analysed the developments of the degree of compliance with the CGC principles, as well as the assessment of the disclosure quality to explain non-compliance or partial compliance. The level of compliance with the Bank of Russia recommendations was assessed as high.

Following a review of the corporate governance quality assessment, the Board of Directors approved the 2021 report on compliance with the principles and recommendations of the Russian CGC, issued a positive assessment of the implementation of the 2021 Corporate Governance Practice Improvement Plan, and approved the improvement plan for 2022.





Principles of Corporate Governance



Report on compliance with the principles and recommendations of the CGC of the Russian Federation for 2021

Over the past three years, PhosAgro has demonstrated a high level of compliance with the Bank of Russia's recommendations.

CGC section		Full compliance			Partial compliance			Non-compliance		
		2019	2020	2021	2019	2020	2021	2019	2020	2021
I. Shareholders' rights	13	11	11	11	2	2	1			1
II. Board of directors	36	33	33	32	3	3	4			
III. The company's corporate secretary	2	2	2	2						
IV. Remuneration	10	4	5	8	5	4	2	1	1	
V. Risk governance and internal control	6	6	6	6						
VI. Information disclosure	7	7	7	5			2			
VII. Material corporate actions	5	3	3	5	2	2				
Total for the Group	79	66	67	69	12	11	9	1	1	1
%		84	85	87	15	14	11	1	1	1

Compliance with CGC principles at PhosAgro and other Russian companies, %



Degree of disclosure to explain non-compliance (partial non-compliance) with CGC principles at PhosAgro and other Russian companies, %



For every case of partial compliance or non-compliance, the Company specifies the measures taken to mitigate the associated risks in the CGC Report. In 2021, the quality of the Company's disclosure to explain the non-compliance (partial non-compliance) with the recommendations of the Code, according to the Central Bank of Russia, slightly worsened to 69%, while the average level in the Russian Federation was 63%. The deterioration is not critical, and its causes are taken into account in the 2021 CGC report.

Results of implementing the CG improvement plan developed and approved by the Board of Directors in the analysis of the 2020 CGC report

- Expanding the scope of the annual reports for 2020 and beyond to include the Board of Directors' viability statement, the going concern assumptions, consideration given to key stakeholders' voice in the Board's discussions and decision-making, information about significant external appointments of the Board members ●
- Expanding the disclosure in the annual report for 2020 and subsequent years regarding the remuneration system as a whole, the KPI system and their alignment with the strategy ●
- Development of the External Auditor Selection and Cooperation Policy ●
- Development of the Company's tax strategy ●
- Update of Regulations on Board Committees and other internal documents to reflect the climate agenda, gender equality and diversity, supply chain approach, and stance on animal testing ●
- Approval of the Information Security Policy ●
- Update of the Internal Audit Policy ●
- Update of the Inside Information Regulations ●

- In progress, disclosure is being improved
- Done, approved by the Board of Directors
- Done, prepared for review by the Audit Committee of the Board of Directors

¹The most recent year assessed by the Bank of Russia.

Key actions approved by the Board of Directors upon review of the 2021 CGC report which are aimed at improving the governance quality in 2022:

- » Review and approval of the tax strategy
- » Amendments to the information policy detailing the process for providing data on shareholder requests
- » Amendments to the Regulations on the Remuneration and Human Resources Committee reflecting the conditions (events) for reviewing the compensation policies
- » Return to the practice of individual assessment of the Board members when assessing the Board performance in general

General Shareholders' Meeting

The activities of the Company's supreme governing body – the General Shareholders' Meeting – are governed by the Regulations on the General Meeting of Shareholders. In May 2021, the Annual General Shareholders' Meeting was held in absentia to elect a new Board of Directors and Review Committee, determine the Board of Directors' remuneration, distribute the 2020 profit, including dividend payouts, and resolve on other matters within the its remit. It was held in absentia due to the COVID-19 outbreak. Despite the pandemic-related restrictions, the Annual General Shareholders' Meeting was held no later than usual, i. e. in last ten days of May.

The reporting year also saw three extraordinary General Shareholders' Meetings convened to vote on interim dividends.



Full text of the Regulations on the General Meeting of Shareholders of PhosAgro is available on the official website of the Company

Board of Directors

The Board of Directors plays a key role in the Company's corporate governance system. Its activities are governed by the Regulations on the Board of Directors.

Effective and resourceful leadership of the Board of Directors is the central pillar upon which the success of PhosAgro is based. In 2021, as the Board of Directors continued to set the Company's strategic direction and make key decisions, it is fully accountable to PhosAgro's shareholders and other stakeholders for the Company's performance in production, financial, environmental, social and other areas.



The Regulations on the Board of Directors

Sustainable development and the Climate Strategy

GRI 2-14, 2-16

In 2021, with the sustainability agenda gaining greater prominence, the Company adopted or revised a number of internal regulations, such as the regulations on the Committees of the Board of Directors, the Environmental Policy, the Personnel Management Policy and the Code of Ethics. These documents set the stage for furthering the Company's ESG agenda. The revisions made to the regulations on the Committees expanded their remit to include the matters of

climate agenda, gender equality and diversity. The amended Environmental Policy identified climate action and biodiversity protection as overriding priorities. The updated Code of Ethics reinforced the Company's responsible approach to the supply chain. The Board of Directors' transparency statement under the UK Modern Slavery Act outlined the Company's actions to prevent all forms of modern slavery and human trafficking within PhosAgro and its supply chain.

Strategy and global challenges

The Board has traditionally focused on strategic matters, overseeing the overall implementation of PhosAgro's Strategy to 2025 and extensively reviewing progress towards strategic objectives in production, distribution, procurement, innovative development and

international projects. The Company's Climate Strategy approved in December 2020 added to the list of the Board's monitoring responsibilities. The COVID-19 pandemic again made crisis management an important part of the Company's operations.

Information security

In 2021, the Board placed a particular focus on information technologies. As part of work in this area, it considered the Company's IT strategy, approved the Information Security Policy and analysed the key aspects of cybersecurity at PhosAgro Group companies.

Internal audit

The Internal Audit Policy of PhosAgro (the Internal Audit Regulation) was reviewed following the Bank of Russia's recommendations for the arrangement of risk management, internal control, internal audit, and activities of the audit committee of the board of directors (supervisory board) in public joint-stock companies.

Ongoing tasks GRI 2-16

Key activities undertaken by the Board of Directors in 2021 included:

- » assessment and quarterly monitoring of the risk management process;
- » assessment and quarterly monitoring of subsidiary activities with a focus on workplace health and safety, industrial safety and environmental protection;
- » assessment of the degree to which the requirements of the Company's Insider Information Policy were met;
- » development of project management across PhosAgro Group companies;
- » appointment and evaluation of the performance of the Company's CEO and Management Board;
- » oversight over management relations with shareholders, investors and other stakeholders;
- » monitoring the progress achieved across the Company's priority areas in 2021 and setting priority activities for 2022;
- » review of the Company's budget for 2022, as well as quarterly follow-up on the 2021 budget utilisation;
- » determination of sustainable development priorities;
- » determination of whether PhosAgro's corporate culture is aligned with its mission, values and strategy, as well as assessing and monitoring the corporate culture;
- » performance and work plans of the Internal Audit Department;
- » quarterly review and approval of financial statements;
- » approval of major transactions and interested-party transactions;
- » convening General Meetings of Shareholders.

Participation in the Board meetings

In 2021, the Board of Directors held eight meetings (one of them by absentee voting) and considered a total of 91 agenda items.

The number of items considered by the Board of Directors in 2021 grew from the previous years (70 and 79 in 2019 and 2020, respectively). This is the result of the agenda of in-person meetings being expanded to include workplace injuries and progress of the relevant risk management initiatives.

8 meetings
of the Board of Directors in 2021

91 matters
Reviewed by the Board of Directors for 2021

	Irina Bokova	Andrey A. Guryev	Andrey G. Guryev	Sven Ombudstvedt	Natalia Pashkevich	James Rogers	Marcus Rhodes	Mikhail Rybnikov	Xavier R. Rolet	Andrey Sharonov
Board of Directors	8/8	8/8	8/8	8/8	8/8	8/8	8/8	8/8	8/8	7/8
Audit Committee				6/6		6/6	6/6			6/6
Strategy Committee		2/2	2/2	2/2				2/2		
Remuneration and Human Resources Committee	4/4					4/4				4/4
Risk Management Committee		4/4		4/4					4/4	
Environmental, Health and Safety Committee		1/2			2/2			2/2		
Sustainable Development Committee	4/4							2/4		4/4



S172 statement

According to Section 172 "Duty to promote the success of the company" of the UK Companies Act 2006, PhosAgro's Board of Directors acts in good faith to promote the success of the Company for the benefit, taking into account possible long-term consequences of its decisions for the society and the environment, as well as the interests of the Company's employees and other stakeholders.

For the members of PhosAgro's Board of Directors, these standards mean that the Company's stakeholders should be interacted with responsibly and that their interests should be respected to the maximum extent possible.

This includes developing a special section of PhosAgro's corporate website and our electronic bidding platform to enhance procurement transparency, encouraging small and medium-sized businesses and local counterparties to become our suppliers or contractors and expanding public engagement with local communities through public hearings.

Our employees have a special place among the Company's stakeholders, which is reflected, in particular, in one of our strategic objectives – increasing the loyalty and satisfaction of our staff. Employee satisfaction and loyalty surveys and programmes based on their results are at the forefront of the Remuneration and Human Resources Committee's agenda. Analysis of hotline complaints and respective management response is reviewed by our Audit Committee on a quarterly basis. Importantly, the said committees are composed solely of independent directors.

Although at the moment we do not apply such practices as appointing directors from among the employees or appointing a non-executive director responsible for interaction with employees for considering their standpoint when managing the Company, we consider it effective and are actively involved in a dialogue on all major management issues with the trade union organisation (Minudobreniya Association), which

has historically been an equal partner for PhosAgro Group's management and an authorised representative of employees in collective bargaining, review and resolution of labour disputes.

In addition, heads of each production site of PhosAgro Group regularly (at least twice a year) visit all business units and hold meetings with employees, at which they inform the staff about the Group's performance, implemented measures, and plans for production and social development.

Based on employees' suggestions and comments, an action plan for improving organisational and technological processes is then developed and implemented.

In 2021, PhosAgro Group also expanded its dialogue with stakeholders about our environmental footprint. We worked intensively with local communities, holding public hearings on the development of the Group's production sites and their environmental impact.

Prospects

PhosAgro Group's development scenarios are reviewed by the Board of Directors when approving its Strategy. The Company's strategic planning cycle spans five years, which we believe to be optimal given the growing speed of external changes and our investment horizon.

Since 2019, in addition to our traditional analysis of sensitivity to FX rate fluctuations and changes in product and feedstock prices, the Board of Directors has been considering a contingency plan to prepare for critical changes in the external operating environment, such as possible restrictions on our supplies to key markets.

2021 was a challenging year for PhosAgro, marked by the completion of the investigation in the US ending with countervailable duties imposed on Russian and Moroccan producers, tighter pricing control and the introduction of quotas and export licences in Russia. An important lesson we learnt from that year is that such risks need to be assessed and managed.

When approving the Strategy to 2025, the Board of Directors also weighed the associated strategic risks and regularly (semi-annually) reviews them as part of strategy implementation monitoring.

Risk management maps were drawn for each, containing a detailed description along with mitigants and probability, materiality and risk appetite estimates.

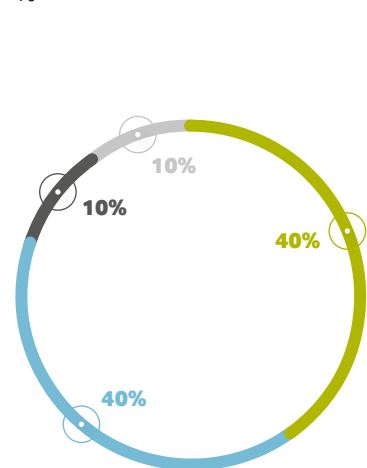
For more information on our strategic risks, see the Strategic Report section on page 68.

Based on the foregoing, the Board of Directors finds it reasonable to believe that PhosAgro Group will, without any reservations, be able to continue its operations and meet all its obligations as they fall due while the Strategy to 2025 is in force.

Composition of the Board of Directors

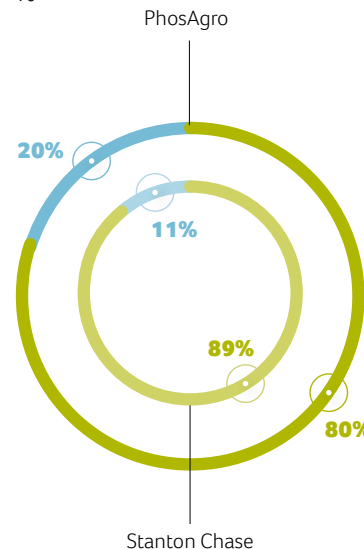
PhosAgro's Board of Directors is compared to other boards based on Stanton Chase's Overview of Boards of Directors at Russia's Largest Public Companies¹.

Board of Directors: age, %



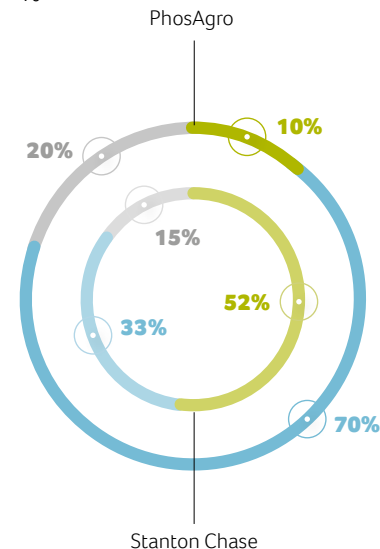
■ Above 60 years
■ 50-60 years
■ 40-50 years
■ Under 40 years

Board of Directors: gender split, %



■ Men
■ Women

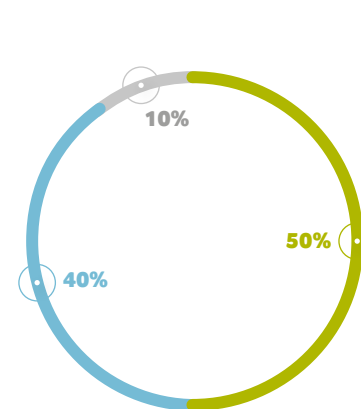
Board of Directors: independence, %



■ Non-executive directors
■ Independent directors
■ Executive directors

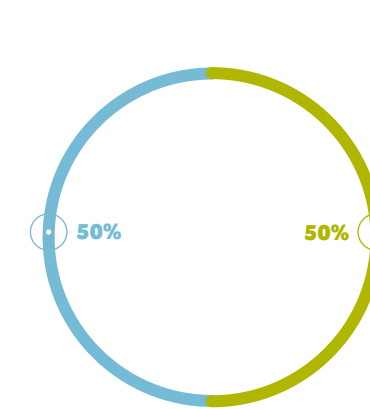
¹ Companies were selected from RIA Rating's TOP-100 Russian companies by market capitalisation ranking. The list includes companies from the 2021 ranking as well as those that were included in the previous ranking but subsequently dropped out. This brings the total number of companies on the list to 115, six of which are "new" compared to the last year's study.

Board of Directors: place of residence, %



■ Russian Federation
■ Europe
■ Southeast Asia

Board of Directors: length of service, %



■ <3 years
■ >3 years
■ 4-7 years

50%

of foreign nationals on the Board

20%

of women on the Board

60 years –

average age of directors

Generalised board member profile

Criterion	Stanton Chase data ²		Korn Ferry Russia data ³		PhosAgro
	Number of companies disclosing information	Average	Number of companies disclosing information	Average	2021
Gender (female male)	112	11% 89%	40	13% 87%	20% 80%
Age	113	54	40	55.2	60 years
Foreign citizenship, %	112	20%	40	30%	50%
Duration of service since appointment	111	5 years	40	5.5	5.2 years
Brief bio on the corporate website	86	77%	n/a	n/a	100%
Photo on the corporate website	82	73%	n/a	n/a	100%
Actual total remuneration per year	26	RUB 11 mln	n/a	n/a	RUB 22.1 mln
Number of the Board of Directors, people	112	11	40	10.8	10

² The review was prepared by Korn Ferry Russia together with the School of Finance at the National Research University Higher School of Economics. The list includes 40 Russian companies.

³ According to the Stanton Chase study of 115 largest public companies of Russia conducted in September 2021, the average share of independent directors stands at 33%.



Role of independent Directors

GRI 2-10

Independent directors make a valuable contribution to the Board's decision-making as their opinions rely solely on professional skills and expertise, as well as a comprehensive study of the matter. Their position is unbiased, independent and free from the influence of other members of the Board and the Company's management, and they are primarily focused on improving the Company's performance. At present, seven of the ten directors are independent, which is well above the average in Russia¹ and at par with the best global practices. Independent directors chair five of the six Board committees.

Independent directors are world-class experts with unique competencies and a track-record in investment and management of major businesses, financial and research organisations and government agencies. They are equipped with a full set of knowledge and skills needed to propel the Company and its Board of Directors forward and foster dialogue with stakeholders at various levels.

The independence of Board members and nominees is assessed biannually by the Remuneration and Human Resources

Committee. The assessment meets the criteria established by the Regulations on the Board of Directors and the Moscow Exchanges rules. In 2021, a special resolution of the Board of Directors recognised three of its members, Sven Ombudstvedt, Markus Rhodes, and James Rogers, as independent, despite their formal affiliation with the Company after serving for over seven years on its Board of Directors.

Onboarding of newly elected directors

Despite the fact that there were no changes in the Board composition in 2020 and 2021, the Remuneration and Human Resources Committee updates the

onboarding programme for new Board members which is considered an effective tool to gain an insight into the Company's operations. As part of the onboarding

programme, newly appointed directors visit PhosAgro Group's production sites and meet with functional managers.

Professional development and training of the Board of Directors

GRI 2-17

The Company views commitment to continuous professional growth as a cornerstone of good corporate governance. By expanding their knowledge and skills, directors add value to the Board of Directors and PhosAgro on the whole. An annual performance assessment highlights the need for the qualification upgrade and training of the Board members, with a focus on the following areas:

- » industry trends in Russia and abroad;
- » current legislative and stock exchange requirements;
- » technological and agricultural innovations.

In 2020-2021, trainings could not be held in a traditional format due to the COVID-19 pandemic. Nonetheless, the development areas identified during the 2021 assessment of the

Board of Directors performance, including innovative development, cyberrisks and cybersecurity, were addressed. These topics were added to the meeting agendas, and heads of the relevant functions were invited to the Board meetings, which ensured deep understanding of these matters by the Board members and gave an impetus for PhosAgro's accelerated development in these areas.

In addition, outside experts from the Big Four companies and other leading expert organisations were invited to the meetings. The Board heard the following issues:

- » The impact of the pandemic on risk appetite and risks on the Board's agenda: cybersecurity, business continuity, and resilience
- » Assessment of information security risks
- » Assessment of sanctions risks

Board members took an active part in conferences and round tables arranged by such entities as CGI Russia – World Economic Forum Climate Initiative in Davos, IDA – Association of Professional Directors. Three members of the Board of Directors became sought-after speakers at St Petersburg International Economic Forum 2021.

The Board of Directors regularly receives newsletters from the Company, including quarterly newsletters on corporate governance and weekly updates on the developments in the chemical and related industries.

D&O liability insurance

Directors and officers liability for damage caused to third parties by their duties is insured by SOGAZ (contract No. 20 DO 0018 in effect from 1 June 2020 to 31 May 2021, contract No. 21

DO 0022 in effect from 1 June 2021 to 31 May 2022) and is covered up to USD 75 mln (in rouble equivalent) and extended by USD 2 mln for independent directors.

Apart from directors' liability, the above contracts include the liability of the Company's officers. Contracts with SOGAZ have been concluded annually since 2012.

Assessment of the Board of Directors

GRI 2-18

In accordance with the Russian CGC recommendations, PhosAgro assesses the performance of its Board of Directors on an annual basis, with external experts engaged for this purpose once in three years.

Each new assessment relies on previous assessments allowing to analyse both absolute values and any changes that occur over time. January 2020 saw KPMG conduct an external assessment of the Company's Board of Directors.

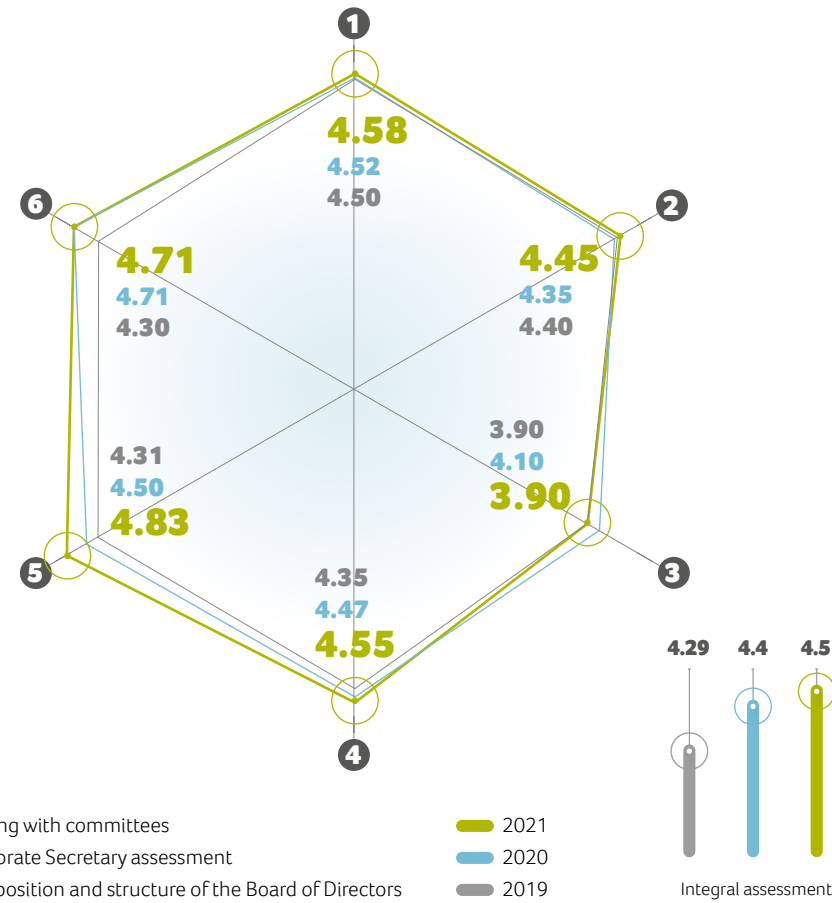
The independent consultant recognised the Board's high efficiency and a strong engagement of its members. The next Board evaluation by a third-party expert organisation is scheduled for 2023.

¹According to the Stanton Chase study of 115 largest public companies of Russia conducted in September 2021, the average share of independent directors stands at 33%.

Self-assessment

The self-assessment of the Board's performance was completed in February 2022; its results were discussed in detail at a meeting of the Remuneration and Human Resources Committee of the Board of Directors and, in a more condensed form, at a meeting of the Board of Directors in early March 2022.

Separately, it should be noted that the self-assessment of the PhosAgro Board of Directors' performance for 2021 was carried out for the first time with due consideration of the recommendations of the Bank of Russia on how to consider ESG factors and sustainable development in their activities (Bank of Russia information letter No. IN-06-28/96 dated 16 December 2021). In general, the Board members highly appreciated the degree of integration of ESG factors into the work of the governing body – the integral score was 4.34 on a 5-point scale.



- 1 Organising the business of the Board of Directors
- 2 Effectiveness of the Board of Directors
- 3 Continuous improvement
- 4 Liaising with committees
- 5 Corporate Secretary assessment
- 6 Composition and structure of the Board of Directors

Main conclusions of the self-assessment:



Balanced and effective board composition



High quality of financial reporting



Maintaining the quality of work during the COVID-19 pandemic



Focus on employee well-being and safety, sustainability, and management quality



Deep immersion in operational issues, including IT and cybersecurity, and project management issues



Respect for shareholder interests, including ESG and corporate social responsibility, as well as dividend and investment policies

Special focus was placed on the extent to which the Company has implemented the recommendations given following the 2021 performance assessment.

Assessment notes 2021

01 While the Board composition and competencies are generally balanced, it could be supplemented with a director with expertise in agriculture and a director having knowledge of the Asian region.

Implementation The Board composition remained unchanged. **Changed perception among directors assessing the Board of Directors¹** Overall, the score remained high (4.62 for 2021 and 4.43 for 2020).

02 Need to expand communication with investors/analysts (one opinion), business unit leaders and key employees (one opinion), members of the Management Board (one opinion).

Implementation During 2021, the number of executives speaking at meetings of the Board and its committees continued to grow. The Management Board members are invited to attend the Board meetings on a regular basis.

Changed perception among directors assessing the Board of Directors¹ Need to expand communication with investors/analysts (two opinions), business unit leaders and key employees (one opinion), Management Board members (one opinion), minority shareholders (one opinion).

03 There is a continued demand for training on industry trends in Russia and globally (four opinions), cyber threats and risk management (one opinion each), as well as technological and agricultural innovations (one opinion).

Implementation External experts from the Big Four companies and other leading expert organisations were invited to the meetings of the Board of Directors and committees to discuss the following issues:

- > The impact of the pandemic on risk appetite and risks on the Board's agenda: cybersecurity, business continuity, and resilience
- > Assessment of information security risks
- > Assessment of sanctions risks

Educational events on agricultural innovation and regenerative agriculture, as well as on climate agenda issues have been planned.

Changed perception among directors assessing the Board of Directors¹ There is a continued demand for training on industry trends in Russia and abroad (four opinions), statutory requirements (one opinion), technological and agricultural innovations (two opinions).

04 Comments regarding the Audit Committee agenda: audit and internal control policies; climate change issues; assessment of corporate governance as part of internal audit to be considered in 2021.

Implementation Reviewed.

Changed perception among directors assessing the Board of Directors¹ No comments on the agenda, the assessment of the Audit Committee performance is traditionally high (4.67 for 2021 and 5.00 for 2020).

The assessment also identified the following areas of improvement for the Board of Directors, such as:

- > more active engagement with investors, analysts, business unit leaders, key employees, and members of the Management Board; including the resumption of visits of the Board of Directors to PhosAgro Group's production sites;
- > providing training on industry trends in Russia and globally, as well as technological and agricultural innovations;
- > improvements in the organisation and procedures of the Board of Directors meetings, such as reducing the scope of a single meeting agenda, reducing the number of reports, provided that the Board members familiarise themselves with the materials in advance and committee chairpersons present a brief report on issues that have been discussed by the respective committees.

The next study is scheduled for early 2023 and will involve external experts.

¹ Assessed on a 5-point scale.

Members of the Board of Directors

Information on members of the Board of Directors GRI 2-11



Xavier Rolet

Chairman of the Board of Directors at PhosAgro, independent director from 2018 to 10 March 2022

Year of election: 2018

Equity interest / Stake of ordinary shares: None

Date of birth: 12.11.1959

Professional experience

2021 — Pr. Greater Yellowstone Coalition, Member of the Board of Directors

2021 — Pr. World Quantum Growth Acquisition Corporation, Chairman of the Board of Directors and CEO

2020 — Pr. Shore Capital Markets, Non-executive chairman

2020 — Pr. TowerBrook Capital Partners L.P., Member of the Advisory Board

2020 — Pr. Golden Falcon Special Acquisition Corporation, Independent non-executive director

2020 — 2021 Seplat Petroleum Development Company Plc., Independent non-executive director

2019 — 2022 PhosAgro, Member of the Risk Management Committee

2019 — Pr. The Public Investment Fund (Saudi Stock Exchange – TADAWUL), Member of the Board of Directors

2019–2020 CQS Management LTD., Chief Executive Officer

2018 — Pr. Shanghai Institute of Finance for the Real Economy – SIFRE, Expert Advisor

2018–2022 PhosAgro, Chairman of the Board of Directors

2018–2019 Verseon, Independent non-executive director

2018–2019 PhosAgro, Chairman of the Risk Management Committee

2017 — Pr. Grayling Centennial LLC, Managing Partner

2017–2020 goAfrica, Angel investor

2017–2019 UK Department for International Trade, Member of the Committee of Experts

2017–2018 London Stock Exchange Group (LSEG), Advisor.

2014–2017 The Governor of the Bank of England’s Financial Services Forum, Member

2013–2017 HM Treasury, Advisor

2011–2014 The European Securities and Markets Authority (ESMA), Member of the Securities and Markets Stakeholder Group

2011 — Pr. Columbia Business School, Member of the Board of Overseers

2011 — Pr. Ranchlands, Member of the Board of Advisors

2011 — Pr. PEACCEL, Angel investor

2009–2017 London Stock Exchange Group (LSEG), CEO

Education

KEDGE Business School (France), Master’s degree in Management Science and Finance

Columbia Business School (USA), MBA in International Finance

Institute for Higher National Defence Studies (IHEDN) (France), Post-graduate degree

Titles of honour and awards

In 2016, he was made a Knight of the National Order of the Legion of Honour by François Hollande, President of France.

In 2015, he was appointed an Honorary Knight Commander of the Most Excellent Order of the British Empire (KBE) by Her Majesty Queen Elizabeth II.

He was also awarded the Order of Friendship of the Russian Federation and was made an Officer of Morocco’s Royal Sharifian Order of Al-Alaoui.



Key competencies

- » Strategy
- » Finance and audit
- » Risk management
- » Law and corporate governance
- » Chemistry and mining engineering



Andrey G. Guryev

Deputy Chairman of the Board of Directors at PhosAgro, non-executive director from 2013 to 10 March 2022

Year of election: 2013

Equity interest / Stake of ordinary shares: None

Date of birth: 24.03.1960

Professional experience

2018 — Pr. AgroGard-Finance, Chairman of the Board of Directors

2017–2018 AgroGard-Finance, Member of the Board of Directors

2013 — 2022 PhosAgro, Deputy Chairman of the Board of Directors, Member of the Strategy Committee

2006 — Pr. Russian Chemists Union, Vice President

Education

St Petersburg Mining University, Degree in Economics and Management of Mining and Exploration Enterprises

Central State Institute for Physical Education, Degree in Physical Culture and Sports

Titles of honour and awards

He was awarded the Order of Merit to the Fatherland, 4th class, the Order of Honour, the Order of Alexander Nevsky, the Certificate of Merit of the President of the Russian Federation, the Certificate of Merit of the Federation Council of the Russian Federation, the Orders of the Russian Orthodox Church and the Miner’s Glory badges of all three classes.

He also received a Letter of Acknowledgement from the Government of the Russian Federation.

He is an honorary citizen of the cities of Kirovsk and Cherepovets.



Key competencies

- » Strategy
- » Chemistry and mining engineering
- » Human resources



Sven Ombudstvedt

Member of the Board of Directors at PhosAgro, independent director

Year of election: 2011

Equity interest / Stake of ordinary shares: 0.00103%

Date of birth: 27.07.1966

Professional experience

2019 — Pr. Norske Skog ASA, CEO

2018 – Pr. Norske Skog Norway Holding AS, Member of the Board of Directors

2017–2019 Norske Skog AS, Chairman of the Board of Directors

2017–2017 Norske Skogindustrier ASA, Special Advisor

2011 – Pr. PhosAgro, Member of the Audit Committee, Chairman of the Strategy Committee, Chairman of the Risk Management Committee

2011–2019 PhosAgro, Chairman of the Board of Directors

2010–2017 Norske Skogindustrier ASA, CEO

Education

Pacific Lutheran University (USA), Bachelor's degree

Thunderbird School of Global Management, Master's degree in International Management



Key competencies

- » Strategy
- » Finance and audit
- » Chemistry and mining engineering
- » Risk management



Irina Bokova

Member of the Board of Directors at PhosAgro, independent director from 2018 to 15 March 2022

Year of election: 2018

Equity interest / Stake of ordinary shares: None

Date of birth: 12.07.1952

Professional experience

2021 — Pr. Edelman Global Advisory, Member of the Advisory Board

2021 — Pr. Commission for Global Scientific Missions for Sustainability established by the International Science Council (ICS), Co-chair

2021 — Pr. International Advisory Board of the Geneva-Tsinghua Initiative (GTI), Chair

2021 — Pr. The Board of Governors of the UN University of Peace, Costa Rica, Member of the Board of Directors

2020 — Pr. FIA Foundation, Member of the Board of Directors

2018 — Pr. Federation Internationale de l'Automobile, Member of the Board of Directors

2018 — 2022 PhosAgro, Member of the Board of Directors, Member of the Remuneration and Human Resources Committee, Chair of the Sustainable Development Committee

2018 — Pr. Ban Ki-moon Centre for Global Citizens, Member of the Board of Directors

2017 — Pr. Royal Commission for AIUla, Member of the Advisory Board

2012 — Pr. Council of the UN Sustainable Development Solutions Network (SDSN), Member of the Leadership Council

2009–2017 UNESCO, Director-General

Education

Moscow State Institute of International Relations (Russia), Degree in International Relations

John F. Kennedy School of Government at Harvard University (USA), Leadership and Economic Development

Titles of honour and awards

She received state honours from several countries.

Received an honorary doctorate from a number of research and educational organisations, including MGIMO University, the Russian Academy of Sciences and Moscow State University.



