






# SUPPLY CHAIN

## AREA, STRATEGIC GOALS AND METRICS

 <b>Target</b> 9.1	<b>1</b> <b>Digital transformation</b> Goal Further development of Process Mining and introducing new robotic solutions	<b>Actual</b> <b>5</b> new robotic solutions implemented to improve the efficiency of procurement management Robert chatbot launched to quickly handle standard procurement queries Migration of robotic solutions to a new Russian-developed platform initiated
	<b>2</b> <b>Procurement function development</b> Goal -2023 Enhancing long-term relationships with suppliers <ul style="list-style-type: none"> <li>Long-term agreements</li> <li>Consignment warehouses</li> <li>Online shops</li> </ul> Developing direct and alternative supplies of imported equipment and spare parts	2023 target: 30% of inventory Increased procurement using embossed bank cards Further development of category strategies
<b>Target</b> 12.4	58% rise in procurement using embossed bank cards The category strategies cover: <b>13</b> raw material categories <b>17</b> categories of materials and equipment	

   <b>Target</b> 8.3, 12.4 and 13.2	<b>3</b> <b>ESG evaluation of suppliers</b> Goal ESG evaluation coverage of at least <b>50%</b> of counterparties that participated in the procurement and at least <b>30%</b> of procurement volume from the evaluated counterparties	<b>Actual</b> <b>64%</b> share of suppliers in 2023 that underwent ESG evaluation <b>59%</b> share of procurement from evaluated suppliers	 Training materials are available on the Company's official website in the Procurement section





**STRATEGY**

PhosAgro's procurement system seeks to ensure that the Group's subsidiaries receive the required resources, materials, and services of adequate quality in full and at reasonable prices. However, there is much more to the principles and business processes underlying our procurement activities. We believe that running a supply chain in an efficient and responsible manner is the cornerstone of the Company's sustainable development.

In 2023, our procurements of goods and services reached almost RUB 184 bln. Thousands of our suppliers and

contractors benefit directly from these investments, and so do their employees, who have to provide for their families. We contribute to the public budget at various levels. But what is more important is that the tools that we employ, including our environmental and social assessment of suppliers, as well as anti-corruption mechanisms, directly promote sustainable values across the Russian business community. These values are the bedrock of our business philosophy. We work to ensure that our procurement activities have a strong positive impact on all our stakeholders.

**RUB**  
**184** bln

procurements of goods and services in 2023<sup>1</sup>



In 2023, PhosAgro placed a strong emphasis on import substitution throughout its supply chain. In order to identify alternatives and replace the equipment and machinery of Western suppliers, we engaged in technical audits of Russian manufacturers, ran trials of materials and equipment, and shared our experiences and insights with peers from the chemical and other industries.



**MANAGEMENT APPROACH**

GRI 3-3

In its procurement, PhosAgro aims to foster open, trustful and mutually beneficial relationships with our partners in compliance with the applicable laws, regulations, and contractual and other obligations.

All of the Group's suppliers, including potential ones, are subject to the Company's anti-corruption standards. To ensure compliance with Russian anti-corruption laws and PhosAgro's Anti-Corruption Policy, prevent and fight fraud and corruption, avert conflicts of interest among PhosAgro employees, and provide more opportunities for companies and individuals to engage in supplies of goods and services in line with principles of good faith competition, transparency and openness, the Company adopts a zero tolerance approach to fraud and corruption in any form and manifestation. PhosAgro believes that any and all instances of bribery, fraud and corruption involving the Company's employees and

contractors are unacceptable. To enforce this principle, PhosAgro expects its potential contractors to meet certain obligations made known to them when first signing up to the EBP.

Documents governing the Company's procurement activities are publicly available on its official website.



General information on PhosAgro's procurement activities is available in the Procurement section on its official website



Requirements for suppliers



Procurement Policy



As a way to ensure prompt response to suspected corruption and fraud, in 2016, PhosAgro launched a Group-wide hotline for the Company's management to better handle all reports of violations and issues, including those related to procurement. The hotline is available to everyone, including the Company's contractors and partners.



