

SUPPLY CHAIN

PhosAgro strives to make its procurement activities transparent and ensure fair competition and equal conditions for all suppliers of equipment 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.

GLOBAL SUSTAINABLE DEVELOPMENT GOALS (SDGS)



PROCUREMENT PRINCIPLES

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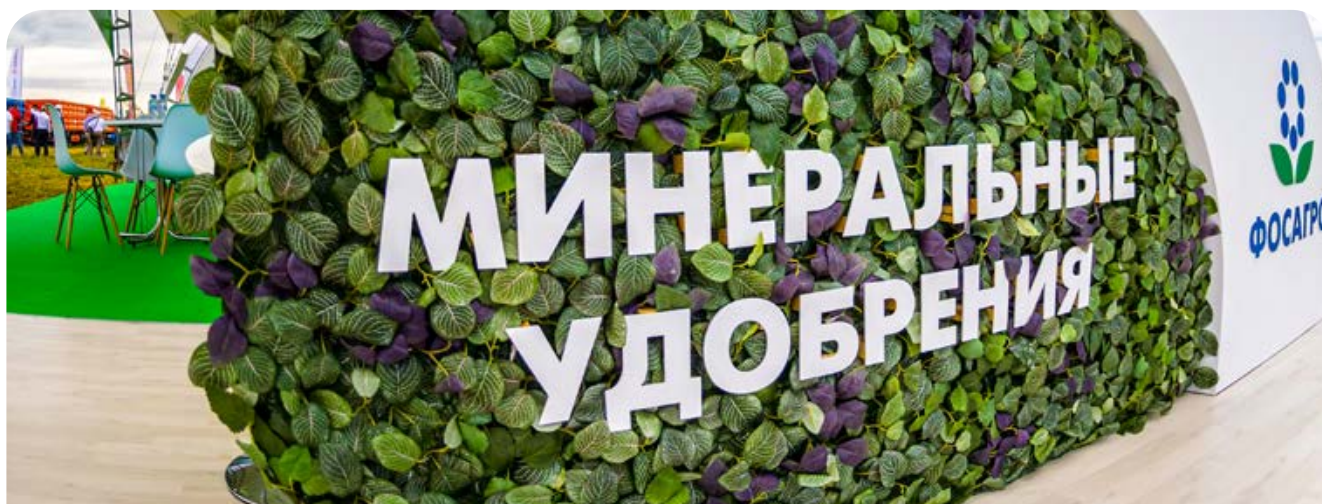
As set out in the relevant policy of Apatit, the Company's procurement activities should rely on the following principles:

- be legitimate, competitive, and transparent;
- factor in the requirements for specifications, quality, customer service, delivery, reliability, eco-friendliness
- and total cost of equipment and materials ownership, along with legal and social matters;
- use the best-fitting, sustainable business solutions;
- protect the Company's reputation;
- comply with the Company's existing procedures and best practices.

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.

PhosAgro requests are placed on the Group's electronic bidding platform (EBP) that meets all applicable requirements set by Russian law.



Key requirements for purchased products



QUALITY

When purchasing raw materials, components, packaging, the Company implements a pre-supply evaluation based on verification tests conducted by the Company's quality control department subject to a report (approval) providing full information about the purchased items.



RELIABILITY

Suppliers are evaluated and selected in accordance with the Company's standard STO 7.4-01 outlining the supplier reliability criteria.



