

CUSTOMERS AND PRODUCT MANAGEMENT

AREA, STRATEGIC GOALS AND HIGHLIGHTS OF 2023



Target
2.4, 17.16
and 17.17

1 Compliance with the requirements applied to mineral fertilizers

Goal

Promoting the responsible and rational use of mineral fertilizers, i.e. green agriculture, and providing expert support to agricultural producers and advancing a customised product offering

Actual

In 2023, the Company joined a pilot project launched by the Russian Ministry of Industry and Trade to validate project results, and completed an initiative to assess the chemical footprint of its products.

Expansion of certification coverage:

- Green One
- Vitality Leaf
- Green Label
- Brazil's Environmental Quality Label



Target
17.16 and
17.17

2 Mineral fertilizer consumer surveys

Goal

Establishing business partnerships built on mutual trust and respect, and ensuring a shared understanding of obligations and expectations from the partnership

Actual

Consumers gave a high score to the staff performance (promptness of request handling and quality of support and consultations), with a degree of consumer satisfaction standing at —

96%

30%
of survey respondents pointed out that PhosAgro products accounted for the largest share of mineral fertilizers used at their farms.



STRATEGY

The COVID-19 pandemic, geopolitical turmoil, climate change, and increasing inequality are just some of the challenges faced by the world over the recent years. Food security remains one of the most pressing issues, including producing sufficient amount of quality and safe food accessible to all.

In this context, we carry out PhosAgro's strategic and globally important mission of supplying safe and eco-friendly fertilizers for the agricultural industry to ensure food security in Russia and across the world.

We believe that tackling global problems is only possible through open dialogue, cooperation, and building synergies between all stakeholders. This approach is at the heart of our interaction with customers.

We are committed to the responsible use of our products making sure they are safe for people and the environment. Product life cycle management at PhosAgro is in full compliance with applicable Russian and international standards and regulatory requirements. We seek to minimise any potential

negative impact of our products on safety, health and the environment throughout the value chain, from product development to the end of its life cycle.

MANAGEMENT APPROACH

GRI 3-3

An open dialogue with customers helps us understand their expectations and requirements for our products, services and the management system, as well as their vision of future products. This valuable information creates a solid foundation for the Company's further strategic growth and new product development.

PhosAgro Group's vertically integrated business model is a competitive advantage. PhosAgro's upstream assets benefit from extensive and high-quality resource base boasting unmatched purity. Our production facilities are located close to key mineral resources used as feedstock

for fertilizers and other products. At PhosAgro Group, we have a product management framework that relies on the assessment of product life cycle. It covers all production facilities and stages of product life.

To provide consumers with safe, eco-friendly, and quality innovative products and services, the **Company's Strategy to 2025** has identified the following focus areas that reflect consumer needs regarding product innovations and new digital services:



Developing innovative products that meet customer requirements and enable farming with due consideration of environmental factors, soil and crop requirements, the climate agenda and the need to reduce greenhouse gas emissions in the value chain



Enhancing PhosAgro's competitive strengths as one of the world's leading suppliers of eco-friendly phosphate fertilizers for farmers



Expanding PhosAgro Group's involvement in programmes to protect human health and the environment, ensure food security and combat soil degradation



Advancing digital technology in agriculture to boost crop yields and quality in the near term, including by raising consumer awareness of innovations in agricultural production



Developing circular economy and increasing rates of recycling, including the use of by-products from PhosAgro Group's facilities

PhosAgro Group's responsible production management framework is based on the following principles:

- compliance with Russian and international standards and regulations;
- accurate traceability of materials, elements and substances from product development to the end of life cycle;
- open and transparent information about the properties and quality of products for customers and other stakeholders;
- open dialogue with stakeholders regarding their expectations and satisfaction with the Group's products and services;
- integration of the production management, quality management, and HSE management systems.