The Company's potential suppliers can participate in a fully transparent and accessible procurement procedure using PhosAgro's electronic bidding platform (EBP). All prospective bidders are required to sign up and familiarise themselves with the regulations governing the Company's procurement activities:



[Procurement Policy;](#)



[Anti-Corruption Policy;](#)



[Code of Ethics;](#)



[Code of Conduct for Counterparties;](#)



[PhosAgro EBP Operating Procedure.](#)

<sup>1</sup> In accordance with the materiality principle, the quantitative metrics in this section are presented for Apatit (Boundary 2) (Apatit is a subsidiary of PhosAgro holding its production assets)



In 2023, in order to boost performance, PhosAgro set up dedicated cross-functional teams tasked with handling the most important or challenging categories of procured equipment and materials and developing their procurement strategies.

To assess the performance of its staff, the Procurement Department has individual KPIs in place aligned with the Company's business goals. A development plan can be introduced at all levels in line with an employee's or task group's initiatives and projects, thus improving engagement and motivation.

KPIs contribute to better employee performance by creating a coherent vision of the deliverables and assessment criteria shared by the team and management. Progress against KPIs is regularly monitored, with interim evaluation in place. Overall performance of the Company's procurement function is subject to annual review by PhosAgro's Board of Directors.

**RISKS AND OPPORTUNITIES**

The following strategic risks affect our procurement objectives

- 14 Corruption
- 18 Commodity risk
- 20 Sanctions risk

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



The Group develops corrective measures as necessary and unlocks opportunities to mitigate those risks. Below you can find more information about what we do on this front.

**PROCUREMENT-SPECIFIC RISKS ARE:**



Suppliers' failure to perform, changes in the product range or late delivery of materials and equipment, including as a result of geopolitical factors



Violations of ESG principles by suppliers, including breach of human rights, use of child and forced labour, non-compliance of products with environmental standards, etc.



Quality of raw materials, commodities, and equipment, dissatisfaction of the internal customer



# 1 DIGITAL TRANSFORMATION

## CUTTING-EDGE SOLUTIONS TO CREATE OPTIMAL PROCUREMENT MODELS

The Company effectively implements cutting-edge business solutions and IT tools in its procurement processes to create optimal procurement models and seamlessly interact with parties along the supply chain.



PhosAgro's Hotline Regulations setting out the procedure for whistle-blowing related to fraud, corruption, theft and conflicts of interest



### AUTOMATED REPORTING

- Implemented at all stages of the procurement process, including reporting, which makes it transparent and convenient for subsequent analytics
- For each process, analysis can be broken down as needed, with flexible reporting that can be adjusted to user needs
- Reporting covers the entire process from need identification to inventory delivery, with 269 metrics monitored



### SINGLE FORM OF PURCHASE REQUISITION

- Developed to raise a purchase request within the procurement system
- The form offers search across all stores (for the inventory items you need), enabling viewing of information on quantities available at the central warehouse, on-site warehouses and holding company warehouses (including information on alternatives)



### SINGLE SIGN-ON SOLUTION

- Versatile tool that makes sure internal customers do not overstock or purchase items already available at the warehouse



### EXPERT OPINIONS

- Collation of reviews provided by internal or external experts, containing sound insights into whether potential suppliers qualify or not and whether their quotes meet the Company's needs for goods and services



### ELECTRONIC QUOTE SUMMARY FORM

- Dealing with information gaps in the procurement process to make it more transparent
- Reduced handling of hard-copy quote summary forms, optimised storage and record keeping
- Reduced time needed to verify contractors before selecting the winning bidder



### PROCESS MINING

- Innovative method of data analysis and business process optimisation to improve procurement efficiency, ensure timely supplies of materials and equipment, and reduce losses and labour and time costs



### ROBOTISATION

- Creation of software algorithms to take over some of the routine tasks and mitigate human error while increasing the speed of information processing and labour productivity

