



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.

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.



REQUEST

PLANNING

Arranging and holding a request campaign

Analysing the product/service required and selecting the supply source

Cancelling or adjusting requests and orders

TYPES OF PRODUCTS/SERVICES REQUIRED

PROCUREMENT

Market activities / category strategy

Selecting the procurement method

Pre-bid arrangements

Bidding

Agreement and specification

DRAFT AGREEMENT

SUPPORT

Signing the agreement and specification

Prepayment planning

Delivery monitoring

Ensuring timely arrival

Requesting/replacing original documents

Arranging for the replacement of defective items

Pre-complaint resolution

Complaint management

Payment planning and control

DELIVERY TO WAREHOUSE

WAREHOUSES AND INVENTORIES

Analysing inventory movement and structure

Monitoring timely receipt and write off

Inventory Committees

Inventory Management Committees

IMPROVEMENT OF INVENTORY TURNOVER

CONTROL

Monitoring operational indicators

Monitoring compliance with SLA and NSD

BI reporting

Bidding support

Corrective action plan

**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

Procurement from local businesses¹ 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.



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