PHOSAGRO®

NATURE AND AGRICULTURE: FLOURISHING TOGETHER

Integrated report 2019

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ABOUT THIS REPORT

The 2019 integrated Annual Report of PJSC PhosAgro (the Company, PhosAgro) provides insight into the performance of parent company PhosAgro and its subsidiaries (jointly referred to as "PhosAgro Group" or the "Group"). The key subsidiaries of the Group and PhosAgro's stake in these subsidiaries are presented in the Company's 2019 IFRS consolidated financial statements.

The report highlights how we integrate ESG principles into everything we do. In the reporting year, the Company approved sustainable development as a key strategic priority. The Board of Directors established a dedicated committee to strengthen PhosAgro's leadership in both sustainability and corporate governance.

To ensure compliance with the materiality principle and comparability with historical data, the Sustainability Report section discloses data on Apatit, including its branches and standalone business units, only. The disclosure does not include information on other companies that are part of the group to which Apatit and PhosAgro belong.

The report was pre-approved by PhosAgro's Board of Directors on 20 February 2020 (Minutes dated 21 February 2020) and the Annual General Shareholders' Meeting on 22 May 2020 (Minutes dated 26 May 2020). JSC KPMG audited the financial statements, whily JSC Deloitte and Touche CIS provided limited assurance in relation to the sustainability data.

Chief Executive Officer
and Chairman of the Management Board

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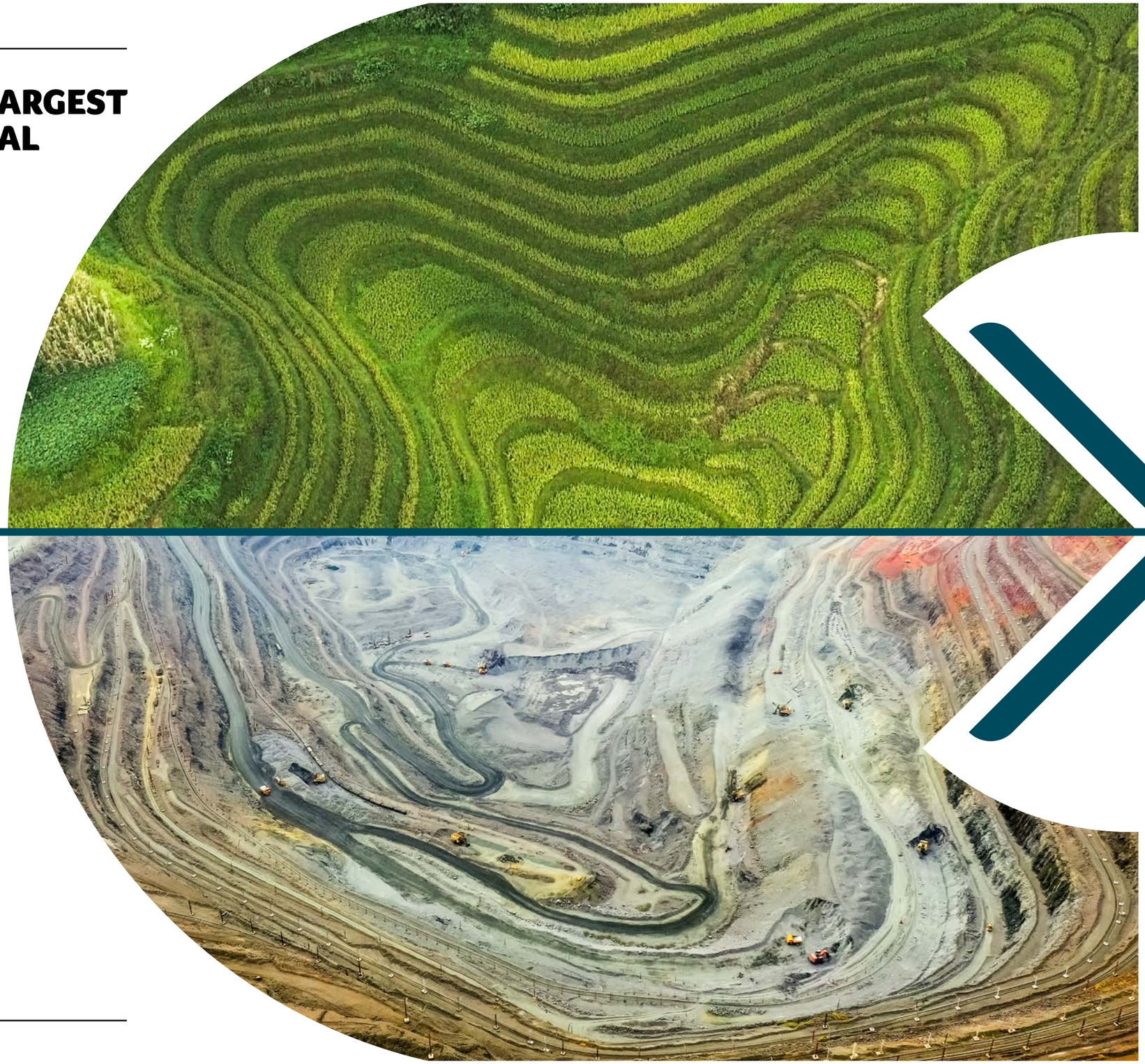
COMPANY PROFILE

PHOSAGRO IS THE LARGEST SUPPLIER OF MINERAL FERTILIZERS IN THE RUSSIAN MARKET

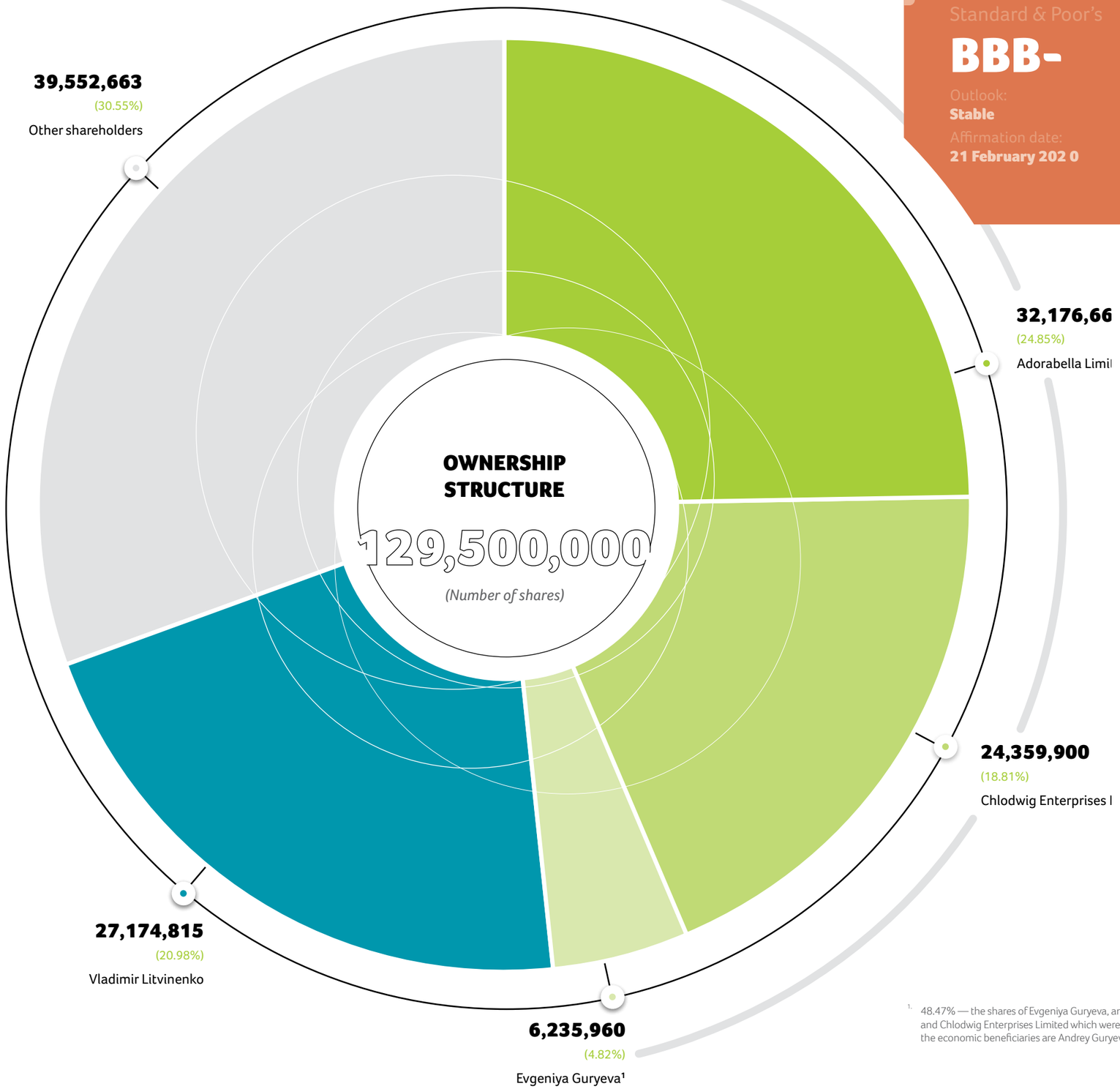


The Group's principal activity is the production of phosphate rock and mineral fertilizers at plants located in the cities of Kirovsk (Murmansk Region), Cherepovets (Vologda Region), Balakovo (Saratov Region) and Volkhov (Leningrad Region) and their distribution in Russia and abroad. Our parent company, PJSC PhosAgro, was incorporated in October 2001.

The Group's operations are primarily located in Russia and as such are exposed to the Russian domestic economy and financial markets.

With the benefits of our production chain, we are able to switch up to 50% of our phosphate production from DAP/MAP to NPK, depending on the market situation. Relying on a flexible sales model, PhosAgro readily meets demand for environmentally friendly and safe fertilizers from farmers around the world.

COMPANY PROFILE



PHOSAGRO'S CREDIT RATINGS

Standard & Poor's	Moody's	Fitch
BBB-	**Baa3**	**BBB-**
Outlook: **Stable**	Outlook: **Stable**	Outlook: **Stable**
Affirmation date: **21 February 202 0**	Assignment date: **28 January 2018**	Assignment date: **9 February 2018**

SHARES

Ticker

PHOR

PhosAgro's shares and global depositary receipts (GDRs) are traded on the Moscow Exchange and the London Stock Exchange, respectively.

The Company's GDRs have been included in the MSCI Russia (weight: 0.61%) and MSCI Emerging Markets indexes.

BONDS

Borrower:
PJSC PhosAgro
Issuer:
PhosAgro Bond Funding Limited
Settlement date:
3 May 2017
Principal outstanding, USD:
500,000,000
Guarantors:
Apatit, PhosAgro-Cherepovets

Borrower:
PJSC PhosAgro
Issuer:
PhosAgro Bond Funding Limited
Settlement date:
24 January 2018
Principal outstanding, USD:
500,000,000
Guarantors:
Apatit

1. 48.47% — the shares of Evgeniya Guryeva, and shares of Adorabella Limited and Chlodwig Enterprises Limited which were transferred to trusts where the economic beneficiaries are Andrey Guryev and members of his family

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OUR KEY ADVANTAGES

PhosAgro operates mining and processing assets and boasts its own logistics infrastructure, including two port terminals, along with Russia's biggest distribution network for mineral fertilizers and feed phosphates. It runs Russia's only Scientific Research Institute for Fertilizers and Insectofungicides (NIUIF).

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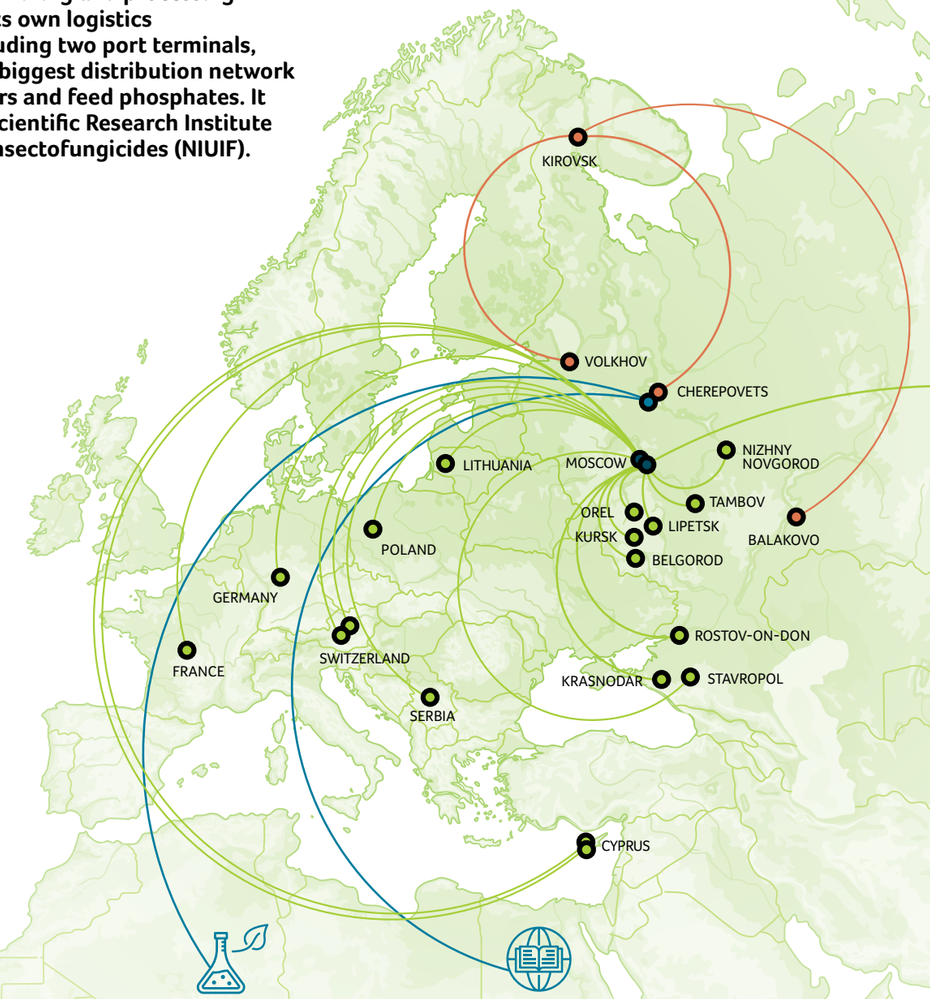
regions across Russia, supplies to over 100 countries



PhosAgro has its own sales offices in Germany, France, Switzerland, Serbia, Poland, Lithuania, Cyprus, Brazil, Argentina and Singapore.

Summer Schools on Green Chemistry

A joint project with the IUPAC to support scholars from emerging economies. In 2019, PhosAgro and the University of Dar es Salaam (Tanzania) held sessions for participants from over 40 countries.

International research to improve the efficiency of mineral fertilizers

Collaboration with universities: University of Milan, Adam Mickiewicz University in Poznań, Wageningen University & Research, and Rothamsted Research. The research outcomes are shared with farmers from Brazil, Serbia, Poland, Lithuania, Latvia, Estonia, Russia, France, Germany, Italy and other countries.

OUR GLOBAL OPERATIONS

PhosAgro is the largest supplier of DAP/MAP and NPK fertilizers in Russia, with a developed domestic sales network and trading offices in all key export markets. It enjoys a strong market position in the premium European market and relies on a netback-driven sales model with a global presence.

MANAGEMENT COMPANIES

PhosAgro (Moscow)
PhosAgro-Region (Moscow)

MINING, PHOSPHATE ROCK PROCESSING AND PRODUCTION OPERATIONS

Apatit (Cherepovets)
and its branches in:
- Balakovo
- Volkhov
- Kirovsk

R&D

NIUIF (Cherepovets)

DISTRIBUTION

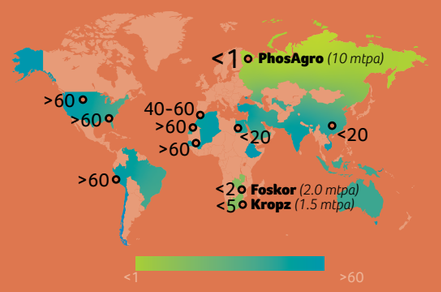
PhosAgro-Belgorod (Belgorod)
PhosAgro-Don (Rostov-on-Don)
PhosAgro-Kuban (Krasnodar)
PhosAgro-Kursk (Kursk)
PhosAgro-Lipetsk (Lipetsk)
PhosAgro-Orel (Orel)
PhosAgro-Stavropol (Stavropol)
PhosAgro-Volga (Nizhny Novgorod)
PhosAgro-SeveroZapad (Cherepovets)
PhosAgro-Tambov (Tambov)
Trading House PhosAgro (Cherepovets)
Phosint Trading Limited (Cyprus)
Phosint Limited (Cyprus)
Phosagro Asia Pte Ltd (Singapore)
PhosAgro Trading SA (Switzerland)
PhosAgro Logistics SA (Switzerland)
Phosagro Polska Sp.z o.o. (Poland)
Phosagro Deutschland GmbH (Germany)
Phosagro France SAS (France)
PhosAgro Balkans DOO (Serbia)
UAB PhosAgro Baltic (Lithuania)

SINGAPORE

20 UNIQUE RESOURCE BASE

- A unique resource base with a mine life of around 60 years
- Lowest content of cadmium (below 1 mg / kg P_2O_5) and other heavy metals as compared to apatite deposits elsewhere

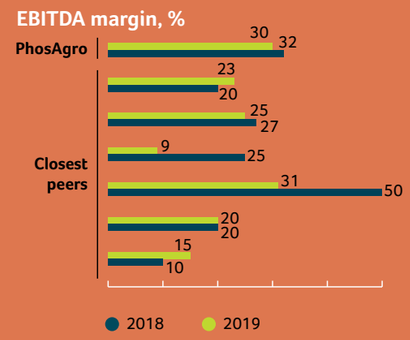
Closest peers by the lowest cadmium content *(mg Cd / kg P_2O_5)*



The initial limitations on the supply of fertilizers with a cadmium content above 60 mg/kg (adopted by the EU Regulation on 21 May 2019, effective from 2022) are estimated to impact 12–15% of the European imports, with further limitations to 40 mg/kg (possible in 2029) affecting as much as 20–30%.

- High-grade phosphate rock with a P_2O_5 content of 39% or higher
- Self-sufficiency in major inputs: 100% in phosphate rock, 90% in ammonia and 90% in sulphuric acid
- One of the highest gross margins in the phosphate segment

EBITDA margin, %



3 HIGH QUALITY STANDARDS

- The Group's production facilities have ISO 9001:2015, ISO 14001:2015, OHSAS 18001, and GMP+ certifications that attest to the high quality of our products and management efficiency throughout their life cycle.
- Products exported to EU customers have been registered pursuant to Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation and Authorisation of Chemicals (REACH).
- PhosAgro successfully passed a certification audit for compliance with the IFA (International Fertilizer Association) Protect and Sustain standard conducted by SGS, the world's leading inspection, verification, testing and certification company.
- The Company's processing facilities meet the standards of the best available techniques.

NEW AMMONIA FACILITY

A new ammonia facility with a capacity of 760 ktpa and a granulated urea production unit of 500 ktpa were launched in 2018. The new facilities meet the best available techniques criteria laid out in the Russian Reference Document ITS 2-2015 "Production of Ammonia, Mineral Fertilizers and Inorganic Acids". Ammonia is produced using an air-cooled process media technology, which minimises water consumption, significantly reducing discharges from the circulation cooling system. State-of-the-art technology of air pre-heating before primary reforming means lower natural gas consumption and air emissions, including greenhouse gases.

The new technology for granulated urea production involves the processing of carbon dioxide associated with the conversion of natural gas as part of ammonia production. This makes natural gas a complex feedstock, with hydrogen and carbon used in ammonia and urea production, respectively. Deeper processing of mineral feedstock results in lower carbon dioxide emissions.

15 LIFE ON LAND

4 SMART FERTILIZERS

The Company works to make sustainable agriculture a reality by enhancing fertilizer production methods, improving properties and developing new grades of fertilizers, as well as taking part in a number of international initiatives:

1. **Moving from single products to integrated mineral plant nutrition solutions**, which combine several types of fertilizers, including bioadditives, in certain dosages that meet specific soil and climate conditions and crop yield targets. The nutrition systems are tested at numerous field trial stations featuring different soil and climate conditions in cooperation with the leading agricultural education and research institutions.
2. **Samoilov Scientific Research Institute for Fertilizers and Insectofungicides** is part of PhosAgro Group. It develops new fertilizer production technologies and formulas with prolonged effect, as well as slow- and controlled-release fertilizers that can release nutrients at particular phases in line with plant demand.
3. **Opening the Innovation Centre in 2019** to identify promising development areas and attract external partners such as educational and research organisations, accelerators and innovation parks. The Centre focuses on the projects to produce special purpose fertilizers, biostimulants and growth improving additives.
4. **Developing the Soil Doctor Testing Kit** to be distributed in the countries participating in the programme (5,000 farmers).
5. **Supporting the Global Soil Laboratories Networks (GLOSOLAN)** by developing research capacities and strengthening the Regional Soil Laboratories Networks (RESOLAN). Introducing quality and safety controls across key regional soil laboratories with a focus on fertilizer quality and safety.

5 WELL-BALANCED CORPORATE GOVERNANCE

- Transparent ownership structure with over 30% of shares in free float.
- 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.
- In 2019, PhosAgro's Board of Directors established a Sustainable Development Committee at the initiative of Andrey Guryev, CEO, unanimously approving Irina Bokova, an independent director, as the head of the committee. As the Director-General of UNESCO (2009–2017), she participated in the development of the UN Agenda for Sustainable Development, so her highest level of expertise will be a valuable asset helping PhosAgro meet its strategic goals.

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OUR BUSINESS MODEL

PhosAgro is a vertically integrated Russian company with assets spanning the entire phosphate-based and nitrogen fertilizer production chain, from mining to sales. Self-sufficient in premium quality phosphate rock containing almost no harmful impurities, the Company is uniquely positioned to produce some of the world's finest and purest mineral fertilizers.

The Group has two strategic business units (segments).

ORE RESERVES

Reserves (caterories A + B + C1) of high-quality apatite-nepheline ore from igneous rock deposits
1,899 mln t

Reserves life (at current extraction rates)
>50 years

UPSTREAM

Average P_2O_5 content
14.77%

Harmful impurities (the lowest compared to apatite deposits elsewhere)
< 1 mg Cd / kg P_2O_5

Apatite-nepheline ore extracted
38.1 +7.9% mln t

BENEFICIATION

Recovery rate for phosphate rock
91.6%

Production of phosphate rock (P_2O_5 content over 39%)
10.5 +3.9 mln t

Nepheline concentrate produced
1.2 +22% mln t

PROCUREMENT

Cost of annual potash consumption
13.7 RUB bln

Cost of annual sulphur consumption
8.1 RUB bln

Cost of annual natural gas consumption
12.6 RUB bln

DOWNSTREAM

PHOSPHATE-BASED PRODUCTS

Phosphate rock
70.5% intra-group sales
11.3% domestic sales
18.0% export sales

Phosphate-based fertilizers

	Production volume		Sales volume	
	7.3 mln t		**7.3** mln t	
DAP/MAP	3.2	+6.9%	3.2	+10.0%
NPK	2.8	-1.0%	2.8	+4.2%
NPS	0.6	+53.6%	0.6	+45.4%
APP	0.2	-10.4%	0.2	-5.3%
MCP	0.4	+3.3%	0.4	+8.7%
PKS	0.1	+38.9%	0.08	+6.9%

Nepheline concentrate
1.2 mln t +21.0%

Phosphate rock
3.3 mln t +9.9%

NITROGEN-BASED PRODUCTS

Ammonium nitrate (AN)
0.6 mln t +6.3%
0.5 mln t -14.9%

Urea
1.7 mln t +5.9%
1.7 mln t +5.7%

Ammonia
1.9 mln t +3.4%

OTHER PRODUCTS

0.2 mln t +1.8%

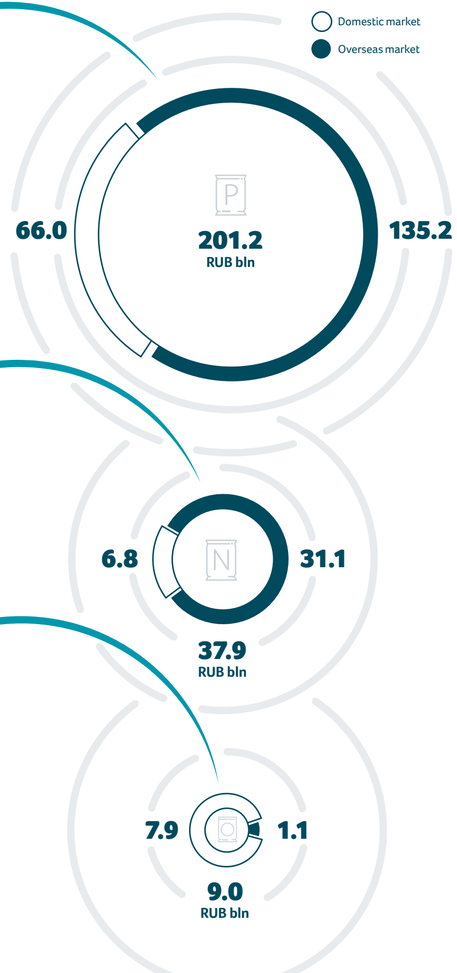
Gross profit margin
45%

DISTRIBUTION AND SALES

REVENUE

Total
248.1 RUB bln

Domestic market
Overseas market



STAKEHOLDERS

INVESTMENT AND FINANCE COMMUNITY
Dividends
24.9 RUB bln

REGIONAL AND MUNICIPAL AUTHORITIES
Regional and municipal budgets
13.6 RUB bln

EMPLOYEES
Social benefits package
94.3 RUB thousand
Average salary
87.2 RUB thousand
Training expenses per employee
21.7 RUB thousand

COMMUNITY
Investment in regional development and charity programmes
2.9 RUB bln

BUSINESS PARTNERS
Procurement
90.2 RUB bln
Local procurement
18.7 RUB bln

PHOSPHATE SEGMENT

The segment focuses mainly on the production and distribution of ammophos, diammonium phosphate, sodium tripolyphosphate and other phosphate-based and complex fertilizers at the sites located in Cherepovets, Balakovo and Volkhov, and production and distribution of phosphate rock extracted from the apatite-nepheline ore mined and processed in Kirovsk.

NITROGEN SEGMENT

The segment engages mainly in the production and distribution of ammonia, ammonium nitrate and urea at the site located in Cherepovets.

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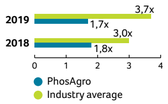
OUR PERFORMANCE HIGHLIGHTS

FINANCIAL HIGHLIGHTS

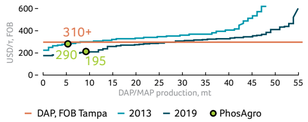
The lowest leverage among global and domestic peers.

One of the lowest DAP cash-cost producers globally and in the first quartile for urea production.

Net debt/EBITDA ratio



Global MAP/DAP prices vs current production costs



RUB mln	2017	2018	2019
Revenue	181,351	233,312	248,125
Sales profit	35,989	53,997	51,651
Net profit	25,331	22,135	49,408
Net profit, excl. FX effects	21,190	41,748	37,062
EBITDA	50,796	74,908	75,582

OPERATING HIGHLIGHTS

Strict cost control and operational efficiency improvements to drive lower costs going forward through the following initiatives:

−1.3 RUB bln
Reducing in-house logistics costs

Streamlining the Company's spending on repairs and maintenance

< CAPEX 2020
Assessing the impact of rescheduled facility commissioning on performance indicators

+1.63%
Increasing phosphate rock output by stabilising key equipment utilisation rates

−50 thousand tons
Reducing end-to-end phosphate rock losses in the production of mineral fertilizers

Reducing unscheduled equipment downtime in the production of mineral fertilizers

ENVIRONMENT

Material investments into environmental programmes
9.1 +9.4%
RUB bln

Unit emissions
0.888 −15%
kg/t

Unit effluents
4.7 −22%
m^3/t

Share of recycled hazard class 1–4 waste
34.5% +7.7%

STAFF

(Apatit, including its branches and standalone business units, only)

Average headcount
10,882

Turnover
7.3%

Engagement
57%

LTIFR (per 1 mln hours worked)
0.75

REGIONS

Expenditures on charitable and social projects
1.5
RUB bln

One of the largest taxpayers in the regions of our operation (taxes paid in 2019)
13.6
RUB bln

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CASE STUDY NAVIGATOR ON UN SDGs

The Sustainable Development Committee of PhosAgro's Board of Directors has evaluated the Company's progress in achieving UN SDGs

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4 QUALITY EDUCATION — Page 86
8 DECENT WORK AND ECONOMIC GROWTH — Page 88
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3 GOOD HEALTH AND WELL-BEING
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6 CLEAN WATER AND SANITATION
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9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

The Sustainable Development Committee assessed the Company's performance on 10 out of 17 UN SDGs, which are the key drivers for ensuring environmental responsibility and preserving the planet for future generations. As a producer of safe and pure fertilizers with no harmful impurities, PhosAgro plays an important role in protecting consumer food safety, good health and well-being **(SDG 3)**, and maintaining responsible production and consumption **(SDG 12).**

Apart from its domestic market, PhosAgro supplies essential crop nutrients to farmers in more than 100 countries around the world, contributing to global food security and addressing the world hunger challenge **(SDG 2).** Our environmentally friendly fertilizers cause no harm to soils and prevent them from being degraded, which is one of the key obstacles to fighting hunger as 52% of farm soils are facing moderate or severe degradation. Moreover, PhosAgro became the first Russian company chosen by the Food and Agriculture Organisation of the United Nations (FAO) to run a global initiative for soil protection.

We use a zero discharge production system at our facilities, which ensures that no waste water is discharged into natural bodies of water **(SDG 6).** The Company also strives to maximise recycling and the use of by-products **(SDG 12).** As a result of regular investment in R&D, production expansion and upgrade in line with the best available techniques (RUB 180 bln over the past five years) and allocation of RUB 2.5 bln annually to back educational, healthcare, sports, youth and social programmes across its footprint, PhosAgro ensures decent working conditions and economic growth **(SDG 8),** supporting sustainable cities and communities **(SDG 11)** and quality education **(SDG 4).**

Together with UNESCO and IUPAC, PhosAgro has initiated and run the Green Chemistry for Life grant programme for young scientists working in the field of chemistry. The programme supports innovation **(SDG 9)** and helps build partnerships to foster sustainable development **(SDG 17).**

Finally, our key priorities include restoring and promoting sustainable use of terrestrial ecosystems **(SDG 15).** To this end, PhosAgro takes global-scale action, implementing a joint project on sustainable soil management with FAO and supporting its Global Soil Partnership.

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17 PARTNERSHIPS FOR THE GOALS

GREEN CLUB

In 2019, PhosAgro spearheaded the creation of Green Club, an independent association of producers and suppliers of eco-friendly products that will be sold under the Green One national brand.

The initiative will cover all parts of the agricultural and food production chain, including mineral fertilizer and crop protection segments, agricultural production and food industry and national retailers, and will be joined by the heads of the Standardisation Committee on Organic Agricultural Products, Feedstock and Food, the RSPP Agricultural Commission, industry associations and unions.

During the Green Club meeting, its participants from the agrochemical industry, agricultural holdings, retail chains, unions and associations discussed the promotion of the Green One label both in Russia and globally.

The Green One brand will establish a legal and regulatory framework for Russian agricultural, food, agrochemicals, pesticides and animal feed producers to highlight environmental advantages of their products and communicate them to consumers. The initiative will foster the use of high quality mineral fertilizers to produce sustainable agricultural products without additional costs.

As part of this effort, PhosAgro initiated and all members of the Russian Association of Fertilizer Producers supported the adoption of ecolabels for Russian-made mineral fertilizers, first in kind in Russia.

Environmentally safe Russian-made phosphate-based fertilizers, along with a variety of agricultural products, will be included in the national branded segment of products with improved environmental characteristics.

The initiative contemplates potential harmonisation of Russian regulations with the global green regulations, including certification and labelling of Russian products based on modern European and international standards.

The registered owner of the ecolabel logo is the Russian Association of Fertilizer Producers.

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GLOBAL RESEARCH AND EDUCATIONAL INITIATIVES

2 ZERO HUNGER

Task 2.A

PhosAgro carries out joint agricultural research with leading Russian and foreign educational and research institutions (University of Milan, Adam Mickiewicz University in Poznań, Wageningen University and Rothamsted Research) to study the properties of mineral fertilizers and ways to make their use more efficient in order to produce enough healthy food for the planet's growing population, preserve soil fertility and purity, boost yields and ensure stable agricultural production in a high-risk farming environment. The research results are used to provide recommendations for the efficient and safe application of mineral fertilizers.

The Company shares them with farmers in Brazil, Serbia, Poland, Lithuania, Latvia, Estonia, Russia, France, Germany, Italy and other countries as part of joint meetings, presentations, demonstrations at local field days, exhibitions and international conferences on preservation of soil fertility, and through publications in industry and trade media and reports.

4 QUALITY EDUCATION

Task 4.4

The Company has built strong partnerships with mining universities in St Petersburg, Yekaterinburg, Magnitogorsk and Apatity, and chemistry universities in Ivanovo and Cherepovets based on bilateral agreements on internships, scholarships for the best students, and the High-Potential Graduates programme.

As part of the PhosAgro College initiative, we provide targeted funding to technical colleges to enhance their research base (new equipment, educational programmes, VR capabilities, building renovations), establish incentives for teachers and students, offer career guidance to school students and promote enrollment in the Murmansk Arctic State University in Kirovsk and the Cherepovets College of Chemistry and Technology.

Task 4.B

In cooperation with the International Union of Pure and Applied Chemistry (IUPAC), PhosAgro supports the participation of young scientists from developing economies in Summer Schools on Green Chemistry. In 2018, 80 young scholars and 20 world-class teachers from 40 countries took part in the IUPAC Summer School at Ca' Foscari University of Venice. In the same year, the Company provided scholarships to 15 young researches from developing economies. The project held its second Summer School on Green Chemistry on 12–19 May 2019 at the University of Dar es Salaam in Tanzania. Part of the Company's contribution was used to fund grants to talented young scientists from Africa.

17 PARTNERSHIPS FOR THE GOALS

Task 17.16

On 6 February 2019, PhosAgro joined the Global Compact Network Russia. Since January 2019, the Company has been taking part in the two platforms promoting responsible business and eliminating issues that arise when implementing the global goals – Business Reporting on the SDGs and Health is Everyone's Business. In September 2019, PhosAgro was included in the LEAD, a group of Global Compact participants that have achieved the best results in corporate social responsibility.

In order to support young scientists doing research in line with the 12 Princliples of Green Chemistry, PhosAgro implements the Green Chemistry for Life project in cooperation with UNESCO and IUPAC.

The Company is also an active member of the Safer Phosphates alliance, whose mission is to share knowledge and address concerns about heavy metals that are present in some phosphate-based fertilizers.

PhosAgro's international initiatives and programmes

GREEN BRAND OF RUSSIAN FERTILIZERS

The exceptional purity of Russian fertilizers is the cornerstone on which the green brand is being built, ensuring environmental safety all the way through the value chain, from the feedstock and technologies used by Russian manufacturers to produce mineral fertilizers and application techniques to the sale of food products to end consumers.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I am happy to announce that, in 2019, we reached a new chapter in the historical development of our Company. We approved our new strategy to 2025, which sets the course to further strengthen PhosAgro's position as an industry leader in both operational and financial terms, and from the point of view of non-financial activities. Furthermore, the past year saw us celebrate record numbers across a range of indicators and make important changes at the level of the Board of Directions and corporate governance framework. In addition, we made a major contribution to food safety and human health around the globe.

PHOSAGRO'S RESPONSE TO COVID-19

After the end of the reporting period, the COVID-19 virus has become a global pandemic that is still developing as I write this letter. I want to commend the rapid response and leadership of PhosAgro's management in this situation. PhosAgro was one of the first companies in Russia to start introducing measures to combat the spread of the virus among its employees, and the Company has moved heaven and earth to supply everything from protective equipment, medical supplies, testing kits and other essentials to the communities where it operates. By acting early and decisively, I am hopeful that PhosAgro management has taken important steps that will minimise the potential impact of COVID-19 on its operations.

In parallel to taking care of key stakeholders in local communities, PhosAgro is cooperating with Russian and international organisations, including the Russian Union of Industrialists and Entrepreneurs, the Russian Fertilizer Producer Association and the International Fertilizer Association to help ensure a coordinated response across Russian and global industry. This kind of cooperation is key to keeping supply chains running, especially for the crop nutrients that are essential to support continued food production worldwide.

The Board and I commend the actions taken by the entire PhosAgro team in response to this situation, and we hope that the benefits will be felt by all of the company's stakeholders.

NEW STRATEGIC PRIORITIES

The strategy to 2025, approved by the Board in spring of 2019, seeks to further consolidate PhosAgro's position as a producer of ecologically friendly, phosphate-based fertilizers boasting some of the lowest cash costs in the industry, as well as to step up the Company's production capacities, and ensure the long-term sustainability of the Company's business processes across the entire world. Both the Board of Directors and I are convinced that this strategy will fuel PhosAgro's future growth. We believe it will create significant value for our shareholders, as well as other stakeholders, from employees to farmers using our fertilizers.

The strategy to 2025 assumes that the expansion of the production capacities, including production of fertilizers and feed phosphates, will grow by around a quarter, in comparison with 2018, reaching 11.7 mt. The Company will continue to increase sales of fertilizers in the strategic Russian market, reaching 3.7 mt. In Europe, sales will rise from 1.9 mt in 2018 to 3.1 mt in 2025 driven by Phosagro's competitive strengths of environmentally safe fertilizers in the context of EU's tightening cadmium regulations on fertilizers. Investments in capacity maintenance, development and upgrades will total nearly USD 3 bn by 2025. The investments in our three key projects alone are expected to result in an EBITDA growth of approximately USD 200 m, boost FCF, and further increase our self-sufficiency in feedstock.

CORPORATE GOVERNANCE IMPROVEMENTS

PhosAgro's corporate governance improvement strategy seeks to ensure that the interests of all our key stakeholders are represented. Since it became a public company, PhosAgro has adhered to high corporate governance and information transparency standards. The Company always ensures that the majority of directors on the Board are independent,

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and, in the reporting year, we have taken a number of important steps to continue this policy. These changes have affected me personally, as I was elected to the position of the Chairman. It is a great honour for me to be elected to this position of responsibility, and I am proud to build on the work already done by the Board, and keep the pace set by my predecessor, Sven Ombudstvedt. The creation of the Sustainable Development Committee, headed by Irina Bokova, former Director-General of UNESCO, has been another important decision. In view of the Company's role in supporting food security and its general commitments, this decision is both appropriate and timely.

The Company successfully completed its large-scale investment cycle and has reaped the rewards: record high operational and financial result once again indicate the effectiveness of the management team's decisions. The Company also gained the opportunity to provide a high return on investment for PhosAgro investors. In Autumn 2019, the Board approved a new dividend policy, which, in line with best practices, takes into account the Company's investment needs for future growth and pays attention to existing social and charitable commitments in the regions it operates in, and on the whole.

In 2019, PhosAgro continued to streamline its corporate structure.

In particular, Apatit was restructured by merging it with Metachem and PhosAgro-Trans. The Volkhov branch of Apatit was established at Metachem's site and subdivisions of PhosAgro-Trans became part of the logistical units of Apatit. These transformations are aimed at further improving management efficiency and optimising business processes, thereby strengthening PhosAgro's competitive position as a vertically integrated company. In addition, the management of Apatit, the Company's largest subsidiary, has been optimised. Its management board has been dissolved, and it has improved transparency and reduced the time it takes to make important operational decisions.

The Company's commitment to best corporate governance practices is also demonstrated by the fact that the Board of Directors annually assesses compliance with the principles set out in the Corporate Governance Code by the Bank of Russia on 10 April 2014. For more information on the implementation of these principles in 2019, see Appendix No. 1 of this report. It was reviewed and approved by the Board of Directors as a standalone report. For the criteria of corporate governance quality, which for some reason were not met or not fully met, the Board made a separate assessment. In the reporting year, we further analysed the extent to which the Company has implemented the recommendations of the UK Corporate Governance Code approved by the Financial Reporting Council in July 2018. This analysis allowed the Board to conclude that, the Company's current corporate governance structure fully meets the Company's today's needs and secures our shareholders' capability to exercise their rights.

FOCUS ON SUSTAINABLE DEVELOPMENT

The past year has been a confirmation of the increasingly careful attention consumers and state bodies from countries all across the world pay to the quality and safety of food products. PhosAgro's products are used in more than 100 countries. For us, joining the UN Global Compact and taking the decision to actively contribute to the achievement of the 10 UN Sustainable Development Goals was therefore a logical step.

Cadmium regulation is an important issue regarding the quality and safety of food products. During discussions in 2019, a number of strategic decisions were made in this area. The EU resolved to restrict the amount of cadmium in phosphate fertilizers continent-wide. This move was supported by the UN, which recommends that all countries follow the EU's example. The policy will come into force in 2022. These initiatives will stimulate mineral fertilizer producers from countries, where phosphate ore is low-quality and not eco-friendly, to use the feedstock purification technology. People both in the EU, and in the world as a whole will benefit from these restrictions. The high quality apatite-nepheline ore we use in fertilizer production will definitely help PhosAgro occupy an increasingly prominent position in the global market.

The Company continued to tighten its partnerships with several international organisations, such as UNESCO, IUPAC and FAO. We have made progress on many joint programmes and projects, such as Green Chemistry for Life, a global soil partnership with the FAO. Another example is the sustainable soil management project IUPAC Summer School on Green Chemistry. These projects will be the cornerstone for future generations to make significant contributions to solving the most pressing global issues – food security, healthy lifestyles and people's well-being.

Last but not least, PhosAgro has become one of the main drivers behind the creation of the Green Standard. This initiative is expected to stimulate the production of eco-friendly Russian crops. The Company plans to make the Green Standard the universally recognised global standard. The Green Standard puts Russia at the forefront of a growing global movement advocating for eco-friendly food and global agricultural security to achieve the UN Sustainable Development Goals.

As Chairman of the Board, I can say that we are very proud of the Company's performance and its potential to create value for all of our stakeholders in the coming years. I believe that our results in 2019 prove that we are on the right track, and that our successful teamwork will help deliver impressive results going forward. Following a detailed review of the Company's business and its financial position, taking into account the Company's Strategy to 2025, the inherent risks in the industry and the steps taken by the Company to manage these risks, the Board of Directors has every reason to believe that the Company will, without any reservations, be able to continue its operations and meet all its obligations as they become due until at least 2025.

Xavier R. Rolet
Chairman of the Board of Directors

CEO'S STATEMENT

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DEAR SHAREHOLDERS,

PhosAgro is on track with its steady growth, unlocking its potential developed during our last investment cycle, and continuously improves production efficiency across all of its facilities. Vertical integration allows for a high level of self-sufficiency in terms of our key feedstock. As a result, PhosAgro has secured its status as one of the worldwide industry leaders. This has made us feel comfortable and confident during a period when many industry players were struggling to cope with low fertilizer prices on the global market. 2019 saw exceptional results across several areas: sustainable development, corporate governance, advances in strategic initiatives, solid operational and financial results. This impressive progress has allowed PhosAgro to pay dividends of RUB 24.9 bn.

SUSTAINABLE DEVELOPMENT: OUR STRATEGIC PRIORITY

As worldwide attention is increasingly focused on the quality of food products, overall health of the planet, joint efforts to solve global challenges, and endeavours to bring about a sustainable future, the Company's approach to the sustainability principles is becoming more consistent and structured. In this regard, 2019 was, without exaggeration, a breakthrough year for PhosAgro. The Company not only strengthened its expertise in this field, but also made significant progress towards solving global challenges and creating prosperity for future generations. At the beginning of the year, the Company approved its strategy to 2025, focusing on sustainable development as a key priority. Long-term goals are aligned with the strategy and harmonised with the interests of a wide range of stakeholders concerning HSE and community-related matters. The Board of Directors established the Sustainable Development Committee. This Committee will be chaired by Irina Bokova, the former Director-General of UNESCO. The appointment of a leader boasting such experience and expertise will help build up the Company's sustainability and corporate governance capabilities.

As one of the world's leading mineral fertilizer producers, we recognise our responsibility to contribute to solving the most pressing issues facing both current and future generations, such as global food security. The logical next step for us was to join the UN Global Compact and contribute to the achievement of the 10 UN Sustainable Development Goals.

In recent years, the Company has made consistent efforts to put the issue of environmental pollution by heavy metals, in particular cadmium, on the global agenda, and we succeeded. Last year, we achieved an important milestone – regulation of mineral fertilizers containing a high level of cadmium or other harmful impurities. In May 2019, the EU resolved to restrict the amount of cadmium in phosphate fertilizers continent-wide. This historic move was supported by the UN, which recommends that all countries follow the EU's example. The policy will come into force in 2022. The long-term consequences of this decision will echo throughout the world, and represent a considerable contribution to ensuring the health of current and future generations. PhosAgro, whose products meet the strictest ecological safety requirements, welcomes these decisions. The Company will continue to improve its product offering and share knowledge and experience with partners from other countries, who are involved in the global food production chain and committed to the sustainable and holistic development of our world.

In addition, the Company is one of the key players developing and promoting the Green Standard in Russia. Eco-friendly agricultural products, which will include organic crops, food and mineral fertilizers, will subsequently be exported to international markets, providing high-quality food to the whole world.

RECORD HIGH OPERATIONAL AND FINANCIAL RESULTS

Driven by the strategy to 2020, the Company has consistently demonstrated record operational results in the challenging market environment. These results translate into strong financial performance and growing dividends for our shareholders.

In terms of production, we have hit all of our targets: we increased output, cut costs and made further progress in improving our self-sufficiency in key raw materials.

In 2019, fertilizer output stood at more than 9.5 mt, precisely in line with the Company's guidance. This a record figure for the Company. Our flexible sales policy helped us increase shipments to our core markets in 2019. Sales in the Russia and the CIS rose by over 10%, exceeding 3 mt, while in Europe they expanded by 28% to over 2.6 mt. As a result, these markets accounted for more than 32% and 28% of our supplies, respectively.

Company revenue grew by 6.3%, totalling USD 3.8 bn. EBITDA rose by 0.9% to reach USD 1.2 bln with an impressive EBITDA margin of 30.5%. The robust production capacity enabled by the strategy to 2020 allows the Company to generate sustainable and high cash flow. This gives us the ability to invest in development projects, reduce debt and pay generous dividends to shareholders. In the past year, the Annual General Meeting approved a new dividend policy, allocating more than 75% of FCF to dividends. This step enhances the investment case of PhosAgro, resulting in a more diverse portfolio of investors and facilitating future market cap growth. Over the past year, we have also taken steps to strengthen the Company's financial position, with net debt to EBITDA ratio decreasing to 1.7x by the end of the year. The revision of PhosAgro's credit rating outlook to 'stable' is an important confirmation of the Company's impressive performance. Currently, the Company has investment-grade credit ratings from the three rating agencies, with the stable outlook.

GRI

VERTICAL INTEGRATION AND LOW PRODUCTION COSTS

Vertical integration is one of the most important competitive advantages we possess. The Company, as one of the leading global low-cost fertilizer producers, continues to explore new ways to leverage its strengths. Over the reporting year, we managed to increase the output of key raw materials and semi-finished products. Alongside this, we managed to improve self-sufficiency in key feedstock, bringing it to almost 90% for sulphuric acid and ammonia. Today, few of the industry's global players can boast the same level of vertical integration as PhosAgro. Despite the challenging market environment, where market prices for some mineral fertilizers were approaching productions costs, the Company continued to stick to its targets and plans.

We successfully completed our previous large-scale investment cycle in 2019: we put on stream three major projects to increase our self-sufficiency in feedstock. These facilities were launched at the Cherepovets site. The 135 ktpa nitric acid plant became operational in the Q4 2019. By the end of 2020, we will be able to see a 25% growth in this type of feedstock. The next facility to be launched, a 300 ktpa new ammonium sulphate production line, will also contribute to our self-sufficiency. Previously, the Company had purchased all feedstock on the market. These new facilities meet 60% of our needs for this raw material. We can now feel comfortable in the market and reduce the purchasing price of the remaining volume. The third project, a 1.1 mt sulphuric acid production line, is intended to replace the volumes currently purchased from third parties. We also increased our self-sufficiency in nitric acid and benefited from additional energy and environmental effects, as we use steam from this facility.

OUTLOOK

It is already obvious that 2020 will be a stress test for individual industries and the global economy as a whole. In these turbulent times, we need to engage in a dialogue, creating joint efforts to find effective solutions to these global challenges. Trading relationships and entrepreneurship have intertwined our world more than ever. Leading Russian companies, particularly PhosAgro, have the necessary capabilities, expertise and experience to bring about a more holistic and sustainable world.

I would like to extend my gratitude to all of our stakeholders, first of all, employees and contractors, who have contributed to delivering both the 2025 strategy targets, and the impressive 2019 results. I am convinced that we will go from strength to strength over the coming year.

Andrey A. Guryev,
Chief Executive Officer and Chairman of the Management Board.

COVID-19: THE IMPACT OF THE CORONAVIRUS PANDEMIC ON THE GLOBAL FERTILIZER INDUSTRY

On 11 March 2020, the WHO announced the outbreak of coronavirus disease (COVID-19) a pandemic.

- The COVID-19 pandemic leads to increased uncertainty in most countries: market demand is extremely volatile due to a slowdown in business activity, while quarantine at ports of fertilizer loading and discharge and border closures are disrupting supply chains.
- Fertilizer producer shares fell by 20–50% y-o-y as investors flee to less volatile assets.
- Economists are reviewing economic growth forecasts, and most of them expect a downturn and in some cases even a global recession, including in the US, in 2020.
- Fertilizer demand was resilient at the start of the pandemic, but there are many risks to factor in as uncertainties keep mounting, which will have an adverse impact in the short run.
- In many countries, fertilizers are on the list of strategic commodities, whose supplies are prioritised during the quarantine period. It helps maintain an overall balanced fertilizer market.
- The situation is changing daily and it is impossible to predict what comes next, even in the short term. In this turbulent environment, the Company closely monitors changes in the fertilizer and related markets for agricultural products, feedstock, energy, freight, etc. to make sure that all optimal response scenarios have been taken into account.

BUSINESS ENVIRONMENT

TIGHTER ENVIRONMENTAL REGULATIONS IN EU

23 May 2019

The EU announced more stringent requirements for cadmium and other hazardous metals in mineral fertilizers. Starting 2022, the EU bans phosphate fertilizers with a cadmium content above 60 mg/kg and enables green labelling of low-cadmium fertilizers (below 20 mg/kg). As part of this initiative, the French Agency for Food, Environmental and Occupational Health & Safety (ANSES) recommended limiting cadmium content in fertilizers to 20 mg/kg of P2O5 at the national level.

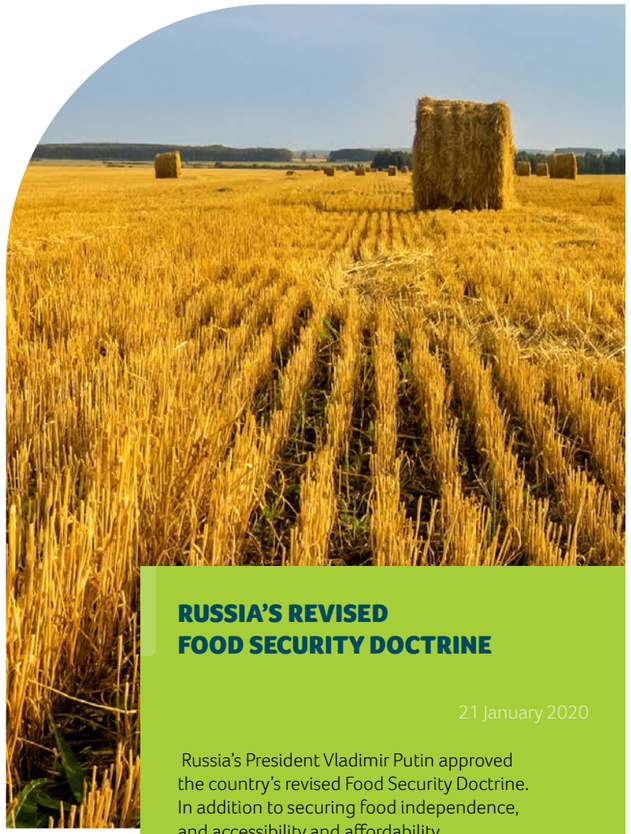
June 2019

The Food and Agriculture Organization of the United Nations (FAO) has adopted the International Code of Conduct for the Sustainable Use of Fertilizers designed to enhance food safety, eliminate hunger and encourage the production and use of pure fertilizers.