PRODUCT MANAGEMENT FRAMEWORK



- Regulations and other requirements
- Expectations of stakeholders
- PhosAgro's strategic initiatives, cooperation and joint research projects with R&D institutes



- Elaboration of production requirements and opportunities
- Product research and development
- Ensuring production safety and product use in compliance with regulatory and other requirements
- Drafting documents
- Registration tests and receipt of permits



- Marketing products meeting customer requirements
- Taking into account customer feedback
- Information support
- Digital services for customers

System for planning and defining criteria for product development

Planning is an important element of PhosAgro Group's product management framework. Planning involves complex and comprehensive research to determine a set of criteria for the development of a future product, including:



stakeholder requirements and opinions about products and services;



market expectations, requirements and trends;



regulatory requirements applicable to activities and products;



innovative methods and technologies of production, including those aimed at ensuring greater safety of the product and its manufacturing processes for humans and the environment;



opportunities for implementing the circular economy principles and contributing to UN SDGs.

PhosAgro Group's quality management framework defines interlinked processes that ensure compliance of the product safety, quality and eco-friendliness criteria with stakeholder requirements and expectations throughout the product life cycle to conform to the stringent quality requirements for the end product, from ore and material selection to the supplies of products to end consumers.

All processes are monitored, measured, analysed and managed to ensure continuous improvement of the quality of specific processes and the framework at large and to meet the needs and expectations of stakeholders, above all consumers.

Interaction with customers and product safety are closely related issues regularly discussed by the Board of Directors' committees and submitted to the Board of Directors for consideration.

To support quality and HSE management, PhosAgro facilities have designated functions responsible

for internal control and support of the quality and environmental management systems, integrating requirements into processes, performing internal audits, implementing targeted initiatives, updating records, and collecting and providing input data for review by top management.

Every year, PhosAgro Group facilities undergo external compliance reviews by certification authorities in order to ensure the Company's compliance with international and national standards for quality and HSE management.

Development of products and manufacturing processes is implemented in partnership with Samoilov Scientific Research Institute for Fertilizers and Insectofungicides (NIUIF), Russia's only institute specialising in this area.



RISKS AND OPPORTUNITIES

The Company has a risk management system in place to identify and mitigate product related risks in cooperation with customers. This system, among other things, covers product related risks. The following strategic risks, in particular, affect our product and customer related objectives

- 7 environmental risk
- 9 risk related to business processes and systems
- 13 regulatory risk

For more information, see the Strategic Risks section, page 68



The Company develops the necessary corrective measures and unlocks opportunities, including voluntary certification, to mitigate those risks. Below you can find more information about what we do on this front.

RISKS SPECIFIC TO THE GROUP'S OPERATIONS INCLUDE:



risks associated with chemicals management and regulatory requirements for product safety;



risks associated with customer satisfaction;



risks associated with ensuring ethical research and production principles.

1 COMPLIANCE WITH THE REQUIREMENTS APPLIED TO MINERAL FERTILIZERS

REGULATORY ENVIRONMENT AND MANAGEMENT OF RISKS ASSOCIATED WITH CHEMICALS

PhosAgro Group facilities ensure timely receipt of all necessary licences for their activities to strengthen public confidence in the safety of their operations and products. All types of fertilizers are registered in Russia.

We ensure full transparency with respect to the chemicals we use and the content and properties of our products.

REGULATIONS AND CERTAIN REQUIREMENTS APPLIED TO MINERAL FERTILIZERS IN RUSSIA

We tap our extensive knowledge base and technologies to design products that are safe for the environment and people. In strict compliance with the regulations, all PhosAgro products undergo the necessary environmental and toxicological tests as part of their registration process before being marketed to our customers.

Mineral fertilizers produced by PhosAgro Group are subject to mandatory state registration of agrochemicals by the Russian Ministry of Agriculture.

All grades of PhosAgro Group's mineral fertilizers registered in Russia passed a mandatory examination for compliance:

- toxicological and hygienic – in Erisman Federal Research Centre of Hygiene;
- biological – in Pryanishnikov Institute of Agrochemistry;
- environmental – in the Federal Service for Supervision of Natural Resources (Rosprirodnadzor) and Lomonosov Moscow State University;
- sanitary and epidemiological standards – in Rospotrebnadzor.