Key competencies

- » Environment, health and safety
- » Human resources



Marcus Rhodes

Member of the Board of Directors at PhosAgro, independent director

Year of election: 2011

Equity interest / Stake of ordinary shares: 0.000644%

Date of birth: 31.05.1961

Professional experience

2021 — Pr. Segezha Group, Member of the Board of Directors

2021— Pr. T Plus, Member of the Board of Directors, Chairman of the Audit Committee

2018–2019 Rustranscom Plc, Non-executive director, Chairman of the Audit Committee

2014 — Pr. QIWI Group (QIWI plc), Member of the Board of Directors, Chairman of the Audit Committee

2011 — Pr. PhosAgro, Member of the Board of Directors, Chairman of the Audit Committee

2014–2017 Zoltav Resources Inc., Member of the Board of Directors, Chairman of the Audit Committee

Education

Loughborough University (UK), Bachelor's degree in Economics and History of Economics

The Institute of Chartered Accountants in England and Wales, Qualified as chartered accountant

Titles of honour and awards

2017–2019 SIA Enterprises Limited, Honorary Treasurer



Key competencies

- » Corporate governance
- » Finance and audit



Natalia Pashkevich

Member of the Board of Directors at PhosAgro, independent director

Year of election: 2017

Equity interest / Stake of ordinary shares: None

Date of birth: 05.11.1939

Professional experience

2021 — Pr. Priority 2030 Strategic Academic Leadership Programme, Head of the programme

2017 — Pr. PhosAgro, Member of the Board of Directors, Member of the Environmental, Health and Safety Committee

2009 — Pr. National Research University, Head of the development programme

1999 — Pr. St Petersburg Mining University, First Vice Rector

Education

St Petersburg Mining University, Degree in Mining Engineering and Economics, PhD in Economics, professor

Titles of honour and awards

- » Order of Honour
- » Honoured Worker of Higher Education of the Russian Federation
- » Veteran of Labour medal
- » Labour Glory badge, 2nd and 3rd class
- » Miner’s Glory badge, 3rd class
- » Honorary Worker of the Gas Industry
- » Award of the Government of St Petersburg
- » Medal of the Ministry of Defence of the Russian Federation
- » Distinguished Employee of St Petersburg Mining University
- » Honorary Doctor of the Ch’an-Chun Geological University (China)
- » Full member of the Russian Academy of Natural Sciences
- » Full member of the International Academy of Ecology and Security
- » Full member of the Russian Academy of Mining Sciences.



Key competencies

- » Chemistry and mining engineering
- » Human resources



James Rogers

Member of the Board of Directors at PhosAgro, independent director

Year of election: 2014

Equity interest / Stake of ordinary shares: 0.0064%

Date of birth: 19.10.1942

Professional experience

2019 — Pr. ENPlus Co Ltd, External director

2019 — Pr. Spanish Mountain Gold Limited, Advisor

2018 — Pr. Ananti Inc, Director

2018–2021 Sirius International Insurance Group, Ltd, Member of the Board of Directors

2018–2019 Ocean Capital Advisors LLC, Director

2018–2019 Quantum Digital Asset Management Pte Ltd, Member of the Board of Directors

2017 — Pr. AgroGard-Finance, Member of the Board of Directors

2017–2018 Agritrade Resources Ltd, Advisor

2017–2018 ITF Corporation, Advisor

2017–2018 Global Blockchain Technologies Corp, Advisor

2016 — Pr. Duff & Phelps Select Energy MLP Fund Inc., Director

2016 — Pr. Virtus Global Multi-Sector Income Fund, Trustee

2016–2018 Crusader Resources Limited, Non-executive director

2015–2017 Latitude Technologies Limited, Senior Advisor

2014 — Pr. PhosAgro, Member of the Board of Directors, Chairman of the Remuneration and Human Resources Committee, Member of the Audit Committee

2014 — Pr. Genagro Limited, Advisor

2014–2019 Sinofortune Financial Holdings Limited, Non-executive director

2013–2018 Laguna Bay Pastoral Company Pty Ltd, Advisor

2012 — Pr. Santiago Gold Fund, Advisor

2012 — Pr. Geo Energy Resources Limited, Non-executive director

2012–2019 Spanish Mountain Gold Limited, Director

2011 — Pr. Forbes & Manhattan, Advisor

2007 — Pr. Beeland Holdings Pte Ltd, Director

2007 — Pr. Beeland Enterprises, Inc., Director

1990 — Pr. Beeland Interests, Inc., Director

1988–2019 Virtus Global Dividend & Income Fund Inc., Director

1986 — Pr. Virtus Total Return Fund Inc., Director

Education

Yale University (USA), Bachelor’s degree

Balliol College, University of Oxford (UK), Bachelor’s / master’s degree in Philosophy, Politics and Economics



Key competencies

- » Finance and audit
- » Human resources
- » Risk management
- » Law and corporate governance



Andrey Sharonov

Member of the Board of Directors at PhosAgro, independent director

Year of election: 2017

Equity interest / Stake of ordinary shares: None

Date of birth: 11.02.1964

Professional experience

2022 — Pr. ESG Alliance, CEO

2021 — Pr. Sberbank, Vice President

2021 — Pr. Foundation for Development of the Centre for Elaboration and Commercialisation of New Technologies (Skolkovo Foundation), Member of the Board of Directors

2020 — Pr. Foundation for Development of the Centre for Elaboration and Commercialisation of New Technologies (Skolkovo Foundation), Chairman of the Human Resources and Compensation Committee

2019 — Pr. En+ Group, Independent non-executive director, Member of the Audit Committee, Chairman of the Corporate Governance and Nominations Committee

2020 — Pr. Rosseti, Member of the Board of Directors (independent director), Member of the Personnel and Remuneration Committee

2018 — Pr. Medicina, Chairman of the Board of Directors

2017 — Pr. Sovcomflot, Chairman of the Audit Committee, Member of the Compensation Committee

2017 — Pr. PhosAgro, Member of the Board of Directors, Member of the Audit Committee, Member of the Remuneration and Human Resources Committee, Member of the Sustainable Development Committee

2016 — Pr. SKOLKOVO Endowment Fund, Director

2016 — Pr. Association for the Development of Moscow School of Management SKOLKOVO, Executive Director

2016–2021 Moscow School of Management SKOLKOVO, President

2015–2018 VTB Bank, Member of the Supervisory Council

2015–2017 Rosgeologia, Member of the Board of Directors

2014 — Pr. International Business Leaders Forum, Member of the Board of Trustees

2014 — Pr. MC NefteTransService, Chairman of the Board of Directors

2014 — Pr. Sovcomflot, Independent director, Member of the Strategy Committee

2014–2019 NOVATEK, Independent director, Chairman of the Audit Committee, Member of the Remuneration and Nomination Committee

2009–2020 National Research University Higher School of Economics, Professor (part-time) at the School of Finance of the Faculty of Economic Sciences

Education

Ufa Aviation Institute, Degree in Aviation Instrument Making

Russian Academy of Public Administration under the President of the Russian Federation, Degree in Law, PhD in Sociology

Moscow School of Management Skolkovo, Executive Coaching for the Development of Executives, Top Management Teams and Organisations

Titles of honour and awards

He was awarded Aristos Award in the Independent Director category (2009); Special Award for Merit in Managerial Education (2016), Director of the Year National Award in the Independent Director category (2009), and the International Award “Person of the Year” in the Business Reputation category (2012).

He received a special award “Contribution to the Development of the Institution of Independent Directors” in 2016 by the Independent Directors Association and the Russian Union of Industrialists and Entrepreneurs.

He was awarded the Order of Honour.

He received Commendations of the President of the Russian Federation.

He is an Honoured Economist of the Russian Federation.



Key competencies

- » Law and corporate governance
- » Finance and audit
- » Human resources



Andrey A. Guryev

Member of the Board of Directors, CEO and Chairman of the Management Board at PhosAgro from 2013 to 10 March 2022

Year of election: 2013

Equity interest / Stake of ordinary shares: 0.048%

Date of birth: 07.03.1982

Professional experience

2020 — Pr. The Coordinating Council of the Russian Union of Industrialists and Entrepreneurs on Combating COVID-19, Chairman of the Council

2019 — Pr. Russian Union of Industrialists and Entrepreneurs, Member of the Management Board Bureau

2019 — Pr. The Russia–Brazil Business Council, Chairman of the Council

2017 — Pr. The Russia–Argentina Council of Entrepreneurs at the Russian Chamber of Commerce, Chairman of the Council

2016 — Pr. Russian Association of Fertilizer Producers, President

2016 — Pr. Miners of Russia non-commercial partnership, Deputy Chairman of the Supreme Mining Council

2016 — Pr. Russian Rhythmic Gymnastics Federation, Chairman of the Board of Trustees, Vice President

2015 — Pr. Russian Union of Industrialists and Entrepreneurs, Member of the Management Board

2015 — Pr. Russian–Argentine Business Dialogue of the Russian Union of Industrialists and Entrepreneurs (RUIE) and the Argentine Industrial Union (UIA), Co-chair from the Russian side

2015 — Pr. Russian Olympians Foundation, Member of the Council of Trustees

2014 — Pr. International Fertilizer Association (IFA), Member of the Board of Directors

2014 — Pr. Russian Chess Federation, Member of the Board of Trustees

2013 — 2022 PhosAgro, CEO, Chairman of the Management Board, Member of the Strategy Committee, Member of the Environmental, Health and Safety Committee, Member of the Risk Management Committee

2013 — 2022 PhosAgro, Member of the Board of Directors

2012 — Pr. PhosAgro-Region, Member of the Management Board

2012 — Pr. Andrey Guryev Charitable Foundation, Chairman of the Management Board

2011 — Pr. Moscow Rhythmic Gymnastics Federation, President

Education

University of Greenwich (UK), Bachelor’s degree in Economics

Academy of National Economy under the Government of the Russian Federation

St Petersburg Mining University, PhD in Economics

Titles of honour and awards

In 2021, he was awarded the Order of Merit to the Fatherland, 2nd class, and the Order of Pirogov for considerable contribution to organising efforts to provide medical care and to prevent the spread of COVID-19.

In 2022, he was awarded the Order of Rio Branco, 4th class, for his contribution to the development of bilateral relations between Russia and Brazil.



Key competencies

- » Strategy
- » Finance and audit
- » Chemistry and mining engineering
- » Environment, health and safety



Mikhail Rybnikov

Member of the Management Board, Member of the Board of Directors and Deputy CEO at PhosAgro **until 10 March 2022**, CEO and Chairman of the Management Board at PhosAgro **from 11 March 2022**

Year of election: 2016

Equity interest / Stake of ordinary shares: 0.0258%

Date of birth: 30.11.1975

Professional experience

2022 — Pr. PhosAgro, CEO

2021 — **2022** PhosAgro, Deputy CEO

2021 — Pr. PhosAgro, Executive Director

2018 — Pr. Samoilov Scientific Research Institute for Fertilizers and Insectofungicides, Member of the Board of Directors

2018 — Pr. Apatit, Advisor to the CEO (part-time)

2018–2020 PhosAgro, First Deputy CEO

2018–2019 Apatit, Member of the Management Board

2017–2018 Apatit, CEO, Chairman of the Management Board

2016 — Pr. PhosAgro, Member of the Board of Directors

2016 — Pr. PhosAgro-Region, Member of the Management Board

2015–2017 PhosAgro-Cherepovets, CEO, Chairman of the Management Board

2013 — Pr. PhosAgro, Member of the Management Board, Chairman of the Environmental, Health and Safety Committee, Member of the Strategy Committee, Member of the Sustainable Development Committee.

2013–2018 PhosAgro, Executive Director (part-time)

Education

Lomonosov Moscow State University, Master's degree in Economics



Key competencies

- » Strategy
- » Finance and audit
- » Chemistry and mining engineering
- » Environment, health and safety

Corporate Secretary

The Corporate Secretary is responsible for day-to-day interactions with the shareholders, coordination of the Company's efforts to protect shareholder rights and interests, and support provided to the Board of Directors to ensure its efficient

performance. The Corporate Secretary is appointed by the Board of Directors. The operating procedures of the Corporate Secretary are governed by the Regulation on the Corporate Secretary approved by the Board of Directors.



Regulation on the Corporate Secretary



Sergey Samosyuk

Year of election: 2016

Date of birth: 01.10.1976

Professional experience

2021 — Pr. AgroGard-Finance, Member of the Board of Directors

2021 — Pr. Giproruda, Member of the Board of Directors

2017 — Pr. Apatit, Advisor to the CEO

2016 — Pr. PhosAgro, Corporate Secretary

Education

St Petersburg State University of Economics, Degree in Engineering and Economics

St Petersburg University, Degree in Law

National Research University Higher School of Economics, Executive MBA.

Achievements

2020 Director of the Year National Award for the best corporate governance directors / corporate secretaries.



About this Report

Company Profile

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Additional Information

Committees of the Board of Directors

The committees of the Board of Directors are advisory and consultative bodies made up of the current Board members with relevant experience and expertise in committees' specific focus areas.

The committees can also engage external experts and consultants in their work. The primary role of the committees is the preliminary consideration of key issues submitted for review by the Company's Board of Directors.

The committees are responsible for making sure that issues brought before the Board have been sufficiently reviewed as a way to enable the directors to cast their votes based on full and accurate information. To achieve this, committee members maintain an ongoing dialogue with the Company's executive bodies, other senior executives, external auditor and other advisors on the issues falling within their remit.

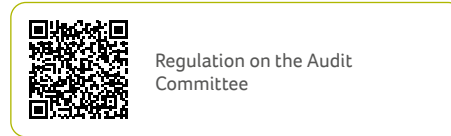
At its first meeting on 28 May 2021 the newly elected Board of Directors established the committees without any changes to their composition given the high assessment of their performance in the 2020–2021 corporate year.

Committee reports

Audit Committee

The Audit Committee of PhosAgro's Board of Directors is a key advisory and consultative body of the Board responsible for such critical tasks as assessing the reliability and transparency of the Company's IFRS consolidated financial statements, reviewing and overseeing financial reporting processes, interacting with the external auditor, overseeing compliance with relevant laws and regulations and managing and directing the internal audit function.

Since 2018, the Committee's has consisted of independent directors only. The Committee's activities are governed by the Regulation on the Audit Committee.



Key highlights in 2021

The quality, reliability and timeliness of financial and non-financial corporate reporting is a top priority for the investment community and other stakeholders. We undertake consistent efforts to ensure that you receive the most complete and trustworthy information on a wide scope of PhosAgro's operations. In 2021, as part of this work, in addition to our standard responsibilities (please see the Ongoing Tasks below), we drafted a policy on the selection of external auditors and the principles for building relationships with them which was approved by the Board of Directors. This policy sets out the grounds and procedures for selecting the external auditor, maximum duration of services, rules for rotating the audit partner, and the maximum proportion of non-audit service fees paid to the incumbent auditor.

Internal audit and control were another central focus area in the reporting year. The Internal Audit Policy of PhosAgro was reviewed following the Bank of Russia's recommendations for the arrangement of risk management, internal control, internal audit, and activities of the audit committee of the board of directors (supervisory board) in public joint-stock companies. As a result of the review, no significant changes were made. We also assessed the Company's internal control and internal audit systems with the assistance of KPMG who concluded that they were well developed, robust and effective. The work plan for the Internal Audit Department was discussed and approved and we carried out a thorough assessment of its performance.

We certainly could not ignore the growing interest of investors and other stakeholders in the non-financial aspects of business. In 2021, we completed a detailed analysis of non-financial disclosure trends, including the development of uniform principles for non-financial disclosures and the alignment and integration of various reporting standards.

Also during the reporting year, the Committee met twice to discuss the concept of an Audit and Assurance

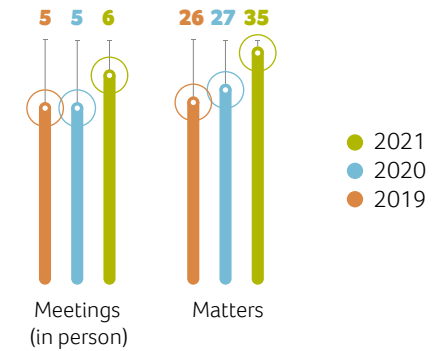
6 meetings

were held in 2021

Committee members:

Marcus Rhodes	Committee Chairman, independent director
Sven Ombudstvedt	Committee member, independent director
James Rogers	Committee member, independent director
Andrey Sharonov	Committee member, independent director

The Committee's statistics



policy. After much debate, it was decided that this was not appropriate to introduce at this time and that we would revisit the concept in December 2022.

Finally, the Audit Committee initiated the development of PhosAgro's draft tax strategy. The draft will be discussed at the next audit committee meeting and will be presented to the Board of Directors in the first half of 2022.

Ongoing tasks in 2021

During the reporting period, the Audit Committee held six meetings, where 35 matters were considered, mainly in the following areas:

- › analysis, review and discussion of the Company's annual financial performance based on the IFRS consolidated financial statements, including reasons for changes as compared to the previous periods and obtaining a clear understanding of the disclosures;
- › review of the quarterly IFRS condensed consolidated financial statements, along with ensuring the adequacy of disclosures;
- › review and discussion of the results of the annual audit and quarterly reviews by the external auditor;
- › review of the external auditor plan for the 2021 audit;
- › review and discussion of the results of the work of Internal Audit;
- › analysis of the Company's compliance with Russian and European legislation on the protection and use of insider information;
- › analysis of the Company's corporate governance compliance with the Russian CGC and the UK Corporate Governance Code;
- › discussion with legal and tax department heads about ongoing issues that may have an impact on the IFRS financial statements.

External auditor

The Committee's approach to the assessment of the independence and effectiveness of the external audit process, as well as to the appointment or reappointment of the external auditor is comprehensively described in the External Auditor Selection and Cooperation Policy of PJSC PhosAgro approved by the Company's Board of Directors in April 2021.



Marcus Rhodes
Audit Committee Chairman



Remuneration and Human Resources Committee

According to the Regulations on the Remuneration and Human Resources Committee .



Regulations on the Remuneration and Human Resources Committee



Key highlights in 2021

In the reporting year, taking into account the results of the Committee's self-appraisal, its members focused on the following matters:

- › succession planning for the Board of Directors, executive bodies and other key employees, including implementation of the committee's earlier recommendations to develop a succession plan for N-1 executives;
- › review of all internal regulations of the Company related to the incentive system. The existing management incentive system, which relies on key performance indicators (KPIs) correlated with strategic targets, made another step forward in 2021, covering as many as 280 people from N to N-3 levels. A notable part of this growth came from the extended scope of KPIs linked to the Company's sustainability targets. The Committee confirmed that the existing remuneration framework is efficient and in line with the Company's requirements

For more information on the remuneration of the Company's key employees, see the Management remuneration section on page 262.

In April 2021, the Committee added oversight over securing diversity, gender equality and inclusion to its goals and objectives set forth in the Regulations on the Remuneration and Human Resources Committee. We are confident that our people's professionalism, consistently strong performance and adherence to corporate values are

a prerequisite and the only guarantee of career growth, and we are happy that the Company's management shares this belief.

At the same time, at the Committee's initiative and as part of the efforts to implement best ESG practices, the Board of Directors approved a new version of the Personnel Management Policy, which was supplemented with a number of recommendations from the International Bill of Human Rights and the UN Guiding Principles on Business and Human Rights, along with regulations on work and rest hours and labour disputes.

Ongoing tasks in 2021

We also stayed focused on regular matters:

- › assessment of professional skills, independence, engagement and important external nominations or appointments to the Board of Directors;
- › best practice guidance and analysis following the appraisal of the Board of Directors' performance;
- › performance assessment of the Company's executive bodies, other key employees, and the Corporate Secretary;
- › assessment of social and employee training programmes, including the progress towards a sustainability target approved in the Strategy to 2025 – the number of employee training hours;
- › review of the outcomes following the annual staff loyalty and satisfaction survey, including progress towards a sustainability target approved in the Strategy to 2025 – integrated employee loyalty index.

Two times a year, when initially assessing nominations to the Board of Directors and subsequently when finalising its composition, the Committee decides which reasons should disqualify members from serving on it.

While preparing the shareholder information for the annual general meeting, the Committee, among other factors, analysed the effect of the below appointments of independent directors on their ability to duly discharge their responsibilities as the Company's Board members:

Xavier Rolet: Shanghai Institute of Finance for the Real Economy — SIFRE, The Public Investment Fund, Saudi Stock Exchange TADAWUL, Shore Capital Markets, TowerBrook Capital Partners L.P., Golden Falcon Special Acquisition Corporation, World Quantum Growth Acquisition Corporation

Sven Ombudstvedt: Norske Skog ASA, Norske Skog Norway Holding AS

James Rogers: Virtus Total Return Fund Inc, Beeland Interests Inc., Santiago Gold Fund, Genagro Limited, Duff & Phelps Select Energy MLP Fund Inc., AgroGard-Finance, Spanish Mountain Gold Limited, ENPlus Co Ltd, etc.

Andrey Sharonov: Sberbank, Sovcomflot, Rosseti, En+ Group Plc, Medicina, etc.

Natalia Pashkevich: St. Petersburg Mining University

Irina Bokova: Ban Ki-moon Centre for Global Citizens, Federation Internationale de l'Automobile, FIA Foundation

The Committee found that in the reporting year the above external appointments did not prevent the Board members from duly discharging their responsibilities, while also maximising their contribution to the Company's growth.

James Rogers
Chairman of the Remuneration and Human Resources Committee

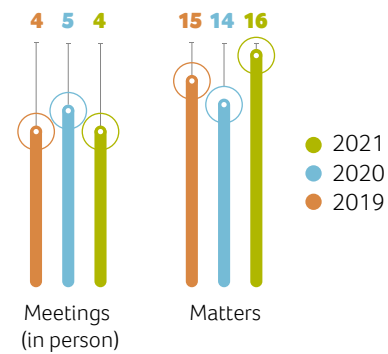
4 meetings

were held in 2021

Committee members:

James Rogers	Committee Chairman, independent director
Irina Bokova	Committee member, independent director
Andrey Sharonov	Committee member, independent director

The Committee's statistics



Environmental, Health and Safety Committee

GRI 2-16

The Committee is governed by the Regulations on the Environmental, Health and Safety Committee.



Regulations on the Environmental, Health and Safety Committee of the Board of Directors

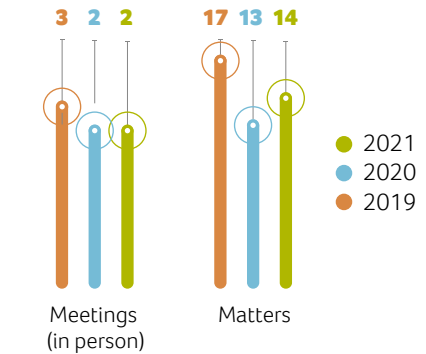
2 meetings

were held in 2021

Committee members:

Mikhail Rybnikov	Committee Chairman, executive director
Andrey A. Guryev	Committee member, executive director
Natalia Pashkevich	Committee member, independent director

The Committee's statistics





Key highlights in 2021

The most important results in 2021 include a decrease in the number of severe injuries, a decrease in the number of incidents, no breakdowns, fires and traffic accidents with injuries or major damage. We were deeply saddened by the fatality involving a contractor's employee which occurred in December 2021 at our Volkhov branch. The investigation is underway. We will thoroughly analyse the circumstances of the fatality and communicate conclusions and recommendations on preventive measures will be communicated to the management and employees of the facility and contractors. This tragedy once again highlights the importance of the efforts taken by the Board of Directors and the management to enhance industrial safety.

The most frequent violations were of fire safety requirements along with safety rules for vehicle operation and electrical works. We paid special attention to the safety of contractor activities, at all stages of interaction with the counterparties, from selecting a contractor and work preparations to overseeing their activities and completing work.

Among the significant safety projects initiated by the Committee in 2021, we would like to note the three-year Safety Culture Transformation Project seeking to achieve the safety culture level of 3.1 as per the Bradley curve, and the initiative to improve the safety of high-risk operations.

In terms of environmental protection, the reporting period saw positive changes in unit pollutant emissions, unit waste water discharges and waste recycling rate. We take consistent efforts to reduce the environmental impact and achieve the desired environmental effect. The Company

also designed comprehensive biodiversity protection programmes for its Cherepovets and Volkhov sites.

The reporting year saw the Regulations on Committee amended to add climate change issues to the Committee functions. As part of its new powers, the Committee oversees progress against the Company's low-carbon transition plan.

In the reporting year, the landmark event was the certification of the quality management system, the certification of the environmental management system at all the four production sites of the Group for compliance with ISO 9001 and ISO 14001, and the certification of the health and safety management system at the Cherepovets site for compliance with ISO 45001.

Apatit saw its first certification under GMP+ B4 for affreightment of rail transport in feed supplies (feed grade urea and monocalcium phosphate).

We made excellent progress in improving energy efficiency. In 2021, similarly to the last few years, consumption rates for all major energy resources showed a steady decline.

The Committee continued monitoring the Energy Efficiency Programme. Approved in 2020, it covers all our projects and initiatives designed to reduce energy consumption.

We also remained focused on regulatory compliance, reviewing, among others, draft laws, which are yet to be considered and approved.

Ongoing tasks in 2021

In the reporting year, the Committee held two meetings and discussed 14 matters. The Committee oversaw three Company's workstreams:

- » health and safety;
- » environmental protection;
- » energy efficiency.

The main goals and tasks in these areas were:

- » monitoring compliance with HSE laws and progress in reducing negative climate impact from the Group's production activities;
- » assessing environmental, social, technological, climate and industrial risks associated with the Group's production activities;
- » reviewing investigation records on industrial accidents and incidents, environmental laws violation, and breach of climate impact regulations;
- » considering proposals on working conditions improvement, safety regulations compliance and injury frequency rate reduction, as well as on the reduction of greenhouse gas emissions and pollutant discharges, waste generation and disposal, and increase in energy efficiency;
- » analysing the progress on programmes and initiatives to introduce resource and energy efficiency solutions and eco-efficient technologies.



Mikhail Rybnikov
Chairman of the Environmental, Health and Safety Committee

Strategy Committee

GRI 2-16

The Committee's activities are governed by the Regulations on the Strategy Committee.



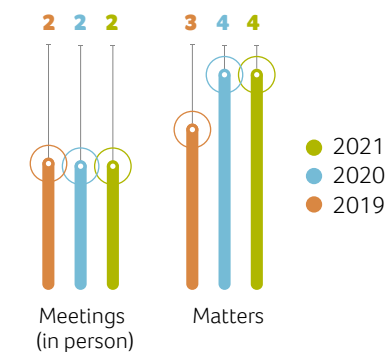
2 meetings

were held in 2021

Committee members:

Sven Ombudstvedt	Committee Chairman, independent director
Andrey G. Guryev	Committee member, non-executive director
Andrey A. Guryev	Committee member, executive director
Mikhail Rybnikov	Committee member, executive director

The Committee's statistics



Key highlights in 2021

The Strategy Committee focused on monitoring the progress towards the 2025 goals approved in 2019. According to a resolution of the Board of Directors, control over compliance of the current activities with the approved strategy is carried out at least twice a year by reviewing the monitoring results, as well as in the course of the Board of Director' review of the Company's annual budgets. At both meetings the Committee checked production volumes, sales in priority markets, and expansion of sales and transport infrastructure against the Strategy. Another innovation for the Committee was the mandatory monitoring of the approved ESG indicators, including the first-ever monitoring of indicators under the climate and water strategies approved in December 2020.

The 2021 results show that we are well on our way to the 2025 goals.

We expect the production of phosphate rock to exceed the approved target level of 11 mt in 2025. In the reporting year, we completed the majority of construction operations, and in Q1 2022 we commissioned the 1st start-up facilities at level 10 of the Kirovsk mine. In a few years, the amount of ore mined at this facility will be just under 9 mtpa, which is almost a quarter of our total production. The total reserves of the horizon are estimated at 95 mt of ore.

In the reporting year, we managed to achieve another essential strategic goal ahead of schedule as we met the 2025 target for internal phosphate rock processing (8.4 mt), with the corresponding increase in mineral fertilizer production, in particular thanks to the ambitious Volkhov site development project, which had been completed, and the upgrade programme currently underway in Balakovo.

We expect PhosAgro Group to maintain its target sales share in premium markets, although we allow for minor deviations due to changes in market conditions and adherence to the best netback strategy.

In 2021, the Group achieved interim targets in such indicators as the number of distribution and logistics centres, and storage capacity for solid and liquid mineral fertilizers. We believe that the 2025 goals will also be successfully achieved in this important area, reflecting our commitment to be closer to the consumer.

[Continue >>>](#)

- About this Report
- Company Profile
- Strategic Report
- Performance Review
- Corporate Governance**
- Share Capital
- Additional Information


In addition, the Committee focused on monitoring the progress of the investment projects underlying PhosAgro Group's organic growth in the current strategic cycle, together with development of new projects that will ensure the further dynamic evolution of the Group.

Our strategy cannot be static, we are developing, the external economic environment is changing. In 2021, we began developing an updated strategy to 2025 and further to 2030, and I am sure that in 2022 we will be able to present it to our stakeholders.

Ongoing tasks in 2021

In 2021, the Strategy Committee held two meetings, focusing on the following matters alongside those mentioned above:

- › the implementation status of the Company's Development Strategy to 2025;
- › key target indicators and sales development models by market group;
- › key areas of logistics development;
- › future projects (assessment of prospects, preliminary calculation of the new products efficiency).

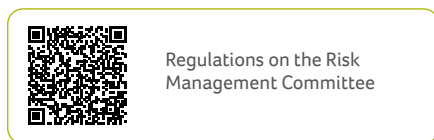


Sven Ombudstvedt
Chairman of the Strategy Committee

Risk Management Committee

GRI 2-16

The Committee's activities are governed by the Regulations on the Risk Management Committee.



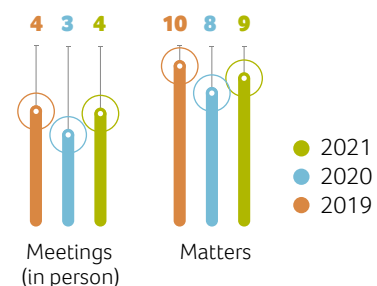
Committee members:

Sven Ombudstvedt Committee Chairman, independent director

Xavier Rolet Committee member, independent director

Andrey A. Guryev Committee member, executive director

The Committee's statistics



Key highlights in 2021

One of the key updates to PhosAgro risk map was the integration of the climate-related risk. Thus, climate risk management has become an integral part of the Company's risk management system. Climate risks were considered in the context of physical and transition (regulatory) factors, taking into account rapidly changing conditions and requirements in this domain. In 2022, the Committee will keep a close watch for the use of a risk-oriented approach while implementing PhosAgro's Climate Strategy.

The 2021 independent assessment once again showed that PhosAgro generally complies with the relevant industry's best practices and is even ahead of its peers in some areas.

As in the previous year, the Company continued to monitor the risk of the new coronavirus infection. The waves of COVID-19 had its toll on practically all our operations. Nevertheless, the steps taken by the Group helped prevent the suspension of production operations and avoid disruptions to business processes. In addition, in 2021, the Committee regularly reviewed key cybersecurity metrics as well as the status of measures to develop it.

With effective cybersecurity tools in place, PhosAgro Group did not record any material incidents in this area in 2021.


The key risks were reviewed in conjunction with the Company strategy to assess their negative impact on the Company's strategic goals.

On top of that, the Committee took part in developing Board of Directors competencies in risk management by organising a training workshop in 2021.

Ongoing tasks in 2021

The Committee held four meetings in 2021 focusing on the following matters alongside those mentioned above:

- › results of a reassessment of the Company's key risks and updating its risk map for 2021.
- › evaluation of the Company's risk management and internal control system.



Sven Ombudstvedt
Chairman of the Risk Management Committee

Sustainable Development Committee

GRI 2-16

The Committee's activities are governed by the Regulations on the Sustainable Development Committee.



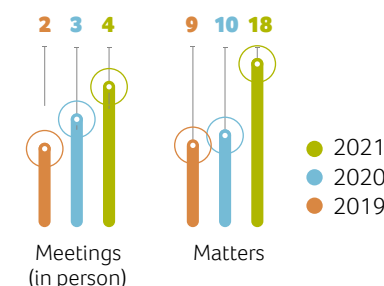
Committee members:

Irina Bokova Committee Chairman, independent director

Andrey Sharonov Committee member, independent director

Mikhail Rybnikov Committee member, executive director

The Committee's statistics



Key highlights in 2021

In 2021, the Committee held four meetings and reviewed 18 matters, thereby significantly expanding its remit:

1. As the Board of Directors approved the Climate Strategy in December 2020 and the low-carbon transition plan was put into action, one of the Committee's key roles in the reporting year was to monitor the activities specified in these documents.

All the workstreams related to PhosAgro Group's climate agenda were united into a dedicated project of Apatit's Project Execution and Management Department. The project working group includes representatives from all the Group's key functions, including procurement, production, energy, economics, sales, promising technology development, environment, personnel and social policy, and IT – a total of 25 people.

Decisions are made by the project steering committee, which convenes on a monthly basis. The Committee coordinates and oversees the project.

The project covers all risks associated with the climate agenda, both physical and regulatory. However, due to the potentially serious impact on PhosAgro Group's business, carbon border adjustment mechanism was subject to a separate review in December 2021. The Committee also reviewed the opportunities presented by the climate agenda, including the analysis of peer strategies.

2. In 2020, at the Committee's recommendation, the Company developed an action plan to improve the Company's ESG ratings, and the Committee reviews appropriate reports at each meeting. We consider this practice to be effective in terms of developing and prioritising organisational and technical sustainability measures, and intend to maintain this approach going forward. We are pleased that PhosAgro has managed to significantly improve its position in the most reputable international ratings and are looking forward to further steady progress in this area.

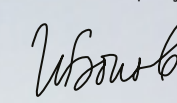
3. An important innovation in the Committee's work in 2021 was the expansion of the functional areas

in which sustainability-related goals are adopted and monitored. In particular, the Committee received relevant reports on innovation management, procurement, and international projects.

Ongoing tasks in 2021

At each of its four meetings, the Committee focused on the following matters alongside those mentioned above:

- › controlling compliance with applicable statutory requirements and internal sustainability objectives;
- › preparing recommendations to the Board of Directors on determining the Company's strategic sustainable development objectives;
- › reviewing sustainable development reports;
- › supervising PhosAgro's sustainable development disclosure;
- › analysing PhosAgro's practices and bylaws in terms of compliance with sustainable development rating requirements and managing efforts to maintain and improve the Company's rating positions.