It recommends that governments around the world enact legislation restricting the sale and application of fertilizers containing heavy metals and other contaminants.

The Code calls on governments and fertilizer producers to use clear labelling of fertilizers that should include information on contaminants (including heavy metals) and potential environmental and health impacts.

On top of that, the Code highlights the issue of insufficient fertilizer application, which reduces plant nutrients in the soil, damages soil and affects potential yields. The Code brings to the global level efforts to create a regulatory framework ensuring agriculture safety and promoting its sustainable development, mitigating risks to human health and negative impact on the environment, and increasing food security.



RUSSIA'S REVISED FOOD SECURITY DOCTRINE

21 January 2020

Russia's President Vladimir Putin approved the country's revised Food Security Doctrine. In addition to securing food independence, and accessibility and affordability of high-quality foods to every citizen nationwide, from now on increasing food exports will be among the doctrine's targets. Besides, the doctrine provides for boosting the yield of key crops and fertility of agricultural land, sustainable use of farm soils and for promoting land reclamation.

Competitive pricing is yet another factor to place Russian eco-friendly agricultural products at the centre of the global consumer market. According to Russia's Ministry of Agriculture, the share of crops to be supplied under the Green One national brand will account for 10–15% of all agricultural exports by 2024.

ENVIRONMENTALLY FRIENDLY PRODUCTS GAIN MOMENTUM IN RUSSIA

20 February 2019

Russia's President Vladimir Putin instructed the government to create a protected domestic brand of environmentally friendly, green products. The green label will bring together organic farmers along with producers of organic food and green fertilizers, provide a global competitive advantage for Russian manufacturers, consolidate the country's position in lifting trade barriers and help develop a niche of best-in-class green products.

The initiative contemplates potential harmonisation of Russian regulations with the global green regulations, including certification and labelling of Russian products based on modern European and international standards.

SUSTAINABLE GROWTH OPPORTUNITIES

1 LOW-COST POSITION

PhosAgro's environmentally friendly fertilizers give the Russian agriculture a unique competitive edge: low-cost of end products and exceptional safety. The environmental safety of Russian fertilizers is the cornerstone on which the green brand will be build, making it possible to control the safety of green products all the way through the value chain, from the feedstock used by Russian manufacturers to produce mineral fertilizers and animal feed additives to the sale of food products to end consumers.

2 AGRICULTURE DIGITALISATION

PhosAgro and one of Russia's leading developers of agricultural solutions, entered into a cooperation agreement to design and implement digital solutions for farmers. The agreement seeks to create and deploy an integrated digital system, where a farmer has access to all tools for crop monitoring and management throughout the season, from crop planning to analysing agronomic efficiency of technologies based on the season's results.

3 BEST AVAILABLE TECHNIQUES (BAT)

In 2019, the Federal Agency on Technical Regulating and Metrology (Rosstandart) approved a reference document for best available techniques «Production of Ammonia, Mineral Fertilizers and Inorganic Acids.

HTAS TECHNOLOGY

PhosAgro launched an HTAS-based ammonia facility with a capacity of up to 760 kt of NH3 per year at its Apatit site (Cherepovets) in 2017. Ammonia production from natural gas derives from the catalytic steam reforming and steam/air reforming processes that include a syngas purification and treatment unit, with ammonia synthesised at a pressure of 128.7÷190 ATG in the synthesis loop.

HTAS technology performs better than the industry average by resource and energy consumption, as well as by pollutant emission per unit. The minimum resource and energy consumption for HTAS, in terms of 1 t of products are: natural gas – 955 nm^3 (avg. – 1,050 nm^3), electricity – 20 kWh (avg. – 59 kWh).

DCDA TECHNOLOGY

Volkhov, Balakovo and Cherepovets branches of Apatit operate low- and high-capacity Double Contact Double Absorption (DCDA) sulphuric acid systems to minimise harmful emissions into the atmosphere. Emissions from sulphuric acid production at PhosAgro's facilities are in line with the levels associated with best available techniques: SO_2 – 1.67 to 3.3 kg / t 100% H_2SO_4, sulphuric acid – 0.15 kg / t 100% H_2SO_4.

REACTION CRYSTALLISATION METHOD

Crystalline ammonium sulphate is produced by neutralising sulphuric acid with gaseous ammonia and crystallising ammonium sulphate from the resulting solution in a vacuum crystalliser. This technology boasts high capacity per unit based on a modern highly automated and manageable toolkit, as well as reduced unit energy consumption and low unit emissions. The production process for crystalline ammonium sulphate at Apatit (Cherepovets) is unique to Russia. Ammonia emissions are in line with the BAT technological indicators and on a par with other ammonium sulphate technologies implemented in Russia.

ACID NEUTRALISATION WITH CALCIUM CARBONATE

Volkhov branch of Apatit employs a complex fertilizer production method which is unique to Russia. The process involves neutralising a mixture of phosphoric and sulphuric acids with calcium carbonate, mixing the neutralised pulp with a nitrogen-containing component (for NPKS fertilizers) and potassium chloride with subsequent granulation and drying in DDG, classification of dried granules, and conditioning and cleaning of waste gases. Harmful emissions meet the BAT technological requirements: ammonia (NH_3) – 2.6 kg/t, nitrogen dioxide (NO_2) – 0.6 kg/t.

STRIPPING IN CO_2 FLOW

Urea produced from liquid ammonia and gaseous carbon dioxide using CO_2 stripping technology from Stamicarbon (Netherlands). Unreacted NH_3 and CO_2 are extracted from the synthesis melt and condensed at high pressure, yielding low-pressure steam suitable for utilisation. Unreacted substances are removed at high pressure by blowing CO_2. The technology reduces water content in the reused components, which improves synthesis conditions and energy efficiency. The technology at Apatit is in line with the BAT indicators for pollutant emissions.

FERTILIZER MARKET OVERVIEW

NUTIRIENT DEMAND DRIVERS

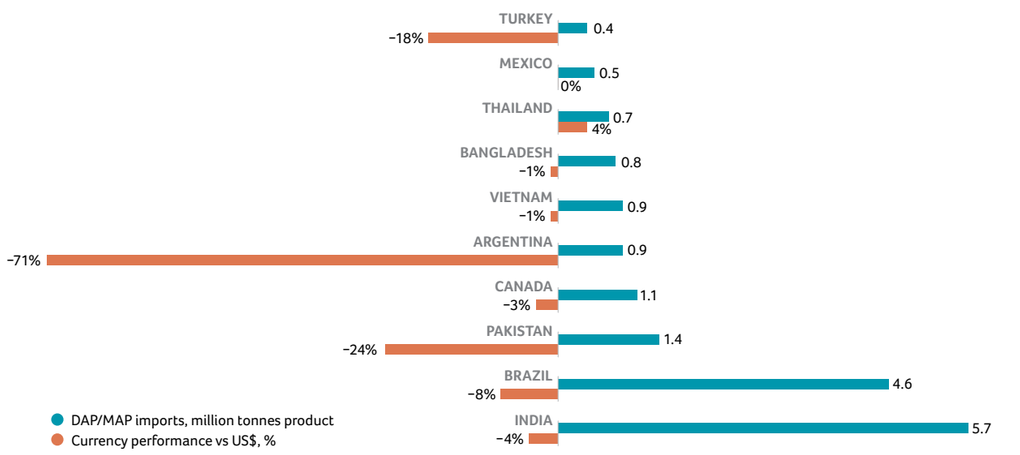
THE GLOBAL ECONOMY

Rising international trade barriers and uncertainty about further trade war escalation and geo-political risks were a key reason for the global manufacturing downturn that prevailed in 2019. Economic growth is likely to stabilise in mid-2020, but the overall economic picture is worse than had been expected at the start of the year. The latest IMF forecast in October 2019 projected annual GDP growth of 3.0% higher year-on-year, a 0.3% downwards revision from its April 2019 forecast.

Emerging and advanced economies saw a slowing of economic growth in 2019. Political uncertainty in large emerging markets – in particular, Argentina, Iran, Turkey, and Venezuela – drove significant distress, which weighed on growth. In India election uncertainty combined with acute funding problems in the non-bank financial sector, constrained lending to the real economy and growth. The retaliatory trade conflict between the US and China has not had much of an impact on headline growth rates of the two economies, because they have protected their economies with domestic policy easing. Instead, the trade war has adversely affected the export reliant economies of Europe.

Energy prices declined to an average of US$61.78/bb in 2019 as record-high crude oil production in the US outweighed the impact of OPEC supply cuts. OPEC agreed some of these cuts, but involuntary cuts have played a significant role too, including US sanctions on Iran, civil unrest in Venezuela and war in Libya. Supply disruptions in Saudi Arabia, following attacks on key refining sites in September, only briefly supported a 10% increase in crude oil prices. Weaker demand prospects have also continued to weigh on energy demand - coal and natural gas prices declined through the year due to weaker demand prospects.

Performance of selected currencies of major phosphate importers, DAP/MAP imports in 2019 (prov.)



Note: # reflects country's position against rest of the world;
Data: CRU; IMF; Turkish Central Bank; Float Rates.

Policy-makers responded to the slowdown in global economic growth with additional stimulus. Most notable is the extent of monetary policy easing throughout the world, which worked to ease borrowing conditions and bolster confidence. Some of the recent cuts will continue to drive the stabilisation of growth in 2020.

AGRICULTURAL MARKETS

Unprecedented weather conditions and African Swine Fever (ASF) added to the intensifying US-China trade conflict to impact agricultural commodities in 2019. Nonetheless, as of its latest report in November 2019, the International Grains Council (IGC) increased its global grains production estimate for 2019/2020 to 2,157 million tonnes to reflect marginal year-on-year growth.

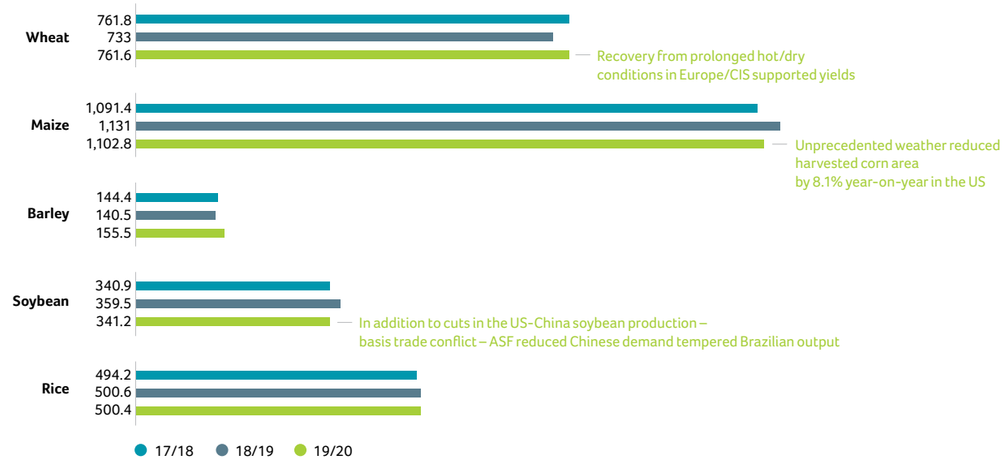
The year began with record-high stock:use ratios across multiple crops (e.g. rice; soybean; wheat), resulting from weak global demand due to trade barriers and a positive crop outlook. These factors combined to apply downwards pressure on crop prices. Favourable growing conditions in South America and a record winter crop in Europe – following a very dry 2018/19 season – further pressured crop prices.

The wettest spring season on record and resulting planting delays for corn and soybean crops in the US offered temporary price relief. Local currency depreciation (e.g. Brazil; Argentina) maintained export competitiveness and despite premiums into China, the Africa Swine Flu epidemic resulted in the culling of 55% of Chinese hog herds and tempered Brazilian soybean production. Global soybean production declined by 6% year-on-year to 341 million tonnes, whilst demand for substitute meats (e.g. broiler feed; layer feed; aquaculture feed) only partially offset the impact of ASF on animal feed grains. Further declines in soybean production failed to materialize, as the intensification of hog production across China partially offset the extensive culling of smallholder herds that use less compound feed.

US farmers planted more corn in response to low spring new-crop soybean:corn price ratios, though further unfavourable weather towards the harvest hampered production. Despite a 23% year-on-year growth in corn yields across South America, further bad weather towards the harvest reduced US output. A 21 million tonne decline in Chinese corn production – basis government policy to substitute soybean import demand with additional domestic production – tightened the corn market further and supported prices in 2019, contributing to a 2% year-on-year decline in global corn production of 1.103 billion tonnes.

Conversely, global wheat production increased by nearly 4% year-on-year to 762 million tonnes. Wheat prices remained under pressure for much of 2019 as large producers – notably China and India – accumulated inventories that combined, might carry into 2020 as the largest in history.

Selected Global wheat and grains production, *mt*

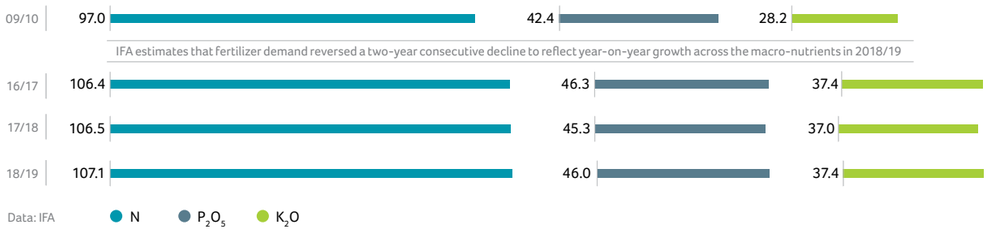


HIGH LEVEL NUTRIENT DEMAND REVIEW

Preliminary International Fertilizer Association (IFA) figures, published in November 2019, estimate combined nitrogen (N), phosphate (P) and potassium (K) fertilizer demand at 190.5 million tonnes nutrient for the 2018/19 season. This reflects 0.9% year-on-year growth in fertilizer nutrient demand – N demand by 0.6%, P2O5 demand 1.4% and K2O demand by 0.9% – reversing a two-year consecutive decline in fertilizer nutrient demand globally.

Local currency depreciation for agricultural exporters in Latin America and Russia, an election year in India where farmer votes weigh heavily on politics, and a recovery in European markets were major demand drivers. Combined, these factors offset reduced demand in China – where government continues to support improved fertilizer efficiency – and the US, where persistent adverse weather condition hampered consecutive sowing/harvest seasons.

N, P and K fertilizer demand developments, *mt (global demand)*



HIGH LEVEL NUTRIENT SUPPLY REVIEW

Growth in combined fertilizer and industrial demand for macronutrients (N, P and K) supported a 1.2% year-on-year increase in 2019 production at 254 million tonnes nutrient. Fertilizer demand accounted for 183 million tonnes nutrient in 2019 equivalent to 78% of global macronutrient output, marginally lower (−0.3%) than in 2018.

Mixed supply trends categorized major fertilizer raw materials. Ammonia production increased by 2.1% year-on-year, with increased output from Russia, the US, Indonesia, and China. Following a year of negative growth in 2018, rock phosphate supply remained flat year-on-year at 207 million tonnes. Potash production declined by 5% year-on-year, totalling 40.9 million tonnes K_2O, following two-consecutive years of growth.

Urea production increased by 2.4% year-on-year to 176 million tonnes. Continued supply growth from Russia, the United States and across south/south-eastern Asia largely supported operating rates averaging 85% globally. Despite tightening environmental restrictions that mostly contributed to three consecutive years of declining output in China, domestic urea supply recovered.

Processed phosphates (i.e. DAP/MAP/NPS/TSP) production increased to 74 million tonnes product (35.6 million tonnes P_2O_5), mostly driven by growth in MAP output and a 9% year-on-year recovery in DAP production, notably from the ramping up of new low-cost supply in Morocco and Saudi Arabia.

Muriate of Potash (MOP) production declined by 6% year-on-year to 65 million tonnes product, following two consecutive years of growth and weak demand fundamentals, driven by reduced imports demand and consequently lower export-focused supply.

FOCUS ON PHOSPHATE FERTILIZER MARKETS IN 2019

Phosphate Fertilizer supply

Global phosphate nutrient demand was marginally lower (0.2%) at 46.2 million tonnes P_2O_5 in 2019. Supply growth slowed to 0.4% year-on-year to 49.3 million tonnes P_2O_5 over the same period.

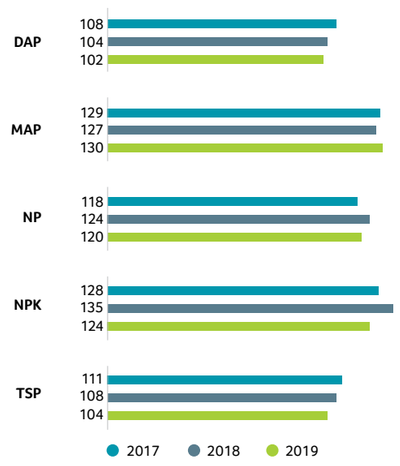
Phosphates production across North America continued its chronic decline, in 2019 by around 16% lower year-on-year to an estimated 11.6 million tonnes (DAP/MAP/NPS). The idling of Plant City (United States) and the closure of Redwater (Canada) resulted in larger and competitive traded volumes from suppliers that hoped to benefit from premiums into North America. However, low demand, basis from erratic weather and resulting skipped applications and logistical constraints, pushed inventories higher and pressured the market. By year-end, further supply curtailments – this time in Faustina (United States) – were necessary to attempt to balance the market to halt price declines approaching 2020. Morocco and China also contributed to such production curtailments over this period.

Following some of the highest DAP imports in recent history in 2018, DAP imports to India declined by 9% year-on-year to an estimated 5.7 million tonnes. These volumes, comfortably above 2017 levels, combined with a 31% year-on-year increase in domestic DAP production at 3.4 million tonnes, pushed inventories to nearly 7.0 million tonnes by August 2019. Competitive DAP pricing in particular supported very attractive margins for retailers, but low phosphoric acid prices also encouraged domestic supply and (less so, but still) healthy margins.

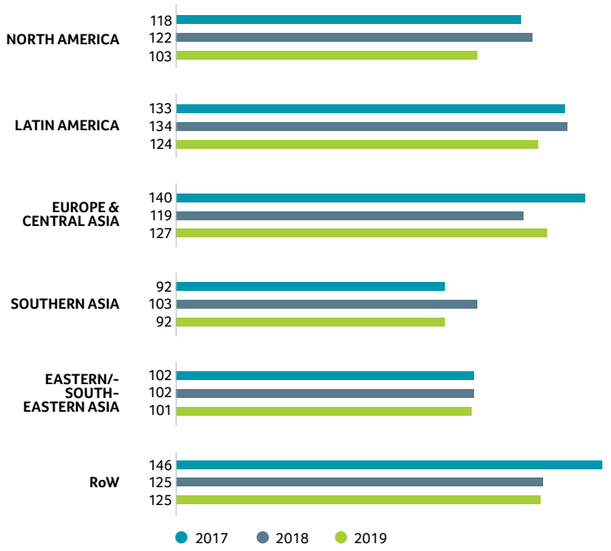
Despite issues from 2018 passing into early 2019, commercial operating rates in Saudi Arabia steadily ramped up through the year, supporting a 36% year-on-year growth in production to an estimated 4.6 million tonnes (DAP/MAP). India remained the largest sink for traded Saudi phosphates, reflected in a 20% year-on-year increase in exports at 2.4 million tonnes. However, a low-cost position supported exports into deep-sea markets like the United States (from 90,000 tonnes to 230,000 tonnes) and Brazil, (from 650,000 tonnes to 900,000 tonnes) respectively.

Reduced DAP exports to India and lower MAP exports to Latin America – during continued decline in domestic demand, set up a difficult year for Chinese producers. Nonetheless, the domestic spring season proceeded better than previous expectations – in part aided by improved logistical reach owing to efficient implementation of new railways/roads to reduce traffic and improve delivery times of commodities. Inventory build and a switch towards greater NP production in place of declining DAP sales resulted in Chinese phosphates production flat year-on-year at an estimated 12.6 million tonnes (DAP/MAP/NPS). Despite implementing regular cuts through the year, most of which were never fully implemented, the consolidation of Kailin and Wengfu in the 6+2 producer group did result in more discipline towards the end of the year.

Phosphate fertilizer production growth – index, *2010 = 100*

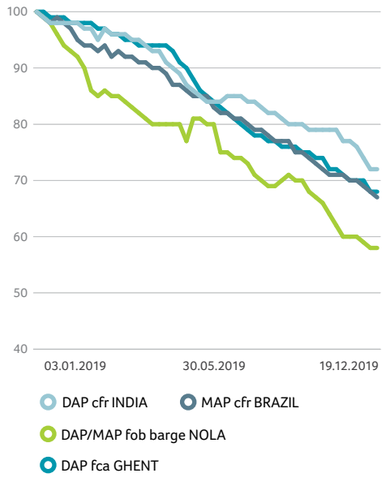


P_2O_5 demand growth – regional index, *2010 = 100*



Data: Fertecon.

Phosphate Fertilizer demand and pricing, *January 3rd 2020 = 100*



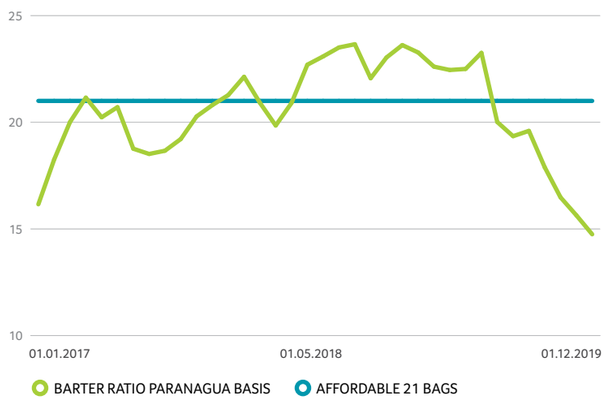
Data: Argus, CRU Fertilizer Week, Fertecon, ICIS, Infofert, Profercy

European markets already showed signs of weakness towards the end of 2018 and this trend continued – though muted – into early 2019, demonstrated through hesitance from traders booking volumes for spring application. Poor harvests, regulatory changes (notably in Germany) and logistical constraints all combined to pressure prices, but volumes continued moving, even though in increasingly smaller quantities. Annual P_2O_5 demand recorded a marginal year-on-year decline of 1% to an estimated 3.9 million tonnes and it was competition for market share by suppliers already facing oversupply in other markets.

Erratic weather during both spring and autumn application periods significantly reduced phosphate demand in North America, particularly the United States where P_2O_5 demand declined by an estimated 18% year-on-year to just below 4.4 million tonnes. Skipped application, whether because of delayed fieldwork or restricted logistics opportunities, and competitive import line-ups resulted in an oversupplied market. This eroded the strong premiums DAP fob Tampa enjoyed over all other benchmarks in 2018 as it fell from its highest levels of USD418/t in January down to USD268/t by year-end.

The state of the US market resulted in re-directed trade flows to Latin America, in particular Brazil, where MAP imports increased by 14% to almost 4.3 million tonnes product. Declining prices on MAP from highs of USD436/t cfr Brazil in January and high crop pricing – particularly on soybean, driven by the escalating US-China trade conflict – supported attractive fertilizer affordability in Brazil. A three-year high in MAP affordability for Brazilian farmers was insufficient to balance for declining demand in the rest of Latin America, where total P_2O_5 demand declined by 8% year-on-year to an estimated 6.8 million tonnes. During a period of widespread political instability – resulting in depreciating currencies and higher crop input costs – drought and low cash-crop prices reduced demand in much of Latin America. Considering this and structural oversupply, MAP cfr Brazil prices touched lows of USD280/t by year-end.

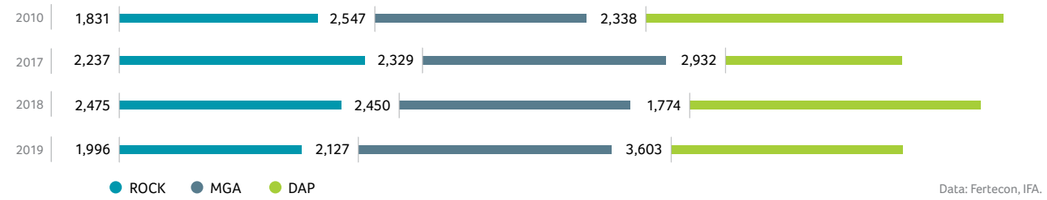
Brazil – barter ratio, *#60kg soybean bags per tonne MAP*



Data: AgroLink, Argus, CRU Fertilizer Week, Fertecon, ICIS, Profercy

Inventory build across southern Asia, reaching nearly 7.0 million tonnes DAP in India during August, pressured prices from highs of USD414/t cfr India year beginning down to USD296/t cfr India by year-end. Whilst demand did not deplete stock positions across Pakistan much, an excellent monsoon season supported DAP inventory liquidation of almost 3.0Mt DAP across India from August through December. This during a period where import line-ups continued building and domestic production ramped up as phosphoric acid prices declined for a fourth consecutive quarter and supported very good margins for DAP retailers. However, in switching to DAP production for margin capture, NPK production fell considerably and resultantly across the year total P_2O_5 demand in India declined by around 9% year-on-year to 6.4 million tonnes.

India – selected phosphate imports, *P_2O_5 share*

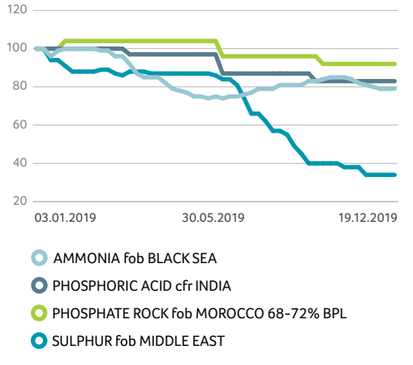


Data: Fertecon, IFA.

Elsewhere in Asia, the spring ploughing season in China performed better than expected, though still down on previous years. Generally, domestic demand continues to soften as government policy to reduce fertilizer application growth persists and farmers implement more efficient fertilizer application techniques. Whilst the easing of NPK export tariffs provided some relief to domestic suppliers, this market accounted for most of the 2% year-on-year decline in Chinese P_2O_5 demand estimated at 12.3 million tonnes.

Following four consecutive years of P_2O_5 demand growth in Africa, an NPK import ban in Nigeria and drought in Southern Africa resulted in reduced NPK and MAP demand respectively. Resultantly, P_2O_5 demand declined by 13% year-on-year to an estimated 1.6 million tonnes.

DAP/MAP – raw material price developments,
index (100 = January 3rd 2019)



Data: CRU Fertilizer Week.

Phosphate rock market Review

Marketable rock phosphate production remained flat year-on-year at an estimated 207 million tonnes in 2019. Generally, the ramping up of low-cost integrated downstream capacity across mostly the Middle East and North Africa balanced for lower demand from a combination of downstream capacity closures and curtailments, which weighed more heavily on traded rock phosphate volumes. There were also reductions in production from China (due to declining downstream demand and high inventory carryover), the United States (due to downstream idling) and Morocco (due to trade flow redirection). The traded market, however, declined by 3%year-on-year to an estimated 30 million tonnes, as increased availability from previously less prevalent participants (e.g. Syria; Togo; Jordan – for diverse reasons) failed to offset increased captive consumption from large exporters to drive downstream sales.

Given no significant availability restriction, rock phosphate prices typically follow phosphoric acid and fertilizer prices with some delay. This precisely occurred in Q1 as prices averaged USD90/t fob Morocco (69-72% BPL) basis, marginally higher quarter-on-quarter and unaffected by softer downstream prices. The fact that even the idling of beneficiation operations at three mines in Brazil from late Q1 – for tailings dam safety procedures following the Vale Brumadinho disaster in February 2019 – resulted in no price reaction demonstrated how oversupply in downstream markets could substitute in the form of imports instead.

It was only in Q3, by when mines in Brazil were operating at commercial utilisation rates once again, that rock phosphate prices finally corrected downwards to USD79/t fob Morocco (69-72% BPL) basis. This decline also reflected how much protection rock phosphate prices had received in the form of demand from SSP producers with exposure to significant weakness in sulphur markets provided price support. The idling of downstream capacity in the United States during Q4 – and other production curtailments in Morocco and China, as well as continued declines in downstream phosphate prices – further pressured rock phosphate pricing approaching 2020.

Rock Phosphate – global production & trade, *mt*

OTHER FERTILIZERS

Urea

Urea demand increased by 0.5% year-on-year to an estimated 171.2 million tonnes. Nonetheless, prices came under increasing pressure through the year as demand growth slowed and production increased, basis increased urea production cost cuts owing to natural gas surplus. Rather than supporting the market, US sanctions were deflationary as Iranian exports continue to sell at a large discount.

A recovery that began in mid-2017 and lifted urea prices to USD334/t fob Middle East in October 2018 ran out of steam in early 2019 as poor growing condition across the US Midwest hampered early spring demand. An early Indian tender announcement in January offered temporary price support, but an underwhelming 515,000 tonne award resulted in more price pressure. Demand elsewhere was piecemeal, during a period where dry condition across much of the larger European economies – and tightening restrictions on nitrogen use efficiency – that slowed buying. Furthermore, newly commissioned capacity – in Turkmenistan and Azerbaijan – entered the market in Q1.

Despite seasonal demand increments through Q2 – notably the ramping up of Indian import demand ahead of the rabi season, but also spot demand across Latin America – macroeconomic headwinds and deflationary energy markets, amid continued oversupply in natural gas markets, combined to significantly reduce production costs at the margin. Chinese exports initially pulled back, but RMB devaluation – owing mostly to the escalating US-China trade conflict – and cheaper coal amid an easing of environmental policy restrictions supported a recovery in Chinese urea production and almost doubled year-on-year by year-end exports. Most of the growth in Chinese exports were directed to India, where imports increased significantly to 8.8 million tonnes.

Sustained low gas prices on EU hubs through the summer months revitalized marginal Black Sea production, in particular from Ukraine where exports – previously absent – reached 120-150,000 tonnes per month by Q4. Sanctions barely affected Iranian export volumes, which were roughly flat year-on-year, but prices came under pressure owing to discounts of up to USD60/t – notably in Brazil and Turkey (Mediterranean).

Ammonia

IFA estimates a 0.6% year-on-year increase in global ammonia demand at 144.8Mt for 2019, as new supply added further pressure to a market already stressed by poor United States demand. Resultantly, the balance moved further into surplus, at around 11.1Mt.

Price declines prevailed through most of the first three quarters of 2019, as global benchmarks reflected a supply surplus. This resulted in average annual prices declining by USD60-65/t across both west and east of Suez benchmarks. Advanced maintenance programs across the Middle East and North Africa, due to low pricing, halted price declines from July-August and prevented many marginal Russian producers touching the floor.

Increased competition to capture European gas demand between United States LNG suppliers and Russian pipeline exports pushed the TTF gas price down to a record low of USD3.10/MMBtu in September. These lower energy prices across most markets prevented a repeat of 2018 plant shutdowns. Despite a 15% year-on-year decrease in the Chinese anthracite coal price in 2019, the incentive to import ammonia remained strong. The arbitrage opportunity to import ammonia over domestic supply in coastal areas averaged USD150/t in 2019, which supported imports exceeding 1.0Mt in 2019, with port storage infrastructure becoming one of the main bottlenecks to even higher imports.

The commissioning of new merchant capacity at EuroChem's Kingisepp plant in Russia slightly shifted trade dynamics. More exports originated from lower-cost Baltic exporters and eroded the historical premium in fob prices, which the Baltic Sea held over the Black Sea. Low phosphate prices resulted in ammoniated phosphate production curtailments in key ammonia import markets such as the United States, Morocco and China. Furthermore, poor weather in both direct application seasons further restricted demand in the United States, lowering ammonia imports by 14% year-on-year in 2019. United States ammonia imports declined for a fourth consecutive year, which, along with difficulties in securing gas contracts, contributed to the closure of 285ktpa of capacity in Trinidad.

Potash

IFA estimates a 6% year-on-year decline in global MOP deliveries for 2019 at around 65Mt after two consecutive years of growth and resulting high-carryover. Demand was robust throughout much of H1 2019 - demonstrated by largely flat pricing, despite weaker crop fundamentals - before a marked slowdown during H2 2019, which accelerated spot price declines. Despite the belated settlement of the Indian supply contract in October - agreed only USD10/t lower at USD280/t cfr - the conspicuous absence of a Chinese contract left the market without a price floor approaching the close of the year. Resultantly, spot prices continued falling across key import markets.

With record high MOP port inventories in China, and little sign of an impending agreement, most major producers implemented voluntary production cuts in H2 2019, removing potentially as much as 3Mt of planned output. The one positive story throughout 2019 was the Brazilian market where high soybean exports encouraged strong MOP consumption. However, with suppliers increasingly competing for volumes, coupled with a weakening local currency, by the end of 2019 Brazilian import prices had wiped out all gains made the prior year. New supply from Russian producer EuroChem also became more prominent in 2019, compounding the intensified competition that placed more downwards pressure to pricing already falling due to the absence of signed Chinese contract volumes.

Priority focus areas

STRATEGY 2025

2019 was a record-breaking year for our upstream, midstream and downstream businesses, in which we met all the targets of the Strategy to 2020 ahead of the schedule. This outstanding performance was largely driven by the production processes upgrade harnessing the best available techniques (BAT). Since 2013, our output has added more than 60%, rising from 5.9 mt to 9.5 mt of fertilizers and feed phosphate and strengthening our foothold in the domestic and international markets.
In March 2019, the Company approved its Strategy to 2025.

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STRATEGY 2025

By 2025

Fertilizer output
+27.5%

New production facility in the Volkhov branch
840
ktpa

Total production of fertilizers and feed phosphates by the Balakovo branch
3.3
mt

+1.1
mt
to the Russian and CIS markets

OUR TOP PRIORITY

IS EFFECTIVE PRODUCTION GROWTH DRIVEN BY NATURAL, ORGANIC CAPACITY EXPANSION.

STRATEGY TO 2025
KEY PRIORITIES

Digitalisation
The new strategy assumes the development of digital technologies in agriculture to boost crop yields and quality in the near term. Under the new five-year plan, the Company intends to further enhance its competitive strengths remaining the world's leading supplier of environmentally friendly phosphate fertilizers for farmers, while also expanding its involvement in programmes designed to protect human health and the environment, ensure food security and combat soil degradation as a way to show an example of a harmonious approach to strategic development.

Sales in Russia and Europe
The Marketing Strategy to 2025 further strengthens PhosAgro's foothold in the Russian market, and also in the premium export markets. Compared to 2018, by 2025 fertilizer sales in Russia and in Europe may grow 1.5 and 1.6 times, respectively. The share of exports will be maintained at a level of at least 90%, in no small part thanks to the efforts of ten foreign trading companies opened in all key sales regions.

Environmental safety
An additional competitive advantage that PhosAgro will leverage to increase its share in priority sales markets and offer market premium will be the environmental safety of its phosphate fertilizers for people and soils, as the EU looks all set to tighten regulations for fertilizers with a high content of cadmium and other heavy metals. Starting this year, PhosAgro's fertilizers will be marketed under an ecolabel in line with the EU regulations. In addition, along with a variety of agricultural products, they will be included in a country branded segment of products with improved environmental characteristics.

The Company leaves open the possibility of foreign regulators removing the import duties and customs factors that are currently being applied to pure fertilizers. The Argentinian and Brazilian authorities have already exempted Russian environmentally friendly phosphate fertilizers from import duties. Under this scenario, the Company could potentially earn up to USD 100 mln depending on the prevailing market conditions.

Balanced dividend policy
Without compromising its investment programmes designed to ensure a stable cash flow in the future, the Company will continue to pay attractive dividends and stay focused on charitable and social programmes to build a pool of highly skilled engineers and promote initiatives in the realm of education, corporate housing, healthcare, youth policy and sports support, along with production ecology and research.

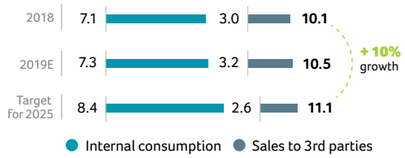
In the new strategic cycle we plan to build new high-tech production facilities and boost fertilizer output by more than a quarter (27.5%) vs 2018. This can only be achieved through long-term investments in both capacity expansion and infrastructure development projects. The new strategy lays significant emphasis on the construction of a new predominantly export-focused plant with a capacity of 840 kt in the Leningrad Region, as well as the upgrade of production facilities in the Saratov Region to enable manufacturing of NPK(S) fertilizers and increase total fertilizer and feed phosphate output from 2.3 mt in 2019 to 3.4 mt in 2024, while also considerably boosting the share of domestic supplies (from 34% to 60%).

Key targets

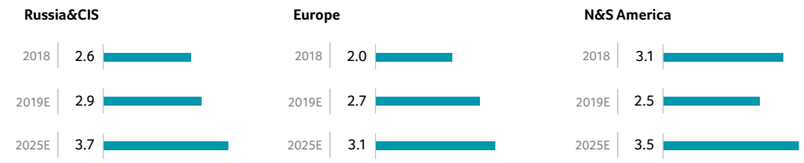
STRATEGY TO 2025:
KEY TARGETS

Fertilizer and feed phosphate production, *mln t*

Phosphate rock production, *mln t*



Key markets, *mln t*



OPERATIONAL AND BUSINESS EFFICIENCY[1]

Comfort level ND/EBITDA	CapEx/EBITDA ratio below	Expected effect on EBITDA[1] USD from investment projects
1.0–1.5x	**0.5** p.a.	**200+** mln

1. Subject to macro condition changes

Source: PhosAgro

STRATEGY 2025

PRODUCTION GROWTH

Expanding fertilizer and feed phosphate capacities by 25% to 11.7 mt by 2025, primarily by launching new capacities at Balakovo Branch of Apatit (+1.2 mtpa).

Forecast increase in fertilizer (excluding feed phosphates) production by 2025, by production site, *mt*

Branches	2018	2019	2025	Expected production growth	Key drivers
Volkhov	0.17	0.19	0.84	0.72	• Reducing current NPK production: –100 kt; • New MAP capacities, including low-nitrogen grades (for Latin America): +800 kt; • Engaging in water soluble MAP (key component of water soluble NPK) production: +43 kt.
Balakovo	1.75	1.91	2.91	1.16	• Engaging in NPK production for domestic sales (favourable logistics): +1,400 kt; • Engaging in the production of NPS, including grades containing elemental sulphur: +300 kt; • Reducing standard MAP production: –900 kt; • Production of granulated ammonium sulphate: 360 kt;
Cherepovets	6.69	7.04	7.31	0.62	• New ammonium sulphate capacities (the main feedstock to produce NPK/NPS – for internal use) +300 kt; • Debottlenecking NP/NPK/NPS capacity: +500 kt; • Ramping up ammonium nitrate capacity: +140 kt.
Total	8.61	9.15	11.11	2.50	

Forecast increase in fertilizer (excluding feed phosphates) production by 2025, by product type, *mt*

Product	2018	2019	2025	Expected production growth	Key drivers
AS	0.00	0.00	0.36	0.36	• New capacities at Apatit in Cherepovets (+300 kt) – feedstock for NPK/NPS • New capacities to produce a premium granulated product at the Balakovo Branch of Apatit +360 kt
AN	0.53	0.57	0.67	0.14	• Ramping up ammonium nitrate capacity (Cherepovets): +140 kt.
Urea	1.59	1.68	1.59	0,00	
APP	0.20	0.19	0.21	0.01	
NPS, PKS	0.42	0.74	0.69	0.27	• Engaging in the production of NPS, including grades containing elemental sulphur (Balakovo): +300 kt;
NPK	2.87	2.84	4.29	1.41	• Engaging in NPK production for domestic sales (Balakovo, favourable logistics): +1,400 kt;
DAP/MAP	2.98	3.20	3.30	0.32	• New MAP capacities, including low-nitrogen grades (Volkhov, for Latin America): +800 kt; • Reducing standard MAP production (Balakovo): –900 kt; • Debottlenecking NP/NPK/NPS capacities (Cherepovets): +500 kt.
Total	8.61	9.15	11.11	2.50	

PROJECTS IN THE PIPELINE
OF STRATEGY TO 2025

To boost production, the Company has launched a large-scale investment programme.

The investments will focus on efficient and flexible hi-tech facilities based on the best available techniques, including the advanced solutions offered by Samoilov Scientific Research Institute for Fertilizers and Insectofungicides (NIUIF), one of the world's leading specialised R&D centres, as well as a variety of other digital and innovative solutions. The green light will only be given to projects with an IRR of above 20%.

Targets by key assets

Cherepovets site development	Volkhov branch development	Balakovo branch development
GOALS		
Increase nitrogen fertilizer output, launch manufacturing of semi-finished products to ensure food security	Launch MAP production mainly for export markets	Launch NPK(S) production mainly for the domestic and European markets
DEADLINE		
2019–2020	**2021**	**2022**
KEY TARGETS		
+1,100 kt of sulphuric acid +150 kt of ammonium nitrate +300 kt of ammonium sulphate +2.3 mt of additional rail infrastructure capacity	+840 kt of fertilizers	+1,100 kt of fertilizers
CAPEX, USD MLN USD		
389	**430**	**240**
EBITDA impact per year, USD mln		
60+	**90+**	**50+**
WACC, %		
11	**11**	**11**
NPV, USD mln		
265	**173**	**143**
IRR, %		
20+	**20**	**20**

The investments in the three key projects alone are expected to bring about an EBITDA increase of no less than USD 200 mln, boost FCF, and ensure a consistently high level of self-sufficiency in feedstock for growing production volumes.

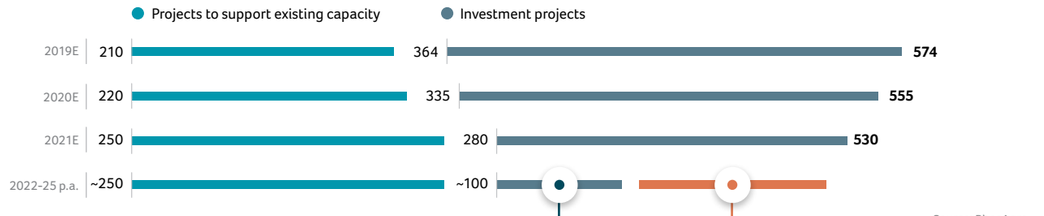
The net debt / EBITDA ratio will be maintained at a comfortable level of 1.0–1.5x.

POTENTIAL PROJECTS CURRENTLY UNDER EFFICIENCY EVALUATION

may get a go-ahead as early as 2022 subject to their high IRR (20%+), compliance with the BAT and sustainability criteria along with the debt/EBITDA target, and a comfortable net debt / EBITDA covenant headroom:

- Ramp-up of ammonium production
- Production of purified phosphoric acid (PPA) as the key feedstock for further processing into environmentally safe phosphates
- Proprietary facility to manufacture potassium and sodium salts using the internally produced nepheline concentrate

CAPEX breakdown[1], *USD mln*



Source: PhosAgro

CAPEX

Cost of running investment projects in 2019–2025:

USD **1,1** bln

Cost of supporting existing capacity in 2019–2025:

USD **1,7** bln

Effect from the three key investment projects[2]:

> USD **200+** mln

Project IRR:

>**20%**
(WACC – 11%)

Cost of running investment projects in 2022–2025:

Potential projects under review that match the Company's investing principles:

- IRR 20%+;
- significant business model fit;
- ESG compliance;
- best available techniques;
- comfortable covenants;
- target CAPEX to revenue ratio.

1. CAPEX is calculated at the exchange rate of RUB 65 per USD.
2. Subject to adjustment in case of changes in the macroeconomic environment.

Key targets

GRI

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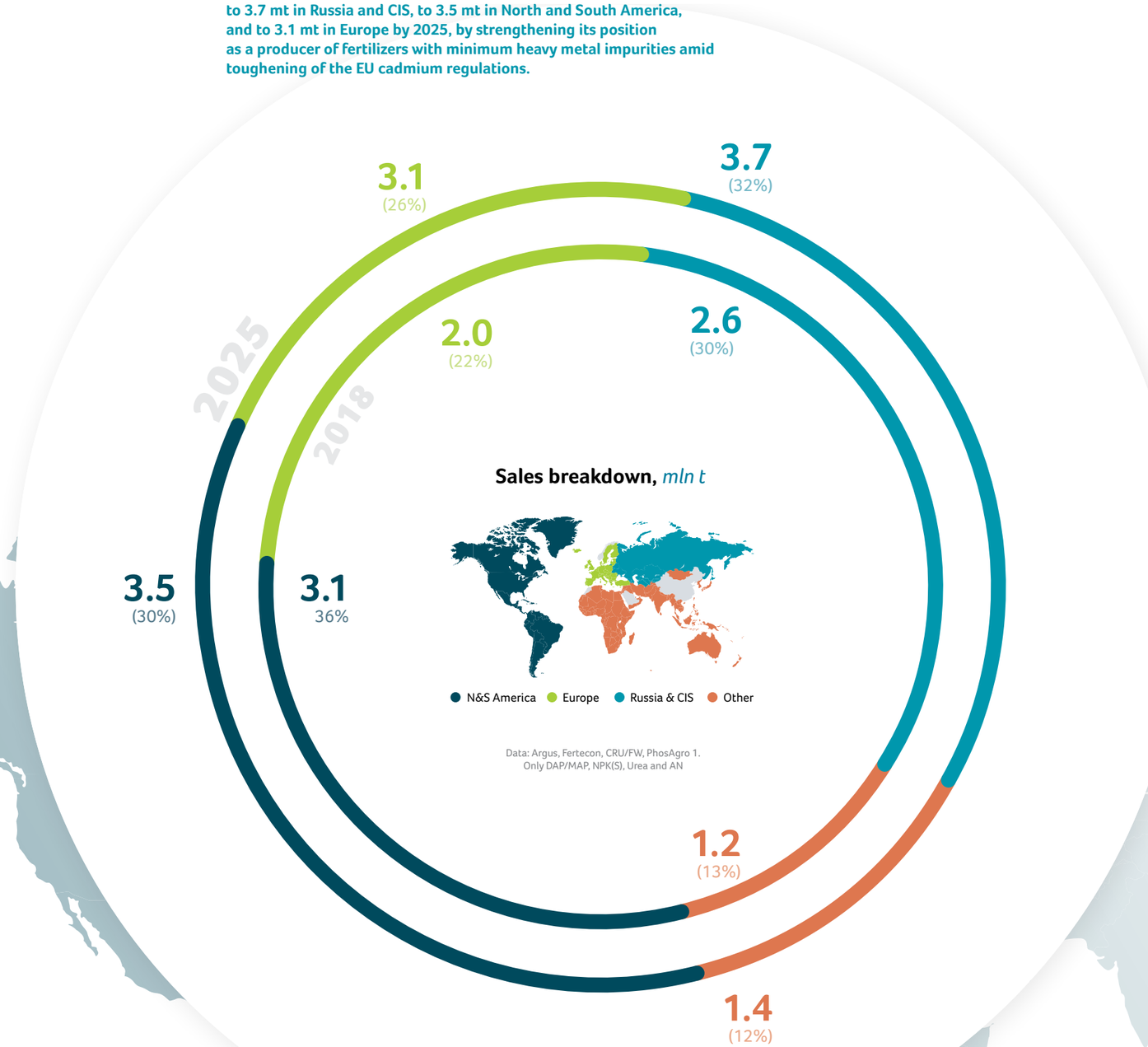
STRATEGY 2025

INCREASING SALES IN PRIORITY MARKETS

PhosAgro's strategic goal is to increase sales in its strategic markets: to 3.7 mt in Russia and CIS, to 3.5 mt in North and South America, and to 3.1 mt in Europe by 2025, by strengthening its position as a producer of fertilizers with minimum heavy metal impurities amid toughening of the EU cadmium regulations.

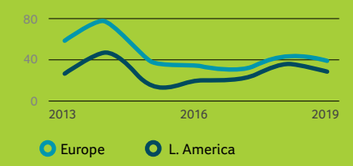


To deliver on this goal, the Company plans to:

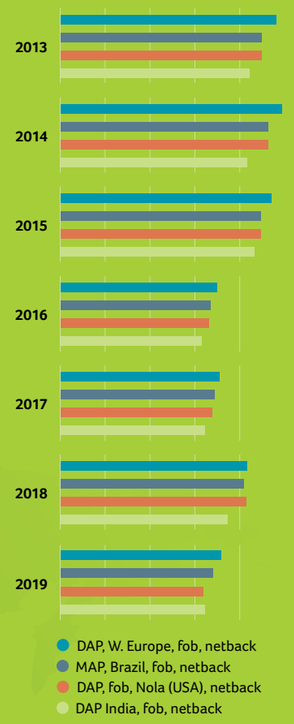
1 expand its network of regional sales offices, set up new partnerships, and promote its products, including through "green" labelling, which has been allowed under the new EU rules

2 increase product offering from 39 fertilizer grades in 2018 to 50 by 2025, including new highly effective grades with bioadditives.

Premium to Indian netback prices, *USD/t, FOB, Baltic*



Phosphate-based fertilizer sales margin by region



Sales growth in North and South America to

3.5

mt.

The cumulative effect from the Marketing Strategy to 2025 is estimated at

125

USD mln per year[1] (net of special and innovative fertilizers)

1. effect based on McKinsey estimates

Key targets

Increasing sales

DOMESTIC MARKET

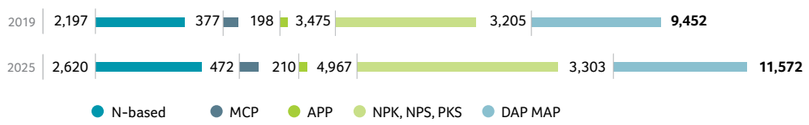
- Retain the current market share in phosphate and complex fertilizers, increase sales in the nitrogen segment
- Enter the related products segment (CPA, seeds, feed additives), if the pilot is successful
- Develop the service model and distribute agricultural equipment, if the pilot is successful
- Potential effect of developing the service model on EBITDA: USD 40–150 mln per year[1]

INTERNATIONAL MARKETS

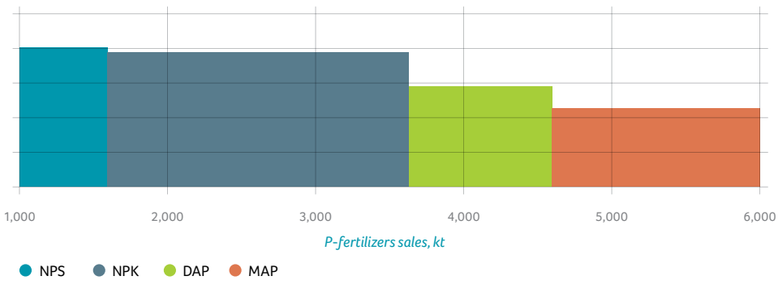
- Identify priority markets based on the Company's potential competitive advantages, market liquidity, and netbacks
- Maintain direct sales at no less than 90%
- Ensure considerable growth in Eastern Europe and the Balkans. Achieve slight increase in sales in the Western European market (France, Germany). Open new offices, lease warehouses, engage in proactive agricultural marketing
- Grow sales in Latin America in line with the market growth, consider options of diversifying distribution channels in Brazil, establish partnerships with local distributors, launch agricultural sites, lease warehouses
- Ensure presence in the spot markets in North America, Africa, and Asia
- Potential effect on EBITDA – USD 85 mln per year[1]

Flexibility of production lines enables the Company to switch between all types of fertilizers quickly and cost efficiently, and to fully meet demand for the highest-margin complex fertilizer grades.