ECO-FRIENDLINESS

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



PROTECTING HUMAN RIGHTS

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



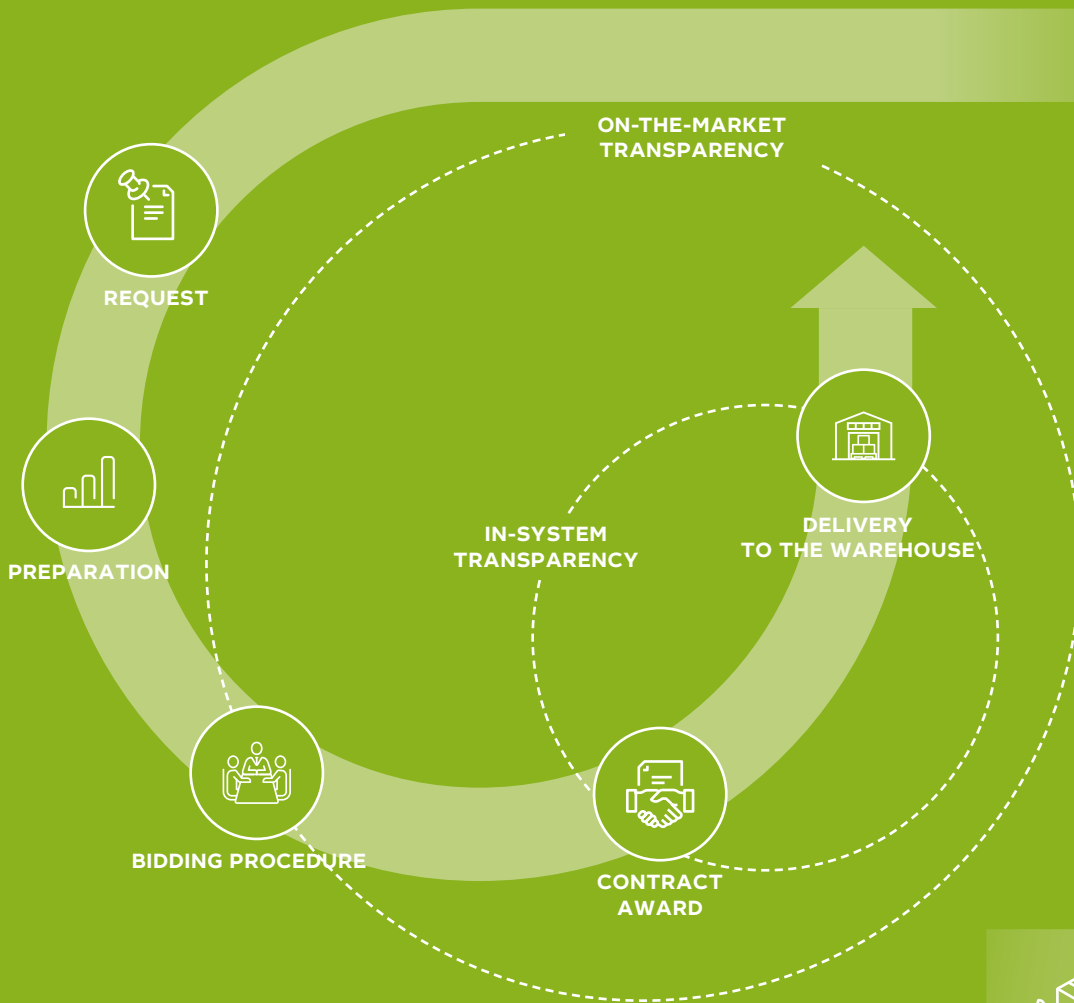
The full text of PhosAgro's Code of Ethics is available on the Company's website

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 133 of the Federal Law On Combating Corruption.

TRANSPARENCY AND OPENNESS OF PROCUREMENT PROCESSES



PhosAgro's procurement system ensures transparency of all corporate procedures, as well as their transparency and openness to all market participants. This means:



for the Company:

- updating request status every seven days,
- total transparency of procurement at all stages,
- end-to-end reporting and analytics for all business units.



for suppliers:

- participation in an objective and unbiased supplier selection procedure,
- public access to EBP,
- preview of prices (which are to be published).



GREEN PROCUREMENT

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The Procurement Department, as the Company's other departments, is committed to sustainable development. We bear responsibility not only

for what we do but also for what our partner companies, suppliers and service providers do to comply with the sustainability principles. On top of that, we seek to have

an entirely sustainable supply chain and adopt the relevant principles across the board to implement a green procurement system.

