



CORPORATE GOVERNANCE FRAMEWORK



SUSTAINABLE DEVELOPMENT GOVERNANCE

102-19

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Our **governance framework for sustainable development (SD)** relies on a **number of internal and external drivers**:

- Internal SD drivers are centred around PhosAgro's **mission** and **values**, which, in turn, are upheld through our **corporate strategy**.
- External drivers include **stakeholder expectations** and the **global community's requirements** for the maturity of the Company's SD governance framework.



Over the past

6 **main components** of a sustainable development governance framework can be represented as a model.



Documentation support

Developing high-level documents such as policies, regulations and codes



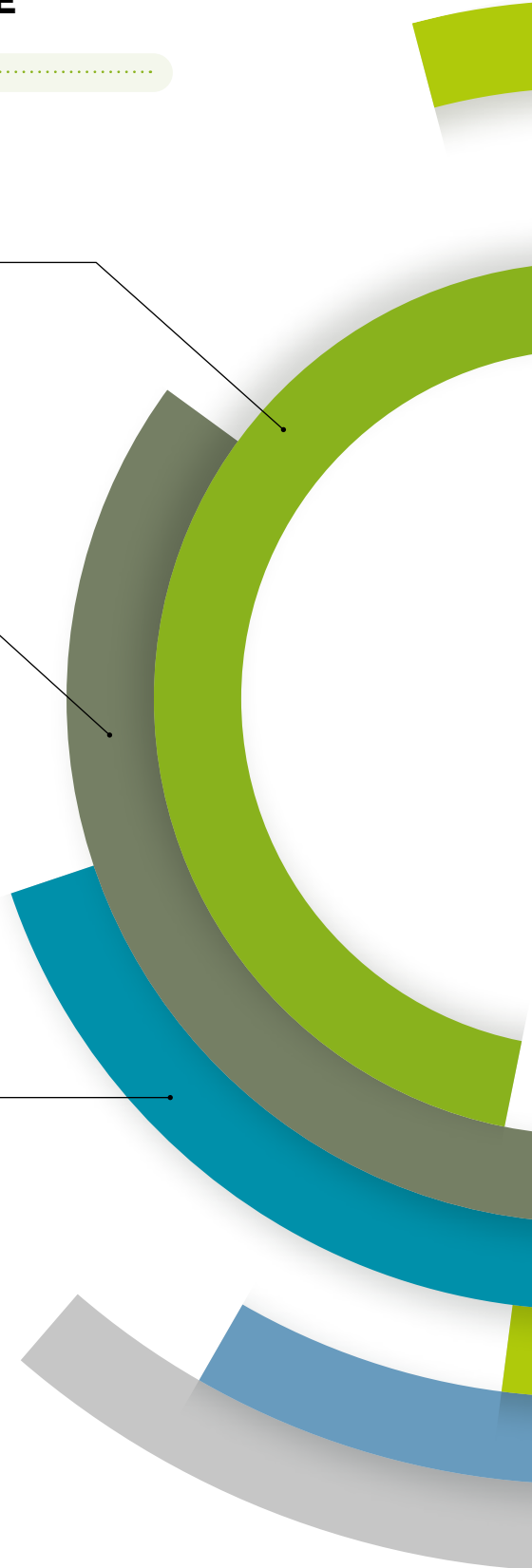
Business processes and organisation

Establishing corporate bodies and units dedicated to governing sustainability matters, setting procedures for their operation, and ensuring cross-functional interaction within the Company



Project management

Setting goals and targets, defining objectives and UN SDGs relevant to the Company, developing appropriate metrics and key performance indicators (KPIs)





IT technologies

Developing and automating business processes



Competencies and people

Providing staff training and ensuring continuity of sustainability-related competencies



Performance review and reporting

Implementing a standardised approach to reporting, ensuring performance review by top management, and adopting the requirements of leading ESG analysts and agencies under a phased plan to improve the Company's ESG ratings



Components of SD governance framework and measures to improve them



DOCUMENTATION SUPPORT

- Environmental Policy updated
- Health and Safety Policy updated
- Code of Conduct for Counterparties drafted and implemented
- Regulation on the Environmental, Health and Safety Committee of the Board of Directors updated
- Regulation on the Remuneration and Human Resources Committee of the Board of Directors updated
- Personnel Management Policy updated



BUSINESS PROCESSES AND ORGANISATION

- Sustainable Development Committee of the Board of Directors, established in 2019, further developed by the Company in 2020
- Sustainable Development Department further developed by the Company in 2020
- Comprehensive regulations on interaction in preparing non-financial reporting drafted and implemented
- Climate risks and opportunities identified, assessed and included in the corporate risk register
- Company's management systems certified to ISO 9001, ISO 14001 and ISO 45001



PROJECT MANAGEMENT

- Climate Strategy drafted and approved by the Board of Directors
- Water Strategy drafted and approved by the Board of Directors
- Energy Efficiency Programme developed and approved by the Sustainable Development Committee
- List and coverage of sustainability KPIs expanded



For more information on the Company's KPIs, see the Remuneration Report section on page 248.