Change in the product structure of the premium segment, *kt*



Phosphate fertilizer margins, *2019*

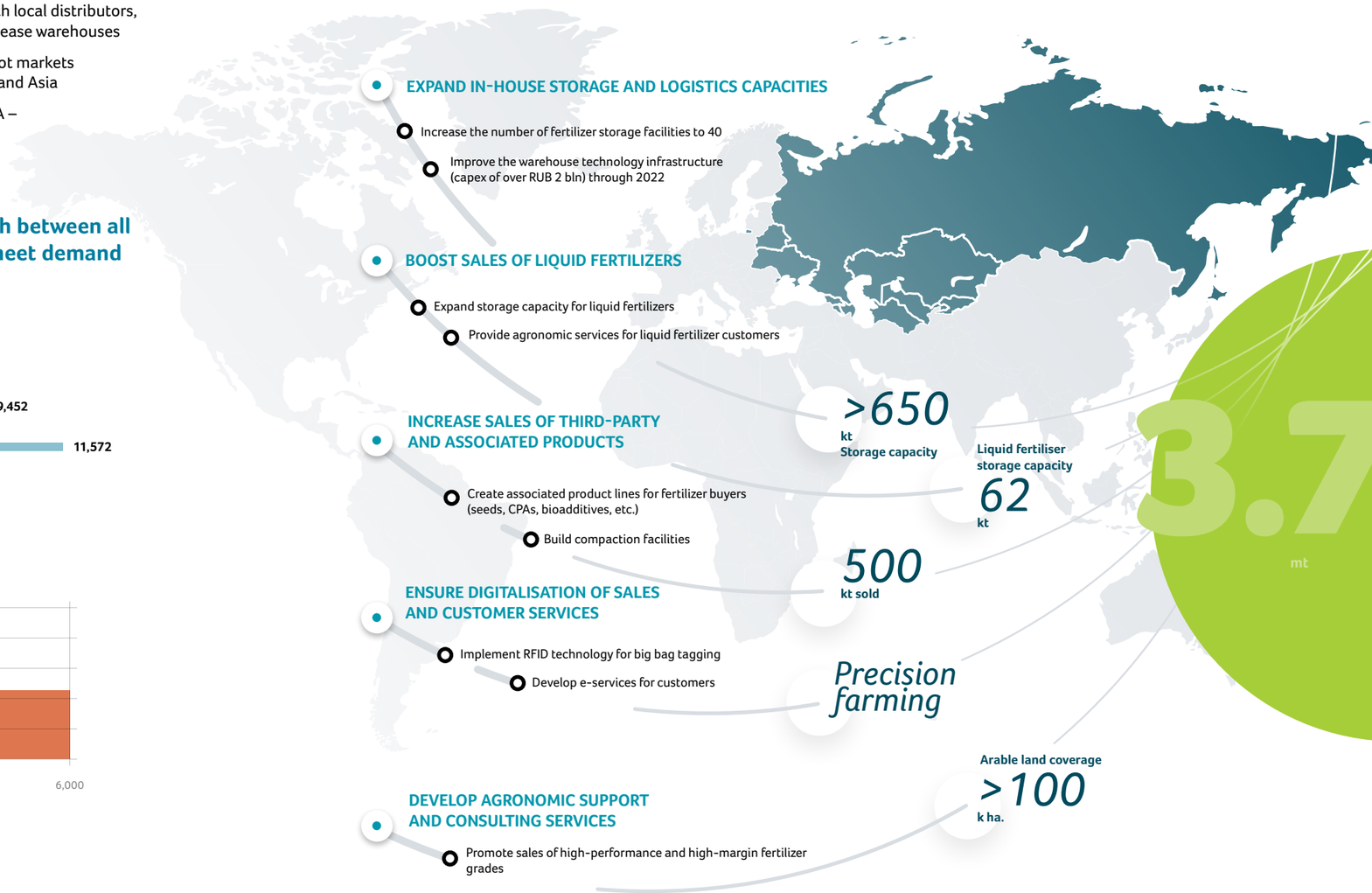


1. effect based on McKinsey estimates

INCREASING THE SHARE OF INNOVATIVE PRODUCTS

- Increase the share of special and innovative fertilizers (UAN with micronutrients, urea with inhibitor, tailored complex and water-soluble fertilizers)
- Launched the Research and Innovations Centre with legal form and operational model finalised
- Explore the biostimulants segment, create pipeline of ideas for further consideration

Roadmap for the strategy to increase sales: the Russian and CIS market



STRATEGY 2025

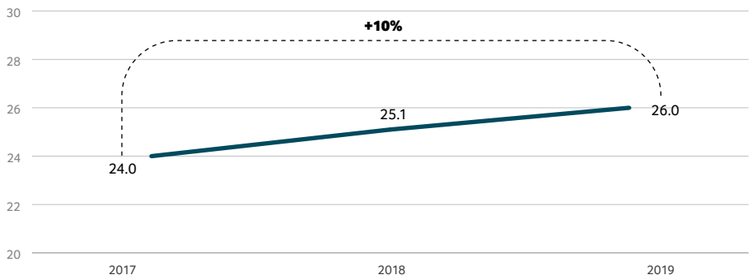
Key targets

STRATEGY 2025

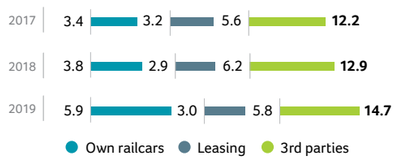
3 BOOSTING LOGISTICS EFFICIENCY

The Company plans to focus on expanding the capacity of its own rail infrastructure, growing and upgrading the railcar fleet to reduce transport costs, developing the port infrastructure, and streamlining the distribution of commodity flows between ports.

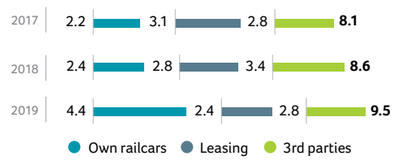
Goods turnover, *mtpa*



Captive railcar fleet structure, *'000 units*



Hopper car[1], *'000 units*



1. Calculated based on 70 t per cargo.

Source: PhosAgro

2019 saw the successful completion of a move to merge the Group's production and logistics assets into one legal entity – JSC Apatit. These organisational changes are designed to improve the Company's overall efficiency and business process management.

Logistics development milestones

2019

- Completion of rolling stock acquisition
- Development of river transport (the 2025 shipment target of 1,000 ktpa with an effect of RUB 80 mln per year)

2020

- Revamp of the Kriolit station with connection to the October Railway's Nelazskoye station
- Start of end-product transshipment at the Vistino and Lavna terminals

2021

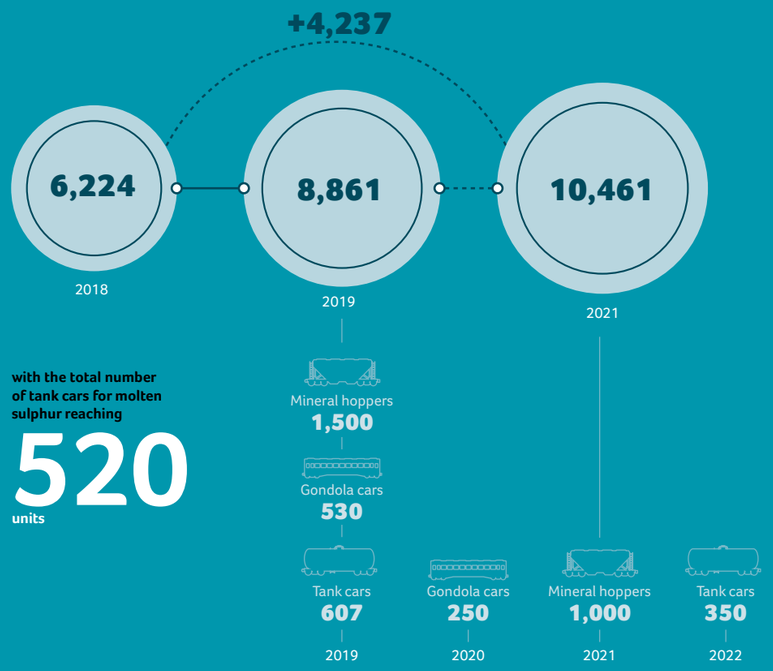
- Construction of a track at the Volkhovstroy II station of the October Railway

2022

- Development of rail infrastructure at the Balakovo Branch of Apatit

EXPANDING RAILCAR FLEET

An increase in the share of in-house mineral hoppers will help the Company substantially cut the share of third-party rolling stock and reduce operating transport costs associated with delivery (use of third-party cars is 40% more expensive than operation of in-house rolling stock).



with the total number of tank cars for molten sulphur reaching

520

units

PhosAgro and United Wagon Company signed a contract to supply 56 additional tank cars for molten sulphur

The main reason behind the purchase of tanks for liquid sulphur is the necessity to guarantee continuity and safety of these indispensable feedstock supplies and optimise associated transportation costs.

Cost-cutting was also the main rationale behind the decision to buy gondola cars, as they offer significant benefits for transport operations within a distance of 500 km and streamline deliveries to the Baltic states.

Key targets

STRATEGY 2025

DEVELOPING RAIL INFRASTRUCTURE

Maximum rail infrastructure throughput
mtpa

Apatit

14.3 → +2.3 → 16.6

Revamp of the Kriolit station with connection to the October Railway's Nelazskoye station

Project costs:
2.47 RUB bln

Volkhov Branch

1.6 → +2.4 → 4.0

Construction of a track at the Volkhovstroy II station of the October Railway

Project costs:
2.9 RUB bln

Balakovo Branch

6.0 → +4.0 → 10.0

Development of rail infrastructure at the Balakovo Branch of Apatit

Project costs:
385 RUB mln

2019 2020 2021 2022 2023 2024 2025

DEVELOPING PORT INFRASTRUCTURE

Once completed, the initiatives included in the port strategy will provide Apatit with access to transshipment capacities up until 2030 and help significantly reduce selling expenses associated with the transportation of export supplies:

1 A long-term contract (up to 2022) signed with the European Sulphur Terminal (EST) to transship 2 mtpa of fertilizers

2 Memoranda of cooperation signed with the future port terminals of Vistino and Lavna

3 Increase in transshipment volumes at the Kotka terminal to 1.5 mtpa from 2023

2023 — 2028

The cumulative six-year economic effect (from 2023 to 2028) from the redistribution of cargo flows to the terminals of Vistino and Lavna is estimated USD 150 mln.

150 USD mln

Ust-Luga

PhosAgro and Ultramar, a Russian freight forwarder shipping mineral fertilizers in containers, signed a long-term contract on the transshipment of PhosAgro's mineral fertilizers through a new terminal at Ust-Luga. The transshipment of PhosAgro's products through the Ultramar terminal is scheduled to begin in the second half of 2020.

Murmansk

PhosAgro signed a memorandum of cooperation with Infotech Baltika concerning the construction of a specialised marine terminal for the transshipment of mineral fertilizers and apatite concentrate at the seaport of Murmansk. The ability of the terminal, which is currently under construction, to receive large Panamax-class vessels will improve the economic efficiency of sea transportation through the northern territories, while the proximity of the terminal to the Company's production assets will streamline the railway logistics for transshipments. The new port capacities will handle approximately 3.5 mtpa of fertilizers.

Key targets

STRATEGY 2025

4 SUSTAINABILITY PROGRAMMES

ENVIRONMENTAL PROGRAMME

GOALS TO 2025

1

Reducing unit pollutant emissions by

5%

(to 0.996 kg/t for end and semi-finished products)

2

Reducing unit GHG emissions by

10%

(to 142 kg of CO_2 equivalent per tonne of end and semi-finished products)

3

Reducing unit effluents by

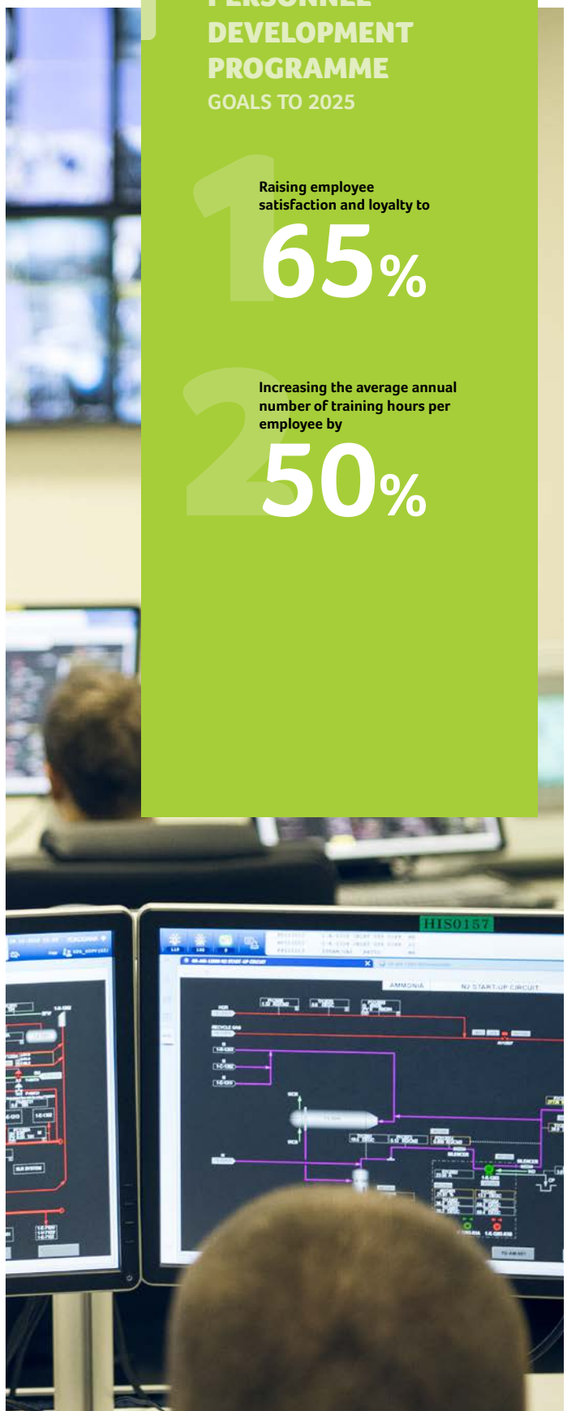
20%

(to 4.8 m^3/t for end and semi-finished products)

4

Increasing the share of recycled and decontaminated hazard class 1–4 waste to

40%



PERSONNEL DEVELOPMENT PROGRAMME

GOALS TO 2025

1

Raising employee satisfaction and loyalty to

65%

2

Increasing the average annual number of training hours per employee by

50%

HEALTH AND SAFETY

GOALS TO 2025

1

Reducing workplace injuries by

10%

annually

2

Reducing the number of incidents by

10%

each year

3

Improving health and safety management system and culture

Risks

GRI

102-11

RISKS AFFECTING THE STRATEGY

STRATEGY 2025

Risks	Description	Management
1. **Strategic planning**	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	PhosAgro has successfully implemented all key projects under its Strategy to 2020, with the Board of Directors approving a strategy to 2025 in March 2019 to identify key growth areas. 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 2019, the Company approved a resource development programme to 2035.
2. **Social**	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 voluntary 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.
3. **HR**	Developments and decisions related to the hiring, development and retention of employees	PhosAgro runs independent and joint programmes seeking to attract young talents, including those from other regions, develop employee skills and enhance motivation as a way to improve retention and productivity. In 2019, the first graduates of PhosAgro Classes completed higher education and started to work for the Company.
4. **Production**	Technical/ industrial disruptors of production processes	PhosAgro 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. The Company's insurance programme covers the risk of production disruptions.
5. **Health and safety**	Risks associated with injuries, occupational illnesses, accidents and incidents at hazardous production facilities, and non-compliance with statutory requirements in the realm of health and safety	PhosAgro 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 Company's activities are defined in the strategy in the field of industrial safety and labor protection.
6. **Environment**	Risks of potential environmental damage resulting from the Company's operations	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. 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 environmentally friendly 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 mitigation goals and performance in line with applicable laws and as part of the Carbon Disclosure Project (since 2019).
7. **Project**	Risks associated with delays and budget overruns in construction and upgrade projects, along with failure to deliver project efficiency targets	PhosAgro 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.
8. **Business processes and systems**	Inefficiency or disruption of the Company's business processes, including risks related to counterparties and supply chain	PhosAgro seeks to maximise efficiency of all its business processes and systems. Business process efficiency reviews are conducted on a regular basis to identify potential bottlenecks and develop and implement efficiency improvement initiatives. The Company strives to minimise the risk of disruptions in supplies of key raw materials to its production facilities. To that end, PhosAgro uses multi-stage tender procedures and enters into long-term contracts with its most reliable suppliers. 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.
9. **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 complies with tax laws of 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 firms are engaged to advise on the administration of applicable tax laws.

STRATEGY 2025

Risks	Description	Management
10. **Information security**	Losses incurred on the Company's property and assets as a result of unauthorised access to its information systems or disclosure of confidential data	PhosAgro 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.
11. **Economic security**	Losses incurred on the Company'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 the Company's functions.
12. **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 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 of such initiatives and drafting relevant recommendations in partnership with professional associations. The Company prepares and submits documents in due time to receive or extend licences required for its business.
13. **Corruption**	Losses resulting from non-compliance or inadequate compliance with applicable anti-corruption laws by the Company or its employees (penalties levied against the Company by state authorities and other damages)	PhosAgro 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. Starting from 2019, the Company's counterparties are obliged to declare their compliance with anti-corruption laws. The Company is a member of the Anti-Corruption Charter of Russian Business.
14. **Reputation**	Damage caused to the Company's business reputation as a result of unauthorised disclosure of information about the Company's operations, financial results, senior management, etc. in the mass media or employees' neglect of business ethics	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 media. 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.
15. **Credit**	Financial losses caused by the failure of buyers, commercial contractors and other financial counterparties to fulfil their financial obligations to the Company in full and on time	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.
16. **Currency**	Financial losses arising from unfavourable changes in FX with respect to the Company's base currency	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. If need be, PhosAgro can hedge its FX positions either fully or partially.
17. **Commodity**	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 the Company	In the context of heightened price volatility in the core product markets, PhosAgro 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 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 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 invites multiple suppliers to take part in tenders, enters into long-term supply contracts and develops lasting relationships with its suppliers.

BUSINESS REVIEW

HITTING ANOTHER RECORD

In 2019, we saw our performance improve not only in terms of numbers, but in terms of quality too. Apart from boosting production, reducing costs, increasing self-sufficiency in all feedstock, and bringing down transportation costs, we made a number of qualitative advances by expanding our product range and, most importantly, achieving a higher recovery rate.

OPERATIONAL REVIEW

In 2019, PhosAgro continued its steady growth, delivering record high operating results on the back of previous investment cycle projects. With stable demand in our key markets, the Company was able to increase output across its production facilities, while a balanced approach to maintenance works helped offset the seasonality in end-product shipments. As a result, PhosAgro's fertilizer production hit a record high of 9.5 mt, fully meeting our target.

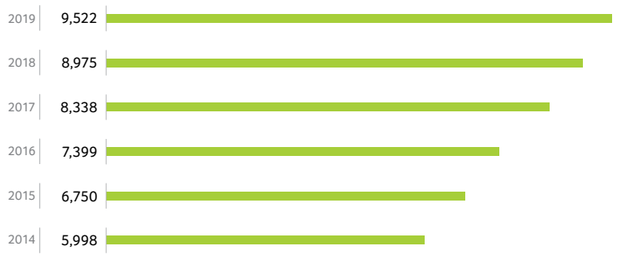
Mikhail Rybnikov
First Deputy CEO of PhosAgro

In 2019, fertilizer output increased by 6.1% vs a year ago. By moving some of the overhauls and renovations to the low-demand season for fertilizers, we managed to significantly ramp up production across our facilities. The modernisation of some sites in Cherepovets and Balakovo, completed in late 2018, also contributed to the output growth.

The rise in fertilizer production was supported by output growth in feedstock, including phosphate rock, ammonia, sulphuric and phosphoric acids. This helped us maintain self-sufficiency in key raw materials and secure a cost advantage for higher competitiveness in global markets.

PhosAgro has been consistently increasing fertilizer output since it hit 6 mt in 2014. Over the six years, the Company has increased production by an impressive 59%. Today, PhosAgro manufactures more than 50 grades of mineral fertilizers for different soils and climates. PhosAgro's business is based on high-performing assets. In Apatity, PhosAgro develops deposits of apatite-nepheline ore, unique for its high nutrient content and low content of potentially hazardous heavy metals, such as cadmium. Through investment in mining efficiency we steadily reduced our development and manufacturing costs, while the Company's vertically-integrated structure ensured that our fertilizers had no heavy metals or other harmful impurities.

Fertilizer production, *kt*



6.1%
increase in fertilizer production in 2019 compared to 2018

7.1%
increase in fertilizer and feed phosphate sales in 2019 compared to 2018

>50
fertilizer grades produced by the Group

58.7%
increase in fertilizer production since 2014

Our flexible sales policy helped us increase shipments to our priority markets in 2019. Sales in the Russian and CIS market rose by over 10%, exceeding 3 mt, while in Europe they expanded by 28% to over 2.6 mt. As a result, these markets accounted for more than 32% and 28% of shipments, respectively. In total, sales in 2019 grew by 7.1%.

Overall, we were able to boost production, reduce costs, increase self-sufficiency in all feedstocks (ammonia, sulphuric acid, and ammonium sulphate), and bring down transportation costs. Beyond improving these essential quantitative indicators, we also registered major qualitative achievements by expanding our product range and, most importantly, boosting nutrient recovery.

In 2020, we plan to continue strengthening our position as a leading low-cost producer through our key investment projects. Leveraging the best available techniques to increase operational efficiency and reduce production costs remains our priority.

PHOSPHATE SEGMENT – UPSTREAM (SDGS 3 AND 12)

Apatit's Kirovsk Branch mines, beneficiates and processes apatite-nepheline ore into phosphate rock and nepheline concentrate.

Phosphate rock is processed by Apatit in Cherepovets and its branches in Balakovo and Volkhov. Apatit manufactures both phosphate and nitrogen fertilizers. In addition to phosphate-based fertilizers, its Balakovo branch makes feed monocalcium phosphate (MCP), while the Volkhov branch specialises in such complex fertilizer grades as PKS, NPKS and NPK, and industrial phosphates, including sodium tripolyphosphate (STPP).

Upstream

In 2019, Apatit's Kirovsk branch mined 38.05 mt of apatite-nepheline ore and produced 10.51 mt of phosphate rock, representing an increase of 4.4%,or 0.44 mt, on the previous year and a record high for the past 25 years.

Internal phosphate rock consumption was at 69%, or 7.3 mt, vs 71%, or 7.1 mt, in 2018, while sales to customers in Russia and abroad accounted for 15% and 16%, respectively, vs 11% and 18% a year ago.

Outlook

We expect a number of major investment projects to help us achieve consistent cost reduction in the upstream segment. These embrace efforts to re-equip the main shaft No. 1 and implement an in-pit crushing and conveying (IPCC) system at the Vostochny mine.

We will continue to optimise processing volumes and improve the quality of our low-cost phosphate rock, expecting to increase its output from the current 10.5 mt to over 11 mt.

4.4%

increase in phosphate rock production in 2019 compared to 2018

10.5 mt

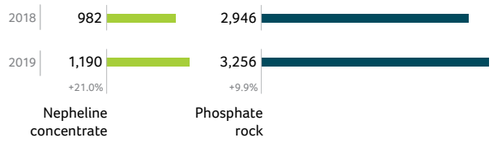
of phosphate rock produced in 2019

20.5%

increase in nepheline concentrate production in 2019 compared to 2018

Production volume, *kt*

Sales volume, *kt*



PhosAgro ore reserves as of 1 January 2020

Deposit	Balance reserves, kt (A + B + C1)	Average P_2O_5 content
Kukisvumchorr	377,662	14.18%
Yukspor	473,361	14.06%
Apatitovy Cirque	96,756	14.03%
Rasvumchorr Plateau	310,454	13.05%
Koashva	587,667	16.88%
Njorkpahk	55,599	13.46%
Yolitovy otrog	134	19.40%
TOTAL	1,898,633	14.77%

The introduction of remote drilling at PhosAgro's underground mines in the Murmansk Region has brought about a 20% boost in rig efficiency due to shorter downtime between the shifts and significant improvement of occupational safety during the underground works.

Remote underground drilling is the future of mining. An operator can manage several drilling rigs from an above-ground control centre. PhosAgro currently owns ten such rigs, with more to come in the future.

Licences

Mining licence		
Kirovsky mine	Kukisvumchorr and Yukspor deposits	31 December 2025
Vostochny mine	Koashva deposit	31 December 2038
	Njorkpahk deposit	31 December 2063
Rasvumchorrsky mine	Apatitovy Cirque and Rasvumchorr Plateau deposits	1 January 2024
Tsentralny mine	Rasvumchorr Plateau deposit	31 December 2020
Geological survey, exploration and mining licenses		
Plot Plateau		14 December 2040
Iyolitovy otrog deposit		1 February 2024

PHOSPHATE SEGMENT – DOWNSTREAM (SDG 3, 12)

3 GOOD HEALTH AND WELL-BEING

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Performance

In 2019, PhosAgro's output of phosphate-based fertilizers was up by 6.1% y-o-y to 7.3 mt. The growth was due to several factors. First, the completion of investment projects to modernise key production capacities in Cherepovets and Balakovo helped to boost the output of basic semi-finished products (sulphuric and phosphoric acid) and mineral fertilizers. Second, efforts to reduce the number of major overhauls and eliminate downtime, resulted in a significant increase in working time. Finally, production flexibility post modernisation helped expand the fertilizer range, among other things by adding less concentrated grades, and switch from one grade to another with virtually no downtime.

Sales of phosphate-based fertilizers went up by 9.4% y-o-y to 7.3 mt. The European market showed the strongest growth (+28.6%), with shipments to the CIS and Russia steadily trending upward, as well (+16.1% and +13.9%, respectively).

6.1%

increase in production of phosphate-based fertilizers compared to 2018

9.4%

increase in sales of phosphate-based fertilizers compared to 2018

The approved production plan for 2020

7.3 mt

Phosphate-based fertilizer and MCP production, *kt*

	DAP/MAP	NPK	NPS	APP	MCP	PKS	Total
2018	2,995	2,799	419	216	356	67	6,852
2019	3,202.9	2,770.4	643.8	193.4	367.7	93	7,271
	+6.9%	−1.0%	+53.6%	−10.4%	+3.3%	+38.9%	+6.1%

Phosphate-based fertilizer and MCP sales, *kt*

	DAP/MAP	NPK	NPS	APP	MCP	PKS	Total
2018	2,912.6	2,664.4	423.5	209.4	347.2	77.6	6,634.7
2019	3,204.6	2,775.7	616	198.4	377.4	82.9	7,255
	+10%	+4.2%	+45.4%	−5.3%	+8.7%	+6.9%	+9.4%

Outlook

We continue with our efforts to increase fertilizer production and enhance self-sufficiency in key feedstock to ensure sustainable growth and strengthen our cost leadership among global peers. We expect to benefit from the completion of several major investment projects that will allow us to increase self-sufficiency in key inputs and achieve sustainable cost savings in our upstream operations. These include a 135 kt nitric acid plant, a 300 kt ammonium sulphate plant, and a 1.1 mt sulphuric acid production line, intended to replace the volumes currently purchased from third parties.

As part of this effort, we plan to achieve a 100% self-sufficiency in phosphate rock, an 80% self-sufficiency in ammonia, and a 91% self-sufficiency in sulphuric acid.

In 2019, we launched a project to build a modern facility for making phosphate-based fertilizers, and a power plant at Apatit's Volkhov branch.

Due in 2023, it will be financed from both the Company's own resources and borrowed funds and is estimated to cost around RUB 27 bn.

The project includes construction of an 800 ktpa sulphuric acid facility, a facility to produce over 840 ktpa of mineral fertilizers, including more than 40 ktpa of water-soluble MAP, liquid ammonia and end-product warehouses, and a 25 MW combined heat and power plant. In addition, wet-process phosphoric acid units will be upgraded to reach a capacity of 500 ktpa.

According to PhosAgro's CEO Andrey Guryev, this initiative is a key element of PhosAgro Group's Strategy to 2025. Essentially, it involves building a new complex that will boost the Group's phosphate rock processing capacity by 1 mtpa (the Volkhov branch currently can process 300 ktpa) and increase the output of phosphate-based fertilizers – a high-margin category thanks to the branch's logistic strengths.

This investment project is set to embrace best available technologies, as well as solutions developed by major Russian and global companies and institutes, including the NIUIF, Russia's only and one of Europe's leading agrochemical research institutes. Construction and installation will be performed by Russian contractors.

NITROGEN SEGMENT (SDGS 3 AND 12)

3 GOOD HEALTH AND WELL-BEING

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our nitrogen segment is represented by Apatit, a producer specialising in ammonia, ammonium nitrate, and both granulated and prilled urea.

Performance and outlook

Our production growth plans also cover the nitrogen segment. In late 2019, we launched a new nitric acid line in Cherepovets, which will allow us to use our ammonium nitrate capacities more efficiently and ramp up production of nitrogen-based fertilizers by 4% to over 2,340 kt in 2020.

Production of nitrogen-based fertilizers grew by 6.0% to

2.3 mt

Sales of nitrogen-based fertilizers increased by 0.1% to

2.2 mt

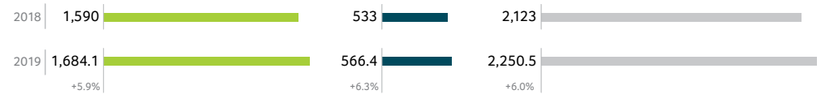
DISTRIBUTION AND SALES

Our sales strategy for a period until 2020 focused on transitioning to direct sales. This task has been successfully accomplished. Currently, 90% of all products are sold under direct sales contracts through our own distribution network. This is an impressive result, especially compared with 2013, when only about half of all products were sold directly. Over these years, we have opened offices in various countries worldwide. PhosAgro has established presence on almost every continent and will continue to increase its sales in the target markets – Russia, Europe, and North and South America.

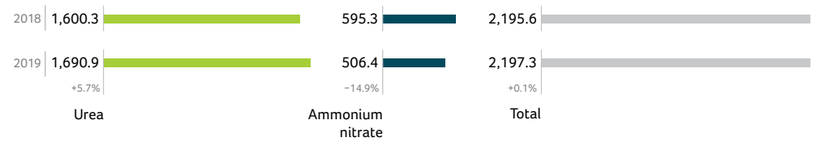
We also focus on reducing our logistic and transportation costs.

We rely on our distribution network operator PhosAgro-Region to supply fertilizers to agricultural regions across Russia, but what's more, it now runs the industry's first tracking system for mineral fertilizers to reduce customer's expenses, with an online agronomic support service also in the pipeline. Digital technology makes the Company more efficient and offers useful tools for greater flexibility and competitiveness.

Nitrogen-based fertilizer production, *kt*



Nitrogen-based fertilizer sales, *kt*



FINANCIAL PERFORMANCE

In 2019, PhosAgro confirmed its status as one of the world's most efficient producers of phosphate-based fertilizers. Despite the unfavourable pricing environment, our key financial indicators are on a steady growth path with revenue up by 6.3% y-o-y to RUB 248 bln and cost of sales adding 9.9% y-o-y to reach RUB 136 bln. EBITDA margin remains at a robust 30.5%.

Alexander Sharabaiko,
Deputy CEO for Finance and International Projects

2019 was a challenging year for the fertilizer market. Prices for our products came under pressure throughout the year due to adverse weather conditions in key sales markets, as well as increased global supply amid stable demand. As a result, prices for phosphate-based fertilizers reached near-record lows at the end of the year.

Despite the challenging pricing environment, PhosAgro was able to increase sales volumes and revenue by 7.1% and 6.3% y-o-y, respectively. Our strong revenue growth was driven by a balanced approach to investment and maintenance, high levels of self-sufficiency in key inputs, a flexible sales policy and the exceptional quality of our own ore.

As a result, the Company's EBITDA exceeded RUB 75 bln in 2019, with an EBITDA margin of 30.5%. Free cash flow increased by almost 40% y-o-y to more than RUB 28 bln.

Strong financial performance meant PhosAgro was able not only to fully self-finance its annual capex programme but also to improve debt ratios. At the end of 2019, net debt stood at RUB 132 bln, while the net debt/EBITDA ratio improved to 1.7x (compared with 1.8x at the end of 2018).

Our excellent financial performance and comfortable debt level enabled us to pay out respectable dividends. Based on 2019 results, the Company will pay out dividends of RUB 24.9 bln, which corresponds to 88% of its free cash flow for the year.

Since the beginning of 2020, we have seen a considerable recovery in prices for phosphate-based fertilizers amid the approaching spring season, production cutbacks announced by a number of major players and the relative accessibility of fertilizers. There is also a risk of reduced fertilizer supply from China.

The recovery in prices, combined with an anticipated increase in demand in markets where the Company has strong positions (Russia, Eastern Europe and Latin America) position us well to expect increased sales volumes while maintaining high levels of profitability.

In 2019, PhosAgro's revenue went up by 6.3% y-o-y to RUB 248.1 bln, mainly driven by a 7.0% increase in fertilizer sales y-o-y. However, revenue growth was slowed by phosphate-based fertilizer price correction that continued throughout the year.

During the year, fertilizers were mainly exported to regions with the best pricing environment compared to the North American market, where prolonged adverse weather conditions led to an increase in fertilizer stockpiles. As at the end of 2019, PhosAgro increased deliveries to the Russian and CIS markets (up 11% y-o-y), as well as the European market (up 28% y-o-y). This growth was strongly supported by a well-developed distribution system and a favourable pricing balance between agricultural products and fertilizers.

Gross profit in 2019 increased by 2.4% y-o-y and amounted to RUB 111.9 bln (USD 1.7 bln), with a gross profit margin of 45%, down from 47% in 2018. Gross profit and gross profit margin in the phosphate-based and nitrogen fertilizer segments changed as follows:

- Gross profit for phosphate-based fertilizers increased by 2.4% to RUB 90.2 bln (USD 1.4 bln), while the gross profit margin decreased to 45% (from 47% in 2018) as global prices dropped to a 13-year minimum in 4Q 2019.
- Gross profit for the nitrogen segment grew by 3.4% and stood at RUB 21.3 bln (USD 329 mln), with a gross profit margin of 56%, unchanged y-o-y.

EBITDA for FY 2019 increased by 0.9% y-o-y to RUB 75.6 bln (USD 1.2 bln). EBITDA growth for the year was weaker due to record low prices in 4Q 2019, resulting in a 39.7% y-o-y decrease in EBITDA for 4Q 2019 to RUB 11.2 bln (USD 176 mln). Despite this, EBITDA margin for FY 2019 remained a robust 30.5%.

Net profit adjusted for non-cash FX items for 2019 declined by 11.2% y-o-y to RUB 37.1 bln (USD 573 mln).

In 2019, net operating cash flow increased by 19.9% to RUB 71.6 bln (USD 1.1 bln), partly due to more efficient management of working capital.

Capital expenditure in 2019 amounted to RUB 36.0 bln (USD 555 mln), excluding capitalised repairs, which corresponds to 48% of EBITDA for the reporting period.

Revenue breakdown by key products, *RUB mln*

Item	2018	2019	Change y-o-y, %
DAP/MAP	77.9	77.9	0.1
NPK(S)	60.9	68.4	12.3
Phosphate rock	22.1	25.8	16.7
Nitrogen fertilizers	37.0	37.9	2.3

FY 2019 financial and operational highlights, *RUB mln or %*

	2018	2019	Change y-o-y, %
Revenue	233,312	248,125	6.3
EBITDA	74,908	75,582	0.9
EBITDA margin	32.1	30.5	
Net profit	22,135	49,408	123.2
Adjusted net profit	41,748	37,062	–11.2
	31 December 2018	**31 December 2019**	
Net debt	135,330	131,583	–2.8
ND/LTM EBITDA	1.81x	1.74x	
Sales, kt	**2018**	**2019**	**Change y-o-y, %**
Phosphate-based fertilizers	6,636	7,258	9.4
Nitrogen fertilizers	2,203	2,197	–0.3
Total sales	8,839	9,455	7.0

The net debt/EBITDA ratio improved from 1.8x to 1.7x as at 31 December 2019, reflecting EBITDA growth and the appreciation of the rouble against the US dollar in 2019. As at 31 December 2019, net debt amounted to RUB 131.6 bln (USD 2.1 bln).

In 2019, cost of sales went up by 9.9% y-o-y to RUB 136.2 bln (USD 2.1 bln), mainly due to rising potash prices, as well as an accelerated increase in phosphate rock and fertilizer production. Other contributors included one-off payroll and electricity expenses.

Costs for materials and services in 2019 rose by 10.5% y-o-y and amounted to RUB 41.2 bln (USD 637 mln) as a result of:
- a 12.6% increase in the cost of phosphate rock transportation to RUB 8.6 bln (USD 133 mln) as a result of higher production volumes and a 4% rise in railway tariffs;
- a 6.7% y-o-y increase in repair expenses to RUB 10.1 bln (USD 156 mln) driven by cost inflation during the year and expansion of production capacities following the completion of the Company's long-term investment programme at the end of 2018;
- a 39.8% y-o-y increase in drilling and blasting expenses to RUB 2.3 bln (USD 36 mln) due to accelerated mine development.

In 2019, costs for raw materials went up by 7.3% y-o-y to RUB 43.2 bln (USD 667 mln) driven by:

Strong financial performance meant PhosAgro was able not only to fully self-finance its annual capex programme but also to improve debt ratios.

- a 33.7% y-o-y increase in potash costs to RUB 13.7 bln (USD 211 mln) mainly due to higher purchase prices for potassium compared to the previous year;
- a 4.4% y-o-y increase in natural gas expenses to RUB 12.6 bln (USD 195 mln) as a result of 3.7% y-o-y growth in ammonia production and higher sales of nitrogen fertilizers;
- an 18.6% y-o-y rise in costs for ammonium sulphate to RUB 3.6 bln (USD 55 mln) mainly due to an increase in the production of fertilizer grades containing sulphate;
- a reduction in costs for sulphur and sulphuric acid limited the increase in raw materials expenses. These costs decreased by 14.2% y-o-y to RUB 9.2 bln (USD 142 mln) mainly due to lower prices for sulphur and sulphuric acid.

Electricity costs rose by 13.3% y-o-y and stood at RUB 6.2 bln (USD 196 mln) mainly due to a nationwide programme to modernise the electricity industry (CDA 2), which led to a 15.0% y-o-y increase in the purchase price.

Administrative expenses for 2019 went up by 15.5% y-o-y and amounted to RUB 16.5 bln (USD 255 mln), driven mainly by a 17.6% increase in expenses for salaries and social contributions to RUB 9.3 bln (USD 144 mln).

In 2019, selling expenses showed a 9.3% y-o-y growth and stood at RUB 38.1 bln (USD 589 mln). The main factors behind the growth were:
- a 10.4% y-o-y increase in expenses on Russian Railways services and operators' fees to RUB 11.4 bln (USD 177 mln) on the back of an overall sales growth and higher railway tariffs;
- a 2.9% y-o-y increase in freight, port and stevedoring expenses to RUB 18.3 bln (USD 283 mln), mainly due to higher freight tariffs;
- a 36.4% y-o-y increase in spending on customs duties to RUB 1.9 bln (USD 29 mln) reflecting changes in the delivery terms to the European market.

75.6 RUB bln
EBITDA

28.3 RUB bln
Free cash flow

36 RUB bln
capex in 2019

Cost of sales, *RUB mln*

	2018	2019	Change, %
Depreciation and amortisation	18,936	21,368	12.8
Materials and services	37,306	41,221	10.5
• Phosphate rock transportation	7,671	8,641	12.6
• Repair expenses	9,485	10,119	6.7
• Drilling and blasting	1,662	2,323	39.8
• Other	18,488	20,138	8.9
Raw materials	40,226	43,155	7.3
• Ammonia	4,195	4,095	–2.4
• Sulphur and sulphuric acid	10,682	9,165	–14.2
• Potassium chloride	10,238	13,691	33.7
• Natural gas	12,096	12,627	4.4
• Ammonium sulphate	3,015	3,577	18.6
Salaries and social contributions	11,760	12,744	8.4
Electricity	5,474	6,204	13.3
Fuel	4,019	4,849	20.7
Products for resale	6,287	6,683	6.3
Total	124,008	136,224	9.9

Direct economic value generated and distributed, *RUB mln*

201-1

Item	Stakeholder	2018[1]	2019
Direct economic value generated		**233,759**	**249,583**
Revenue from sales	Wide range of stakeholders	223,982	239,130
Revenue from other sales		9 330	8,995
Revenue from financial investments		447	1,458
Revenue from sale of assets		0	0
Economic value distributed		**–206,785**	**–243,077**
Operating expenses, including:	Suppliers and contractors	–175,846	–194,090
Wages and other payments to employees	Employees	–21,924	–24,706
Social expenses		–2,139	–2,807
Payments to providers of capital	Shareholders and creditors		
Payments to shareholders		–13,598	–32,244
Payments to creditors		–5,385	–4,635
Tax expenses and other payments to government	Government	–11,956	–12,108
Including income tax expense		–8,487	–9,724
Economic value retained		**26,974**	**6,506**

1. The 2018 numbers in this table differ from those disclosed in the same table in the 2018 Report due to the adjustments made to both 2018 accounts and calculation methods.

SUSTAINABILITY REPORT

PHOSAGRO'S STRATEGY BUILDS UPON SUSTAINABILITY PRINCIPLES AS ONE OF ITS KEY ELEMENTS

The Company's commitment to sustainability principles is one of the key elements of its Strategy to 2025. The application of these principles at the Board of Directors level is overseen by a dedicated committee headed by independent director Irina Bokova.

To deliver long-term benefits to all stakeholders, we strive to maximise the value we create not only from the commercial, but also from the environmental and social perspectives.

We are a responsible producer of mineral fertilizers used in more than 100 countries across the globe. All of our efforts are geared to creating a long-term positive effect on communities.

Alongside our corporate values, including our concern for the environment and careful use of natural resources, fair competition, dialogue, compliance, stewardship and effectiveness, the 10 Sustainable Development Goals that the Company supports help inform our sustainability policies. These values are supported and agreed by the management and implemented across the Group.

MANAGEMENT APPROACH

Board of Directors → **Sustainable Development Committee (established in 2019)**[1] → **Chief Executive Officer** / **Sustainable Development department** → **Functional units (Environment, Health and Safety, HR, Energy, Anti-Corruption)**

MATERIAL TOPICS

102-53
102-42

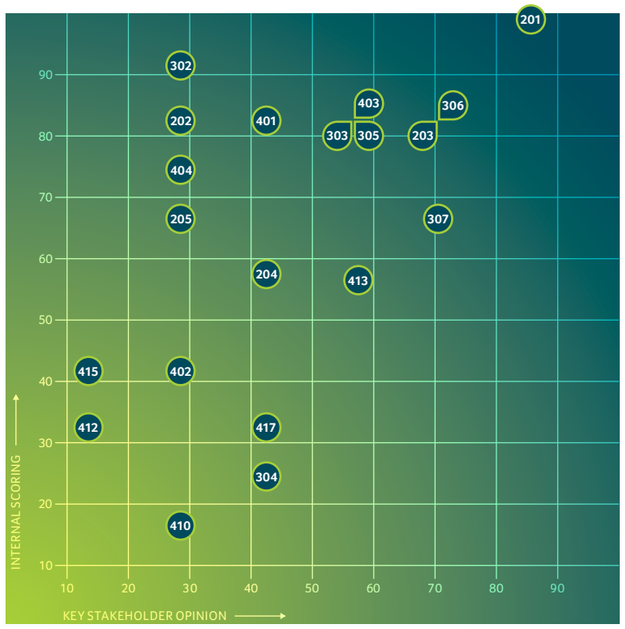
The Company takes feedback from stakeholders on the completeness, objectivity and materiality of the information disclosed in its sustainability reports into careful consideration. Any questions or recommendations can be emailed to ir@phosagro.ru.

In 2019, PhosAgro's working group on sustainable development conducted a benchmark analysis and made a list of material topics. After a multi-stage selection process and many rounds of discussions with stakeholders, the Board of Directors aproved the final materiality matrix.

To facilitate dialogue and ensure that information is transparent and clearly communicated to all stakeholders and to select material topics to be disclosed in non-financial reports, the Company took steps to identify its key stakeholders based on its economic, environmental and social impacts. The representatives of each of the five groups of key stakeholders (employees and trade unions; shareholders; investors; government authorities, local communities) received requests to identify those aspects of the Company's operations that are most important to them. Their response and assessment conducted by the working group helped identify the most important aspects used as a basis for the materiality matrix.

Materiality matrix

	Indicator
201	Economic performance
202	Market presence
203	Indirect economic impacts
204	Procurement practices
205	Anti-corruption
302	Energy
303	Water and effluents
304	Biodiversity
305	Emissions
306	Effluents and waste
307	Environmental compliance
401	Employment
402	Labour/management relations
403	Occupational health and safety
404	Training and education
410	Security practices
412	Human rights assessment
413	Local communities
415	Public policy
417	Marketing and labelling



1. In 2019, PhosAgro's Board of Directors established a Sustainable Development Committee as was proposed by CEO Andrey Guryev

Material topics identified by stakeholders in a survey on the materiality of various aspects of the Company's operations

102-44
102-46
102-47

Topic	Not important	Important	Very important
ECONOMIC PERFORMANCE			
Direct economic value generated and distributed Financial implications and other risks and opportunities due to climate change Defined benefit plan obligations and other retirement plans Financial assistance received from government		1	6
MARKET PRESENCE			
Ratios of standard entry level wage by gender compared to local minimum wage Proportion of senior management hired from the local community	1	4	2
INDIRECT ECONOMIC IMPACTS			
Infrastructure investments and services supported Significant indirect economic impacts		2	5
PROCUREMENT PRACTICES			
Proportion of spending on local suppliers	1	3	3
ANTI-CORRUPTION			
Operations assessed for risks related to corruption Communication and training about anti-corruption policies and procedures Confirmed incidents of corruption and actions taken		5	2
ENERGY			
Energy consumption within the organisation Energy consumption outside of the organisation Energy intensity Reduction of energy consumption Reductions in energy requirements of products and services	1	4	2
WATER AND EFFLUENTS			
Interactions with water as a shared resource Management of water discharge related impacts Water withdrawal Water discharge Water consumption	1	2	4
BIODIVERSITY			
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas Significant impacts of activities, products, and services on biodiversity Habitats protected or restored IUCN Red List species and national conservation list species with habitats in areas affected by operations	2	2	3
EMISSIONS			
Direct GHG emissions Energy indirect GHG emissions Other indirect GHG emissions GHG emissions intensity Reduction of GHG emissions Emissions of ozone-depleting substances Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	1	2	4

Topic	Not important	Important	Very important
EFFLUENTS AND WASTE			
Water discharge by quality and destination			
Waste by type and disposal method	1	1	5
Significant spills			
Transport of hazardous waste			
Water bodies affected by water discharges and/or runoff			
ENVIRONMENTAL COMPLIANCE	1	1	5
Non-compliance with environmental laws and regulations			
EMPLOYMENT			
New employee hires and employee turnover		4	3
Benefits provided to full-time employees that are not provided to temporary or part-time employees			
Parental leave			
LABOUR/MANAGEMENT RELATIONS	1	4	2
Minimum notice periods regarding operational changes			
OCCUPATIONAL HEALTH AND SAFETY			
Occupational health and safety management system			
Hazard identification, risk assessment, and incident investigation			
Occupational health services			
Worker participation, consultation, and communication on occupational health and safety		3	4
Worker training on occupational health and safety			
Promotion of worker health			
Prevention and mitigation of occupational health and safety impacts directly linked by business relationships			
Workers covered by an occupational health and safety management system			
Work-related injuries			
Work-related ill health			
TRAINING AND EDUCATION			
Average hours of training per year per employee		5	2
Programmes for upgrading employee skills and transition assistance programmes			
Percentage of employees receiving regular performance and career development reviews			
SECURITY PRACTICES	2	3	2
Security personnel trained in human rights policies or procedures			
HUMAN RIGHTS ASSESSMENT			
Operations that have been subject to human rights reviews or impact assessments	2	4	1
Employee training on human rights policies or procedures			
Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening			
LOCAL COMMUNITIES			
Operations with local community engagement, impact assessments, and development programmes		3	4
Operations with significant actual and potential negative impacts on local communities			
PUBLIC POLICY	4	2	1
Political contributions			
MARKETING AND LABELLING			
Requirements for product and service information and labelling		4	3
Incidents of non-compliance concerning product and service information and labelling			
Incidents of non-compliance concerning marketing communications			

LETTER FROM IRINA BOKOVA, CHAIR OF THE BOARD OF DIRECTORS' SUSTAINABLE DEVELOPMENT COMMITTEE

102-14

Taking global responsibility is an absolute necessity for any global company. It is not just a buzzword. And it is more than just a statement for us, as these principles are part and parcel of our development strategy and current business activities. We have demonstrated our commitment by establishing the Board of Directors' Sustainable Development Committee, which I have the honour to chair. We are analysing the UN Sustainable Development Goals (SDGs) and are set to monitor their implementation going forward.

It is obvious that SDGs are global in nature and are relevant to all countries, people, institutions, companies, etc. It is also clear that they receive attention from investors and consumers of our products, as people want to enjoy a clean environment and expect companies to supply safe foods and products.

PhosAgro is fully aware of this and strongly supports the sustainability principles, also as an active member of the UN Global Compact, the international initiative to promote socially responsible and sustainable policies in business.

Out of 17 SDGs, we have selected ten and work to support their achievement, while also focusing on 21 targets set by these goals.

PhosAgro's inclusion in the list of 36 Global Compact LEAD companies, coupled with increased investments from ESG funds, attest to efficient SDG integration into the Company's operations and to the transparency of our sustainability disclosures.

The way we treat ESG principles is becoming increasingly consistent and structured, as this topic is of interest not only to our investors, who need to understand our strategy and aspirations, but also to a wide range of other stakeholders. PhosAgro is a global-scale company and a worldwide supplier. Joining efforts with our partners, we strive to achieve these goals.

OUR SUSTAINABILITY PRIORITIES

1. Sustained growth to ensure high productivity and efficiency in every single aspect of our operations
2. Maintaining strict health and safety requirements, and attaining zero injuries through a world-class safety culture
3. Mitigating environmental impact associated with the Company's production activities
4. Maintaining reliable partnerships with local communities across the Company's footprint and promoting dialogue with all stakeholders, taking their interests into account in decision-making processes
5. Contributing to the UN Sustainable Development Goals

GRI

102-16

FOCUS AREAS

Economic	Environmental	Social
• Paying taxes and other charges to regional and federal governments • Offering economic opportunities for local suppliers and encouraging the development of local partners • Maintaining financial sustainability at all times • Managing business in accordance with legal requirements and business integrity principles	• Reducing waste, emissions and pollutant discharges and resource usage on a per-unit basis by investing in new and more efficient technologies • Complying with social responsibility principles and maintaining a meaningful dialogue with local stakeholders about our environmental impact • Preserving natural eco-systems and nature sites across the Company's geographies, ensuring sustainable use of natural resources, and implementing programmes to restore environmental capacity.	• Assisting regional and local authorities in creating modern social infrastructure across our footprint • Developing and implementing projects for children and youth • Supporting vulnerable groups • Ensuring stable employment and creating a safe working environment • Creating opportunities for full-fledged work, training and becoming part of a professional team • Protecting human rights

CORPORATE DOCUMENTS GOVERNING SUSTAINABLE DEVELOPMENT-RELATED ACTIVITIES

PhosAgro has a wide range of internal standards and policies, which govern its approach to sustainable development management and provide the necessary governance to ensure the Company's sustainable development.

Health, safety and environment	HR and economic stability	Stakeholder and local community engagement
• Quality, environmental and industrial safety policy • Environmental safety policy • Quality management system standard concerning production and consumption waste management • Occupational health and safety management system certificate OHSAS 18001 • Quality management system certificates ISO 9001 and 14001	• Hotline regulations • Code of Ethics • Anti-fraud and anti-corruption policy • Personnel management policy • Modern Slavery Act Transparency statement	• Charity policy • Government relations policy • Procurement Policy

GRI

102-12
102-13

CONTRIBUTION TO THE SDGS

As a supplier of essential crop nutrients to farmers in more than 100 countries around the world, PhosAgro plays an important role in supporting global food security. Contributing to the UN Sustainable Development Goals in several areas, we recognise the importance of all 17 SDGs and focus on ten of them.

Zero Hunger

TARGETS

1. By 2030, ensure sustainable food production systems and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

2. Increase investment, including through enhanced international cooperation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries.

MEASURES BEING TAKEN BY THE COMPANY

1. The Samoilov Scientific Research Institute for Fertilizers and Insectofungicides (part of PhosAgro Group) and PhosAgro's in-house Innovation Centre implement projects aimed at improving the efficiency of mineral fertilizers produced by the Company, and reducing the environmental impact of both their production and use.

2. PhosAgro carries out joint agricultural research with leading Russian and foreign educational and research institutions to study the properties of mineral fertilizers and ways to make their use more efficient in order to produce enough healthy food for the planet's growing population, preserve soil fertility and purity, boost yields and ensure stable agricultural production in a high-risk farming environment.

PROGRESS IN 2019

1. We are implementing a two-step dihydrate-hemihydrate process for the production of wet-process phosphoric acid at our facilities, and a technology for integrated treatment of by-products. The Company has also launched the production of PKS and NPKS fertilizers.

2. We completed all the trials scheduled for 2019 in partnership with leading research institutions such as SGS, DLG Group, ABS Foundation, MT Foundation, Agricola 2000, and other organisations in Europe and Latin America. More than 80 trials were conducted on 14 popular crops.

3. In 2019, PhosAgro successfully held 15 field days across Russia, Poland, and France.

For more detailed information about the projects, see page 142 in the Stakeholder Engagement section and the Sustainability section on the Company's official website.

Ensure healthy lives and promote well-being for all at all ages

TARGETS

1. Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

2. By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.

MEASURES BEING TAKEN BY THE COMPANY

1. PhosAgro supports the Bakulev National Medical Research Centre of Cardiovascular Surgery by investing in research on diagnosing and treating cardiovascular diseases, and advanced unplanned surgery. The Company runs the Health and Leisure and Improvement of Working Conditions social programmes for its employees.