We are committed to the ethical principles of animal welfare and seek to avoid using animals for research. In 2021, we revised our Code of Ethics to state our position on this matter. In line with the Code of Ethics, PhosAgro Group does not conduct experiments on animals, except as required by law; when conducting an expert examination of fertilizers, the main method of evaluating information on the toxicity and hazard of a multi-component substance to animals is to analyse information from national and international databases, as well as information on previously registered fertilizers. Currently, there are very few alternatives to animal research that are recognised by the government.

We are doing our best to expand the range of allowed research methods and reduce experiments on animals.

FOREIGN REGULATIONS AND CERTAIN REQUIREMENTS APPLIED TO MINERAL FERTILIZERS BY THE EUROPEAN UNION

PhosAgro Group's products exported to EU customers have been registered pursuant to Regulation (EC) No. 1907/2006 concerning the Registration, Evaluation and Authorisation of Chemicals (REACH). For companies, REACH conformity means greater responsibility for assessing the risks associated with the use of chemicals and providing users with relevant safety information. Companies producing or importing 10 tonnes or more

of hazardous substances per year are required to submit not only technical data, but also a chemical safety assessment (CSA). All information on such substances is communicated by PhosAgro Group in full to the regulators.

Pursuant to the above Regulation, Apatit's products contain no substances which are subject to restrictions on their sales in the European Union.

We produce ammonium nitrate (AN) CAS 6484-52-2 EC No. 229-347-8, which is subject to para 58, Annex XVII of REACH. However, it does not apply if a fertilizer conforms to specifications defined in Annex I and Annex IV to Regulation (EU) 2019/1009 of the European Parliament and of the Council. To assess conformity, samples of ammonium nitrate are sent quarterly to the Inspectorate Estonia AS lab for detonation resistance and oil retention tests. The results are formalised by a protocol for compliance with the requirements of Annex I and Annex IV of Regulation (EU) 2019/1009.

In addition, para 30 of Annex XVII to REACH lists substances specified in Part 3 of Annex VI to Regulation (EC) No. 1272/2008 and classified as toxic to reproduction, Category 1A/1B. These include sodium tetraborate, which is on the list of Substances of Very High Concern (SVHC) and is classified as a reproductive toxicant, Category 1B, but the restrictions only apply to individual concentrations in the mixture above 4.5%. We produce NPK fertilizers with boron that contain sodium tetraborate at a concentration of 2–3%.

Therefore, the special concentration level as defined in Part 3 of Annex VI to Regulation (EC) No. 1272/2008 is not reached.

Thus, PhosAgro Group faces no restrictions under Annex XVII of Regulation No. 1907/2006.

The quality and safety of mineral fertilizers produced by the Company is confirmed by state registration certificates, declarations of conformity, and safety data sheets. According to expert reviews, new fertilizer grades of PhosAgro Group are effective and environmentally and toxicologically safe.

The products are properly classified, labelled and packaged in accordance with Regulation (EC) No. 1272/2008 (Classification, Labelling and Packaging Regulation, CLP Regulation) and Regulation (EU) 2019/1009. All types of manufactured fertilizers have safety data sheets (SDS).

PhosAgro Group's unique phosphate-based fertilizers have perfectly low cadmium average content (0.2 mg per kg), making them among the safest in the world.

On 5 June 2019, the European Council and European Parliament approved the EU Regulation 2019/1009 (Fertilizing Products Regulation, FPR) on fertilizers, establishing new EU-wide rules for CE-marked fertilizers (also known as EU Fertilizing Products). The regulation provides for reducing cadmium content in EU fertilizers, by introducing a single cap

at 60 mg per kg of P₂O₅ and banning inorganic fertilizers in the EU with a cadmium content above that cap starting from 16 July 2022. Going forward, the regulation provides for gradual reduction of cadmium content to no more than 20 mg per kg of P₂O₅. The plans of cutting the cap to 40 mg per kg of P₂O₅ have been already announced. At the same time, the French Agency for Food, Environmental and Occupational Health & Safety (ANSES) has already issued recommendations

for a cadmium content in inorganic phosphate-based fertilizers of less than 20 mg per kg of P₂O₅.