- Goals set in 2019 reviewed and approved by the Sustainable Development Committee as part of exercise to adopt Water and Climate Strategies
- Comprehensive system to evaluate suppliers against ESG criteria developed, with its automation and migration to an e-platform in progress
- Project to prioritise the UN SDGs implemented, with a list of initiatives pursuing individual SDGs-related targets being complied



IT TECHNOLOGIES

- The transfer of data on environmental protection via the natural resource user's online account enabled
- Supplier ESG evaluation system digitalised



COMPETENCIES AND PEOPLE

- Mandatory training in various areas (for example, health and safety) included in the sustainability training framework; some of the training courses digitised and adapted to be provided online
- GRI reporting training provided to all specialists in key areas
- Comprehensive regulations on interaction in preparing non-financial reporting drafted and implemented
- Participation in major international and Russian initiatives (RSPP, UN Global Compact, IFA) maintained



PERFORMANCE REVIEW AND REPORTING

- Procedure for preparing integrated annual reports drafted and approved. CEO appointed as chair of the working group in charge of the integrated annual report
- Procedure for the Sustainable Development Committee to monitor the Company's ESG scores and ratings assigned by leading global ESG data providers (Sustainalytics, MSCI, CDP, FTSE Russell) developed
- Action plan for improving the Company's key ESG scores and ratings (Sustainalytics, MSCI, CDP, FTSE Russell) developed and approved by the Sustainable Development Committee
- Easy-to-use procedure for preparing GRI-compliant reporting developed and implemented, links to initial data sources enabled in the Company's information system
- CDP report published
- TCFD recommendations for reporting implemented



CORPORATE GOVERNANCE ASSESSMENT

When assessing the quality of corporate governance at PhosAgro, we follow best practices and adhere to the recommendations of the Corporate Governance Code (CGC) approved by the Bank of Russia on 21 March 2014. PhosAgro's own Corporate Governance Code is based on the CGC.



For the degree of alignment between these two documents, see PhosAgro's corporate website

The actual compliance with the CGC is measured on an annual basis and disclosed in a dedicated report, which is subject to review and approval by the Board of Directors and is given as an appendix to the Company's annual report.



Over the past

3 years

PhosAgro has demonstrated a high level of compliance with the Bank of Russia's recommendations



In 2020

67 out of **79** principles,

were fully complied with, 11 were partially complied with, and only 1 principle was not complied with.

Compliance with the CGC recommendations

CGC section	Number of recommendations	Full compliance			Partial compliance			Non-compliance		
		2018	2019	2020	2018	2019	2020	2018	2019	2020
1. Shareholder rights and equitable treatment of shareholders	13	11	11	11	2	2	2	-	-	-
2. Board of directors, its remit, independence, and committees	36	33	33	33	3	3	3	-	-	-
3. Corporate secretary	2	2	2	2	-	-	-	-	-	-
4. Remuneration of the company's directors, members of the executive bodies, and other key employees	10	4	4	5	5	5	4	1	1	1
5. Risk management and internal control	6	6	6	6	-	-	-	-	-	-
6. Disclosures and the company's information policy	7	7	7	7	-	-	-	-	-	-
7. Material corporate actions	5	4	3	3	1	2	2	-	-	-
Total	79	67	66	67	11	12	11	1	1	1

In 2020, the Company achieved compliance with principle 4.1.3 through the adoption of internal regulations providing a comprehensive set of rules for reimbursing expenses of its directors, members of the executive bodies, and other key managers.

Eleven corporate governance principles are partially not complied with. The non-compliance relates primarily to the remuneration of the Company's directors, members of the executive bodies, and other key employees. Cases of partial compliance with the recommendations of this CGC section are mainly due to the fact that the Company does not have a single bylaw governing

payments to its directors, members of the executive bodies, and other key managers. At the same time, its approaches to remuneration, including that payable to directors, are clearly defined in other internal documents – the resolutions of annual shareholders' meetings.

For every case of partial compliance, the Company specifies the measures taken to mitigate the associated risks.

The only case of non-compliance with the CGC recommendations, which relates to principle 4.3.2, is caused by the lack of a long-term share-based incentive programme for members of the executive bodies and other key

managers. The Company believes that in the current situation its existing system of executives' remuneration is sufficiently motivating, meets the needs of the Company and its shareholders, aligns the executives' goals with those of the Company, and minimises the risks of qualified leadership talent attrition, which is why the Company is not currently considering any share-based incentive programmes.