Our another large-scale social initiative is the Educated and Healthy Children of Russia (DROZD) project. As part of our partnership with local and regional administrations, we provide funding to healthcare facilities across our footprint.

2. PhosAgro is also a member of the Safer Phosphates alliance, whose mission is to share knowledge and address concerns about heavy metals that are present in some phosphate-based fertilizers.

PROGRESS IN 2019

1. As part of the DROZD Village programme, a new gym has been opened in Kormezhka village, Balakovsky District, Saratov Region. The project was jointly funded by PhosAgro (RUB 300,000) and the local government (RUB 250,000).

In 2019, the number of children attending DROZD courses increased by 10.5% to 5,861.

2. We updated the design of the Company's website for the Safer Phosphates programme, improved navigation and optimised messaging. The website content was updated to reflect the recent developments in connection with the ongoing debates around cadmium in the European Union. It now includes information from the partners of the Safer Phosphates programme and regular updates available via social media.

Quality Education

TARGETS

1. By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

2. By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

3. By 2020, substantially expand globally the number of scholarships for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries.

MEASURES BEING TAKEN BY THE COMPANY

1. We implement the PhosAgro Schools project aimed at providing school students with career guidance, expanding their knowledge, sharing experience and enhancing the quality of education.

2. The Company has built strong partnerships with Russia's key mining universities based on bilateral agreements on internships, scholarships for the best students, and the High-Potential Graduates programme.

As part of the PhosAgro College initiative, we provide targeted funding to technical colleges to enhance their research base, supply them with necessary equipment, establish incentives for teachers and students, and offer career guidance.

3. In cooperation with the International Union of Pure and Applied Chemistry (IUPAC), PhosAgro supports the participation of young scientists from developing economies in Summer Schools on Green Chemistry.

PROGRESS IN 2019

1. PhosAgro Classes Fest in Sochi brought together 140 students from specialised classes created by PhosAgro in communities where it operates. A special playground was installed in Kindergarten No. 70 in Balakovo to help children learn road safety rules.

2. From the inception of PhosAgro Classes to the end of 2019, the total spend on refurbishment, repair, installation of new computer hardware and laboratory equipment in the schools of Cherepovets, Balakovo, Kirovsk and Volkhov exceeded RUB 410 mln.

3. In 2019, the second Summer School on Green Chemistry was held at the University of Dar es Salaam in Tanzania. Part of the Company's contribution was used to fund grants for talented young scientists from Africa.

Clean Water and Sanitation

TARGETS

1. By 2030, improve water quality by reducing pollution, eliminating dumping and minimising release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally.

2. By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.

MEASURES BEING TAKEN BY THE COMPANY

1. PhosAgro Group takes part in the Rehabilitation of the Volga River national project.

The Volkhov Branch of Apatit has implemented a closed-loop wastewater treatment system at its facilities to prevent the discharge of effluents into the Volkhov River.

The Kirovsk Branch of Apatit takes active measures under the programme to reduce discharge and improve wastewater quality.

2. The Company supports the release of juvenile fish species into water bodies and tree planting initiatives.

PROGRESS IN 2019

1. As part of the production upgrade, PhosAgro approved the initiative aimed at optimising water use by Apatit in Cherepovets. The programme looks to ensure efficient water use from surface water sources and reduce waste water discharge.

2. 150,000 fingerlings of sterlet, salmon, carp and silver carp were released into rivers and water reservoirs in 2019 as part of the programme for the reproduction of aquatic bioresources.

Decent Work and Economic Growth

TARGETS

1. Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

2. Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalisation and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

3. By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.

MEASURES BEING TAKEN BY THE COMPANY

1. Being a leader in terms of labour productivity growth, the Company strives to push it even further by introducing new technologies and staff training, as well as running efficiency improvement programmes and streamlining business processes.

Every year from 2013 to 2019, we increased our labour productivity by some 18%.

2. Apatit (Cherepovets) expects that production development investment projects implemented at its Kirovsk, Volkhov and Balakovo branches will create more than 500 new jobs for highly qualified employees by 2025. It also carries out a number of social programmes focused on healthcare, improvement of working environment, housing and social benefits to ensure decent working conditions.

3. The Company supports the Bolshoi Vudyavr project and the upgrade of the Khibini Airport, which will be a new growth area for the economies of the Apatity and Kirovsk regions. By making investments in the ski resort, we support small and medium-sized service, trade and hotel businesses in the region.

PROGRESS IN 2019

1. In 2013–2019 our labour productivity increased by an impressive 160% at PhosAgro's Kirovsk production site and by 170% at other Group's assets

2. In 2019, 100 new jobs were created at Apatit's Vostochny mine, including self-propelled machine operators, truck drivers, and support staff.

3. In 2019, the Company invested over RUB 800 mln in the Khibini Airport and Tirvas Sanatorium infrastructure. In five years, the aggregate tourist flow has seen a more than 300% rise, exceeding 175,000 people in 2019.

Industry, Innovation and Infrastructure

TARGETS

1. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities.

2. Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 mln people and public and private research and development spending.

MEASURES BEING TAKEN BY THE COMPANY

1. PhosAgro has successfully implemented its Strategy 2020, the largest investment programme in the Group's history, resulting in 1.5x production expansion and reaching an output of up to 9.5 mln t of fertilizers and feed phosphates over the past five years. All the new facilities fully comply with the most stringent environmental laws and regulations in both Russia and Europe.

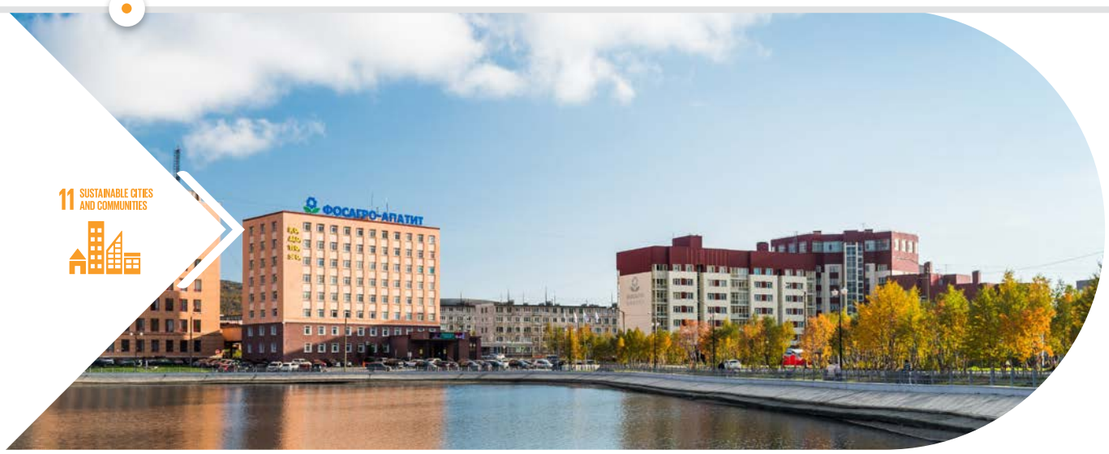
2. The Samoilov Scientific Research Institute for Fertilizers and Insectofungicides (NIUIF), Russia's only and one of Europe's leading agrochemical research institutes, is part of PhosAgro Group. We support research aiming to develop green chemistry technologies, including those related to crop nutrients production.

PROGRESS IN 2019

1.PhosAgro, together with the Saratov National Research University, showcased the results of successful application of phosphogypsum in road construction over many years during the 5th Innovations in Road Construction International Forum in Sochi.

2. In 2019, we partnered with UNESCO to run the International Year of the Periodic Table of Chemical Elements.

We also supported the All-Russian Mendeleev Chemical Students Competition and the Mendeleev Congress on General and Applied Chemistry. The Company organised field conferences at the trial station of AgroGard's Orel branch, and also held field days.



11 SUSTAINABLE CITIES AND COMMUNITIES

Sustainable Cities and Communities

TARGETS

By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums.

MEASURES BEING TAKEN BY THE COMPANY

We ensure comfortable living environment for our employees and their families, as well as for the rest of local population across our footprint, investing in housing construction and social infrastructure development.

We are supporting a project for the development of Bolshoi Vudyavr Ski Resort and the upgrade of the Khibini Airport in Kirovsk and Apatity.

As part of our cooperation with the Murmansk Region Administration and in accordance with the partnership agreement for 2017–2019, PhosAgro provides co-funding totalling RUB 700 mln for social infrastructure projects and events.

PROGRESS IN 2019

A multi-storey residential building in Kirovsk and several buildings in Cherepovets were constructed under the corporate housing programme. In Volkhov and Balakovo, the Company's employees are offered subsidised mortgage loans. The number of apartments provided to the employees as part of the corporate housing programme has exceeded 2,500 by 2019.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Responsible Consumption and Production

TARGETS

1. By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimise their adverse impacts on human health and the environment.

2. By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

3. Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle.

MEASURES BEING TAKEN BY THE COMPANY

1. NIUIF (part of the Group) is developing a technology for the integrated treatment to recycle waste from wet-process phosphoric acid production into ammonium sulphate.

As part of the Green Chemistry for Life, a project implemented jointly with UNESCO, PhosAgro launched a grant programme to support research on phosphogypsum processing.

2. We allocate substantial funds to projects aiming to prevent generation of waste or recycle it in an efficient manner.

3. We employ production technologies that help preserve non-renewable resources. PhosAgro possesses power generation facilities of its own with a total capacity of 210 MW, covering more than 40% of the Group's energy needs.

PROGRESS IN 2019

1. In partnership with UNESCO and the International Union of Pure and Applied Chemistry (IUPAC), the Company provided grants to young experts engaged in research and development in green chemistry. One of the grants, which was awarded for the third time, aims to support research in phosphogypsum recycling and reuse.

2. In 2019, we continued the re-equipment of aluminium fluoride production to use all the fluorine extracted as a result of phosphate rock processing and reduce the amount of solid waste. We have launched a multi-purpose waste management facility as part of Ecoprom project at our site in Kirovsk.

3. The Group has completed a large-scale investment project, a cutting edge granulated urea and ammonia production unit in Cherepovets, Vologda Region, an example of energy efficiency and sustainable use of natural resources.

Life on Land

TARGETS

1. By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world.

2. Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.

MEASURES BEING TAKEN BY THE COMPANY

1. The Company and the Food and Agriculture Organisation of the United Nations (FAO) are jointly running an initiative to promote efficient soil management solutions.

Under the initiative, Regional Soil Laboratories Networks (RESOLAN) are created and consolidated into Global Soil Laboratories Networks (GLOSOLAN) across Latin America, Asia, Africa, and Middle East. PhosAgro plays a key role in the project as the Group is developing a unified global framework to promote technology and know-how in sustainable land use and agriculture.

2. PhosAgro Group takes part in a programme for studying and protecting the Amur tiger population.

PROGRESS IN 2019

1. The Development of Sustainable Soil Management project was launched in January 2019. Its first stage is focused on designing the Soil Doctor Testing Kit to be distributed in the countries participating in the programme (5,000 farmers).

2. The Company spent RUB 10 mln on projects under the cooperation agreement for studying and protecting the Amur tiger population.

Partnerships for the Goals

TARGETS

Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilise and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.

MEASURES BEING TAKEN BY THE COMPANY

Together with UNESCO and IUPAC, PhosAgro has initiated and run the Green Chemistry for Life grant programme for young scientists doing research in line with the 12 Principles of Green Chemistry.

Safer phosphates is an initiative established by PhosAgro in partnership with other fertilizer producers to share knowledge and address concerns about heavy metals that are present in some phosphate-based fertilizers.

As an active member of the International Fertilizer Association (IFA), PhosAgro contributes to many of its projects.

PROGRESS IN 2019

On 6 February 2019, PhosAgro joined the Global Compact Network Russia. Since January 2019, the Company has been taking part in the two platforms promoting responsible business and eliminating issues that arise when implementing the global goals – Business Reporting on the SDGs and Health is Everyone's Business. In September 2019, PhosAgro was included in the LEAD, a group of Global Compact participants that have achieved the best results in corporate social responsibility.

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KEY EVENTS

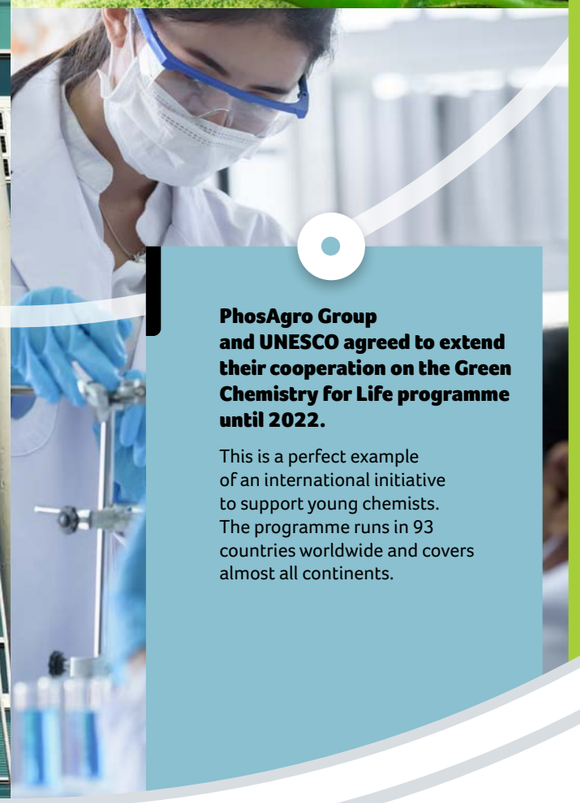
In September 2019, PhosAgro was listed among 30 UN Global Compact LEAD companies.

The Global Compact is the UN's largest initiative to encourage private companies worldwide to adopt sustainable and socially responsible policies. PhosAgro joined in as an active participant of this international initiative in November 2018. Over the last 15 years, the Global Compact brought together over 10,000 businesses from 170 countries. Inclusion in the LEAD group serves as a recognition of our outstanding achievements in corporate social responsibility and highlights our strong commitment to these principles.

PhosAgro joined the European Sustainable Phosphorus Platform (ESPP).

We are the first fertilizer company with production sites outside the European Union to join ESPP.

This is a logical step towards integrating PhosAgro into the international community. It offers an opportunity to share knowledge and technology, collaborate in addressing pressing issues facing humanity, and build a constructive dialogue with regulators and national governments, which is of particular importance against the backdrop of the world community's increasing attention to food safety and human health.



PhosAgro Group and UNESCO agreed to extend their cooperation on the Green Chemistry for Life programme until 2022.

This is a perfect example of an international initiative to support young chemists. The programme runs in 93 countries worldwide and covers almost all continents.

ENVIRONMENTAL REVIEW

GOALS TO 2025

Reduction of unit GHG emissions (to 142 kg of CO2 equivalent per tonne)

by 10%

Reduction of unit effluents (to 4.8 m3 per tonne of products)

by 20%

Reduction of unit pollutant emissions (to 0.996 kg per tonne of products)

by 5%

Increase in the share of recycled and decontaminated hazard class 1–4 waste

to 40%

GLOBAL SUSTAINABLE DEVELOPMENT GOALS

6 CLEAN WATER AND SANITATION

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

15 LIFE ON LAND

MANAGEMENT APPROACH

Effective environmental management is a key factor that impacts PhosAgro's ability to meet its strategic goal of becoming a socially responsible business.

PhosAgro strives to develop its extensive resource base and produce fertilizers in a safe and eco-friendly manner, thus contributing to the sustainable agricultural development worldwide. We have put in place environmental management practices that ensure our compliance with applicable regulations and help us reduce the impact of our operations on the environment. Committed to continuous improvement in this area.

PhosAgro signed an agreement with the Russian Ministry of Natural Resources and Environment, Federal Service for Supervision over Natural Resources Management and the Vologda region government to run a Clean Air nationwide initiative as part of the Environment national project.

KEY FOCUS AREAS OF THE ENVIRONMENTAL STRATEGY

1. Reduce environmental impact
2. Preserve natural eco-systems
3. Continue improving environmental management

ENVIRONMENTAL OBLIGATIONS

1. Minimise environmental risks at all stages of investment projects and along the production chain
2. Use the best available techniques and environmental monitoring solutions in the regions of operation
3. Take steps to prevent climate change and save resources
4. Comply with environmental laws
5. Hold all partners in the supply chain responsible for their environmental impact
6. Raise the staff environmental awareness
7. Preserve biodiversity, natural landscapes and habitats across the Company's footprint
8. When developing new sites, take measures to reduce the area disturbed as a result of operating and other activities, protect wildlife migration routes, freshwater ecosystems and spawning streams
9. Make sure no activities take place in specially protected natural areas or conservation areas, traditional territories of indigenous peoples, natural world heritage sites, and wetlands of international importance (the Ramsar List)
10. Communicate and foster dialogue with all stakeholders involved in environmental protection, stage public discussions of design documents for future facilities

ENVIRONMENTAL COMPLIANCE

PhosAgro complies with environmental laws. All our facilities that have an adverse environmental impact are included in dedicated state registers, with relevant categories assigned to them. We have all necessary permits in place for every facility.

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ENVIRONMENTAL MANAGEMENT

The Company's Board of Directors defines the Company's environmental policy and sets strategic goals to ensure environmental protection and reduce the negative impact of its operations. General management, organisation and coordination of efforts to continuously enhance environmental management are the responsibility of Apatit's Department of Ecology and Environmental Management. To honour its commitment to the ongoing environmental improvement, the Company has established dedicated monitoring and management functions at its subsidiaries and their branches, and designated officers in charge locally.

Production units, which have the greatest environmental impact, have introduced a procedure for identifying and assessing risks and opportunities. Based on the results, we develop measures to bring risks pertaining to significant environmental aspects to an acceptable level.

Managers and experts responsible for making operational and other decisions that may adversely affect the environment take a specially designed training course in environmental safety. Only specially trained employees are cleared to handle class 1–4 waste.

We continuously monitor the impact of our operations to ensure compliance with applicable environmental standards. This helps us identify and control environmental issues, determine risks and opportunities, develop and implement risk management and response initiatives. Environmental risk management is subject to regular assessment by the Board of Directors. The assessment serves as a basis for updating risk factors and their descriptions, and for developing new policies and initiatives.

To confirm its compliance with ISO 14001 and IFA Protect and Sustain standard, the environmental management framework undergoes scheduled independent audits.

The facilities have also put in place a procedure to manage internal 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.

Improvement areas are identified through monitoring, measurement, review and assessment of environmental indicators and the performance of obligations, environmental management audits and management analysis. As part of improvements, including measures to manage and close gaps, we take the required corrective actions based on the relevant operating procedures.

Spending on environmental protection, *RUB mln*

	2017	2018	2019
Total	5,089.6	8,210.0	9,059.5
Operating costs of environmental protection (form 4-OS)	3,578.7	4,587.7	4,351.9
Investments in fixed assets aimed at environmental protection and sustainable use of natural resources (form 18-KS)	1,312.6	986.3	4,221.9
Environmental impact payments	149.5	156.3	165.3
Environmental fines and damages	0.5	0.6	0.79/2.12
Investments in fixed assets aimed at environmental protection (excluded from Form 18-KS)	48.4	2,479.1	317.5

The reporting year saw an increase in environmental spending driven by growing investments in fixed assets aimed at environmental protection. An emergency caused damage to a water body, which was compensated on a voluntary basis.

Environmental impact payments, *RUB mln*

	Waste		Aquatic environment			Atmosphere			
	Limit	Over-limit	Standard permissible discharge	Temporarily permitted discharge	Over-limit	Maximum permissible emissions	Temporarily permitted emissions	Share of over-limit in total payments	over-limit payments
2018	140.615	1.326	1.225	9.066	0.836	2.534	0.000	0.740	2.902 (1.86% share of over-limit in total payments)
2019	157.88	0	1.644	3.286	0	2.467	0.000	0.000	0.000 (no over-limit payments)

MANAGEMENT AND REPORTING

Apatit's management system embraces key management levels and all production stages, from development to product release. It also standardises requirements for production management, which influences the quality and competitiveness of products, environmental safety, etc.

By implementing a consistent approach in line with international environmental standards, the subsidiary contributes greatly to its own and the Company's environmental performance and sustainable development.

Treating the enterprise's operations as a set of processes can optimise internal and external interactions and boost its efficiency. Compliance with environmental standards is achieved by continuously monitoring the quality of raw materials, preventing critical excesses at all stages of production, constantly measuring production parameters, monitoring and automating the process and conducting express analysis of the operating environment. We systemically monitor, measure and evaluate our environmental performance, while also assessing the efforts to prevent repeated and potential inconsistencies. This helps us identify and control environmental issues, determine risks and opportunities, develop and implement risk management and response initiatives.

The distribution of responsibility and authority within the environmental management system is governed by regulatory documents, including internal standards, regulations on structural units, job descriptions, production SOPs, etc. These documents set requirements for various operations and workplace safety.

The journey of phosphate-based fertilizers, our main product, begins at the mines of Apatit's Kirovsk branch on the Kola Peninsula where we extract unique apatite-nepheline ore containing almost no harmful impurities. This high-quality raw material is a key input for our downstream production sites, which make some of the world's purest and safest phosphate-based fertilizers that farmers use to grow the food that ends up on our plates.

Technological processes involved in producing ammonia, mineral fertilizers and inorganic acids and those used in the production of mineral fertilizers correspond to the best available techniques used in the Russian Federation and can reduce any adverse impact on the environment, cut down water consumption and improve both energy and resource efficiency.

At all stages of production, we take the following steps to measure the environmental impact: monitoring of atmospheric emissions at the source, monitoring of the air near sanitary protection zones, monitoring of waste-water discharge into bodies of water, monitoring and keeping records on areas used to store production and consumption wastes for all of the Company's assets, including the activities of contractors. Monitoring is carried out on the basis of dedicated programmes in effect at every one of the Company's production assets. The results are submitted to the local bodies for state environmental monitoring (Rosprirodnadzor) in the regions where the Company operates. In case of deviations from the norms, the Company develops corrective measures. The monitoring results serve as a basis in making investment decisions and financial planning for initiatives aimed at reducing the impact of production operations. They also help assess the achieved effects.

The Company has also introduced environmental safety requirements for contractors and suppliers of services, making them available at all of its tender sites.

PhosAgro's management receives weekly updates on all ongoing environmental issues, with quarterly reports also submitted to the Chairman of the Environmental, Health and Safety Committee of the Board of Directors. The Board of Directors receives quarterly updates on any expenses or payments made to compensate for environmental impact. In addition, the directors review annual and semi-annual reports on environmental protection initiatives and environmental performance.

PERMITS AND CERTIFICATES

The Company's production sites hold all necessary licences and permits related to environmental protection.

We pass audits in accordance with ISO 9001:2015, ISO 14001:2015, OHSAS 18001, and GMP+ to ascertain the efficiency of our product life-cycle management.

We also undertake regular internal and external audits to assess our compliance and obtain certification. Every year, we successfully confirm our adherence to international standards. When developing exposure scenarios, we assess risks and prepare internationally accepted safety data sheets and recommendations in accordance with Regulation (EC) No. 1272/2008 on classification, labelling and packaging of substances and mixtures, and Regulation (EC) No. 1907/2006 concerning the registration, evaluation, authorisation and restriction of chemicals (REACH).

LEGISLATIVE AND ADMINISTRATIVE FRAMEWORK

None of PhosAgro's enterprises use ozone-depleting substances in the production process. A small amount (not more than 250 kg/year) of carbon tetrachloride (CCl 4) 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.

ENVIRONMENTALLY RESPONSIBLE PROCUREMENT POLICY

As a socially and environmentally responsible business, PhosAgro Group checks its potential suppliers for compliance with relevant requirements.

The Company takes the following steps to make sure all sourced inputs and materials are eco-friendly:

Incoming quality control

The list of industrial and technical products subject to incoming control is made on a daily basis. All supplies undergo quality testing. If needed, the Company may request third-party centres to perform sample testing within their scope of certification.

Contractor and supplier compliance

- Requests for safety data sheets, technical quality control reports, certificates of quality management compliance with ISO 9001:2011 (ISO 9001:2008, EAEU technical regulations, MSDS) to assure product quality
- Requirements to employ materials and equipment compliant with Russian quality standards (rules and regulations), certified by manufacturers and permitted for use in Russia
- Requirements to comply with applicable regulations on freight storage and transport by road and rail

Additional checks

The Company's experts perform additional checks and assessments of potential suppliers if required for a specific tender. They may include a request to confirm the availability of production capacities and technologies, staff qualifications, licences, certificates, including ISO ones, and technical audit reports. An executive responsible for environmental management recommends an appropriate solution with regard to environmental safety.

In 2019, the Company conducted random audits of suppliers, while also being checked, as a supplier, by third parties for compliance with social responsibility and environmental standards.

In 2020, we will publish a formalised list of social and environmental indicators, which along with financial ones will serve as supplier eligibility criteria.

2019 HIGHLIGHTS

EMISSIONS INTO THE ATMOSPHERE

PhosAgro's emissions management system seeks to comply with national air pollution regulations, ensure air quality in sanitary protection areas near production sites, and upgrade the Company's capacities using the best available techniques.

PhosAgro's strategic goal is to achieve a 5% reduction in pollutant emissions per tonne by 2025.

To deliver on this target, in November 2019, the Board of Directors' Sustainable Development Committee approved a list of initiatives designed to contribue to achieving the objective. In particular, the Company:

1. implements environmental programmes under the nationwide Clean Air initiative in line with the Comprehensive Plan to Reduce Pollutant Emissions in Cherepovets approved by the Deputy Prime Minister of Russia on 28 December 2018;
   - 1.1. upgrades the SK-600/3 sulphuric acid facility to decrease sulphur dioxide emissions by 0.892 kt, with RUB 315,177,000 spent in 2019 and RUB 2,710,719,000 for the entire project implementation period;
   - 1.2. deploys new tailing gas pre-heating equipment for the UKL-7 plants to reduce atmospheric emissions by 0.105 kt, with RUB 9,417,000 spent in 2019.
2. upgrades equipment at the Volkhov branch to reduce pollutant emissions, including absorption system upgrade at the second site, and introduction of absorption acidification systems at three sites of the mineral fertilizer production unit.
3. takes measures to prevent dust emissions from tailings at the Kirovsk branch.

Pollutant emissions, *kg/t*[1]

2017	2018	2019
1.131	1.048	0.888

1. Tonnes of finished and semi-finished products

The Group takes part in the nationwide Clean Air initiative, which aims to drastically reduce air pollution in major industrial cities.

Emissions of NO_x, SO_x and other major pollutants, *t*

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In 2019, gross pollutant emissions, including NOx and SO2, were down across the Group. The reduction was due to the measures implemented by the Company and the favourable weather conditions.

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GREENHOUSE GASES

The Group is committed to tackling greenhouse gas emissions and climate change.

GHG emissions[1], *kg/t*[2]

2015	2016	2017	2018	2019
125.34	141.47	145.95	157.97	143.27

PhosAgro's strategic goal in this area was approved by the Sustainable Development Committee of the Board of Directors in November 2019 and envisioned achieving the level of 142 kg of CO_2 equivalent per tonne of finished and semi-finished products by 2025.

To deliver on this objective the Company is implementing a number of projects
- elaborates a low carbon transition strategy and plan;
- develops an action plan for the low carbon transition strategy;
- defines GHG emission targets;
- conducts climate change scenario analysis;
- works out a plan for engagement with members of the value chain and the engagement assessment framework.
  The deadline is set for Q3 2020.

CDP

PhosAgro takes part in the Carbon Disclosure Project (CDP) to reduce greenhouse gas emissions. The Company received a C score for its first submission to CDP made in July 2019.

Greenhouse gas emissions

Total GHG emissions, *t*

	Apatit	Balakovo branch of Apatit	Volkhov branch of Apatit	Kirovsk branch of Apatit	Total
2017	3,354,121	164,299	103,538	569,194	**4,191,152**
2018	3,995,830	157,886	118,396	583,144	**4,855,256**
2019	3,746,069	152,632	121,325	636,303	**4,656,329**

GHG emissions per unit of output, *kg/t*[2]

2017	272.432	30.718	183.86	54.244	**145.948**
2018	295.235	28.427	181.497	53.042	**157.973**
2019	261.915	25.650	197.368	54.702	**143.272**

1. Greenhouse gas emissions are given in CO_2 equivalent. The calculation includes the following list of gases: CO_2, CH_4, NO_2.
2. Tonnes of finished and semi-finished products

WASTE

Waste management is an integral part of PhosAgro's comprehensive environmental management system.

Our strategic goal to 2025 is to increase the share of recycled and decontaminated hazard class 1–4 waste to 40%.

To achieve the targets, the Company is implementing a number of initiatives approved in November 2019 by the Board of Directors' Sustainable Development Committee:
1. upgrading the aluminium fluoride plant at the Cherepovets site to ensure the use of all the fluorine extracted as part of phosphate rock processing; reduce lime consumption in treating effluents; and decrease the amount of solid waste generation with RUB 9,761,000 spent in 2019;
2. at the Kirovsk branch, we have launched waste disposal and decontamination facilities, including the UDT-1 thermal treatment facility and the thermal waste decontamination unit with high-temperature burning of exhaust gases; the project will contribute to elimination of waste disposal sites and make possible the recycling of all kinds of waste (tires, railway sleepers, and timber) belonging to PhosAgro and other companies in the region.

Share of recycled and decontaminated hazard class 1–4 waste, %

2017	2018	2019
26.3	26.8	34.5

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We place major emphasis on safe operation of tailings, which are special hydraulic structures and equipment for storage and disposal of mineral processing wastes.

Based on the safety requirements for hydraulic structures approved by the Federal Service for Environmental, Technological and Nuclear Oversight (Rostekhnadzor) in 2018, the Company's tailings have the highest safety level. This means that they fully meet the design requirements and applicable rules and regulations. The state of structures and foundations corresponds to the requirements. The tailings are operated in accordance with existing industrial safety laws and regulations as well as instructions of supervisory bodies.

Waste generation, *kg/t*[1]

	2013	2014	2015	2016	2017	2018	2019
Total	4.566	3.456	3.578	3.653	3.152	3.225	3.466
Kirovsk branch	10.845	8.333	8.881	8.950	7.615	8.042	8.710
Balakovo branch	0.828	0.869	0.725	0.881	0.898	0.884	0.894
Volkhov branch	0.005	0.005	0.004	0.004	0.004	0.005	0.002
Cherepovets	0.454	0.462	0.470	0.483	0.472	0.428	0.421

Waste generation (hazard class 1–4), *kg/t*[1]

	2013	2014	2015	2016	2017	2018	2019
Total	159.467	169.423	6.970	10.978	8.871	5.779	6.113
Kirovsk branch	3.684	2.991	0.896	0.458	0.308	0.632	0.635
Balakovo branch	828.231	868.426	24.579	29.498	28.951	22.239	19.495
Volkhov branch	1.382	1.631	0.881	0.616	0.925	0.913	2.187
Cherepovets	10.205	7.791	4.763	12.203	7.810	3.441	5.168

1. Tonnes of finished and semi-finished products

GRI

Waste, *t*

	Reused	Landfilled	Third party				
			Third-party recycled	Third-party decontaminated	Third-party landfilled	Third-party stored	Third-party processed
Kirovsk branch of Apatit							
2017	29,633,656.5	50,252,148.4	21,526.6	340.1	2,606.7	–	–
2018	21,274,068	67,117,451	16,933.2	9.8	5,279.8	–	–
2019	19,656,977	81,635,022.6	15,665.9	165.9	4,197.1		
Balakovo branch of Apatit							
2017	22,312	4,780,492.2	11,649.7	1.7	222.3	–	–
2018	6,099	4,898,612.7	9,879.1	26.4	372	–	1,381.5
2019	16,580.3	5,302,285.7	4,720.5	4.5	257	–	2,906.1
Volkhov branch of Apatit							
2017	–	–	1,490.1	0.3	652.9	–	–
2018	–	–	115.5	0.4	603.7		1,998.9
2019	–	–	43.9	0.3	1,345	–	–
Apatit							
2017	3,013,524.1	2,778,641.4	18,469.3	457.2	134.4	–	–
2018	2,970,411.4	2,767,144.9	12,984.1	39.6	–	0.7	–
2019	3,195,192.6	2,856,356.6	17,266.3	100.6	125.7	–	–
Total							
2017	32,669,492.5	57,811,281.9	53,135.8	799.3	3,616.3	–	–
2018	24,250,578.5	74,783,208.5	39,911.9	76.2	6,255.5	0.7	3,380.5
2019	22,868,749.9	89,793,664.9	37,696.5	271.4	5,924.8	0	2,906.1

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Production growth has resulted in increased waste disposal.

Waste generation by hazard class, *t*

	Total	I class	II class	III class	IV class	V class
Kirovsk branch of Apatit						
2018	88,413,741.67	0.24	0	237.414	6,710.49	88,406,793.53
2019	101,313,438.09	0.494	9.039	334.52	7,047.985	101,306,046.05
Balakovo branch of Apatit						
2018	4,909,840.64	2.074	0.048	38.027	123,472.40	4,786,328.10
2019	5,321,693.716	2.091	0.555	8.453	116,008.999	5,205,673.618
Volkhov branch of Apatit						
2018	2,718.53	0.425	0	0	594.9	2,123.20
2019	1,389.20	0.3	0	0	1,345	43.90
Apatit in Cherepovets						
2018	5,798,521.75	4.741	1.252	981.185	45,581.40	5,751,953.20
2019	6,020,722.293	4.751	1.17	1,595.652	72,323.84	5,946,796.88
Total						
2018	99,124,822.59	7.48	1.3	1,256.626	176,359.19	98,947,198.03
2019	112,657,243.30	7.636	10.764	1,938.625	196,725.824	112,458,560.4

WATER

Our waste water management approach is focused on maximum reuse of water through closed-loop water recycling system and proper treatment of effluents discharged into water bodies in addition to continuous monitoring of water bodies in the regions of operation and aquatic life recovery.

The Company's strategic goal is to reduce waste water discharge per tonne of output by 20% compared to 2018.

To deliver on our targets, PhosAgro implements a variety of programmes approved by the Board of Directors› Sustainable Development Committee in November 2019, including:

1. the Optimisation of Water Use by Apatit in Cherepovets During Production Upgrade in 2020–2025 – a targeted programme with RUB 176 m in funding for phase 1 only;
2. the Discharge Reduction and Effluent Quality Improvement at the Kirovsk Branch of Apatit in 2019–2020 – a targeted programme which includes construction of a chemicals dosing facility to treat effluents from the ANBP-2 tailings.

Waste water discharge, m^3/t[1]

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2017	2018	2019
7.476	6.039	4.684

Pollutant discharge, kg/t[2]

2016	2017	2018	2019
1.3	1.0	0.8	0.614

Treated effluents (reused in the production cycle), *mln* m^3

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	2018	2019
TOTAL	221.98	238.87
Kirovsk branch of Apatit	202.83	219.52
Balakovo branch of Apatit	9.36	9.52
Volkhov branch of Apatit	1.62	1.07
Apatit (Cherepovets site)	8.16	8.77

Water consumption, *ths* m^3

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	2018	2019
TOTAL	34,510	33,763
Kirovsk branch of Apatit	9,864	5,563
Balakovo branch of Apatit	7,632	8,256
Volkhov branch of Apatit	1,936	2,168
Apatit (Cherepovets site)	15,078	17,776

1. Excluding supplies to third parties
2. Tonnes of finished and semi-finished products

The Company's strategic goal
is to reduce waste water discharge per tonne of output by 20% from 2018 to 2025 to achieve 4.8 m^3 per tonne of finished and semi-finished products. The relevant steps towards this goal were approved by the Sustainable Development Committee of the Board of Directors in November 2019.

PhosAgro supports aquatic life recovery.

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Number of fish released into water bodies in the regions of operation as part of environmental protection initiatives in 2019

	Cherepovets site	Balakovo branch of Apatit		Kirovsk branch of Apatit	
Aquatic life species	Juvenile carp	Juvenile carp	Juvenile silver carp	Sterlet yearling	Juvenile Atlantic salmon (2 yrs)
Quantity	6,500	30,000	25,000	84,353	2,130
Water body	Gorky Reservoir	Volgograd Reservoir		Sukhona River	Umba River

Water discharge in 2019, *mln m³*

	Kirovsk branch of Apatit	Balakovo branch of Apatit	Volkhov branch of Apatit	Apatit	Total
Waste water discharge	137.4	0	0	14.8	152.2
Discharged without treatment (% of total water discharge)	2.6	0	0	0	2

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Total water withdrawal by source, *ths m³*

Indicator	Kirovsk Branch of Apatit		Apatit (Cherepovets)		Balakovo Branch of Apatit		Volkhov Branch of Apatit		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Surface water										
Total water withdrawal from surface sources, including:	**144,920**	**111,106**	**22,110**	**24,291**	**7,201**	**7,619**	**2,069**	**2,163**	**176,300**	**145,179**
process water	28,741	27,596	19,387	21,161	7,201	7,619	1,861	1,940	57,191	58,315
drinking water (internal use)	0	0	935	885	0	0	0	0	935	885
drinking water (for supplies to third parties)	0	0	498	466	0	0	0	0	498	466
mining water	111,213	79,933	0	0	0	0	0	0	111,213	79,933
drainage water	4,965	3,577	0	0	0	0	0	0	4,965	3,577
rainwater	0	0	1,290	1,779	0	0	208	223	1,498	2,002
Ground water										
Water withdrawal from ground-water sources:	**2,196**	**1964**	**0**	**0**	**742**	**879**	**0**	**0**	**2,938**	**2,842**
Water received from third party suppliers										
Total water received from third party suppliers, including:	**37,129**	**32,334**	**7,661**	**9,572**	**0**	**0**	**138**	**177**	**44,927**	**42,082**
process water received from suppliers	18,367	19,016	7,125	8,530	0	0	0	0	25,491	27,546
water from municipal supply (internal use)	9,263	7,824	457	560	0	0	138	177	9,857	8,560
water from municipal supply (for supplies to third parties)	0	0	23	34	0	0	0	0	23	34
waste water from other waste-water discharge systems	9,500	5,494	56	448	0	0	0	0	9,556	5,943
TOTAL	184,246	145,404	29,770	33,863	7,944	8,498	2,206	2,339	224,166	190,104

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Total water discharge by source and by site, *ths m³*

Indicator	Kirovsk Branch of Apatit		Apatit (Cherepovets)		Balakovo Branch of Apatit		Volkhov Branch of Apatit		Total	
	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019
Water discharge into surface waters										
Total water discharge into surface waters:	**171,787**	**137,386**	**13,694**	**14,837**	**0**	**0**	**141**	**0**	**185,621**	**152,223**
mining water	111,213	79933	0	0	0	0	0	0	111,213	79,933
drainage water	4,965	3577	0	0	0	0	0	0	4,965	3,577
waste water from other waste-water discharge systems	9,500	5,494	0	0	0	0	0	0	9,500	5,494
Supplies to third parties										
Total water supplies to third parties:	**2,595**	**2,455**	**999**	**1,251**	**312**	**242**	**129**	**171**	**4,035**	**4,118**
waste water to the public water discharge system (after use)	2,595	2,455	422	302	312	242	129	171	3,458	3,170
waste water to the public water discharge system (unused)	0	0	56	448	0	0	0	0	56	448
water supplies to third parties from surface sources	0	0	498	466	0	0	0	0	498	466
water supplies to third parties from municipal sources	0	0	23	34	0	0	0	0	23	34
TOTAL	174,382	139,841	14,692	16,087	312	242	270	171	189,656	156,341

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ENERGY EFFICIENCY

To compensate for the energy intensive nature of our business, at PhosAgro we are constantly seeking ways to improve productivity and use resources more efficiently. Crucial to this effort is gaining a thorough understanding of how we consume energy.

To this end, the Company focuses its work in the following key areas:

- increasing energy efficiency;
- expanding our own power-generation capacities;
- recycling waste to generate heat by using exhaust gases from gas turbines to produce steam;
- optimising energy use from different sources.

In 2019, PhosAgro's production facilities were

40.2%

self-sufficient in electricity. We continued our work to increase efficiency across the Group's production sites.

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PhosAgro energy consumption in 2019

	Electricity, ths kWh	Natural gas, mln m³	Liquefied natural gas, t	Heat energy, ths Gcal	Fuel, ths tons	Diesel, ths tons	Total cost, RUB bln
Total consumption	3,735	2,704	3,135	11,331	154	47	
own generation	1,500			10,924			
purchased	2,235			407			
Consumption per tonne of output	0.115	0.083	0.096	0.349	0.005	0.001	
Cost, RUB bln	10.286	12.058	0.091	10.74	2.54	2.100	37.810

GRI

PhosAgro energy consumption in 2018[1]

	Electricity, ths kWh	Natural gas, mln m³	Liquefied natural gas, t	Heat energy, ths Gcal	Fuel, ths tons	Diesel, ths tons	Total cost, RUB bln
Total consumption	3,651	2,667	2,705	10,968	148	40	
Own generation	1,485			10,580			
Purchased	2,166			388			
Consumption per tonne of output	0.119	0.087	0.088	0.357	0.005	0.001	
Cost, RUB bln	8.919	11.470	0.076	10.00	2.20	1.769	34.436

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REDUCTION IN ELECTRICITY CONSUMPTION

Our programmes

Facility. Project	Effect	Project costs	Project Deadlines
Kirovsk Upgrade of the lighting system to LED at ANBP-3 of Apatit's Kirovsk Branch	The project helped achieve a 0.505 MW reduction in electric capacity used for industrial lighting at ANBP-3 of Apatit's Kirovsk Branch compared to 2018, which accounts for around 0.3% of total consumption.	RUB 0.082 bln	Q4 2019
Cherepovets Launch of SK 3300 sulphuric acid production plant	The new SK 3300 plant produces enough process steam to ensure full generating capacity utilisation at Apatit's thermal power station, which, in turn, leads to lower natural gas consumption by its boilers.	RUB 10.5 bln	Q1 2020
Balakovo. Kirovsk Construction of a 100 kW solar power station	The solar power station pilot running at two production sites of the holding company is geared towards assessing the potential of renewable solar energy and the viability of a further scale-up.	RUB 0.01 bln	Q3 2020
Volkhov Construction of a thermal power station with a 34 MW high-efficiency electric turbine and a water treatment system at Apatit's Volkhov Branch	The utilisation by the thermal power station at Apatit's Volkhov Branch of the process steam that is a by-product of the sulphuric acid production plant will help solve the problem of supplying all of the site's consumers with low-grade steam and significantly reduce the need for the purchase of electricity from third-party power distribution companies.	RUB 3 bln	Q2 2021

1. The heat and electricity data provided in the Company's 2018 annual report may differ from those disclosed in this table because the Company harmonised calculation methods for power consumption across all its production assets in the reporting year.

KEY EVENTS IN 2019

PhosAgro joined the Carbon Disclosure Project (CDP), an international initiative to reduce greenhouse gas emissions.

A report on PhosAgro's climate change initiatives in 2019 drafted and submitted via's CDP's online response system. "C" score received. Work started to draft the Company's GHG reduction strategy to 2020 and 2030 along with the regulations on monitoring GHG emissions, and the GHG reduction action plan.

PhosAgro backed the landmark EU decision to put a cap on phosphate fertilizers with high cadmium content from 2022

and introduce voluntary "Low Cd Content" labelling for fertilizers with a cadmium content of less than 20 mg/kg. We also supported the initiative by the Food and Agriculture Organization of the United Nations (FAO) to enshrine in the International Code of Conduct for the Sustainable Use of Fertilizers recommendations to governments worldwide to introduce restrictions on fertilizers with a high content of toxic impurities.

KEY PROJECTS

Environmental impact reduction

UPGRADE OF THE SK-600/3 SULPHURIC ACID PLANT AT APATIT (CHEREPOVETS) IN 2018–2019

as part of the nationwide Clean Air initiative.

Investments in the project totalled

2.7 RUB bln.

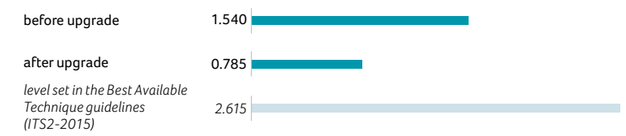
Environmental effect:

Sulphur dioxide emissions from source 0614 down by

39.49%,

or 892 t compared with 2017

SO_2 emissions, *kg/t*



GRI

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HEALTH AND SAFETY REVIEW

GOALS TO 2025

reduce workplace injuries
by 10%
annually

reduce the number of incidents
by 10%
annually

improve the health and safety management system and culture

GLOBAL SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

TARGETED PROGRAMMES TO ACHIEVE OUR STRATEGIC GOALS

- Improving safety of working at heights
- Use of LOTO system
- Improving gas safety
- Improving transport safety
- Identifying and managing production process risks
- Developing gas and mine rescue, fire-fighting and prevention activities

INTEGRATED HSE MANAGEMENT SYSTEM

We view the life and health of our people as our top priority. As part of our commitment, we focus on creating a safe and healthy working environment for our employees, contractors and suppliers. We also make it an essential component of our sustainability strategy.

MANAGEMENT APPROACH

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We place a great emphasis on making our health and safety system compliant with applicable laws and the highest international standards. We carefully monitor and seek to implement the best practices in this area.

On top of that, we are consistently improving our safety culture, employee responsibility and awareness, hazard identification procedures and danger prevention measures by putting managers at all levels in charge and applying the most advanced health and safety techniques.

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Our mission is to continuously identify and reduce health and safety threats to our employees, contractors and visitors to the Company's sites.

Our aim is to completely eliminate fatalities, take a leading position in terms of key health and safety indicators, and achieve the highest standards in this domain.

In 2019, we continued to enhance our health and safety performance to help the Company fulfil its strategy. We define relevant goals and objectives, both strategic and operational, based on huge volumes of data derived from internal and external audits, inspections, incident investigations, and employee feedback.

We have adopted a Health and Safety Strategy, which defines key focus areas and initiatives to reduce the risks associated with various operations.

The Strategy focuses on the following key areas:
- reduce workplace injuries (by 10% annually)
- reduce the number of incidents (by 10% annually)
- improve the health and safety management system and culture.

To achieve these goals, we run the following targeted programmes:
- Improving the safety of working at heights (theoretical course, drills in the Vysota (Height) training centre and with mobile simulators)
- Use of the LOTO system (auxiliary safety equipment)
- Improving gas safety
- Improving transport safety
- Identifying and managing production process risks
- Developing gas and mine rescue, fire-fighting and prevention activities.

Health and safety management principles

Fortifying health and safety is one of our key priorities and an essential component of our sustainability strategy. Without healthy, motivated and engaged employees working in safe conditions, we would not be able to move forward and develop our operations, introduce innovations and build strong relationships with local communities and stakeholders. This is why we are fully committed to creating a safe and healthy working environment and improving our health and safety practices.

At PhosAgro, we use management techniques that proved to be effective in many companies. These include:
- internal investigations of all incidents;
- prequalification of contractors to assess their level of compliance;
- health and safety training for employees;
- PPE matrices.

Apatit employees enjoy additional healthcare benefits, including access to gyms and swimming pools located both on-site and in town. At its facilities, the company organises various sports activities, such as futsal, volleyball, etc., and offers its personnel health resort treatment.

As part of healthcare initiatives, staff canteens provide nutrition according to Diet No. 10 targeting patients with cardiovascular diseases.

The company uses corporate media, information stands, lectures and brochures to distribute information on all its initiatives.

Health and safety management system

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We pay special attention to making our health and safety system compliant with applicable laws and the highest international standards. To this end, we have introduced a multi-tier health and safety (OHS) management system involving managers of all levels. Following the introduction of a public scrutiny mechanism in 2019, OHS management now involves dedicated officers and employees of all business units.

Our executives together with blue- and white-collar staff take OHS training as required by the national laws, as well as additional safety training.

The Company has introduced a system of audits and inspections to ensure compliance with statutory requirements and corporate standards. Apatit, our largest enterprise, is certified for compliance with OHSAS 18001.

An integral part of our OHS management system is the Health and Safety Committee, which makes it possible for operational and non-operational managers and employees to take part in relevant activities.

In its work, the Committee relies on the principles of social partnership.

Its members interact with the Company's executive body responsible for health and safety, state supervisory bodies overseeing compliance with Russian health and safety laws, other government's watchdogs, and the Company's trade union.

Health and safety management system[1]

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	Organisational unit	Key responsibilities
Board of Directors	**Environmental, Health and Safety Committee**	• Sets strategic priorities and policies • Holds management accountable for health and safety monitoring and performance • Receives quarterly reports on health and safety performance
Management	**Management Board**	• Defines and oversees the health and safety policy • Reviews 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 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

1. For more information on PhosAgro's OHS system, see Apatit's Industrial Safety Policy Statement and Quality, Environmental and OHS Policy.

The Company's operations are regulated by the Russian health and safety laws, as well as:

- 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.

To improve OHS efficiency, automate and streamline the relevant processes, we have successfully introduced Safety and Instructions (Shift Assignments) management systems.

In line with statutory requirements, the Company is subject to external audits by Russian regulatory authorities, including 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), and the Ministry for Civil Defense, Emergencies and Elimination of Consequences of Natural Disasters (EMERCOM). We may also engage consulting companies to conduct additional external audits, or organise them as part of a special assessment of workplace conditions.

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We also run internal audits conducted by our OHS Department, managers and employees exercising production H&S control. The results of all internal and external assessments and audits are recorded in the Safety and Instructions (Shift Assignments) management systems and serve as the basis for analysis, gap identification and elimination monitoring. The Company has a procedure in which information about incidents is transmitted from eyewitnesses to the supervisors in charge and from those supervisors to the dispatcher of the respective enterprise. Next, the company manager transmits information on the established list using text messages and phone calls. Industrial accidents and incidents are then investigated in accordance with legislative requirements and procedures for conducting internal investigations in order to determine the root causes. The Company encourages its staff to disclose information on the potential sources of danger to employee health and life.

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Performance monitoring and measurement are key prerequisites for achieving sustainable long-term results in line with our OHS strategy.

By introducing Safety and Instructions (Shift Assignments) management systems, we achieved the following goals and objectives:

GOALS

- Improve the manageability of employees and equipment safety
- Cut down administrative expenses related to the safety of employees and equipment
- Obtain reliable and complete information about the safety of employees and equipment

OBJECTIVES

- Centralised health and safety (industrial and fire safety) management
- Faster collection, processing and analysis of employee and equipment safety data
- Real-time reporting across the Group, including reports to government authorities
- 24/7 access to information about every employee and site

Risks

We perform risk assessment and identify material risks using our own methodology. Following hazard identification and risk assessment, the unit's OHS officer compiles a list of local occupational risks, which is then used as a basis for the Company'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.

The list of material occupational risks is available on our intranet site. We update the lists of hazards and risks to factor in new inputs.

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 in line with the Russian regulatory requirements;
- training sessions, test alerts for different scenarios, and emergency response exercises, with EMERCOM and other services also taking part;
- Apatit's programme for developing gas and mine rescue fire-fighting and prevention activities for 2019–2021 (approved and ongoing).

Health and safety training programmes

PhosAgro Education Centre organises OHS training, including industrial safety pre-certification sessions, and drills in the Vysota training centre, to develop employee hands-on knowledge and skills.

All our employees, from managers to blue-collar staff, receive health and safety briefing and training as required by the Russian laws. On top of that, we offer a number of additional in-house courses.

Additional (thematic) training courses:

- safe operation of conveyors,
- job permits for electrical works,
- safe detection and elimination of misfires in the pit face of the Vostochny mine,
- signals used in underground blasting,
- briefing methodology, and others.

To improve the OHS training and remind employees about workplace safety, PhosAgro Education Centre developed animated videos on the following topics:

- movement of heavy-duty dump trucks along service roads of the Vostochny mine in adverse winter conditions;
- re-railing a derailed locomotive or railcar;
- response to misfires in the pit faces;
- safe operation of conveyors;
- moving around the site;
- cargo handling;
- safe behaviour in the vicinity of mine vehicles with various technical, design and operational characteristics.

Road traffic safety

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In 2019, we carried on with our efforts to ensure safety of passenger and cargo transportation, focusing, among other things, on bus transportation of our employees.

The steps taken include:

- GPS and GLONASS speed detection;
- monitoring compliance with safety rules for passenger pick-up / drop-off at Apatit and its branches;
- introducing speed limits and installing speed cameras at the most dangerous sections of the bus routes.

On top of that, we pay due attention to the safety of passenger transportation on-site.

- We introduced uniform parking rules at Apatit and its branches to prevent vehicle reversing accidents.
- The use of safety belts is mandatory for drivers and passengers when on-site.
- Road safety regulations are now part of the introductory safety briefing for our employees and contractors.
- We organised a training session on safe bus driving for drivers involved in employee transportation.