Thus, PhosAgro Group's phosphate-based fertilizers have a much lower cadmium content than required in the EU, which is reflected in our product slogan: pure minerals for healthy lives.

In 2022, in line with Regulation (EU) 2019/1009, Apatit's mineral fertilizers were successfully certified by an independent notified body

in the area of fertilizer certification in the EU, making it possible for the fertilizers to be CE-marked.

Pursuant to the Turkish Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals (KKDIK), the work was initiated in the reporting year to register chemicals imported to the Republic of Turkey as individual substances and their mixtures.

Voluntary ESG certification of products

GRI 2-28, 417-1



All agrochemicals of PhosAgro Group have been certified under the GOST R 58658–2019 national standard, which has introduced the world's most rigorous limits on heavy metal and arsenic content, allowing the Company to use the **Green One eco-label**.



On top of that, the Company has a certificate under the Ecological Union's **Vitality Leaf** standard and the right to use the internationally recognised eco-label on its products.





Also, the Company made a **Green Label** environmental claim, asserting that the Group's products are free from dangerous cadmium concentrations capable of harming soils.



In addition, our products are labelled with an EU pictogram developed under Regulation (EU) 2019/1009 and ensuing rules for voluntary labelling of safe fertilizers in terms of heavy metals content.

In 2023, annual inspection audits confirmed the Company's certificates. Independent assessment results are a testament to the unique eco-friendliness of PhosAgro Group's products.

In 2023, PhosAgro took part in evaluation of the results of a flagship pilot project initiated by the Russian Ministry of Industry and Trade in 2021 to prevent adverse effects of cross-border handling of Russian chemical products, and ran a comprehensive project to assess the chemical footprint of products. The evaluation

exercise sought to determine the baseline chemical footprint of products and define opportunities to reduce it.

In order to test the viability of proposed regulatory mechanisms in chemical safety, among other things state registration of chemical substances

and their mixtures to introduce them to the Russian market, the Company's employees took part in a business game organised by the Russian Ministry of Industry and Trade and the Committee for Industrial Policy and Technical Regulation of the Russian Union of Industrialists and Entrepreneurs.



In 2023, a procedure of obtaining state registration was completed for 16 grades of fertilizers including three new ones:

- nitrogen-phosphorus-potassium-sulphur fertilizer **NPK(S) 12-15-21(8)** grade;
- sulphur-containing nitrogen-phosphorus fertilizer **NP+S=19:20+14** grade;
- sulphur-containing nitrogen-phosphorus fertilizer **NP+S=20:16+16** grade.

In 2023, PhosAgro underwent an audit to confirm its certificates of compliance with ISO 9001 (GOST R ISO 9001:2015), ISO 14001, and ISO 45001:

- ISO 9001:2015** (link to certificate [ISO 9001 \(22.2210.026\)](#)), link to IAF-accredited certificate [ISO 9001 \(IAF\)](#));
- GOST R ISO 9001:2015** (link to certificate [GOST R ISO 9001 \(22.2213.026\)](#));
- ISO 14001:2015** (link to certificate [ISO 14001 \(22.2211.026\)](#)), link to IAF-accredited certificate [ISO 14001 \(IAF\)](#));
- ISO 45001:2018** (link to certificate [ISO 45001 \(21.1584.026\)](#) AP-Ch, link to IAF-accredited certificate [ISO 45001 \(IAF\)](#)).