In 2020, the Internal Audit Department assessed the quality of the Company's corporate governance in line with best practices represented by the recommendations of CGC and the UK Corporate

Governance Code adopted by the Financial Reporting Council (FRC) in July 2018. The Internal Audit Department verified and confirmed the degree of compliance of the Company's corporate practices with the CGC recommendations as stated in the 2019 report. On top of that, it reported a high degree of compliance with the recommendations of the UK Corporate Governance Code relevant to PhosAgro's operations.

In March 2020, PhosAgro's Board of Directors reviewed the report on the Company's corporate governance quality, taking into account the MSCI and Sustainalytics ratings, the report on compliance with the CGC principles and recommendations, as well as the assessment of compliance with the Russian and UK corporate governance codes performed by the Internal Audit Department.

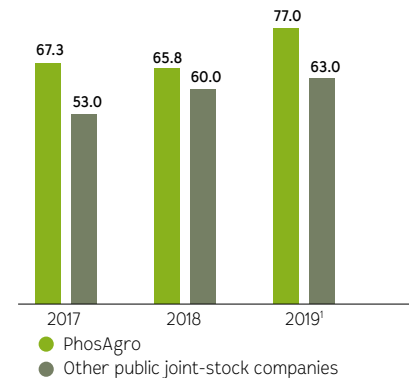
Noting a high level of compliance, the Board of Directors also analysed the governance quality criteria that were not met fully or partially, and reviewed an improvement plan. Among other things, it includes the following improvements:

- providing more detailed information to shareholders ahead of general shareholders' meetings about external auditors, interested-party transactions, notable appointments of external candidates to the Board of Directors and their contribution to its work, as well as the procedure for net profit distribution and its compliance with the Company's dividend policy;
- disclosing information about PhosAgro's Corporate Governance Code and its compliance with the CGC approved by the Bank of Russia, on the Company's official website;
- expanding the scope of the annual report to include the Board of Directors' viability statement, the going concern assumptions, consideration given to key stakeholders' voice in the Board's decision-making, information about notable external appointments to the Board, and more details on the activities of the Audit Committee, Remuneration and Human Resources Committee, and the Corporate Secretary;
- including additional matters related to corporate culture, leadership succession planning, diversity, gender equality, and inclusion in the agenda of the Board of Directors and its committees.

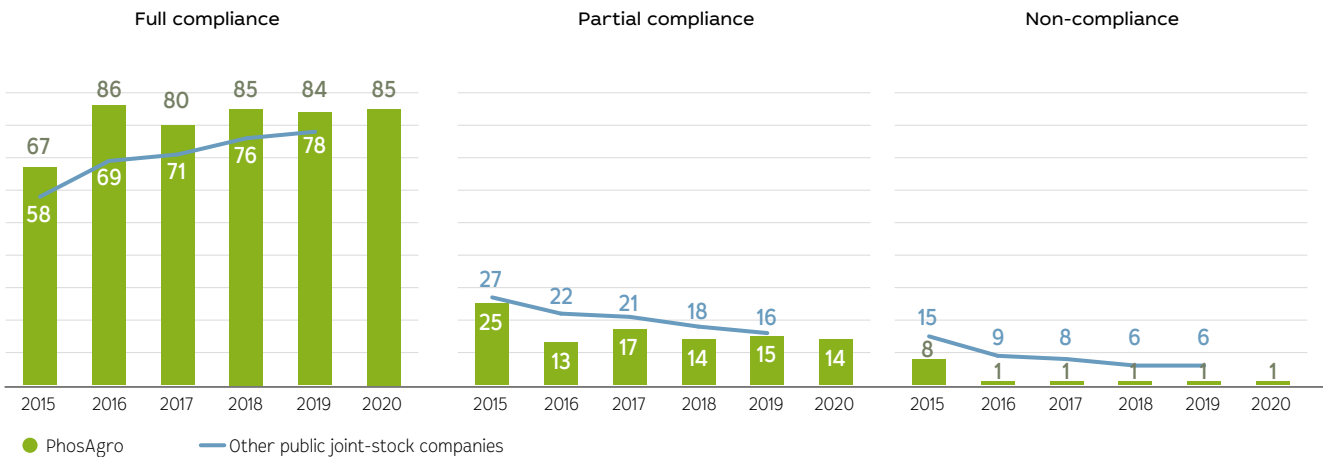
In April 2021, the Board of Directors approved the report on compliance with CGC principles and recommendations in 2020 and gave a positive assessment of the progress against the improvement plan.

In 2021, the Company will keep working to identify more areas for improvements based on the UK Corporate Governance Code and the review of best practices, and ensure their phased implementation.