197

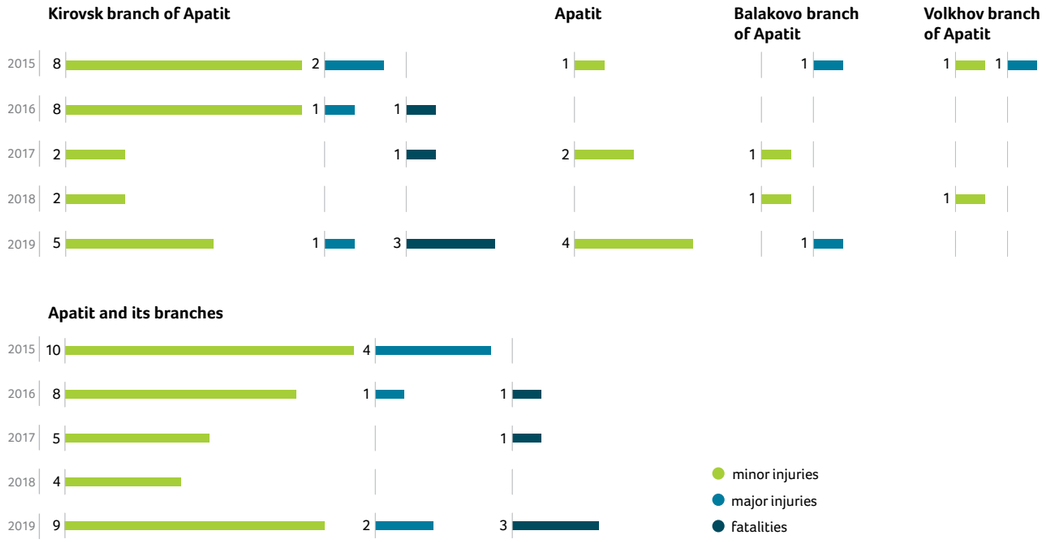
employees

attended workshops and hands-on training sessions in 2019

GRI 403-9

2019 HIGHLIGHTS[1]

Accidents



LTIFR per 1 million hours in 2019

Apatit	0.56
Kirovsk branch of Apatit	1.12
Balakovo branch of Apatit	0.48
Volkhov branch of Apatit	0

In 2019, 50% of accidents involving employees were due to falling from height or getting injured while moving.

LTIFR

Lost time injury frequency rate (LTIFR per 1 million working hours) in 2019	Total: Apatit Kirovsk branch of Apatit Balakovo branch of Apatit Volkhov branch of Apatit	0.75

The total number of man-hours used in LTIFR calculation is 18,567,299.61 and does not include the man-hours worked by contractor employees. Starting 2020, the Company plans to broaden the reporting scope and calculate LTIFR for contractor employees as well.

KEY EVENTS

In February 2019, Cherepovets hosted a health and safety conference for the Company's managers and OHS officers to discuss relevant initiatives.

PhosAgro delegation took part in the Russian Health and Safety Week, an international event to discuss and present the latest occupational health and safety trends, development prospects, and workplace healthcare initiatives. The event's organiser was the Russian Ministry of Labour and Social Protection.

The reporting year saw a public scrutiny system come into action. It involves OHS and employees of units and contractors.

The system envisages the following measures:
- implementation of an emergency notification system for hazardous situations and the actions of the Company's and contractors' employees;
- engagement of all employees in safety management;
- creating a safe working environment.

1. Based on the data on Apatit in-house staff (including standalone business units) and its branches

KEY PROJECTS

Apatit's programme for the development of gas and mine rescue, fire-fighting and prevention activities for 2019–2021

The program focuses on:
- improving training facilities and equipment of gas/mine rescue and fire-fighting units;
- enhancing the quality of hands-on training for young hires;
- ensuring compliance with gas, mine and fire rescue regulations and personnel training;
- re-equipping gas/mine rescue and fire-fighting units.

The programme's budget is

236.95 mln RUB

Achievements of 2019:
- **Relevant units' headcount increased.**
  - Branches' fire and gas rescue squads are fully staffed
- **Special equipment and machinery purchased**
  - Avtospectr Mobicom 2811DB – 02 emergency vehicles
  - Lada Largus vehicle
  - GAZ emergency vehicle
  - KAMAZ ATs 4.0-40 fire truck
  - MSA Auer GmbH AirMaXX breathing apparatuses
  - A fire-fighting and rescue simulator unparalleled in Russia.
  - The simulator is designed for drilling basic gas rescue and gas hazardous operations along with some other types of emergency activities, including search, rescue and fire extinguishing ones, operations in a confined space and at height, and the evacuation of the injured by specially equipped rescue teams as part of emergency response
- **Renovation of the gas rescue building completed** at the Volkhov branch
- **Personnel training carried out**
  - 103 employees (100% of the required number) passed certification to perform emergency rescue operations, including:
  - fire-fighting and emergency response supervision – 30 employees
  - search and rescue operations – 31 employees
  - fire-fighting rescue operations – 31 employees
  - gas rescue operations – 72 employees

In 2019, the spending amounted to

123.93 mln RUB

PEOPLE DEVELOPMENT

GOALS TO 2025:

Raising employee satisfaction and loyalty

to 65%

Increasing average annual training hours per employee

by 50%

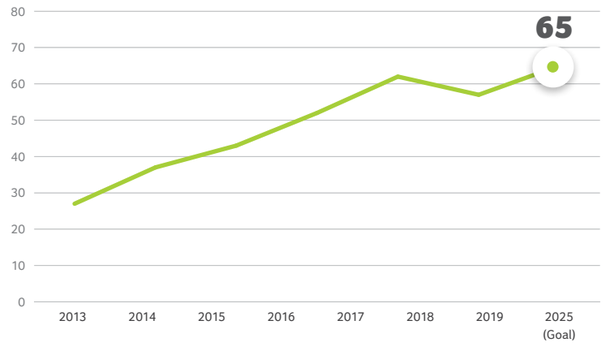
GLOBAL SUSTAINABLE DEVELOPMENT GOALS:

- 3 GOOD HEALTH AND WELL-BEING
- 4 QUALITY EDUCATION
- 8 DECENT WORK AND ECONOMIC GROWTH

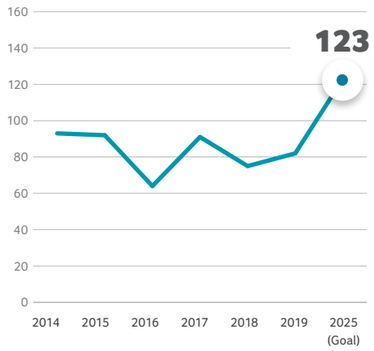
WE SEEK TO DELIVER ON OUR TARGETS BY RUNNING THE FOLLOWING PROGRAMMES:

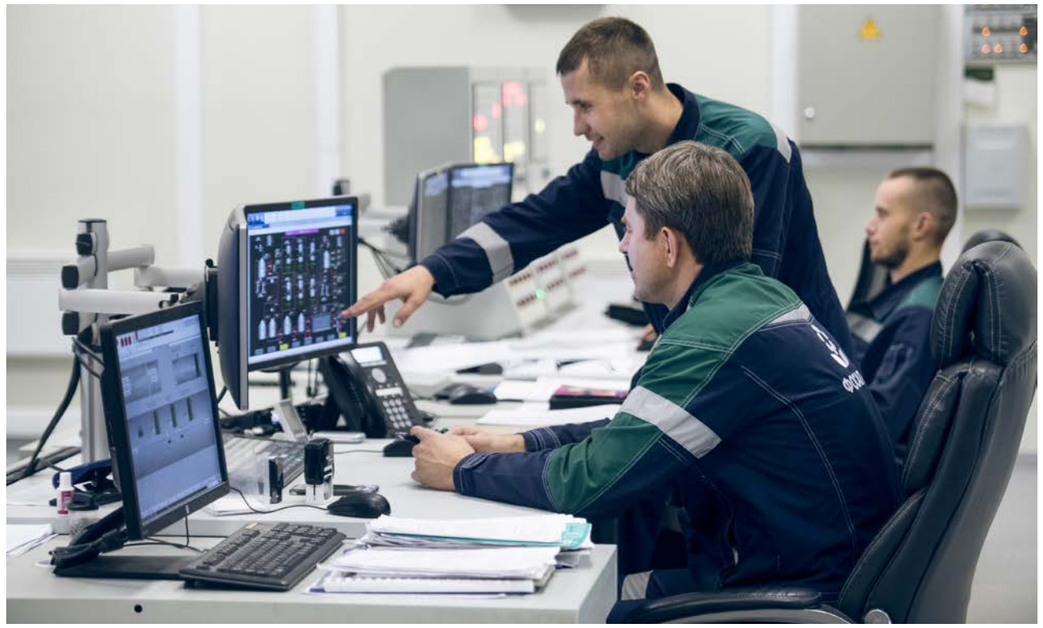
- Implementing a remedial action plan based on employee survey results
- Developing and implementing e-learning modules on blue-collar jobs, occupational safety, and managerial skills
- Developing and implementing online training courses on personal competencies
- Developing a system of corporate libraries, guidelines, and knowledge management at large

Employee loyalty and satisfaction index, %



Average annual training hours per employee (excluding paid educational leave hours)





INTEGRATED HR MANAGEMENT FRAMEWORK

Our HR management principles

As part of our employee value proposition, we offer:

- a chance to work for one of the world's largest companies;
- competitive and fair pay;
- professional and creative growth opportunities;
- a selection of training and retraining programmes;
- a discrimination-free working environment;
- a range of social benefits, and employee support and health programmes;
- a compelling employer brand;
- a comprehensive incentive programme aligned with the Company's goals;
- a framework for assessing each employee's individual contributions;
- a fair and robust framework for assessing people development;
- equitable remuneration and performance rewards.

In keeping with our commitment to generally accepted ethical business standards, we pay special attention to developing, implementing and overseeing employee social security programmes.

In November 2019, the Board of Directors approved a new version of the Company's Personnel Management Policy, introducing additional guarantees to protect human rights, ensure zero discrimination, and prevent child and forced labour. It also approved a transparency statement under the UK Modern Slavery Act.

We believe that a robust performance management system that covers all levels – from individual employees to the Company as a whole – is key to PhosAgro's continued growth in line with its goals and vision.

PhosAgro relies on talented, professional, and committed employees sharing our corporate values. They are the backbone of our success.

> 5,000

employees received additional human rights and corporate ethics training in 2019, which is set to continue in 2020

Recruitment

Our innovative recruitment process relies on the continuous monitoring of the labour market in Russia and beyond for skilled staff and efficient managers with experience at leading global companies, determined to excel in their roles and be one step ahead of the curve.

PhosAgro seeks to attract skilled staff and efficient managers and provide opportunities to fully unlock their potential.

We believe in the value of enduring relationships and reward long serving employees' loyalty and commitment, while also looking to attract and recruit young talent.

Our talent attraction and recruitment priorities:

- We cooperate with schools across our footprint to create a favourable environment for improving educational standards and providing targeted career guidance to final-year students.
- We cooperate with technical colleges in our regions of operation to create a pipeline of skilled employees with relevant competencies who are competitive in the labour market, understand related professions, and have what it takes to pursue career opportunities.
- We cooperate with universities to fill the most relevant jobs by attracting and retaining talented graduates.

If two or more candidates qualify for a job, we are more likely to pick the one who is either:

- a young talented professional (a programme for attracting, mentoring and training high-potential university graduates); or
- an employee included in our Talent Pool (a programme for those looking to develop professional and managerial competencies for career growth).

Non-discrimination policy and human rights

PhosAgro is committed to respecting employees' human rights as required by 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 its and its subcontractors' employees.

PhosAgro 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.

Open communication channels

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

Any employee or other stakeholder can use PhosAgro'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.

Code of Ethics

PhosAgro adopted a Code of Ethics in 2014 and updated it in 2018. It applies to all employees and is the Company's primary document for promoting its corporate culture. The Code clearly outlines all basic requirements for Company 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. Commitment to these principles consolidates the values of our Company to ensure 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.

2019 HIGHLIGHTS[1]

HR metrics

In 2019, the Company's headcount (at Apatit and its branches) averaged 10,882.

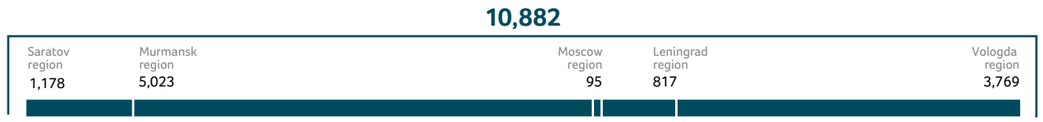
Most PhosAgro employees work on a full-time (99.93%) and permanent (94.18%) basis.

Average overall headcount of PhosAgro companies

17,484 people[2]

Company's headcount by region, *people*[1]

102-7
102-8



Company's average headcount for 2019

Employees by gender and age, %[1]

	Men	Women
Below 25	3.1	1.9
25–34	22.3	11
35–44	21.6	13.3
45–55	12.5	9.2
Above 55	3.1	2.1

Employees by category, %[1]

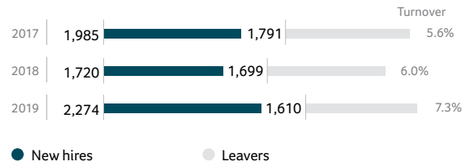
	Men	Women
Blue-collar workers	40.8	17.4
White-collar workers	11.5	17.0
Executives	10.3	3.1

Employees by education, %[1]

Secondary	13.1
Higher	49.0
Higher (unfinished)	0.4
Secondary vocational	17.0
Basic vocational	20.6

Key personnel turnover indicators, *people*[1]

401-1



1. To ensure compliance with the materiality principle and comparability with historical data, the data is disclosed only on Apatit, including its branches and standalone business units. The disclosure does not include information on other companies that are part of the group to which Apatit and PhosAgro belong. Starting with the 2020 reports, the scope of disclosure will cover all of PhosAgro Group employees.
2. Employees of all companies that are part of the group to which Apatit and PhosAgro belong.

GRI

PEOPLE DEVELOPMENT

Incentives and rewards

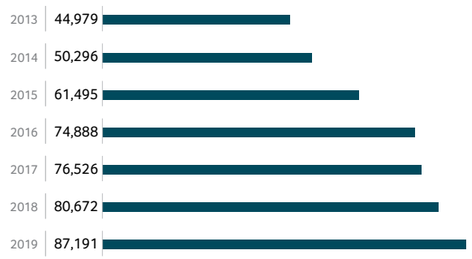
Our robust system of rewards is aligned with the Company's performance and motivates all employees to improve their performance in order to achieve our business goals.

It ensures:

- decent pay;
- implementation of incentive programmes using a transparent system of KPIs to calculate managerial rewards;
- implementation of incentive programmes for blue-collar target delivery;
- availability of financial and non-financial rewards;
- better quality of life and more creative opportunities for employees along with development of urban communities across the Company's footprint,
- availability of benefits for certain employee categories;
- adherence to global best practices on benefit packages.

202-1

Average monthly pay, *RUB*

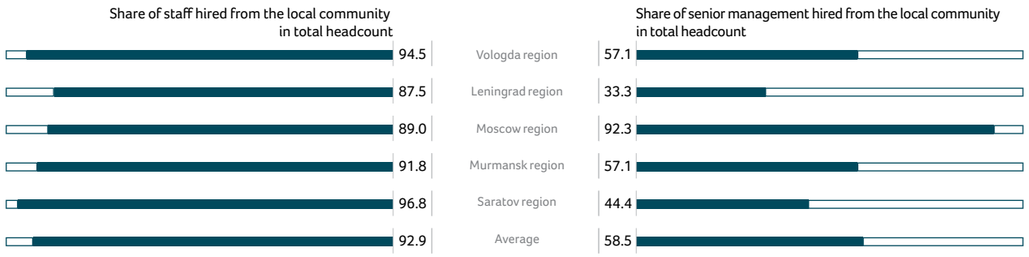


Ratios between the standard entry-level wage and the established minimum wage in the Company's primary regions of operation, including gender differentiation

Region	Men	Women
Saratov region	1.84	1.82
Murmansk region	1.31	1.21
Moscow region	4.31	3.36
Leningrad region	2.13	2.23
Vologda region	1.90	1.59

202-2
103

Staff and senior management (N–N-2) hired from the local community[1] at locations of significant operations as at 31 December 2019, %



The Company's key (significant) regions of operation are the Murmansk, Vologda, Leningrad and Saratov regions. Our aim is to work in line with their interests. As a major contributor to the local economies and one of the largest taxpayers in these regions, PhosAgro makes a significant impact on their social development, while also helping to preserve their environment.

1. Employees hired from local communities are those whose registration address matches the region where the company (branch, standalone business unit) of their employment is located.

Social benefits

Our sustainable development is closely linked to improving the well-being of our employees. The Group's social policy is implemented through targeted programmes and seeks to enhance individual and team motivation, while also providing our people with a competitive social package.

Our major social programmes:

Health and Leisure

The programme aims to strengthen our people's health, prevent occupational diseases, ensure a full rehabilitation and boost performance through healthy nutrition, recreation and fitness.

401-2

Improvement of Working Conditions

The programme aims to enhance labour productivity and operating culture, increase safety, optimise workplaces and streamline the approach to arranging working and amenity areas.

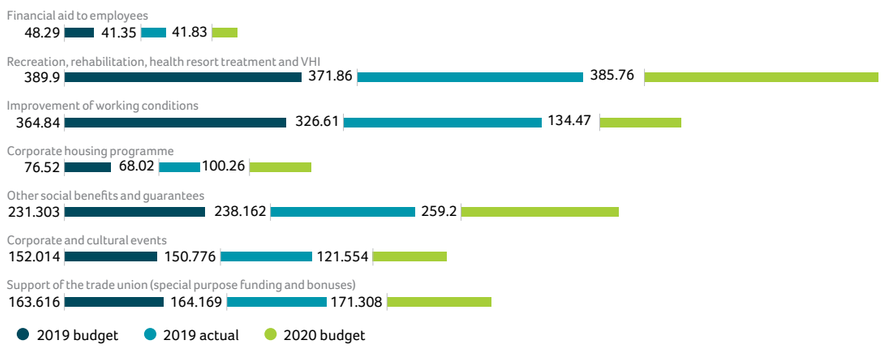
Corporate Housing Programme

The programme aims to improve living conditions of employees to attract and retain skilled talent and incentivise them to better their performance.

Social Benefits

The programme aims to ensure sustainable labour relations and social security and covers employee incentives and financial aid.

Social expenses, *RUB mln*



GRI

GRI

201-3

Coverage of defined benefit pension plan obligations, *RUB mln*

	Current value of employee benefit obligations (private benefit coverage for newly retiring employees)		
	Retirement-related obligations (other than employee benefit obligations)	**Actual pension payments, 2019**	**Total**
Vologda region	• Payment of retirement benefits	10.95	45.20
	• Merit benefit plans	16.57	
	• Financial aid to retired former employees	17.68	
Leningrad region	• Payment of retirement benefits	0.71	2.98
	• Merit benefit plans	0	
	• Financial aid to retired former employees	2.41	
Murmansk region	• Payment of retirement benefits	32.53	63.33
	• Merit benefit plans	0	
	• Financial aid to retired former employees	30.80	
Saratov region	• Payment of retirement benefits	0.81	2.98
	• Merit benefit plans	0	
	• Financial aid to retired former employees	2.17	
Total	• Payment of retirement benefits	45.00	114.49
	• Merit benefit plans	16.57	
	• Financial aid to retired former employees	53.06	

401-3

Return to work and retention rates of employees who took parental leave, by gender, *people*

	Number of employees on maternity leave and parental leave as at 31 December 2019		Number of employees on maternity leave and parental leave between 1 January 2019 and 31 December 2019		Number of employees who returned to work after maternity leave and parental leave between 1 January 2019 and 31 December 2019	
	men	**women**	**men**	**women**	**men**	**women**
Saratov region	0	22	0	41	0	14
Murmansk region	5	143	6	191	0	45
Moscow region	0	2	0	4	0	2
Leningrad region	0	32	0	44	0	11
Vologda region	1	189	1	263	0	64

103

Training and evaluation

We seek to attract skilled staff and efficient managers and provide opportunities to fully unlock their potential. Our focus on training and developing our people also helps us hedge against a potential shortage of talent at all levels. We are introducing the best educational and development practices, creating professional competency models, expanding online and distance learning opportunities and automating the entire HR management cycle to support PhosAgro's transformation into a completely new self-learning organisation. We strive to develop our internal communications, and make our training and assessment services as friendly and accessible as possible. There is a talent pool programme in place to encourage our people to grow professionally. We rely on a talent pipeline of staff with the potential to take on leadership and/or more technically challenging roles to ensure PhosAgro's long-term viability.

404-2

Our focus on training and developing our people also helps us hedge against a potential shortage of talent at all levels.

We use our PhosAgro Education Centre to help our staff prepare for both external (legislative/regulatory) and internal (related to optimisation, changes to production or business processes) changes. The Centre helps run our long-term HR initiatives, such as PhosAgro Classes, High-Potential Graduates and the Talent Pool programme, and it holds competitions for professional skills.

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.

In 2019, we started building a talent pool for senior executive roles and launched comprehensive training programmes in partnership with Skolkovo Moscow School of Management and International Management Institute LINK (the UK's Open University). The programmes help current and future managers expand their thinking, learn about new tools and approaches and put the best fitting ones into practice. More than 60 heads of business units completed the training course, including classroom modules, self-study using a variety of materials, and project-based learning under the mentorship of experienced business coaches.

Our corporate training framework relies on the following principles:

- clear alignment with the Company'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.

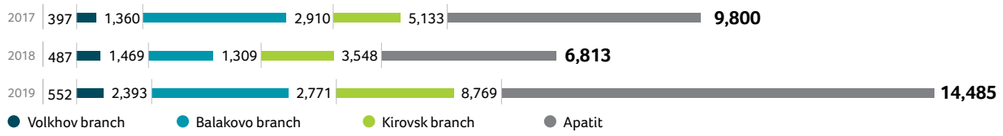
Retraining and development

We rely on a talent pipeline of staff with the potential to take on leadership and/or more technically challenging roles to ensure PhosAgro's long-term viability. Our focus on training and developing our people also helps us hedge against a potential shortage of talent in the future. One aspect of this that we prioritise is including schools, universities and our own staff programmes in our recruitment and training initiatives.

>60 managers

improved their professional skills in 2019 by completing courses in Russia's leading business schools

Number of attendances of professional training courses



GRI

GRI

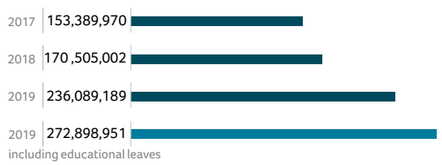
404-1

Total number of training hours

	2017	2018	2019 (excl. educational leave)	Average training hours per employee in 2019 (excl. educational leave)	2019 (incl. educational leave)	Average training hours per employee in 2019 (incl. educational leave)
Volkhov branch of Apatit	29,753	30,145	41,533	53.02	50,445	64.40
Balakovo branch of Apatit	82,558	81,399	92,531	78.52	108,443	92.03
Kirovsk branch of Apatit	425,829	313,125	365,680	72.82	414,104	82.46
Apatit	425,829	367,138	504,270	129.36	566,134	145.23
Total	963,969	791,807	1,004,014	92.26	1,139,126	104.68

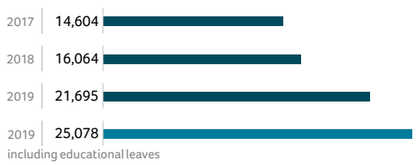
Training expenses, *RUB*

Training expenses



including educational leaves

Training expenses per employee



including educational leaves

Personnel evaluation

To assess HR management and make efficient decisions, we continuously monitor relevant metrics and analyse the structure of staff costs, labour productivity, along with the performance of social, training and other programmes.

404-3

Employees evaluated in 2019, *people*

	Kirovsk branch of Apatit		Apatit		Balakovo branch of Apatit		Volkhov branch of Apatit	
	Men	Women	Men	Women	Men	Women	Men	Women
Executives	212	10	52	3	4		10	1
White-collar workers	89	23	64	43			17	10
Blue-collar workers	16	3	18	6	2		11	1
Total by gender	317	36	134	52	6	0	38	12
Total	353		186		6		50	
Evaluated personnel, %	7,03		4,77		0,51		6,38	

KEY PROJECTS (SDG 4)

Investing in future talent

PhosAgro Classes and PhosAgro Schools

Launched in 2013, PhosAgro Classes are part of the Company's education and training programme to build a future talent pipeline by supporting young people in their journey through school and university education to employment. The project covers 10th and 11th graders in five schools across the Company's footprint and offers them advanced programmes in physics, chemistry, mathematics and computer science. On top of that, the PhosAgro Classes curriculum includes economics, management, ethics, leadership, career planning and other disciplines.

The project is run under social and economic partnership agreements between PhosAgro and local authorities, with similar arrangements made with participating schools:

- Vologda region: in Cherepovets, the project partners are Secondary School No. 10, which offers advanced programmes in all relevant subject areas, and Education Centre No. 29;
- Leningrad region: in Volkhov, the project partner is School No. 1;
- Saratov region: in Balakovo, the project partner is Secondary School No. 25;
- Murmansk region: in Kirovsk, the project partner is Secondary School No. 5;
- in Apatity, the project partner is Secondary School No. 15.

During the first stage, we improved the facilities and equipment available at the schools covered by the project. This included newly launched subject-specific classrooms equipped with interactive whiteboards, multimedia devices, tablets and other tools, along with cutting-edge lab equipment and other advanced IT technology now available to students and teachers.

Since 2013, the Company has invested over RUB 400 mln in PhosAgro Classes, including RUB 250 mln spent on renovations and equipment.

The benefits of PhosAgro Classes include a comprehensive career guidance programme, an opportunity to learn from teachers with advanced qualifications, and guest lectures by university academics. The course also features subject-specific festivals and workshops, university tours, and site visits to production facilities.

In 2018, taking the success of PhosAgro Classes further, we expanded the project scope to include all grades in the supported schools, not just final-year students, launching PhosAgro Schools. They provide career-related learning as early as in primary school and rely on greater funding from PhosAgro, with PhosAgro Classes still enjoying popularity among both students and parents as one of our key educational and career guidance projects.

In December 2019, Balakovo-based Secondary School No. 25 saw the opening of an R&D lab launched as part of the PhosAgro Schools project. The lab provides career exploration opportunities in the fields related to PhosAgro's operations, while using R&D to excite the students' interest in engineering and technical professions. It uses the STEAM education model to integrate science, technology, engineering, arts and mathematics as part of interdisciplinary learning. Its classrooms provide a learning space for students doing research in chemistry, mathematics, technology, robotics, computer science, modelling and design.

Students at PhosAgro Schools take part in the Career Guidance programme led by PhosAgro experts, who support their research and development efforts in the fields relevant to the Company's operations.

2019 highlights
2019 was a milestone year for our educational programme, with the first graduates of PhosAgro Classes since their launch in 2013 getting their university degrees and joining the Group.

In September 2019, a total of nine former PhosAgro Classes students joined the Group as employees, including five in Cherepovets, two in Balakovo and one in Volkhov and Kirovsk each. 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 27, 40 and 45 former PhosAgro Classes students in 2020, 2021 and 2022 respectively.

125 of 126 PhosAgro Classes 2019 graduates have been admitted to higher educational institutions, with the St Petersburg Mining University enjoying the most popularity among them (26 graduates). Technical courses were selected by 98 graduates, with 38 of them to study disciplines relevant to PhosAgro. Since 2015, a total of 575 graduates of PhosAgro Classes have been enrolled in higher educational institutions, with technical careers gaining more traction among them every year.

In September 2019, 130 new students started their 10th grade programme at PhosAgro Classes, marking the seventh admission round since the project launch. .

Collaboration with technical colleges
Since 2013, as part of its focus on nurturing talent from secondary schools to employment, PhosAgro has partnered with technical colleges across its footprint, including:

- Kirovsk branch of the Murmansk Arctic State University (Kirovsk, Murmansk region);
- Cherepovets College of Chemistry and Technology (Cherepovets, Vologda region).

These joint efforts 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.

In 2019, the first graduates of PhoAgro Classes joined the Group.

PhosAgro also supports a regional Training Centre at the Cherepovets College of Chemistry and Technology that offers express programmes in chemistry and associated fields to nurture talent for most in-demand jobs.

Collaboration with universities
We maintain strong relationships with universities as part of our commitment to improving access to quality education and supporting academic research.

To this end, PhosAgro has signed agreements with the following higher educational institutions::

- St Petersburg Mining University;
- Lomonosov Moscow State University;
- Ivanovo State University of Chemistry and Technology;
- Cherepovets State University;
- Mendeleev University of Chemical Technology of Russia;
- St Petersburg State Institute of Technology;
- Murmansk Arctic State University;
- other regional universities.

As part of collaboration with universities, PhosAgro:

- 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);
- invites students to see the industry in practice at one of the Group's many companies;
- offers students a job in one of the Company's popular specialisations after they graduate..

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. We offer programme recruits a competitive salary, as well as relocation and housing support, and we assign them a mentor upon their arrival at the Company.

The programme's key tasks are to build a talent pool for key positions within the Company and to identify career paths for young talented professionals to prepare future executives.

57
people

recruited by PhosAgro in 2019 through the High-Potential Graduates programme.

In 2019, PhosAgro recruited 57 young specialists through the High-Potential Graduates programme. This brought to 341 the total number of graduates who have joined the Company through this programme since its inception in 2012.

A total of 250 of these employees are still with PhosAgro today, pursuing careers in 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 2019, a total of 18% had received promotions and/or had been included in our talent pool. Many of them had successfully completed the projects assigned to them upon recruitment.

INTERNATIONAL PROJECTS

Collaboration with the International Union of Pure and Applied Chemistry (IUPAC): Summer Schools on Green Chemistry

Since 2018, PhosAgro has been a general partner of IUPAC's Summer Schools on Green Chemistry providing scholarships to young researches from developing economies. Over the course of two years, our total spending to support this project exceeded USD 30,000.

The second PhosAgro-supported Summer School on Green Chemistry operated in May 2019 at the University of Dar es Salaam in Tanzania as part of the International Year of the Periodic Table. The Company contributed more than USD 10,000 to the school's scholarship fund. The 2019 Summer School drew a broad audience of young scholars from emerging and transition economies. Of the 50 grant winners, 35 represented African countries.

The third IUPAC Summer School on Green Chemistry to be supported by PhosAgro is scheduled to open in July 2020 and will follow up on the outcomes of a symposium called Chemistry Addressing the UN-17 Sustainable Development Goals and held during the IUPAC Congress in July 2019.

PHOSAGRO WON TWO PRIZES AT THE 2019 AWARDS FOR RUSSIAN LEADERS IN CORPORATE PHILANTHROPY ADVANCING SUSTAINABLE DEVELOPMENT

Two of the Group's projects – PhosAgro Schools and Summer Schools on Green Chemistry – were honoured at the 2019 Awards for Russian Leaders in Corporate Philanthropy Advancing Sustainable Development.

The Awards are organised by the Donors Forum (a coalition of major grantmakers in Russia), the global audit and advisory services provider PwC, and the business newspaper Vedomosti to recognise the best charitable programmes and to promote corporate philanthropy in the business community and the broader society.

The PhosAgro Schools project won a second prize for the Best Corporate Social Investment Programme Targeted at Local Communities in Line With the Business Strategy and Sustainability Agenda – a category supported by the Russian Union of Industrialists and Entrepreneurs, while the Summer Schools on Green Chemistry won a third prize for the Best Partnership Programme Advancing Sustainable Development.

Overall, the Group ranked 22nd on the list of 40 Russian Leaders in Corporate Philanthropy, with a total of 65 major companies competing for the Awards in 2019.

"We are confident about the success of PhosAgro Schools and Summer Schools on Green Chemistry and are happy that the experts have appreciated them highly," said Siroj Loikov, Deputy CEO of PhosAgro. "PhosAgro Schools successfully address the shortage of qualified workforce to operate state-of-the-art facilities, while Summer Schools promote Green Chemistry and support young scientists from around the world."

GRI

103
413

SOCIAL INVESTMENT

We seek to help the regions where we operate to achieve sustainable growth, and contribute to the development of local communities through our value chain, employment opportunities, infrastructure improvements and social investment programmes.

To achieve our goal, we have outlined three key focus areas:

- Collaborating with regional and local government authorities to create modern social infrastructure (by providing new equipment to healthcare facilities, assisting in utilities development, building new and renovating existing sports and recreation facilities, etc.) across our geographies
- Developing and implementing projects for children and young people with a focus on education, career guidance, technology and engineering teaching, extra-curriculum education, cultural heritage and healthy lifestyle
- Providing support to vulnerable groups in terms of access to healthcare services, development opportunities and the aid they need

MANAGEMENT APPROACH

Our operations make a meaningful contribution to the national economy and local communities where we operate. PhosAgro's goal is to understand and manage the impact that we make and to create sustainable benefits for local communities, while also encouraging diverse and sustainable local economies.

Through our work, we have a significant impact on the development of local communities and society at large. Therefore, we must recognise that we have a duty to mitigate any negative impact and to support sustainable growth and development. Through the proactive and strategic involvement of stakeholders and communities, we can achieve a level of development that serves the interests of our local communities.

The Company carries out charitable activities based on public benefit priorities and opportunities to partner with regional and local government authorities, local communities and non-governmental organisations, educational institutions and other stakeholders.

The Company's charitable activities are carried out in line with its bylaws, the Federal Law On Charitable Activities and Charitable Organisations, and the Federal Law on Advertising.

Applicable Company bylaws:

- Codes of Ethics of Apatit and PhosAgro;
- Codes of Ethics of all companies managed by Apatit;
- Policies on Charitable Activities of PhosAgro, Apatit and the companies managed by Apatit;
- Rules for the Provision of Charitable Assistance by Apatit and the Companies Managed by Apatit;
- Regulations on Business Unit Interaction and Document Execution for the Provision of Charitable Assistance by Apatit and the Companies Managed by Apatit.

MANAGEMENT FRAMEWORK FOR CHARITABLE ACTIVITIES

Group level

Management Board and CEO	• The Management Board reviews and approves the company's annual charity budget and adjusts it as necessary • The CEO decides on the necessity and appropriateness of the Company's participation in individual charity projects and programmes, prepares relevant materials for the Management Board, and supervises work on the company's draft annual charity budget
Deputy CEO	• Leadership and coordination of activities related to charity, sponsorship and community investment
Office for External Communications	• Coordination of community projects and programmes • Raising the need for developing new bylaws • Administering all information on ongoing projects • Arranging public hearings and opinion surveys • Process management, etc.

Company level

Government Relations Department, Information Policy Department, HR and Social Policy Department (responsible for community investments of the Group companies) Within the limits of the charity and sponsorship budgets of the Group companies	• Coordination of counterparty relations • Project and programme management • Proposals to revise projects and programmes
Social Development Departments of the Group companies	• Administrative support through the project management system: – contract approval – transfer of funds – verification of beneficiary reports
Commissions for Social Issues and Charity at the Group companies Within the limits of funds allocated to the CEOs of the Group companies	• Review of new applications • Project paperwork and document verification, proposals concerning the provision of support within the limits of funds allocated to the Group companies

The budget for charitable projects is set annually as part of the overall budgeting process and is approved by the Company's Management Board.

In line with the Company's Policy on Charitable Activities, the main criteria for selecting projects are as follows:

- a project should aim to provide support to particular population groups, community organisations or charitable foundations;
- a project should not contradict the principles or requirements of the Company's policies or other bylaws;
- a project should not constitute a disguised payment for any service, act, omission, connivance, patronage, empowerment or provision of other unlawful benefits provided to the Company and/or its partners.

New projects are considered by the Company's Management Board in accordance with the procedure established by internal regulations.

Every year, the Management Board reviews the results of charitable activities and decides on whether or not to continue supporting a programme or a project.

New projects may be proposed for consideration in the following way:

- upon proposal of the Company experts with a view to creating favourable conditions in the cities where the Company operates (qualified personnel training, support for veterans' organisations, development of green spaces, animal conservation, etc.);
- following public hearings;
- based on agreements with regional and local government authorities;
- based on social surveys;
- following successful meetings between Company executives and representatives of community organisations.

Funding for new projects is subject to approval by the Management Board. The availability of partners (regional and local government authorities, non-profit organisations, etc.) plays an essential role in decision-making. The Company has set up its own office for external communications which is in charge of charitable activities administration.

PRIORITY AREAS FOR SOCIAL PROJECTS

By identifying priority areas, the Company is able to ensure that its funding will have maximum impact and benefit.

- Providing social support and protection, such as financial support to low-income households; social integration of the unemployed, people with disabilities, and other persons
- Promoting the patriotic, spiritual and moral upbringing of children and adolescents
- Supporting activities to prevent illness, protect public health, and promote health and physiological wellbeing
- Ensuring protection and conservation of buildings, sites and territories of historical, religious, cultural or environmental significance, including burial sites
- Promoting activities in the fields of education, science, culture, art and spiritual growth
- Promoting volunteering

COMMUNITY INVESTMENT PROGRAMMES

The majority of programmes are run in partnership with regional and local authorities as the government is the most reliable partner.

Some projects are implemented through independent non-profit organisations set up by government authorities and the Company.

At present, the planning horizon for charitable activities spans from one to two years. Each programme or project is overseen by a responsible manager assigned by internal regulations of the Group companies as all the Group's programmes are rolled out across the regions of our operation.

The following activities are carried out to evaluate the efficiency of programmes and projects:

- opinion surveys among external professional experts (beneficiaries and representatives of the civil society and government bodies, including local authorities);
- internal opinion surveys among the Company's executives of various levels and employees;
- evaluation of programmes and projects by managers in terms of their benefit and impact on the beneficiaries;
- public hearings in the cities where the Company operates;
- annual review of the results of charitable activities at a meeting of the Company's Management Board.

OUR KEY SOCIAL PROGRAMMES[1]

Educated and Healthy Children of Russia (DROZD)
Since 2003, PhosAgro has been successfully implementing DROZD, a unique multi-level educational support programme. It is distinctive in its integration of social projects within a single programme that covers all levels of education, from preschool to higher professional education, with the possibility of subsequent employment in the Company.

Our Favourite Cities
The mission of Our Favourite Cities programme implemented by PhosAgro since 2003 is to improve the quality of urban environment and promote sustainable development of the cities where we operate, including Kirovsk, Cherepovets, Balakovo, and Volkhov. To this end, PhosAgro has partnered with regional and local authorities, charitable foundations and non-governmental organisations and established its own non-profit organisations.

Use of funds:

- Highways, bus stops, power grids
- The Khibiny Airport
- Landscaping, conservation of monuments and architecture
- Constructing an ice stadium
- Clinics (purchase of equipment and apartments)
- Tirvas Sanatorium
- TV and LLC Teleset
- Holding and supporting city-wide holidays
- Competitions for city residents

Targeted assistance
Since 2003, we have been providing targeted assistance to vulnerable population groups. commissions for social issues and charity have been set up across the Group companies to consider new applications. The Group also partners with In the Name of Good charity foundation (Vologda Region), providing financial support for disabled children who need urgent treatment.

68
permanent clubs in place

203-1

5,681
kids study for free

203-2

>650
events across our geographies

413-1

9
students joined national youth sports teams

Cherepovets	• Harmony recreation and cultural centre, with some 400 pensioners as regular visitors • Annual aid to four non-governmental foundations • In the Name of Good charity foundation – treatment and rehabilitation funding, equipment purchase
Kirovsk	• Kukisvumchorr, Koashva, and Rodnik volunteer centres for pensioners and disabled people. Each centre hosted over 20 events involving 1,200 people in 2019 • Assistance to Great Patriotic War veterans and equal-status persons, children of war and home front workers (apartment renovations, holiday congratulations and gifts) • Annual aid to three non-governmental foundations
Balakovo	• Annual aid to three non-governmental foundations
Funds are also allocated to the CEOs of the Group companies to provide assistance to organisations of veterans and disabled people on an ad-hoc basis.	

1. For more information on social projects, please visit www.phosagro.ru.

Connecting generations

Since 2015, PhosAgro has been renovating and upgrading its on-site museums to transform them into cultural and educational centres featuring the latest technology. The Company also implements projects to repair and refurbish monuments, war memorials and surrounding areas.

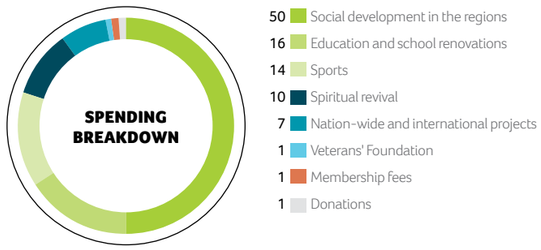
PhosAgro's museum facilities are not just tourist attractions, but also educational hubs in the cities and districts across our geographies.

All schools in our regions of operation hold classes at the Green Planet interactive educational centre and Apatit and PhosAgro-Volkhov museum and exhibition centres, where visitors of all ages can learn about the production of the Group's fertilizers. The core intention behind these centres is to foster environmental responsibility, spread interest in natural sciences, provide career guidance to young people, and promote the chemical industry.

Each month, up to 6,000 people visit the Group's museum and exhibition centre Apatit, with the total number of visitors in 2019 reaching 50,728. In 2019, the Cherepovets museum and exhibition centre received the national Best Practices in Children's Tourism Development award.

2019 HIGHLIGHTS

Total community investment and charitable giving in 2019, *%*



Spiritual revival

PhosAgro has been providing charitable assistance in building and rebuilding orthodox holy sites both in Russia and abroad, while also pursuing projects fostering long-standing cultural and spiritual values.

The Company has also revived a pre-revolutionary tradition of building on-site churches.

Cherepovets	• Mineral fertilizers are shipped to three churches on an annual basis • Seven churches receive assistance in repairing, and purchasing equipment • Assistance in maintaining three on-site churches
Kirovsk	• Three on-site churches have been opened and consecrated at the following sites: – Rasvumchorrsky mine, St Andrew church – Vostochny mine, St Nicholas church – ANBP No. 3, Great-Martyr and Unmercenary Healer Pantaleon church
Balakovo	• Church of the Life-Giving Trinity – restoration of the Old Testament Trinity historical mosaics • Construction of a gas boiler house in the Sunday School of this church
Volkhov	• The Church of St Andrew was constructed and consecrated

Bi-annually pilgrimages to visit the relics of St Nicholas in the Basilica of St Nicholas in Bari (Italy), dedicated to St Nicholas Day (120 people a year).

Promotion of sports

Since 2012, PhosAgro has been supporting non-profit organisations, which promote sports, tourism and healthy lifestyles.

Names of the sports organisations:
- Russian Olympians Foundation
- Russian Cross-Country Skiing Federation
- Moscow and Russian Rhythmic Gymnastics Federations
- Russian Chess Federation
- Partnership with World Chess Events Ltd.
- Russian Swimming Federation
- Avtodor Basketball Club
- Proton Volleyball Club
- Turbina speedway team
- Severyanka Volleyball Club
- Unifight

Structure of community, charity and infrastructure investment, *RUB mln*

Total community, charity and infrastructure investment	2,114.1	2,781.2[1]
including		
investment in community infrastructure	931.8	1,343.2
spending on community needs, charitable and social projects	1,182.3	1,438.0

2.9
bln RUB
Total community investment and charitable giving in 2019

This amount includes a one-time component of the value of the Cherepovets Chemical and Technical College facilities handed over to the local authorities, as well as PhosAgro-Region's expenses

1. Excluding the value of the Cherepovets Chemical and Technical College facilities handed over to the local authorities, as well as PhosAgro-Region's expenses

GRI

STAKEHOLDER ENGAGEMENT

102–40

One of the key aspects of the Company's responsible business conduct is interaction with stakeholders that is based on a systemic approach, joint efforts and a balance of interests.

It is our ability to understand and adapt to our stakeholders evolving needs and expectations that enables us to create a strong and sustainable company.

102–42
102–43
102–44

Management approach

Working in complex markets and geographies around the world and establishing relationships on regional, national and international levels, our activities are heavily regulated. The constantly evolving nature of both international regulations and national legislation may affect our business. Thus, we work hard to build relationships with people at all government levels in the countries where we operate and ensure that we comply with all applicable regulatory requirements.

We collaborate with a variety of external stakeholders in order to manage risks related to our work and to remain competitive. These partnerships enable us to create mutually beneficial opportunities.

In our engagement with our stakeholders, we strive to be constructive, honest and principled. We establish links with only those organisations and educational institutions that share our values and are actively involved in domains such as food security, sustainable agriculture and health.

INVESTMENT AND FINANCE COMMUNITY

Why we interact

- To facilitate an understanding of the long-term sustainability and potential value of PhosAgro
- To update investors on PhosAgro's strategic priorities and progress we have made
- To provide market participants with concrete indicators of progress, such as operational, financial and non-financial results
- 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
- 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

How we interact

- Roadshows
- One-on-one meetings with investors
- Investor conferences
- Conference calls on financial results
- Perception studies
- Ongoing engagement with analysts
- Regulatory press releases
- AGM and formal reporting
- Corporate website
- A dedicated in-house investor relations team
- The interests of our shareholders are represented by seven independent non-executive directors on the Board of Directors

Key activities in 2019

- The Investor Day and presentation of the Strategy to 2025 were held in London
- Fifteen investment conferences were attended and four non-deal roadshows with Company management conducted in key financial market centres (London, New York, Chicago, Frankfurt, Stockholm)
- Four conference calls and webcasts for analysts and investors were organised in order to discuss the Company's financial results
- More than 240 group and one-on-one meetings were held with investors and analysts
- 115 publications were made in line with Russian disclosure regulations via the Interfax Corporate Disclosure Centre
- More than 40 press releases were distributed via the UK regulatory news service

>240

meetings held with investors and analysts

REGIONAL GOVERNMENTS AND LOCAL COMMUNITIES

Why we interact

- To ensure that we act as a good neighbour
- To support the sustainable socio-economic welfare of the regions in which we operate
- To address community needs, including social or environmental concerns
- To promote the health and well-being of the communities where we operate
- To maintain an ongoing dialogue around government policies or potential regulatory changes that could affect our business
- To improve social infrastructure and implement partnerships with regional authorities

How we interact

- We implement environmental programmes
- We implement cooperation agreements with regional governments based on regional development needs
- We support social and sporting organisations
- We sponsor PhosAgro Classes and PhosAgro Schools to promote advanced chemistry education for schoolchildren
- We offer university scholarships and organise recruitment programmes aimed at encouraging children to study chemistry
- We implement the Healthy and Educated Children of Russia programme
- We encourage the development of sport in the regions where we operate
- We organise recreational activities for workers and their families
- Our employees are provided with free medical treatment, and we also fund medical infrastructure for residents of the regions in which we operate
- We encourage the development of cultural and spiritual awareness among the younger generation, educating them about Russia's history and traditions
- We run programmes to protect the socio-economic rights of veterans, and providing material assistance to World War II veterans and members of their families

Key activities in 2019

- Holding environmental events in the regions of operation, including community cleanups, Golden Fish and Clean Coast campaigns, and others.
- Signing cooperation agreements between PhosAgro and the governments of the Saratov, Leningrad, and Vologda regions
- Signing the cooperation agreement between the Russian Ministry of Natural Resources and Environment, the Federal Service for Supervision of Natural Resources, the Government of the Vologda Region and PhosAgro as part of the efforts under the Comprehensive Plan to Reduce Pollutant Emissions in Cherepovets
- Providing scholarships to students studying at universities specialised in chemistry
- Offering guaranteed employment for students with degrees in chemical production
- Hiring participants of the High Potential Graduates programme and the first graduates of PhosAgro Classes
- Opening an R&D lab at Balakovo's Secondary School No. 25 as part of the school ongoing renovation
- Launching an interactive library at PhosAgro School No. 1
- Holding events to mark the Chemist's Day across the Company's footprint
- Hosting the Growth Energy: Apatit – 90! (Apatity city), PhosAgro's social programmes festival
- Holding the Khibiny sports festival (Kirovsk–Apatity), supporting the Khibiny Spring national skiing competition, sponsoring the White Rook national chess tournament
- Supporting local professional sports clubs including Proton-Saratov volleyball club, Avtodor basketball club, Turbina speedway club, etc
- Refurbishing mass graves of soldiers and civilians who died during the Great Patriotic War in Mistolovo village (Leningrad Region) and the city of Volkhov
- Presenting gifts and financial assistance and arranging festivities for veterans of the Great Patriotic War, former company workers, on the occasion of the 9 May Victory Day
- Holding a tree planting event at Balakovo's Alley of Glory to celebrate the 75th anniversary of victory in WWII, sponsoring Sunday schools in Balakovo
- Opening Apatit Arena – a sports and fitness centre in Kirovsk. The projects was completed with support from the Murmansk Region government under a social and economic partnership agreement between the Murmansk Region government and PhosAgro

Cooperation agreements signed with the governments of the Saratov, Leningrad, and Vologda regions

INTERNATIONAL ORGANISATIONS

Why we interact

- To address community needs, including social or environmental concerns
- To discuss the most important issues from experts' point of view
- To develop a common strategy and tactics and to unite in the effort to overcome global challenges
- To review performance
- To identify priority issues and areas of focus for current and future periods

How we interact

- Active participation in the work of global, national and regional organisations and industry associations
- Implementation of common programmes
- Support of major national, regional, and international initiatives promoting sustainable development goals

Key activities in 2019

Davos 2019 World Economic Forum
PhosAgro is a permanent fixture in the forum (Metals&Mining panel)

International Year of the Periodic Table (IYPT 2019):
PhosAgro was the official partner of the International Year of the Periodic Table 2019 and the main sponsor of the IYPT 2019 opening ceremony at UNESCO headquarters

We supported scientific conferences, thematic exhibitions, and competitions for young scientists:
- the IYPT 2019 launching ceremony in Russia at the Russian Academy of Sciences;
- the 29th Mendeleev Workshop and Conference for young researchers held at the Ivanovo State University of Chemistry and Technology;
- the 47th IUPAC World Chemistry Congress;
- the 21st Mendeleev Congress on General and Applied Chemistry.

Sustainable soil management project implemented jointly with FAO:
The Regional Soil Laboratory Network (RESOLAN) for Africa (AFRILAB) was launched in Nairobi (Kenya) and hosted a technical seminar for representatives from national labs.

Green Chemistry for Life, a joint programme by PhosAgro, UNESCO and IUPAC

Young scientists received research grants for green chemistry innovations at the sixth awards ceremony at UNESCO Headquarters, which was timed to coincide with the World Science Day for Peace and Development.

IUPAC Summer School on Green Chemistry
PhosAgro is the school's official partner in Africa.

The second Summer School on Green Chemistry was held at the University of Dar es Salaam in Tanzania.

United Nations Global Compact
The UN named PhosAgro as a Global Compact LEAD company for its commitment to corporate social responsibility and sustainable development.

International Fertilizer Association (IFA)
PhosAgro was awarded the Gold Medal as Industry Stewardship Champion at the 2019 IFA Strategic Forum in Versailles.