The Company also confirmed its compliance with the national HACCP standard (GOST R 51705.1-2001) and new requirements of the GMP+ international standard with the transition to the new

GMP+ FC scheme 2020 for feed certification. Having the GMP+FC 2020 and HACCP (GOST R 51705.1-2001) certificates authorises production and sale of feed additives in Russia, CIS, and EU:

- GMP+ R1.0** (link to certificate [EN RUNR_000255_GenericCertificateGmpPlusFsc_Final](#));
- HACCP (GOST R 51705.1-2001)** (link to certificate [HACCP](#)).

In 2023, a new popular grade – the **NP+S=16:20+14** sulphur-containing nitrogen-phosphorus fertilizer – was certified for the Brazilian market.

To enable supplies of packaged fertilizers, the Company confirmed the compliance of its packaging with the ABNT NBR 13230 national standard.

The Brazilian standard contains strict limits on levels of arsenic and heavy metals, which PhosAgro Group mineral fertilizers are fully compliant with.



In 2022, the Company's products obtained Brazil's Environmental Quality Label. As part of mutual recognition of eco-labels, Brazilian experts annually review the life cycle of the Company's products, with a special focus on conformity to requirements for the production, storage and transportation of fertilizers. This comprehensive assessment includes production, environmental and social criteria, such as:



energy efficiency and use of recycled materials and energy resources;



customer service in terms of providing reliable information on the properties and optimal use of the mineral fertilizers.



Throughout 2023, PhosAgro Group maintained a strong focus on activities that help make information about the Company's products and services more accessible for a wide range of stakeholders. Customers enjoy our digital services, which are complementary to PhosAgro Group's core products and allow us to expand consumer opportunities, including by offering faster access to the relevant information and competencies of PhosAgro Group experts. PhosAgro Innovation Centre provided extensive expert support to consumers during the year.

2 MINERAL FERTILIZER CONSUMER SURVEYS

MINERAL FERTILIZER CONSUMER SURVEYS



30%

of the respondents said that PhosAgro products make up the majority of mineral fertilizers used in their farms.

The most common reasons cited by the respondents were

32%

attractive prices

28%

strong quality

18%

high crop yields

18%

positive prior experience

used the products and perceived environmental labels, as well as into the popularity of new products, such as ameliorants and anti-stress agents. As part of the survey, we also analysed customer opinion and preferences regarding products and services of PhosAgro as compared to peers. The survey showed that 75% of the respondents either increased their use of fertilizers or kept it on the same level.

According to the survey, **consumers prefer PhosAgro products** to all other fertilizers available in the market.

More than one half of those surveyed associate the PhosAgro brand with high quality of products. The key brand attributes for PhosAgro listed by respondents included "best known Russian producer", "good reputation and reliable partner", and "socially responsible company".

The survey demonstrated high awareness of green labelling. 53% of the respondents are aware of Green labels, with the Vitality Leaf and Green One labels known to 38% and 35% of the respondents respectively.

We pay special attention to awareness raising efforts and do our best to communicate all the necessary information about our products and their proper and safe use. To that end, the survey emphasised the use of digital services and sources of information that consumers rely on.

The results showed that the Company's website and educational videos on YouTube and in social media remain the key sources of information. Respondents also said that they were making active use of our Agro Calculator.

46%

of the respondents said that the volume of fertilizers used in their farming remained unchanged vs 2022

24%

of the respondents said there was an increase in fertilizer usage

29%

of the respondents said they started using more fertilizers

1%

were undecided

In 2023, we held two large-scale surveys of consumer opinion.

Between October and December 2023, we polled market players in the agribusiness sector across all agricultural regions of Russia. To do that, we conducted a total of 400 surveys. To ensure greater coverage and impartiality, we engaged an independent polling agency to conduct the survey.

