

STRATEGIC RISKS

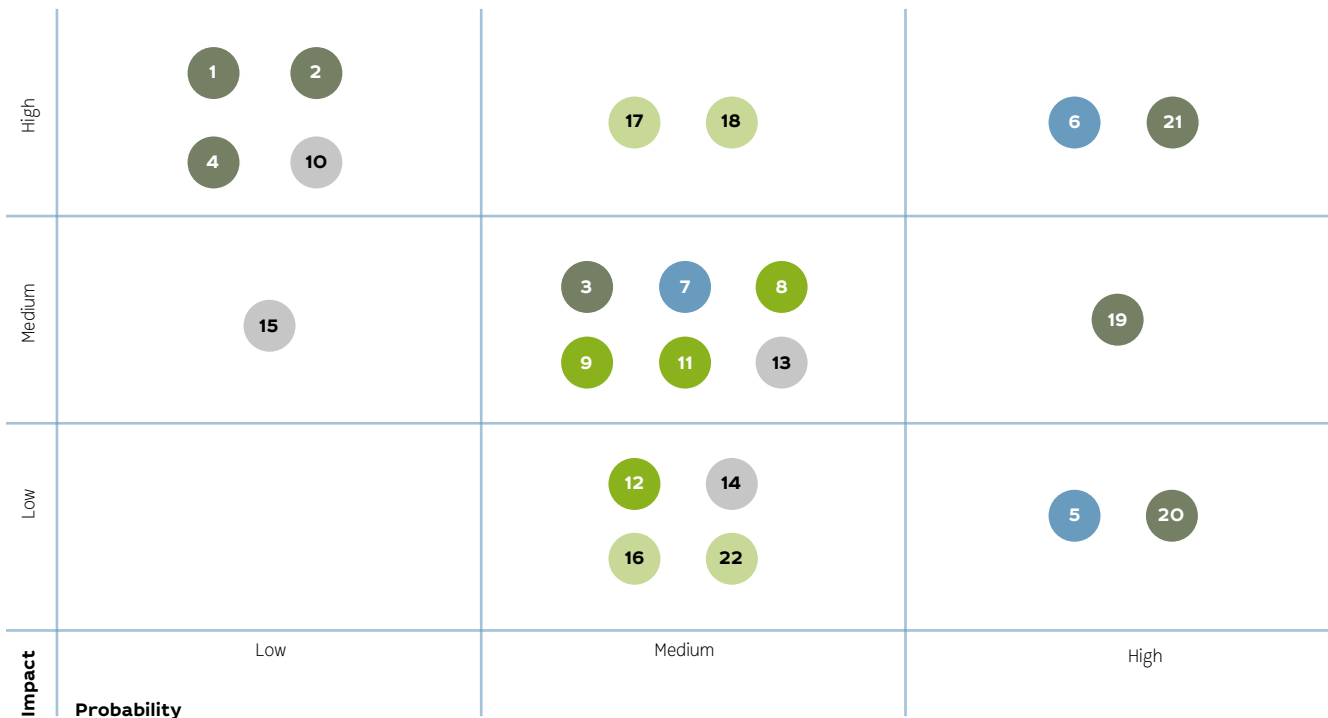


Robust risk management is a sine qua non for PhosAgro to achieve its strategic goals and sustainable development. We continuously develop and improve our risk management framework, which enables us to identify external and internal risks in a timely manner and develop effective mitigants.

KEY RISKS ASSOCIATED WITH PHOSAGRO'S ACTIVITIES

102-15

Map of key risks for 2021 (assessment of residual risk)



List of key risks for 2021

Strategic risk

- 1 Strategic planning risk
- 2 Failure to deliver on SDGs
- 3 Social risk
- 4 HR risk
- 19 Climate risk
- 20 Infectious disease risk
- 21 Sanctions risk

Production risk

- 5 Production risk
- 6 Health and safety risk
- 7 Environmental risk

Operational risk

- 8 Project risk
- 8 Business processes and systems risk
- 11 Information security risk
- 12 Economic security risk