PhosAgro was assigned Global Compact LEAD status

EMPLOYEES AND TRADE UNIONS

Why we interact

- To promote a corporate culture that is aligned with PhosAgro's strategic goals
- To ensure employee satisfaction and motivation
- To guarantee appropriate social welfare for our current and retired employees
- To maintain an open dialogue with trade unions and employees
- To use human resources responsibly and effectively
- To provide our employees with the opportunity for professional advancement

How we interact

- We negotiate collective agreements with trade unions that cover issues such as working conditions and compensation for employees at each of our production enterprises (usually for a three-year period, covering 100% of the employees of Apatit, its branches and standalone business units))
- We involve trade unions in the development of PhosAgro's workplace health and safety programmes
- We collaborate extensively with trade unions on cultural and sporting events, workplace health and safety committees, on the nomination of workplace health and safety representatives, and on our health and safety workshops
- We implement employee development programmes, including our Talent Pool Programme
- We conduct employee surveys, make presentations and bulletin boards, and run an intranet site and corporate newspaper
- We hold meetings with general directors of production sites and management responsible for social and HR issues together with trade union representatives
- We have a whistle-blower hotline, email addresses for complaints and telephone hotlines for inquiries and social issues and also for reporting violations

Key activities in 2019

- Standing commission in place for collective bargaining
- Charity festivals and social projects in the cities hosting our production sites
- Annual tenders to select social service providers
- Corporate Sports Games (Spartakiads)
- Dad, Mum and I – a Sporty Family contests to promote healthy living
- Programme to improve social and working conditions under the auspices of social services and trade unions
- Z.I.M.A. corporate youth winter festival
- Annual events to mark the Day of Older Persons
- Paid health resort tours for employees of pre-retirement age and working pensioners in line with the new requirements of the pension legislation
- Surveys to assess the quality of children's summer vacations, health resort rehabilitation, dietary and medical meals, and children's New Year's gifts.
- Monthly information sessions for employees and other employee communications

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A regular dialogue is maintained with employees, trade unions and the management

BUSINESS PARTNERS: CUSTOMERS

Why we interact

- To provide agricultural producers with high-quality mineral fertilizers at competitive prices
- To preserve the health of future generations and soil fertility by using environmentally friendly mineral fertilizers
- To establish business partnerships built on mutual trust and respect
- To ensure a shared understanding of obligations and expectations from the partnership
- To ensure sustainable growth of sales markets
- To increase crop yields in Russia and abroad by developing complex nutrition systems and efficient farming practices
- To promote the responsible and rational use of mineral fertilizers, i.e. green agriculture

How we interact

- Continuous communication with customers – farmers, distributors and business partners, including those in related areas – in both the domestic and international markets
- Development of in-house agronomic service
- Partnerships with research institutes
- Development of new solutions to meet market needs
- Membership in industry organisations such as the International Fertilizer Association and the Russian Association of Fertilizer Producers, and hosting joint events with them

Key activities in 2019

- Participation in industry exhibitions, holding events for customers in Russia and abroad, including eight Russian and six international exhibitions; four Field Days at the company's field trial stations, two Field Days abroad; and two agricultural conferences
- Start of ecolabel design for Russian-made mineral fertilizers, first in kind in Russia
- PhosAgro's new product concept: 39 fertilizer grades grouped into five product categories based on form, type, ingredients and purpose
- Development of Russia's first pilot online platform to purchase mineral fertilizers (to be fully launched and expanded in 2020)
- Advertising portfolio expansion
- New presentation materials for clients, including a brochure describing trial results for various nutrition systems and a booklet with fertilizer samples

Ecolabels for mineral fertilizers – the first ever in Russia

BUSINESS PARTNERS: SUPPLIERS AND CONTRACTORS

Why we interact

- To optimise procurement procedures with emphasis on greater efficiency and transparency
- To create a level playing field for all prospective contractors through uniform requirements and fair bid evaluation.
- To establish long-term relationships with suppliers

How we interact

- Participation in conferences and exhibitions, holding meetings and negotiations
- Procurement announcements
- Compliance with the Company's Code of Ethics

Key activities in 2019

- Implementation of a project to improve efficiency of procurement. Development and launch of the Online Tender Committee. Launching a single sign-on solution for checking inventories
- Revision of supplier social responsibility clause to include prohibition of forced labour and modern slavery
- Drafting a procurement plan for the current year and placing it an online bidding platform
- Participation in the Technology and Equipment for Sulphuric Acid Manufacturing international conference and exhibition Learning the principles of equipment layout at production facilities, including various approaches and reporting
- Implementing a project to review and update procurement by-laws

Improved efficiency of procurement

GRI

SUPPLY CHAIN AND PROCUREMENT

Procurement

PhosAgro places special emphasis on making its procurement activities transparent and ensuring fair competition and equal conditions for all suppliers of equipment, materials and services. We seek to build strong, trustful and mutually beneficial relationships with our partners in compliance with the applicable laws, regulations, industry standards, contractual and other obligations.

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102-9

Procurement principles

As set out in the relevant policy of Apatit, the Company's procurement activities rely on the following principles:

- Be legitimate, competitive, and transparent
- Factor in the requirements for specifications, quality, customer service, delivery terms, reliability, eco-friendliness and total cost of ownership, along with legal and social matters pertaining to the equipment and materials sourced
- Use the best-fitting, sustainable business solutions
- Protect the Company's reputation
- Comply with the Company's existing procedures and best practices

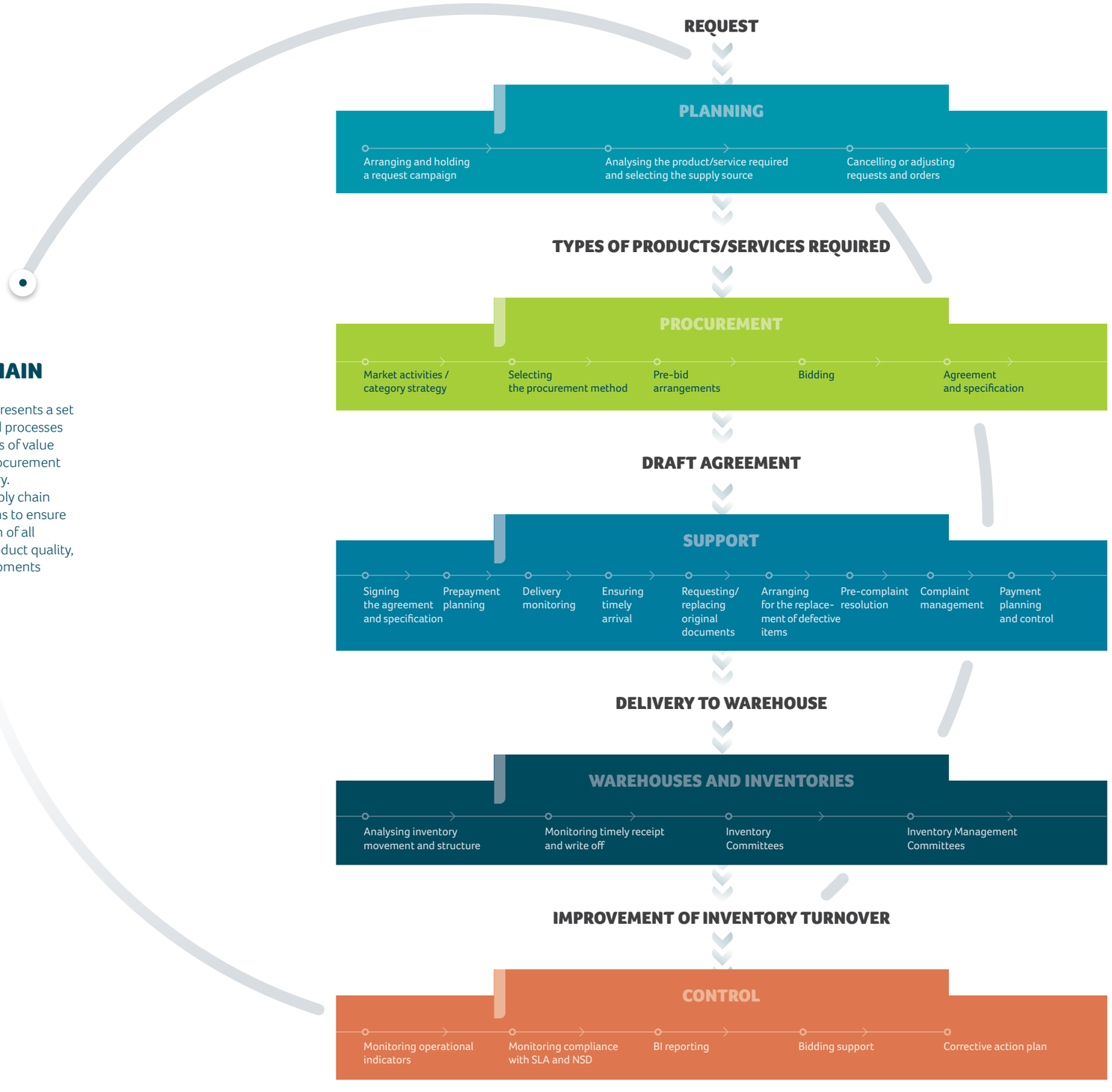
Committed to fighting corruption, PhosAgro adheres to the Anti-Corruption Charter of the Russian Business. We are making reasonable efforts to minimise risks of doing business with partners that might be involved in fraud and/or corruption.

In furtherance of our Anti-Corruption Policy, we establish and maintain business relationships with companies that operate in a bona fide manner, care about their own reputation, show commitment to high ethical standards, combat corruption, and take part in joint anti-corruption initiatives in accordance with article 13.3 of the Federal Law On Combating Corruption.

In line with the Company's approved Code of Ethics published at www.phosagro.com, the Company may refuse to cooperate with suppliers or business partners discriminating their own or subcontractors' employees or using forced labour.

SUPPLY CHAIN

Supply chain represents a set of interconnected processes covering all stages of value creation, from procurement to product delivery.
At PhosAgro, supply chain management aims to ensure smooth operation of all facilities, high product quality, and seamless shipments to customers.



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Procurement methods
Corporate procurement is a competitive process, with a dedicated commission put in charge of organising tenders for equipment, materials, petroleum products and services. For this purpose, the Group uses an online bidding platform, which meets all applicable requirements set by the Russian laws. We arrange for and hold tenders with a view to achieving a greater procurement efficiency and transparency, creating a level playing field for all prospective contractors, setting uniform requirements, and ensuring fair bid evaluation.

Service tenders in 2019

Tenders in 2019		Apatit	Balakovo branch of Apatit	Volkhov branch of Apatit	Kirovsk branch of Apatit
Corporate and other services	No. of tenders	47	4	2	20
	Amount, RUB mln	473.0	63.0	97.0	112.0
Transportation, incl. rail	No. of tenders	22	9	5	8
	Amount, RUB mln	1,208.0	83.0	122.0	197.0
Maintenance and repairs	No. of tenders	63	47	39	106
	Amount, RUB mln	3,201.0	485.0	227.6	1,796.0
Capital construction	No. of tenders	85	78	51	160
	Amount, RUB mln	13,132.0	775.0	5,768.0	3,218.0
TOTAL	No. of tenders	217	138	97	294
	Amount, RUB mln	18,014.0	1,406.0	6,214.6	5,323.0

Foreign vs domestic contracts in 2019

Company	Foreign	Domestic	total
Apatit	1,925.1	50,047.7	51,972.8
Balakovo branch of Apatit	255.2	10,960.9	11,216.1
Volkhov branch of Apatit	218.6	5,413.6	5,632.2
Kirovsk branch of Apatit	1,421.7	19,958.5	21,380.2
Total	3,820.6	86,380.7	90,201.3

GRI 204-1

Procurement from local businesses[1] in 2019, *RUB mln*

Company	Other suppliers	Local suppliers	total
Apatit	37,101.5	14,871.3	51,972.8
Balakovo branch of Apatit	10,049.8	1,166.3	11,216.1
Volkhov branch of Apatit	4,393.6	1,238.5	5,632.2
Kirovsk branch of Apatit	19,950.4	1,429.8	21,380.2
Total	71,495.5	18,705.8	90,201.3

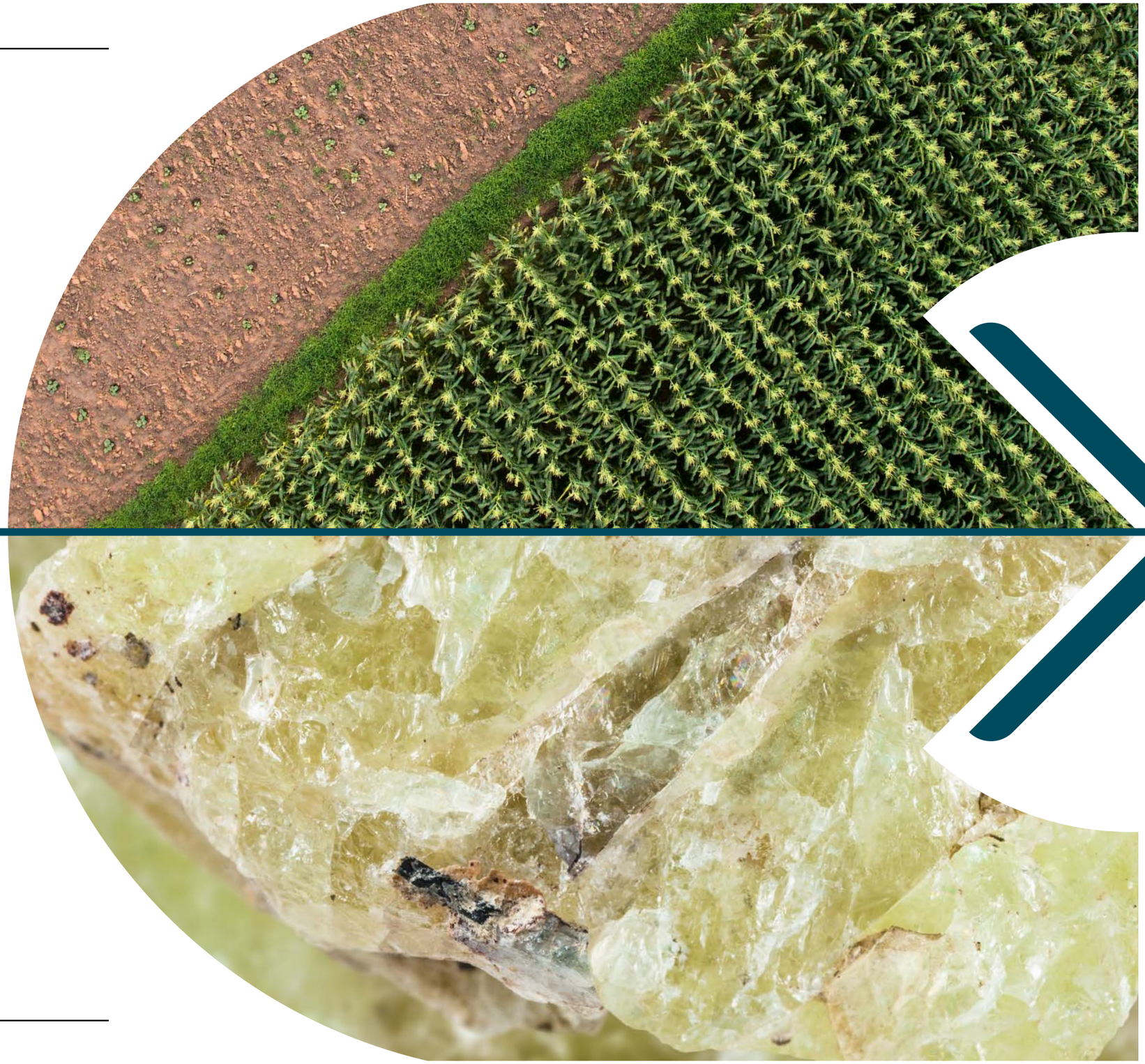
SME procurement in 2019, *RUB mln*

Company	SME procurement, RUB mln	Other suppliers	total
Apatit	19,783.2	32,189.6	51,972.8
Balakovo branch of Apatit	3,120.3	8,095.7	11,216.1
Volkhov branch of Apatit	1,715.6	3,916.6	5,632.2
Kirovsk branch of Apatit	8,094.3	13,285.9	21,380.2
Total	32,713.4	57,487.9	90,201.3

1. Local businesses – organisations and individuals that are registered in the same constituent entity of the Russian Federation (significant location of operation) as the production facility that is the recipient of the procurement. The Company's significant locations of operation are Murmansk, Vologda, Leningrad and Saratov regions.

CORPORATE GOVERNANCE

LEADERSHIP IN SUSTAINABLE DEVELOPMENT MANAGEMENT



In February 2019, PhosAgro joined the Global Compact Network Russia. In pursuance of its mission, the Company has been contributing to two platforms: Business Reporting on the SDGs and Health is Everyone's Business.

In September 2019, PhosAgro was included in Global Compact LEAD, a group of around 30 global corporations that have achieved the best results in corporate social responsibility.

GRI

CORPORATE GOVERNANCE FRAMEWORK

102-16
102-18

PhosAgro is a public company, whose shares are included in Moscow Exchange's Level 1 quotation list, and whose depositary receipts are traded on the London Stock Exchange. The listing of securities on Russian and foreign stock exchanges imposes stricter requirements to corporate governance.

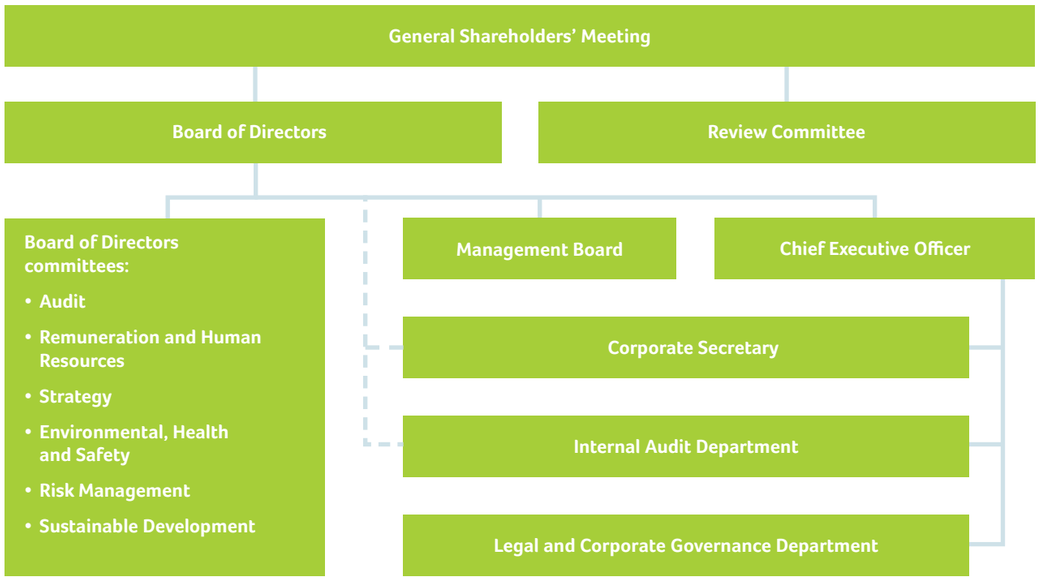
The Company's corporate governance framework relies on the principles and recommendations set forth in the Bank of Russia's Corporate Governance Code, other relevant requirements of the regulator (Bank of Russia), the Listing Rules of the Moscow and London stock exchanges, and the Global Reporting Initiative (GRI) disclosure standards.

The Company is constantly developing its corporate governance framework to improve its internal efficiency and external competitiveness, which includes improved perception of corporate governance practices by stakeholders. One of the criteria to assess corporate governance maturity is the degree to which it complies with the recommendations of the Bank of Russia's Corporate Governance Code.

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 Charter and other bylaws of the Company.

CORPORATE GOVERNANCE STRUCTURE



OUR PRINCIPLES

Accountability
The Board of Directors is accountable to PhosAgro's shareholders for formulating and implementing the Company's long-term strategy, setting control points for, and the assessment of, management performance. Executive bodies report to the Board of Directors and the General Shareholders' Meeting.

Equality
PhosAgro's corporate governance framework is designed to ensure equitable treatment and protect the rights of all shareholders. The Board of Directors provides timely support to every shareholder should their rights be violated. The Company prevents any discrimination on the basis of gender, colour or religion. We strive to give equal opportunities to every employee. At PhosAgro we believe that professionalism, sustainably strong performance and adherence to corporate values are the necessary and sufficient conditions that guarantee promotion and career advancement.

Transparency
PhosAgro ensures a reliable and adequate disclosure of, and free access, to the information relating to its operations, such as financial updates, social and environmental indicators, ownership structure and corporate governance.

Responsibility
The Company's material decisions affect a wide range of stakeholders including its employees and their families, local residents, shareholders, investors, government agencies and non-governmental organisations. We respect the rights and interests of the above stakeholders and are strongly committed to protecting them to the fullest possible extent. We also keep looking for ways to foster communication and collaboration with all stakeholders.

https://phosagro.ru/upload/iblock/c0d/c0d09d91657a2a4cca4b50c55db795de.pdf

https://phosagro.ru/upload/iblock/64d/64d8bd7a93664921b15c71d630372238.pdf

GENERAL SHAREHOLDERS' MEETING

The General Shareholders' Meeting is the Company's highest governing body. The meetings are convened by the Board of Directors at least once a year. The Annual General Meeting takes place between 1 March and 30 June. For more information, see the Regulation on the General Shareholders' Meeting.

In May 2019, the Annual General Shareholders' Meeting was held in the form of joint presence to elect a new Board of Directors and Review Committee, determine the Board of Directors' remuneration, distribute the 2018 profit, including dividend payouts, and resolve on other matters within the its remit. The reporting year also saw three extraordinary General Shareholders' Meetings whose main agenda item was a vote on interim dividends.

RESPECT FOR SHAREHOLDERS' RIGHTS

One of the Company's priorities is strict compliance with corporate laws, the regulator's recommendations and best practices for minority shareholders' protection.

We acknowledge the shareholder right to prepare for a meeting in advance. To this effect, we provide timely and unimpeded access to meeting details and materials, both for the previous and upcoming meetings, at the General Shareholders' Meeting section of the corporate website. We also give our shareholders an opportunity to email their questions to the executive bodies and the Board of Directors to the dedicated addresses available in the Corporate Secretary and the General Shareholders' Meeting sections of the corporate website: ks@phosagro.ru and osa@phosagro.ru (for questions on the General Shareholders' Meeting). The materials comprise a meeting notice indicating contact phone numbers and the place where the meeting materials are available for review.

Starting from 2019, the annual meeting materials also specify the person who put forward an agenda item or a candidate to the Board of Directors. Besides, if the general meeting is to discuss net profit distribution, the materials must include rationale for the proposed distribution and the Board of Directors opinion on whether the proposal complies with the dividend policy and reflects the Company's current financial standing. In line with the best practices, the Company provides the shareholders authorised by law with access to the list of persons entitled to participate in the general meeting at any time, from the preparation of the list to the end of the meeting.

BOARD OF DIRECTORS

In 2019, the Board of Directors held 8 meetings and reviewed 70 matters.

https://phosagro.ru/upload/iblock/954/9546a6b923a72288a37e74c18853a30f.pdf

Full name	Irina Bokova	Andrey A. Guryev	Andrey G. Guryev	Sven Ombudstvedt[1]	Natalia Pashkevich	James Rogers	Marcus Rhodes	Mikhail Rybnikov[1]	Xavier Rolet	Andrey Sharonov
Year of birth	1952	1982	1960	1966	1939	1942	1961	1975	1959	1964
Board of Directors	8/8	8/8	8/8	8/8	8/8	8/8	8/8	8/8	7/8	7/8
Audit Committee				5/5		5/5	5/5			4/5
Strategy Committee		2/2	2/2	2/2				2/2		
Remuneration and Human Resources Committee	4/4					4/4				3/4
Risk Management Committee		3/4		2/4				2/4	4/4	
Environmental, Health and Safety Committee		2/3			2/3			3/3		
Sustainable Development Committee	2/2							2/2		2/2
Key competences										
Strategy		√	√	√				√	√	
Finance and audit		√		√		√	√	√	√	√
Chemistry and mining engineering		√	√	√	√			√	√	
Environment, health and safety	√	√						√		
Human resources	√		√		√	√				√
Law and corporate governance						√	√		√	√
Risk management						√			√	

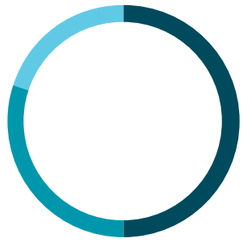
[1] Sven Ombudstvedt became member and Chairman of the Risk Management Committee on 24 May 2019. Mikhail Rybnikov was member of the Risk Management Committee until 24 May 2019.

CHAIRMAN OF THE BOARD OF DIRECTORS

In May 2019, Sven Ombudstvedt stepped down as Chairman of the Board of Directors, a role he had held since 2011. Mr Ombudstvedt contributed greatly to the Company's development, working tirelessly to drive the Company forward and deliver its strategy to 2020. Under his leadership, the Company was able to upgrade its production capacities and make them more efficient and environmentally friendly. Sven Ombudstvedt's top priority as the Chairman of the Board of Directors was to ensure full compliance with the Board's key operating principles, including accountability, transparency, responsibility and equality. It is thanks to his efforts that the Company has integrated sustainability principles and goals into its strategy and day-to-day operations.

He passed his chairman's baton to Xavier Rolet, former CEO of the London Stock Exchange Group. Prior to his appointment Xavier Rolet had chaired the Risk Management Committee of the Board of Directors. Committed to the Company's values, Xavier Rolet sets great store by improvements made by his predecessor. In his new role, he is going to focus on organic growth, diligent implementation of the investment programme, continued sustainable development and innovations, which are key to adding value to the Company.

Board of Directors: period of service %



<3 years	50
4–7 years	30
>7 years	20

Board of Directors: key competencies %

Strategy	19
Finance and audit	19
Chemistry and mining engineering	19
Environment, health and safety	15
Human resources	11
Risk management	11
Law and corporate governance	7

ROLE OF INDEPENDENT DIRECTORS

Starting from 2011, when the Company established the Board of Directors, the number of independent directors and their authority have been steadily growing. 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 Russia (38% according to Spenser Stuart research in 2019) and at par with the best global practices. Independent directors chair five of the six Board committees.

They 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.

Board of Directors nominees and members are assessed against the independence criteria set out in the Regulation on the Board of Directors and the Moscow Exchanges rules. The assessment is performed twice a year by the Remuneration and Human Resources Committee. In 2019, the Board of Directors' special resolution recognised the independence of two directors, Sven Ombudstvedt and Marcus Rhodes, even though they met the formal criterion of being affiliated with the Company (an 8-year tenure on the Board of Directors).

ONBOARDING OF NEWLY ELECTED DIRECTORS

Despite the fact that there were no changes in the Board composition in 2019, the Remuneration and Human Resources Committee updated the Onboarding Programme for New Board Members. This is done annually to provide them with an effective tool to gain an insight into the Company's operations. As part of the onboarding programme, newly appointed directors visit the Company's production sites and meet with functional managers. In August 2019, for example, the members elected to the Board of Directors in 2018 visited PhosAgro sites in Kirovsk and Apatity (Murmansk region) where, apart from learning about the Company's key asset, they took part in the celebrations of the Miner's Day.

PROFESSIONAL DEVELOPMENT AND TRAINING OF THE BOARD OF DIRECTORS

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 the Company 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;
- risk management;
- current legislative and stock exchange requirements;
- Board operation trends in Russia and abroad.

The assessment held in 2019 identified another focus area for the Board of Directors, which is cyberrisks and cybersecurity. To meet this need, the Company engaged one of most reputable companies in this domain to conduct a training workshop for the Board of Directors and the top management in May 2019. On top of that, 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.

COMPOSITION OF THE BOARD OF DIRECTORS

An external assessment of the Board's performance and an annual self-assessment show that its composition is fully balanced. In 2019, there were no changes in the Board of Directors composition. However, there were significant changes to its committees in May 2019, with a new Sustainable Development Committee set up by the Board of Directors. These measures gave a significant boost to the Board of Directors' performance.

Board of Directors: independence %

Independent	70
Executive	20
Non-executive	10

Board of Directors: place of residence %

Russia	50
Europe	40
USA	10

Board of Directors: gender split %

Men	80
Women	20

Board of Directors: age %

50–60	50
60+	30
40–50	10
Under 40	10

BOARD OF DIRECTORS

Information on Members of the Board of Directors

XAVIER ROLET

CHAIRMAN

Title	**Independent director**
Year of election	**2018**
Equity interest / Stake of ordinary shares	**None**
Date of birth	**12 November 1959**
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
1994 – 1996	**Credit Suisse** Managing Director
1997 – 2000	**Dresdner Kleinwort** Managing Director
2000 – 2007	**Lehman Brothers (New York and London)** Senior Executive
2007 – 2009	**Banque Lehman Brothers S.A. (France)** CEO
2009 – 2017	**London Stock Exchange Group (LSEG)** CEO
2011 – Present	**Columbia Business School** Member of the Board of Overseers
2013 – 2017	**HM Treasury** Member of the Financial Services Trade and Investment Board
2014	**European Securities and Markets Authority (ESMA)** Member of the Securities and Markets Stakeholder Group
2014 – 2017	**Bank of England** Governor's Financial Services Forum
2017 – 2018	**London Stock Exchange Group (LSEG)** Advisor
2017 – 2019	**Department for International Trade (London)** Member of the Committee of Expert Advisors
2018 – 02/2019	**Verseon** Non-executive director
2018 – 2019	**PhosAgro** Chairman of the Risk Management Committee
2018 – Present	**Shanghai Institute of Finance For the Real Economy — SIFRE** Expert Advisor
2019 – 2020	**CQS Management Ltd.** CEO
2019 – Present	**PhosAgro** • Chairman of the Board of Directors • Member of the Risk Management Committee
2019 – Present	**Public Investment Fund – Saudi Stock Exchange (Tadawul)** Member of the Board of Directors

KEY COMPETENCIES:

- Strategy
- Finance and audit
- Risk management
- Law and corporate governance
- Chemistry and mining engineering

ANDREY G. GURYEV

DEPUTY CHAIRMAN

Title Non-executive director

Year of election 2013

Equity interest / Stake of ordinary shares None

Date of birth 24 March 1960

Education

Plekhanov St Petersburg State Mining Institute (Technical University)
Degree in Economics and Management of Mining and Exploration Enterprises

Central State Institute for Physical Education

2006 – Present **Russian Chemists Union**
Vice President

2001 – 2013 **Federation Council of the Federal Assembly of the Russian Federation**
Member of the Federation Council of the Russian Federation

2013 – Present **PhosAgro**
- Deputy Chairman of the Board of Directors
- Member of the Strategy Committee

06/2017 – 06/2018 **AgroGard-Finance**
Member of the Board of Directors

06/2018 – Present **AgroGard-Finance**
Chairman of the Board of Directors

KEY COMPETENCIES:
- Strategy
- Chemistry and mining engineering
- Human resources

ANDREY A. GURYEV

Title Executive director

Year of election 2013

Equity interest / Stake of ordinary shares None

Date of birth 7 March 1982

Education

University of Greenwich (UK)
Bachelor's degree in Economics

Academy of National Economy under the Government of the Russian Federation
PhD in Economics

2011 – 2013 **PhosAgro AG**
Deputy CEO for Sales and Logistics

2011 – Present **Moscow Rhythmic Gymnastics Federation**
President

2012 – Present **Andrey Guryev Charitable Foundation**
Chairman of the Management Board

2012 – 2014 **Investment Trading Bank**
Member of the Board of Directors

2012 – Present **PhosAgro-Region**
Member of the Management Board

2013 – Present **PhosAgro**
Member of the Board of Directors

2013 – Present **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

2014 – 2016 **PhosAgro-Cherepovets**
Member of the Management Board

2014 – Present **Russian Chess Federation**
Member of the Board of Trustees

2015 – Present **Russian Olympians Foundation**
- Member of the Council of Trustees

2015 – Present **Russian Union of Industrialists and Entrepreneurs**
Member of the Management Board

2016 – Present **Russian Association of Fertilizer Producers**
President

2016 – Present **Russian Rhythmic Gymnastics Federation**
- Chairman of the Board of Trustees
- Vice President

2016 – Present **International Fertilizer Association (IFA)**
Member of the Board of Directors

2016 – Present **Miners of Russia non-commercial partnership**
Deputy Chairman of the Supreme Mining Council

2019 – Present **Russian Union of Industrialists and Entrepreneurs**
Member of the Management Board Bureau

KEY COMPETENCIES:
- Strategy
- Finance and audit
- Chemistry and mining engineering
- Environment, health and safety

MIKHAIL RYBNIKOV

Title	**First Deputy CEO**
Year of election	**2016**
Equity interest / Stake of ordinary shares	**0.0258%**
Date of birth	**30 November 1975**
Education	**Lomonosov Moscow State University** Master's degree in Economics
2011 – 2013	**PhosAgro-Region** Member of the Management Board
2012 – 2015	**PhosAgro AG** • CEO • Chairman of the Management Board
2012 – 2017	**PhosAgro-Cherepovets** CEO
2013	**Moscow Exchange** Member of the Board of Directors
2013	**Apatit** Member of the Board of Directors
2013 – 2016	**PhosAgro-Cherepovets** Member of the Board of Directors
2013 – Present	**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
2015 – 2017	**PhosAgro-Cherepovets** Chairman of the Management Board
2016 – Present	**PhosAgro** Member of the Board of Directors
2016 – Present	**PhosAgro-Region** Member of the Management Board
2017 – 2018	**Apatit** • CEO • Chairman of the Management Board
2018 – 2019	**Apatit** Member of the Management Board
2018 – Present	**Samoilov Scientific Research Institute for Fertilizers and Insectofungicides** Member of the Board of Directors
2018 – Present	**PhosAgro** First Deputy CEO
2019 – Present	**Apatit** Advisor to the CEO (part-time)

KEY COMPETENCIES:
- Strategy
- Finance and audit
- Chemistry and mining engineering
- Environment, health and safety

SVEN OMBUDSTVEDT

Title	**Independent director**
Year of election	**2011**
Equity interest / Stake of ordinary shares	**None**
Date of birth	**27 July 1966**
Education	**Pacific Lutheran University (USA)** Bachelor's degree
	Thunderbird School of Global Management Master's degree in International Management
2008 – 2011	**Saferoad AS** Member of the Board of Directors
2010 – 2013	**Western Bulk** Member of the Board of Directors
2010 – 2017	**Norske Skogindustrier ASA** CEO
2011 – 2019	**PhosAgro** Chairman of the Board of Directors
2011 – Present	**PhosAgro** • Member of the Audit Committee • Chairman of the Strategy Committee • Chairman of the Risk Management Committee
2017	**Norske Skogindustrier ASA** Special Advisor
2017 – 2019	**Norske Skog AS** Chairman of the Board of Directors
2017 – Present	**Norske Skog Norway AS** Member of the Board of Directors
2019 – Present	**Norske Skog ASA** CEO

KEY COMPETENCIES:
- Strategy
- Finance and audit
- Chemistry and mining engineering

IRINA BOKOVA

Title	**Independent director**
Year of election	**2018**
Equity interest / Stake of ordinary shares	**None**
Date of birth	**12 July 1952**
Education	**Moscow State Institute of International Relations (Russia)** International Relations
	John F. Kennedy School of Government at Harvard University (USA) Leadership and Economic Development
1989 – 1989	**University of Maryland School of Public Affairs (USA)** Ford Foundation Fellow
1995 – 1997	**Ministry of Foreign Affairs of the Republic of Bulgaria** • Secretary of the Council of Ministers of Bulgaria for European Integration • Deputy Minister of Foreign Affairs of the Republic of Bulgaria
1991 – 1992 **2002 – 2005**	**National Assembly of the Republic of Bulgaria** Member of the National Assembly
2005 – 2009	**UNESCO** • Ambassador of Bulgaria to France and Monaco • Permanent Delegate of Bulgaria
2009 – 2017	**UNESCO** Director-General
2018 – Present	**Ban Ki-moon Centre for Global Citizens** Member of the Board of Directors
2018 – Present	**PhosAgro** • Member of the Board of Directors • Member of the Remuneration and Human Resources Committee • Chair of the Sustainable Development Committee
2018 – Present	**International Automobile Federation** Member of the Board of Directors

KEY COMPETENCIES:
- Environment, health and safety
- Human resources

JAMES ROGERS

Title	**Independent director**
Year of election	**2014**
Equity interest / Stake of ordinary shares	**0.0064%**
Date of birth	**19 October 1942**
Education	**Yale University (USA)** Bachelor's degree **Balliol College, University of Oxford (UK)** Bachelor's / master's degree in Philosophy, Politics and Economics
1986 – Present	**Virtus Total Return Fund Inc.** Director
1988 – Present	**Virtus Global Dividend & Income Fund Inc.** Director
1990 – Present	**Beeland Interests Inc.** Director
2007 – Present	**Beeland Enterprises Inc.** Director
2007 – Present	**Beeland Holdings Pte Ltd.** Director
2012 – 2019	**Spanish Mountain Gold Limited** Director
2012 – Present	**Geo Energy Resources Limited** Non-executive director
06/2013 – 06/2014	**Fab Universal Corp** Independent director
2014 – Present	**PhosAgro** • Member of the Board of Directors • Chairman of the Remuneration and Human Resources Committee • Member of the Audit Committee
2014 – 2019	**Sinofortune Financial Holdings Limited** Non-executive director
2015 – 2016	**TLV Holding Limited** Advisor
2016 – Present	**Duff & Phelps Select Energy MLP Fund Inc.** Director
2016 – Present	**Virtus Global Multi-Sector Income Fund** Trustee
03/2016 – 04/2018	**Crusader Resources Limited** Non-executive director
08/2017 – Present	**AgroGard-Finance** Independent director
01/2018 – 2019	**Ocean Capital Advisors LLC** Director
09/2018 – 2019	**Quantum Digital Asset Management Pte Ltd** Member of the Board of Directors
11/2018 – Present	**Sirius International Insurance Group, Ltd** Member of the Board of Directors
12/2018 – Present	**Ananti Inc** Director
2006 – 2015	**CQS Cayman Limited Partnership** Advisor
2011 – Present	**Forbes & Manhattan** Advisor
06/2017 – 06/2018	**AgroGard-Finance** Member of the Board of Directors
2012 – Present	**Santiago Gold Fund** Advisor
2013 – 01/2018	**Laguna Bay Pastoral Company Pty Ltd** Advisor
02/2014 – Present	**Genagro Limited** Advisor
07/2015 – 01/2017	**Latitude Technologies Limited** Senior Advisor
04/2017 – Present	**Agritrade Resources Ltd** Advisor
08/2017 – 08/2018	**ITF Corporation** Advisor
10/2017 – 10/2018	**Global Blockchain Technologies Corp** Advisor
2019 – Present	**Spanish Mountain Gold Limited** Advisor
2019 – Present	**Nanomedics Co. Ltd** External director

KEY COMPETENCIES:
- Finance and audit
- Human resources
- Risk management
- Law and corporate governance

MARCUS RHODES

Title	**Independent director**
Year of election	**2011**
Equity interest / Stake of ordinary shares	**0.000644%**
Date of birth	**31 May 1961**
Education	**Loughborough University** Bachelor's degree in Economics and History of Economics **Institute of Chartered Accountants in England and Wales** Qualified as chartered accountant, member
2008 – 2015	**Rosinter Restaurants Holding** Member of the Board of Directors
2008 – 2016	**Cherkizovo Group** Member of the Board of Directors
2008 – 2015	**Tethys Petroleum Limited** Member of the Board of Directors
2011 – Present	**PhosAgro** • Member of the Board of Directors • Chairman of the Audit Committee
2014 – Present	**QIWI Group (QIWI plc)** Member of the Board of Directors
2014 – 2017	**Zoltav Resources Inc.** Member of the Board of Directors
2017 – Present	**SIA Enterprises Limited** Honorary treasurer
08/2018 – 2019	**Rustranscom Plc** Non-executive director

KEY COMPETENCIES:
- Law and corporate governance
- Risk management

NATALIA PASHKEVICH

Title	**Independent director**
Year of election	**2017**
Equity interest / Stake of ordinary shares	**None**
Date of birth	**5 November 1939**
Education	**Leningrad Mining Institute** PhD in Economics, professor
1999 – Present	**St. Petersburg Mining University** First Vice Rector
2017 – Present	**PhosAgro** • Member of the Board of Directors • Member of the Environmental, Health and Safety Committee

KEY COMPETENCIES:
- Chemistry and mining engineering
- Human resources

ANDREY SHARONOV

Title	**Independent director**
Year of election	**2017**
Equity interest / Stake of ordinary shares	**None**
Date of birth	**11 February 1964**
Education	**Ufa Aviation Institute** Aviation Instrument Making **Russian Academy of Public Administration under the President of the Russian Federation** Law
2010 – 2013	**Government of Moscow** Deputy Mayor for Economic Policy
2011 – 2014	**National Research University Higher School of Economics** Member of the Supervisory Council
2011 – Present	**National Research University Higher School of Economics** Professor (part-time) at School of Finance of the Faculty of Economic Sciences
2011 – 2015	**Bank of Moscow** Member of the Board of Directors
2013 – 2016	**Moscow School of Management SKOLKOVO** Rector
2013 – 2016	**MC Eko-Sistema** Chairman of the Board of Directors
2014 – 2015	**ALROSA** Member of the Supervisory Board
2014 – Present	**MC NefteTransService** Chairman of the Board of Directors
2014 – Present	**Sovcomflot** Member of the Board of Directors
2016 – Present	**SKOLKOVO Endowment Fund** Head
2016 – Present	**Present Association for the Development of Moscow School of Management SKOLKOVO** Executive director
2014 – 2019	**NOVATEK** Member of the Board of Directors
2015 – 2018	**VTB Bank** Member of the Supervisory Council
2015 – 2017	**Rosgeologia** Member of the Board of Directors
2015 – 2016	**Moscow Exchange** Member of the Supervisory Board
2016 – Present	**Moscow School of Management SKOLKOVO** President
2017 – Present	**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
2018 – Present	**Medicina** Chairman of the Board of Directors
2019 - Present	**En+ Group** • Independent director

KEY COMPETENCIES:
- Finance and audit
- Law and corporate governance
- Human resources

D&O LIABILITY INSURANCE

Directors and officers liability for damage caused to third parties by their duties is insured by SOGAZ (contract No. 18 DO 0028 in effect from 1 June 2018 to 31 May 2019, contract No. 19 DO 0020 in effect from 1 June 2019 to 31 May 2020) 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. (since 2012).

BOARD OF DIRECTORS REPORT

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 of all shareholders of PJSC PhosAgro, 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. In 2019, under the guidance of the Board of Directors' Sustainable Development Committee, stakeholders were identified and surveyed in order to define aspects of the Company's activities that were significant to them. These aspects have since been given maximum attention, both in terms of information disclosure and intensifying work in the relevant areas. For detailed information on interaction with key stakeholders, recognition and consideration of their interests, see the Stakeholders section of this annual report.

The opinion of our employees is essential for us, which is reflected, in particular, in one of our strategic objectives – increasing the loyalty and satisfaction of our staff. Analysis of employee satisfaction and loyalty surveys is reviewed annually by the Remuneration and Human Resources Committee of PhosAgro's Board of Directors. Analysis of hotline complaints and respective management response is reviewed by the Audit Committee of PhosAgro's Board of Directors on a quarterly basis. 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 the Company'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 the Company regularly (at least twice a year) visit all business units and hold meetings with employees, at which they inform the staff about the Company's performance, implemented measures, and plans for production and social development. A key component of such meetings is face-to-face conversation between managers and teams. Everyone has an opportunity to ask questions or make a proposal aimed at improving the technology and personnel working conditions. Based on employees' suggestions and comments, an action plan for improving organisational and technological processes is then developed and implemented.

New strategy

In March 2019, the Board of Directors approved PhosAgro's Strategy to 2025 taking into account recommendations of the Strategy Committee issued in late 2018 – early 2019. As part of the approval, it determined the metrics subject to monitoring, as well as the frequency and the procedure for such monitoring. This resolution formalised the management duty to submit, twice a year, strategy progress reports to be pre-reviewed by the Strategy Committee and finally reviewed by the Board of Directors.

Sustainability management

In 2019, the Board of Directors placed a special emphasis on sustainability management, which was, first and foremost, incorporated into the Company's Strategy to 2025 as a standalone section defining goals and initiatives in this domain. The Board of Directors also approved the updated Personnel Management Policy and transparency statement in accordance with the UK Modern Slavery Act 2015, along with the amended Environmental Policy. The said documents were developed by the Company's management based on the analysis of local corporate documents and procedures needed to ensure PhosAgro's compliance with the applicable EU laws on human rights in supply chains. Moreover, all Board meetings held following the setup of the Sustainable Development Committee included reports from its chairman on the results and plans in this area.

Strengthened role of committees

In 2019, the Board of Directors also focused on a more in-depth review of matters at committee meetings, followed by chairman reports to the Board summarising key statements, conclusions and proposals. As a result, the reporting year saw an improvement in the quality of materials provided to the Board of Directors in the form of chairman reports.

New dividend policy

An important milestone in the Board of Director's work was the approval of the new dividend policy aimed at boosting the Company's investment appeal.

Corporate governance assessment and development

In March 2019, the Board of Directors reviewed the report on the corporate governance quality taking into account MSCI and Sustainalytics ratings and the previous year's self-assessment of compliance with the Corporate Governance Code approved by the Bank of Russia on 21 March 2014. Noting a high level of such compliance, the Board of Directors also analysed the governance quality criteria, which for certain reasons were not met fully or partially, and agreed on an improvement plan.

The early 2019 self-assessment and the subsequent recommendations of the Remuneration and Human Resources Committee were also subject

to review by the Board of Directors in the reporting year. The self-assessment was held in the form of a directors' survey based on PwC's methodology approved by the Board of Directors in 2017.

February 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.

KPMG also highlighted a balanced split between executive and independent directors and confirmed that they have the required skills, competencies and expertise. In terms of independence and the presence of foreign directors, PhosAgro is almost on a par with foreign industry leaders and ahead of the Russian players. The current Board's composition is fully in line with the Company's needs, which contributes to well-reasoned decision-making.

The efficiency of the Board's key functions was also highly rated by the independent consultant. The Board of Directors discusses a wide range of matters to ensure the effective governance of the Company's operations.

Stakeholder engagement

In 2019, the Board of Directors strengthened its dialogue with stakeholders. In addition to the participation in the Annual General Shareholders' Meeting and the visit to the sites in Kirovsk and Apatity, the Board's independent directors took part in the Investor Day held in September in London. As part of it, they presented PhosAgro's new strategy and dividend policy to the investment community.

Miscellaneous

Apart from the above matters, the Board of Directors reviewed the Company's amended budget for 2019 and the 2020 budget and approved the Internal Audit Department's report for 2019 and the 2020 plan. On a quarterly basis, it also discussed a number of other matters such as the approval of the Company's reports, the progress against the 2019 budget and the results of risk monitoring. Where necessary, the Board of Directors considered matters relating to the approval of significant transactions and interested-party transactions, convening of general shareholders' meetings and other matters within its remit under the Charter.

In 2019, the Board of Directors continued to foster cooperation with the Company's functional units by reviewing reports and issuing recommendation for such functions as procurement, project management, IT and global projects. On top of that, it reviewed and provided opinion on the external assessment of the internal audit, risk management and internal control functions.

BOARD COMMITTEES

The committees of the Board of Directors are advisory and consultative bodies made of the current Board members with relevant experience and expertise in committees' specific focus areas.

The committees can also involve external experts and consultants in their work. The committees' key role is to preview the key issues reserved for the Company's Board of Directors.

The committees are responsible for ensuring that issues brought before the Board have been subject to sufficient review in order to ensure that the directors are able to cast their votes based on the full and accurate information. To achieve this, committee members maintain a regular dialogue with the management, the Company's external auditor and other advisors on the issues that fall within their remit.

REMUNERATION AND HUMAN RESOURCES COMMITTEE

James Rogers
independent director, Chairman of the Remuneration and Human Resources Committee

Having been reshuffled before the very end of 2018, the Committee expanded its remit in 2019. In addition to our customary responsibilities (assessment of professional skills, independence and engagement of prospective and existing members of the Board of Directors, evaluation of staff motivation programmes, best practice guidance and analysis for performance appraisal of the Board of Directors and N to N-2 managers), we drew our focus toward more comprehensive staff training as well as employee loyalty and engagement assessment. It goes without saying that businesses operating in the era of digitalisation and artificial intelligence are faced with new standards for staff training. HR priorities are now shifting from skills training to creating a development-focused environment. It is clear that employee development programmes must expand and evolve to keep up with modern times. Without doubt, every company should prioritise employee satisfaction. That is why the Company's 2025 Strategy sets out two targets which fall within the scope of our Committee: the number of training hours and the creation of an integrated employee loyalty index. Both when initially assessing nominations to the bi-annual Board of Directors and subsequently when finalising its composition, our Committee decides which reasons should disqualify members from serving on it.

The introduction of external independent directors (Xavier Rolet from CQS Management Ltd., Sven Ombudstvedt from Norske Skog, Jim Rogers from Beeland Interests Inc. (among others), A. Sharonov from Moscow School of Management SKOLKOVO, N. Pashkevich from St Petersburg Mining University) did not affect the members' performance of their duties as directors in the reporting year, and actually allowed for the greatest possible contribution of these experts to the Company's growth.

In 2020, we intend to do our best to successfully address these challenges.

AUDIT COMMITTEE

Marcus Rhodes
independent director,
Chairman of the Audit Committee

The Committee's remit includes:
- reviewing the IFRS financials for integrity and transparency;
- analysis of financial reporting processes, including carrying out regular reviews and making recommendations for the Board of Directors;
- recommending the Company's external auditor to the Board of Directors and maintaining an ongoing relationship with the external auditor;
- providing support to the Internal Audit function and analysing the quarterly results of their work;
- ensuring compliance with applicable legislation and relevant standards of business conduct.

According to the Regulations on the Company's Audit Committee, the Audit Committee shall consist of no fewer than three current members of the Board of Directors and shall be chaired by an independent director. Since 2018, the Committee has included four independent directors.

In 2019, the Committee focused on:
- Reviewing IFRS consolidated financial statements for integrity and transparency, as well as analysing the Company's financial performance, including reasons for changes when compared with the results of previous periods and approved budgets.
- Analysing the Group's financial reporting processes. In 2019, the Group completed technically challenging projects, including the roll-out of a new consolidation system based on Oracle Hyperion Financial Management. This was integrated with three accounting systems (Oracle E-Business Suite, SAP B1 and 1C) used by consolidated companies of various jurisdictions, profiles and sizes. With the successful completion of these projects, the Group managed to reduce the time required to prepare its annual accounts (the Board of Directors meeting regarding 2019 results was held on 20 February 2020) by a month.
- Recommending the Company's external auditors to the Board of Directors and maintaining an ongoing relationship with them. When choosing an auditor, we take into account the following factors in addition to its fees. First, the team of auditors shall possess the relevant personal qualifications and be suitably experienced to ensure the audit is performed in due time and to the highest of standards.

Second, we assess the auditor's independence based on a number of factors including the scope of the non-audit services rendered by the auditor. Any KPMG proposal for rendering a non-audit service is subject to an internal review by KPMG. If the audit leader confirms that there is no threat to auditor independence, the proposal is forwarded to the Company's Audit Committee for review and approval. The Committee only agrees to engage the auditor if the scope of the non-audit services is not so substantial as to challenge the objectivity and independence of the auditor. When assessing the auditor's independence, the Committee also looks at whether the auditor has internal procedures in place to control the objectivity and professional ethics of its staff. This includes the requirement for the routine rotation of the audit leader, the auditor's training in this area, and the use of specialised software to carry out relevant reviews.

Third, we strive to maintain a balance between the benefits of long-term cooperation and the need for a fresh perspective on the Company's accounts and the report preparation processes.

Finally, when assessing the possibility of continuing cooperation with the external auditor, the Committee assesses the auditor's performance from the previous period. The Committee draws on its face-to-face meetings, which are attended by the audit manager and the audit leader, when assessing the performance of the external auditor. There are 4 to 5 of such meetings every year. In addition, each meeting is preceded by a meeting of the audit team and the Audit Committee Chair, which focuses, amongst other things, on the quality of interaction with the Company employees responsible for providing data for the audit.
- Supporting the internal audit function, approving annual action plans for the Internal Audit Department, and monitoring its performance on a quarterly basis. The Committee reviews risk-based audit plans and submits them for approval by the Board of Directors. It should be noted that all core business processes will be audited given the results achieved by the Internal Audit Department in 2019 and its plans for 2020.
- Providing control over the Company's compliance with legal and regulatory requirements, business ethics and customs. In particular, the Committee reviewed an external analysis of the Company's internal control and audit functions in 2019. In addition, the Committee performed reviews of the Company's compliance with the Russian Central Bank Corporate Governance Code, as well as with UK Corporate governance code. Both reviews were positive.

Importantly, we also focus on ensuring the required quality and completeness of information disclosure. To ensure this, we reviewed and approved quarterly press releases on the Group's performance prior to their publication, at each of our quarterly meetings.

SUSTAINABLE DEVELOPMENT COMMITTEE

Irina Bokova
independent director,
Chair of the Sustainable Development Committee

In May 2019, PhosAgro's Board of Directors set up a Sustainable Development Committee to ensure that in doing its business the Company adheres to the highest standards of accountability, integrity and transparency. We also aim to help the Company maintain a balanced strategic approach to ESG reporting and activities. At its two meetings in 2019, the Committee approved the list of the UN Sustainable Development Goals and the relevant targets along with the Company's initiatives to pursue them, the respective timelines and budgets. Under the Committee's supervision, the Company introduced a number of metrics and relevant measurable targets to 2025 linked to management KPIs. The Committee steered the Company activities to promote the global sustainable development agenda in 2019. Specifically, as a sponsor and partner of the International Year of the Periodic Table, PhosAgro actively contributed to the events held under its auspices. In May 2019, we launched the Regional Soil Laboratory Network (RESOLAN) for Africa (AFRILAB) development project, in November, the Company joined the European Sustainable Phosphorus Platform (ESPP), and in December 2019, the Group became the founding member of the Green Club, an independent association of producers and suppliers of eco-friendly products. We are pleased to note that our efforts have been recognised internationally. In September, the UN named PhosAgro as a Global Compact LEAD company for its commitment to corporate social responsibility and sustainable development, in November, the Company was awarded the Gold Medal as Industry Stewardship Champion by the IFA (International Fertilizer Association), in December, we became the winner in two categories at the 2019 Awards for Russian Leaders in Corporate Philanthropy Advancing Sustainable Development, organised by the Russian Donors Forum, PwC and the Vedomosti newspaper.