Pillars of our green procurement system



Creating a sustainable corporate framework for ESG based on internal regulations



Considering suppliers and contractors as vital participants in the Company's value chain as part of our commitment to the UN Sustainable Development Goals



Covering all aspects of ESG-related activities in the Company's non-financial disclosures



Discussing supplier and contractor relationships with stakeholders



Focusing the ESG ratings on corporate responsibility, including the value chains and supplier and contractor relationships

Green procurement activities

Highlights of 2020

- 60 ESG criteria developed to evaluate suppliers and contractors
- Category-based supplier and contractor evaluation system created
- Code of Conduct for Counterparties drafted and published
- ESG criteria integrated into procurement
- Regulations drafted to implement the ESG evaluation of suppliers and contractors
- ESG evaluation coverage exceeded 4% of purchase volumes, with the average score close to 64 (out of 100)

Action plan for 2021

- Automating the assignment and review of supplier and contractor ESG ratings
- Expanding the ESG evaluation coverage
- Adding the ratings to the counterparty selection criteria
- Revising the supplier audit procedure to incorporate ESG requirements
- Revising contracts to include a reference to the Code of Conduct for Counterparties
- Considering the share of ESG-evaluated suppliers and contractors and their average ESG rating as potential KPIs for the Procurement Department

CODE OF CONDUCT FOR COUNTERPARTIES

















The Code of Conduct for Counterparties only deals with the sustainability-related aspects of counterparty relationships. It seeks to give a clear understanding of our approach to selecting suppliers and partners, along with our priorities in making the choice.

Based on the Code of Conduct for Counterparties, PhosAgro developed a system to evaluate suppliers against ESG criteria that cover environmental issues, social responsibility and quality management.



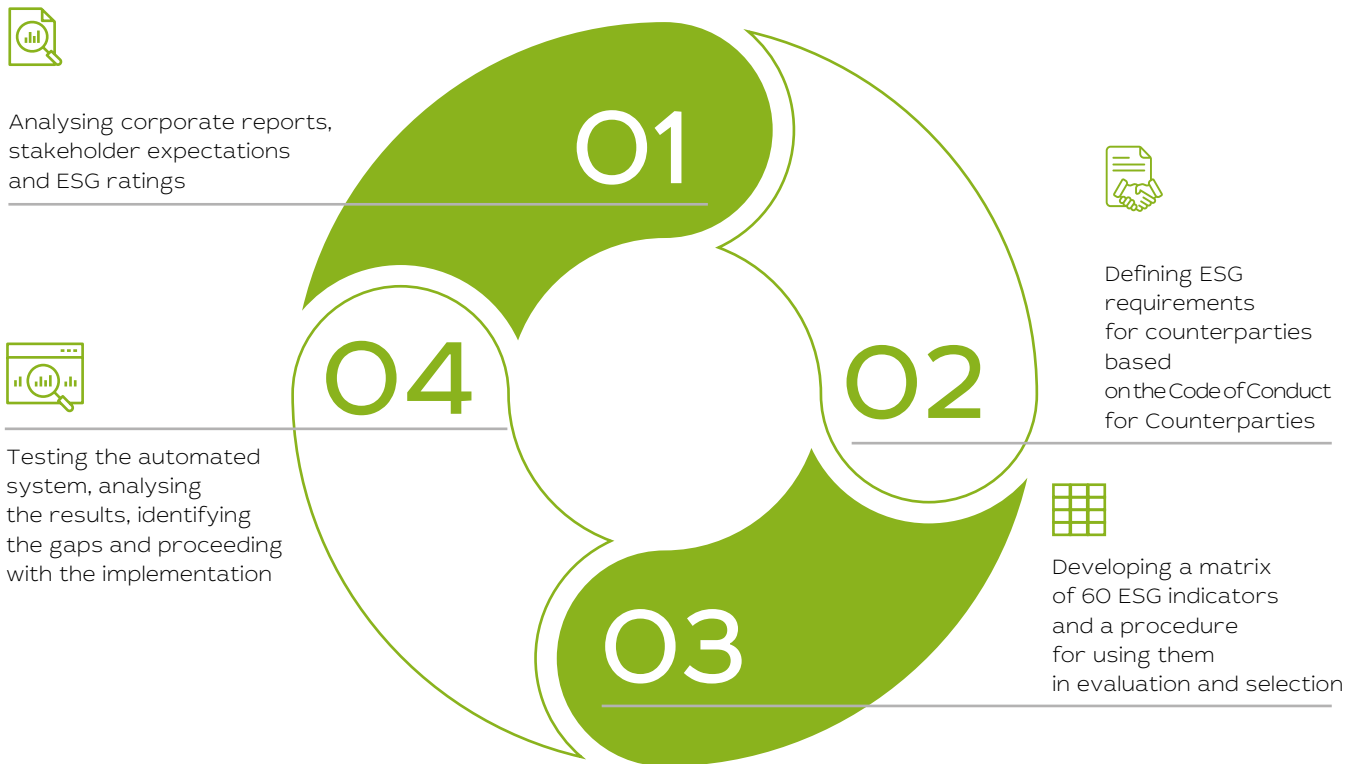
For the Code of Conduct for Counterparties, see the Company's website