Irina Bokova
Chairman of the Sustainable Development Committee from 2019 to 15 March 2022

Executive Bodies

In charge of PhosAgro's day-to-day operations are two executive bodies accountable to the Board of Directors:










the collegial body (Management Board) and



the sole executive body (CEO).

In 2021, the Management Board held five meetings and reviewed 10 items most of which were related to the budget discipline.

As at 31 December 2021, the Management Board was composed of:

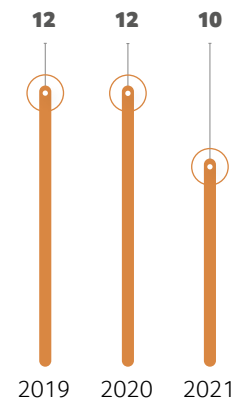
	Andrey A. Guryev CEO		Siroj Loikov Deputy CEO		Sergey Pronin First Deputy CEO and Managing Director of PhosAgro		Mikhail Rybnikov Deputy CEO
	Alexander Seleznev Chief of Staff for the CEO		Alexei Sirotenko Deputy CEO for Corporate and Legal Affairs		Alexander Sharabaiko Deputy CEO for Finance and International Projects		

In November 2021, the approved number of Management Board members was

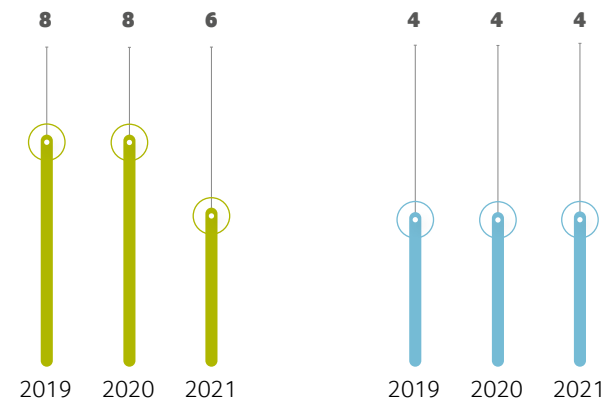
7

unchanged from the end of 2020

Number of Management Board meetings



Matters considered



■ Revision and approval of PhosAgro's quarterly and annual budgets
■ Review of operating and financial reports

At least twice a year (after the end of the previous calendar year and after a new Management Board is elected) the CEO submits a report on the performance of PhosAgro's executive bodies to the Board of Directors for review and approval.

We ensure that the executive management focuses on PhosAgro's strategy and long-term sustainable business development for the benefit of our shareholders and other stakeholders by linking executive remuneration to the Company's goals and values, as well as ESG KPIs.

For more information, see page 262.

Changes in the Management Board composition

The following changes to the Management Board took place in 2021. Roman Osipov was not appointed to the new Management Board approved by the Board of Directors on 3 November 2021 due to his retirement from PhosAgro, and Sergey Pronin, First Deputy CEO and Managing Director of PhosAgro, joined the Management Board.



Roman Osipov
Business Development Director

Information on members of the Management Board



Andrey A. Guryev

Member of the Board of Directors, CEO and Chairman of the Management Board at PhosAgro from 2013 to 10 March 2022

Year of election: 2013

Equity interest / Stake of ordinary shares: 0.048%

Date of birth: 07.03.1982

🔗 [Andrey A. Guryev detailed biography on page 229.](#)



Mikhail Rybnikov

Member of the Management Board, Member of the Board of Directors and Deputy CEO at PhosAgro until 10 March 2022, CEO and Chairman of the Management Board at PhosAgro from 11 March 2022

Year of election: 2016

Equity interest / Stake of ordinary shares: 0.0258%

Date of birth: 30.11.1975

🔗 [Mikhail Rybnikov detailed biography on page 230.](#)



Alexander Seleznev

Member of the Management Board, Chief of Staff of PhosAgro

Year of election: 2019

Equity interest / Stake of ordinary shares: None

Date of birth: 06.07.1984

Professional experience

2019 – Pr. PhosAgro, Chief of Staff for the CEO, Member of the Management Board in 2015–2019, Head of IR

Education

Bauman Moscow State Technical University, Information Security



Key competencies

» Finance and audit



Siroj Loikov

Member of the Management Board, First Deputy CEO of PhosAgro

Year of election: 2013

Equity interest / Stake of ordinary shares: None

Date of birth: 09.09.1972

Professional experience

2020 — Pr. PhosAgro, First Deputy CEO

2020 — Pr. Apatit, Advisor to the CEO (part-time)

2018–2020 PhosAgro, Deputy CEO

2018–2020 Apatit, Deputy CEO (part-time)

2018–2019 PhosAgro–Region, Deputy CEO for Human Resources (part-time)

2017–2018 Tirvas, Member of the Board of Directors

2017–2018 Apatit, Human Resources and Social Policy Director

2017–2018 Apatit, Member of the Management Board

2015–2018 PhosAgro, Human Resources and Social Policy Director

2015–2018 Korporativnoe pitanie (Corporate Nutrition), Member of the Board of Directors

2015–2017 PhosAgro–Cherepovets, Human Resources and Social Policy Director, Member of the Management Board

2013 — Pr. PhosAgro, Member of the Management Board

2013–2017 Izumrud, Member of the Board of Directors

Education

Tashkent State University of Economics, International Economic Relations

Nottingham University Business School (UK), Bachelor's degree in Business Management



Key competencies

» HR management



Roman Osipov

Member of the Management Board until October 2021

Year of election: 2017

Equity interest / Stake of ordinary shares: None

Date of birth: 04.11.1971

Professional experience

2018–2021 Apatit, Advisor to the CEO (part-time)

2018–2019 Apatit, Member of the Management Board

2017–2021 PhosAgro, Member of the Management Board

2014–2021 Giproruda, Member of the Board of Directors

2013–2021 PhosAgro, Business Development Director

2013–2021 AgroGard-Finance, Member of the Board of Directors

Education

Baltic State Technical University, Master's degree from the LETI-Lovanium International School of Management



Key competencies

- » Strategy
- » Chemistry and mining engineering



Alexei Sirotenko

Member of the Management Board, Deputy CEO of PhosAgro for Corporate and Legal Affairs, Legal Affairs Director at Apatit

Year of election: 2013

Equity interest / Stake of ordinary shares: None

Date of birth: 03.01.1969

Professional experience

2017 — Pr. Apatit, Legal Affairs Director

2017–2019 Apatit, Member of the Management Board

2015–2017 PhosAgro-Cherepovets, Legal Affairs Director, Member of the Management Board

2013 — Pr. PhosAgro, Member of the Management Board

2010 — Pr. PhosAgro, Deputy CEO for Corporate and Legal Affairs (part-time).

Education

Lomonosov Moscow State University, Jurisprudence



Key competencies

- » Law and corporate governance



Sergey Pronin

Member of the Management Board, First Deputy CEO, Managing Director of PhosAgro

Year of election: 2021

Equity interest / Stake of ordinary shares: None

Date of birth: 10.05.1964

Professional experience

2021 — Pr. PhosAgro, First Deputy CEO and Managing Director

2019 — Pr. PhosAgro-Region, Advisor to the CEO (part-time)

2017 — Pr. Apatit, Deputy CEO for Sales and Logistics

2017–2021 PhosAgro, Deputy CEO for Sales and Logistics

2012 — Pr. PhosAgro-Region, Member of the Management Board

2012–2017 PhosAgro-Region, CEO, Chairman of the Management Board

Education

Moscow Kuybyshev Construction Engineering University, Industrial and Civil Construction, PhD in Economics

Titles of honour and awards

He has been awarded the Medal in Commemoration of the 850th Anniversary of Moscow, the Zhukov Medal, gold and silver medal "For Contributions to the Development of the Agro-Industrial Complex of Russia". Prize-winner of the Peter Stolypin National Prize and prize-winner of the Highest Russian Public Award of the Russian Federation in foodstuff production "For the Abundance and Prosperity of Russia".



Key competencies

- » Strategy
- » Chemistry and mining engineering



Alexander Sharabaiko

Member of the Management Board, Deputy CEO for Finance and International Projects of PhosAgro

Year of election: 2018

Equity interest / Stake of ordinary shares: None

Date of birth: 25.02.1977

Professional experience

2019 — Pr. PhosAgro, Deputy CEO for Finance and International Projects

2018 — Pr. PhosAgro, Member of the Management Board

2017 — Pr. Apatit, Advisor to the CEO (part-time)

2017–2019 Apatit, Member of the Management Board

2017–2018 PhosAgro, Member of the Board of Directors

2015 — Pr. PhosAgro-Region, Member of the Management Board

2015–2017 PhosAgro-Cherepovets, Advisor to the CEO (part-time), Member of the Management Board

2014–2019 PhosAgro, Director for Economic Affairs and Finance

2013–2017 PhosAgro, Member of the Management Board

Education

Belarus State Economic University, Finance and Credit

University of Nottingham (UK), Bachelor's degree in Business Management



Key competencies

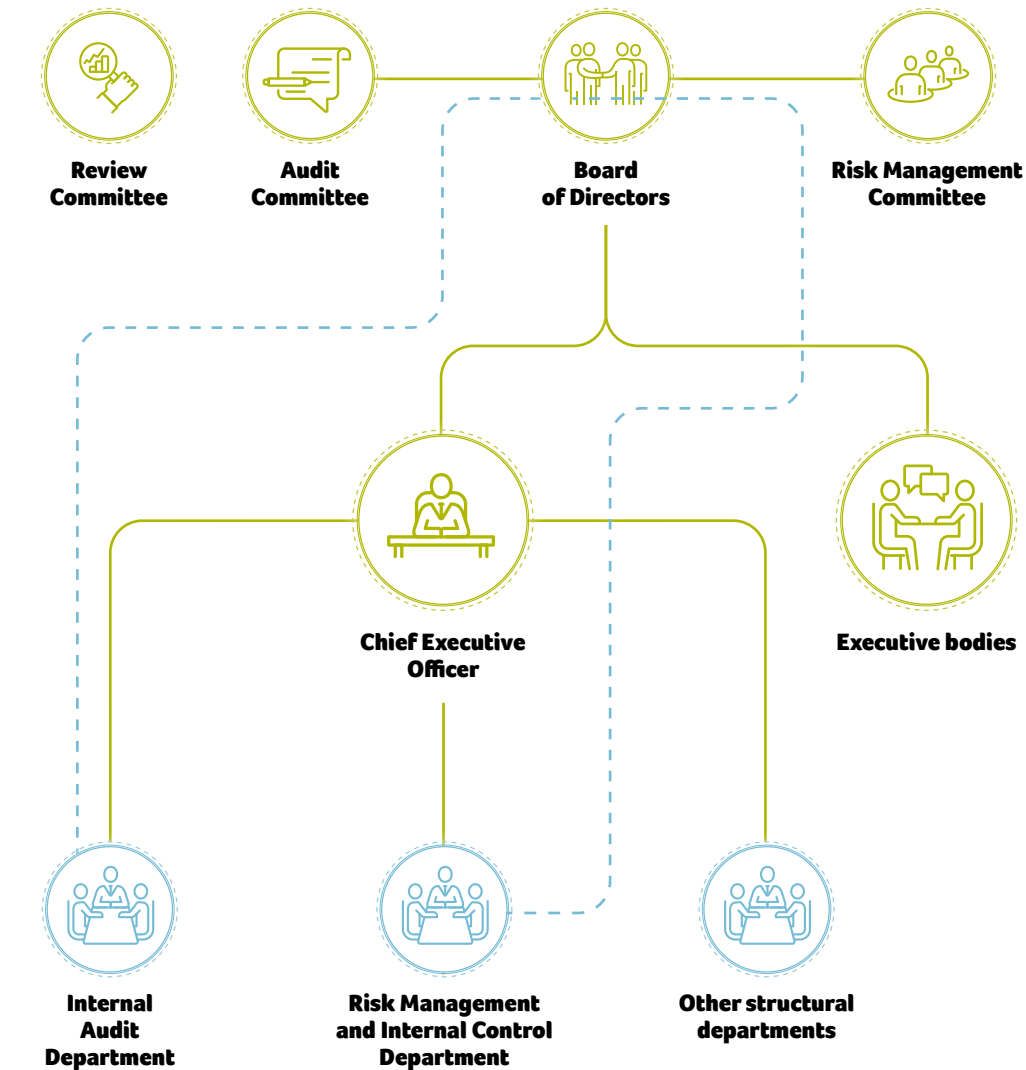
- » Finance and audit

Corporate Controls

Risk governance and internal control

Organisational structure of the risk management and internal control framework

GRI 2-12



— administrative reporting line
- - - functional reporting line



The risk management and internal control framework is a set of organisational measures, methods, practices and standards of corporate culture. It also embraces actions taken by the Company to strike the right balance between value growth, profitability and risks, support financial sustainability, and ensure efficient operations, protection of its assets, compliance with the laws and bylaws, along with timely and accurate reporting.

The Board of Directors defines the key principles of, and approaches to, risk management and internal controls, oversees the Company's executive bodies, and performs other key functions. The Board's **Risk Management Committee** provides recommendations to the Board of Directors on identifying material risks and developing relevant management tools and measures to enhance the risk management framework. The Board's **Audit Committee** focuses on assessing and making proposals to improve the risk management and internal control efficiency. On top of that, its members supervise the preparation of accounting (financial) statements and the measures taken to prevent fraudulent behaviour of the Company's employees or third parties.

The Review Committee elected by the General Shareholders' Meeting exercises control over the financial and business operations of the Company.

The executive bodies establish and maintain an efficient risk management and internal control framework. To this effect, they have set up a Risk Commission that monitors the status and effectiveness of risk management initiatives. The monitoring results serve as a basis for the relevant proposals issued by the Commission to executive bodies and the Board of Directors.

Following the audits, the **Internal Audit Department** provides the Board of Directors and executive bodies with recommendations and reports, including, among other things, the assessment of the current status, reliability and efficiency of the corporate governance, risk management and internal control framework.

The **Risk Management** and Internal Control Department is charged with the general supervision of risk management, including related activities, and consolidated reporting to the Board of Directors and executive bodies.

As part of their duties, **heads of other organisational units** are responsible for building, documenting, implementing, monitoring and developing the risk management and internal control framework in their respective functional areas. The framework requires the Company's employees to identify and assess relevant risks and efficiently implement the controls and risk management initiatives.



For more information on key roles and other relevant information, see the Risk Management and Internal Control Policy

Risk management

In 2021, PhosAgro's risk management and internal control framework performed strongly thanks to timely identification and assessment of risks, as well as development and implementation of risk management measures. On a quarterly basis, the Board of Directors reviewed reports on the

management of the Company's key risks. PhosAgro's executives paid special attention to managing these key risks. The Risk Commission continuously monitored the status of risk management activities and, when necessary, initiated changes to improve those related to key risks.

Development of the risk management and internal control framework in 2021

The Company is making a consistent effort to develop its risk management and internal control framework. In 2021, the Board of Directors reviewed the results of the framework's independent external assessment, which showed that it was on par with those adopted by the industry's leading companies, including:

- » compliance with applicable regulatory requirements,
- » adoption of most of the leading risk management practices such as alignment with the Company's development strategy, risk appetite, key risk indicators, automation and robotisation in risk management, as well as integration into the Company's incentive system and governance framework.

The reporting year saw both the production sites and PhosAgro Group as a whole complete a full-year cycle of risk management and internal control, including:

- » ongoing risk monitoring;
- » analysis of key risk indicators;
- » development of corrective actions;
- » follow-up control and review.

In 2021, PhosAgro Group also continued rearranging a number of risks in different focus areas such as climate action, occupational health and safety, and information and cybersecurity.

Plans for 2022

PhosAgro Group looks to maintain and further develop the existing elements of its risk management framework based on the best practices, while also taking into account the changing external and internal factors.

🔗 For information on key risks and risk management, see the Strategic Report section on page 68.

Review Committee

The General Shareholders' Meeting held in May 2021 elected the following members to the Review Committee:

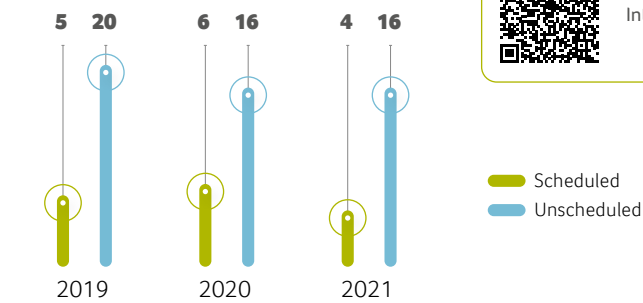
- » **Lusine Agabekyan;**
- » **Ekaterina Viktorova;**
- » **Olga Lizunova.**

Internal audit

PhosAgro's Internal Audit Department (IAD) assists the Company's top executives and the Board of Directors in improving the management of business processes and enhancing the internal control and risk management framework. In doing this, it uses a risk-oriented approach and works closely with the Risk Management, Internal Control and Economic Security Departments, and the Company management.

Internal audit goals, objectives and powers are outlined in the Internal Audit Policy as approved by the Board of Directors on 18 May 2021¹.

Audits



Audit of business processes

The audit plan for the calendar year is subject to review, discussion and approval by the Audit Committee and the Board of Directors. Audits are performed at the Group level, as well as at specific subsidiaries and their standalone business units. In addition, the Internal Audit Department monitors the effectiveness and efficiency of corrective actions taken by the management following the audit,

The Committee endorsed PhosAgro's financial statements for 2021, with its report dated 21 February 2022 included in the materials for the shareholders to prepare for the Annual General Shareholders' Meeting.

The Company's internal audit procedure is set out in the Internal Audit Guidelines.

In 2021, the Audit Committee and the Board of Directors drafted and reviewed internal audit strategic goals. We are consistently working to improve the maturity of the Company's internal audit function in line with the plan, as well as to develop and diversify the competencies of our internal audit team. The internal audit quality is assured through regular external independent assessments and self-assessment.

and reports to the Audit Committee on a quarterly basis and to the Board of Directors annually.

In 2021, the Internal Audit Department fully met the annual action plan. The audits covered PhosAgro Group's business processes related to logistics, including all types of feedstock and finished products transportation, project management, insiders and inside information, as well as IT audit of production facilities.

The audits were followed by proposals to update the logistics strategy, streamline the approach to project management and improve cooperation between business units. The management developed and approved corrective action plans, with the progress monitored by the Internal Audit Department.

The 2022 audit plan covers audits of the procurement and inventory

management business processes, IT audit of the automated process control system, review of the IT strategy alignment and audit of ESG targets.

External assessment

In 2021, PwC completed an external assessment of the IAD's compliance with the International Standards for the Professional Practice of Internal Auditing and the Institute of Internal

Auditors' Code of Ethics. The IAD earned high scores in the assessment for being generally compliant with all the applicable standards and requirements. According to PwC, its level of organisational and process maturity is above the average among similar functions in the mineral fertilizer and other industries. We plan to organise external assessments once every three years in the future.

External audit

A key element of the Audit Committee's operations is ongoing interaction with external auditors and development of recommendations for the Board of Directors regarding the choice and approval of auditors. When selecting an auditor, we evaluate the following factors in addition to the cost of their services:

- » composition of the audit team (in terms of experience and qualifications), which should ensure that the statements are audited within acceptable deadlines and with adequate quality;
- » the auditor's independence evaluated based on a variety of factors, including assessment of the scope of non-audit services provided to us by the candidate company during the relevant periods. Each offer from the current auditor for non-audit services requires confirmation by the audit partner to make sure there is no risk to independence and is submitted to the Company's Audit Committee for consideration and approval. The Committee consents to the contract only if the scope of the non-audit services does not call into question the ability to perform the audit service independently and impartially. The Committee's assessment of the auditor's independence is also significantly influenced by the auditor's internal procedures for controlling the

impartiality and professional ethics of the auditor's staff, including requirements for periodic rotation of the audit partner, training arranged in this area and the use of specialised software to perform the respective audits;

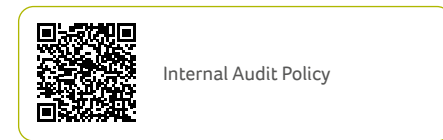
- » balance between the benefits of long-term cooperation with the auditor and the need for a fresh look at the Company's financial statements and preparation procedures;
- » the auditor's performance over the previous period. The Committee may form its opinion on the quality of the external auditor's work during in-person Committee meetings, where the external auditor's mandatory participants are a manager and the partner, as well as during meetings between the audit team and the Chairman of the Audit Committee held prior to the Committee meetings.

PhosAgro's auditor performs the audit of its financial and business operations in compliance with Russian laws and regulations and the agreement signed with the Company. The auditor is approved by the Company's General Shareholders' Meeting. The Company engaged AO PricewaterhouseCoopers Audit (10 Butyrsky Val, Moscow, Russia) to audit its 2021 IFRS financial statements.

The Company engaged FBK (44/1 Myasnitskaya St., Bld. 2AB, Moscow, Russia) to audit its 2021 RAS accounting statements.

The committee approach to assessing external audit's independence and efficiency, as well as appointment and re-appointment of the external auditor is set out in the External Auditor Selection and Cooperation Policy of PhosAgro as approved by the Board of Directors on 14 April 2021².

For more information on the auditors, their selection procedure and independence, see the Company's quarterly reports³, as well as the respective section of this report that discusses the Audit Committee's activities.



Internal Audit Policy

■ Scheduled
■ Unscheduled



PhosAgro's External Auditor Selection and Cooperation Policy



For more information on the auditors, their selection procedure and independence, see the Company's quarterly reports

Inside information

PJSC PhosAgro has adopted an Inside Information Regulation compliant with the Russian laws and the EU Market Abuse Regulation (MAR).

In accordance with its provisions, the Corporate Secretary's office keeps a list of insiders, persons discharging managerial responsibilities (PDMR) and persons closely associated with them (PCA). The Regulation defines the scope of responsibilities for each insider group, which the Corporate Secretary's office from time to time communicates to respective persons.

First and foremost, these include the limitations on the use of inside information and trading in the Company's securities. Depending on the group, an insider may be prohibited from such transactions or obliged to notify the Company or obtain its consent for such transactions. Every quarter, the Corporate Secretary's office checks the list of shareholders to identify transactions that may have been executed in breach of such limitations.

In 2021, the Board of Directors approved a revised version of the Inside Information Regulation following the enactment in April 2021 of the updated version of the Bank of Russia Instruction No. 5326-U dated 21 November 2019 On the List of Inside Information of Legal Entities Specified in Clause 1, 3, 4, 11 and 12 of Article 4 of the Federal Law No. 224-FZ On Combating Inside Information Unlawful Use and Market Manipulation, and Amendments to Certain Laws of the Russian Federation dated 27 July 2010.

In accordance with the above change in the regulatory requirements, PhosAgro approved by CEO's order a new list of inside information

(List) comprising the list of inside information introduced by the Bank of Russia Instruction and the list of inside information outlined by PhosAgro with regard to the nature of its operations in line with the Federal Law No. 224-FZ dated 27 July 2010.

The key changes in the list of inside information mainly covered the disclosure of the Board of Directors' resolutions and the procedure and timelines for disclosing inside information.

The List's alignment with the applicable laws and regulations led to the following amendments to the Inside Information Regulation:

- » removal of the List from the Inside Information Regulation due to the need to further amend it in autumn 2021 (in accordance with the regulation registered with the Russian Ministry of Justice and coming into effect on 1 October 2021),
- » addition of a clause regarding the approval of the procedure and timelines for disclosing inside information identified by PhosAgro with regard to the nature of its operations and not included in the list of inside information specified in the Bank of Russia Instruction.

The audit conducted by the IAD in 2021 identified no material violations of the applicable laws and the Inside Information Regulation. The audit results were reviewed by the Audit Committee and the Board of Directors. For the full text of the Regulation on Inside Information, please visit our website.

Information security

The Information Security Policy is the Company's fundamental document defining the general provisions and principles for ensuring information security. The Information Security Policy applicable to all PhosAgro Group companies and approved by the Board of Directors was first adopted in 2021. Its adoption ensues from the risks and hazards faced by the Group companies in their operations and the respective need to respond to the hazards and minimise the risks.

The Policy states high priority of information security activities and sets up its key principles. They cover the target setting and planning of information security activities, as well as their implementation, quality management and process improvement. The above principles define the contents of the lower-level documents such as the Information Security Framework and other bylaws covering respective issues. This set of documents reflects modern solutions and best practices in information security.

Every employee of the Internal Audit Department is responsible for ensuring information security. To this end, the Group regularly holds events to raise employees' awareness of information security issues and develop practical skills to deal with modern threats. This, together with the use of modern information security tools and well-coordinated work of the department, helped avoid information security incidents in 2021 and in previous periods that could have caused tangible material or reputational damage. In 2021, an independent assessment of PhosAgro Group's information security function was conducted by one of the world's leading expert companies.

The function's main strengths, as per the assessment, were methodological and documentation support, annual information security tests, the use of tools to protect against various types of information security threats. The areas for improvement included access control and asset management processes, event monitoring and handling of information security incidents. Creating safe conditions for software development and ensuring information security in third-party interactions (supply chain security) were suggested for development.

Based on the results of the above assessment, a description of the target state and a respective roadmap were also prepared by one of the world's leading expert companies. The proposed measures were included in the 2022–2023 action plans; information security issues are submitted for consideration by the Board of Directors every six months.



For the full text of the Regulation on Inside Information, please visit our website



List of insider information



The Information Security Policy



Ethical Practices

Values, principles, standards, and norms of behaviour

GRI 2-23, 2-24, 2-26

PhosAgro Group has a well-deserved reputation of a reliable business partner, attractive employer, responsible taxpayer, and partner to the Russian government and regions where the Company operates. The trust that our investors, employees, customers, contractors and authorities place in us is underpinned by the high ethical standards that we have adhered to since PhosAgro's inception.

We take an integrated approach to business ethics; in other words, we believe that ethical considerations are intrinsic to all aspects of our operations, from procurement and teamwork to safety and trade. We systematically analyse risks in this area and develop and implement measures to manage them.

PhosAgro Group is a large company: we operate in 70 regions of Russia, supply our products to more than 100 countries, employ over 17,000 people, and have thousands of contractors and counterparties. This means that we deal with potential ethical issues on a daily basis, and our managers and employees have to be comprehensively trained to make ethically sound decisions that meet the highest standards of integrity.

To achieve the above, we need to ensure that our ethical principles and standards are clearly defined and communicated to employees and counterparties. We also need to have relevant legal, organisational and informational mechanisms in place to



support and, more importantly, monitor compliance with these principles and standards, which should also be overseen at the highest corporate governance level.

By consistently implementing this approach for years, PhosAgro Group was able to become a company operating to the highest global standards in human rights, industrial safety, environmental protection, anti-corruption, etc. We recognise that it is hardly possible to fully eliminate ethical risks in a large and diverse organisation that has an almost global presence. We believe that by adhering to our ethical principles and standards we minimise unnecessary risks, maintain our business reputation and keep ourselves on track to achieve our ambitious production and financial targets for the benefit of PhosAgro's shareholders and other stakeholders.

Ethical standards and norms of behaviour

The principles and standards of ethical behaviour when working at and with PhosAgro Group are set out in relevant policies and other internal documents, which are listed below. These are regulatory documents all the Group's heads, officers and employees must comply with. Employees who have violated them are subject to the respective sanctions, including social condemnation, public censure through publication in the media, full or partial withholding of bonuses, and – if the employee's action (omission) bears signs of a disciplinary offence – disciplinary measures also apply to such employee pursuant to the applicable labour and employment laws.

The following internal policies and procedures governing the compliance of PhosAgro with the key principles and standards of ethical conduct are currently in effect

Code of Ethics

The Code outlines the key principles and rules of ethical business conduct underlying the corporate culture of PhosAgro

Corporate Governance Code

The Code defines the main principles of and approaches to corporate governance

Code of Conduct for Counterparties

The Company may refuse to cooperate with suppliers or business partners discriminating their own or subcontractors' employees or using forced labour

Anti-Corruption Policy

The Policy defines the goals and objectives and sets forth the Company's key principles and employee responsibilities in the sphere of anti-fraud and anti-corruption

Regulations on Conflict of Interest

The Regulations establish the procedure for identifying and resolving conflicts of interest arising with employees in the course of their employment

Procurement Policy of Apatit

The Policy defines the goals and responsibilities and sets forth the key principles and employee scope of functions in the sphere of procurement

Modern Slavery Act Transparency Statement

The Act outlines the Company's actions to prevent all forms of modern slavery and human trafficking within PhosAgro and its supply chain

Regulations on the Commission for Combating Fraud and Corruption and Regulating Conflicts of Interest

The Regulations address and govern the issues pertaining to employee anti-corruption compliance

Regulations on Internal Checks and Regulations on Inspections

The Regulations govern a set of actions taken to elicit the facts and identify the circumstances, motives and conditions of misconduct, incidents, and other violations of requirements set out in the Group's internal documents

PhosAgro Hotline Regulations

The Terms set out the goals and objectives with regard to the receipt of employee reports on the matters pertaining to combating fraud, corruption and theft and identifying conflicts of interest

Regulations on Business Presents and Representation Expenses

The Regulations set out the procedure for receiving presents by the Company's employees, as well as making them on behalf of the Company. The Regulations substantiate and detail the formation, structure, and documentation of representation expenses

Government Relations Policy

The Policy establishes the principles, areas, purpose and objectives of PhosAgro interaction with public authorities and officials

Charity Policy

The Policy sets out the key principles and areas for providing charitable support on behalf of and through the funds of the Company

Personnel Management Policy

The Policy sets forth the Company's and its management's adherence to high ethical standards of transparent and fair business aimed at building the image of an employer attractive for the best professionals

Regulations to Ensure Compliance with Anti-Corruption Laws as Part of Legal Support Process

The Regulations outline goals and objectives for legal support of the Company's business processes and transactions involving a high risk of corruption



Antitrust measures

The Company has approved two trade policies: for the sale of phosphate rock (Apatit's Marketing Policy for Domestic Sales of Phosphate Rock and for the sale of certain fertilizer grades to agricultural producers (Apatit's Trade Policy for Selling Mineral Fertilizers to Agricultural Producers). Both documents were designed to comply with antitrust laws and to mitigate risks associated with anti-competitive behaviour.



Apatit's Marketing Policy for Domestic Sales of Phosphate Rock and for the sale of certain fertilizer grades to agricultural producers



Apatit's Trade Policy for Selling Mineral Fertilizers to Agricultural Producers

Organisational and informational mechanisms

PhosAgro Group has a well-thought-out set of tools in place to ensure that the Group's employees and counterparties are kept abreast of and trained in ethical business practices and that cases of potentially unethical and corrupt behaviour are effectively reported to authorised officers and business units.

Training methodology



Target audience

Managers of levels N-1, N-2, N-3, N-4, N-5, as well as managers without assigned levels (as stipulated by the organisational and staff structure of the Group), white-collar workers, including employees of branches and other standalone business units



Goals and objectives

Provide students with updated information on laws and regulations on detecting and combating corruption in business entities. Help students develop an anti-corruption attitude, learn about methods of combating corruption and conflicts of interests and master relevant skills. Help students acquire knowledge of the causes and preconditions for corruption and practices of identifying and counteracting such cases



Training results

Upon completion of the anti-corruption training, a student should have an understanding of the theory of counteracting corruption in the Group; factors, causes, essence and consequences of corruption; Russian anti-corruption laws and regulations, as well as anti-corruption standards adopted in the Group; responsibility for failure to comply with anti-corruption practices



Benefits of online training

Educational materials (presentations, tests) accurately reflect the current issues of corruption at PhosAgro Group companies. The training process does not disrupt core business activities

Communication and training about anti-corruption policies and procedures

205-2

PhosAgro Group offers ongoing training programmes to educate employees on anti-corruption in order to minimise the risk of their involvement in corrupt practices. To this end, the Group has put in place a robust training system to prevent any and all corrupt practices, mitigate possible harm, and eliminate the consequences thereof.

To train and inform employees, PhosAgro Group annually develops anti-corruption courses with final tests, which are posted on the corporate intranet portal. The themes of the courses depend on the functions (responsibilities) of business units (employees) and the established system of anti-corruption standards.

Completed training programmes

2019

- » Human Rights and Code of Ethics

2020

- » Preventing and Resolving Conflict of Interest
- » Main Goals and Principles of the PhosAgro Group Code of Ethics

2021

- » Principles of the PhosAgro Hotline
- » PhosAgro Group Anti-Corruption Policy
- » The test results were used to monitor the training process and served as a basis for issuing an order on additional training for students who have demonstrated poor performance

Informing, advising, and training employees

To implement anti-corruption measures, the Economic Security Department approves an annual training plan, according to which employees are informed from time to time about existing internal regulations on anti-corruption, anti-corruption standards, responsibility for failure to comply with them, as well as amendments and additions thereto. The Group's management serves as the key communication channel to emphasise the importance of compliance with the established anti-corruption measures. PhosAgro Group's employees and counterparties have free and easy access to information about the Group's anti-corruption practices. PhosAgro Group's official website features a special section on anti-corruption, which contains CEO's message about the need to strictly comply with established anti-corruption

standards, as well as copies of internal documents aimed at preventing corruption (the Anti-Corruption Policy, Code of Ethics, Regulations on Conflict of Interest and on PhosAgro's Hotline). Internal documents are supplemented by methodological materials (handouts, presentations), which explain in easy terms the anti-corruption policy, standards of conduct, responsibility, and provide examples of corruption-prone situations that employees may encounter in the course of their employment.