In 2020, we will continue our efforts to strengthen the Company's sustainability framework by integrating the UN Sustainable Development Goals and the relevant targets into its strategy and day-to-day operations. Going forward, the Committee's area of responsibility will include PhosAgro's numerous educational and charitable projects, both domestic and international, cooperation with global organisations, as well as supervision and monitoring of approved social and environmental initiatives.

RISK MANAGEMENT COMMITTEE

Sven Ombudstvedt
independent director, Chairman of the Risk Management Committee, Chairman of the Strategy Committee

Xavier Rolet's association with the Company helped its risk management activities to gain traction. In 2019, the Committee moved beyond general risk assessment and monitoring to scrutinise specific risks and perform an in-depth analysis. The Committee held four meetings in 2019 focusing on:

- Results of monitoring the management of key corporate risks (quarterly).
- Results of a reassessment of the Company's key risks and updating its risk map for 2019.
- Evaluation of the Company's risk management and internal control system.
- Management of key specific corporate risks (new or critical). These include cybersecurity and sustainable development risks.

I note with satisfaction that the Company's risk management and internal control system was highly appraised following an external assessment in 2019. We intend to keep this positive momentum going into 2020.

STRATEGY COMMITTEE

From late 2018 through early 2019, the Committee, in cooperation with the Company's management, was actively developing our 2025 Strategy. For the first time ever, we mapped our strategic goals against inherent risks and the UN Sustainable Development Goals. Our efforts were rewarded in March 2019 when the Board of Directors approved and adopted the document. The Board of Directors also established targets and procedures to monitor performance vs. the approved Strategy, which falls within the remit of our Committee. On top of that, the Committee held two meetings where it reviewed the progress made towards meeting Strategy 2020 goals, analysed actual performance vs. 2016 targets and recommended that the Board of Directors declare Strategy 2020 goals as achieved. The Committee also reviewed a progress report covering priority areas of the Company's business in 2018 and approved such priorities for 2019.

ENVIRONMENTAL, HEALTH AND SAFETY COMMITTEE

Mikhail Rybnikov
member of the Management Board, Chairman of the Environmental, Health and Safety Committee

The reporting year saw Natalia Pashkevich, First Vice Rector at St Petersburg Mining University and a world-renowned researcher, join our Committee. This helped us gain a fresh perspective on matters falling within the Committee's remit, and come forward with new solutions. Traditionally, the Committee oversees three major workstreams:

- health and safety;
- environmental protection;
- energy efficiency.

As regards health and safety, the reporting year proved to be distressing for both the Committee and the Company in general since PhosAgro's production sites recorded several accidents. This required immediate action from the management, which resulted in Apatit's strategic health and safety programme for 2019–2021 reviewed and recommended by the Committee for approval as early as in the mid-year. The programme comprises a wide range of improvements in this domain. Greatly concerned over this matter, the Board of Directors has made it one of its priorities. As part of their commitment to improve the situation, the directors now start every meeting with a review of a health and safety report and progress on the relevant initiatives. In 2019, the Committee expanded the scope of its duties to review the effectiveness of programmes run by the Group's companies to reduce pollutant emissions, discharges and waste generation. At the same time, we continued to monitor industrial emissions (effluents) for meeting the standards aligned with the best available practices.

We also remained focused on regulatory compliance, reviewing, among others, draft laws, which are yet to be considered and approved. In the reporting year, due in no small part to our recommendations, the Company's sites launched energy reliability programmes. The coming year will see the Company, for the first time in its history, generate energy from renewable sources.

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 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.

SERGEY SAMOSYUK

CORPORATE SECRETARY

Date of birth	**1 October 1976**
Education	**St Petersburg State University of Economics (former St Petersburg Academy of Engineering and Economics)** Engineering and Economics **St Petersburg University** Law

In 1996, Mr Samosyuk joined the financial department at Ammophos
From 2003, he held leading finance positions at PhosAgro AG, Metachem and Mining and Chemical Engineering (MCE), and was a member of PhosAgro-Cherepovets review committee. In October 2014, he was appointed head of methodology and economic analysis at PhosAgro-Cherepovets.

For the regulation on the Corporate Secretary, see the Company's website at

https://phosagro.ru/upload/iblock/516/5162b0971716ff98bd58f8590ea883a3.pdf

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 2019, the Management Board held seven meetings and reviewed twelve items most of which were related to the budget discipline.

In this period, there were two changes to its composition,
- with Alexander Seleznev, a new Chief of Staff for the CEO, joining the Management Board in March 2019,
- and Alexander Gilgenberg leaving it in December 2019 due to his appointment as General Director of Apatit (PhosAgro's subsidiary).

As at 31 December 2019, the Management Board was composed of:
- Andrey Guryev, CEO;
- Siroj Loikov, Deputy CEO;
- Roman Osipov, Business Development Director;
- Mikhail Rybnikov, First Deputy CEO;
- Alexander Seleznev, Chief of Staff for the CEO;
- Alexei Sirotenko, Deputy CEO for Corporate and Legal Affairs;
- Alexander Sharabaika, Deputy CEO for Finance and International Projects.

INFORMATION ON MEMBERS OF THE MANAGEMENT BOARD

ANDREY A. GURYEV

Title	**Executive director, Chairman of the Management Board**
Equity interest / Stake of ordinary shares	**None**
Date of birth	**7 March 1982**
Education	**University of Greenwich (UK)** Bachelor's degree in Economics **Academy of National Economy under the Government of the Russian Federation** PhD in Economics
2011 – 2013	**PhosAgro AG** Deputy CEO for Sales and Logistics
2011 – Present	**Moscow Rhythmic Gymnastics Federation** President
2012 – Present	**Andrey Guryev Charitable Foundation** Chairman of the Management Board
2012 – 2014	**Investment Trading Bank** Member of the Board of Directors
2012 – Present	**PhosAgro-Region** Member of the Management Board
2013 – Present	**PhosAgro** Member of the Board of Directors
2013 – Present	**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
2014 – 2016	**PhosAgro-Cherepovets** Member of the Management Board
2014 – Present	**Russian Chess Federation** Member of the Board of Trustees
2015 – Present	**Russian Olympians Foundation** • Member of the Council of Trustees
2015 – Present	**Russian Union of Industrialists and Entrepreneurs** Member of the Management Board
2016 – Present	**Russian Association of Fertilizer Producers** President
2016 – Present	**Russian Rhythmic Gymnastics Federation** • Chairman of the Board of Trustees • Vice President
2016 – Present	**International Fertilizer Association (IFA)** Member of the Board of Directors
2016 – Present	**Miners of Russia non-commercial partnership** Deputy Chairman of the Supreme Mining Council
2019 – Present	**Russian Union of Industrialists and Entrepreneurs** Member of the Management Board Bureau

SIROJ LOIKOV

Equity interest / Stake of ordinary shares	**None**
Date of birth	**9 September 1972**
Education	**Tashkent State University of Economics** International Economic Relations
	Nottingham University Business School (UK) Bachelor's degree in Business Management
2011 – 2013	**PhosAgro AG** HR Director
2013 – 2015	**PhosAgro** HR Director
2013 – 2015	**PhosAgro AG** Human Resources and Social Policy Director
2013 – Present	**PhosAgro** Member of the Management Board
2013 – 2017	**Izumrud** Member of the Board of Directors
2014 – 2015	**PhosAgro AG** 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
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
2018 – 2019	**PhosAgro** Deputy CEO for Human Resources (part-time)
2018 – Present	**PhosAgro** Deputy CEO
2018 – Present	**Apatit** Deputy CEO (part-time)

ROMAN OSIPOV

Date of birth	**4 November 1971**
Equity interest / Stake of ordinary shares	**None**
Education	**Baltic State Technical University** Master's degree from the LETI-Lovanium International School of Management
2012 – 2015	**PhosAgro** Member of the Board of Directors
2012 – 2013	**PhosAgro AG** Member of the Management Board
2013 – Present	**PhosAgro** Business Development Director
2013 – Present	**AgroGard-Finance** Member of the Board of Directors
2014 – Present	**Giproruda** Member of the Board of Directors
2017 – Present	**PhosAgro** Member of the Management Board
2018 – 2019	**Apatit** Member of the Management Board
2018 – Present	**Apatit** Advisor to the CEO (part-time)

MIKHAIL RYBNIKOV

Date of birth	**30 November 1975**
Equity interest / Stake of ordinary shares	**0.0258%**
Education	**Lomonosov Moscow State University** Master's degree in Economics
2011 – 2013	**PhosAgro-Region** Member of the Management Board
2012 – 2015	**PhosAgro AG** • CEO • Chairman of the Management Board
2012 – 2017	**PhosAgro-Cherepovets** CEO
2013	**Moscow Exchange** Member of the Board of Directors
2013	**Apatit** Member of the Board of Directors
2013 – 2016	**PhosAgro-Cherepovets** Member of the Board of Directors
2013 – Present	**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
2015 – 2017	**PhosAgro-Cherepovets** Chairman of the Management Board
2016 – Present	**PhosAgro** Member of the Board of Directors
2016 – Present	**PhosAgro-Region** Member of the Management Board
2017 – 2018	**Apatit** • CEO • Chairman of the Management Board
2018 – 2019	**Apatit** Member of the Management Board
2018 – Present	**Samoilov Scientific Research Institute for Fertilizers and Insectofungicides** Member of the Board of Directors
2018 – Present	**Apatit** Advisor to the CEO (part-time)
2018 – Present	**PhosAgro** First Deputy CEO

ALEXANDER SELEZNEV

Date of birth	**6 July 1984**
Equity interest / Stake of ordinary shares	**None**
Education	**Bauman Moscow State Technical University** Information Security
2011 – 2014	**VTB Capital** Analyst
2015 – 2019	**PhosAgro** Head of Investor Relations
2019 – Present	**PhosAgro** • Chief of Staff for the CEO • Member of the Management Board

ALEXEI SIROTENKO

Date of birth	**3 January 1969**
Equity interest / Stake of ordinary shares	**None**
Education	**Lomonosov Moscow State University** Jurisprudence
2007 – 2015	**PhosAgro AG** Member of the Management Board
2010 – Present	**PhosAgro** Deputy CEO for Corporate and Legal Affairs
2011 – 2015	**PhosAgro AG** Legal Affairs Director
2013 – Present	**PhosAgro** Member of the Management Board
2015 – 2017	**PhosAgro-Cherepovets** • Legal Affairs Director • Member of the Management Board
2017 – 2019	**Apatit** Member of the Management Board
2017 – Present	**Apatit** Legal Affairs Director

ALEXANDER SHARABAIKO

Date of birth	**25 February 1977**
Equity interest / Stake of ordinary shares	**None**
Education	**Belarus State Economic University** Finance and Credit
	Nottingham University Business School (UK) Bachelor's degree in Finance
2012 – 2014	**PhosAgro AG** CFO
2013 – 2014	**PhosAgro** CFO (part-time)
2013 – 2015	**PhosAgro AG** Member of the Management Board
2013 – 2015	**Ekoprombank** Member of the Supervisory Board
2013 – 2017	**PhosAgro** Member of the Management Board
2014 – 2015	**PhosAgro AG** Advisor to the CEO (part-time)
2014 – 2019	**PhosAgro** CFO
2015 – 2017	**PhosAgro-Cherepovets** • Advisor to the CEO (part-time) • Member of the Management Board
2014 – 2016	**PhosAgro-Cherepovets** Member of the Management Board
2015 – Present	**PhosAgro-Region** Member of the Management Board
2017 – 2018	**PhosAgro** Member of the Board of Directors
2017 – Present	**Apatit** Advisor to the CEO (part-time)
2017 – 2019	**Apatit** Member of the Management Board
2018 – Present	**PhosAgro** Member of the Management Board
2019 – Present	**PhosAgro** Deputy CEO for Finance and International Projects

CORPORATE CONTROLS

In December 2018, the Board of Directors approved the Company's Risk Management and Internal Control Policy and made relevant amendments to the Corporate Governance Code to segregate this function in the general management framework.

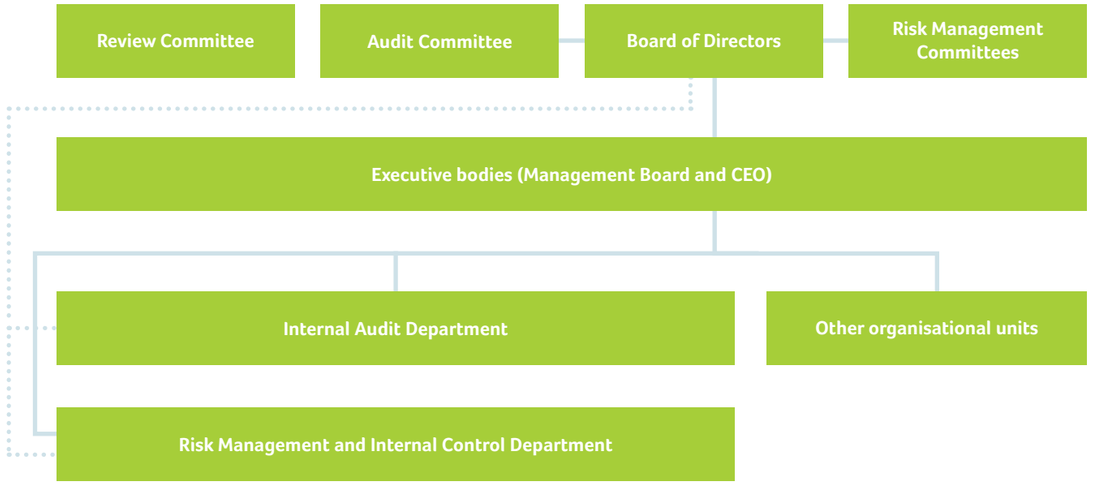
The risk management and internal control framework represents a set of organisational measures, methods, practices and standards of corporate culture. It also embraces actions taken by the Company to strike the right balance between value growth, profitability and risks, support financial sustainability, and ensure efficient operations, protection of its assets, compliance with the laws, Charter and bylaws, along with timely and accurate reporting.

For key roles and other relevant information, see the Risk Management and Internal Control Policy.

https://phosagro.ru/upload/iblock/c95/c95ee12cfc97317372a98bd482c40808.pdf

RISK MANAGEMENT AND INTERNAL CONTROLS

The risk management and internal control framework comprises:



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. It has set up a Risk Management Committee to provide recommendations and proposals to the Board of Directors and other Company's bodies on identifying material risks and developing relevant management tools and measures to enhance the risk management framework. The Audit Committee focuses on assessing and making proposal 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 Company's executive bodies establish and maintain an efficient risk management and internal control framework. To this effect, they set up a Risk Commission that monitors the status and effectiveness of risk management initiatives. The 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 Company's 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. Besides, the framework requires the Company's employees to identify and assess relevant risks and efficiently implement the controls and risk management initiatives.

REVIEW COMMITTEE

The General Shareholders' Meeting held in May 2019 elected the following members to the Review Committee:

- Ekaterina Viktorova;
- Elena Kryuchkova;
- Olga Lizunova.

The Committee endorsed PhosAgro's financial statements for 2019, with its report dated 18 February 2020 included in the materials for the Annual General Shareholders' Meeting.

INTERNAL AUDIT

The Company'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.

AUDIT OF BUSINESS PROCESSES

In 2019, the Internal Audit Department audited business processes related to project, repair and contractor operational safety management. The audit also covered IT of foreign offices and corporate governance. 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 branches and subsidiaries. In addition, the Internal Audit Department monitors the effectiveness and efficiency of corrective actions taken by the management following the audit, and reports to the Board of Directors on a quarterly basis.

The 2020 audit plan covers such areas as sales, IT, information security, finance and HR.

EXTERNAL ASSESSMENT

In early 2019, PwC completed an external assessment of the IAD's compliance with the International Standards for the Professional Practice of Internal Auditing, the Institute of Internal Auditors' Code of Ethics and the Corporate Governance Code approved by the Bank of Russia. For the IAD, the results were overall positive. The Company is consistently working to improve its internal audit function according to the plan.

Following the assessment, the internal audit methodology saw the following amendments:

- annual audit plans take into account the outcomes of reviewing and assessing IT and information security risks;
- each audit includes risk evaluation and control testing for information systems used by the audited processes.

Going forward, the external assessment will take place thrice a year.

RISK MANAGEMENT

The Company is making a consistent effort to develop its risk management framework. In 2019, the Board of Directors reviewed the results of the independent risk management assessment, which showed good progress compared to 2016, including:

- full compliance with regulatory requirements;
- risk management roll-out at production sites;
- introduction of key risk indicators;
- risk appetite calculation and regular review;
- organising training sessions to develop risk management competencies;
- integrated approach to processing risk, control and internal audit data.

The reporting year saw the Company's production sites complete the first full-year cycle of risk management, including:

- ongoing risk monitoring;
- analysis of key risk indicators;
- development of corrective actions;
- follow-up control and review.

In 2020, risk management initiatives will focus on the support and deeper integration of the existing elements into the Company's processes and practices.

For information on key risks and risk management, see the Strategic Report section.

EXTERNAL AUDIT

The Company›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 General Shareholders' Meeting.

In 2019, the Company engaged KPMG (10 Presnenskaya Embankment, Moscow, Russia) to audit its IFRS financial statements. The actual remuneration paid to the auditor for this service stood at RUB 34.5 mln, net of VAT. In addition, KPMG was engaged in preparing the Company's Eurobond issue and received RUB 14 mln for this service. Furthermore, during the reporting year, other agreements were signed with the auditor for non-audit services worth of RUB 1.5 mln, net of VAT, as well as for non-audit services to be provided to the Company's subsidiaries worth of RUB 10.3 mln, net of VAT.

In 2019, the Company engaged FBK (44/1 Myasnitskaya St., Bld. 2AB, Moscow, 101990, Russia) to audit its RAS accounting statements. The actual remuneration paid to the auditor for this engagement stood at RUB 590,000, net of VAT.

For more information about the auditors, selection procedure and independence, see the Company's quarterly reports and this report's section discussing the Audit Committee's activities.

https://www.phosagro.ru/ori/phosagro/ezhekvartalnye-otchety/

CONFLICTS OF INTEREST

The Board of Directors pays special attention to resolving conflicts of interest, with independent directors playing a crucial role in their prevention. In late 2018, the Board of Directors approved the amended Conflict of Interest Regulation as part of the Company's internal anti-corruption regulations.

The Company's Economic Security Department is responsible for identifying conflicts of interest and taking the required corrective actions. In its quarterly report, the IAD informs the Board's Audit Committee of all complaints received via the hotline and relevant investigation results.

The Regulation on the Board of Directors also contains provisions defining a conflict of interest and regulating the directors' actions if any such conflict arises. Every year, at one of the Board's in-person meetings, directors are notified of their duties in connection with potential conflicts of interest. In the reporting year, there were no conflicts of interests among the Board members and the top management.

https://www.phosagro.ru/upload/docs/about_conflict_of_interests.pdf

INSIDE INFORMATION

The Company has adopted an Inside Information Regulation compliant with Russian and EU laws. 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 goes through the list of shareholders to identify transactions that may have been executed in breach of such limitations.

The reporting year saw no violations of the Inside Information Regulation.

ANTI-CORRUPTION

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The Company operates in strict compliance with generally accepted ethical business standards and is intolerant to anyone taking advantage of their official position contrary to public or national interests. PhosAgro takes consistent efforts to prevent corruption and to this end has developed and put in place Anti-Corruption Policy, Code of Ethics, Conflict of Interest Regulations, and Hotline Regulations.

The Company's anti-corruption policy is implemented in accordance with applicable anti-corruption laws and international conventions (including the United Nations Convention Against Corruption, the OECD Convention, Russian anti-corruption laws). In accordance with the Anti-Corruption Policy, the members of the Company's Board of Directors and senior management must comply with and lead by example setting the highest standards of behaviour and work ethic. The policy commits all employees to a zero-tolerance approach to corruption. Any law violation jeopardises successful development of business, that is why we try to minimise the risk of business relations with those potentially involved in corruption. To achieve this principle, we check counterparties for reliability and for having their own rules and procedures to prevent fraud and corruption, also looking at their willingness to comply with anti-corruption laws, have an anti-corruption clause incorporated in contracts, and work together to prevent fraud and corruption. PhosAgro's Hotline is another important element of the Company' anti-corruption system. Used to collect and process information, it allows employees and third parties to report fraud or signs of fraud, theft and corruption in the Company or its subsidiaries. In 2019, two cases of corruption were identified and prosecuted under the Russian Criminal Code as Commercial bribery and Fraud. The Company terminated employment of the offenders.

REMUNERATION REPORT

PRINCIPLES FOR REMUNERATION OF THE BOARD OF DIRECTORS

When deciding on a Board composition, the General Shareholders' Meeting approves the amount and the rules for determining and paying remuneration and compensation to its members. The remuneration offered by the Company to directors creates sufficient motivation for them to work effectively, allowing the Company to attract and retain competent and skilled professionals. At the same time, the Company avoids higher-than-necessary remuneration.

During their term of office, directors receive remuneration and compensation for the expenses they incur while discharging their duties. Fixed (quarterly) remuneration is paid to independent Board members only. 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. Remuneration is due within 20 days from the end of the reporting quarter.

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 at the official exchange rate set by the Bank of Russia on the last day of the relevant quarter. Other independent directors are paid an equivalent of USD 45,000 for a full quarter at the official rate set by the Bank of Russia on the last day of the relevant quarter.

Additional (quarterly) remuneration is payable to the chairmen of Board committees who are either independent directors or non-employee directors in an amount equivalent to USD 30,000 for a full quarter at the official exchange rate set by the Bank of Russia on the last day of the relevant 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 at the official exchange rate set by the Bank of Russia on the last day of the relevant quarter.

The Company compensates directors for actual expenses incurred by them while performing their respective functions. The compensation is payable within 20 days of the month following the reporting month based on requests submitted by the Board members to PhosAgro's sole executive body, with supporting documents attached.

BOARD OF DIRECTORS REMUNERATION

Members of PhosAgro's Board of Directors may receive remuneration and compensation for the expenses incurred during their term of office if so resolved by the General Shareholders' Meeting. According to the Company's Corporate Governance Code, the Board remuneration shall be in line with current market trends 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, its size shall not exceed the amount needed to achieve this.

In 2019, the total remuneration paid to PhosAgro's Board of Directors was RUB 109,762,000 (excluding reimbursed expenses). 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.

MANAGEMENT BOARD REMUNERATION

The remuneration paid to the CEO and six other Management Board members who represent the senior management team for their services to the Company during the year ended 31 December 2019 was RUB 451.2 mln (in 2018 – RUB 185.6 mln).

The remuneration due to the Company's senior executives consists of a monthly base salary plus additional compensation payable twice a year. Additional compensation is linked to achieving the Company's key performance indicators (KPIs) and accomplishing additional tasks and objectives, as determined by the Board of Directors and the CEO for the reporting year or quarter. KPIs for each individual senior manager are set by period and mainly take into account metrics related to operational efficiency and individual contribution to the corporate growth and strategic performance. The Company calculates the additional annual compensation using EBITDA for the reporting period as resolved by the Board of Directors.

Board of Directors remuneration, *RUB*

Name	2017	2018	2019
Total	65,472,631.92	97,317,831.89	109,761,832.04
Igor Antoshin	4,749,761.34	—	
Sven Ombudstvedt	19,376,953.47	22,957,434.00	22,871,844.00
James Rogers	16,147,461.81	19,131,195.00	19,059,870.00
Ivan Rodionov	6,458,984.49	2,959,284.38	
Marcus Rhodes	16,147,461.81	19,131,195.00	19,059,870.00
Andrey Sharonov	2,592,009.00	11,478,717.00	11,435,922.00
Xavier Rolet	—	11,784,706.71	21,339,381.35
Irina Bokova	—	9,875,299.80	15,994,944.69

SHAREHOLDER AND INVESTOR INFORMATION

SHARE CAPITAL

The authorised capital of PhosAgro (the "Company") as at 31 December 2019 amounted to RUB 323,750,000 consisting of 129,500,000 ordinary shares with a par value of RUB 2.5 per share.

STOCK EXCHANGES

PhosAgro's shares are traded on the A1 quotation list of the Moscow Exchange under the ticker symbol PHOR (ISIN: RU000A0JRKT8).

Global depositary receipts (three GDRs represent one share) are traded in the Main Market of the London Stock Exchange under the symbol PHOR.

Regulation S GDRS

CUSIP number: 71922G209 ISIN: US71922G2093 Common code: 065008939
SEDOL: 0B62QPJ1 RIC: PHOSq.L

Rule 144A GDRS

CUSIP number: 71922G100 ISIN: US71922G1004 Common code: 065008939
SEDOL: 0B5N6Z48 RIC: GBB5N6Z48.L

Citigroup Global Markets Deutschland AG acts as the depositary for the Company's GDR Programme.

Share/GDR performance

OWNERSHIP STRUCTURE

Based on information available to the Company, the shares of Chlodwig Enterprises Limited and Adorabella Limited were transferred to trusts where the economic beneficiaries are Andrey Guryev and members of his family.

As at 31 December 2019, 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.

	Number of shares	% of issued and outstanding shares
Adorabella Limited	32,176,662	24.85
Chlodwig Enterprises Limited	24,359,900	18.81
Vladimir Litvinenko	27,174,815	20.98
Evgenia Guryeva	6,235,960	4.82
Other shareholders	39,552,663	30.54
Total:	129,500,000	100.00

The current ownership structure is available on the Company's website at

https://phosagro.com/investors/capital/

INVESTOR RELATIONS

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.

- 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.
- A well developed Eurobond programme helps reinforce the Company's position in the public debt market while ensuring the lowest cost of funding.

ANALYST COVERAGE

PhosAgro is covered by analysts from leading Russian and international brokers:

Company	Analyst	Phone
Aton	Andrey Lobazov	+7 (495) 213 0337
BCS Investment Bank	Anastasia Egazaryan	+7 (495) 785 5336
VTB Capital	Elena Sakhnova	+7 (495) 287 68 77
Goldman Sachs	Nina Dergunova	+7 (495) 645 4230
BMO	Joel Jackson	+1 (416) 359 4250
Sberbank CIB	Irina Lapshina	+7 (495) 258 05 11
BofA	Sashank Lanka	+971 44 258 23 11
Alfa Bank	Boris Krasnojenov	+7 (495) 795 36 12
Renaissance Capital	Steven Friedman	+27 (11) 750 14 81

DEBT MANAGEMENT

The conservative approach to leverage allows the Company to maintain its net debt/EBITDA within the range of 1–1.5x.

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 decision on the currency of borrowings is based on the Company's revenues, 70% of which is in foreign currency and the rest is strongly correlated with US Dollar exchange rate.

INFORMATION DISCLOSURE

PhosAgro strictly follows the requirements imposed by Russian securities regulations, as well as rules for the companies traded on the LSE, in its information disclosure and filings. The Company publicly discloses all required information to shareholders and investors in a timely manner through authorised newswires; the corporate website, and PhosAgro's official disclosure page on the Interfax portal and at LSE webpage.

The corporate website

https://phosagro.com/

Official disclosure

http://www.phosagro.ru/ori/item4157.php

PhosAgro's official disclosure page on the Interfax portal

http://www.e-disclosure.ru/portal/company.aspx?id=573

LSE webpage

https://www.londonstockexchange.com/exchange/prices-and-markets/stocks/exchange-insight/company-news.html?fourWayKey=US71922G2093USUSDIOBE

DIVIDENDS AND DIVIDEND POLICY

In accordance with PhosAgro's dividend policy, the Board of Directors seeks 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 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.

On 20 February 2020, PhosAgro's Board of Directors recommended that the Annual General Shareholders' Meeting approve dividends of RUB 18 per share (RUB 6 per depositary receipt), or RUB 2,331 billion in total. If approved by the Annual General Shareholders' Meeting (AGM) on 22 May 2020, this will bring PhosAgro's payout ratio to 67% of net profit after foreign exchange differences.

For more information on our dividend policy, please visit
https://www.phosagro.ru/investors/capital/dividends/

Our dividend policy is available at
https://www.phosagro.ru/upload/iblock/747/7479a53e07de62-ea5397d362769332d6.pdf

Type and date of the General Shareholders' Meeting where the relevant resolution on the declaration of dividends was adopted	Reporting period for which (following the results of which) the declared dividends are (were) paid	Declared dividends, total, RUB	Declared dividends per	
			ordinary share, RUB	depositary receipt, RUB
EGSM 24 January 2020	—[1]	6,216,000,000	48.00	16.00
EGSM 4 October 2019	—	6,993,000,000	54.00	18.00
EGSM 24 June 2019	—	9,324,000,000	72.00	24.00
EGSM 24 May 2019	—	6,604,500,000	51.00	17.00
EGSM 22 January 2019	—	9,324,000,000	72.00	24.00
EGSM 1 October 2018	—	5,827,500,000	45.00	15.00
EGSM 6 July 2018	—	3,108,000,000	24.00	8.00
EGSM 30 May 2018	—	1,942,500,000	15.00	5.00
EGSM 26 February 2018	—	2,719,500,000	21.00	7.00
EGSM 2 October 2017	—	3,108,000,000	24.00	8.00
EGSM 5 July 2017	—	2,719,500,000	21.00	7.00
EGSM 30 May 2017	2016	3,885,000,000	30.00	10.00
EGSM 16 January 2017	—	5,050,500,000	39.00	13.00
EGSM 3 October 2016	—	4,273,500,000	33.00	11.00
EGSM 29 July 2016	—	8,158,500,000	63.00	21.00
EGSM 31 May 2016	2015	7,381,500,000	57.00	19.00
EGSM 15 January 2016	—	8,158,500,000	63.00	21.00
EGSM 6 October 2015	—	7,381,500,000	57.00	19.00
EGSM 14 July 2015	—	6,216,000,000	48.00	16.00
EGSM 8 June 2015	2014	1,942,500,000	15.00	5.00
EGSM 31 December 2014	9M 2014	2,590,000,000	20.00	6.67
EGSM 16 September 2014	6M 2014	3,237,500,000	25.00	8.33
EGSM 13 June 2014	—	2,499,350,000	19.30	6.43

[1] Payments were made from undistributed profit for previous years

MANAGEMENT RESPONSIBILITY STATEMENT

The Company' management hereby confirms that, to the best of its knowledge:

The financial statements prepared in accordance with 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 a Board of Directors meeting on 20 February 2020 and reviewed and approved by the Annual General Shareholders' Meeting.

The consolidated financial statements for the year ended 31 December 2019 were approved by the Board of Directors on 20 February 2020.

Andrey A. Guryev
Chairman of the Management Board
and Chief Executive Officer of PJSC PhosAgro

APPENDICES

GRI

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FINANCIAL STATEMENTS

KPMG

Independent Auditors' Report

To the Shareholders and Board of Directors of PJSC "PhosAgro"

Opinion

We have audited the consolidated financial statements of PJSC "PhosAgro" (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

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 *Auditors' Responsibilities for the Audit of the (Consolidated) Financial Statements* section of our report. We are independent of the Group in accordance with the independence requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation and with the International Code of Ethics for Professional Accountants (including International Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with the requirements in the Russian Federation and the International Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

Audited entity: PJSC "PhosAgro"

Registration No. in the Unified State Register of Legal Entities 1027700190572.

Moscow, Russia

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registration No. in the Unified State Register of Legal Entities 1027700125628.

Member of the Self-regulatory Organization of Auditors Assosiation "Sodruzhestvo" (SRO AAS). The Principal Registration Number of the Entry in the Register of Auditors and Audit Organisations: No. 12006020351.

Valuation of deferred tax assets	
Please refer to the Note 19 in the consolidated financial statements.	
The key audit matter	**How the matter was addressed in our audit**
The Group has recognised significant deferred tax assets in respect of tax losses. The recovery of the deferred tax assets depends on achieving sufficient taxable profits in the future. Future taxable profits to be used for utilisation of tax losses accumulated by the Company mainly represent interest income to be received by the Company on the loans issued to the Group subsidiaries less expenses of the Company. The assessment of the potential to utilise the tax losses is dependent on the forecast profitability of the Group subsidiaries, the amount of dividends to be distributed to the Company, expected foreign currency exchange and interest rates for loans. There is inherent uncertainty involved in forecasting timing and quantum of future taxable profits, which support the extent to which tax assets are recognised. Therefore, this is the key judgmental area our audit is concentrated on.	Our audit procedures included the following: We tested the accuracy of the taxable profits forecast model used to estimate the likelihood of the recovery of deferred tax assets. We evaluated the appropriateness of management's key assumptions and estimates used by management to allocate profit between the Group entities, the likelihood of generating sufficient future taxable profits to support the recognition of deferred tax assets, in reference to performance trends and dividend capacity of the Group subsidiaries. Using KPMG tax specialist, we considered the appropriateness of the application of relevant tax legislation by the Group, in relation to the utilisation of tax losses.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the consolidated financial statements and our auditors' report thereon. The Annual Report is expected to be made available to us after the date of this auditors' 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 when it becomes available 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.

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.

Auditors' 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 auditors' 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 auditors' 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

auditors' 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 auditors' 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 engagement partner on the audit resulting in this independent auditors' report is:

I.A. Yagnov
JSC "KPMG"
Moscow, Russia
20 February 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income for 2019

	Note	2019 RUB Million	2018 RUB Million[1]
Revenues	7	248,125	233,312
Cost of sales	9	(136,224)	(124,008)
Gross profit		**111,901**	**109,304**
Administrative expenses	10	(16,476)	(14,271)
Selling expenses	11	(38,121)	(34,888)
Taxes, other than income tax, net	12	(2,384)	(3,469)
Other expenses, net	13	(3,269)	(2,679)
Operating profit		**51,651**	**53,997**
Finance income	14	1,458	447
Finance costs	14	(4,271)	(6,721)
Foreign exchange gain/(loss), net	31(b)	12,346	(19,613)
Profit before tax		**61,184**	**28,110**
Income tax expense	15	(11,776)	(5,975)
Profit for the year		**49,408**	**22,135**
Attributable to:			
Non-controlling interests		59	66
Shareholders of the Parent		49,349	22,069
Other comprehensive (loss)/income			
Items that will never be reclassified to profit or loss			
Actuarial losses and gains	29	(133)	170
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation difference		(1,129)	2,872
Other comprehensive (loss)/income for the year		**(1,262)**	**3,042**
Total comprehensive income for the year		48,146	25,177
Attributable to:			
Non-controlling interests[2]		59	66
Shareholders of the Parent		48,087	25,111
Basic and diluted earnings per share (in RUB)	26	381	170

The consolidated financial statements were approved on 20 February 2020:

A.A. Guryev
Chief executive officer

A.F. Sharabaiko
Deputy CEO for Finance and International Projects

1. The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. The comparative information is restated on account of correction of errors. See Notes 2 (g).
2. Non-controlling interests are the minority shareholders of the subsidiaries of PJSC "PhosAgro"

Consolidated Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 RUB million	31 December 2018 RUB million[1]
Assets			
Property, plant and equipment	16	199,459	186,231
Advances issued for property, plant and equipment		13,006	6,759
Right-of-use assets	17	6,891	-
Catalysts		2,376	2,574
Intangible assets		1,567	1,786
Investments in associates	18	519	506
Deferred tax assets	19	8,214	8,995
Other non-current assets	20	1,636	1,843
Non-current assets		**233,668**	**208,694**
Other current investments	21	251	313
Inventories	22	29,405	31,710
Trade and other receivables	23	31,061	36,186
Cash and cash equivalents	24	8,236	9,320
Current assets		**68,953**	**77,529**
Total assets		302,621	286,223
Equity	**25**		
Share capital		372	372
Share premium		7,494	7,494
Retained earnings		111,054	93,951
Actuarial losses		(689)	(556)
Foreign currency translation reserve		7,236	8,365
Equity attributable to shareholders of the Parent		125,467	109,626
Equity attributable to non-controlling interests		170	195
Total equity		125,637	109,821
Liabilities			
Loans and borrowings	27	96,736	122,877
Lease liabilities	28	4,701	376
Defined benefit obligations	29	857	630
Deferred tax liabilities	19	10,278	9,023
Non-current liabilities		**112,572**	**132,906**
Loans and borrowings	27	36,839	20,679
Lease liabilities	28	1,543	718
Trade and other payables	30	26,030	21,473
Derivative financial liabilities		-	626
Current liabilities		**64,412**	**43,496**
Total equity and liabilities		302,621	286,223

1. The Group initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. The comparative information is restated on account of correction of errors. See Notes 2 (g).

Consolidated Statement of Cash Flows for 2019

	Note	2019 RUB million	2018 RUB million
Cash flows from operating activities			
Operating profit		51,651	53,997
Adjustments for:			
Depreciation and amortisation	9, 10, 11	23,931	20,911
Loss on disposal of property, plant and equipment and intangible assets	13	611	586
Operating profit before changes in working capital and provisions		76,193	75,494
Decrease/(increase) in inventories and catalysts		1,593	(5,438)
Decrease in trade and other receivables		2,764	324
Increase in trade and other payables		5,398	655
Cash flows from operations before income taxes and interest paid		85,948	71,035
Income tax paid		(10,550)	(6,146)
Finance costs paid		(3,842)	(5,210)
Cash flows from operating activities		71,556	59,679
Cash flows from investing activities			
Acquisition of property, plant and equipment and intangible assets		(42,656)	(38,416)
Loans issued, net		(84)	(257)
Proceeds from disposal of property, plant and equipment		86	19
Finance income received		637	307
Acquisition of investments, net		-	(8)
Other payments		(1,267)	(814)
Cash flows used in investing activities		(43,284)	(39,169)
Cash flows from financing activities			
Proceeds from borrowings	27	48,725	83,874
Repayment of borrowings	27	(42,698)	(83,572)
Dividends paid to shareholders of the Parent	25	(32,244)	(13,598)
Dividends paid to non-controlling interests		(84)	-
Leases paid	28	(1,937)	(1,285)
Proceeds/(payments) from settlement of derivatives, net		112	(22)
Cash flows used in financing activities		(28,126)	(14,603)
Net increase in cash and cash equivalents		**146**	**5,907**
Cash and cash equivalents at 1 January		9,320	2,691
Effect of exchange rates fluctuations		(1,230)	722
Cash and cash equivalents at 31 December	**24**	**8,236**	**9,320**

Consolidated Statement of Changes in Equity for 2019

RUB Million	Share capital	Share premium	Retained earnings	Actuarial gains and losses	Foreign currency translation reserve	Attributable to non-controlling interests	Total
Balance at 1 January 2018	**372**	**7,494**	**85,480**	**(726)**	**5,493**	**129**	**98,242**
Total comprehensive income for the year							
Profit for the year	-	-	22,069	-	-	66	22,135
Actuarial gains	-	-	-	170	-	-	170
Foreign currency translation difference	-	-	-	-	2,872	-	2,872
	-	-	22,069	170	2,872	66	25,177
Transactions with owners recognised directly in equity							
Dividends to shareholders of the Parent	-	-	(13,598)	-	-	-	(13,598)
	-	**-**	**(13,598)**	**-**	**-**	**-**	**(13,598)**
Balance at 31 December 2018	372	7,494	93,951	(556)	8,365	195	109,821
Balance at 1 January 2019	**372**	**7,494**	**93,951**	**(556)**	**8,365**	**195**	**109,821**
Total comprehensive income for the year							
Profit for the year	-	-	49,349	-	-	59	49,408
Actuarial losses	-	-	-	(133)	-	-	(133)
Foreign currency translation difference	-	-	-	-	(1,129)	-	(1,129)
	-	-	49,349	(133)	(1,129)	59	48,146
Transactions with owners recognised directly in equity							
Dividends to shareholders of the Parent, note 25	-	-	(32,246)	-	-	(84)	(32,330)
	-	-	(32,246)	-	-	(84)	(32,330)
Balance at 31 December 2019	372	7,494	111,054	(689)	7,236	170	125,637

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR 2019

1. BACKGROUND

(a) Organisation and operations

PJSC "PhosAgro" (the "Company" or the "Parent") 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.

The Company's key shareholders are two Cyprus entities holding approximately 44% of the Company's ordinary shares in total. 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 characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

Starting in 2014, the United States of America, the European Union and some other countries have imposed and expanded economic sanctions against a number of Russian individuals and legal entities. The imposition of the sanctions has led to increased economic uncertainty, including more volatile equity markets, a depreciation of the Russian rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. As a result, some Russian entities may experience difficulties accessing the international equity and debt markets and may become increasingly dependent on state support for their operations. The longer-term effects of the imposed and possible additional sanctions are difficult to determine.

The consolidated financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

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.

This is the first set of the Group's annual financial statements where IFRS 16 Leases has been applied. The related changes to significant accounting policies are disclosed in the note 2 (g).

(b) Going concern

Note 31 to the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments; and its exposures to credit risk and liquidity risk.

The Group has considerable financial resources together with long-standing relationships with a number of customers across different geographic areas. As a consequence, the directors believe that the Group is well placed to manage its business risks successfully.

The directors remain confident that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

(c) Basis of measurement

The consolidated financial statements are prepared on the historical cost basis except for the financial assets measured at fair value.

(d) 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.

(e) 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 into RUB, where applicable, was performed as follows:

- Assets and liabilities as at 31 December 2019 were translated at the closing exchange rate of RUB 61.9057 for USD 1 (31 December 2018: RUB 69.4706 for USD 1);
- Profit and loss items were translated at the average exchange rate for 2019 of RUB 64.7362 for USD 1 (for 2018: RUB 62.7078 for USD 1);
- 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.

The translation from EUR into RUB, where applicable, was performed as follows:

- Assets and liabilities as at 31 December 2019 were translated at the closing exchange rate of RUB 69.3406 for EUR 1 (31 December 2018: RUB 79.4605 for EUR 1);
- Profit and loss items were translated at the average exchange rate for 2019 of RUB 72.5021 for EUR 1 (for 2018: RUB 73.9546 for EUR 1);
- 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.

(f) 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, liabilities, income and expenses. 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 fixed assets;
- note 19 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used;

(g) Adoption of new and revised standards and interpretations

1As at 1 January 2019, the Group has initially adopted IFRS 16 Leases (as issued by the IASB in January 2016).

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance leases and requiring the recognition of a right-of-use asset and a lease liability at the lease commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of IFRS 16 on the Group's consolidated financial statements is described below.

The Group has applied IFRS 16 using a modified retrospective approach. The comparative information for 2018 has not been restated in accordance with provisions of IFRS 16.

Impact of the new definition of a lease

The Group used the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 Leases and IFRIC 4 Determining Whether an Arrangement Contains a Lease will continue to be applied to leases entered or modified before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies the definition of a lease and related guidance set out in IFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). When preparing for the initial application of IFRS 16, the Group carried out an implementation project. The project results presented that the new definition in IFRS 16 would not change significantly the scope of contracts that meet the definition of a lease for the Group..

Impact on Lessee Accounting

Leases formerly recognised as operating leases under IAS 17

IFRS 16 changes how the Group accounts for leases previously classified as operating leases under IAS 17, which were off-balance-sheet. Before 1 January 2019 expenses on operating lease were reflected as rent expenses in cost of sales, administrative expenses and selling expenses, which were recognised on a straight-line basis during the lease period.

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use assets and the lease liability as at 1 January 2019 are determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

Financial impact of initial application of IFRS 16

At the date of transition to IFRS 16 the Group recognised additional lease liabilities (short-term and long-term) in the amount of RUB 1,738 million with the corresponding increase in right-of-use assets. Previously the Group recognised lease liabilities in the amount of RUB 1,094 million with residual value of fixed assets in the amount of RUB 3,271 million as at 31 December 2018 because this lease contracts were classified as finance leases according to IAS 17. The amount of lease liabilities recognised was determined based on the present value of the remaining future minimum lease payments at the transition date. The Group used incremental borrowing rate in determining the present value of future payments.

The weighted average incremental borrowing rate at 1 January 2019 was 9.0% per annum. This discount rate was used for all the lease contracts concluded by the Group.

When the Group is either required to acquire assets at the end of lease contracts or has a purchase option, which the Group is reasonably certain to exercise, such payments are also included in model when determining the present value of future payments.

The majority of the Group's leases of land plots have the periodic lease payment linked to cadastral value of a plot. Cadastral value as well as applicable rates are set and updated by governmental authorities, which do not represent a market index or rate. Hence, all the lease payments under such contracts are considered variable not dependent on index or rate and are recognised in profit or loss as they are incurred, which means the Group recognises no liability in respect of future lease payments and no corresponding right-of-use assets.

As at 1 January 2019, the Group recognised additional right-of-use assets in the amount of RUB 1,738 million. According to terms fixed in the lease contracts, right-of-use assets were depreciated on a straight-line basis over the lease term within the range from 1 to 5 years. In cases when ownership of the underlying right-of-use asset is transferred to the Group, or the Group is reasonably certain to exercise a purchase option, then the depreciation period runs to the end of the useful life of the underlying right-of-use asset. Depreciation expenses were reflected in cost of sales, administrative expenses and selling expenses.

Future minimum lease payments as at 31 December 2018 as disclosed in the consolidated financial statements for the year ended 31 December 2018:

	RUB million
Operating leases	2,469
Finance leases	1,158
	3,627
Impact of payments on land plots based on cadastral values and options to extend and cancel lease contracts	(383)
Impact of discounting	(412)
Lease liabilities recognised as at 1 January 2019 (note 28)	2,832
Residual value of fixed assets under finance lease as at 31 December 2018	3,271
Finance lease liability as at 31 December 2018	(1,094)
Right-of-use assets recognised as at 1 January 2019 (note 17)	5,009
Effect on retained earnings as at 1 January 2019	-

Had the Group not applied IFRS 16 for 2019, it would have the following effect on the Group's consolidated statement of profit or loss and other comprehensive income for 2019 and consolidated statement of financial position as at 31 December 2019:

	Note	2019		
		as if IAS 17 still applied	IFRS 16 adjustments	as presented
		RUB million	RUB million	RUB million
Revenues	7	248,125	-	248,125
Cost of sales	9	(136,739)	515	(136,224)
Gross profit		**111,386**	**515**	**111,901**
Administrative expenses	10	(16,490)	14	(16,476)
Selling expenses	11	(38,121)	-	(38,121)
Taxes, other than income tax, net	12	(2,384)	-	(2,384)
Other expenses, net	13	(3,269)	-	(3,269)
Operating profit		**51,122**	**529**	**51,651**
Finance income	14	1,458	-	1,458
Finance costs	14	(4,059)	(212)	(4,271)
Foreign exchange gain, net	31(b)	12,346	-	12,346
Profit before tax		**60,867**	**317**	**61,184**
Income tax expense	15	(11,712)	(64)	(11,776)
Profit for the year		49,155	253	49,408

	Note.	31 December 2019 as if IAS 17 still applied	IFRS 16 adjustments	31 December 2019 as presented
		RUB million	RUB million	RUB million
Assets				
Property, plant and equipment	16	199,488	(29)	199,459
Advances issued for property, plant and equipment		13,006	-	13,006
Right-of-use assets	17	-	6,891	6,891
Catalysts		2,376	-	2,376
Intangible assets		1,567	-	1,567
Investments in associates	18	519	-	519
Deferred tax assets	19	8,214	-	8,214
Other non-current assets	20	1,636	-	1,636
Non-current assets		**226,806**	**6,862**	**233,668**
Other current investments	21	251	-	251
Inventories	22	29,405	-	29,405
Trade and other receivables	23	31,460	(399)	31,061
Cash and cash equivalents	24	8,236	-	8,236
Current assets		**69,352**	**(399)**	**68,953**
Total assets		296,158	6,463	302,621
Equity	**25**			
Share capital		372	-	372
Share premium		7,494	-	7,494
Retained earnings		110,801	253	111,054
Foreign currency translation reserve		7,236	-	7,236
Actuarial losses		(689)	-	(689)
Equity attributable to shareholders of the Parent		125,214	253	125,467
Equity attributable to non-controlling interests		170	-	170
Total equity		125,384	253	125,637
Liabilities				
Loans and borrowings	27	96,736	-	96,736
Lease liabilities	28	1	4,700	4,701
Defined benefit obligations	29	857	-	857
Deferred tax liabilities	19	10,214	64	10,278
Non-current liabilities		**107,808**	**4,764**	**112,572**
Loans and borrowings	27	36,839	-	36,839
Lease liabilities	28	1	1,542	1,543
Trade and other payables	30	26,126	(96)	26,030
Current liabilities		**62,966**	**1,446**	**64,412**
Total equity and liabilities		296,158	6,463	302,621

The Group has adopted amendments to IAS 23 Borrowing Costs issued by the International Accounting Standards Board as part of Annual Improvements to IFRS Standards 2015–2017 Cycle from 1 January 2019 and apply them to borrowing costs incurred on or after that date. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Therefore, the Group treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. Borrowings that were intended to specifically finance qualifying assets which are now ready for their intended use or sale – or any non-qualifying assets – the Group includes in its general pool. During 2019, the Group capitalised an additional amount of borrowing costs of RUB 260 million as a result of this revised approach.

(h) New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

- Amendments to References to Conceptual Framework in IFRS Standards.
- Definition of a Business (Amendments to IFRS 3).
- Definition of Material (Amendments to IAS 1 and IAS 8).
- IFRS 17 Insurance Contracts.

3.SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, except for the adoption of IFRS 16 from 1 January 2019.

(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. 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, the costs of dismantling and removing the items and restoring the site on which they are located, 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 statement of profit or loss 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 that materially extend the life 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) 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 equipment 5 to 35 years;
- Fixtures and fittings 2 to 25 years.

(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 products 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 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 and is not designated as at fair value through profit or loss ("FVTPL"):

- 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 and are not designated as at FVTPL:

- 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 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 ("FVPL").

(f) Inventories

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 ("FVPL").

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories 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 overheads based on normal operating capacity.

(g) 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.

(h) Leases

Policy applicable from 1 January 2019

The Group has applied IFRS 16 Leases using a modified retrospective approach under which comparative information has not been restated in accordance with provisions of IFRS 16 and continues to be reported under IAS 17.

The Group has disclosed accounting policies under both IFRS 16 (for the current period) and IAS 17 (for the comparative period presented) in order for users to understand the current period as well as comparative information and changes in significant accounting policies.

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.

Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
- the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
- the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
- facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. Plant and equipment acquired by way of finance lease were stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in the profit or loss as an integral part of the total lease payments made.

(i) 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.

(j) Financial liabilities
The Group financial liabilities comprise trade and other payables, borrowings and bonds and derivative financial instruments. The Group financial liabilities are measured at amortised cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives, other liabilities held for trading, and liabilities that the Group designates to be measured at fair value through profit or loss.

The Group derecognises a financial liability when its obligation specified in the contract is discharged or cancelled or expires.

(k) 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.

(l) 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.

(m) 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.

(n) 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 receive 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. There are no other 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 selling expenses.

(o) Finance income and costs

Finance income comprises interest income, dividend income, gain on the financial assets at FVTPL, gain arising from operations with foreign currency, unwind of discount of financial assets, share of profit of associates and foreign currency gains. 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, loss on the financial assets at FVTPL, bank fees, securitisation fees, loss arising from operations with foreign currency, discount of financial assets, share of loss of associates and foreign currency losses. 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.

(p) 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 three 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.

(q) Social expenditure

To the extent that the Group's contributions to social programs benefit the community at large and are not restricted to the Group's employees, they are recognised in the profit or loss as incurred.

(r) 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.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(s) 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 CEO 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 CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, related head office expenses and Group's associates.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities.

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 in 4(a) to 4(c). 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 measured at amortised cost

The fair values of financial assets carried at amortised cost, which are mainly loans issued and trade and other receivables, approximate their carrying amounts as at the reporting date.

(b) Financial instruments measured at fair value

The fair values of derivative financial assets and liabilities are determined using inputs from observable market data and are categorised as Level 2 of the fair value hierarchy.

The fair values of derivative financial liabilities, represented by put and call options on oil (Brent) contracts, are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

(c) Other financial liabilities not measured at fair value

The fair values of other financial liabilities, which are mainly loans and borrowings and lease liabilities, are determined for disclosure purposes and 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.

5. PRIOR YEAR ADJUSTMENTS AND RECLASSIFICATIONS

During the current period the Group made a decision to make certain reclassifications to prior period comparatives to be consistent with the current period classifications, effecting the following captions:

- revenue, cost of sales, administrative expenses, selling expenses, other expenses, net, finance costs and share of loss of associates;
- inventory, catalysts (as non-current assets);
- to change the presentation of statement of cash flows, starting from the line of operating profit instead of profit before tax as in previous periods.

Comparatives were changed accordingly to align them with current year presentation.