The exercise was aimed at exploring customer awareness and preferences, as regards key players in the mineral fertilizer market. The survey also looked into changes in the way customers

SERVICES USED BY THE SURVEY RESPONDENTS:

55%

Website of the Company (fertilizer manufacturer)

45%

Educational videos on YouTube and social media

36%

Agronomic advice

36%

Training (including online)

36%

Agro Calculator (calculation of nutrient application rates and advice on fertilizer selection)

35%

Agro service mobile app

35%

Online fertilizer purchase services

SATISFACTION OF THE COMPANY'S CONSUMERS

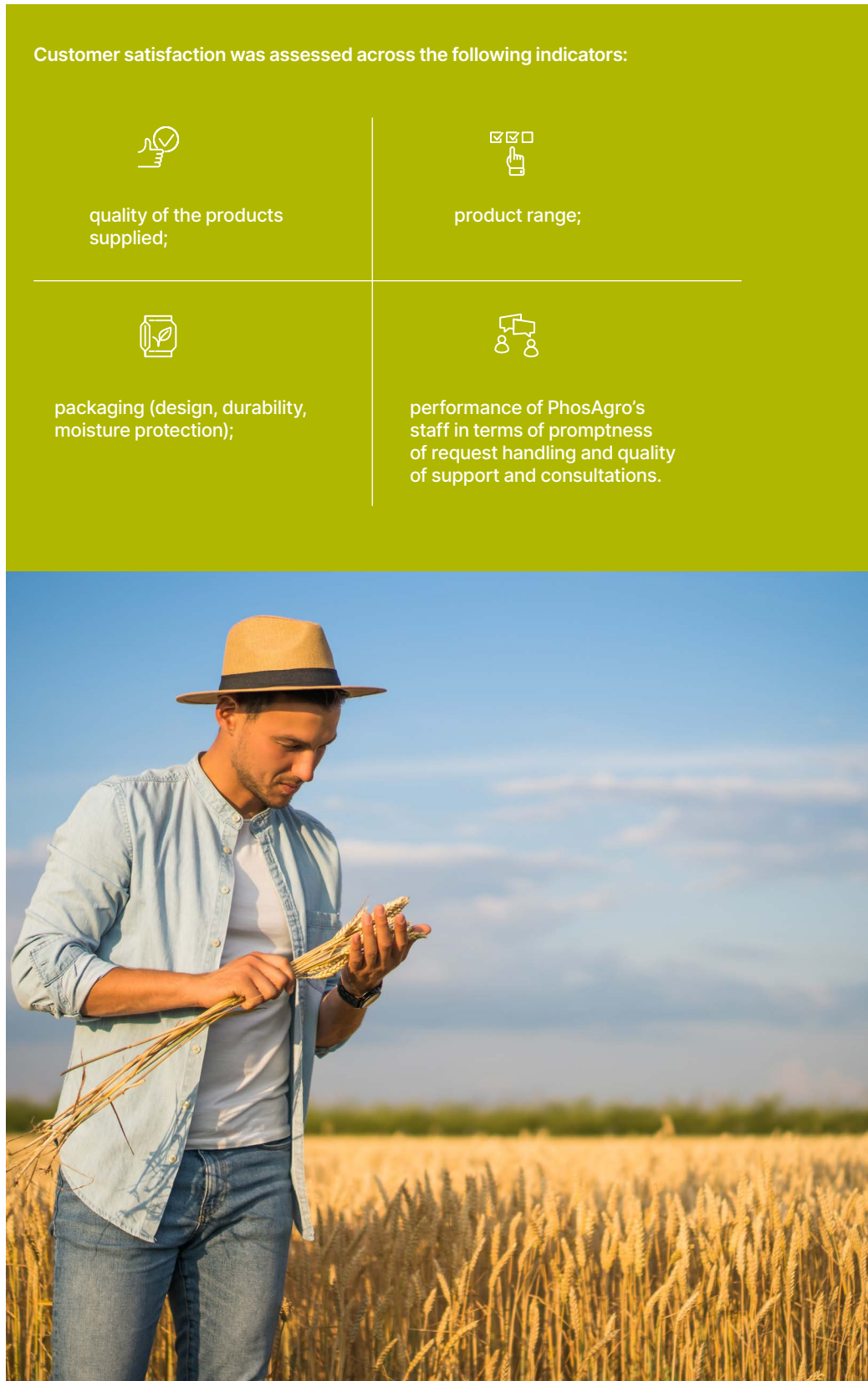
Ensuring customer satisfaction is key for the Company's operations. To identify existing and potential expectations of our customers, we use a dedicated questionnaire.