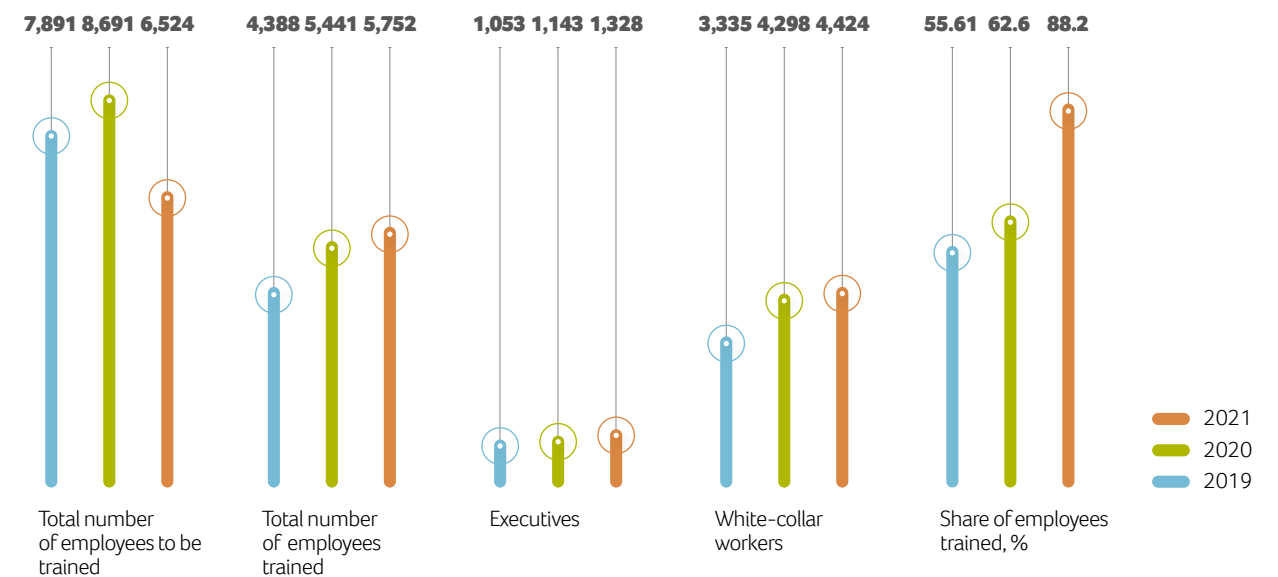
Every new employee receives training on the basic requirements of the Anti-Fraud and Anti-Corruption Policy, the Code of Ethics, Regulations on Conflict of Interest and on PhosAgro's Hotline by watching a respective video and putting their signature in briefing log to confirm the

above. Employees' job descriptions stipulate their obligation to comply with anti-corruption standards and PhosAgro Group's internal regulations, as well as to receive respective training. When employees perform functions involving a high risk of corruption, those responsible for the implementation of the Anti-Corruption Policy additionally explain to them the Russian laws and PhosAgro Group's internal policies on anti-corruption.

88.2%

Share of employees trained in anti-fraud, anti-corruption, and conflict of interest issues (as part of online learning courses)

Training of PhosAgro employees in anti-fraud, anti-corruption, and conflict of interest issues (as part of online learning courses)



Tools to notify the relevant PhosAgro Group's executives of any instances of misconduct and corrupt practices

GRI 2-25, 2-26



PhosAgro Group's employees and members of the Company's Board of Directors who have become aware of any actual or potential violation of law or PhosAgro Group's internal documents are obliged to give a prompt notice of the same in writing. This shall apply to any inducement to corruption and any violations showing signs of corruption, including those targeted at other employees, counterparties or other parties interacting with the Group



The procedures for reporting and consideration of violation reports are defined in the Anti-Corruption Policy, the Code of Ethics, the Regulations on Conflict of Interest, and the anti-corruption agreement, as well as in notifications/recommendations sent in accordance with Apatit's Order No. 16-U On Improving the Procedure for Informing Management of Apatit, its Subsidiaries and Affiliates dated 15 January 2020



A person who has submitted the above notice/report is guaranteed confidentiality of the information received, as well as such person's personal data. PhosAgro Group assumes measures to protect the employee who has notified the employer of any actual or potential violation of law and PhosAgro Group's internal documents that poses a threat to the Group companies' interests



The Code of Ethics states that each Company employee, if they have any questions relating to anti-corruption compliance or any concerns as to the rightness of their actions or the actions of other Company employees, counterparties, or other parties interacting with the Company, may seek advice or assistance from their immediate supervisors or, if need be, the relevant business units of the Company



The Hotline operates to improve the efficiency of measures taken to prevent fraud, corruption, theft, and conflict of interest, as well as mitigate the compliance and reputational risks resulting from violation of professional and ethical standards by PhosAgro Group's employees. There are three ways to report to the Hotline:

- » by phone at +8 8202 59 32 32,
- » e-mail at help@phosagro.ru
- » regular mail to the following address: the Economic Security Department, 75 Severnoye Highway, Cherepovets, Vologda Region, 162622, Russia.

To ensure free access to the Company's Hotline, all existing communication channels are posted on the corporate website

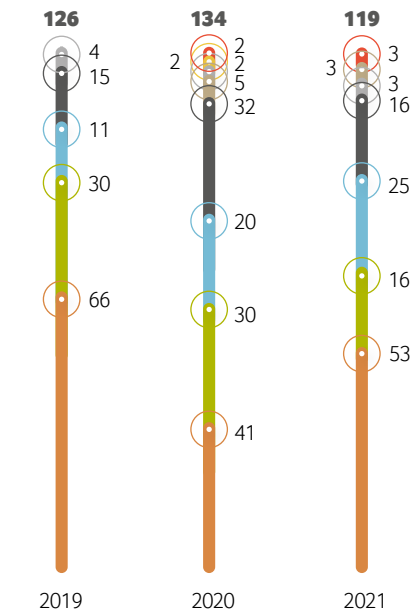
PhosAgro's Hotline

GRI 205

To improve the timeliness and effectiveness of measures aimed at preventing ethical violations, including corruption, discrimination, human rights violations, etc., PhosAgro Group created the PhosAgro Hotline portal.

Any employee or other stakeholder can use PhosAgro's Hotline to report any potential violations detrimental to the Company's interests, while the Company may not disclose the identity of the whistle-blower to other employees and third parties.

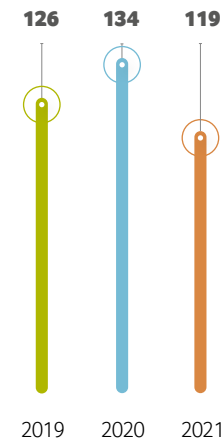
Reports received by PhosAgro's Hotline by category in 2019 – 2021



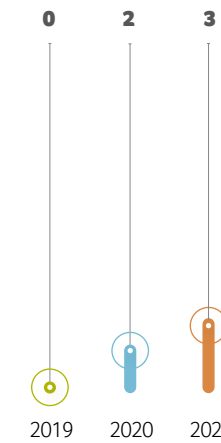
- Other
- External fraud
- HSE
- Violations of law and tender procedures
- Internal fraud
- Reputational risk
- Conflicts of interest
- Corruption (Code of Ethics)

Reports received by PhosAgro's Hotline by category in 2019 – 2021

Total reports received by PhosAgro's Hotline



Reports related to corruption



Non-discrimination policy and human rights

GRI 2-23

We are committed to keeping our working environment free from restrictions based on nationality, gender, age, faith or other grounds as required by the applicable laws. At PhosAgro Group, any decisions regarding promotion, hiring, remuneration or benefits are based solely on the employee's qualifications, performance, skills and experience.

In 2021, the Board of Directors and the Remuneration and Human Resources Committee paid special attention to human rights focusing on diversity and equality of genders. The discussion led to the key conclusion that every employee who works dutifully and has professional skills and competencies may apply for any position within PhosAgro Group, including in an executive role.

Anti-corruption

205-1

We consider it unacceptable for PhosAgro Group's executives and employees at all levels to take advantage of their official position in a way that is in conflict with corporate or national interests. To prevent fraud and corruption, PhosAgro has put in place its Anti-Corruption Policy together with a system covering 100% of its activities and a commission

on fraud, corruption, and conflicts of interest. The Company seeks to identify and assess corruption risks on a regular basis to keep track of functions and positions exposed to such risks. PhosAgro's management regularly reviews reports on the progress of anti-corruption initiatives and the performance of the anti-fraud and anti-corruption system.

PhosAgro's Internal Audit Department reports on a quarterly basis to the Audit Committee on all reports received by the PhosAgro Hotline, actions taken, the results of audits and measures to address violations of PhosAgro Group's ethical standards. The Chairman of the Audit Committee provides this information to members of the Company's Board of Directors.

119

Total reports received by PhosAgro's Hotline

Over the past three years, including the reporting period, there have been no employee reports or complaints about violations of labour practices, human rights, or discrimination.



For more information on PhosAgro Group's non-discrimination policy and human rights, see the People Development section on page 122 and 156.

In addition, we make an ongoing effort to build a culture of zero tolerance to corruption underpinned by high ethical standards, as well as maintain an atmosphere of trust, mutual respect and integrity among employees.



- About this Report
- Company Profile
- Strategic Report
- Performance Review
- Corporate Governance
- Share Capital
- Additional Information

Corporate Governance

256
257

PhosAgro Group's participation in collective efforts to combat corruption 205-2

The Company's anti-corruption policy is implemented in accordance with applicable anti-corruption laws and international conventions (including the UN Convention against Corruption and Russian anti-corruption laws). To prevent and combat corruption, PhosAgro Group cooperates with business communities and participates in public associations, which is seen as a guarantee of compliance with Article 13.3 of Federal Law No. 273-FZ On Combating Corruption dated 25 December 2008:

The Anti-Corruption Charter of the Russian Business adopted by the RSPP.

As part of self-assessment of special anti-corruption programmes and practices implemented by the Company and covering not only internal activities, but also relations with business partners and the state, procurement through public auctions, financial control, staff training and development, cooperation with law

enforcement agencies, PhosAgro Group regularly completes surveys using the portal of the Chamber of Commerce and Industry of Russia;

The Social Charter of the Russian Business adopted by the RSPP. Having joined the Social Charter of the Russian Business, PhosAgro formalised the responsible approach it takes to ESG and its commitment to best practices in corporate social responsibility;

The Anti-Fraud Working Group of the Russian Association of Fertilizer Producers (RAFP), which has developed initiatives to combat wrongdoings committed by unidentified persons using brands of major mineral fertilizer producers.

To counteract corruption, we cooperate successfully with state and local government authorities and non-

governmental organisations based on the principles of partnership, mutual respect, trust and professionalism. We have entered into a number of long-term agreements on preventing and detecting crime, as well as helping to build security infrastructure through the creation of police stations at PhosAgro Group's production sites. Joint activities are widely covered in the corporate media (Khimik newspaper, No. 47 dated 2 December 2021, No. 48 dated 9 December 2021).

Every year, the Company's Economic Security Department takes part in the International Compliance Day online forum under the auspices of the Anti-Corruption Charter of the Russian Business, as well as in in-person conferences titled Anti-Corruption and Compliance in Russia and the CIS held by Dialog Management Partners.

Preventing corruption through interaction with partners and counterparties 205-2

When building an effective anti-corruption policy, it is of utmost importance to understand what corruption offences employees may be inclined to commit depending on their positions, what business processes are most likely to involve the commission of such offences, what ways or schemes are available for committing them and what consequences they may lead to.

For this purpose, PhosAgro Group has defined lists of corruption-prone functions and positions. The activities of the officials occupying the positions included in the list are under special control of the Economic Security Department and heads of the relevant business units in terms of their compliance with high ethical standards and

requirements of internal documents on anti-corruption, including compliance with related prohibitions and restrictions and measures to prevent and resolve conflicts of interest.

PhosAgro Group seeks to identify and assess corruption risks on a regular basis using a three-step procedure to update the list of functions and positions exposed to such risks.

Corruption risk identification. Identification of corruption offences that may be committed by PhosAgro Group's employees and detection of business processes (critical points) in the course of which such misconduct is possible

Corruption risk analysis. Identification of ways that can be potentially used to commit a corruption offence, depending on the specifics of PhosAgro Group's business processes (corruption schemes), persons who may be involved in corruption, and business processes' vulnerabilities

Assessment of materiality of corruption risks. Assessment of the probability of a corruption offence at a specific stage of a business process and the potential damage to PhosAgro Group in case an employee (employees) commits (commit) a corruption offence

Acquainting business partners with PhosAgro Group's anti-corruption standards and procedures

PhosAgro Group recognises that corruption risks can arise not only within, but also outside the Company, primarily when interacting with counterparties, including business partners, suppliers, contractors, etc.

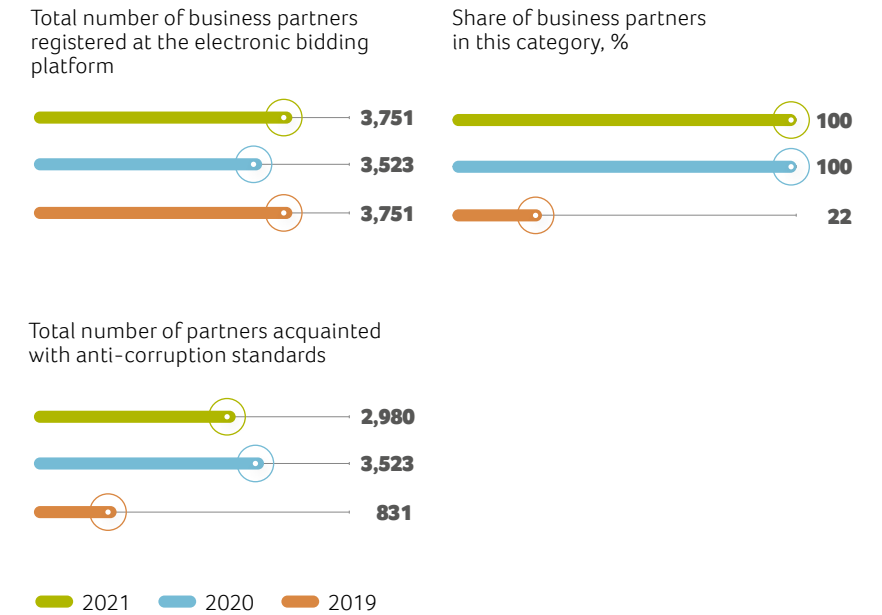
PhosAgro Group has approved a procedure for incorporating an anti-corruption clause and a clause of good faith in every contract signed by the parties; these clauses contain clear and detailed rules and procedures aimed at preventing corruption, including special management procedures, requirements for counterparties, rules of special anti-corruption control and audit, measures to prevent conflicts of interest and commercial bribery, and compensation for material damage.

As part of the Company's sustainable development strategy, we introduced the Code of Conduct for Counterparties.

We are committed to establishing and maintaining business relationships with companies that operate in line with high ethical standards and combat corruption.

PhosAgro's official website now enables visitors to register at the electronic bidding platform. Every potential supplier of goods or services interested in establishing a business relationship with the PhosAgro Group is required to read the relevant internal documents (PhosAgro's Anti-Corruption Policy, Code of Ethics, Anti-Fraud and Anti-Corruption Policy of Apatit, etc.), and familiarise themselves with information on PhosAgro's Hotline. Only after becoming aware of these standards may they proceed with the registration at the electronic bidding platform. This helps to ensure that all potential counterparties seeking to do business with PhosAgro Group are familiar with PhosAgro's Anti-Corruption Policy and standards.

Anti-Fraud and Anti-Corruption Policy



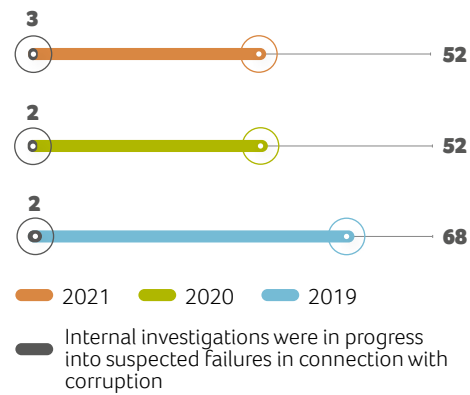
Incidents of corruption identified and actions taken

PhosAgro Group's commitment to the anti-corruption standards is evidenced by the fact that it cooperates with law enforcement authorities:

- 1 **PhosAgro Group made a public commitment to report to the relevant law enforcement authorities any cases of corruption (signs of corruption) PhosAgro Group (its employees) become aware of.**
- 2 **PhosAgro will not impose any sanctions on employees who reported to law enforcement authorities any actual or potential corruption incidents that they became aware of in the course of their employment.**

Internal investigations into reported corrupt behaviour

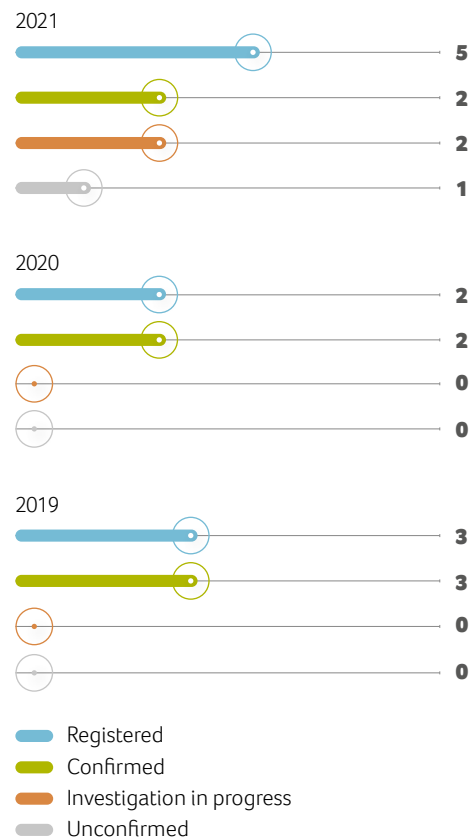
Number of internal investigations into various failures to comply with the internal regulations, including corruption-related



52

internal investigations were in progress into suspected failures to comply with the internal regulations in 2021

Cases of corruption identified over three years



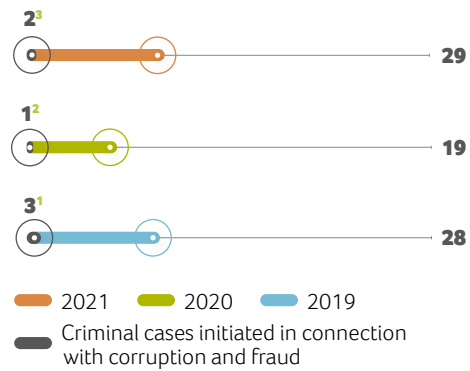
¹ Article 204, Parts 6 and 8, and Article 159, Part 3, of the Russian Criminal Code.
² Article 258, Part 1, of the Russian Criminal Code.
³ Article 204 and Article 159, Part 4, of the Russian Criminal Code.

GRI 2-15

In 2021, 52 internal investigations were in progress into suspected failures to comply with the internal regulations, of which four (into corruption and fraud) were completed. The details can be found in the relevant sections of the Report.

Criminal cases initiated in connection with corruption and fraud

Number of criminal cases initiated, total, including corruption-related



his employment. A criminal case was opened in accordance with Article 204, Part 7 of the Russian Criminal Code. The criminal case was opened in accordance with Article 204, Part 7, clause (c) ("Commercial Bribery") of the Russian Criminal Code on 14 July 2021 in connection with an illegal transfer of funds as payment for concealing violations and failure to impose penalties on the offenders as prescribed by the Company's internal regulations.

In 2021, the Company disqualified two business partners who wanted to participate in bidding procedures worth over RUB 400 mln on the grounds that they were considered not trustworthy because of their failure to comply with anti-corruption standards. The management of one of the business entities offered RUB 2 mln to representatives of the Economic Security Service for knowingly performing illegal actions to approve their bid for a mineral fertilizer supply contract. The court found the management of the business entity guilty of an administrative offence under Article 19.28, Part 1 ("Illegal Gratification on behalf of a Legal Entity") of the Russian Administrative Code and imposed an administrative fine in the amount of RUB 500,000.

GRI 205-3

In 2021, two cases of corruption were confirmed, one involving an employee of Apatit's Volkhov branch and the other one involving a contractor's management, both of them giving rise to criminal proceedings.

1. On 31 May 2021, we completed an internal investigation into wrongdoings committed by CEO of a business entity acting as a counterparty and the management of Apatit's Heat, Water and Gas Supply Unit when signing work completion certificates, with a disciplinary action (punitive reprimand) taken against the head of Apatit's respective business unit. The results of investigation were sent to law enforcement authorities for consideration. The criminal case was opened in accordance with Article 159, Part 4 ("Fraud") of the Russian Criminal Code on 28 December 2021 in connection with fraudulent acts on the part of the counterparty's management resulting in a loss of RUB 19 mln by Apatit.

2. On 18 November 2021, we completed an internal investigation in respect of a road traffic safety officer of the Transport Department (Volkhov branch of Apatit) who was reported to have illegally received RUB 100,000 for the benefit of a contractor in exchange for concealing their failures to comply with the internal regulations, following which the Company terminated

Conflict of interest

GRI 2-15

PhosAgro's Code of Ethics and Regulations on Conflict of Interest require employees to report any potential or actual conflicts of interest to their line manager or an anti-corruption officer.

As part of the work to develop a framework for preventing, identifying and resolving conflicts of interest, three designated collegial advisory bodies were established at PhosAgro Group:

1. the Commission on Conflict of Interest between Employees of PhosAgro chaired by the CEO;
2. the Commission on Fraud, Corruption and Conflicts of Interest at Apatit (to streamline anti-corruption efforts across the Company's production units);
3. the Commission on Fraud, Corruption and Conflicts of Interest at PhosAgro-Region (to act for the downstream business).

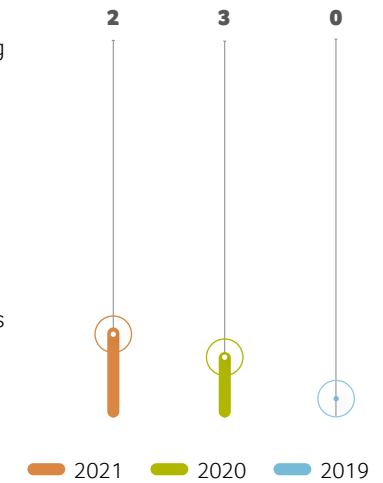
PhosAgro places a strong emphasis on timely prevention, identification and resolution of potential conflicts of interest. The Company puts in place verification procedures to be carried out when personnel decisions are made and responsibilities are distributed and requires all candidates to report personal interest, if any, at the time they are offered employment with the Company and regularly from then onwards.

» an investigation as of 7 June 2021 into the abuse of powers by Deputy Director of Capital Constitution Department (Volkhov branch of Apatit) who had awarded a contract to a close relative and into the way he oversaw the performance of the contract. Following the investigation, this manager's employment was terminated;

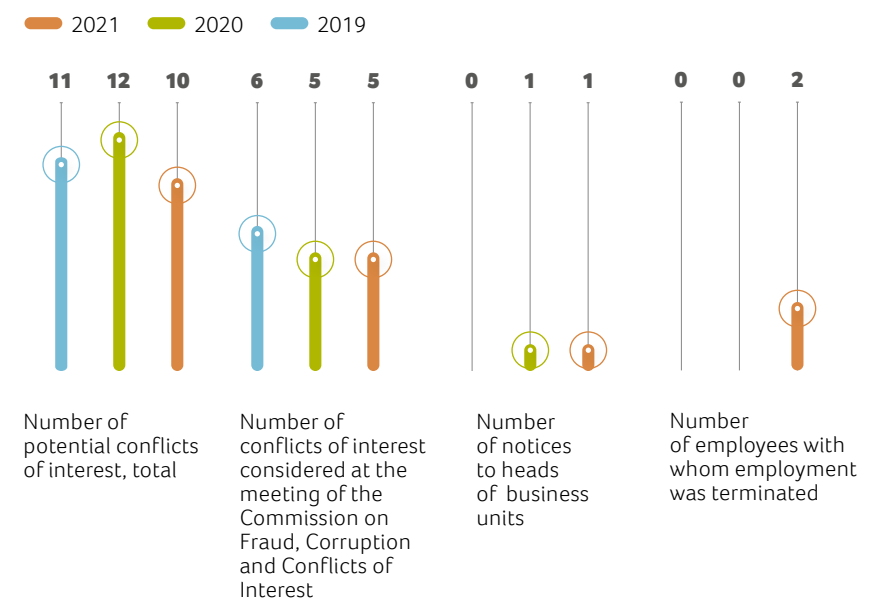
» an investigation as of 12 August 2021 in respect of a leading expert of LLC PromTransport's standalone business unit who abused their powers when overseeing the performance of the contract awarded to a close relative. Following the investigation, this expert's employment was terminated.

In 2021, the Company considered ten cases of potential conflict of interest, five of them at a meeting of the Commission on Fraud, Corruption and Conflicts of Interest chaired by Apatit's CEO. Two internal investigations were carried out (see above). Employment with three employees was terminated for failure to comply with the internal documents and report potential conflicts of interest.

Internal investigations into reported corrupt behaviour, including conflicts of interest



Internal investigations into reported corrupt behaviour, including conflicts of interest



Remuneration Report

Board of Directors remuneration

GRI 2-19.2-20

When deciding on a Board of Directors composition, the General Meeting of Shareholders approves the amount and the rules for determining and paying remuneration and compensation to the Board members. According to the Company's Corporate Governance Code, the Board remuneration shall be in line with current market conditions and shall be sufficient to enable the Company to attract, motivate and retain highly skilled professionals to help drive the future growth and performance.

At the same time, the Company avoids higher-than-necessary remuneration. Fixed (quarterly) remuneration is paid only to independent Board members.

Additional (quarterly) remuneration is paid to the chairmen of Board committees who are independent directors and the non-employee directors of the Board of Directors.

The Chairman of the Board of Directors who is an independent director receives fixed (quarterly) remuneration equivalent to USD 90,000 for a full quarter. Other independent directors are paid an equivalent of USD 45,000 for a full quarter.

Additional (quarterly) remuneration is payable to the chairmen of Board committees who are either independent or non-employee directors in an amount equivalent to USD 30,000 for a full quarter.

If such independent or non-employee director chairs two or more committees, the additional (quarterly) remuneration is increased to USD 45,000 for a full quarter.

The Company compensates directors for actual expenses incurred by them while performing their respective functions.

Board of Directors' remuneration, RUB

Full name of the member of the Board of Directors	2019	2020	2021
Sven Ombudstvedt	22,871,844.00	27,111,960.00	26,561,520.00
James Beeland Rogers Jr.	19,059,870.00	22,593,300.00	22,134,600.00
Marcus Rhodes	19,059,870.00	22,593,300.00	22,134,600.00
Andrey Sharonov	11,435,922.00	13,555,980.00	13,280,760.00
Xavier Rolet	21,339,381.35	27,111,960.00	26,561,520.00
Irina Bokova	15,994,944.69	22,593,300.00	22,134,600.00
Total	109,761,832.04	135,559,800.00	132,807,600.00

RUB 132.8 mln

the total remuneration paid to PhosAgro's Board of Director in 2021

Remuneration of the management

Remuneration principles

The Company's remuneration policy for executive bodies' members and other key employees is determined by the Board of Directors based on the recommendations of the Remuneration and Human Resources Committee.

The Remuneration and Human Resources Committee conducts a detailed bi-annual review of the incentive system, evaluating its effectiveness and, if necessary, making recommendations for its improvement.

The remuneration due to the Company's senior executives consists of a monthly base salary plus additional compensation payable twice a year. Additional remuneration is linked to achieving the Company's key performance indicators (KPIs) and completeness and quality of accomplishment of additional tasks, as determined by the Board of Directors and the CEO for the reporting period, as well as the Company's achievement of the EBITDA target.

All KPIs are aligned with the Company's strategic goals defined in its Strategy to 2025 and oriented towards their achievement.

The amount of additional remuneration ranges from 30% to 150% of the annual base salary and depends on the level of the position held and the functional area of the manager. The Remuneration and Human Resources Committee of the Board of Directors, during its annual evaluation of the incentive system, ensures an effective proportion of fixed and variable components of remuneration.

KPIs for each senior manager are set annually and take into account metrics related to operational efficiency and individual contribution to the corporate growth and strategic performance.

To assess the performance of the Company's CEO, a number of indicators are used that characterise the Company's performance benchmarked against peers in the industry and reflect the efficiency of investments made:

1. Excess of PhosAgro's average shareholder return over the average total shareholder return of phosphate fertilizer manufacturers. The indicator is based on benchmarking the level of return received by PhosAgro shareholders against the average return received by shareholders of other public companies in the industry. We use both the dividend yield received by shareholders during the reporting period and the income generated by changes in the value of shares (depository receipts) as the indicator. The goal is to exceed the shareholder return of peer companies.

2. Change in spread between average EV/EBITDA of public phosphate fertilizer manufacturers and PhosAgro's EV/EBITDA. EV/EBITDA reflects investors' estimate of a company's fair market value and its investment case. The goal is to increase the spread.

3. Excess of PhosAgro's ROIC – WACC spread over the average ROIC – WACC spread of public peers. The indicator reflects how much higher a company's return on investment is than the cost

of capital (equity and debt), and how efficient the company's investments are compared to other companies in the industry. The goal is to outperform.

4. Achievement of the target NPV for investment proje. This indicator reflects the success of the strategic investment decisions made and the quality of delivering the company's strategic plans. The goal is to achieve the target.

Values of the specified KPIs in the range of base case / target / challenge, as well as their actual values at the end of the reporting period are approved by the Chairman of the Board. Taken together, these indicators contribute to the achievement of the Company's strategic goals and serve the interests of shareholders both in terms of the Company's development and in terms of minimising the risks arising from incentivising excessively risky management decisions.

KPIs of the CEO and N-1 level managers, including sustainable development indicators, are cascaded down and decomposed into KPI scorecards of lower-level management. The indicators themselves and their weights are modified depending on the nature of a particular manager's focus area with due regard to their strategic fit. Specific KPI wordings and their weights are established by the Company's KPI Committee, taking into account the opinion of the KPI holder and their immediate supervisor.

In 2021, 280 PhosAgro Group's officers were benchmarked against 1,527 KPIs.

Item no.	Wording	Impact on the variable component of the CEO's annual remuneration, %	KPI performance in 2021, %
1	Excess of PhosAgro's average shareholder return over the average total shareholder return of phosphate fertilizer manufacturers	20	100
2	Change in spread between average EV/EBITDA of public phosphate fertilizer manufacturers and PhosAgro's EV/EBITDA	20	125
3	Excess of PhosAgro's ROIC – WACC spread over the average ROIC – WACC spread of public peers	20	125
4	Achievement of the target NPV for investment projects	20	115

280

PhosAgro Group's officers were benchmarked against 1,527 KPIs in 2021

Number of officers holding KPIs by year:



As can be seen from the above statistics, PhosAgro Group is focused on sustainable development, and the KPI framework includes the following indicators:

- » Share of waste recycling, neutralisation and processing
- » Compliance with maximum permissible discharge/emission rates
- » Implementation of key social projects
- » % of completion of the programme to improve social and working conditions
- » Zero industrial accidents
- » Zero occupational injuries

When determining the amount of additional annual remuneration for the top management, we look at the achievement of the EBITDA target as an integral indicator of the Company's performance. The managers' performance is adjusted by the percentage of delivering on the EBITDA target as follows:

The Company does not provide for any compensation payable to managers in case of their dismissal or voluntary resignation or the Company's takeover or the change of its

Top-3 KPI-driven areas

- 1** Commitment to sustainability — **50%** of KPIs
- 2** Expansion of production capacities through improved operational efficiency — **36%** of KPIs
- 3** Development in high-potential areas — **9%** of KPIs

In 2021, KPIs were added for the following areas:

- » projects to implement the most environmentally friendly methods of farming (promotion of sales of urea with urease inhibitor)
- » promotion of the Green Label project
- » promotion of the University of Innovations project
- » quality of non-financial reporting
- » external perception of environmentally responsible development activities



% of EBITDA target met	Adjustment based on the Company's EBITDA, %
Less than 60	0
Greater than or equal to 60 and less than or equal to 125	Actual EBITDA / Target EBITDA
Above 125	125

owner (golden parachutes). Neither does it use options, pre-determined unconditional bonuses or a clawback mechanism.

Management remuneration

The amount of remuneration and additional compensation due to PhosAgro's CEO is regulated by a contract between them and the Company, which is signed by the Chairman of the Board of Directors. The total remuneration reflects the CEO's qualifications and their personal contribution to the Company's financial results.

Loans extended to members of the Board of Directors and executive bodies – RUB 15 mln (as at 31 December 2021). Terms of borrowing – based on 2/3 of the refinancing rate effective as at the date of the loan.

Remuneration paid to the CEO and six other Management Board members who represent the senior management team for their services to the Company, RUB '000

Pay type	2019	2020	2021
Total, including	451,207.7	1,098,922.60	1,422,662.4
salary	170,490.6	421,033.0	399,548.2
bonus	280,408.6	677,807.1	1,023,035.3
other types of remuneration	302.5	82.5	78.9
fee	0	0	0

External auditor's remuneration

The Company engaged AO PricewaterhouseCoopers Audit to audit its 2021 IFRS consolidated financial statements. The actual remuneration paid to the auditor for this service stood at RUB 36.0 mln, net of VAT and overhead costs; a similar amount for 2020 was RUB 36.5 mln.

In addition, in 2021, PricewaterhouseCoopers Audit rendered audit-related services to the Company for a total of RUB 13.7 mln, including preparations for the Eurobond issue worth RUB 8.4 mln, net of VAT.

Also, during 2021, other contracts were concluded for the provision of non-audit services to the Company in the amount of RUB 10.4 mln, net of VAT. All additional services, related and unrelated to audit, were duly approved by the audit partner, as well as by the Chairman of the Audit Committee of the Company's Board of Directors, with due regard to appropriate independence considerations.