	2018		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Revenue	233,430	(118)	233,312
Cost of sales	(123,964)	(44)	(124,008)
Administrative expenses	(14,864)	593	(14,271)
Selling expenses	(34,410)	(478)	(34,888)
Other expenses, net	(2,726)	47	(2,679)
Finance costs	(6,098)	(623)	(6,721)
Share of loss of associates, net of provision	(623)	623	-

	31 December 2018		
	As previously presented	Reclassifications	As adjusted
	RUB Million	RUB Million	RUB Million
Catalysts	2,414	160	2,574
Inventories	31,870	(160)	31,710

6. SEGMENT INFORMATION

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 are managed separately because 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, diammoniumphosphate, 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 assets, 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.

Information regarding the results of each reportable segment is included below. Performance is measured based on gross profit, as included in internal management reports that are reviewed by the Group's CEO.

Segment information as at 31 December 2019 and for the year then ended is as follows:

RUB million	Phosphate-based products	Nitrogen-based products	Other operations	Total
Segment revenue and profitability				
Segment external revenues,	201,248	37,882	8,995	248,125
thereof:				
Export	135,220	31,100	1,098	167,418
Domestic	66,028	6,782	7,897	80,707
Cost of goods sold	(111,086)	(16,609)	(8,529)	(136,224)
Gross segment profit	**90,162**	**21,273**	**466**	**111,901**
Certain items of profit or loss				
Amortisation and depreciation	(17,521)	(5,723)	(687)	(23,931)
Total non-current segment assets[1]	144,680	60,645	4,968	210,293
Additions to non-current assets[1]	37,084	5,587	963	43,634

Segment information of the Group as at 31 December 2018 and for the year then ended is as follows:

RUB million	Phosphate-based products	Nitrogen-based products	Other operations	Total
Segment revenue and profitability				
Segment external revenues,	186,971	37,011	9,330	233,312
thereof:				
Export	132,098	30,178	903	163,179
Domestic	54,873	6,833	8,427	70,133
Cost of goods sold	(98,962)	(16,431)	(8,615)	(124,008)
Gross segment profit	**88,009**	**20,580**	**715**	**109,304**
Certain items of profit or loss				
Amortisation and depreciation	(14,304)	(5,883)	(724)	(20,911)
Total non-current segment assets[2]	122,164	63,162	5,265	190,591
Additions to non-current assets[2]	25,618	5,890	843	32,351

1. Total non-current segment assets include property, plant and equipment, intangible assets, right-of-use assets and catalysts.
2. Total non-current segment assets include property, plant and equipment, intangible assets and catalyst

The analysis of export revenue by regions is as follows:

	2019 RUB million	2018 RUB million
Europe	72,372	57,308
South America	34,836	43,684
North America	19,397	27,589
India	14,153	11,890
CIS	13,634	11,557
Africa	9,509	7,895
Asia	3,477	3,250
Australia	40	6
	167,418	163,179

7. REVENUES

	2019 RUB million	2018 RUB million
Phosphate-based products	201,248	186,971
Sales of chemical fertilisers	165,110	155,733
Sales of apatite concentrate	25,799	22,098
Sales of other phosphate-based products and services	9,203	8,326
Sales of nepheline concentrate	1,136	814
Nitrogen-based products	37,882	37,011
Other	8,995	9,330
	248,125	233,312

8. PERSONNEL COSTS

	2019 RUB Million	2018 RUB Million
Cost of sales	(12,744)	(11,760)
Administrative expenses	(9,300)	(7,907)
Selling expenses	(2,662)	(2,257)
	(24,706)	(21,924)

9. COST OF SALES

	2019 RUB Million.	2018 RUB Million.
Depreciation	(21,368)	(18,936)
Materials and services	(20,138)	(18,488)
Potash	(13,691)	(10,238)
Salaries and social contributions	(12,744)	(11,760)
Natural gas	(12,627)	(12,096)
Repair expenses	(10,119)	(9,485)
Sulphur and sulphuric acid	(9,165)	(10,682)
Transportation of phosphate rock	(8,641)	(7,671)
Chemical fertilisers and other products for resale	(6,683)	(6,287)
Electricity	(6,204)	(5,474)
Fuel	(4,849)	(4,019)
Ammonia	(4,095)	(4,195)
Ammonium sulphate	(3,577)	(3,015)
Drilling and blasting operations expenses	(2,323)	(1,662)
	(136,224)	(124,008)

10. ADMINISTRATIVE EXPENSES

	2019 RUB million	2018 RUB million
Salaries and social contributions	(9,300)	(7,907)
Professional services	(1,963)	(1,677)
Depreciation and amortisation	(1,378)	(1,242)
Other	(3,835)	(3,445)
	(16,476)	(14,271)

11. SELLING EXPENSES

	2019 RUB million.	2018 RUB million.
Expenses linked to basis of delivery, inc.	**(32,628)**	**(30,578)**
Freight, port and stevedoring expenses	(18,340)	(17,829)
Russian Railways infrastructure tariff and operators' fees	(11,441)	(10,363)
Custom duties	(1,898)	(1,391)
Materials and services	(949)	(995)
Other fixed expenses, inc.	**(5,493)**	**(4,310)**
Salaries and social contributions	(2,662)	(2,257)
Depreciation and amortisation	(1,185)	(733)
Materials and services	(1,646)	(1,320)
	(38,121)	(34,888)

12. TAXES, OTHER THAN INCOME TAX, NET

	2019 RUB million.	2018 RUB million
Mineral extraction tax	(954)	(885)
Property tax	(558)	(1,966)
Land tax	(301)	(291)
VAT included in expenses	(294)	(123)
Environment pollution payment	(171)	(130)
Using water objects payment	(38)	(38)
Other taxes	(68)	(36)
	(2,384)	(3,469)

13. OTHER EXPENSES, NET

	2019 RUB million.	2018 RUB million.
Social expenditures	(2,661)	(1,856)
Loss on disposal of property, plant and equipment and intangible assets	(611)	(586)
Increase in provision for bad debt	(106)	(452)
Increase in provision for inventory obsolescence	(19)	(88)
(Accrual)/reversal of accrual of contingent liabilities	(62)	35
Other income, net	190	268
	(3,269)	(2,679)

14. FINANCE INCOME AND FINANCE COSTS

	2019 RUB million..	2018 RUB million..
Gain from operations with derivatives	700	-
Interest income	484	230
Unwind of discount on financial assets	68	67
Share of profit of associates (note 18)	13	-
Dividend income	4	-
Other finance income	189	150
Finance income	1,458	447
Interest expense	(3,457)	(4,666)
Bank fees	(209)	(156)
Securitisation fees	(175)	-
Write off of equity securities	(150)	-
Provision for bad debt on financial investments	(45)	(566)
Share of loss of associates, net of provision (note 18)	-	(623)
Other finance costs	(235)	(710)
Finance costs	(4,271)	(6,721)
Net finance costs	(2,813)	(6,274)

15. INCOME TAX EXPENSE

The Company's applicable corporate income tax rate is 20% (2018: 20%).

	2019 RUB million	2019 RUB million
Current tax expense	(9,724)	(8,487)
Origination and reversal of temporary differences, including change in unrecognised assets	(2,052)	2,512
	(11,776)	(5,975)

Reconciliation of effective tax rate:

	2019 RUB million.	%	2018 RUB million	%
Profit before tax	61,184	100	28,110	100
Income tax at applicable tax rate	(12,237)	(20)	(5,622)	(20)
Over/(under) provided in respect of prior years	4	-	(3)	-
Unrecognised tax liability/(asset) on profit/(loss) from associates	3	-	(125)	-
Non-deductible items	(1,174)	(2)	(1,434)	(5)
Change in unrecognised deferred tax assets	15	-	17	-
Effect of tax rates in foreign jurisdictions	337	1	39	-
Reduction in tax rate	1,276	2	1,153	4
	(11,776)	(19)	(5,975)	(21)

16. PROPERTY, PLANT AND EQUIPMENT

RUB Million	Land and buildings	Plant and equipment	Fixtures and fittings	Construction in progress	Total
Cost					
At 1 January 2018	67,175	127,023	11,078	41,858	247,134
Additions	2,286	3,903	2,363	23,309	31,861
Transfers	6,835	13,425	-	(20,260)	-
Disposals	(138)	(1,335)	(129)	(305)	(1,907)
Other movements	94	1,632	12	-	1,738
At 1 January 2019	76,252	144,648	13,324	44,602	278,826
Recognition of ROU asset on initial application of IFRS 16	-	(4,262)	-	-	(4,262)
Adjusted cost at 1 January 2019	76,252	140,386	13,324	44,602	274,564
Additions	2,493	5,826	2,517	26,696	37,532
Transfers from right-of-use assets (note 17)	-	4,245	-	-	4,245
Transfers	16,582	17,203	-	(33,785)	-
Disposals	(779)	(2,623)	(182)	(518)	(4,102)
Other movements	(66)	(108)	(10)	-	(184)
At 31 December 2019	94,482	164,929	15,649	36,995	312,055
Accumulated depreciation					
At 1 January 2018	(12,435)	(53,276)	(6,310)	-	(72,021)
Depreciation charge	(4,582)	(14,813)	(1,863)	-	(21,258)
Disposals	74	1,234	96	-	1,404
Other movements	(6)	(707)	(7)	-	(720)
At 1 January 2019	(16,949)	(67,562)	(8,084)	-	(92,595)
Recognition of ROU asset on initial application of IFRS 16	-	991	-	-	991
Adjusted depreciation at 1 January 2019	(16,949)	(66,571)	(8,084)	-	(91,604)
Transfers from right-of-use assets (note 17)	-	(1,033)	-	-	(1,033)
Depreciation charge	(5,469)	(16,010)	(1,732)	-	(23,211)
Disposals	638	2,522	152	-	3,312
Other movements	6	(72)	6	-	(60)
At 31 December 2019	(21,774)	(81,164)	(9,658)	-	(112,596)
Net book value at 1 January 2018	54,740	73,747	4,768	41,858	175,113
Net book value at 1 January 2019	59,303	77,086	5,240	44,602	186,231
Net book value at 1 January 2019 adjusted of IFRS 16	59,303	73,815	5,240	44,602	182,960
Net book value at 31 December 2019	72,708	83,765	5,991	36,995	199,459

During 2019, the Group capitalised borrowing costs in the amount of RUB 1,283 million (2018: RUB 836 million) in the value of property, plant and equipment using the weighted average interest rate of 3.24% per annum.

As at 31 December 2019, the balance of the construction in progress account includes the accumulated costs related to

in Cherepovets:
- Development programme of production facilities for extraction of phosphoric acid and fertilizers in the amount of RUB 3,893 million;
- Development programme of ammonia production facilities in the amount of RUB 2,581 million;
- Development programme of production facilities for sulphuric acid in the amount of RUB 2,137 million;
- The construction of ammonium sulphate plant in the amount of RUB 941 million.

in Kirovsk:
- Kirovsk mine extension and modernization in the amount of RUB 8,140 million;
- The construction of transporter of Koashvinskiy quarry in the amount of RUB of 4,893 million;
- The construction of apatit-nepheline beneficiation plant in the amount of RUB 2,277 million;
- The development of Rasvumchorrskiy mine in the amount of RUB 1,347 million.

17. RIGHT-OF-USE ASSETS

The Group has the following types of right-of-use assets as at 31 December 2019: 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
Cost			
At 1 January 2019	137	5,863	6,000
New lease contracts and modification of existing lease contracts	136	5,822	5,958
Disposals	(73)	(51)	(124)
Currency translation	(11)	-	(11)
Transfers to property, plant and equipment (note 16)	-	(4,245)	(4,245)
At 31 December 2019	189	7,389	7,578
Accumulated depreciation			
At 1 January 2019	-	(991)	(991)
Depreciation	(105)	(654)	(759)
Disposals	23	5	28
Currency translation	2	-	2
Transfers to property, plant and equipment (note 16)	-	1,033	1,033
At 31 December 2019	(80)	(607)	(687)
Net book value at 1 January 2019	137	4,872	5,009
Net book value at 31 December 2019	109	6,782	6,891

Amounts recognised in profit and loss

	2019 RUB million
Leases under IFRS 16	
Depreciation expense on right-of-use assets	759
Interest expense on lease liabilities	236
Expenses relating to short-term leases	587
Expenses relating to leases with variable payments	375

Amounts recognised in profit and loss

	2018 RUB million.
Operating leases under IAS 17	
Lease expense	887
Contingent rent expense	345

18. INVESTMENTS IN ASSOCIATES

The movement in the balance of investments in associates is as follows

	2019 RUB million.	2018 RUB million
Balance at 1 January	506	969
Share in profit for the period	13	99
Provision for investments in associates	-	(722)
Foreign currency translation difference	-	160
Balance at 31 December	519	506

Carrying values of the Group's investments in associates are as follows:

	31 December 2019 RUB Million	31 December 2018 RUB Million
JSC Khibinskaya Teplovaya Kompaniya	435	421
JSC Giproruda	63	61
JSC Soligalichskiy izvestkovyi kombinat	21	24
	519	506

Summary financial information for associates is as follows:

2019	Total assets RUB Million	Total liabilities RUB Million	Net assets RUB Million	Revenue RUB Million	Profit/(loss) for the year RUB Million
JSC Khibinskaya Teplovaya Kompaniya	1,605	(809)	796	494	27
JSC Giproruda	161	(33)	128	99	6
JSC Soligalichskiy izvestkovyi kombinat	598	(381)	217	581	(3)
	2,364	(1,223)	1,141	1,174	30
2018	**Total assets RUB Million**	**Total liabilities RUB Million**	**Net assets RUB Million**	**Revenue RUB Million**	**Profit/(loss) for the year RUB Million**
JSC Khibinskaya Teplovaya Kompaniya	1,876	(1,075)	801	705	48
LLC PhosAgro-Ukraine	-	-	-	3,549	181
JSC Giproruda	146	(24)	122	54	9
JSC Soligalichskiy izvestkovyi kombinat	526	(294)	232	497	11
	2,548	(1,393)	1,155	4,805	249

19. DEFERRED TAX ASSETS AND LIABILITIES

(a) Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following items:

RUB Million	Assets 2019	Liabilities 2019	Net 2019	Assets 2018	Liabilities 2018	Net 2018
Property, plant and equipment	129	(12,056)	(11,927)	102	(9,869)	(9,767)
Other long-term assets	43	(51)	(8)	17	(44)	(27)
Current assets	1,067	(390)	677	1,067	(488)	579
Liabilities	1,826	(4)	1,822	748	(3)	745
Tax loss carry-forwards	7,427	-	7,427	8,482	-	8,482
Unrecognised deferred tax assets	(55)	-	(55)	(40)	-	(40)
Tax assets/(liabilities)	10,437	(12,501)	(2,064)	10,376	(10,404)	(28)
Set off of tax	(2,223)	2,223	-	(1,381)	1,381	-
Net tax assets/(liabilities)	8,214	(10,278)	(2,064)	8,995	(9,023)	(28)

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 2019 do not expire.

Management has developed a tax strategy to utilise the tax losses above. In assessing the recoverability of the tax losses, major part of which relates to the Company, management considers a forecast of future taxable profits of the Company (the "forecast") and the Group's tax position. The forecast is reviewed at each reporting date to ensure that the related tax benefit will be realised. Future taxable profits are expected to be generated from an excess of interest income on loans, to be issued by the Company to the Group subsidiaries, over expenses of the Company. When developing the forecast, management has evaluated profitability and dividend capacity of the Group subsidiaries, and considered expected rates of interest for loans and expected foreign currency rates.

As at 31 December 2019, no deferred tax liability for taxable temporary differences of RUB 57,156 million has been recognised (31 December 2018: RUB 52,016 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 2019	Recognised in profit or loss	Recognised in other comprehensive income	Reclassification	1 January 2019
Property, plant and equipment	(11,927)	(2,186)	3	23	(9,767)
Other long-term assets	(8)	19	-	-	(27)
Current assets	677	108	(10)	-	579
Liabilities	1,822	1,077	-	-	745
Tax loss carry-forwards	7,427	(1,055)	-	-	8,482
Unrecognised deferred tax assets	(55)	(15)	-	-	(40)
Net tax (liabilities)/assets	**(2,064)**	**(2,052)**	**(7)**	**23**	**(28)**

RUB million	31 December 2018	Recognised in profit or loss	Recognised in other comprehensive income	Reclassification	1 January 2018
Property, plant and equipment	(9,767)	(951)	(1)	-	(8,815)
Other long-term assets	(27)	(5)	-	-	(22)
Current assets	579	655	4	-	(80)
Liabilities	745	(166)	-	-	911
Tax loss carry-forwards	8,482	2,996	-	-	5,486
Unrecognised deferred tax assets	(40)	(17)	-	-	(23)
Net tax (liabilities)/ assets	(28)	2,512	3	-	(2,543)

20. OTHER NON-CURRENT ASSETS

	31 December 2019 RUB million	31 December 2018 RUB million
Loans issued to third parties, at amortised cost	653	779
Financial assets, at fair value	602	752
Loans issued to employees, at amortised cost	218	88
Other long-term assets	673	795
Provision for loans issued to third parties	(510)	(571)
	1,636	1,843

21. OTHER CURRENT INVESTMENTS

	31 December 2019 RUB million	31 December 2018 RUB million
Interest receivable	118	88
Loans issued to third parties, at amortised cost	105	35
Loans issued to employees, at amortised cost	80	52
Loans issued to related parties, at amortised cost	2	117
Investments in debt securities, at amortised cost	-	32
Loans issued to associates, at amortised cost	-	13
Provision for doubtful accounts	(54)	(24)
	251	313

22. INVENTORIES

	31 December 2019 RUB million	31 December 2018 RUB million
Raw materials and spare parts	11,723	12,340
Finished goods:		
Chemical fertilisers	10,837	12,982
Apatite concentrate	443	327
Other products	273	651
Work-in-progress:		
Chemical fertilisers and other products	4,491	3,782
Chemical fertilisers and other products for resale, purchased from third parties	1,778	1,729
Other goods for resale	63	83
Provision for obsolescence	(203)	(184)
	29,405	31,710

23. TRADE AND OTHER RECEIVABLES

	31 December 2019 RUB million	31 December 2018 RUB million
Trade accounts receivable	14,375	20,379
VAT and other taxes receivable	10,214	8,973
Advances issued	4,865	5,716
Income tax receivable	1,286	533
Deferred expenses	99	159
Receivables from employees	20	11
Other receivables	460	1,033
Provision for doubtful accounts	(258)	(618)
	31,061	36,186

The movements in provision for doubtful accounts are as follows:

	2019 RUB Million	2018 RUB Million
Balance at 1 January	(618)	(536)
Written off provision through trade receivables	305	380
Reclassification to non-current assets	73	-
Foreign currency translation difference	42	(16)
Reversal of provision	15	-
Disposal of trade receivables through provision	5	-
Increase in provision for bad debt	(80)	(446)
Balance at 31 December	(258)	(618)

See note 31 (c) for the analysis of overdue trade accounts receivable.

24. CASH AND CASH EQUIVALENTS

	31 December 2019 RUB Million	31 December 2018 RUB Million
Cash in bank	5,724	5,126
Call deposits	2,506	4,188
Petty cash	6	6
	8,236	9,320

25. EQUITY

(a) Share capital

Number of shares unless otherwise stated	Ordinary shares
Shares on issue at 31 December 2019 RUB 2.5 par value	129,500,000
Shares authorised for additional issue at 31 December 2019, RUB 2.5 par value	994,977,080
Shares on issue at 31 December 2018, RUB 2.5 par value	129,500,000
Shares authorised for additional issue at 31 December 2018, RUB 2.5 par value	994,977,080

(b) Dividend policy

The Croup'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. 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 term for dividend payments is determined by the General Shareholders' Meeting and must not exceed 60 days from the date of the resolution to pay the same. 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 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 Principles. As at 31 December 2019, the Company had cumulative retained earnings of RUB 8,689 million (31 December 2018: RUB 12,252 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			
November 2018	January 2019	72	9,324
March 2019	May 2019	51	6,605
May 2019	June 2019	72	9,324
August 2019	October 2019	54	6,993
			32,246
Total dividends approved subsequent to the reporting date			
November 2019	January 2020	48	6,216
February 2020	February 2020	18	2,331
			8, 547

26. 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.

	2019 RUB million	2018 RUB million
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	49,349	22,069
Basic and diluted earnings per share, RUB	381	170

27. 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 28. For more information about the Group's exposure to foreign currency risk, interest rate risk and liquidity risk, see note 31.

	31 December 2019 RUB million	31 December 2018 RUB million
Current loans and borrowings		
Unsecured bank loans	36,225	19,934
Interest payable	621	733
Unsecured loans from related parties	-	20
Bank commission (short-term)	(7)	(8)
	36,839	20,679
Non-current loans and borrowings		
Loan participation notes[1,2]	61,906	69,471
Unsecured bank loans	34,951	53,570
Bank commission (long-term)	(121)	(164)
	96,736	122,877
	133,575	143,556

1. In May 2017, the Company's SPV issued a USD 500 million 4,5-year Eurobond with a coupon rate of 3.95%, which is listed on the Irish Stock Exchange, with the fair value at the reporting date of RUB 33,211 million (31 December 2018: RUB 34,102 million).
2. 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 33,843 million (31 December 2018: RUB 33,745 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:

	31 December 2019 RUB million	31 December 2018 RUB million
USD-denominated	**101,853**	**123,152**
EUR-denominated	**31,850**	**18,531**
RUB-denominated	**-**	**2,045**
	133,703	143,728

The maturity of the loans and borrowings is as follows:

	31 December 2019 RUB million	31 December 2018 RUB million
Less than 1 year	36,846	20,687
1-2 years	41,124	19,623
2-3 years	9,960	46,326
3-4 years	34,190	5,665
4-5 years	3,237	38,380
More than 5 years	8,346	13,047
	133,703	143,728

Reconciliation of liabilities arising from financing activities:

	31 December 2018 RUB million	Impact of IFRS 16 RUB million	Cash inflows RUB million	Cash outflows RUB million	Accrual of liabilities RUB million	Amortis tion of bank commission RUB million	Foreign exchange gain RUB million	31 December 2019 RUB million
Loans and borrowings (excluding interest payable)	142,823	-	48,725	(42,698)	-	51	(15,947)	132,954
Lease liabilities	1,094	1,738	-	(1,937)	5,412	-	(63)	6,244
	143,917	1,738	48,725	(44,635)	5,412	51	(16,010)	139,198

28. LEASES

	Lease liability without subsequent asset buyout RUB million	Lease liability with subsequent asset buyout RUB million	Total RUB million
Balance as at 1 January 2019	**1,738**	**1,094**	**2,832**
New lease contracts and modification of existing lease contracts	3,804	1,608	5,412
Interest expense on lease liabilities	168	68	236
Principal lease payments	(776)	(1,161)	(1,937)
Interest lease payments	(168)	(68)	(236)
Effect of foreign currency translation reserve	(9)	(54)	(63)
Balance as at 31 December 2019	4,757	1,487	6,244

	2018 RUB million
Leases under IAS 17	
Less than one year	1,673
Between one and five years	1,954
	3,627

29. DEFINED BENEFIT OBLIGATIONS

	31 December 2019 RUB Million	31 December 2018 RUB Million
Pension obligations, long-term	332	302
Post-retirement obligations other than pensions	525	328
	857	630

The Group has defined benefit plans at JSC "Apatit", Kirovsk Branch of JSC "Apatit", Balakovo Branch of JSC "Apatit", Volkhov Branch of JSC "Apatit" 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 defined benefit plans are unfunded. The movement in the present value of the defined benefit obligations is as follows:

	RUB Million
Defined benefit obligations at 1 January 2018	950
Benefits paid	(102)
Current service costs and interest	87
Past service costs	(135)
Actuarial gain in other comprehensive income	(170)
Defined benefit obligations at 1 January 2019	**630**
Benefits paid	(104)
Current service costs and interest	129
Past service costs	69
Actuarial loss in other comprehensive income	133
Defined benefit obligations at 31 December 2019	**857**

The key actuarial assumptions used in measurement of the defined benefit obligations are as follows:

	31 December 2019	31 December 2018
Discount rate	6.4%	8.8%
Future pension increases	3.9%	4.1%

30. TRADE AND OTHER PAYABLES

	31 December 2019 RUB million	31 December 2018 RUB million
Trade accounts payable	12,121	11,922
incl. accounts payable for property, plant and equipment and intangible assets	4,728	4,248
Advances received (contract liabilities)	7,160	3,644
Payables to employees	2,970	3,068
Taxes payable	2,526	2,229
Income tax payable	207	298
Accruals	97	36
Dividends payable	2	-
Other payables	947	276
	26,030	**21,473**

31. 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 foreign-currency-denominated financial assets and liabilities:

RUB Million	31 December 2019		31 December 2018	
	USD denominated	EUR denominated	USD denominated	EUR denominated
Current assets	2,593	227	3,759	11
Non-current assets	-	23	-	-
Non-current liabilities				
Loans and borrowings	(84,277)	(12,580)	(108,405)	(12,615)
Lease liability	-	-	(375)	-
Current liabilities				
Loans and borrowings	(17,576)	(19,270)	(14,747)	(5,916)
Lease liability	-	-	(674)	(38)
Payables	(571)	(907)	(495)	(679)
	(99,831)	(32,507)	(120,937)	(19,237)

Management estimate that a 10% strengthening/(weakening) of RUB against USD and EUR, based on the Group's exposure as at the reporting date would have increased/(decreased) the Group's profit for the year by RUB 13,234 million, before any tax effect (2018: would have increased/(decreased) the Group's profit for the year by RUB 14,017 million). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018.

The foreign exchange gain recognised in profit or loss of RUB 12,346 million (RUB 19,613 million of foreign exchange loss for the comparative period) resulted from the appreciation of the Russian Rouble against major currencies during the reporting period (its depreciation during the comparative period).

Foreign currency translation differences

In addition, the net assets of the Group's foreign subsidiaries denominated in USD and EUR amount to RUB 15,235 million as at the reporting date (31 December 2018: RUB 15,319 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 is as follows:

	31 December 2019 RUB Million	31 December 2018 RUB Million
Fixed rate instruments		
Other non-current assets	870	868
Other current investments	2,692	4,405
Long-term borrowings	(87,285)	(113,781)
Short-term borrowings	(33,610)	(14,655)
Lease liabilities	(7,214)	(1,094)
	(124,547)	(124,257)
Variable rate instruments		
Long-term borrowings	(9,572)	(9,260)
Short-term borrowings	(3,236)	(5,299)
	(12,808)	(14,559)

At 31 December 2019, a 1% increase/(decrease) in LIBOR/EURIBOR would have decreased/(increased) the Group's profit and equity by RUB 128 million (31 December 2018: RUB 146 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 2019, the Group's maximum exposure to credit risk is represented by the carrying amount of its financial assets and amounted to RUB 24,721 million (31 December 2018: RUB 32,281 million).

As at 31 December 2019, the Group's financial assets measured at amortised cost amounted to RUB 24,118 million (31 December 2018: RUB 31,529 million).

As at 31 December 2019, the Group's financial assets measured at fair value amounted to RUB 602 million (31 December 2018: RUB 752 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.

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, the 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 main component of this allowance is a specific loss component that relates to individually significant exposures.

The analysis of overdue trade and other receivables is as follows:

	31 December 2019 RUB Million	31 December 2018 RUB Million
Not past due	13,234	17,956
Past due 0-90 days	884	3,143
Past due 91-180 days	139	75
Past due 181-365 days	318	137
More than one year	260	101
	14,835	21,412

Starting from 2019 the Group sells without recourse trade receivables to a bank for cash proceeds. These trade receivables are derecognised from the statement of financial position, because the Group transfers substantially all of the risks and rewards - primarily credit risk and late payment risk. The amount of cash proceed received on transfer is recognised in cash and cash equivalents. The arrangement with the bank is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the bank. The receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

The following information shows the carrying amount of trade receivables for the reporting period that was transferred and derecognised and the cash proceeds received.

	31 December 2019 RUB Million	31 December 2018 RUB Million
Trade receivables transferred to the bank	11,696	-
Associated cash proceeds/(outflow), net	5,332	-
Net-off with other payables and effect of forex	6,364	-

Payables to the bank as at 31 December 2019 amounted to RUB 748 million are presented within other payables. Receivables from the bank as at 31 December 2019 amounted to RUB 474 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

The Group considers that financial guarantee contracts entered into by the Group to guarantee the indebtedness of other parties are insurance arrangements in accordance with IFRS 4 Insurance Contracts, and accounts for them as such. In this respect, the Group treats the guarantee contract as a contingent liability until such time as it becomes probable that the Group will be required to make a payment under the guarantee (note 34).

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:

31 December 2019

RUB Million	Carrying value	Contractual cash flows	0-1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs
Unsecured bank loans	71,176	75,983	37,689	11,240	10,782	3,780	3,654	8,838
Interest payable	621	621	621	-	-	-	-	-
Leases	6,244	7,214	1,944	1,824	1,674	1,104	668	-
Loan participation notes	61,906	68,323	2,452	33,294	1,222	31,355	-	-
Trade and other payables	13,167	13,167	13,167	-	-	-	-	-
Financial guarantees issued for associates and related parties	726	804	366	438	-	-	-	-
	153,840	166,112	56,239	46,796	13,678	36,239	4,322	8,838

31 December 2018

RUB Million	Carrying value	Contractual cash flows	0-1 year	1-2 yrs	2-3 yrs	3-4 yrs	4-5 yrs	> 5 yrs
Unsecured bank loans	73,504	80,901	22,009	21,258	12,795	6,515	4,255	14,069
Unsecured loans from other companies	20	20	20	-	-	-	-	-
Interest payable	733	733	733	-	-	-	-	-
Secured finance leases	1,094	1,158	766	262	130	-	-	-
Loan participation notes	69,471	79,303	2,744	2,751	37,250	1,372	35,186	-
Trade and other payables	12,221	12,221	12,221	-	-	-	-	-
Financial guarantees issued for associates and related parties	1,057	1,233	300	455	478	-	-	-
Derivative financial liabilities	626	626	626	-	-	-	-	-
	158,726	176,195	39,419	24,726	50,653	7,887	39,441	14,069

(e) Capital management

The Board's policy is to maintain a strong capital base so as to maintain 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 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.

32. COMMITMENTS

The Group has entered into contracts to purchase plant and equipment for RUB 43,603 million

(31 December 2018: RUB 30,826 million).

33. 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

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

The tax authorities have the power to impose fines and penalties for tax arrears. A tax year is generally open for review by the tax authorities during three subsequent calendar years. Currently the tax authorities are taking a more assertive and substance-based approach to their interpretation and enforcement of tax legislation.

Current Russian transfer pricing legislation requires transfer pricing analysis for the majority of cross-border intercompany and major domestic intercompany transactions. Starting from 2019, transfer pricing control, as a general rule, is applied to domestic transactions only if both criteria are met: the parties apply different tax rates, and the annual turnover of transactions between them exceeds RUB 1 billion.

The Russian transfer pricing rules are close to OECD guidelines, but have certain differences that create uncertainty in practical application of tax legislation in specific circumstances. A very limited number of publicly available transfer pricing court cases in Russia does not provide enough certainty as to the approach to applying transfer pricing rules in Russia. The impact of any transfer pricing assessment may be material to financial statements of the Group, however, the probability of such impact cannot be reliably assessed.

Russian tax authorities may review prices used in intra-group transactions, in addition to transfer pricing audits. They may assess additional taxes if they conclude that taxpayers have received unjustified tax benefits as a result of those transactions.

Russian tax authorities continue to exchange transfer pricing as well as other tax related information with tax authorities of other countries. This information may be used by the tax authorities to identify transactions for additional in-depth analysis.

(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.

34. RELATED PARTY TRANSACTIONS

(a) Transactions and balances with associates

(i) Transactions with associates

	2019 RUB million	2018 RUB million
Sales of goods and services	32	2,150
Other income, net	2	4
Interest income	1	3
Purchases of goods and services	(527)	(472)

(ii) Balances with associates

	31 December 2019 RUB million.	31 December 2018 RUB million.
Trade and other receivables	41	15
Short-term loans issued, at amortised cost	-	13
Trade and other payables	(18)	(10)

(iii) Financial guarantees

The Group issued financial guarantees to banks on behalf of associates amounting to RUB 726 million (31 December 2018: RUB 1,007 million).

(b) Transactions and balances with other related parties

(i) Transactions with other related parties

	2019 RUB million	2018 RUB million
Sales of goods and services	352	557
Other expenses, net	(61)	22
Interest income	3	14
Interest expenses	(1)	(54)
Purchases of goods and services	(2,005)	(2,030)

(ii) Balances with other related parties

	31 December 2019 RUB million	31 December 2018 RUB million
Short-term loans issued, at amortised cost	2	117
Trade and other receivables	7	53
Short-term loans received	-	(20)
Trade and other payables	(123)	(131)

(iii) Financial guarantees

The Group has not issued financial guarantees to banks on behalf of other related parties (31 December 2018: RUB 50 million).

The balances and transactions with related parties are usually unsecured and denominated in RUB.

(c) Key management remuneration

The remuneration of the Board of Directors and key management personnel amounted to RUB 2,462 million (2018: RUB 1,775 million)..

35. SIGNIFICANT SUBSIDIARIES

Subsidiary	Country of ncorporation	Effective ownership31 December 2019(rounded)	Effective ownership31 December 2018(rounded)
Apatit, JSC (including Balakovo, Volkhov and Kirovsk branchs)	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%
Trading house PhosAgro, LLC	Russia	100%	100%
Phosint Trading Limited	Cyprus	100%	100%
PhosAgro Asia Pte Ltd	Singapore	100%	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	Serbia	100%	100%
UAB PhosAgro Baltic	Lithuania	100%	100%
Logifert Oy	Finland	100%	100%
Bulk Terminal Kotka Oy	Finland	100%	100%

36. 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, hovever several maintenance activities undertaken at the Group's production facilities may not be evenly spreaded.

37. EVENTS SUBSEQUENT TO THE REPORTING DATE

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.

In January 2020 the Company partly redeemed 4,5-year Eurobond issued through SPV in May 2017 with a 3.95% coupon rate (see note 27) by USD 150 million. Redemption was financed by the Eurobond issued in January 2020.

In February 2020, the Board of Directors proposed paying a dividend of RUB 18 per ordinary share. The total amount of proposed dividends was RUB 2, 331 million (see note 25).

ADDITIONAL INFORMATION

GRI

102-55

GRI CONTENT INDEX

GRI Indicator	Omissions/Comment	Page number (or link)
GRI 102 GENERAL DISCLOSURES		
Organisational profile		
GRI 102–1 Name of the organisation	PJSC PhosAgro	2–3
GRI 102–2 Activities, brands, products and services		4–5, 8–9
GRI 102–3 Location of headquarters	55/1 Leninsky Avenue, Bld. 1, Moscow, 119333, Russia	254
GRI 102–4 Location of operations		8–9
GRI 102–5 Ownership and legal form	Public Joint-Stock Company PhosAgro	2–3
GRI 102–6 Markets served		8–9, 48–49
GRI 102–7 Scale of the organisation		12–13, 14–15, 127
GRI 102–8 Information on employees and other workers	For technical reasons, 2019 data on the number of employees, type of employment and contract, with a breakdown by age and gender, is not fully disclosed; this information will be provided in the 2020 report.	127
GRI 102–9 Supply chain		150–151
GRI 102–10 Significant changes to the organisation and its supply chain	There were no significant changes	
GRI 102–11 Precautionary principle or approach		58–61
GRI 102–12 External initiatives		18–19, 84–95
GRI 102–13 Membership of associations		16–17, 18–19, 84–93
Strategy		
GRI 102–14 Statement from senior decision-maker		22–29, 81
Ethics and Integrity		
GRI 102–16 Values, principles, standards and norms of behaviour		82–83, 156–157, 185
Governance		
GRI 102–18 Governance structure		156–181
Stakeholder Engagement		
GRI 102–40 List of stakeholder groups		142–149
GRI 102–41 Collective bargaining agreements		147
GRI 102–42 Identifying and selecting stakeholders		142, 78–79
GRI 102–43 Approach to stakeholder engagement		142
GRI 102–44 Key topics and concerns raised		79–81, 142–149
Reporting Practice		
GRI 102–45 Entities included in the consolidated financial statements		2–3
GRI 102–46 Defining report content and topic boundaries		78–79, 2–3
GRI 102–47 List of material topics		79–80
GRI 102–48 Restatements of information	No restatement of information was made for the previous reporting period. The Report contains updates of the data for previous years, which is indicated in the text	
GRI 102–49 Changes in reporting	Throughout the reporting period, there were no significant changes to the scope and boundaries of aspects compared to previous reporting periods	
GRI 102–50 Reporting period	The reporting period is calendar year 2019	
GRI 102–51 Date of most recent sustainability report	The Company does not have a separate report on sustainable development. Information on sustainable development is included in the integrated report. The most recent integrated report was published on April. 30, 2019	
GRI 102–52 Reporting cycle	Since 2011, PhosAgro has been publishing integrated reports annually	
GRI 102–53 Contact point for questions regarding the report		78
GRI 102–54 Claims of reporting in accordance with the GRI Standards	This Report has been prepared in accordance with the GRI Standards: Core option	

GRI Indicator	Omissions/Comment	Page number (or link)
GRI 102–55 GRI content index	This appendix	240
GRI 102–56 External assurance		2, 194
GRI 200 ECONOMIC		
GRI 201 Economic Performance		
GRI 103 Management approach		12–13, 42–56
GRI 201–1 Direct economic value generated and distributed		75
GRI 201–3 Defined benefit plan obligations and other retirement plans		130
GRI 202 Market Presence		
GRI 103 Management approach		124–125
GRI 202–1 Ratios of standard entry level wage by gender compared to local minimum wage		128
GRI 202–2 Proportion of senior management hired from the local community		128
GRI 203 Indirect Economic Impacts		
GRI 103 Management approach		136–138
GRI 203–1 Infrastructure investments and services supported		138–141
GRI 203–2 Significant indirect economic impacts		138–141
GRI 204 Procurement Practices		
GRI 103 Management approach		150
GRI 204–1 Proportion of spending on local suppliers at significant locations of operation		152–153
GRI 205 Anti-corruption		
GRI 103 Management approach		185
GRI 205–3 Confirmed incidents of corruption and actions taken		185
GRI 300 ENVIRONMENTAL		
GRI 302 Energy		
GRI 103 Management approach		111–112
GRI 302–1 Energy consumption within the organisation		111
GRI 302–3 Energy intensity		111
GRI 302–4 Reduction in electricity consumption		112
GRI 303 Water and Effluents		
GRI 103 Management approach		109–111
GRI 303–1 Interactions with water as a shared resource	Withdrawal of water from surface water bodies	109

Branch	Water body in accordance with water use agreement
Apatit (Cherepovets)	Rybinsk Reservoir
Kirovsk branch of Apatit	Lake Bolshoi Vudyavr
Volkhov branch of Apatit	Volkhov Reservoir (Volkhov River)
Balakovo Branch of Apatit	Saratov Reservoir

Waste water discharge at Apatit

Waste water discharge	Receiving water body
Kirovsk branch of Apatit	
Discharge 1. Industrial waters at ANBP-3	Zhemchuzhnaya River
Discharge 2. Industrial waters at ANBP-2	Belaya River
Discharge 3. Rainwaters 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 Nyorkpakh underground mines	Lake Kitchepakhk
Discharge 8. Mining waters of the Koashva and Nyorkpakh underground mines	Lake Kitchepakhk
Apatit (Cherepovets)	
Effluents from the phosphate facility	Rybinsk Reservoir
Effluents from the nitrogen facility	Rybinsk Reservoir

GRI Indicator	Omissions/Comment	Page number (or link)
GRI 303–2 Management of water discharge-related impacts	Effluents are treated to standard permissible discharge and temporarily permitted discharge levels set by permits to discharge pollutants into the environment (water bodies) issued by a relevant authority for each discharge	110
GRI 303–3 Water withdrawal		110
GRI 303–4 Water discharge		111
GRI 303–5 Water consumption		109
GRI 305 Emissions		
GRI 103 Management approach		104–106
GRI 305–1 Direct (Scope 1) GHG emissions		106
GRI 305–4 GHG emissions intensity		106
GRI 305–7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions		105
GRI 306 Effluents and Waste		
GRI 103 Management approach		106–108
GRI 306–1 Total water discharge by quality and destination	1. 98% of effluents are treated in various ways by undergoing mechanical, physical and chemical or biological purification at treatment facilities 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. 2% of effluents are discharged without any treatment, but their quality is also in line with the standard permissible discharge and temporarily permitted discharge rates. There has been no unplanned water discharge. 2. Waste water discharge at Apatit	111

Waste water discharge	Receiving water body
Kirovsk branch of Apatit	
Discharge 1. Industrial waters at ANBP-3	Zhemchuzhnaya River
Discharge 2. Industrial waters at ANBP-2	Belaya River
Discharge 3. Rainwaters 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 Nyorkpakh underground mines	Lake Kitchepakhk
Discharge 8. Mining waters of the Koashva and Nyorkpakh underground mines	Lake Kitchepakhk
Apatit (Cherepovets)	
Effluents from the phosphate facility	Rybinsk Reservoir
Effluents from the nitrogen facility	Rybinsk Reservoir

GRI 306–2 Waste by type and disposal method		108
GRI 306–4 Transport of hazardous waste	The Company performs no cross-border shipping of waste deemed hazardous under the terms of the Basel Convention	
GRI 307 Environmental Compliance		
GRI 103 Management approach		99
GRI 307-1 Non-compliance with environmental laws and regulations	a. i. - disclosed on page 93 a. ii. - in 2019, 10 cases of non-compliance were identified across all production sites. No penalties other than financial applied a. ii. - there were no litigations b. not applicable	

GRI Indicator	Omissions/Comment	Page number (or link)
GRI 400 SOCIAL		
GRI 401 Employment		
GRI 103 Management approach		124–125
GRI 401–1 New employee hires and employee turnover		127

New hires in 2019

Region	Gender	<25 years	25–34 years	35–44 years	45–55 years	over 55	Total
Vologda region	F	57	120	96	40	23	336
Vologda region	M	80	143	86	36	10	355
Vologda region Total		**137**	**263**	**182**	**76**	**33**	**691**
Saratov region	F	5	15	17	5	9	51
Saratov region	M	8	36	16	6	15	81
Saratov region Total		**13**	**51**	**33**	**11**	**24**	**132**
Leningrad region	F	10	28	27	8	22	95
Leningrad region	M	8	19	19	13	8	67
Leningrad region Total		**18**	**47**	**46**	**21**	**30**	**162**
Moscow region	F	1	2	8	2	2	15
Moscow region	M	1	3	6	3		13
Moscow region Total		**2**	**5**	**14**	**5**	**2**	**28**
Murmansk region	F	21	63	64	42	21	211
Murmansk region	M	101	394	387	145	23	1,050
Murmansk region Total		**122**	**457**	**451**	**187**	**44**	**1,261**
Total		**292**	**823**	**726**	**300**	**133**	**2,274**

Leavers in 2019

Region	Gender	<25 years	25–34 years	35–44 years	45–55 years	over 55	Total
Vologda region	F	24	76	57	43	36	236
Vologda region	M	43	83	69	40	26	261
Vologda region Total		**67**	**159**	**126**	**83**	**62**	**497**
Saratov region	F		11	15	3	11	40
Saratov region	M	3	16	11	14	27	71
Saratov region Total		**3**	**27**	**26**	**17**	**38**	**111**
Leningrad region	F	4	18	18	14	34	88
Leningrad region	M	4	20	23	17	13	77
Leningrad region Total		**8**	**38**	**41**	**31**	**47**	**165**
Moscow region	F	14	37	34	36	15	136
Moscow region	M	31	242	259	121	28	681
Moscow region Total		**45**	**279**	**293**	**157**	**43**	**817**
Murmansk region	F		2	3		3	8
Murmansk region	M	1	7	2	1	1	12
Murmansk region Total		**1**	**9**	**5**	**1**	**4**	**20**
Total		**124**	**512**	**491**	**289**	**194**	**1,610**

GRI 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 the Company's main production sites and do not depend on the status or conditions of employment	129
GRI 401–3 Parental leave		130
GRI 403 Occupational Health and Safety		
GRI 103 Management approach		116
GRI 403–1 Occupational health and safety management system		117
GRI 403–2 Hazard identification, risk assessment, and incident investigation		118
GRI 403–3 Occupational health services		117
GRI 403–4 Worker participation, consultation, and communication on occupational health and safety		119

GRI Indicator	Omissions/Comment	Page number (or link)
GRI 403–5 Worker training on occupational health and safety		119
GRI 403–6 Promotion of worker health		116
GRI 403–7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		118–120
GRI 403–8 Workers covered by an occupational health and safety management system		117–119
GRI 403–9 Work-related injuries		120
GRI 404 Training and Education		
GRI 103 Management approach		130
GRI 404–1 Average hours of training per year per employee		132
GRI 404–2 Programmes for upgrading employee skills and transition assistance programmes		131
GRI 404–3 Percentage of employees receiving regular performance and career development reviews		132
GRI 413 Local Communities		
GRI 103 Management approach		136
GRI 413–1 Percentage of operations with implemented local community engagement, impact assessments, and development programmes	Data on the assessment of engagement of, dialogue with, and development of local communities, formal grievance mechanisms and other aspects in compliance with the GRI 413-1 disclosure requirements will be fully disclosed in the 2020 report.	136–141

INDEPENDENT ASSURANCE REPORT

Independent practitioner's limited assurance report by AO Deloitte & Touche CIS ('Deloitte') to PJSC Phosagro Board of Directors on the 2019 Sustainability Report for the year ended 31 December 2019.

SCOPE OF ASSURANCE

We have been engaged by PJSC Phosagro to perform an assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised) ('the Standard') to provide public limited assurance on accuracy of Selected Data presented in PJSC Phosagro Sustainability Report prepared in accordance with GRI Standards ('the Report') for the year ended 31 December 2019.

ASSURANCE PROCEDURES AND ROLES

We carried out limited assurance on accuracy of the following data related to 2019 year and included into the Report:
(1) Selected key performance indicators specified below in the section "*Selected non-financial performance data for public limited assurance*", and (2) PJSC Phosagro's self-declaration in preparing its Report 2019 in accordance with the requirements of Global Reporting Initiative (GRI) Sustainability Reporting Standards as stated on page 193 of the Report.

OUR KEY ASSURANCE PROCEDURES

To achieve limited assurance, the ISAE 3000 (Revised) requires that we review the processes, systems and competencies used to compile the areas on which we provide our assurance. Considering the risk of material error, we planned and performed our work to obtain all of the information and explanations we considered necessary to provide sufficient evidence to support our assurance conclusion.

To form our conclusions, we undertook the following procedures:
- Conducted site visit to one business unit – AO "Apatit" (Vologda region);
- Analysed on a sample basis the key systems, processes, policies and controls relating to the collation, aggregation, validation and reporting processes of the selected sustainability performance indicators;
- Conducted interviews with employees of PJSC Phosagro responsible for sustainability performance, policies and corresponding reporting;
- Conducted selective substantive testing to confirm accuracy of received data to the selected key performance indicators;
- Made enquiries of management and senior executives to obtain an understanding of the overall governance and internal control environment, risk management, materiality assessment and stakeholder engagement processes relevant to the identification, management and reporting of sustainability issues;
- Performed selective review of disclosures in the Report on compliance with GRI Standards;

We believe that our evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

INHERENT LIMITATIONS

Inherent limitations exist in all assurance engagements due to the selective testing of the information being examined. Therefore fraud, error or non-compliance may occur and not be detected. Additionally non-financial information, such as that included in reporting documents is subject to more inherent limitations than financial information, given the nature and methods used for determining, calculating and sampling or estimating such information.

Our work has been undertaken so that we might state to the Company those matters we are required to state to them in this Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than PJSC Phosagro for our work, for this Report, or for the conclusions we have formed.

Our engagement provides limited assurance as defined in ISAE 3000 (Revised). 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 and 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.

ROLES AND RESPONSIBILITIES

- The Directors are responsible for the preparation, accuracy and completeness of the sustainability information and statements contained within the Report. They are responsible for determining PJSC Phosagro sustainability objectives and for establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived.
- Our responsibility is to express a conclusion on the selected Subject Matter based on our procedures. We conducted our engagement in accordance with the ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information issued by the International Auditing and Assurance Standards Board.

INDEPENDENCE AND QUALITY CONTROL

- We have complied with the independence and other ethical requirements established by the Rules on Independence of Auditors and Audit Firms and the Code of Professional Ethics for Auditors approved by the Audit Council of the Ministry of Finance of the Russian Federation and by the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which are based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.
- The firm applies the 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.

SELECTED NON-FINANCIAL PERFORMANCE DATA FOR PUBLIC LIMITED ASSURANCE

We have been engaged by the Board of Directors of PJSC Phosagro to perform limited assurance procedures on accuracy of the following key performance data of the 2019 reporting year included into the Report:

Employees	Average headcount (Total number of emploees in PhosAgro Group, including all branches and subsidiaries). Proportion of senior management hired from the local community in total headcount. Percentage of employees receiving regular performance and career development reviews Average hours of training per year per employee
Health and safety	Total number of workplace accidents. Total number of fatal accidents. Lost Time Injury Frequency Rate (LTIFR) per 1 million hours
Emissions into the atmosphere	Gross sulphur dioxide emissions, tones. Gross nitrogen oxides emissions calc. in NO_2, tones. Gross carbon monoxide emissions, tones. Gross solid emissions, tones.
Greenhouse gas	Gross GHG emissions (Scope1), tones.
Hazardous waste	Total weight of generated waste, tones. Waste with a breakdown by the disposal methods, tones
Water consumption	Total water withdrawal by source by branches, mln m^3. Waste-water discharge by branches, mln m^3.
Energy	Total non-renewable fuel consumption by fuel type. Electricity consumption. Heating consumption.
Stakeholder engagement	The total amount of funds allocated for the needs of society, charity, in million rubles.
Anticorruption	Confirmed amount of incidents of corruption

LIMITED ASSURANCE CONCLUSION

Based on the scope of our work and the assurance procedures performed nothing has come to our attention that causes us to believe that the aforementioned Selected Data, which we were engaged to provide limited assurance on, as specified in the 'Roles and responsibilities' section above are materially misstated.

Natalya Kaprizina
Engagement partner

28 April 2020

АКЦИОНЕРНОЕ ОБЩЕСТВО «ДЕЛОЙТ И ТУШ СНГ» ЗАРЕГИСТРИРОВАНО В РЕЕСТРЕ ПЛАТЕЛЬЩИКОВ УПЛАТЫ ТАМОЖЕННЫХ ПЛАТЕЖЕЙ
ДЛЯ АУДИТОРСКИХ ЗАКЛЮЧЕНИЙ И ОТЧЕТОВ
Россия, г. Москва, ул. Лесная, д. 5

The Entity: Public Joint Stock Company Phosagro
Primary State Registration Number: 1027700190572
State registration number: P-18009.16 dated 10.10.2001 issued by the State Registration Chamber under the Ministry of Justice of the Russian Federation
Address: 119333, Russian Federation, Moscow, Leninsky prospekt., 55/1

Audit Firm: AO "Deloitte & Touche CIS"
Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.
Primary State Registration Number: 1027700425444
Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.
Member of Self-regulatory organization of auditors Association "Sodruzhestvo", ORNZ 12006020384

GLOSSARY

AN – ammonium nitrate

ANBP – apatite-nepheline beneficiation plant

ANSES – French Agency for Food, Environmental and Occupational Health & Safety

ASF – African swine fever

ATG – atmosphere gauge (unit of pressure)

BAT – best available technique

bln – billion

Capex – capital expenditure

CCl 4 – carbon tetrachloride

Cd – cadmium

CDA 2 – nationwide programme to modernise the electricity industry

CDP – Carbon Disclosure Project

CIS – Commonwealth of Independent States

CJSC – closed joint-stock company

CO_2 – carbon dioxide

COVID-19 – coronavirus disease 2019, the pandemic caused by severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2)

DAP – diammonium phosphate

DCDA – Double Contact Double Absorption

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

GLONASS – Global Navigation Satellite System

GLOSOLAN – Global Soil Laboratories Networks; supporting the GLOSOLAN by developing research capacities and strengthening the Regional Soil Laboratories Networks (RESOLAN).

GRI – Global Reporting Initiative

GSP – Global Soil Partnership

H_2SO_4 – sulphuric acid

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

IYPT 2019 – International Year of the Periodic Table

JSC – joint-stock company

JSCB – joint-stock commercial bank

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

MS – management system

MW – megawatt

NH_3 – ammonia

NIUIF – Samoilov Scientific Research Institute for Fertilizers and Insectofungicides

NO_2 – nitrogen dioxide

NPK – nitrogen-phosphorus-potassium fertilizer

OHS – occupational health and safety

OJSC – open joint-stock company

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

Rosstandart – Federal Agency on Technical Regulating and Metrology

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

SO_2 – sulphur dioxide

STPP – sodium tripolyphosphate

Strategy to 2025 – PhosAgro's Development Strategy to 2025

t – metric tonne

ths – thousand

TTF – Title Transfer Facility

UDT – thermal treatment facility

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

WHO – World Health Organisation

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