Financial risk

- 16 Credit risk
- 17 Currency risk
- 18 Commodity risk
- 22 Interest rate risk






Regulatory risk

- 10 Tax risk
- 13 Regulatory risk
- 14 Corruption risk
- 15 Reputational risk

Key risks





Risk	Description	Risk mitigants	Key indicators / risks materialised in 2020
 <p>1 Strategic planning</p>	<p>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.</p>	<p>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.</p>	<p>Deviations from strategic targets.</p> <p>No material risk events occurred.</p>
 <p>2 Failure to deliver on sustainable development goals</p>	<p>Risk factors for the Company's sustainable development include failure to set the Sustainable Development Goals (SDGs) or update them in a timely manner, as well as the lack of resources and processes necessary to achieve the SDGs.</p>	<p>In 2020, the Company made great progress in mitigating sustainability risks. The Sustainable Development Committee helped set and prioritise the SDGs and strategic ESG targets covering environmental, social, and corporate governance matters. To achieve the same, PhosAgro developed action plans, including the low-carbon transition plan, the Climate Strategy, the Water Strategy, and the Energy Efficiency Programme.</p> <p> For more information on the Company's activities and indicators in this area, see page 6</p>	<p>Deviations from SDG targets.</p> <p>No material risk events occurred.</p>
 <p>3 Social</p>	<p>Risk of an adverse social environment in the regions of operation.</p>	<p>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. In particular, PhosAgro provided substantial support to public health authorities in the cities of its operation with a view to combating the spread of a novel coronavirus (COVID-19) in 2020.</p> <p> For more information on the Company's activities in this area see the Contributing to Local Communities section on page 180</p>	<p>Deviations from ESG targets (social dimension).</p> <p>No material risk events occurred.</p>








Risk	Description	Risk mitigants	Key indicators / risks materialised in 2020
 <p data-bbox="129 376 165 405">4</p> <p data-bbox="129 421 165 450">HR</p>	<p data-bbox="331 271 560 371">Developments and decisions related to the hiring, development and retention of employees.</p>	<p data-bbox="608 271 1158 450">PhosAgro runs independent and joint programmes seeking to train and attract young talents, including those from other regions, develop employee skills and enhance motivation as a way to improve retention and productivity. Given the rising number of employees working from home in 2020, the Company is introducing an online personnel appraisal system together with qualification criteria.</p> <p data-bbox="608 483 1129 562"> For more information on the Company's activities in this area, see the People Development section on page 116</p>	<p data-bbox="1193 271 1422 315">Personnel turnover and skill mismatch.</p> <p data-bbox="1193 338 1414 383">No material risk events occurred.</p>
 <p data-bbox="129 694 165 723">5</p> <p data-bbox="129 739 236 768">Production</p>	<p data-bbox="331 589 560 689">Technical/industrial disruptors of production processes, unscheduled equipment downtime.</p>	<p data-bbox="608 589 1142 801">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.</p>	<p data-bbox="1193 589 1422 633">Unscheduled equipment downtime.</p> <p data-bbox="1193 656 1414 701">No material risk events occurred.</p>
 <p data-bbox="129 967 165 996">6</p> <p data-bbox="129 1012 293 1041">Health and safety</p>	<p data-bbox="331 862 560 1093">Risk 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.</p>	<p data-bbox="608 862 1158 1205">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 its Health and Safety Strategy. Given the rising number of employees working from home in 2020, the Company arranged for online training in internal regulations on health and fire safety.</p> <p data-bbox="608 1238 1161 1328"> For more information on the Company's indicators in this area, see the Health and Safety Review section on page 134</p>	<p data-bbox="1193 862 1406 936">Deviations in terms of workplace injuries and incidents</p> <p data-bbox="1193 958 1414 1189">2020 saw some risks materialise in terms of workplace injuries. The Company carefully investigated each accident, with remedial action plans developed to prevent their recurrence.</p>



Risk	Description	Risk mitigants	Key indicators / risks materialised in 2020
 <p data-bbox="167 369 199 403">7</p> <p data-bbox="167 414 303 436">Environmental</p>	<p data-bbox="367 264 590 369">Risk of potential environmental damage resulting from the Company's operations.</p>	<p data-bbox="646 264 1204 817">The Company has put in place the Environmental Policy, the Water Strategy for 2020–2025, and the Code of Conduct for Counterparties setting out key environmental requirements for suppliers and contractors. 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 eco-efficient 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. In 2020, the Company's CDP rating was raised from C to B-, which is one of the best scores in Russia.</p> <p data-bbox="646 862 1165 940"> For more information on the Company's activities in this area, see the Sustainability Report: Environmental Review section on page 148</p>	<p data-bbox="1228 264 1436 336">Deviations from environmental impact targets.</p> <p data-bbox="1228 358 1444 403">No material risk events occurred.</p>
 <p data-bbox="167 1075 199 1108">8</p> <p data-bbox="167 1120 239 1142">Project</p>	<p data-bbox="367 969 622 1120">Risk associated with delays and budget overruns in construction and upgrade projects, along with failure to deliver project efficiency targets.</p>	<p data-bbox="646 969 1165 1187">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.</p>	<p data-bbox="1228 969 1452 1008">Deviations from project efficiency targets.</p> <p data-bbox="1228 1030 1444 1075">No material risk events occurred.</p>
 <p data-bbox="167 1321 199 1355">9</p> <p data-bbox="167 1366 303 1444">Business processes and systems</p>	<p data-bbox="367 1216 622 1344">Inefficiency or disruption of the Company's business processes, including risks related to counterparties and supply chain.</p>	<p data-bbox="646 1216 1165 1612">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.</p>	<p data-bbox="1228 1216 1460 1288">Deviations from business process targets (by focus area).</p> <p data-bbox="1228 1310 1444 1355">No material risk events occurred.</p>
 <p data-bbox="167 1747 199 1780">10</p> <p data-bbox="167 1792 207 1814">Tax</p>	<p data-bbox="367 1641 622 1792">Potential claims lodged by tax authorities in response to the Company's failure to correctly file tax returns or pay taxes in due time.</p>	<p data-bbox="646 1641 1165 1814">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.</p>	<p data-bbox="1228 1641 1332 1657">Tax claims.</p> <p data-bbox="1228 1680 1444 1724">No material risk events occurred.</p>