Degree of disclosure to explain non-compliance (partial compliance) with CGC recommendations at PhosAgro and other Russian companies, %



Compliance with CGC recommendations at PhosAgro and other Russian companies, %

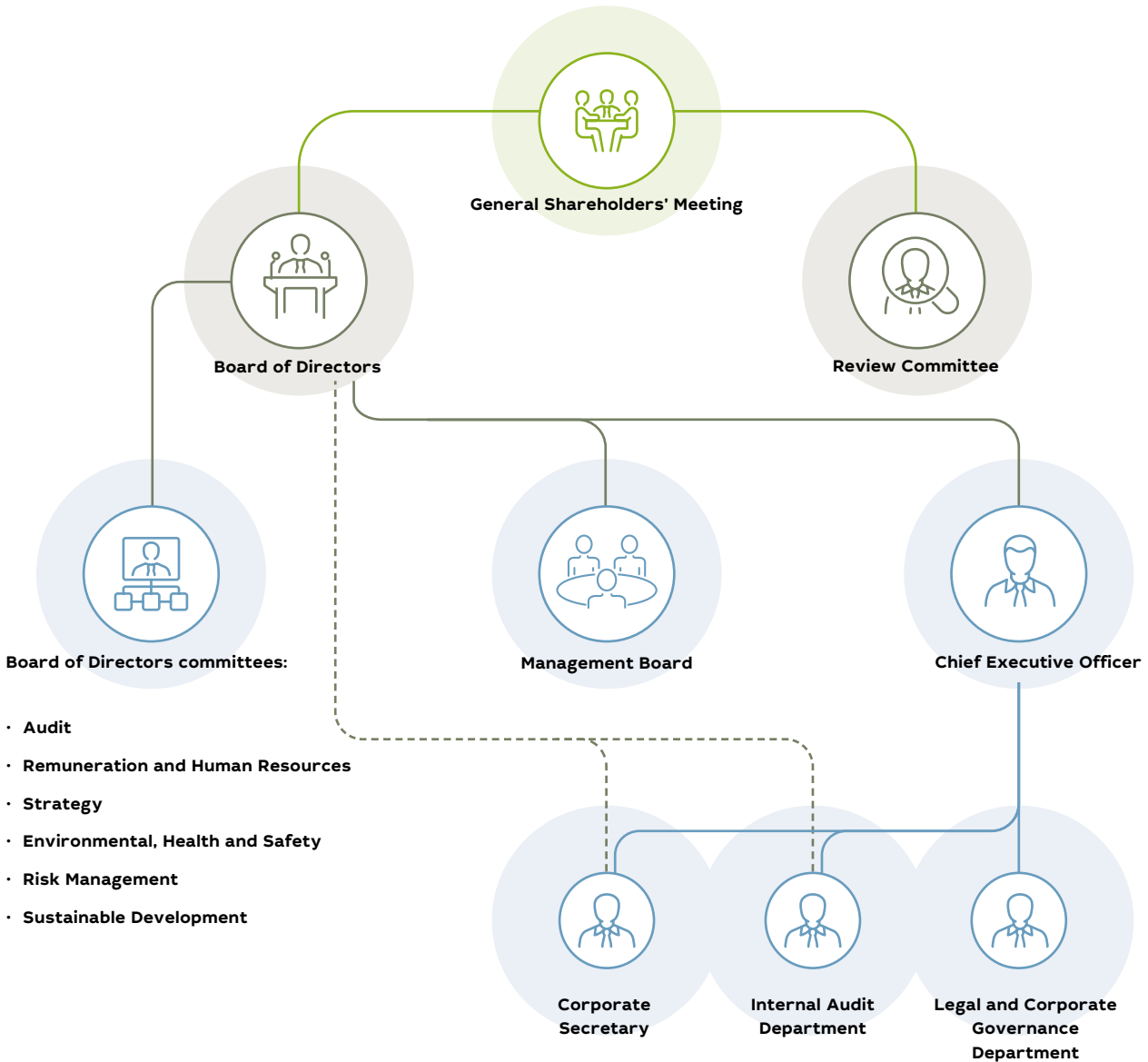


¹ 2019 – the most recent year assessed by the Bank of Russia



CORPORATE GOVERNANCE FRAMEWORK

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GENERAL SHAREHOLDERS' MEETING

The activities of the Company's supreme governing body – the General Shareholders' Meeting – are governed by the Regulation on the General Meeting of Shareholders. In May 2020, the Annual General Shareholders' Meeting was held in absentia to elect a new Board of Directors and Review Committee, determine the Board of Directors' remuneration, distribute the 2019 profit, including dividend payouts, and resolve on other matters within its remit. It was held in absentia due to the COVID-19

outbreak. Despite the pandemic-related restrictions, the Annual General Shareholders' Meeting was held no later than usual, i. e. in last ten days of May.



The reporting year also saw

4 extraordinary General Shareholders' Meetings, whose main agenda was to vote on interim dividends.



Full text of the Regulations on the General Meeting of Shareholders PJSC «PhosAgro» is presented on the official website of the Company