Code of Conduct for Counterparties

 <p>Legal compliance</p>	 <p>Internal control and monitoring</p>	 <p>Conflict of interest</p>	 <p>Fair competition</p>
 <p>Safe working environment</p>	 <p>Requirements for salary and working time</p>	 <p>Equal employment opportunity</p>	 <p>Inside information</p>
 <p>Freedom of association</p>	 <p>Human trafficking and slavery</p>	 <p>Confidentiality and data protection</p>	 <p>Countering corruption</p>
 <p>Confirming consent to this Code's provisions</p>	 <p>Whistleblowing and safety guarantees</p>	 <p>Occupational health and safety</p>	 <p>Minimising environmental impact</p>



Key stages in developing our supplier ESG evaluation system



Key elements of supplier evaluation



The evaluation results in an individual supplier/contractor rating (in points). These ratings help us determine the share of ESG-compliant suppliers and contractors and make the right choice.

HUMAN RESOURCES

Training



99%

of PhosAgro employees received professional training In 2020



Procurement training in 2020

Training under Sergey Dubovik, a leading business coach in Russia

31 people

received job-related training

Programmes by Moscow School of Management SKOLKOVO

2 people

completed a course by Moscow School of Management SKOLKOVO

Training at the Apatit Training Centre

11 people

upgraded their skills

36

webinars, training sessions, workshops

were held for the Department's employees

The Gap Partnership's and MBA programmes

10 people

completed a course by The Gap Partnership

2 people

completed an EMBA course

Recruitment

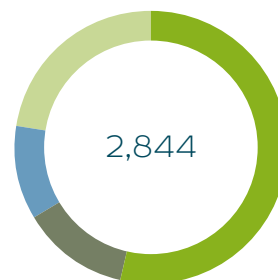
The COVID-19 pandemic triggered fundamental changes to our recruitment approach. Previously, we used to source candidates locally, but the health emergency forced us to take a different route. This resulted in new opportunities, making the search not restricted to the regions we are based in and the candidate's expertise and business competencies the first consideration. Attracting talent from large and global companies also proved beneficial.