The actual remuneration of FBK to audit the Company's RAS accounting statements for 2021 was RUB 620,000 net of VAT, up 5% year-over-year.





Responsible growth

Since the IPO, we have more than doubled our output of mineral fertilizers and feed phosphates. From 2011 up to now, we have invested close to USD 6 bln in the Company's development. Over these ten years, we have achieved a nearly four-fold increase in labour productivity at our production sites, while also reducing workplace injury rates by more than two thirds.

>250

online meetings and conference calls with investors and analysts

Transparency and consistency

The Company maintains an ongoing dialogue with the investor community through a variety of communication channels and with involvement of the Company's senior management and independent directors.



PHOSAGRO®

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Share Capital

Ownership structure

The authorised capital of PhosAgro as at 31 December 2021 amounted to RUB 323,750,000 consisting of 129,500,000 ordinary shares with a par value of RUB 2.5 per share.

The register of holders of PhosAgro's securities is maintained by JSC Reestr whose details are set out in the Contacts section <https://www.phosagro.com/contacts/>.

As at 31 December 2021, there were no shareholders in the Company with a stake of more than 5% beyond those already disclosed by the Company in this report.

The Company is unaware of any shareholders that may gain or have gained control disproportionate to their share in the Company's authorised capital, including by virtue of shareholder agreements.



The current ownership structure is available on the Company's website



Contacts section

Shareholding structure as at 31 December 2019

Shareholder	Number of shares	% of issued and outstanding shares
Adorabella Limited	32,176,662	24.85
Chlodwig Enterprises Limited	24,359,900	18.81
Evgenia Guryeva	6,235,960	4.82
Vladimir Litvinenko	27,174,815	20.98
Other shareholders	39,552,663	30.54 ¹
Total	129,500,000	100.00

Shareholding structure as at 31 December 2020

Shareholder	Number of shares	% of issued and outstanding shares
Adorabella Limited	30,234,162	23.35
Chlodwig Enterprises Limited	26,302,400	20.31
Evgenia Guryeva	6,235,960	4.82
Vladimir Litvinenko	27,174,815	20.98
Other shareholders	39,552,663	30.54 ¹
Total	129,500,000	100.00

Shareholding structure as at 31 December 2021

Shareholder	Number of shares	% of issued and outstanding shares
Adorabella Limited	30,234,162	23.35
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Evgenia Guryeva	6,235,960	4.82
Vladimir Litvinenko	27,174,815	20.98
Other shareholders	39,552,663	30.54 ¹
Total	129,500,000	100.00

¹ Free-float ratio (% of shares in free float).

Share performance

PhosAgro's shares are traded on the A1 quotation list of the Moscow Exchange under the ticker symbol PHOR (ISIN: RU000A0JRK8).

Global depositary receipts (three GDRs represent one share) are traded in the Main Market of the London Stock Exchange under the symbol PHOR.

Shares of PhosAgro are included in the following indices of the Moscow Exchange:

- › MSCI Russia;
- › MSCI Emerging Markets;
- › MOEX Russia;
- › RTS.

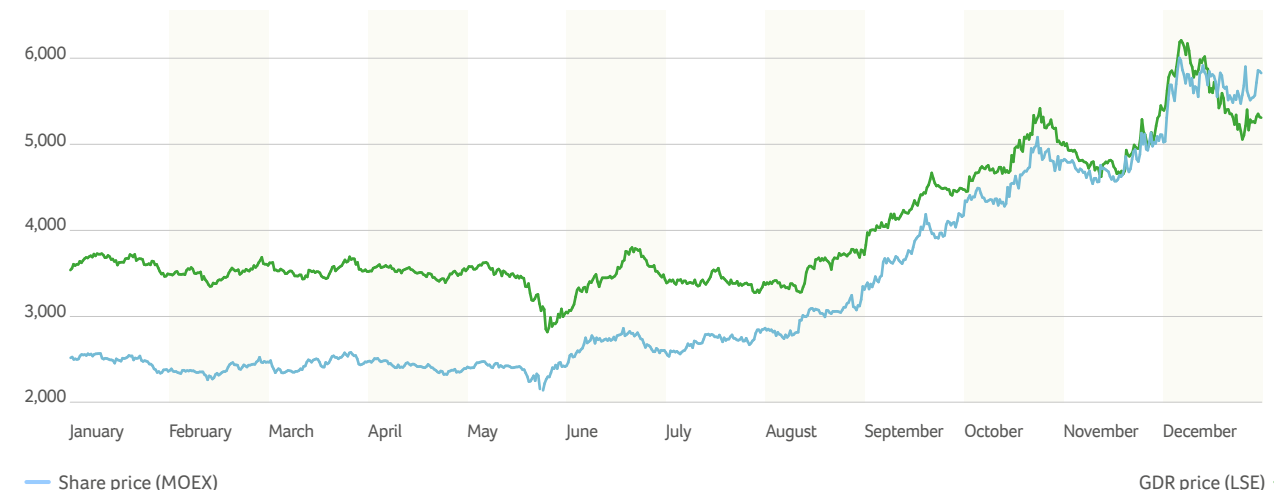
Citigroup Global Markets Deutschland AG acts as the depositary for the Company's GDR Programme.

Tickers

Stock exchange	Bloomberg	Reuters	ISIN
Moscow Exchange	PHOR RU	PHOR.MM	RU000A0JRK8
London Stock Exchange	PHORLI	PHORq.L	US71922G2093

Codes for Global Depositary Receipts	Under Regulation S	Under Rule 144A
CUSIP	71922G209	71922G100
ISIN	US71922G2093	US71922G1004
Common code	065008939	065008939
SEDOL	0B62QPJ1	0B5N6Z48
RIC	PHOSq.L	GBB5N6Z48.L

Share/GDR performance in 2021



The key factors affecting the Company's share performance in 2021:



surge in demand for phosphate- and nitrogen-based fertilizers over the year;



high prices for major crops in global markets;



low fertilizer stocks in the Company's key sales markets;



more expensive primary feedstock (gas, sulphur, potassium);



successful completion of construction of an 800 ktpa phosphate-based fertilizer plant in Volkhov;



improvements across the Company's key ESG ratings in 2021.



strong operational and financial performance of the Company;

Share performance

Item	As at 31 December 2020	As at 31 December 2021
Share price on the Moscow Exchange, RUB	3,133.00	5,833.00
GDR price on the London Stock Exchange, USD	13.64	21.58
Market capitalisation, USD mln	5,299.14	8,383.83



For more information on our historical share performance, please visit website

List of major institutional investors in shares and GDRs as at 31 December 2021, %

Name	% of the free float
BlackRock, Inc.	1.72
FIL Limited	1.55
Vanguard Group, Inc./The	0.86
Norges Bank	0.64
Van Eck Associates Corporation	0.39
Nordea Bank Abp	0.37
Grantham, Mayo, Van Otterloo & Co. LLC	0.37
Swedbank AB	0.26
FMR LLC	0.24
Government Pension Investment Fund	0.22

Source: Bloomberg

Debt management

The Company uses a conservative approach to leverage and believes that a comfortable net debt/EBITDA ratio should be below 2x or even within a range of 1–1.5x in the long run. As at 31 December 2021, the Company’s leverage was much lower than that, at 0.8x.

When determining its borrowing requirements, the Company assesses the cost of borrowing from banks and public debt markets, the amount and maturity available while striving to ensure that this fits into the Group’s long-term debt reduction strategy.

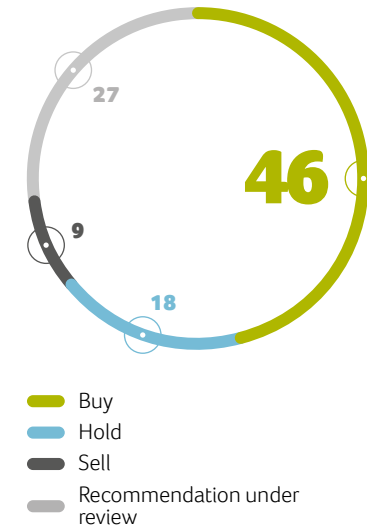
The choice of the currency of borrowings is based on the structure of the Company’s revenue, 70% of which is in foreign currency and the rest is strongly correlated with US Dollar exchange rate.

Bonds

Borrower	PJSC PhosAgro	PJSC PhosAgro	PJSC PhosAgro
Issuer	PhosAgro Bond Funding Limited	PhosAgro Bond Funding Limited	PhosAgro Bond Funding Limited
Settlement date	24 January 2018	23 January 2020	16 September 2021
Principal outstanding, USD mln USA	500	500	500
Guarantor(s)	JSC Apatit	JSC Apatit	JSC Apatit

Analyst coverage

Recommendations from analysts of investment banks and financial institutions regarding the Company’s shares as at 31 December 2021, %



PhosAgro is covered by analysts from leading Russian and international brokers.

Company	Analyst	Tel.
ATON	Andrey Lobazov	+7 (495) 213-03-37
BCS Investment Bank	Kirill Chuyko	+7 (495) 213-15-26 +7 (495) 213-15-03
VTB Capital	Elena Sakhnova Artem Vodyannikov	+7 (495) 287-68-77
Goldman Sachs	Nina Dergunova Ilya Dmitriev	+7 (495) 645-42-30
BMO	Joel Jackson	+1 (416) 359-42-50
Sberbank CIB	Sergey Donskoy Maria Martynova	+44 207 071-08-24 +7 (495) 665-56-00
Bank of America	Sashank Lanka	+971 4 425 8231
Alfa Bank	Boris Krasnojenov Yulia Tolstykh	+7 (495) 795-36-12
Renaissance Capital	Boris Sinitsyn	+7 (499) 956-45-40
Raiffeisen Bank	Sergey Garamita	+7 (495) 221-98-42
Sinara Financial Corporation	Anastasia Egazaryan	+7 (917) 514-85-51

Dividend policy

PhosAgro is committed to striking an effective and reasonable balance between the payment of dividends and reinvestment of profit in further development.

Higher transparency and predictability of dividend payments are a priority for the Company as it seeks to ramp up its growth and strengthen its investment case.

All resolutions on the payment of dividends and the timing and amount of such payment are subject to approval of the General Shareholders’ Meeting, based on recommendations provided by the PhosAgro Board of Directors. When preparing recommendations for the General Shareholders’ Meeting on any dividend payout (declaration), in addition to the current financial standing assessment, the Board of Directors takes into account



The full text of our dividend policy is available on the Company’s website



the relevant provisions of the Company’s dividend policy that state that the amount of distributed dividends may range from 50% to over 75% (subject to the Company’s leverage ratio) of the Company’s consolidated free cash flow for the respective year under IFRS. At the same time, the amount of declared dividends should not be lower than 50% of net profit for the year under IFRS.

(AGM) approve dividends of RUB 390 per share (RUB 130 per global depositary receipt), or RUB 50,505 in total. If approved by the Annual General Shareholders’ Meeting on 30 June 2022, declared dividends for 2021 will amount to RUB 114,608, or 147% of the free cash flow calculated on the basis of the Company’s 2021 IFRS consolidated financial statements.

On 9 February 2022, PhosAgro’s Board of Directors recommended that the Annual General Shareholders’ Meeting

Report on dividends declared and paid

Item	Dividend per share, RUB	Dividend per GDR, RUB	Total amount of declared dividends, RUB	Governance body deciding on the payment of dividends	Date of the General Shareholders' Meeting where the relevant resolution on the payment of dividends was adopted and No. of the minutes	Dividend payment timeframes ¹
2019						
Retained earnings as at 31 March 2019	72	24	9,324	●	24.06.2019	No later than 11 July 2019 – 15 August 2019
.... as at 31.12.2018	54	18	6,993	●	04.10.2019	No later than 16 October 2019 – 20 November 2019
.... as at 31.12.2018	48	16	6,216	●	24.01.2020	No later than 5 February 2020 – 12 March 2020
.... as at 31.12.2019 (based on 2019 results)	18	6	2,331	●	22.05.2020	No later than 3 June 2020 – 8 July 2020
2020						
.... as at 31.03.2020	78	26	10,101	●	19.06.2020	No later than 7 July 2020 – 10 August 2020
.... as at 30.06.2020	33	11	4,273.5	●	30.09.2020	No later than 16 October 2020 – 20 November 2020
.... as at 30.09.2020	123	41	15,928.5	●	14.12.2020	No later than 28 December 2020 – 18 January 2021
.... as at 31.12.2020 (based on 2020 results)	63	21	8,158	●	25.05.2021	No later than 8 June 2021 – 13 July 2021
2021						
.... as at 31.03.2021	105	35	13,597.5	●	22.06.2021	No later than 6 July 2021 – 9 August 2021
.... as at 30.06.2021	156	52	20,202	●	13.09.2021	No later than 08 October 2021 – 29 October 2021
.... as at 30.09.2021	234	78	30,303	●	08.12.2021	No later than 21 December 2021 – 1 February 2022
.... as at 31.12.2021 (based on 2021 results) ²	390	130	50,505	●	30.06.2022	No later than 25 July 2022 – 15 August 2022

- Extraordinary General Shareholders' Meeting
- Annual General Shareholders' Meeting



For more information on the Company's dividend payment history, please visit website

¹ To nominee holders and trustees who are securities market professionals and are on PhosAgro's register of shareholders / other persons on PhosAgro's register of shareholders.
² On condition the approval of the payments recommended by the Board of Directors based on the results of 2021 at the Annual General Shareholders' Meeting on June 30, 2022.

Relationship with shareholders and investors

At PhosAgro, we are committed to transparency and consistency, and maintain an ongoing dialogue with the investor community through a variety of communication channels and with involvement of the Company's senior management and independent directors.

- » To provide transparency on how our corporate governance systems work;
- » To generate new ideas through a dialogue with investors;
- » To clarify the Company's contribution to the UN Sustainable Development Goals.

In 2022, the Company is conducting another ESG investor survey, with plans to make it biennial. The first survey took place in 2020.

A well developed Eurobond programme helps reinforce the Company's position in the public debt market while ensuring the lowest cost of funding.

In 2021, the Company expanded communication with retail investors by holding five conference calls with the assistance of major Russian brokers. The calls were broadcast on Telegram, YouTube, Clubhouse and other channels and helped the Company reach a wider audience.

In 2021, PhosAgro received DFI certification of its USD 500 mln Eurobond issue. Also, the Company engaged Vigeo Eris to provide a five-component Second Party Opinion (SPO). The purpose was to map out KPIs as part of the preparation for issuing green finance instruments.

Continuous engagement programme allows the Company:

- » To raise investor awareness of the Company's potential value and long-term sustainability;
- » To update investors on PhosAgro's strategic priorities and progress we have made;
- » To attract a wider pool of investors to improve liquidity, share price and borrowing costs;
- » To increase our access to a variety of capital market instruments;

We keep the market abreast of the Company's performance by publishing quarterly operational and financial results that are made available to investors via press releases, presentations, conference calls and webcasts. On top of that, we take every opportunity to answer investors' questions and gather feedback from market players by participating in industry and regional investment conferences.

Regular NDRs allow us to expand our investor base through meetings arranged outside of key financial market centres.



Why we interact

There are four main purposes for which PhosAgro interacts with the investment community – each building on each other and facilitating an ongoing exchange of information and higher business transparency:

- » Provide investment community with reliable and relevant information on the key aspects of the Company's operations, its development plans and long-term goals;
- » Identify risks and opportunities for the Company as seen from the perspective of members of the investment community after they have analysed the provided information;

» Communicate investor feedback to the management to form the internal position and tweak/work out a development strategy that would mitigate major risks and unlock the Company's potential;

» Monitor the progress against the Company's development strategy and present its results to the public.



How we interact

The Company interacts with the investment community in a variety of ways:

- » Non-deal roadshows (including those held virtually) covering general topics for broader investor audiences and deal roadshows relating to Eurobond offerings and ESG disclosures etc.;
- » One-on-one meetings and calls with investors;
- » Investor conferences, both offline and online;
- » Conference calls on the Company's financial and operational performance;
- » Surveys of the Company's perception by different investor categories, including ESG-oriented groups;
- » Selective communication with members of the analyst

community to raise their awareness of the Company's operations;

- » Interaction with credit and ESG rating agencies;
- » Regulatory press releases;
- » Annual General Shareholders' Meetings and formal reporting;
- » Corporate website;
- » A dedicated in-house investor relations team;
- » Appointment of seven independent directors of the Board of Directors to represent shareholder interests

Key topics and activities in 2021

- » In 2021, the Company held meetings with more than 250 investors and analysts. These include 12 investor conferences and numerous calls as part of virtual NDRs.
- » Following an intensive DCM marketing campaign the Company raised USD 500 mln via a Eurobond issue, which was priced at a coupon of 2.6% per annum, the lowest ever rate among Russian corporate issuers.
- » Four conference calls and webcasts for analysts and investors were organised in order to discuss the Company's financial results.

- » 120 publications were made in line with Russian disclosure regulations via the Interfax Corporate Disclosure Centre.
- » More than 50 press releases were distributed via the UK regulatory news service.



For more information on our initiatives and their accompanying presentations, please visit the Calendar section of the Company's official website

Information disclosure

PhosAgro strictly follows the requirements imposed by Russian securities regulations, as well as rules for the companies traded on the LSE. The Company publicly discloses all required information to shareholders and investors in a timely manner through authorised newswires, the corporate website, PhosAgro's official disclosure page on the Interfax portal, and at the LSE webpage.

Financial calendar for 2022

Financial results disclosure	
Q4 and FY 2021	10 February 2022
Q1 2022	19 May 2022 (TBC)
Q2 and 6M 2022	11 August 2022 (TBC)
Q3 and 9M 2022	10 November 2022 (TBC)



PhosAgro's official disclosure page on the Interfax portal



The Company's page on the LSE website



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To the Shareholders and Board of Directors of PJSC "PhosAgro":

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PJSC "PhosAgro" (the "Company") and its subsidiaries (together – the "Group") as at 31 December 2021, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

- The Group's consolidated financial statements comprise:
 - the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2021;
 - the consolidated statement of financial position as at 31 December 2021;
 - the consolidated statement of cash flows for the year then ended;
 - the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the consolidated financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter

Initial audit procedures as a result of changing the auditor

Refer to Note 4 to the consolidated financial statements of the Group

In December 2020, the Company appointed us as auditors of the consolidated financial statements of the Group for the year ended 31 December 2021. The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 18 February 2021.

For the first-year audit, our objective with respect to the opening balances was to obtain sufficient appropriate audit evidence about whether:

(a) The opening balances contain misstatements that materially affect the current period's financial statements; and

(b) Appropriate accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements, or changes thereto are appropriately accounted for and adequately presented and disclosed in accordance with IFRS.

We focus on this matter as the first-year audit inherently requires greater attention to the consistency of the application of accounting principles, critical estimates and significant management judgements.

How our audit addressed the key audit matter

As the newly appointed auditor we performed the following audit procedures to obtain sufficient appropriate audit evidence regarding the opening balances:

- We contacted the predecessor auditor and assessed the predecessor auditor's working papers to obtain evidence regarding the opening balances.
- We reviewed the accounting policies of the Group and ensured that the accounting policies have been consistently applied in the current period's financial statements.
- We assessed changes in the accounting policies implemented by the Group since 2020 to make sure they were appropriately applied and presented in the consolidated financial statements in accordance with IFRS.
- We identified complex accounting matters and transactions and assessed management's judgement, the accounting treatment and the disclosures made in the consolidated financial statements.
- We obtained an understanding of management's process in respect of the identification and measurement of the accounting estimates and related controls.
- We assessed critical estimates and judgements applied by management that had the most significant effect on the amounts recognised in the consolidated financial statements of the Group and ensured that these estimates and judgements are adequate and conform with IFRS requirements.



Key audit matter **How our audit addressed the key audit matter**

Recoverability of deferred tax assets

Refer to Note 17 to the consolidated financial statements of the Group

As at 31 December 2021, the Group's consolidated statement of financial position includes RUB 9,499 million of deferred tax assets, the main part of which relates to deferred tax assets recognised by the Company in respect of tax losses carried forward.

In terms of IFRS, a deferred tax asset shall be recognised for unused tax losses only to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Management of the Group performed the assessment of and concluded on the recoverability of the deferred tax assets. This analysis was based on the long-term plans of the Group and the financial projections of the future taxable profits of the Company.

We focus on this area because it involves significant management's judgement and is affected by the uncertainty over the amount of future taxable profit.

We performed the following audit procedures to address the key audit matter:

- We obtained an understanding of the Company's process in relation to the assessment of the recoverability of the deferred tax assets and long-term budget preparation.
- We obtained the long-term budget prepared by the Company's management and challenged the expected future profits and assumptions regarding future earnings as reflected therein, by comparing them to industry and market trends.
- We assessed the accuracy of the Company's calculations used in the model, including deferred tax calculations.
- We assessed the adequacy of the management's assumptions used in assessing the recoverability of the deferred tax assets arising from tax losses carried forward in the consolidated financial statements.
- We involved our tax specialists to assist in evaluating the management's plans and to consider any potential limitations to the amount and timing of the utilisation of the unused tax loss as established by Russian tax legislation.
- We have read the consolidated financial statements and assessed adequacy of the related note disclosures.

Other matter – Materiality and Group audit scope

Overview

Materiality Overall Group materiality: Russian Roubles ("RUB") 8,003 million, which represents 5% of profit before tax

- Group scoping**
- We conducted audit work at six reporting units located in three countries
 - Our audit scope addressed 88% of the Group's revenues and 78% of the Group's absolute value of underlying profit before tax

Materiality

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality RUB 8,003 million

How we determined it 5% of profit before tax

Rationale for the materiality benchmark applied We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this sector

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Our group audit was focused on the significant components in the Russian Federation and abroad. For components which are individually financially significant we performed an audit of their complete set of financial information. For components that are not individually financially significant, but that are important to achieve sufficient coverage on individual items, we performed an audit of a complete set of financial information or an audit of one or more account balances.

As a group auditor, we determined the nature and extent of the audit procedures to be performed for the components of the Group to ensure that we have performed enough work to be able to give an opinion on the Group's consolidated financial statements as a whole. For the component auditors involved from another PwC network firm, we issued specific instructions which included our risk analysis, materiality and audit approach for the key audit areas. The Group engagement team regularly communicated with the component auditor.

By performing the above procedures at the components, combined with additional procedures at the Group level, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial statements of the Group as a whole that provides a basis for our opinion.

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Other information

Management is responsible for the other information. The other information comprises the Group's Annual report for 2021 and the Company's Securities issuer's report for the 12 months ended 31 December 2021 (but does not include the consolidated financial statements and our auditor's report thereon), which are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the the Group's Annual report for 2021 and the Company's Securities issuer's report for the 12 months ended 31 December 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The certified auditor responsible for the audit resulting in this independent auditor's report is A.Y. Fegetsyn.

AO PricewaterhouseCoopers Audit

9 February 2022
Moscow, Russian Federation



A. Y. Fegetsyn is authorised to sign on behalf of the general director of AO PricewaterhouseCoopers Audit (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) – 12006020338), certified auditor (PRNR – 21906101957)

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Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2021

RUB million	Note	2021	2020
Revenues	7	420,488	253,879
Cost of Group products sold	8	(206,082)	(157,370)
Cost of products for resale		(12,725)	(9,333)
Gross profit		201,681	87,176
Administrative and selling overhead expenses	9	(27,845)	(24,048)
Taxes, other than income tax, net	10	(5,946)	(2,962)
Other expenses, net	11	(3,449)	(2,512)
Foreign exchange (loss)/gain from operating activities, net		(307)	1,379
Operating profit		164,134	59,033
Gain from revaluation of financial assets measured at fair value	18	1,193	-
Finance income	12	778	975
Finance costs	12	(5,044)	(5,455)
Foreign exchange loss from financing activities, net	29(b)	(531)	(26,449)
COVID-19 related expenses		(475)	(1,434)
Profit before tax		160,055	26,670
Income tax expense	13	(30,381)	(9,749)
Profit for the year		129,674	16,921
Attributable to:			
Non-controlling interests*		(23)	(11)
Shareholders of the Parent		129,697	16,932
Basic and diluted earnings per share (in RUB)	24	1,002	131
Other comprehensive loss			
Items that will never be reclassified to profit or loss			
Actuarial losses	27	(36)	(28)
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference		(350)	2,345
Other comprehensive (loss)/income for the year		(386)	2,317
Total comprehensive income for the year		129,288	19,238
Attributable to:			
Non-controlling interests*		(23)	(11)
Shareholders of the Parent		129,311	19,249

*Non-controlling interests are the minority shareholders of the subsidiaries of PJSC "PhosAgro"

The consolidated financial statements were approved on 9 February 2022:


A.A. Guryev
 Chief executive officer


A.F. Sharabaiko
 Deputy CEO for Finance and International Projects

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

Consolidated Statement of Financial Position as at 31 December 2021

RUB million	Note	31 December 2021	31 December 2020
Assets			
Property, plant and equipment	14	237,444	220,031
Advances issued for property, plant and equipment		13,237	7,835
Deferred tax assets	17	9,499	7,462
Right-of-use assets	15	6,955	7,335
Non-current spare parts		4,698	4,308
Other non-current assets	18	2,058	948
Catalysts		2,049	2,292
Intangible assets		1,756	1,621
Investments in associates	16	569	556
Non-current assets		278,265	252,388
Trade and other receivables	21	48,526	17,515
Inventories	20	41,177	30,580
Cash and cash equivalents	22	21,710	8,460
VAT and other taxes receivable		15,013	10,285
Income tax receivable		540	479
Other financial assets	19	216	311
Current assets		127,182	67,630
Total assets		405,447	320,018
Equity	23		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		148,193	90,757
Actuarial losses		(753)	(717)
Foreign currency translation reserve		9,231	9,581
Equity attributable to shareholders of the Parent		164,537	107,487
Equity attributable to non-controlling interests		106	129
Total equity		164,643	107,616
Liabilities			
Loans and borrowings	25	157,081	103,824
Deferred tax liabilities	17	12,937	11,578
Lease liabilities	26	3,459	4,268
Defined benefit obligations	27	952	945
Non-current liabilities		174,429	120,615
Trade and other payables	28	41,756	29,869
Loans and borrowings	25	12,710	55,316
VAT and other taxes payable		6,397	3,675
Income tax payable		3,334	1,000
Lease liabilities	26	2,178	1,927
Current liabilities		66,375	91,787
Total equity and liabilities		405,447	320,018

The consolidated statement of financial position is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

Consolidated Statement of Cash Flows for the year ended 31 December 2021

RUB million	Note	2021	2020
Cash flows from operating activities			
Operating profit		164,134	59,033
Adjustments for:			
Depreciation and amortisation	8, 9	27,676	26,626
Loss on disposal of property, plant and equipment and intangible assets	11	198	209
Operating profit before changes in working capital and provisions		192,008	85,868
Increase in inventories, catalysts and non-current spare parts		(10,855)	(1,843)
Increase in trade and other receivables		(38,667)	(2,316)
Increase in trade and other payables		17,490	12,612
Cash flows from operations before income taxes and interest paid		159,976	94,321
Income tax paid		(28,806)	(6,462)
Finance costs paid		(4,945)	(4,121)
Cash flows from operating activities		126,225	83,738
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(47,951)	(40,878)
Borrowing cost capitalised paid		(1,141)	(1,220)
Other		724	879
Cash flows used in investing activities		(48,368)	(41,219)
Cash flows from financing activities			
Proceeds from borrowings, net of transaction costs	25	61,622	63,520
Repayment of borrowings	25	(50,081)	(66,182)
Early eurobond partial redemption fees	12	-	(292)
Dividends paid to shareholders of the Parent	23	(72,260)	(38,852)
Dividends paid to non-controlling interests		-	(30)
Lease payments	26	(1,950)	(1,951)
Other payments		-	(249)
Cash flows used in financing activities		(62,669)	(44,036)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 January		8,460	8,236
Effect of exchange rates fluctuations		(1,938)	1,741
Cash and cash equivalents at 31 December	22	21,710	8,460

The consolidated statement of cash flows is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2021

RUB million	Attributable to shareholders of the Parent						Attributable to non-controlling interests	Total equity
	Share capital	Share premium	Retained earnings	Actuarial losses	Foreign currency translation reserve	Total		
Balance at 1 January 2020	372	7,494	111,054	(689)	7,236	125,467	170	125,637
Total comprehensive income								
Profit/(loss) for the year	-	-	16,932	-	-	16,932	(11)	16,921
Actuarial losses, note 27	-	-	-	(28)	-	(28)	-	(28)
Foreign currency translation difference	-	-	-	-	2,345	2,345	-	2,345
Transactions with owners recognised directly in equity								
Dividends to shareholders, note 23	-	-	(38,850)	-	-	(38,850)	(30)	(38,880)
Other	-	-	(249)	-	-	(249)	-	(249)
Balance at 31 December 2020	372	7,494	88,887	(717)	9,581	105,617	129	105,746
Effect of change in accounting policy, note 4	-	-	1,870	-	-	1,870	-	1,870
Balance at 1 January 2021	372	7,494	90,757	(717)	9,581	107,487	129	107,616
Total comprehensive income								
Profit/(loss) for the year	-	-	129,697	-	-	129,697	(23)	129,674
Actuarial losses, note 27	-	-	-	(36)	-	(36)	-	(36)
Foreign currency translation difference	-	-	-	-	(350)	(350)	-	(350)
Transactions with owners recognised directly in equity								
Dividends to shareholders, note 23	-	-	(72,261)	-	-	(72,261)	-	(72,261)
Balance at 31 December 2021	372	7,494	148,193	(753)	9,231	164,537	106	164,643

The consolidated statement of changes in equity is to be read in conjunction with the notes to, and forming part of, the consolidated financial statements.

Notes to the consolidated financial statements for 2020

1. BACKGROUND

(a) Organisation and operations

PJSC “PhosAgro” (the “Company” or the “Parent”) is a public joint stock company registered in accordance with the Civil Code of the Russian Federation. PJSC “PhosAgro” and its subsidiaries (together referred to as the “Group”) comprise Russian legal entities and foreign trading subsidiaries. The Company was registered in October 2001. The Company’s location is Leninsky prospekt 55/1 building 1, Moscow, Russian Federation, 119333.

The Group’s principal activity is production of apatite concentrate and mineral fertilisers at plants located in the cities of Kirovsk (Murmansk region), Cherepovets (Vologda region), Balakovo (Saratov region) and Volkhov (Leningrad region), and their distribution across the Russian Federation and abroad.

As at 31 December 2021, the Company’s key shareholders are two entities registered in Switzerland (31 December 2020: the same two entities registered in Cyprus) that together hold approximately 44% of the Company’s ordinary shares in total and Mr Vladimir S. Litvinenko holding approximately 21% of the Company’s ordinary shares. The majority of the shares of the Company are ultimately owned by trusts, where the economic beneficiary is Mr. Andrey G. Guryev and his family members.

(b) Russian business environment

The Group’s operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial conditions of the Russian Federation, which display certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue development, and are subject to varying interpretations and frequent changes (note 31). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

In March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. Some of the above measures were subsequently relieved, however, as of 31 December 2021, the global infection levels remain high, vaccination rate is relatively low, and there is a risk that additional restrictions may be imposed in subsequent periods, including due to emerging new variants of the virus.

In 2021 the Russian economy demonstrated positive dynamics in recovery from the pandemic. This trend was also supported by the global economic recovery and higher prices on global commodity markets. However, higher prices on certain markets in Russia and globally also contribute to the inflation in Russia.

Management of the Group has considered events and conditions that could give rise to material uncertainties and concluded that the range of possible outcomes does not cast significant doubt over the Group’s ability to continue as a going concern.

The future effects of the current economic situation and the above measures are difficult to predict, and management’s current expectations and estimates could differ from actual results.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

The Group additionally prepares IFRS consolidated financial statements in the Russian language in accordance with the Federal Law No. 208-FZ On consolidated financial reporting.

(b) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the financial assets measured at fair value.

(c) Functional currency

The national currency of the Russian Federation is the Russian Rouble (“RUB”), which is the functional currency of the Parent and its subsidiaries, except for foreign trading subsidiaries, where the functional currency is USD, EUR and other currencies.

(d) Presentation currency

These consolidated financial statements are presented in RUB. All financial information presented in RUB has been rounded to the nearest million, except per share amounts.

The translation from USD and EUR into RUB, where applicable, was performed as follows:

Assets and liabilities in USD and EUR as at 31 December 2021 and 31 December 2020 were translated at the following closing exchange rates:

Closing exchange rate	RUB to USD 1	RUB to EUR 1
31 December 2021	74.2926	84.0695
31 December 2020	73.8757	90.6824

Profit and loss items for the year ended 31 December 2021 and 31 December 2020 were translated at the average exchange rate for the appropriate month:

Average exchange rate for the month	2021		2020	
	RUB to USD 1	RUB to EUR 1	RUB to USD 1	RUB to EUR 1
January	74.2291	90.5062	61.7823	68.7249
February	74.3842	89.9403	63.8836	69.7001
March	74.4151	88.6904	73.3183	81.0512
April	76.0977	90.8178	75.2321	81.9481
May	74.0438	89.8856	72.6187	79.0550
June	72.5106	87.4537	69.2239	77.9624
July	73.9194	87.3794	71.2853	81.3800
August	73.5942	86.6334	73.7998	87.3414
September	72.8914	85.9412	75.6621	89.2870
October	71.4981	82.9586	77.5924	91.2900
November	72.6024	82.9339	77.0462	91.0875
December	73.7172	83.3260	74.0563	90.0734

› Equity items arising during the year are recognised at the exchange rate ruling at the date of transaction. The resulting foreign exchange difference is recognised in other comprehensive income.