Risk	Description	Risk mitigants	Key indicators / risks materialised in 2020
 <p>11 Information security</p>	<p>Losses incurred on the Company's property and assets as a result of unauthorised access to its information systems or disclosure of confidential data.</p>	<p>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 its confidentiality policy.</p>	<p>Unauthorised disclosure of confidential data, unauthorised access to IT systems.</p> <p>No material risk events occurred.</p>
 <p>12 Economic security</p>	<p>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.</p>	<p>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.</p>	<p>Theft and fraud incidents.</p> <p>No material risk events occurred.</p>
 <p>13 Regulatory</p>	<p>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.</p>	<p>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 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.</p>	<p>Deviations related to regulatory compliance.</p> <p>No material risk events occurred.</p>
 <p>14 Corruption</p>	<p>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 government authorities and other damages).</p>	<p>PhosAgro makes sure its facilities and partners fully comply with applicable anti-corruption laws. To that end, it provides training in combating corruption and administrating 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. 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.</p>	<p>Corrupt practices, conflicts of interest.</p> <p>No material risk events occurred.</p>

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 <p data-bbox="167 369 199 398">15</p> <p data-bbox="167 414 327 443">Reputational risk</p>	<p data-bbox="367 264 614 526">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.</p>	<p data-bbox="646 264 1204 604">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.</p>	<p data-bbox="1228 264 1460 347">Stakeholder confidence.</p> <p data-bbox="1228 302 1460 347">No material risk events occurred.</p>
 <p data-bbox="167 739 199 768">16</p> <p data-bbox="167 784 263 813">Credit risk</p>	<p data-bbox="367 633 614 840">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.</p>	<p data-bbox="646 633 1204 1131">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. For more information on the Company's activities and indicators in this area, see the Financial Risk Management. Credit Risk section of the Notes to the consolidated financial statements.</p> <p data-bbox="646 1176 1204 1321"> For more information on the Company's activities and indicators in this area, see the Financial Risk Management. Credit Risk section of the Notes to the consolidated financial statements on page 298</p>	<p data-bbox="1228 633 1460 705">Overdue accounts receivable, provision for bad debt.</p> <p data-bbox="1228 728 1460 772">No material risk events occurred.</p>
 <p data-bbox="167 1456 199 1485">17</p> <p data-bbox="167 1500 295 1529">Currency risk</p>	<p data-bbox="367 1350 614 1467">Financial losses arising from unfavourable changes in FX rates against the Company's base currency.</p>	<p data-bbox="646 1350 1204 1691">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. For more information on the Company's activities and indicators in this area, see the Financial Risk Management. Currency Risk section of the Notes to the consolidated financial statements.</p> <p data-bbox="646 1736 1204 1881"> For more information on the Company's activities and indicators in this area, see the Financial Risk Management. Currency Risk section of the Notes to the consolidated financial statements on page 298</p>	<p data-bbox="1228 1350 1460 1433">Changes in FX rates.</p> <p data-bbox="1228 1388 1460 1433">No material risk events occurred.</p>