PROCUREMENT IN FIGURES

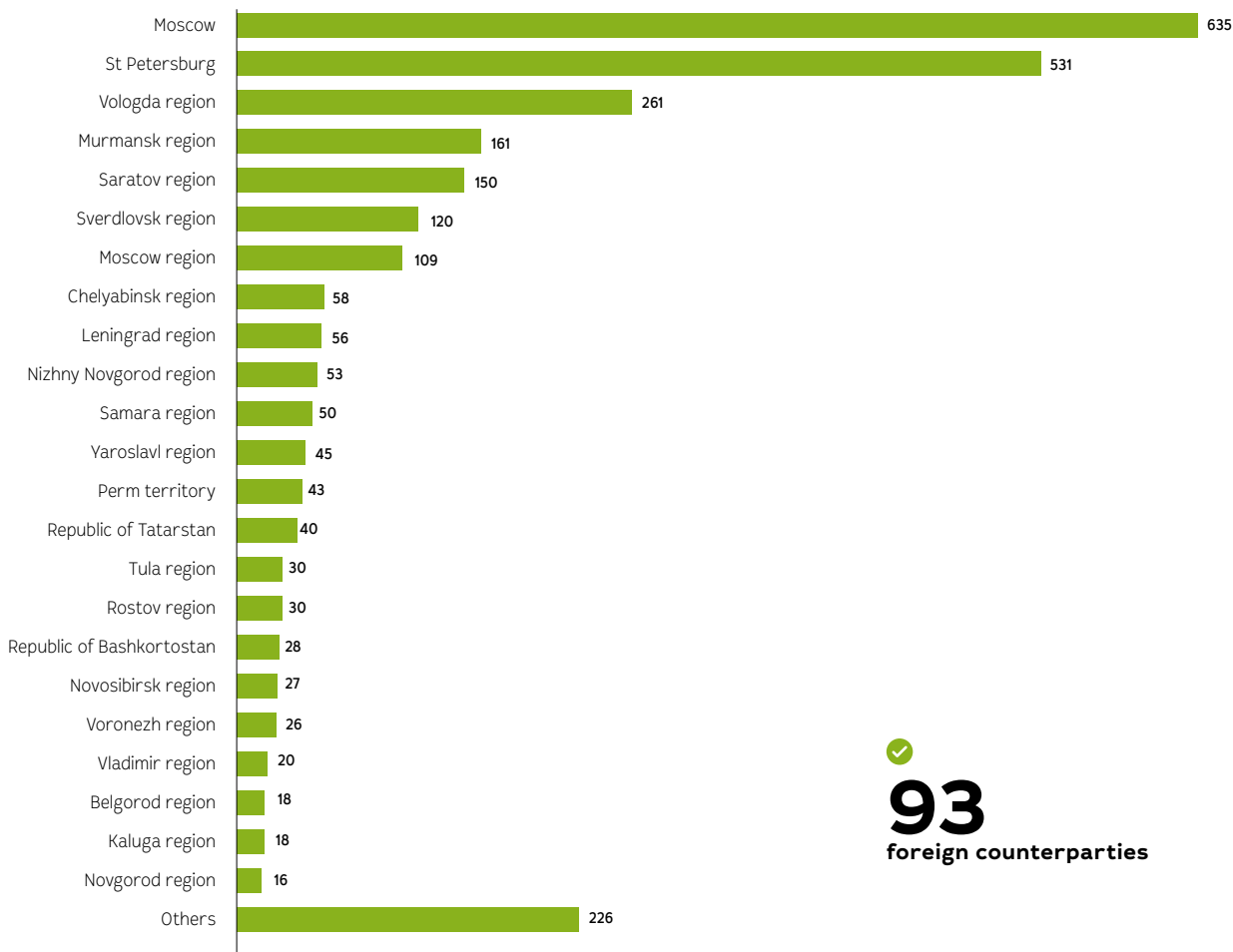


Number of counterparties in 2020, units



JSC Apatit	1,530
Balakovo branch	361
Volkhov branch	314
Kirovsk branch	639

Geography, units



 **93**
foreign counterparties

Service tenders in 2020

Tenders	Unit of measurement	JSC Apatit	Balakovo branch	Volkhov branch	Kirovsk branch	Total
Capital construction	Procedures	73	33	27	109	242
	RUB mln	4,017	307	1,430	4,368	10,122
Maintenance and repairs	Procedures	54	42	43	44	183
	RUB mln	711	97	300	339	1,447
Transportation, incl. rail	Procedures	52	3	2	12	69
	RUB mln	3,930	0.5	209	1,568	5,707.5
Corporate and other services	Procedures	49	15	15	22	101
	RUB mln	1,261	188	201	122	1,772
Total	Procedures	228	93	87	187	595
	RUB mln	9,919	593	2,140	6,397	19,049