(e) Use of estimates and judgments

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the consolidated financial statements is included in the following notes:

- › Note 3 (c) (iii) – estimated useful lives of property, plant and equipment;
- › Note 17 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used;
- › Note 3 (f) – derecognition of trade receivables under the securitisation arrangement.

(f) Adoption of new and revised standards and interpretations

The following amended standards became effective from 1 January 2021, but did not have any material impact on the Group:

- » COVID-19-Related Rent Concessions Amendment to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).
- » Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).

(g) New standards and interpretations not yet adopted

A number of new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2022 or later, and which the Group has not early adopted, but is in process of assessing the impact on the Group's consolidated financial statements.

- » Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- » IFRS 17 “Insurance Contracts” (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023).
- » Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023).
- » Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- » Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- » Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018–2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- » Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- » Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- » Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).
- » Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023).

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(ii) Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as measured at FVOCI financial asset depending on the level of influence retained.

(iii) Acquisitions and disposals of non-controlling interests

Any difference between the consideration paid to acquire a non-controlling interest, and the carrying amount of that non-controlling interest, is recognised in equity.

Any difference between the consideration received from disposal of a portion of a Group's interest in the subsidiary and the carrying amount of that portion, including attributable goodwill, is recognised in equity.

(iv) Associates

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. Dividends received from associates reduce the carrying value of the investment in associates. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised gains arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and jointly controlled enterprises are eliminated to the extent of the Group's interest in the enterprise. Unrealised gains resulting from transactions with associates are eliminated against the investment in the associate. Unrealised losses are eliminated in the same way as unrealised gains except that they are only eliminated to the extent that there is no evidence of impairment.

(b) Foreign currencies

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate ruling at that date. Non-monetary assets and liabilities denominated in foreign currencies that are stated at historical cost are translated to the functional currency at the exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated at the exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the profit or loss.

(c) Property, plant and equipment

(i) Owned assets

Property, plant and equipment is stated at cost less accumulated depreciation and impairment losses. The cost of property, plant and equipment at the date of transition to IFRS was determined by reference to its fair value at that date (“deemed cost”) as determined by an independent appraiser.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent expenditure

Expenses in connection with ordinary maintenance and repairs are recognised in the consolidated statement of profit or loss and other comprehensive income as they are incurred.

Expenses in connection with periodic maintenance on property, plant and equipment are recognised as assets and depreciated on a straight-line basis over the period until the next periodic maintenance, provided the criteria for capitalizing such items have been met.

Expenses incurred in connection with major replacements and renewals of property, plant and equipment are capitalised and depreciated on a systematic basis.

(iii) Depreciation

Depreciation is charged to the profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the month of acquisition or, in respect of internally constructed assets, from the month when an asset is completed and ready for use. Land is not depreciated.

The estimated useful lives as determined when adopting IFRS (1 January 2005) for the assets reflected on the statement of financial position at that date are as follows:

Buildings	12 to 17 years;
Plant and equipment	4 to 15 years;
Fixtures and fittings	3 to 6 years.

Tangible fixed assets acquired after the date of adoption of IFRS, are depreciated over the following useful lives:

Buildings	10 to 60 years;
Plant and equipmen	5 to 35 years;
Fixtures and fittings	2 to 25 years.

Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group.

(iv) Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial time to get ready for intended use or sale (qualifying assets) are capitalized as part of the costs of those assets.

Capitalisation of borrowing costs continues up to the date when the assets are substantially ready for their use or sale.

The Group capitalises borrowing costs that could have been avoided if it had not made capital expenditure on qualifying assets. Borrowing costs capitalised are calculated at the Group's average funding cost (the weighted average interest cost is applied), except to the extent that funds are borrowed specifically for the purpose of obtaining a qualifying asset. Where this occurs, actual borrowing costs are capitalised.

Borrowing costs capitalized are presented as part of cash flows from investing activities in the consolidated statement of cash flows.

(v) Advances issued for property, plant and equipment

A prepayment is classified as non-current when the goods or services relating to the prepayment are expected to be obtained after one year, or when the prepayment relates to an asset which will itself be classified as non-current upon initial recognition.

(d) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved prod-

ucts and processes, is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses.

(ii) Other intangible assets

Other intangible assets acquired by the Group are represented by Oracle software, which has finite useful life and is stated at cost less accumulated amortisation and impairment losses.

(iii) Amortisation

Intangible assets, other than goodwill, are amortised on a straight-line basis over their estimated useful lives from the date the asset is available for use. The estimated useful lives are 3 – 10 years.

(e) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs.

The Group financial assets are classified in the following measurement categories based on the Group's business model for managing the financial assets and the contractual terms of the cash flows: financial assets at amortised cost; financial assets at fair value (either through other comprehensive income or profit or loss).

Financial assets at amortised cost. Financial asset is measured at amortised cost if it meets both of the following conditions:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any gains or losses arising from derecognition are recognised directly in profit or loss.

Financial assets at fair value through other comprehensive income ("FVOCI"). Financial assets are classified and measured at fair value through other comprehensive income if they meet both of the following conditions:

- › they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- › their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These financial assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss.

Financial assets at fair value through profit or loss ("FVPL"). Financial asset that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss.

(f) Securitisation arrangements

The Group enters into non-recourse securitisation arrangements under which insured trade receivables can be sold to a bank for cash proceeds.

Trade receivables are derecognised from the statement of financial position as the Group does not retain substantially all risks and rewards of ownership, except for the amount of security deposit which represents insurance deductible amount for the receivables transferred to a bank. A deposit is recognised in trade receivables in the consolidated statement of financial position of the Group. The Group continues to collect and service the receivables and then transfers to the bank the collected amounts of the trade receivables sold.

The portfolio of trade receivables that can be sold to a bank meets the criteria for “held to collect and sell” business model and such trade receivables are classified and measured at fair value through other comprehensive income.

Cash collected from the customers and not yet transferred to the bank at the reporting date is presented within other payables in the consolidated statement of financial position of the Group. Securitisation fees are recognised as finance costs.

(g) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

Bank deposits held for longer than three months that are repayable on demand within several working days without penalties or that can be redeemed/ withdrawn, subject to the interest income forfeited, are classified as cash equivalents if the deposits are held to meet short-term cash needs and there is no significant risk of a change in value as a result of an early withdrawal.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventory (finished goods and goods for resale) for distribution companies is determined on the first-in, first-out (FIFO) basis. The cost of inventories for production companies is based on the weighted average principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Spare parts to be used for construction and in repairs capitalised are classified as non-current spare parts.

Catalysts to be used in production during the period of more than 1 year are classified as part of non-current assets and written-off to the production cost based on the volume of goods produced. Catalysts to be used in production within 1 year are classified as part of inventories

(i) Impairment

Financial assets

The Group recognises loss allowances for expected credit loss (ECLs) on financial asset measured at amortised cost and debt investments measured at fair value through other comprehensive income (“FVOCI”). The loss allowances are measured on either of the following bases: 12-month ECLs that result from default events that are possible within the 12 months after the reporting date; and lifetime ECLs that result from all possible default events over the expected life of a financial instrument.

For trade receivables the Group estimated the expected credit losses for the entire period, applying a simplified approach to measuring expected credit losses, which uses lifetime expected loss allowance. In the terms of calculating the expected credit loss, the Group considers the credit rating for each counterparty, adjusted with forward-looking factors specific to the debtors, historical credit loss experience and economic environment in which they operate.

If, in a subsequent period, the fair value of an impaired financial assets increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group’s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units, if any, and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(j) Leases

As a lessee

Applying IFRS 16 for all leases (except as noted below), the Group:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss and other comprehensive income; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and making certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on the rate;
- amounts expected to be payable under a residual value guarantee.

Lease liability is measured at amortised cost using the effective interest method. It is revalued when there is a change in future lease payments arising from adjusted interest rate, extension or termination option and other events.

Under IFRS 16, right-of-use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

For short-term leases (lease term of 12 months or less) and leases of low-value assets the Group has opted to recognise a lease expense on a straight-line basis as permitted by IFRS 16. This expense is presented within cost of sales, administrative expenses and selling expenses in the consolidated statement of profit or loss and other comprehensive income.

(k) Share capital

(i) Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is deducted from equity.

(ii) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(l) Financial liabilities

The Group's financial liabilities comprise trade and other payables, borrowings and bonds which are measured at amortised cost. The Group derecognises a financial liability when its obligation specified in the contract is discharged or cancelled or expires.

(m) Employee benefits

(i) Pension plans

The Group's net obligation in respect of defined benefit post-employment plans, including pension plans, is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value, and the fair value of any plan assets, if any, is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed using the projected unit credit method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised immediately as an expense in the profit or loss. To the extent the benefits vest immediately, the expense is recognised immediately in the profit or loss.

All actuarial gains and losses are recognised in full as they arise in other comprehensive income.

(ii) Long-term service benefits other than pensions

The Group's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefits that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Group's obligations. All actuarial gains and losses are recognised in full as they arise in other comprehensive income.

(iii) State pension fund

The Group makes contributions for the benefit of employees to Russia's State pension fund. The contributions are expensed as incurred.

(n) Provisions

A provision is recognised when the Group has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(o) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Revenues

Revenue from contracts with customers is recognised when control of the goods or services is transferred to a customer. The amount of revenue recognised reflects the consideration the Group expects to be entitled in exchange for goods or services, taking into account any trade, volume and other discounts. Advances received before the control passes to a customer are recognised as the contract liabilities. The amount of consideration does not contain a significant financial component as payment terms for the majority of contracts are less than one year. No information is provided about remaining performance obligations as at the reporting date that have an original expected duration of one year or less, as allowed by IFRS 15.

Contracts with customers for the supply of goods use a variety of delivery terms. The Group determined that under the terms of the majority contracts for the supply of mineral fertilizers the Group undertakes to provide delivery and the related delivery services after the transfer of control over the goods to the buyer at the loading port. Under IFRS 15, these services are a separate performance obligation, which revenue must be recognised during the period of delivery as revenue from logistics activities. The Group recognises revenue from these logistics services at the time of delivery, due to the fact that the potential difference is calculated and recognised as insignificant.

In the revenue disclosure the sales of certain product groups include the proceeds from logistics services. Costs related to rendering of logistics services are mainly represented by transportation costs and included in cost of group products sold.

(q) Finance income and finance costs

Finance income comprises interest income, dividend income, gain arising from operations with foreign currency, unwinding of discount on financial assets and share of profit of associates and foreign exchange gains on financing activities. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

Finance costs comprise interest expense on borrowings, interest expense on lease liabilities, bank fees, securitisation fees, loss arising from operations with foreign currency, share of loss of associates, increase in provision for bad debts for financial investments, interest expense on defined benefit obligations and foreign exchange losses on financing activities. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses, gains and losses arising from operations with foreign currency, securitisation fees, share of profit and losses of associates are reported on a net basis.

(r) Overburden removal expenditure

In open pit apatite rock mining operations, it is necessary to remove the overburden and other waste in order to access the economically recoverable resources.

Stripping costs incurred during the pre-production phase of the open pit mine are capitalised as the cost of the development of the mining property and amortised over the life of the mine.

According to the Group's approach to stripping, the ore, which becomes accessible after the overburden removal, is extracted within no more than four months. Therefore, the stripping ratio (volume of overburden removed over the volume of resources extracted) is expected to stay relatively constant over the future periods and stripping costs incurred during the production phase of the open pit mine are recognised in the profit or loss as incurred.

(s) Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

If the number of ordinary shares outstanding increases/ (decreases) as a result of a share split/ (reverse share split), the calculation of the EPS for all periods presented is adjusted retrospectively.

(b) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's top management to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Group's top management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

4. CHANGE IN ACCOUNTING POLICY AND RECLASSIFICATIONS

Starting from 1 January 2021, the Group:

- (a) Changed its accounting policy on the recognition of logistics expenses to the point of sale. The Group started to capitalise such logistics expenses in the cost of finished goods, while previously these expenses were recognised as part of selling expenses as they occurred. The Group also classified these expenses as part of the cost of products sold, while previously these expenses were recognised as part of selling expenses. The comparative figures were changed respectively to align them with the current year presentation. Balances at 1 January 2020 were not restated as having no material effect on the financial statements.
- (b) Changed the presentation of administrative and fixed selling expenses. The Group started to present these expenses together as administrative and selling overhead expenses, while previously these expenses were presented separately as selling and as administrative expenses. The comparative figures were changed respectively to align them with the current year presentation.
- (c) Netted-off trade accounts receivable against other payables under the arrangement with the bank for the sale of accounts receivable described in note 29 (c).
- (d) Separately presented spare parts to be used as part of non-current assets and made other reclassifications.

Management believes that the new accounting policy and change in classification and presentation of certain expenses will provide more relevant and transparent information about the results of Group's operations.

The tables below reconcile the carrying amounts of assets, liabilities, equity, expenses and cash flows as presented in accordance with the previous accounting policy and the new amounts after the changes were adopted.

Extract from the Consolidated Statement of Financial Position:

RUB million	31 December 2020 (as previously reported)	Adjustment/ reclassification	31 December 2020 (as presented)
Assets			
Non-current spare parts (d)	-	4,308	4,308
Non-current assets	248,080	4,308	252,388
Trade and other receivables (c), (d)	32,887	(15,372)	17,515
VAT and other taxes receivable (d)	-	10,285	10,285
Income tax receivable (d)	-	479	479
Inventories (a), (d)	32,636	(2,056)	30,580
Current assets	74,294	(6,664)	67,630
Total assets	322,374	(2,356)	320,018

RUB million	31 December 2020 (as previously reported)	Adjustment/ reclassification	31 December 2020 (as presented)
Equity			
Retained earnings (a)	88,887	1,870	90,757
Equity attributable to shareholders of the Parent (a)	105,617	1,870	107,487
Total equity	105,746	1,870	107,616
Liabilities			
Deferred tax liabilities (a)	11,196	382	11,578
Non-current liabilities	120,233	382	120,615
Trade and other payables (c), (d)	39,152	(9,283)	29,869
Income tax payable (d)	-	1,000	1,000
VAT and other taxes payable (d)	-	3,675	3,675
Current liabilities	96,395	(4,608)	91,787
Total equity and liabilities	322,374	(2,356)	320,018

Extract from the Consolidated Statement of Profit or Loss and Other Comprehensive Income:

RUB million	2020 (as previously reported)	Reclassification	2020 (as presented)
Cost of sales (d)	(133,335)	133,335	-
Cost of Group products sold (a), (d)	-	(157,370)	(157,370)
Cost of products for resale (a), (d)	-	(9,333)	(9,333)
Gross profit	120,544	(33,368)	87,176
Selling expenses (b)	(39,588)	39,588	-
Administrative expenses (b)	(17,828)	17,828	-
Administrative and selling overhead expenses (b)	-	(24,048)	(24,048)
Foreign exchange gain from operating activities, net (d)	-	1,379	1,379
Operating profit	57,654	1,379	59,033
Foreign exchange loss (d)	(25,070)	25,070	-
Foreign exchange loss from financing activities, net (d)	-	(26,449)	(26,449)

Extract from the Consolidated Statement of Changes in Equity:

RUB million	31 December 2020 (as previously reported)	Adjustment	31 December 2020 (as presented)
Retained earnings (a)	88,887	1,870	90,757
Total	105,746	1,870	107,616

Extract from the Consolidated Statement of Cash Flows:

RUB million	2020 (as previously reported)	Reclassification	2020 (as presented)
Cash flows from operating activities			
Operating profit (d)	57,654	1,379	59,033
Operating profit before changes in working capital and provisions	84,489	1,379	85,868
Decrease in trade and other receivables (d)	(345)	(1,971)	(2,316)
Increase in trade and other payables (d)	12,020	592	12,612

5. DETERMINATION OF FAIR VALUES

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- » Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- » Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- » Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and / or disclosure purposes based on the methods described below. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Financial assets and liabilities measured at amortised cost

The fair values of financial assets and liabilities presented by loans issued, trade and other receivables, cash and cash equivalents, trade and other payables approximate their carrying amounts as at the reporting date.

The fair values of eurobonds are determined for disclosure purposes based on quoted market prices and included in level 1 of the fair value hierarchy. The fair values of loans and borrowings are categorised as Level 3 of the fair value hierarchy. The fair values are calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(b) Financial instruments measured at fair value

The fair value of financial assets measured at fair value through profit or loss is determined using valuation techniques and categorised as Level 3 of the fair value hierarchy.

6. SEGMENT INFORMATION

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM has been identified as the Group's top management.

The Group has two reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products, and they require different technology and marketing strategies. The following summary describes the operations in each of the Group's reportable segments:

- » Phosphate-based products segment includes mainly production and distribution of ammophos, diammonium phosphate, sodium tripolyphosphate and other phosphate-based and complex (NPK) fertilisers on the factories located in Cherepovets, Balakovo and Volkhov, and production and distribution of apatite concentrate extracted from the apatite-nepheline ore, which is mined and processed in Kirovsk;
- » Nitrogen-based products segment includes mainly production and distribution of ammonia, ammonium nitrate and urea on the factory located in Cherepovets.

Certain revenue and expenses are not allocated to any particular segment and are, therefore, included in the "other operations" column. None of these operations meet any of the quantitative thresholds for determining reportable segments.

The CODM assesses the performance of the reportable segments based on, among other factors, a measure of EBITDA (operating profit adjusted by depreciation and amortization). Since the EBITDA term is not a standard IFRS measure, its definition may differ from that of other companies.

Information regarding the results of each reportable segment is included below.

Segment information for the year ended 31 December 2021 is as follows:

RUB million	Phosphate-based products	Nitrogen-based products	Other operations	Total
Segment revenue and profitability				
Segment external revenues,				
thereof:	332,999	71,851	15,638	420,488
Export	238,033	64,722	7,276	310,031
Domestic	94,966	7,129	8,362	110,457
Cost of Group products sold	(175,036)	(29,481)	(1,565)	(206,082)
Cost of products for resale	-	-	(12,725)	(12,725)
Gross segment profit	157,963	42,370	1,348	201,681
Administrative and selling overhead expenses	(23,001)	(4,378)	(466)	(27,845)
Taxes, other than income tax, net	(5,702)	(236)	(8)	(5,946)
Other expenses, net	(2,881)	(550)	(18)	(3,449)
Foreign exchange loss from operating activities, net	(200)	(97)	(10)	(307)
Operating profit	126,179	37,109	846	164,134
Certain items of profit and loss				
Depreciation and amortisation	(22,188)	(4,966)	(522)	(27,676)
EBITDA	148,367	42,075	1,368	191,810
Gain from revaluation of financial assets measured at fair value	978	205	10	1,193
Finance income	603	127	48	778
Finance costs	(4,178)	(854)	(12)	(5,044)
Foreign exchange loss from financing activities, net	(276)	(245)	(10)	(531)
COVID-19 related expenses	(412)	(59)	(4)	(475)
Profit before tax	122,894	36,283	878	160,055

Segment information for the year ended 31 December 2020 is as follows:

RUB million	Phosphate-based products	Nitrogen-based products	Other operations	Total
Segment revenue and profitability				
Segment external revenues, thereof:	203,561	38,701	11,617	253,879
Export	135,506	31,530	1,771	168,807
Domestic	68,055	7,171	9,846	85,072
Cost of Group products sold	(131,937)	(23,654)	(1,779)	(157,370)
Cost of products for resale	-	-	(9,333)	(9,333)
Gross segment profit	71,624	15,047	505	87,176
Administrative and selling overhead expenses	(20,128)	(3,413)	(507)	(24,048)
Taxes, other than income tax, net	(2,773)	(179)	(10)	(2,962)
Other expenses, net	(2,239)	(273)	-	(2,512)
Foreign exchange gain from operating activities, net	1,168	211	-	1,379
Operating profit	47,652	11,393	(12)	59,033
Certain items of profit and loss				
Amortisation and depreciation	(20,830)	(5,392)	(404)	(26,626)
EBITDA	68,482	16,785	392	85,659
Finance income	798	149	28	975
Finance costs	(4,544)	(897)	(14)	(5,455)
Foreign exchange loss from financing activities, net	(22,806)	(3,642)	(1)	(26,449)
COVID-19 related expenses	(1,299)	(131)	(4)	(1,434)
Profit before tax	19,801	6,872	(3)	26,670

The analysis of export revenue by regions is as follows:

RUB million	2021	2020
Europe	116,771	66,516
South America	103,893	41,915
North America	31,780	12,287
India	19,765	21,623
Africa	17,916	12,336
CIS	12,171	10,512
Asia	7,735	3,618
	310,031	168,807

7. REVENUES

RUB million	2021	2020
Phosphate-based products	332,999	203,561
Sales of chemical fertilisers	297,009	167,718
Sales of apatite concentrate	24,397	25,877
Sales of nepheline concentrate	1,382	1,090
Sales of other phosphate-based products and services	10,211	8,876
Nitrogen-based products	71,851	38,701
Other	15,638	11,617
	420,488	253,879

8. COST OF GROUP PRODUCTS SOLD

RUB million	2021	2020
Production expense for Group goods sold	(163,034)	(124,197)
Depreciation	(24,812)	(23,743)
Materials and services	(23,120)	(19,501)
Sulphur and sulphuric acid	(17,707)	(4,360)
Potash	(16,574)	(12,253)
Salaries and social contributions	(15,286)	(13,807)
Ammonia	(14,277)	(4,802)
Natural gas	(12,635)	(12,342)
Repair and maintenance expenses	(11,373)	(10,134)
Transportation of phosphate rock	(9,105)	(8,134)
Electricity	(6,740)	(6,311)
Fuel	(5,578)	(3,885)
Drilling and blasting operations expenses	(3,486)	(3,168)
Ammonium sulphate	(2,341)	(1,757)
Logistics expenses for Group goods sold	(43,048)	(33,173)
Freight, port and stevedoring expenses	(28,587)	(19,128)
Russian Railways infrastructure tariff and operators' fees	(10,728)	(11,452)
Customs duties	(2,483)	(1,482)
Other services and materials	(1,250)	(1,111)
	(206,082)	(157,370)

9. ADMINISTRATIVE AND SELLING OVERHEAD EXPENSES

RUB million	2021	2020
Administrative overhead expenses:	(21,083)	(17,828)
Salaries and social contributions	(13,493)	(11,249)
Professional services	(1,971)	(1,929)
Depreciation and amortisation	(1,384)	(1,368)
Security and fire safety services	(1,053)	(886)
Other	(3,182)	(2,396)
Selling overhead expenses:	(6,762)	(6,220)
Salaries and social contributions	(4,002)	(3,484)
Depreciation and amortisation	(1,480)	(1,515)
Materials and services	(1,280)	(1,221)
	(27,845)	(24,048)

10. TAXES, OTHER THAN INCOME TAX, NET

RUB million	2021	2020
Mineral extraction tax	(3,605)	(919)
Property tax	(1,694)	(1,397)
Land tax	(222)	(258)
Environment pollution payment	(211)	(174)
VAT included in expenses	(113)	(129)
Using water objects payment	(53)	(44)
Other taxes	(48)	(41)
	(5,946)	(2,962)

11. OTHER EXPENSES, NET

RUB million	2021	2020
Social expenditures	(3,378)	(2,570)
Increase in provision for inventory obsolescence	(370)	(18)
Loss on disposal of property, plant and equipment and intangible assets	(198)	(209)
Increase in provision for bad debt and expected credit losses allowance	(125)	(114)
Gain/(loss) on disposal of inventories	387	(73)
Reversal/(accrual) of contingent liabilities	2	(119)
Other income, net	233	591
	(3,449)	(2,512)

12. FINANCE INCOME AND FINANCE COSTS

RUB million	2021	2020
Interest income	643	338
Unwinding of discount on financial assets	64	60
Share of profit of associates	13	37
Dividend income	-	242
Other finance income	58	298
Finance income	778	975
Interest expense on borrowings	(3,910)	(3,647)
Interest expense on lease liabilities	(395)	(485)
Bank fees (incl. early eurobond partial redemption fees)	(221)	(517)
Securitisation fees	(146)	(141)
Increase in provision for bad debts for financial investments	(81)	(503)
Interest expense on defined benefit obligations	(48)	(53)
Other finance costs	(243)	(109)
Finance costs	(5,044)	(5,455)

13. INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (2020: 20%).

RUB million	2021	2020
Current tax expense	(31,073)	(8,045)
Deferred income tax - origination and reversal of temporary differences, including change in unrecognised assets	692	(1,704)
Income tax expense	(30,381)	(9,749)

Reconciliation of effective tax rate:

	2021	%	2020	%
	RUB million		RUB million	
Profit before tax	160,055	100	26,670	100
Income tax at applicable tax rate	(32,011)	(20)	(5,334)	(20)
Deferred tax assets decrease	-	-	(4,800)	(18)
Over/(under) provided in respect of prior years	78	-	(9)	-
Tax effect of items which are not deductible or assessable for taxation purposes	(1,017)	(1)	(864)	(3)
Effect of tax rates in foreign jurisdictions	431	1	317	1
Effect of reduction in tax rate	2,163	1	716	2
Change in tax incentive	(25)	-	225	1
	(30,381)	(19)	(9,749)	(37)

14. PROPERTY, PLANT AND EQUIPMENT

RUB Million	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Cost					
At 1 January 2020	94,482	164,929	15,649	36,995	312,055
Additions	1,757	4,013	2,477	37,590	45,837
Transfers from right-of-use assets (note 15)	-	16	-	-	16
Transfers	10,653	25,253	-	(35,906)	-
Disposals	(2,425)	(6,425)	(242)	(79)	(9,171)
Other movements	138	175	16	-	329
At 1 January 2021	104,605	187,961	17,900	38,600	349,066
Additions	1,529	4,406	3,031	34,866	43,832
Transfers to right-of-use assets (note 15)	-	(15)	-	-	(15)
Transfers	11,760	18,110	-	(29,870)	-
Disposals	(1,450)	(6,655)	(192)	(102)	(8,399)
Other movements	(44)	(7)	(2)	-	(53)
At 31 December 2021	116,400	203,800	20,737	43,494	384,431
Accumulated depreciation					
At 1 January 2020	(21,774)	(81,164)	(9,658)	-	(112,596)
Transfers from right-of-use assets (note 15)	-	(8)	-	-	(8)
Depreciation charge	(5,945)	(17,552)	(1,862)	-	(25,359)
Disposals	2,289	6,343	234	-	8,866
Other movements	(25)	97	(10)	-	62
At 1 January 2021	(25,455)	(92,284)	(11,296)	-	(129,035)
Transfers to right-of-use assets (note 15)	-	7	-	-	7
Depreciation charge	(6,425)	(17,703)	(1,852)	-	(25,980)
Disposals	1,263	6,560	179	-	8,002
Other movements	8	10	1	-	19
At 31 December 2021	(30,609)	(103,410)	(12,968)	-	(146,987)
Net book value at 1 January 2020	72,708	83,765	5,991	36,995	199,459
Net book value at 1 January 2021	79,150	95,677	6,604	38,600	220,031
Net book value at 31 December 2021	85,791	100,390	7,769	43,494	237,444

During the year ended 31 December 2021, the Group capitalised borrowing costs in the amount of RUB 1,141 million (2020: RUB 1,220 million) in the value of property, plant and equipment using the weighted average interest rate of 2.86% per year (2020: 3.20% per year).

As at 31 December 2021, the most significant balances of the construction in progress related to the following investment projects:

- › Kirovsk mine extension and modernization. As at 31 December 2021, the Group has capitalised expenses of RUB 14,045 million (as at 31 December 2020: RUB 10,758 million);
- › MAP facilities construction in Volkhov. As at 31 December 2021, the Group has capitalised expenses of RUB 13,362 million (as at 31 December 2020: RUB 7,939 million);
- › Granulated ammonium sulphate facilities construction in Balakovo. As at 31 December 2021, the Group has capitalised expenses of RUB 1,862 million (as at 31 December 2020: RUB 715 million);
- › Aluminium fluoride production facilities development in Cherepovets. As at 31 December 2021, the Group has capitalised expenses of RUB 1,090 million (as at 31 December 2020: RUB 2,180 million).

15. RIGHT-OF-USE ASSETS

The Group has the following types of right-of-use assets: railway wagons, production equipment, offices. The leases typically run for a period of 5 years, with an option to renew the lease after that date.

RUB million	Buildings	Plant and equipment	Total
Net book value at 1 January 2020	109	6,782	6,891
New lease contracts and modification on existing lease contracts	146	1,934	2,080
Transfers to property, plant and equipment (note 14)	-	(8)	(8)
Depreciation	(79)	(1,545)	(1,624)
Disposals	(6)	(15)	(21)
Effect of foreign currency translation reserve	15	2	17
Net book value at 31 December 2020	185	7,150	7,335
Net book value at 1 January 2021	185	7,150	7,335
New lease contracts and modification on existing lease contracts	395	1,087	1,482
Transfers from property, plant and equipment (note 14)	-	8	8
Depreciation	(100)	(1,673)	(1,773)
Disposals	(20)	(68)	(88)
Effect of foreign currency translation reserve	(8)	(1)	(9)
Net book value at 31 December 2021	452	6,503	6,955

Amounts recognised in the consolidated statement of profit or loss and other comprehensive income:

RUB million	2021	2020
Depreciation expense on right-of-use assets	1,773	1,624
Interest expense on lease liabilities	395	485
Expenses relating to short-term leases	481	618
Expenses relating to leases with variable payments	524	476

Amounts recognised in the consolidated statement of cash flows:

RUB million	2021	2020
Principal lease payments (note 26)	(1,949)	(1,951)
Interest lease payments (note 26)	(395)	(485)
Expenses relating to short-term leases	(481)	(618)
Expenses relating to leases with variable payments	(524)	(476)
Total payments	(3,349)	(3,530)

16. INVESTMENTS IN ASSOCIATES

Carrying values of the Group's investments in associates are as follows:

RUB million	31 December 2021		31 December 2020	
	Carrying value	Share of ownership	Carrying value	Share of ownership
JSC Khibinskaya Teplovaya Kompaniya (Russia)	484	50%	463	50%
JSC Giproruda (Russia)	59	25%	62	25%
JSC Soligalichskiy izvestkovyi kombinat (Russia)	26	26%	31	26%
Total	569		556	

17. DEFERRED TAX ASSETS AND LIABILITIES

(a) Deferred tax assets and liabilities by type of temporary difference

Deferred tax assets and liabilities are attributable to the following items:

RUB Million	Assets	Liabilities	Net	Assets	Liabilities	Net
	2021	2021	2021	2020	2020	2020
Property, plant and equipment and intangible assets	375	(13,714)	(13,339)	383	(12,390)	(12,007)
Other long-term assets	71	(256)	(185)	115	(51)	64
Current assets	2,449	(809)	1,640	1,322	(1,012)	310
Liabilities	1,825	(205)	1,620	1,921	(311)	1,610
Tax loss carry-forwards	6,881	-	6,881	5,962	-	5,962
Unrecognised deferred tax assets	(55)	-	(55)	(55)	-	(55)
Tax assets/(liabilities)	11,546	(14,984)	(3,438)	9,648	(13,764)	(4,116)
Set off of tax	(2,047)	2,047	-	(2,186)	2,186	-
Net tax assets/(liabilities)	9,499	(12,937)	(3,438)	7,462	(11,578)	(4,116)

The deferred tax assets on tax loss carry-forwards relate to the Russian entities. Due to amendments to the Russian tax legislation, starting from 1 January 2017, tax losses for Russian tax purposes carried forward existing as at 31 December 2021 do not expire.

Management has developed a tax strategy to utilise the tax losses above. In assessing the recoverability of the tax losses, management considers a forecast of future taxable profits of the Group and the Group's tax position. The forecast is reviewed at each reporting date to ensure that the related tax benefit will be realised.

As at 31 December 2021, no deferred tax liability for taxable temporary differences of RUB 714 million associated with investments in subsidiaries has been recognised (31 December 2020: RUB 19,984 million), either because the Parent can control the timing of reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future, or because the applicable tax rate is expected to be 0%.

(b) Movement in temporary differences during the year

RUB million	31 December 2021	Recognised in profit or loss	Recognised in other comprehensive income	Reclassification	1 January 2021 (as presented)	Effect of change in accounting policy	31 December 2020 (as previously reported)
Property, plant and equipment, right-of-use assets and intangible assets	(13,339)	(1,331)	1	(2)	(12,007)	-	(12,007)
Other long-term assets	(185)	(243)	(6)	-	64	-	64
Current assets	1,640	1,337	(7)	-	310	(382)	692
Liabilities	1,620	10	(2)	2	1,610	-	1,610
Tax loss carry-forwards	6,881	919	-	-	5,962	-	5,962
Unrecognised deferred tax assets	(55)	-	-	-	(55)	-	(55)
Net tax (liabilities)/assets	(3,438)	692	(14)	-	(4,116)	(382)	(3,734)

RUB million	31 December 2020	Recognised in profit or loss	Recognised in other comprehensive income	Reclassification	1 January 2020
Property, plant and equipment, right-of-use assets and intangible assets	(12,007)	(78)	(2)	-	(11,927)
Other long-term assets	64	63	9	-	(8)
Current assets	692	(9)	24	-	677
Liabilities	1,610	(215)	3	-	1,822
Tax loss carry-forwards	5,962	(1,465)	-	-	7,427
Unrecognised deferred tax assets	(55)	-	-	-	(55)
Net tax (liabilities)/assets	(3,734)	(1,704)	34	-	(2,064)

18. OTHER NON-CURRENT ASSETS

RUB million	31 December 2021	31 December 2020
Loans issued to third parties, at amortised cost	637	716
Provision for loans issued to third parties	(561)	(605)
Loans issued to third parties, at amortised cost, net	76	111
Long-term accounts receivable	677	732
Provision for long-term accounts receivable	(589)	(635)
Long-term accounts receivable, net	88	97
Financial assets, at fair value through profit or loss	1,790	592
Loans issued to employees, at amortised cost	104	148
Total other non-current assets	2,058	948

18 OTHER NON-CURRENT ASSETS (CONTINUED)

The movements in provision for loans issued and long-term accounts receivable are as follows:

RUB million	2021	2020
Loans issued to third parties		
Balance at 1 January	(605)	(510)
Provision for loans issued accrued	(1)	-
Use of provision	-	2
Reversal of provision	-	59
Effect of foreign currency translation reserve	45	(156)
Balance at 31 December	(561)	(605)
Long-term accounts receivable		
Balance at 1 January	(635)	-
Provision for Long-term accounts receivable accrued	(1)	(584)
Use of provision	-	-
Reversal of provision	-	-
Effect of foreign currency translation reserve	47	(51)
Balance at 31 December	(589)	(635)

As at 31 December 2021 and 31 December 2020, financial assets measured at fair value through profit or loss include 9.27% share in a related party JSC "AgroGuard-Finance". The company is not publicly traded and the fair value of the investment was estimated using valuation techniques. As at 31 December 2021, a fair value of operating subsidiaries of JSC "AgroGuard-Finance" was estimated by reference to the projected cash flows discounted at the post-tax RUB-nominated rate of 13.7% based on the weighted average cost of capital, a fair value of other subsidiaries was estimated using adjusted net assets method.