The data obtained serves as the basis for the annual assessment of customer satisfaction. For 2023, PhosAgro polled its Russian customers using a questionnaire on Yandex Forms, which focused on customer satisfaction aspects.

With the questionnaire, we obtained a qualitative assessment of consumer satisfaction on a scale from 1 (not satisfied at all) to 5 (completely satisfied). Additionally, the questionnaire assessed the degree of importance of each specific parameter for the customers purchasing mineral fertilizers, also on a scale from 1 (not important at all) to 5 (very important).

Customer satisfaction was assessed using the following criteria: product quality, packaging (design, durability, moisture protection), product range, performance of PhosAgro's staff in terms of prompt handling of requests and quality of support and consultations.

The 2023 customer satisfaction level is shown in comparison to the 2022 and 2021 levels. The average score for each criteria was converted to percentages, assuming that 5 is the highest possible score and taking into account the importance of each criterion when purchasing mineral fertilizers.



Customer satisfaction was assessed across the following indicators:



quality of the products supplied;



product range;



packaging (design, durability, moisture protection);

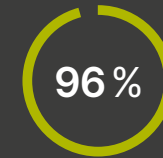


performance of PhosAgro's staff in terms of promptness of request handling and quality of support and consultations.

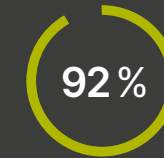
Degree of consumer satisfaction by criterion

Criteria	Satisfaction with quality			Satisfaction with packaging			Satisfaction with product range			Performance of PhosAgro's staff			Total		
	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023	2021	2022	2023
Domestic sales	4.93	4.85	4.78	4.93	4.89	4.86	4.87	4.37	4.59	4.73	4.93	4.79	4.87	4.76	4.76
	99%	97%	96%	99%	98%	97%	97%	87%	92%	95%	99%	96%	98%	95%	95%

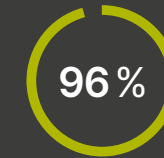
Continue to receive high scores from customers



product's quality



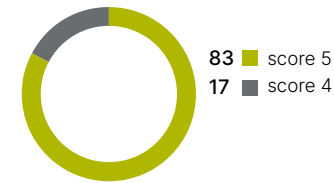
packaging



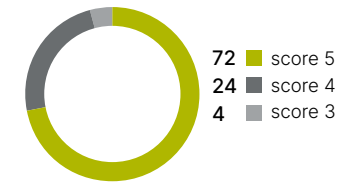
staff performance

Customer satisfaction by criterion is shown on the charts below.

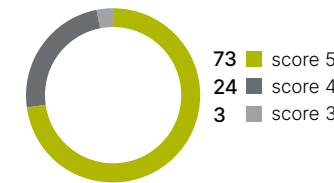
Quality (composition: nutrients) %



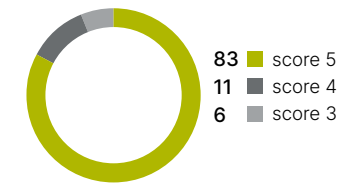
Quality (grain-size composition, dusting, caking), %



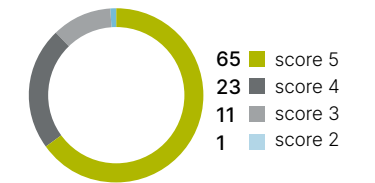
Packaging (design, durability, moisture protection), %



Performance of PhosAgro's staff (quality of support and consultations), %



Product range, %



The survey showed that customers gave a high appraisal of Apatit's products using the above criteria. Most of the customers praise the Company's excellent product quality, timely supplies, and strong skills of the staff responsible for support and consultations.

Summarised data of customer satisfaction monitoring for Apatit in 2023 showed that the average satisfaction rate was 95%, confirming a high level of satisfaction.