Procurement from local and other businesses in 2020, RUB ths

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Asset	Local businesses	Other businesses	Total
JSC Apatit	15,067,520	41,456,426	56,523,946
Balakovo branch	1,875,152	7,133,525	9,008,677
Volkhov branch	3,346,186	6,287,501	9,633,687
Kirovsk branch	3,178,357	25,724,637	28,902,995
Total	23,467,216	80,602,090	104,069,306

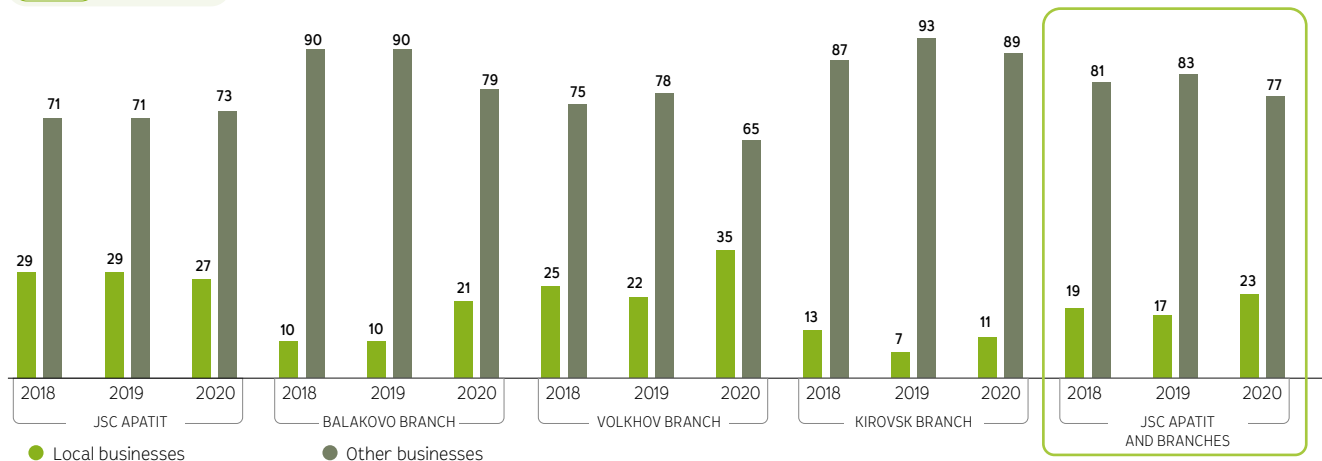
Share of local and other counterparties in 2020, %

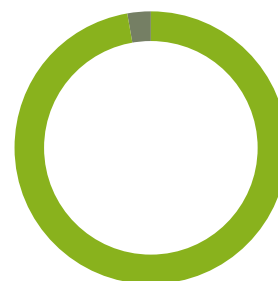


Local counterparties 23
Other counterparties 77

Procurement from local businesses, %

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**Structure of purchases abroad and in Russia, %**

● Domestic	97
● Imported	3

Foreign vs domestic contracts in 2020, RUB ths

Asset	Foreign	Domestic	Total
JSC Apatit	1,113,600	55,410,347	56,523,946
Balakovo branch	22,995	8,985,683	9,008,677
Volkhov branch	242,552	9,391,136	9,633,687
Kirovsk branch	1,499,352	27,403,642	28,902,995
Total	2,878,498	101,190,808	104,069,306