During the year ended 31 December 2021, the Group recognized fair value gain of RUB 1,193 million in profit or loss (no fair value gain or loss has been recognized during the year ended 31 December 2020).

19. OTHER FINANCIAL ASSETS

RUB million	31 December 2021	31 December 2020
Interest receivable	140	134
Loans issued to employees, at amortised cost	104	125
Loans issued to third parties, at amortised cost	60	48
Loans issued to related parties, at amortised cost	25	-
Dividend receivable	-	41
Provision for doubtful accounts	(113)	(37)
Total other financial assets	216	311

20. INVENTORIES

RUB million	31 December 2021	31 December 2020
Raw materials and spare parts	10,535	8,086
Finished goods:		
Chemical fertilisers	22,110	14,254
Apatite concentrate	607	717
Other products	291	378
Work-in-progress:		
Chemical fertilisers and other products	6,375	4,902
Chemical fertilisers and other products for resale, purchased from third parties	1,662	2,292
Other goods	197	172
Provision for obsolescence	(600)	(221)
Total inventories	41,177	30,580

21. TRADE AND OTHER RECEIVABLES

RUB million	31 December 2021	31 December 2020
Financial assets		
Trade accounts receivable	33,013	11,212
Other receivables	822	996
Provision for doubtful accounts and expected credit losses allowance	(339)	(349)
Non-financial assets		
Advances issued	14,819	5,537
Deferred expenses	199	117
Receivables from employees	28	22
Provision for doubtful accounts and expected credit losses allowance	(16)	(20)
Total trade and other receivables	48,526	17,515

As at 31 December 2021, amount of trade accounts receivable includes RUB 3,166 million of trade receivables measured at fair value through other comprehensive income (31 December 2020: RUB 1,874 million) and RUB 4,885 million measured at fair value through profit or loss (31 December 2020: RUB 93 million). The fair values of these receivables approximate their carrying amounts.

The movements in bad debt and expected credit losses allowance are as follows:

RUB million	2021	2020
Balance at 1 January	(369)	(258)
Use of allowance	140	78
Reversal of allowance	10	5
Reclassification from non-current assets	-	(37)
Effect of foreign currency translation reserve	(3)	(29)
Increase in provision for doubtful accounts and expected credit losses allowance	(133)	(128)
Balance at 31 December	(355)	(369)

See note 29 (c) for the analysis of overdue trade accounts receivable.

22. CASH AND CASH EQUIVALENTS

RUB million	31 December 2021	31 December 2020
Cash in bank	13,298	4,023
Call deposits	8,405	4,432
Petty cash	7	5
Total cash and cash equivalents	21,710	8,460

The most significant balances of cash and cash equivalents were held in banks with credit rating from an AA to BBB.

23. EQUITY

(a) Share capital

As at 31 December 2021 and 31 December 2020, the Company's share capital consists of 129,500,000 ordinary shares with par value of RUB 2.5 per share. All issued ordinary shares are fully paid. Each ordinary share carries one vote.

As at 31 December 2021 and 31 December 2020, the number of ordinary shares authorised for additional issue is 994,977,080, with a par value of RUB 2.5 per share.

(b) Dividend policy

The Group's dividend policy is based on the following principles:

- › striking an effective and reasonable balance between the payment of dividends and reinvestment of profit in further development;
- › ensuring transparency and predictability of dividend payments as a way to boost the Company's investment case.

Amount of such payment is subject to approval of the General Shareholders' Meeting, based on recommendations provided by the PhosAgro Board of Directors. The Board of Directors' recommendations depend on such factors as the Company's earnings for the reporting period and its financial position. To calculate the amount of dividend payments, the Board of Directors considers the Company's consolidated free cash flow for the reporting period (quarter, six months, first nine months or year) under IFRS. Free cash flow is defined as cash flows from operating activities less cash flows from investing activities based on the consolidated statement of cash flows. A decision on the payment of an interim dividend is made at the General Shareholders' Meeting within three months of the end of the relevant reporting period. The payment period for dividends payable to a nominal holder or a trustee, which is a professional participant of the securities market, who are registered in the share register, shall be not more than 10 business days. The payment period for dividends payable to other parties registered in the shareholders register shall not exceed 25 business days after the date on which the parties entitled to receive dividends are determined. Holders of PhosAgro GDRs are also entitled to receive dividends in respect of the underlying shares, subject to the terms of their Depositary Agreements. In accordance with the dividend policy, the Board of Directors shall seek to make sure that the amount of distributed dividends ranges from 50% to over 75% (subject to the Company's leverage ratio) of the Company's consolidated free cash flow for the respective period under IFRS. At the same time, the amount of declared dividends shall not be lower than 50% of net profit for the relevant period under IFRS adjusted by the amount of unrealized exchange rate difference.

(c) Dividends

In accordance with Russian legislation the Company's distributable reserves are limited to the balance of accumulated retained earnings as recorded in the Company's statutory financial statements prepared in accordance with Russian Accounting Standards. As at 31 December 2021, the Company had cumulative retained earnings of RUB 59,337 million (31 December 2020: RUB 18,057 million).

Proposed by the Board of Directors in	Approved by shareholders in	Amount per share RUB	Amount of dividends RUB million
Total dividends approved during the reporting period			
April 2021	May 2021	63	8,158.5
May 2021	June 2021	105	13,597.5
August 2021	September 2021	156	20,202.0
November 2021	December 2021	234	30,303.0
Total dividends approved subsequent to the reporting date			
February 2022	April 2022	390	50,505.0
Total dividends			122,766.0

24. EARNINGS PER SHARE

Basic earnings per share are calculated based on the weighted average number of ordinary shares outstanding during the year. Basic and diluted earnings per share are the same, as there is no effect of dilution.

RUB million	2021	2020
Weighted average number of ordinary shares in issue	129,500,000	129,500,000
Profit for the year attributable to shareholders of the Parent, RUB million	129,697	16,932
Basic and diluted earnings per share, RUB	1,002	131

25. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's loans and borrowings. For more information about the leases, see note 26. For more information about the Group's exposure to foreign currency risk, interest rate risk and liquidity risk, see note 29.

RUB million	31 December 2021	31 December 2020
Current loans and borrowings		
Unsecured bank loans	11,492	28,326
Eurobonds	-	25,857
Interest payable	1,220	1,137
Bank commission (short-term)	(2)	(4)
Total current loans and borrowings	12,710	55,316
Non-current loans and borrowings		
Eurobonds	111,439	73,876
Unsecured bank loans	45,957	30,159
Bank commission (long-term)	(315)	(211)
Total non-current loans and borrowings	157,081	103,824
Total loans and borrowings	169,791	159,140

In May 2017, the Company's SPV issued a USD 500 million 4.5-year Eurobond with a coupon rate of 3.95%, which was listed on the Irish Stock Exchange. In 2020, the Company's SPV redeemed USD 150 million of the Eurobond ahead of schedule. The fair value of the Eurobond at 31 December 2020 was RUB 26,514 million. In November 2021, the Company's SPV redeemed USD 350 million. The redemption was financed through the proceeds from Eurobonds issued in September 2021.

In January 2018 the Company's SPV issued a USD 500 million 5,25-year Eurobond with a coupon rate of 3.949%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 37,940 million (31 December 2020: RUB 38,763 million).

In January 2020 the Company's SPV issued a USD 500 million 5-year Eurobond with a coupon rate of 3.05%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 37,726 million (31 December 2020: RUB 38,534 million).

In September 2021, the Company's SPV issued a USD 500 million 7-year Eurobond with a coupon rate of 2.6%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 36,140 million.

Management believes that the fair value of the Group's other loans and borrowings approximates their carrying amounts.

The breakdown of the loans and borrowings denominated in different currencies is as follows:

RUB million	31 December 2021	31 December 2020
USD-denominated	154,288	129,593
EUR-denominated	12,407	20,018
RUB-denominated	3,096	9,529
Total	169,791	159,140

The maturity of the loans and borrowings is as follows:

RUB million	31 December 2021	31 December 2020
Less than 1 year	12,712	55,320
1-2 years	48,760	12,182
2-3 years	16,879	40,859
3-4 years	41,037	3,921
4-5 years	11,320	40,859
More than 5 years	39,400	6,214
Bank commission	(317)	(215)
Total	169,791	159,140

Reconciliation of loans and borrowings balances:

RUB million	2021	2020
Balance as at 1 January	159,140	133,576
Cash inflows	61,622	63,520
Cash outflows	(50,081)	(66,182)
Interest accrued	3,910	3,647
Interest paid	(3,861)	(3,352)
Amortisation of bank commission	83	83
Foreign exchange (gain)/loss	(812)	27,848
Other turnovers	(210)	-
Balance as at 31 December	169,791	159,140

26. LEASES

RUB million	Lease liability without subsequent asset buyout	Lease liability with subsequent asset buyout	Total
Balance as at 1 January 2020	4,757	1,487	6,244
New lease contracts and modification of existing lease contracts	94	1,793	1,887
Interest expense on lease liabilities	295	190	485
Principal lease payments	(1,242)	(709)	(1,951)
Interest lease payments	(296)	(189)	(485)
Effect of foreign currency translation reserve	14	1	15
Balance as at 1 January 2021	3,622	2,573	6,195
New lease contracts and modification of existing lease contracts	882	521	1,403
Interest expense on lease liabilities	223	172	395
Principal lease payments	(1,345)	(604)	(1,949)
Interest lease payments	(223)	(172)	(395)
Effect of foreign currency translation reserve	(11)	(1)	(12)
Balance as at 31 December 2021	3,148	2,489	5,637

27. DEFINED BENEFIT OBLIGATIONS

RUB million	31 December 2021	31 December 2020
Pension obligations, long-term	307	323
Post-retirement obligations other than pensions	645	622
Total defined benefit obligations	952	945

The Group has defined benefit plans at JSC "Apatit", including all the branches, and PhosAgro Trading SA which stipulate payment of a lump sum allowance to employees who have a specified period of service in these companies upon their retirement. All the defined benefit plans are unfunded. The movement in the present value of the defined benefit obligations is as follows:

RUB million	2021	2020
Defined benefit obligations at 1 January	945	857
Benefits paid	(132)	(74)
Current service costs and interest	123	98
Past service costs	(15)	(1)
Actuarial loss in other comprehensive income	36	28
Effect of foreign currency translation reserve and foreign exchange differences	(5)	37
Defined benefit obligations at 31 December	952	945

The key actuarial assumptions used in measurement of the defined benefit obligations are as follows:

	31 December 2021	31 December 2020
Discount rate	7.5%	6.4%
Future pension increases	4.1%	3.5%

28. TRADE AND OTHER PAYABLES

RUB million	31 December 2021		31 December 2020	
	USD denominated	EUR denominated	USD denominated	EUR denominated
Trade accounts payable	16,643		12,230	
including accounts payable for property, plant and equipment and intangible assets	5,676		4,777	
Advances received (contract liabilities)	16,379		12,406	
Payables to employees	5,094		4,029	
Accruals and provisions	209		210	
Dividends payable	2		-	
Other payables	3,429		994	
Total trade and other payables	41,756		29,869	

Contract liabilities balance at the beginning of the year was fully recognised in revenue during the reporting period.

29. FINANCIAL RISK MANAGEMENT

(a) Overview

In the normal course of its operations, the Group has exposure to market, credit and liquidity risks.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

(b) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Foreign currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily USD and EUR.

In respect of monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group implemented a natural hedge approach (policy) aiming at reducing its exposure to foreign currency risk by means of borrowing in the same currencies in which sales agreements are denominated.

The Group has the following net monetary position on financial assets and liabilities denominated in foreign currencies:

RUB million	31 December 2021		31 December 2020	
	USD denominated	EUR denominated	USD denominated	EUR denominated
Group companies in Russia:				
Current assets	1,643	70	439	28
Trade and other receivables	654	3	366	5
Cash and cash equivalents	989	67	73	23
Other financial assets	-	-	-	-
Non-current liabilities	(143,073)	(11,786)	(97,319)	(6,716)
Non-current loans and borrowings	(142,510)	(11,786)	(97,319)	(6,716)
Non-current finance lease liabilities	(563)	-	-	-
Current liabilities	(13,563)	(1,712)	(33,457)	(14,094)
Current loans and borrowings	(12,070)	(620)	(32,475)	(13,302)
Trade and other payables	(1,422)	(1,092)	(982)	(792)
Current finance lease liability	(71)	-	-	-
Net position of the Group companies in Russia	(154,993)	(13,428)	(130,337)	(20,782)
Foreign Group companies:				
Current assets	2,831	2,977	1,596	916
Trade and other receivables	1,572	1,390	970	560
Cash and cash equivalents	1,182	1,587	543	356
Other financial assets	77	-	83	-
Non-current liabilities	-	(2)	-	-
Non-current finance lease liability	-	(2)	-	-
Current liabilities	(137)	(199)	(2)	(171)
Trade and other payables	(121)	(197)	(2)	(171)
Current loans and borrowings	(16)	-	-	-
Current finance lease liability	-	(2)	-	-
Net position of foreign Group companies	2,694	2,776	1,594	745

RUB million	31 December 2021		31 December 2020	
	USD denominated	EUR denominated	USD denominated	EUR denominated
Total:				
Current assets	4,474	3,047	2,035	944
Trade and other receivables	2,226	1,393	1,336	565
Cash and cash equivalents	2,171	1,654	616	379
Other financial assets	77	-	83	-
Non-current liabilities	(143,073)	(11,788)	(97,319)	(6,716)
Non-current loans and borrowings	(142,510)	(11,786)	(97,319)	(6,716)
Non-current finance lease liabilities	(563)	(2)	-	-
Current liabilities	(13,700)	(1,911)	(33,459)	(14,265)
Current loans and borrowings	(12,086)	(620)	(32,475)	(13,302)
Trade and other payables	(1,543)	(1,289)	(984)	(963)
Current finance lease liabilities	(71)	(2)	-	-
Total net position	(152,299)	(10,652)	(128,743)	(20,037)

Management estimates that a 10% strengthening/(weakening) of RUB against USD and EUR, based on the Group's total net position in USD and EUR as at the reporting date would have increased/(decreased) the Group's profit for the year by RUB 16,295 million, before any tax effect (2020: would have increased/(decreased) the Group's profit for the year by RUB 14,878 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2020.

The foreign exchange loss recognized in profit or loss of RUB 838 million (RUB 25,070 million for the comparative period) resulted from the depreciation of the Russian Rouble against major currencies during the reporting and comparative periods.

Foreign currency translation differences

In addition, the net assets of the Group's foreign subsidiaries denominated in USD, EUR and other currencies amount to RUB 19,842 million as at the reporting date (31 December 2020: RUB 16,760 million).

Interest rate risk

Interest rate risk is the risk that changes in interest rates will adversely impact the financial results of the Group. Management does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, at the time of raising new loans or borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Group over the expected period until maturity.

The interest rate profile of the Group's interest-bearing financial instruments at their carrying values is as follows:

RUB million	31 December 2021	31 December 2020
Fixed rate instruments		
Other non-current assets	181	259
Call deposits and other financial assets	8,594	4,605
Long-term borrowings	(154,309)	(94,498)
Short-term borrowings	(6,523)	(53,027)
Lease liabilities	(5,637)	(6,195)
Total fixed rate instruments	(157,694)	(148,856)
Variable rate instruments		
Long-term borrowings	(3,087)	(9,537)
Short-term borrowings	(6,189)	(2,293)
Total variable rate instruments	(9,276)	(11,830)

At 31 December 2021, a 1 percentage point increase/(decrease) in LIBOR/EURIBOR, with all other variables held constant, would have decreased/(increased) the Group's profit for the year and equity by RUB 93 million (31 December 2020: RUB 118 million).

(c) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises from the Group's receivables from customers, loans issued to related parties, current and non-current financial assets and cash and cash equivalents.

As at 31 December 2021, the Group's maximum exposure to credit risk is represented by the carrying amount of its financial assets and amounted to RUB 57,489 million (31 December 2020: RUB 21,580 million). There are no significant concentrations of credit risk, whether through exposure to individual customers and/or regions.

As at 31 December 2021, the Group's financial assets measured at amortised cost amounted to RUB 47,648 million (31 December 2020: RUB 19,021 million).

As at 31 December 2021, the Group's financial assets measured at fair value through profit or loss amounted to RUB 6,675 million (31 December 2020: RUB 685 million).

As at 31 December 2021, the Group's financial assets measured at fair value through other comprehensive income amounted to RUB 3,166 million (31 December 2020: RUB 1,874 million).

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual specific characteristics of each customer. The general characteristics of the Group's customer base, including the default risk of the industry and country, in which customers operate, has less of an influence on credit risk.

Management has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes external ratings, when available, and in some cases bank references. Purchase limits are established for each customer, which represent the maximum amount of outstanding receivables; these limits are reviewed quarterly. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis. In response to the COVID-19 pandemic, the risk management committee has also been performing more frequent reviews of sales limits for customers in regions and industries that are severely impacted.

The Group is monitoring the economic environment in response to the COVID-19 pandemic and is taking actions to limit its exposure to customers that are severely impacted. The majority of the Group's customers have been transacting with the Group for several years, and losses have occurred infrequently. In monitoring customer credit risk, customers are grouped according to their credit characteristics. Trade and other receivables relate mainly to the Group's wholesale customers.

The Group does not require collateral in respect of trade and other receivables, except for new customers who are required to work on a prepayment basis or present an acceptable bank guarantee or set up letter of credit with an acceptable bank.

In addition, a major part of trade receivables in the Group's foreign subsidiaries is insured.

The Group establishes an allowance for impairment that represents its estimate of the expected credit losses in respect of trade and other receivables and other financial assets. The Group estimated the expected credit losses for the entire period, applying a simplified approach to measuring expected credit losses, which uses lifetime expected loss allowance. In the terms of calculating the expected credit loss, the Group considers the credit rating for each counterparty, adjusted with forward-looking factors specific to the debtors, historical credit loss experience and economic environment in which they operate.

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default and are aligned to external credit rating definitions from agencies.

Exposures within each credit risk grade are segmented by geographic region and industry classification and an ECL rate is calculated for each segment based on delinquency status and actual credit loss experience over the past years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

The Group uses an allowance matrix presented in the table below to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small balances. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics – geographic region, age of customer relationship.

The analysis of overdue trade and other receivables at the reporting date is as follows:

RUB Million	31 December 2021				31 December 2020			
	Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value	Loss Rate	Gross carrying amount	Lifetime ECL	Net carrying value
Not past due	0%-15%	30,652	(3)	30,649	0%-15%	10,252	(4)	10,248
Past due 0-90 days	1%-35%	2,265	(46)	2,219	1%-35%	951	(4)	947
Past due 91-180 days	5%-60%	32	(6)	26	5%-60%	391	-	391
Past due 181-365 days	15%-90%	68	(51)	17	15%-90%	32	(8)	24
More than one year	50%-100%	812	(232)	580	50%-100%	582	(333)	249
		33,829	(338)	33,491		12,208	(349)	11,859

The following information shows the movements in the Group's assets and liabilities under the securitisation arrangement for the reporting period:

RUB million	2021	2020
Trade receivables transferred to the bank	23,992	14,899
Associated cash inflow	8,684	2,350
Associated cash outflow	(3,566)	(3,881)
Net-off with other payables	15,308	12,549
Other non-cash operations	253	63

Payables to the bank as at 31 December 2021 amounted to RUB 3,229 million (31 December 2020: RUB 852 million) are presented within other payables. Receivables from the bank as at 31 December 2021 amounted to RUB 854 million (31 December 2020: RUB 537 million) are presented within trade receivables.

Current and non-current financial assets

The Group lends money to related parties and to third parties, who have good credit standing. Based on the prior experience, management believes that there is no significant credit risk in respect of related party and third party loans.

Cash and cash equivalents are primarily held with banks with high credit rating.

Guarantees

For financial guarantees issued the maximum exposure to credit risk is the amount of the commitment (note 32). The Group's policy is to provide financial guarantees only to the subsidiaries or related parties.

(d) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 30 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Group maintains several lines of credit in various Russian and international banks.

The table below illustrates the contractual maturities of financial liabilities, including interest payments, which are converted at the closing exchange rates, where applicable. The amounts disclosed in the maturity table are the contractual undiscounted cash flows:

RUB Million	31 December 2021							
	Carrying value	Contractual cash flows	0-1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Loans and borrowings	170,108	185,811	16,492	52,628	19,720	43,070	12,526	41,375
Lease liabilities	5,637	6,246	2,487	1,856	1,261	318	202	122
Trade and other payables	20,283	20,283	20,283	-	-	-	-	-
Financial guarantees issued for associates and related parties	75	75	75	-	-	-	-	-
Total	196,103	212,415	39,337	54,484	20,981	43,388	12,728	41,497

RUB Million	31 December 2020							
	Carrying value	Contractual cash flows	0-1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	Over 5 yrs
Loans and borrowings	159,355	171,988	59,276	15,637	43,337	5,529	41,759	6,450
Lease liabilities	6,195	7,122	2,336	2,109	1,477	1,021	161	18
Trade and other payables	18,042	18,042	18,042	-	-	-	-	-
Financial guarantees issued for associates and related parties	340	360	283	77	-	-	-	-
Total	183,932	197,512	79,937	17,823	44,814	6,550	41,920	6,468

(e) Capital management

The Group's policy is to safeguard the Group's ability to continue as a going concern, to maintain a strong capital base in order to provide investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital invested and the level of dividends paid to shareholders.

There were no changes in the Board's approach to capital management during the year.

The Company and its subsidiaries are subject to externally imposed capital requirements including the statutory requirements of the country of their domicile and the bank covenants.

30. COMMITMENTS

As at 31 December 2021, the Group had contractual commitments for the purchase of property, plant and equipment for RUB 29,458 million (31 December 2020: RUB 31,197 million), including VAT where applicable.

31. CONTINGENCIES

(a) Litigation

The Group has a number of small claims and litigations relating to regular business activities and small fiscal claims. Management believes that none of these claims, individually or in aggregate, will have a material adverse impact on the Group.

(b) Taxation contingencies

Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decisions about the review was made. Under certain circumstances reviews may cover longer periods.

Russian transfer pricing (TP) legislation is generally aligned with the international TP principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. The TP legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. The management has implemented internal controls to comply with current TP legislation.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of TP rules, that such prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the Group's operations.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group. The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate. Management doesn't expect any significant payments in respect of its foreign subsidiaries profits due to new CFC legislation.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that an outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

(c) Environmental contingencies

The environmental legislation, currently effective in the Russian Federation, is relatively new and characterised by frequent changes, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different authorities.

The Group is involved in chemical production, which is inherently exposed to significant environmental risks. The Group companies record environmental obligations as they become probable and reliably measurable. The Group companies are parties to different litigations with the Russian environmental authorities. The management believes that based on its interpretations of applicable Russian legislation, official pronouncements and court decisions no provision is required for environmental obligations. However, the interpretations of the relevant authorities could differ from management's position and the effect on these consolidated financial statements, if the authorities were successful in enforcing their interpretations, could be significant.

(d) Compliance with covenants

The Group is subject to certain covenants related primarily to its loans and borrowings. Non-compliance with such covenants may result in negative consequences for the Group including growth in the cost of borrowings and declaration of default.

The Group was in compliance with covenants during the years ended 31 December 2021 and 31 December 2020.

32. RELATED PARTY TRANSACTIONS

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Other related parties include entities controlled by the Company's key shareholders.

The balances and transactions with related parties are usually unsecured and denominated in RUB.

a) Transactions with related parties

RUB million	Nature of relationship	2021	2020
Sales of goods and services	Associates	26	26
Other income, net	Associates	-	1
Purchases of goods and services	Associates	(585)	(561)
Sales of goods and services	Other related parties	968	686
Dividend income	Other related parties	-	203
Other expenses, net	Other related parties	(60)	(53)
Purchases of goods and services	Other related parties	(224)	(115)

In 2021, the Company declared dividends in total amount of RUB 46,824 million (2020: RUB 25,113 million) to its shareholders which have significant influence over the Group.

b) Balances with related parties

RUB million	Nature of relationship	31 December 2021	31 December 2020
Trade and other receivables	Associates	20	16
Trade and other payables	Associates	(17)	(12)
Trade and other receivables	Other related parties	8	14
Trade and other payables	Other related parties	(349)	(237)
Short-term loans issued, at amortised cost	Other related parties	25	-

c) Financial guarantees

The Group issued financial guarantees to the bank to secure associates' bank loans amounting to RUB 75 million (31 December 2020: RUB 340 million).

d) Key management personnel remuneration

Remuneration of key management personnel consists of monthly compensation, annual performance bonus contingent on operating results and contributions to the Russian state pension and social funds. The remuneration of the Board of Directors and key management personnel recognised as part of administrative and selling overhead expenses amounted to RUB 4,147 million (2020: RUB 3,351 million).

33. SIGNIFICANT SUBSIDIARIES

Subsidiary	Country of incorporation	Effective ownership (rounded)	
		31 December 2021	31 December 2020
Apatit, JSC (including Balakovo, Volkhov and Kirovsk branches)	Russia	100%	100%
Mekhanik, LLC	Russia	100%	100%
NIUIF, JSC	Russia	94%	94%
PhosAgro-Region, LLC	Russia	100%	100%
PhosAgro-Belgorod, LLC	Russia	100%	100%
PhosAgro-Don, LLC	Russia	100%	100%
PhosAgro-Kuban, LLC	Russia	100%	100%
PhosAgro-Kursk, LLC	Russia	100%	100%
PhosAgro-Lipetsk, LLC	Russia	100%	100%
PhosAgro-Oryol, LLC	Russia	100%	100%
PhosAgro-Stavropol, LLC	Russia	100%	100%
PhosAgro-Volga, LLC	Russia	100%	100%
PhosAgro-SeveroZapad, LLC	Russia	100%	100%
PhosAgro-Tambov, LLC	Russia	100%	100%
PhosAgro-Sibir, LLC	Russia	100%	-
PhosAgro Trading SA	Switzerland	100%	100%
Phosint Limited	Cyprus	100%	100%
PhosAgro Logistics SA	Switzerland	100%	100%
PhosAgro Polska Sp.z o.o.	Poland	100%	100%
PhosAgro Deutschland GmbH	Germany	100%	100%
PhosAgro France SAS	France	100%	100%
PhosAgro Balkans DOO	Serbia	100%	100%
UAB PhosAgro Baltic	Lithuania	100%	100%
PhosAgro Balkans SRL	Romania	100%	100%
PhosAgro South Africa Proprietary Limited	South Africa	100%	100%
Logifert Oy	Finland	100%	100%
Bulk Terminal Kotka Oy	Finland	100%	100%

34. SEASONALITY

The Group is subject to certain seasonal fluctuations in fertiliser demand due to the timing of fertiliser application and, as a result, fertiliser purchases by farmers. However, the effect of seasonality on the Group's revenue is partially offset by the fact that the Group sells its fertilisers globally and fertiliser application and purchases vary by region.

The Group's costs are generally stable throughout the year, however several maintenance activities undertaken at the Group's production facilities may not be evenly spreaded.

Management responsibility statement

The Company' management hereby confirms that, to the best of its knowledge, the financial statements prepared in accordance with the International Financial Reporting Standards as issued by the International Accounting Standards Board give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole.

The management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Company was guided by GRI standards, as well as the principles of the ISO 26000 and AA 1000 standards during the preparation of the integrated report. A draft of this integrated report was reviewed and pre-approved at PhosAgro's Board of Directors meeting on 3 March 2022. On 30 June 2022, it will be submitted for approval to the Annual General Meeting of Shareholders.

The consolidated financial statements for the year ended 31 December 2021 were approved by the Board of Directors on 10 February 2022.



Andrey A. Guryev
 Chief Executive Officer and
 Chairman of the Management
 Board of PJSC PhosAgro

Changes in the status of conformity with the Corporate Governance Code

principles in 2021

Nº	Number and brief description of the principle	Old status	New status	Change in criteria	Comments
1	1.1.5. Ability for shareholders to freely exercise their rights to vote	●	●	○	A new criterion, fundamentally different from the previous one, was introduced at the end of the reporting year and, therefore, it was not complied with (PhosAgro Charter does not provide for online ballot completion on the website). The vast majority of the Company's shareholders hold their shares through nominee shareholders (with the exception of only 25 out of 139,000 shareholders, or less than 0.02%) and can take advantage of remote voting by instructing their nominees accordingly (proxy voting) and thus exercise their voting rights by completing online ballots.
2	1.1.6. Equal opportunity to all persons present at the General Shareholders' Meeting to express their opinions and ask questions that might be of interest to them	●	●	○	In the reporting year, all general shareholders' meetings of the Company were held by absentee voting and for that reason compliance with the criteria of this clause was not required (was impossible). Going forward (starting from this year), the Company will make certain to comply with these criteria when holding in-person meetings.
3	1.2.1. A transparent and clear mechanism for determining the amount of dividends and payment thereof	●	●	○	Criteria 1 and 2 were fully complied with. Criterion 3, introduced for the first time, was not met with respect to failing to provide explanations and business justification for allocating a portion of the net profit for own needs as part of the materials for the general shareholders' meetings in 2021. At the same time, information on the procedure for determining the amount of dividends and its conformity with the Company's dividend policy was included in the shareholders materials for the GSM meetings. Starting from 2022, the Company will include explanations and business justification for allocating a portion of its net profit for own needs in annual GSM materials.
4	1.2.4. Ruling out any ways through which shareholders can obtain any profit or gain at the Company's expense other than dividends and the payment of the liquidation value thereof	●	●	○	In the reporting year, no ways through which persons controlling the Company could obtain profit or gain at the Company's expense, other than dividends, were registered.

● complied ● did not comply ● partially complied ○ criteria changed ○ criteria not changed

Nº	Number and brief description of the principle	Old status	New status	Change in criteria	Comments
5	2.1.1. Responsibility of the Board of Directors for decisions to appoint and oversee the activities of executive bodies	●	●	○	To improve the explanation, an indication of no time limits for non-compliance with the criterion has been added.
6	2.1.4. Determination of the Company's remuneration policy by the Board of Directors	●	●	○	To improve the explanation, an indication of no time limits for non-compliance with the criterion has been added.
7	2.8.2 Performance of the remuneration committee	●	●	○	Criteria 1 and 2 were fully complied with. Criterion 3, first used in this version, was not met with respect to failure to define in the Company's internal documents the conditions (events) upon the occurrence of which the Remuneration and Human Resources Committee of the Board of Directors considers the revision of the Company's policy on remuneration of the Board members, members of executive bodies, and other key executives. The Company proceeded from the fact that the responsibility to regularly revise the policy, which is specified in the Regulations on the Remuneration and Human Resources Committee of the Board of Directors, implies ensuring that it is updated and meets the current needs of the Company. However, in 2022, a new version of the Regulations setting out the conditions (events) for the revision of the Remuneration Policy will be presented to the Board of Directors.
8	2.8.5. Composition of the Board of Directors committees	●	●	○	According to the new version of the criteria, the recommendation that the Board committees should be headed by independent directors is limited to the Audit Committee and the Remuneration and Human Resources Committee.
9	2.9.1. Evaluation of the quality of the work of the Board of Directors	●	●	○	Criteria 1 and 3 were fully complied with. Criterion 2, first formulated in this version, was not met with respect to the failure to conduct individual assessment of each member of the Board of Directors in 2021 (for 2020) and 2022 (for 2021). In 2022, the Company will resume the practice of assessing each Board member individually, as part of the evaluation of the quality of the work of the Board of Directors.
10	4.1.1 The level of remuneration paid by the Company to its Board members and key managers	●	●	○	In the new version of the criteria, the only compliance requirement is a comparative analysis of remuneration in peer companies.
11	4.1.2 Remuneration Policy	●	●	○	To improve the explanation, an indication of no time limits for non-compliance with the criterion has been added.
12	4.1.3 Remuneration Policy	●	●	○	To improve the explanation, an indication of no time limits for non-compliance with the criterion has been added.
13	4.3.1 Remuneration key managers	●	●	○	The principle is complied with given the exclusion from the criteria of the procedure for refunding to the Company unlawfully obtained bonuses.
14	4.3.2 Long-term incentive programme	●	●	○	The principle is complied with given the exclusion from the criteria of the requirement to have a long-term incentive programme.