Risk	Description	Risk mitigants	Key indicators / risks materialised in 2020
 <p data-bbox="129 371 164 398">18</p> <p data-bbox="129 416 277 443">Commodity risk</p>	<p data-bbox="331 264 584 472">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.</p>	<p data-bbox="608 264 1161 741">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.</p>	<p data-bbox="1193 264 1422 315">Changes in product and feedstock prices.</p> <p data-bbox="1193 331 1410 383">No material risk events occurred.</p>
 <p data-bbox="129 871 164 898">19</p> <p data-bbox="129 916 240 943">Climate risk</p>	<p data-bbox="331 761 584 1290">Risks associated with changes in natural processes or phenomena amid climate change (physical factors) or with political, economic, financial or other decisions made by governments, multilateral organisations, financial institutions, or producer or consumer associations or other NGOs to curb climate change by reducing GHG emissions through carbon border adjustment or restrictions on the use of fossil fuels or non-renewable energy (transitional factors).</p>	<p data-bbox="608 761 1161 913">Processes to identify and assess climate change risks are being integrated throughout the value chain – from design, procurement and apatite-nepheline ore mining to finished product delivery. The climate risk management framework is also an integral part of the Company's risk management and internal control framework.</p> <p data-bbox="608 936 1161 1066">In December 2020, the Board of Directors approved PhosAgro's Climate Strategy, the key elements of which are an analysis of climate risks and opportunities, a scenario analysis, the setting of science-based targets and a low-carbon transition plan.</p> <p data-bbox="608 1088 1161 1323">In accordance with the Climate Strategy, priority actions are being taken to develop and implement the following measures: direct (Scope 1) emission reduction programmes; an internal energy efficiency programme, and communication with energy suppliers to improve the climate profile of energy supplies (Scope 2); a supplier and customer engagement plan and supplier ESG ratings (Scope 3); and integration of climate risks into the risk management framework, climate KPIs, science-based climate targets (SBTi) and global projects.</p> <p data-bbox="608 1346 1161 1413">Thanks to these actions, the Company has improved its ratings for climate disclosure (CDP) and sustainable development (Sustainalytics).</p>	<p data-bbox="1193 761 1422 842">Deviations resulting from climate impacts (by focus area).</p> <p data-bbox="1193 864 1422 1223">In 2020, there were severe weather events, with effects including squalls and excessive precipitation. However, at this stage it is difficult to assess the extent to which this weather was caused by climate change. In any case, the Company did not incur any significant losses associated with these natural phenomena.</p>

Risk	Description	Risk mitigants	Key indicators / risks materialised in 2020
 <p data-bbox="167 369 199 403">20</p> <p data-bbox="167 414 327 459">Infectious disease risk</p>	<p data-bbox="367 257 614 392">Risks associated with the outbreak and spread of infectious diseases that pose a threat to business continuity.</p>	<p data-bbox="646 257 1197 571">In early 2020, an infectious disease caused by a newly discovered coronavirus (COVID-19) spread around the world. PhosAgro has been taking unprecedented measures to prevent mass infection of employees and local populations in its regions of operation (jointly with government agencies). Thanks to these measures, the Company managed to minimise the pandemic's negative impact on its operations, ensure business continuity and deliver on its business targets. The Company's pandemic experience in 2020 and the procedures it has established help respond to further developments associated with COVID-19, as well as to other infectious disease outbreaks.</p>	<p data-bbox="1228 257 1460 369">Confirmed cases, Progress in epidemiological response.</p> <p data-bbox="1228 380 1460 772">Several countries declared a state of emergency and almost all have imposed lockdowns, restricting business activity. Russia is experiencing a mild COVID-19 scenario thanks to its prompt response, including restricted international travel, self-isolation requirements, adequate medical care, vaccination, etc.</p>
 <p data-bbox="167 907 199 940">21</p> <p data-bbox="167 952 295 974">Sanctions risk</p>	<p data-bbox="367 795 614 873">Any foreign sanctions imposed on the Group's companies.</p>	<p data-bbox="646 795 1197 952">Economic globalisation has increased the exposure of the Russian economy and the Company's foreign operations to potential sanctions by individual countries or their groups. The Company's flexible production and sales model would help minimise any negative impact should such a risk event occur.</p>	<p data-bbox="1228 795 1460 851">Losses associated with sanctions.</p> <p data-bbox="1228 862 1460 918">No material risk events occurred.</p>
 <p data-bbox="167 1108 199 1142">22</p> <p data-bbox="167 1153 327 1176">Interest rate risk</p>	<p data-bbox="367 996 614 1254">The Company borrows money to finance its investment programme and working capital requirements, including via floating interest rate loans. Rising floating rates might lead to higher debt service costs and adversely impact the bottom line.</p>	<p data-bbox="646 996 1197 1064">Should the Company accumulate significant floating interest rate borrowings, it would hedge this risk using interest rate derivatives.</p> <p data-bbox="646 1086 1197 1220">PhosAgro closely monitors and manages its fixed-to-floating debt ratio to mitigate interest rate risk. For more information on the Company's activities and indicators in this area, see the Financial Risk Management. Interest rate risk section of the Notes to the consolidated financial statements.</p> <p data-bbox="646 1265 1197 1411"> For more information on the Company's activities and indicators in this area, see the Financial Risk Management. Credit Risk section of the Notes to the consolidated financial statements on page 298</p>	<p data-bbox="1228 996 1460 1064">Losses associated with changes in interest rates.</p> <p data-bbox="1228 1086 1460 1142">No material risk events occurred.</p>