



## 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.



## 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.

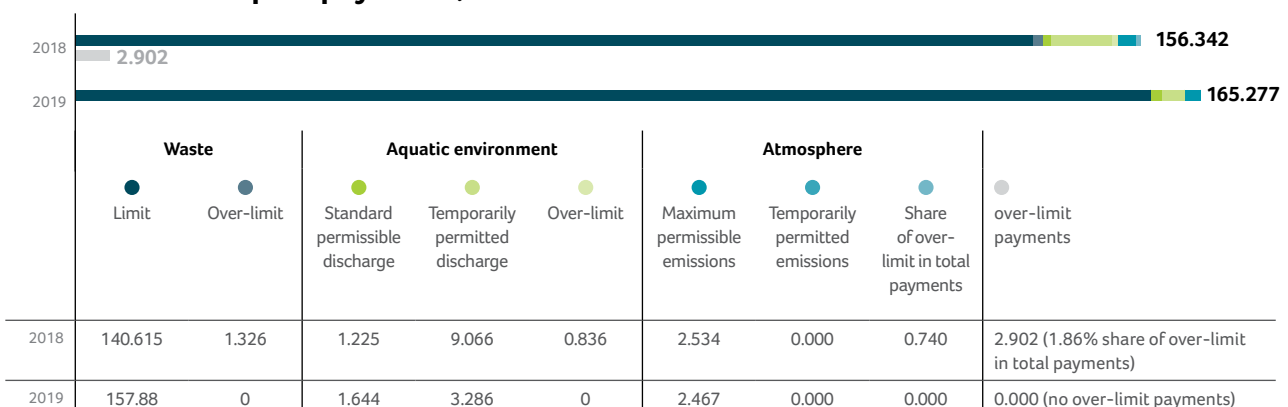
Improvement areas are identified through monitoring, measurement, review and assessment of environmental indicators and the performance of obligations, environmental management audits and management analysis. As part of improvements, including measures to manage and close gaps, we take the required corrective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





## 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.



## 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<sub>4</sub>) 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



## 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).

### 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.**