● complied ● did not comply ● partially complied ○ criteria changed ○ criteria not changed

N°	Number and brief description of the principle	Old status	New status	Change in criteria	Comments
15	6.3.1 Providing shareholders with access to information at their requests	●	●	○	Criteria 1 was complied with. Criterion 2, introduced for the first time, was not met as regards to absence in the Company's internal documents of provisions specifying access to information on legal entities controlled by the Company upon the request of a shareholder. The principle of completeness set out in the current information policy means that the Company provides shareholders with information it is required to provide under the applicable law, as well as other information necessary for making informed decisions, which, we believe, also includes information on controlled entities. However, in 2022, a new version of the information policy setting out provisions on controlled entities will be presented to the Board of Directors.
16	6.3.2. Providing shareholders with access to information at their requests	●	●	○	Criteria 1 was complied with. Criterion 2, introduced for the first time, was not met as regards to absence in the Company's internal documents of provisions providing for shareholders' warning of the confidential nature of information and the need for commitment to keep it confidential. The principle of balance specified in the current information policy means that the Company maintains a reasonable balance between being transparent and observing the interests of the Company and existing shareholders with respect to protecting business and confidential information, which, we believe, implies complying with requirements for maintaining information confidentiality. However, in 2022, a new version of the information policy setting out the conditions upon the occurrence of which shareholders are warned of the confidential nature of information and the need for commitment to keep it confidential, will be presented to the Board of Directors.
17	7.1.3. Material corporate actions taken by the Company	●	●	○	In 2021, all material corporate actions were approved prior to being taken.
18	7.2.2. Material corporate actions taken by the Company	●	●	○	The status was changed following additional review of internal documents related to engaging an appraiser for taking material corporate actions. It revealed that PhosAgro's Order No. 77 dated 31 January 2018 in conjunction with PhosAgro Regulations on the Procurement of Commodities, Works and Services fully comply with the criteria for this corporate governance principle.




Appendices
(presented in a separate document)

● complied ● did not comply ● partially complied ○ criteria changed ○ criteria not changed

Independent limited assurance report



To the Management of Public Joint Stock Company "PhosAgro":

Introduction

We have been engaged by the Management of Public Joint Stock Company "PhosAgro" (hereinafter – the "Company") to provide limited assurance on the selected information described below and included in the Integrated annual report of the Company for the year ended 31 December 2021 (hereinafter – the "Integrated annual report"). The Integrated annual report represents information related to the Company and its subsidiaries (hereinafter together – the "Group").

Selected information

We assessed the qualitative and quantitative information specified in Appendix 1 to this report, that is disclosed in the Integrated annual report and referred to or disclosed in the GRI Content Index of the Integrated annual report (hereinafter – the "Selected Information").

The scope of our limited assurance procedures was limited to the Selected Information for the year ended 31 December 2021 only. We have not performed any procedures with respect to earlier periods or any other items included in the Integrated annual report and, therefore, do not express any conclusion thereon.

Reporting criteria

We assessed the Selected Information using relevant criteria, including reporting requirements, in the respective GRI Sustainability Reporting Standards 2, 3, 202, 203, 205, 207, 302, 303, 304, 305, 306, 401, 403, 404 and 413 (hereinafter together – the "GRI Standards") published by the Global Reporting Initiative (GRI) and in the Group's management methodology as set forth in the criteria defined in the notes to the Group's specific disclosures in the Environmental review section of the Integrated annual report (hereinafter – the "PhosAgro Methodology", and together with the GRI Standards – the "Reporting Criteria"). We believe that the Reporting Criteria are appropriate given the purpose of our limited assurance engagement.

Responsibilities of the management of the Group

The management of the Group is responsible for:

- designing, implementing and maintaining internal control relevant to the preparation of the Selected Information that is free from material misstatement, whether due to fraud or error;
- establishing internal methodology and guidelines (including the PhosAgro Methodology) for preparing and reporting the Selected Information in accordance with the Reporting Criteria;
- preparing, measuring and reporting of the Selected Information in accordance with the Reporting Criteria; and
- the accuracy, completeness and presentation of the Selected Information.

Our responsibilities

We are responsible for:

- planning and performing the engagement to obtain limited assurance about whether the Selected Information is free from material misstatement, whether due to fraud or error;
- forming an independent conclusion, based on the procedures we have performed and the evidence we have obtained; and
- reporting our conclusion to the management of the Group.

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This report, including our conclusion, has been prepared solely for the management of the Group in accordance with the agreement between us, to assist management in reporting on the Group's sustainability performance and activities. We permit this report to be disclosed in the Integrated annual report, which will be published on the Company's website¹, to assist management in responding to their governance responsibilities by obtaining an independent limited assurance report in connection with the Selected Information. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the management of the Group for our work or this report except where the respective terms are expressly agreed in writing and our prior consent in writing is obtained.

Professional standards applied and level of assurance

We performed a limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board. A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our limited assurance engagement in respect of the Selected Information in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Work done

We are required to plan and perform our work in order to consider the risk of material misstatement of the Selected Information. In doing so, we:

- made enquiries of the Group's management, including the Sustainability Reporting team and those with responsibility for Sustainability Reporting management and group reporting;
- conducted interviews of the Group's personnel responsible for the preparation of the Integrated annual report and collection of underlying data;
- performed analysis of the relevant internal methodology and guidelines (including the PhosAgro Methodology), gaining an understanding and evaluating of the design of the key structures, systems, processes and controls for managing, recording, preparing and reporting the Selected Information; and

¹ The maintenance and integrity of the Company's website is the responsibility of management; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the reported Selected Information or Reporting Criteria when presented on the Company's website.



- performed limited substantive testing on a selective basis of the Selected Information to check that data had been appropriately measured, recorded, collated and reported.

Reporting and measurement methodologies

Under the GRI Standards there is a range of different, but acceptable, measurement and reporting techniques. The techniques, together with the PhosAgro Methodology, can result in materially different reporting outcomes that may affect comparability with other organisations. The Selected Information should therefore be read in conjunction with the methodology used by management in preparing the Integrated annual report, described therein, and for which the Group is solely responsible.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Selected Information for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the Reporting Criteria.

AO PricewaterhouseCoopers Audit

15 April 2022

Moscow, Russian Federation



A. Y. Fegetsyn is authorised to sign on behalf of the general director of AO PricewaterhouseCoopers Audit (Principal Registration Number of the Record in the Register of Auditors and Audit Organizations (PRNR) – 12006020338), certified auditor (PRNR – 21906101957)



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Appendix 1 to the Independent Limited Assurance Report dated 15 April 2022

The Selected Information subject to limited assurance procedures and prepared in accordance with the GRI Disclosures and the PhosAgro Methodology, as applicable, is set out below:

GRI Disclosure	Narrative
2-7	Employees
2-27	Compliance with laws and regulations
3-2	List of material topics
202-1	Ratios of standard entry level wage by gender compared to local minimum wage
202-2	Proportion of senior management hired from the local community
203-1	Infrastructure investments and services supported
205-3	Confirmed incidents of corruption and actions taken
207-1	Approach to tax
207-2	Tax governance, control, and risk management
207-3	Stakeholder engagement and management of concerns related to tax
302-1	Energy consumption within the organization
302-3	Energy intensity
303-3	Water withdrawal
303-4	Water discharge
303-5	Water consumption
304-3	Habitats protected or restored
305-1	Direct (Scope 1) GHG emissions
305-2	Energy indirect (Scope 2) GHG emissions
305-4	GHG emissions intensity
305-5	Reduction of GHG emissions
305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions
306-3	Waste generated
306-4	Waste diverted from disposal
306-5	Waste directed to disposal
401-1	New employee hires and employee turnover
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees
403-1	Occupational health and safety management system
403-2	Hazard identification, risk assessment, and incident investigation
403-3	Occupational health services
403-4	Worker participation, consultation, and communication on occupational health and safety
403-5	Worker training on occupational health and safety
403-6	Promotion of worker health
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
403-8	Workers covered by an occupational health and safety management system
403-9	Work-related injuries
403-10	Work-related ill health
404-1	Average hours of training per year per employee
404-2	Programs for upgrading employee skills and transition assistance programs
404-3	Percentage of employees receiving regular performance and career development reviews
413-1	Operations with local community engagement, impact assessments, and development programs



PhosAgro Methodology (the Group's specific disclosure)	Related description
Pollutant emissions	Pollutant emissions, kg per tonne of finished and semi-finished products
Waste water discharge	Waste water discharge, m ³ per tonne of finished and semi-finished products
Specific water withdrawal	Specific water withdrawal, including mining and drainage waters, m ³ per tonne
Specific water withdrawal	Specific water withdrawal from surface sources, excluding mining and drainage waters, and waste water from other waste water discharge systems, m ³ per tonne
Recycled and decontaminated waste	Share of recycled and decontaminated waste of 1–4 hazard classes, %



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GRI Content Index

The data disclosed in this Report includes information on:

Boundary 1: PhosAgro and companies that are part of the group to which PhosAgro belongs (corresponds to the scope of disclosure in IFRS consolidated financial statements).

Boundary 2: PhosAgro and Apatit, including its branches and standalone business units.

Boundary 3: Apatit, including its branches and standalone business units.

Code	GRI Indicator	Comments	Boundary	Page number
2	General disclosures (2021)			
2-1	Organisational profile			4,26,347
2-2	Entities included in the organisation's sustainability reporting			4
2-3	Reporting period, frequency, and point of contact			4
2-4	Restatements of information	The following historical data have been revised in the 2021 report: - methodology for GHG (Scope 2) emissions calculation was amended – for more information, see GRI 305-2; - HR metrics regarding personnel breakdown by education – for more information, see GRI 2-7.		
2-5	External assurance			4, 328
2-6	Activities, value chain and other business relationships	The new sulphuric acid plant at the Volkhov branch of Apatit allowed us to purchase less acid from external parties and reduce logistics costs for transporting our own sulphuric acid between production facilities. An upgraded loading unit at the Cherepovets production site enabled us to sell higher-quality sulphuric acid. To meet the increased demand for ammonia at the Cherepovets and Volkhov branches, which grew by roughly 60% year-on-year, we entered into long-term contracts with major suppliers and made a decision to build a new ammonia plant. To source natural gas for this promising project, a connection agreement was signed with a gas distribution organisation. As part of the rolling stock renewal programme, we successfully tested a new Russian-made dump car with an increased capacity of 115 tonnes and signed a supply agreement to increase the volume and efficiency of ore transportation. In 2021, PhosAgro launched SAP Process Mining by Celonis, a platform that takes a fundamentally new approach to managing business processes and complements our existing toolkit, to further automate procurement activities.	3	26,-27, 115
2-7	Employees		2	127-128
2-8	Workers who are not employees	Not disclosed owing to the confidential nature of this information.		
2-9	Governance structure and composition		1	204
2-10	Appointment and selection of the supreme governance body		1	218
2-11	Chair of the supreme governance body		1	222

Code	GRI Indicator	Comments	Boundary	Page number
2-12	Role of the supreme governance body in overseeing the impacts		1	204, 247
2-13	Delegation of responsibility for impact management		1	204
2-14	Role of the supreme governance body in sustainability reporting		1	212
2-15	Conflicts of interest		1	260
2-16	Communication of critical concerns		1	212, 214, 234
2-17	Collective knowledge of the supreme governance body		1	218
2-18	Supreme governance body performance assessment		1	219
2-19	Remuneration policies		1	262
2-20	Process to determine remuneration		1	262
2-21	Annual total compensation ratio	Not disclosed owing to the confidential nature of this information.		
2-22	Statement on sustainable development strategy		1	36
2-23	Policy commitments		1	252, 256
2-24	Embedding policy commitments		1	252
2-25	Processes to remediate negative impacts		1	124, 256
2-26	Mechanisms for seeking advice and raising concerns		1	134, 252, 256
2-27	Compliance with laws and regulations	For purpose of this disclosure, the Group uses the following materiality criteria: - with regard to fines, the Group determined the amount exceeding RUB 1 mln to be material fines for the Group considering the scale of its operations; - with regard to other non-monetary sanctions, the Group assesses their influence on its reputation and ability to continue as a going concern, taking into account the amount of expenses likely to be incurred as a result of such penalties. There were no significant instances of non-compliance with laws and regulations during 2021 for which material fines or non-monetary sanctions were incurred by the Group. During 2021, the Group incurred expenses of RUB 2,274 thousand for the reproduction of aquatic biological resources as a compensation for the harm caused by an emergency situation in 2019. 🔗 For information on cases of non-compliance with environmental laws and regulations, see page 161.	1	161
2-28	Membership associations			98, 112-113
2-29	Approach to stakeholder engagement			9
2-30	Collective bargaining agreements		2	122
3	Material topics (2021)			
3-1	Processes to determine material topics		1	7
3-2	List of material topics		1	8
3-3	Management of material topics		1	124, 158



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Code	GRI Indicator	Comments	Boundary	Page number
201	Economic performance (2016)			
201-1	Direct economic value generated and distributed		1	84
201-2	Financial implications and other risks and opportunities due to climate change			76, 162
201-3	Defined benefit plan obligations and other retirement plans		3	340
201-4	Financial assistance received from government	Not disclosed owing to the confidential nature of this information.		
202	Market presence (2016)			
202-1	Ratios of standard entry level wage by gender compared to local minimum wage		2	135
202-2	Proportion of senior management hired from the local community		2	129
203	Indirect economic impacts (2016)			
203-1	Infrastructure investments and services supported		2	193
203-2	Significant indirect economic impacts		1	191
204	Procurement practices (2016)			
204-1	Proportion of spending on local suppliers at significant locations of operation		3	114, 119
205	Anti-corruption (2016)			
205-1	Operations assessed for risks related to corruption		1	256
205-2	Communication of and training in anti-corruption policies and procedures		1	254, 258
205-3	Confirmed incidents of corruption and actions taken		1	260
207	Tax (2019)			
207-1	Approach to tax		1	85
207-2	Tax governance, control, and risk management		1	86
207-3	Stakeholder engagement and management of tax-related concerns		1	85
207-4	Country-by-country reporting		1	87
302	Energy (2016)			
302-1	Energy consumption within the organisation		3	174, 175
302-2	Energy consumption outside of the organization	not applicable		
302-3	Energy intensity		3	175
302-4	Reduction in electricity consumption		3	172
302-5	Reductions in energy requirements of products and services	Information will be disclosed in the next annual report 2022.		

Code	GRI Indicator	Comments	Boundary	Page number
303	Water and effluents (2018)			
303-1	Responsible water consumption		3	183
303-2	Management of water discharge and related impacts on water resources	Effluents are treated until standard permissible discharge and temporarily permitted discharge rates are reached as required by permits to discharge pollutants into the environment (water bodies) issued by a relevant authority for each discharge		
303-3	Water withdrawal		3	184
303-4	Water discharge		3	185, 186
303-5	Water consumption		3	186
304	Biodiversity (2016)			
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The Group's operations are not located in protected areas or areas of high biodiversity value outside protected areas. The Group's operations are not located in protected areas or areas of high biodiversity value outside protected areas		
304-2	Significant impacts of activities, products, and services on biodiversity		1	189
304-3	Habitats protected or restored		1	189
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	The Group's operations are not located in protected areas or areas of high biodiversity value. The Group's operations do not pose a threat to endangered animal and plant species listed in the International Union for Conservation of Nature (IUCN) Red List and the Russian Red Data Book		
305	Emissions (2016)			
305-1	Direct (Scope 1) GHG emissions		3	170
305-2	Energy indirect (Scope 2) GHG emissions		3	171
305-3	Other indirect (Scope 3) GHG emissions	Other indirect (Scope 3) GHG emissions will be calculated and disclosed in 2022 as part of the CDP		
305-4	GHG emissions intensity		3	170
305-5	Reduction of GHG emissions		3	171
305-6	Emissions of ozone-depleting substances	The Company does not use ozone-depleting substances on an industrial scale		
305-7	Nitrogen oxides (NO _x), sulphur oxides (SO _x), and other significant air emissions		3	180
306	Waste (2020)			
306-1	Waste generation and significant waste-related impacts	Information will be disclosed in the next annual report 2022		
306-2	Management of significant waste-related impacts		3	176
306-3	Waste generated		3	177
306-4	Waste diverted from disposal		3	177
306-5	Waste directed to disposal		3	177
308	Supplier environmental assessment (2016)			
308-1	New suppliers that were screened using environmental criteria		3	118-119
308-2	Negative environmental impacts in the supply chain and actions taken		3	118-119



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Code	GRI Indicator	Comments	Boundary	Page number
401	Employment (2016)			
401-1	New employee hires and employee turnover		2	128, 342
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits established by collective bargaining agreements apply to all employees of Apatit, its branches, standalone business units and do not depend on conditions of employment	3	
401-3	Parental leave		2	341
403	Occupational health and safety (2018)			
403-1	Occupational health and safety management system		3	139
403-2	Hazard identification, risk assessment, and incident investigation		3	144
403-3	Occupational health services		3	141
403-4	Worker participation, consultation, and communication on occupational health and safety		3	151
403-5	Worker training on occupational health and safety		3	151
403-6	Promotion of worker health		3	153
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		3	153
403-8	Workers covered by an occupational health and safety management system	In 2021, our occupational health and safety management system covered 100% of the Group's employees. All our employees (executives together with blue- and white-collar staff) take OHS training as required by the national laws, as well as additional training (for more information, see page 140). The minimum required training is provided to each and everyone, including all visitors and representatives of contractors as part of the introductory briefing.	2	
403-9	Work-related injuries		3	147
403-10	Occupational diseases	Occupational diseases are divided into three groups: group 1: HAVS, stage 1 and 2, Polyneuropathy of the upper and lower limbs, Cervical/lumbosacral radiculopathy, Bilateral humeral epicondylitis with joint function disorder, stage 1, Myofibrosis of the forearms, Bilateral humeroscapular periarthrosis, Osteoarthritis deformans of the shoulder and elbow joints, Osteoarthritis deformans of the shoulder and elbow joints, Reflex myotonic syndrome of the cervical/lumbosacral area; group 2: Chronic bilateral sensorineural hearing loss, 1st and 2nd degree; group 3: Respiratory diseases associated with exposure to complex chemical aerosols.	3	149
404	Training and education (2016)			
404-1	Average hours of training per year per employee		3	130
404-2	Programmes for upgrading employee skills and transition assistance programmes		3	132

Code	GRI Indicator	Comments	Boundary	Page number
404-3	Percentage of employees receiving regular performance and career development reviews		3	134
405	Diversity and equal opportunity (2016)			
405-1	Organisation's governance bodies and main employee categories by gender, age group, minority groups and other indicators of diversity			124
405-2	Ratio of basic salary and remuneration of women to men			128
408	Child labour (2016)			
408-1	Operations and suppliers at significant risk for incidents of child labour	PhosAgro is committed to ensuring that no child labour is used by its business units and subsidiaries. As part of regular risk assessments, each of our subsidiaries identifies risks related to the use of child and forced labour in their own and their counterparties' operations. PhosAgro Group only cooperates with those counterparties that show no tolerance for child labour (work done by children under the minimum age for admission to employment as provided by the laws) and may refuse to cooperate with the suppliers that do not adhere to the respective zero-tolerance policy. The ESG assessment of suppliers in 2021 revealed that 51% of our counterparties had adopted a zero-tolerance policy on child labour, which prevents such incidents. Needless to say, this number should show a trend towards growth. Therefore, our important objective in 2022 is to step up efforts in communicating the importance of principles enshrined in the Code of Conduct for Counterparties and invite suppliers to discuss sustainable development matters.		
413	Local communities (2016)			
413-1	Operations with local community engagement, impact assessments, and development programmes	Programmes for engagement with local communities, assessment of our operations' impact on local communities, and local community development programmes were implemented across all branches of Apatit and PhosAgro.	2	192
413-2	Operations with significant actual and potential negative impacts on local communities	The Group has no operations with significant actual and potential negative impacts on local communities. Significant impacts of the Group on local communities has been assessed as part of evaluation of UN Sustainable Development Goals impacts.		
417	Marketing and labelling (2016)			
417-1	Requirements for product and service information and labelling			98
417-2	Incidents of non-compliance concerning product and service information and labelling	No such cases registered, not applicable.		
417-3	Incidents of non-compliance concerning marketing communications	No such cases registered, not applicable.		

GRI Content Index: additional information

Defined benefit plan and other retirement-related obligations

GRI 201-3

Region	Employee benefit obligations	Actual performance of the employee benefit obligations, RUB mln	2021
Vologda region	Current value of employee benefit obligations (private benefit coverage for newly retiring employees)		Estimate
	Retirement-related obligations (other than employee benefit obligations)	Payment of retirement benefits	7,918
		Merit benefit plans	19,148
		Financial aid to retired former employees	73,191
	Total:		100,256
Leningrad region	Current value of employee benefit obligations (private benefit coverage for newly retiring employees)		Estimate
	Retirement-related obligations (other than employee benefit obligations)	Payment of retirement benefits	0,385
		Merit benefit plans	0,000
		Financial aid to retired former employees	19,746
	Total:		20,131
Murmansk region	Current value of employee benefit obligations (private benefit coverage for newly retiring employees)		Estimate
	Retirement-related obligations (other than employee benefit obligations)	Payment of retirement benefits	35,126
		Merit benefit plans	0,000
		Financial aid to retired former employees	88,877
	Total:		124,003
Saratov region	Current value of employee benefit obligations (private benefit coverage for newly retiring employees)		Estimate
	Retirement-related obligations (other than employee benefit obligations)	Payment of retirement benefits	0,902
		Merit benefit plans	0,000
		Financial aid to retired former employees	7,637
	Total:		8,539
Total	Current value of employee benefit obligations (private benefit coverage for newly retiring employees)		Estimate
	Retirement-related obligations (other than employee benefit obligations)	Payment of retirement benefits	44,331
		Merit benefit plans	19,148
		Financial aid to retired former employees	189,451
	Total:		252,929

Parental leave

GRI 401-3

Region	Gender	Employees on leave	Employees on leave	Employees who returned after leave
		as at 31 December 2021	1 January 2021 to 31 December 2021	1 January 2021 to 31 December 2021
Vologda Region	F	288	379	65
Vologda Region	M	2	3	
Vologda Region, total		290	382	65
Saratov Region	F	51	68	13
Saratov Region	M	1	1	
Saratov Region, total		52	69	13
Leningrad Region	F	42	56	15
Leningrad Region	M		1	1
Leningrad Region, total		42	57	16
Murmansk Region	F	194	285	76
Murmansk Region	M	4	8	2
Murmansk Region, total		198	293	78
Moscow Region	F	11	18	3
Moscow Region	M			
Moscow Region, total		11	18	3
Grand total		593	819	175

Returning ratio is the ratio between those who returned and those who had been supposed to return.

Retention ratio is the ratio between those who returned in the previous period and continued working as at 31 December and all of those who returned to work in the previous period.

Total number of new employee hires in 2021, people

GRI 401-1

Region	Gender	Under 25 years	25-34 years	35-44 years	45-55 years	Above 55 years	Total
Vologda Region	M	173	215	167	70	11	636
Vologda Region	F	102	183	160	78	26	549
Vologda Region, total		275	398	327	148	37	1,185
Leningrad Region	M	60	127	118	52	7	364
Leningrad Region	F	32	42	43	30	15	162
Leningrad Region, total		92	169	161	82	22	526
Moscow region	M	1	11	11	8	3	34
Moscow region	F	1	12	20	7	0	40
Moscow Region, total		2	23	31	15	3	74
Murmansk Region	M	196	424	463	196	22	1,301
Murmansk Region	F	82	127	101	46	10	366
Murmansk Region, total		278	551	564	242	32	1,667
Saratov Region	M	26	90	69	17	1	203
Saratov Region	F	26	41	44	22	7	140
Saratov Region, total		52	131	113	39	8	343
Other	M	0	0	1	0	0	1
	F	0	3	5	1	1	10
Other, total		0	3	6	1	1	11
Total		699	1,275	1,202	527	103	3,806



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Personnel turnover by gender, age and region

GRI 401-1

Turnover in 2020, %

Region	Gender	Under 25 years	25–34 years	35–44 years	45–55 years	Above 55 years	Total
Vologda Region	M	0.14	0.54	0.40	0.21	0.08	1.35
Vologda Region	F	0.11	0.33	0.31	0.18	0.06	0.99
Vologda Region, total		0.25	0.87	0.71	0.39	0.14	2.34
Leningrad Region	M	0.04	0.16	0.14	0.06	0.01	0.41
Leningrad Region	F	-	0.08	0.14	0.04	-	0.25
Leningrad Region, total		0.04	0.24	0.28	0.10	0.01	0.67
Moscow region	M	-	0.05	0.03	0.01	-	0.09
Moscow region	F	0.01	0.02	0.01	0.01	0.01	0.06
Moscow Region, total		0.01	0.07	0.04	0.02	0.01	0.15
Murmansk Region	M	0.29	1.24	1.43	0.62	0.10	3.69
Murmansk Region	F	0.09	0.25	0.24	0.11	0.05	0.74
Murmansk Region, total		0.38	1.50	1.67	0.74	0.15	4.43
Saratov Region	M	-	0.06	0.11	0.05	0.04	0.25
Saratov Region	F	0.03	0.05	0.05	0.05	0.04	0.21
Saratov Region, total		0.03	0.11	0.15	0.09	0.08	0.47
Men, total	M	0.47	2.05	2.11	0.95	0.22	5.80
Women, total	F	0.24	0.73	0.74	0.39	0.16	2.25
Total		0.70	2.78	2.85	1.34	0.38	8.05

Turnover in 2021, %

Region	Gender	Under 25 years	25–34 years	35–44 years	45–55 years	Above 55 years	Total
Vologda Region	M	0.19	0.87	0.74	0.27	0.05	2.13
Vologda Region	F	0.15	0.60	0.66	0.24	0.09	1.73
Vologda Region, total		0.34	1.47	1.40	0.51	0.14	3.86
Leningrad Region	M	0.13	0.38	0.33	0.09	0.02	0.95
Leningrad Region	F	0.04	0.10	0.10	0.06	0.02	0.32
Leningrad Region, total		0.17	0.48	0.43	0.14	0.05	1.27
Moscow region	M	0.01	0.03	0.02	0.03	-	0.09
Moscow region	F	-	0.01	0.03	0.01	-	0.05
Moscow Region, total		0.01	0.04	0.05	0.04	-	0.14
Murmansk Region	M	0.33	1.47	1.48	0.53	0.10	3.90
Murmansk Region	F	0.11	0.36	0.36	0.18	0.05	1.06
Murmansk Region, total		0.44	1.83	1.84	0.71	0.14	4.96
Saratov Region	M	0.06	0.26	0.14	0.08	0.02	0.57
Saratov Region	F	0.03	0.11	0.17	0.08	0.03	0.43
Saratov Region, total		0.09	0.38	0.31	0.16	0.05	0.99
Men, total	M	0.71	3.02	2.71	0.99	0.20	7.64
Women, total	F	0.34	1.18	1.31	0.57	0.18	3.59
Total		1.05	4.21	4.02	1.56	0.38	11.22

SASB content index

Code	Activity metric	Page number/ Comment
EM-MM-000.B	Total number of employees, percentage contractors	127
Environmental		
RT-CH-110a.1	Gross global Scope 1 emissions, percentage covered under emissions-limiting regulations	170
EM-MM-110a.1		
RT-CH-110a.2	Discussion of a long-term or short-term strategy or plan to manage Scope 1 emissions, emissions reduction targets, and an analysis of performance against those targets	164
EM-MM-110a.2		
RT-CH-120a.1	Air emissions of the following pollutants: (1) CO, (2) NOx (excluding N2O), (3) SOx, (4) particulate matter (PM10), (5) mercury (Hg), (6) lead (Pb), (7) volatile organic compounds (VOCs), and (8) hazardous air pollutants (HAPs)	180
EM-MM-120a.1		
RT-CH-130a.1	1 (1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable, (4) total self-generated energy	174
EM-MM-130a.1		
RT-CH-140a.1	(1) Total water withdrawn, (2) total water consumed, percentage of each in regions with High or Extremely High Baseline Water Stress	183
EM-MM-140a.1		
RT-CH-140a.2	Number of incidents of non-compliance associated with water quality permits, standards, and regulations	183
EM-MM-140a.2		
RT-CH-140a.3	Description of water management risks and discussion of strategies and practices to mitigate them	183
RT-CH-150a.1	Amount of hazardous waste generated, percentage recycled	176
EM-MM-150a.1	Total weight of tailings waste, percentage recycled	177
EM-MM-150a.2	Total weight of mineral processing waste, percentage recycled	177
EM-MM-160a.1	Description of environmental management policies and practices for active sites	158
EM-MM-160a.3	Percentage of (1) proved and (2) probable reserves in or near sites with protected conservation status or endangered species habitat	188
RT-CH-410b.1	(1) Percentage of products that contain Globally Harmonized System of Classification and Labeling of Chemicals (GHS) Category 1 and 2 Health and Environmental Hazardous Substances, (2) percentage of such products that have undergone a hazard assessment	177
RT-CH-410b.2	Discussion of strategy to (1) manage chemicals of concern and (2) develop alternatives with reduced human and/or environmental impact	158

Code	Activity metric	Page number/ Comment
Social		
EM-MM-210a.3	Discussion of engagement processes and due diligence practices with respect to human rights, indigenous rights, and operation in areas of conflict	124
RT-CH-210a.1	Discussion of engagement processes to manage risks and opportunities associated with community interests	190
EM-MM-210b.1	Discussion of process to manage risks and opportunities associated with community rights and interests	190
EM-MM-210b.2	Number and duration of non-technical delays	42
EM-MM-310a.2	Number and duration of strikes and lockouts	No cases
RT-CH-320a.1	(1) Total recordable incident rate (TRIR) and (2) fatality rate for (a) direct employees and (b) contract employees	147
RT-CH-320a.2	Description of efforts to assess, monitor, and reduce exposure of employees and contract workers to long-term (chronic) health risks	144
RT-CH-540a.1	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), and Process Safety Incident Severity Rate (PSISR)	147
RT-CH-540a.2	Number of transport incidents	146
Governance		
EM-MM-510a.1	Description of the management system for prevention of corruption and bribery throughout the value chain	256
EM-MM-510a.2	Production in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index	The Company does not carry out production in countries that have the 20 lowest rankings in Transparency International's Corruption Perception Index
RT-CH-530a.1	Discussion of corporate positions related to government regulations and/or policy proposals that address environmental and social factors affecting the industry	161, 252

TCFD Recommendations

Indicator	Reported
Corporate governance	
The Board of Director's role in monitoring climate-related risks and opportunities.	208
The management's role in assessing and managing climate-related risks and opportunities	208
Strategy	
Description of the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	164
Description of the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	164
Assessment of the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 4°C and 2°C scenario.	165
Climate risk management	
Description of the organisation's processes for identifying and assessing climate-related risks.	165
Description of the organisation's processes for managing climate-related risks.	165
Description of integration of processes for identifying, assessing and managing climate-related risks into the general risk management framework	76
Metrics and targets	
Description of the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management processes.	166
Disclosure of Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	170
Description of the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	163




TCFD Report
For more information on GHG emissions and climate risks, see the TCFD report 2020

Glossary

AN – ammonium nitrate

ANBP – apatite-nepheline beneficiation plant

ANSES – French Agency for Food, Environmental and Occupational Health & Safety

BAT – best available technique

bln – billion

Capex – capital expenditure

CDP – Carbon Disclosure Project

CIS – Commonwealth of Independent States

CJSC – closed joint-stock company

CO₂ – carbon dioxide

COVID-19 – coronavirus disease 2019, the pandemic caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)

DAP – diammonium phosphate

DROZD – Educated and Healthy Children of Russia programme

EBITDA – earnings before interest, taxes, depreciation and amortisation

EMERCOM – Ministry for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters

ESG – environmental, social, and governance

ESPP – European Sustainable Phosphorus Platform

EU – European Union

FAO – Food and Agriculture Organisation

GDP – gross domestic product

GDR – global depositary receipt

GLOSOLAN — Global Soil Laboratories Networks; supporting the GLOSOLAN by developing research capacities and strengthening the Regional Soil Laboratories Networks (RESOLAN)

GRI – Global Reporting Initiative

HR – human resources

HSE – health, safety and environment

IFA – International Fertilizer Association

IFRS – International Financial Reporting Standards

IMF – International Monetary Fund

IPCC – in-pit crushing and conveying at the Vostochny mine

IRR – internal rate of return

IT – information technology

IUPAC – International Union of Pure and Applied Chemistry

JSC – joint-stock company

kg – kilogram

KPI – key performance indicator

kWh – kilowatt-hour

LSE – London Stock Exchange

LTIFR – lost time injury frequency rate

MAP – monoammonium phosphate

MCP – feed monocalcium phosphate

mg – milligram

mln – million

MOP – muriate of potash

MW – megawatt

NIUIF – Samoilov Scientific Research Institute for Fertilizers and Insectofungicides

NO₂ – nitrogen dioxide

NPK – nitrogen-phosphorus-potassium fertilizer

OPEC – Organisation of the Petroleum Exporting Countries

P₂O₅ – phosphoric pentoxide

PhosAgro Group – PJSC PhosAgro and its subsidiaries and affiliates

PJSC – public joint-stock company

PwC – PricewaterhouseCoopers

R&D – research and development

RAFP – Russian Association of Fertilizer Producers

RAS – Russian Accounting Standards

REACH – Registration, Evaluation, Authorisation and Restriction of Chemicals

Rospotrebnadzor – Federal Service for Surveillance on Consumer Rights Protection and Human Wellbeing

Rostekhnadzor – Federal Service for the Supervision of Environment, Technology and Nuclear Management

RSPP – Russian Union of Industrialists and Entrepreneurs

RUB – Russian rouble

SDG – UN Sustainable Development Goal

SMEs – small and medium-sized enterprises

SO₂ – sulphur dioxide

STPP – sodium tripolyphosphate

Strategy to 2025 – PhosAgro's Development Strategy to 2025

t – metric tonne

ths – thousand

UN – United Nations

UNESCO – United Nations Educational, Scientific and Cultural Organisation

USA – United States of America

USD – United States dollar

VAT – value-added tax

VOC – volatile organic compound

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