SME procurement in 2020, RUB ths

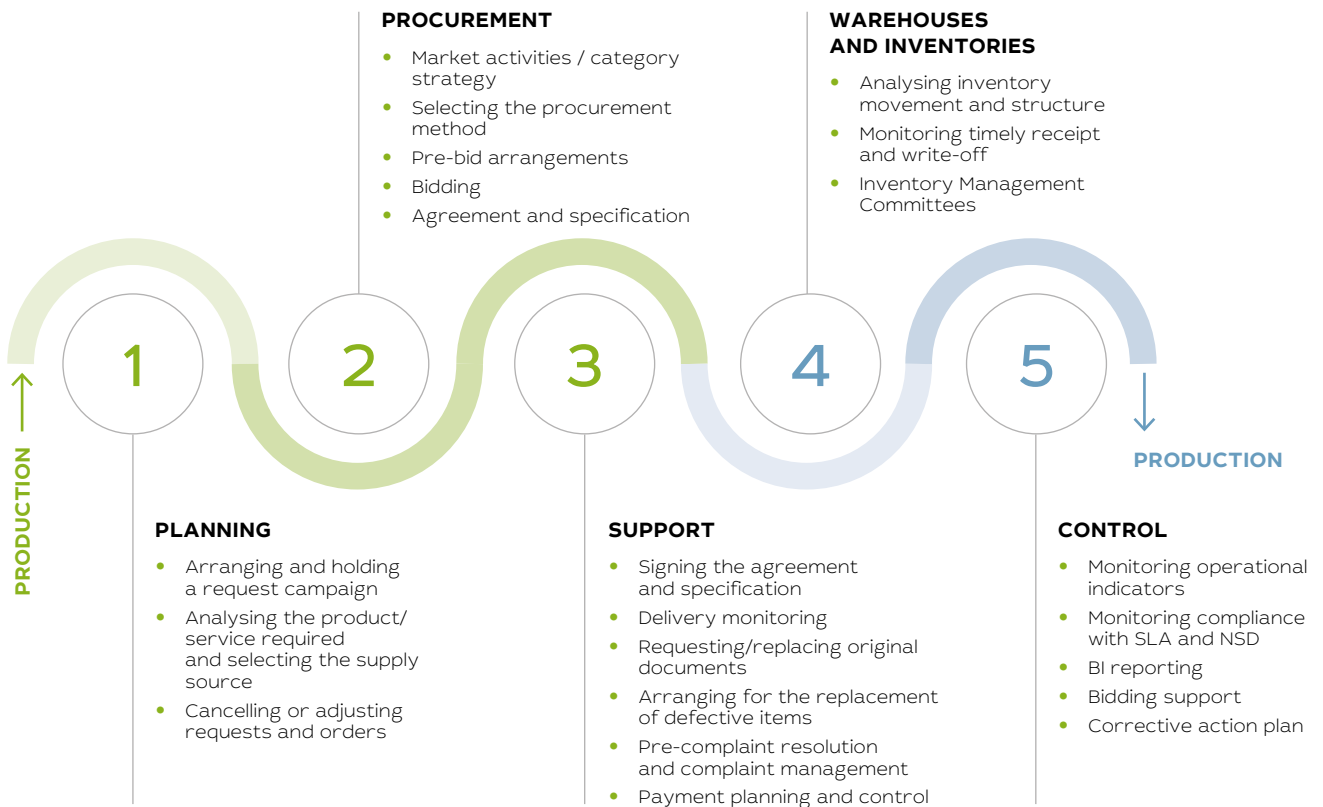
Asset	Other businesses	SMEs
JSC Apatit	48,140,395	8,383,552
Balakovo branch	6,636,792	2,371,885
Volkhov branch	7,005,262	2,628,426
Kirovsk branch	22,083,140	6,819,855
Total	83,865,589	20,203,717

SUPPLY CHAIN

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Our 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.

PhosAgro's supply chain



SIGNIFICANT CHANGES TO PHOSAGRO AND ITS SUPPLY CHAIN

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The reporting year saw some changes to PhosAgro's supply chain.

Our ammonium sulphate and sulphuric acid projects brought about a significant decrease in external purchases and reduced our dependence on outside

suppliers, which had a positive effect on purchase prices. In 2020, ammonium sulphate consumption grew by 23%, while its purchases sank by 42%. Sulphuric acid purchases were down by 31%.

In recent years, urea-formaldehyde concentrate (UFC) consumption has been on the rise as urea production grows. Between 2018 and 2020, urea production increased by 8%, driving UFC purchases up by 16%.