



RISKS AFFECTING THE STRATEGY STRATEGY 2025

Risks

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.

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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.



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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 administering 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.



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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.