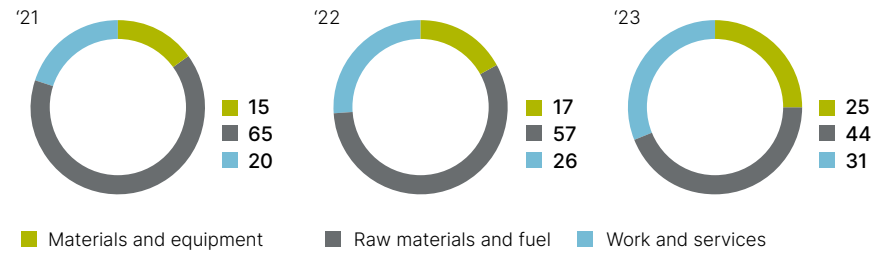




## 2 PROCUREMENT FUNCTION DEVELOPMENT

### COST BUDGET

Breakdown of procurement costs, %



Breakdown of procurement costs, bln



### Service procurement in 2023

KPI	Performance level			Actual	
	Threshold	Target	Stretch	2022	2023
Average number of tender participants in the reporting period	3	5	7	4	5
Tender price reduction in the reporting period, %	5	7	12	10	10
Holding tenders on time, %	90	95	100	99	99
Bidders' motivation assessment with respect to procurement quality	3.5	4.5	5.0	5.0	5.0

### Commodity procurement in 2023<sup>1</sup>

KPI <sup>1</sup>	Performance level			Actual	
	Threshold	Target	Stretch	2022	2023
Timeliness of procurement, %	87	90	93	89	89
Reject rate at incoming control, %	5	3	2	6	6

### Raw materials procurement in 2023

KPI	Performance level			Actual	
	Threshold	Target	Stretch	2022	2023
Raw materials procurement index	1.05	1.00	0.95	0.79	0.96

<sup>1</sup> The commodity price control index has been removed from the KPI list since 2023.

### GRI 2-6

Geopolitical factors continued to have a significant impact on PhosAgro Group's supply chains in 2023. Among other things, banking operations with foreign suppliers became more complicated. To respond to these challenges, PhosAgro introduced structural changes in the Procurement Department, organised alternative procurement, and put up new supply chains. Category managers secured timely supplies of materials and equipment that are critical for the operational process.

One of PhosAgro's priorities was collaboration with Russian manufacturers, with a variety of trials held and agreements signed for long-term cooperation and fine-tuning of equipment (including self-propelled underground machinery and automation and control equipment) to meet the needs of Apatit. To manage risks more effectively and swiftly, a dedicated flowsheet was introduced to monitor

the supplies of critical inventory items. The insourcing of services provided by Cherepovets Energy Company helped increase the share of self-procured electrical goods.

During the reporting year, PhosAgro achieved a further reduction in the reject rate at incoming control of centrally procured materials and equipment, bringing it down to 7.7% vs 8.7% a year earlier.

### DIGITAL TOOLS

In 2023, PhosAgro's Procurement Department continued to actively deploy digital tools and management solutions based on them. In particular, five robotic solutions were developed and implemented to administer and control tasks of procurement function, upload and verify documents, and

select the approval route. In addition, the Robert chatbot was launched to quickly process typical procurement queries. At the same time, the transfer of robotic solutions to a new Russian platform was initiated as a way to improve reliability and efficiency.

In the reporting year, the expanded use of Process Mining technology reduced the time required to approve contractual documents by an average of 13%.

In 2023, PhosAgro's EBP introduced a new functionality, the Document Management Form (DMF), which enables interaction with potential counterparties and automates the document collection on a one-stop-shop basis. Uploading and keeping documents in the DMF up-to-date are a responsibility of counterparties and a prerequisite for entering into contractual relations with Apatit.

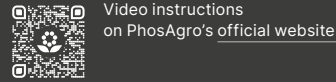
### Competitive Procurement Leader

In October 2023, PhosAgro Group won the Competitive Procurement Leader contest in the Procurement Digitalisation Leader category with its Procurement Automation and Internal Audit of Business Processes projects.

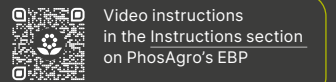
The Competitive Procurement Leader Award is the first professional competition in the field of trade and procurement, bringing together suppliers, government officials, mass media, and non-governmental organisations. Established in 2012, the award aims to raise awareness about the most significant procurement projects that make operations of companies more efficient and transparent and contribute to the development of the market at large. In 2023, a total of 174 projects were submitted by companies across all industries.



To inform and train its counterparties to use the DMF, the Company developed video instructions (available on PhosAgro's official website).



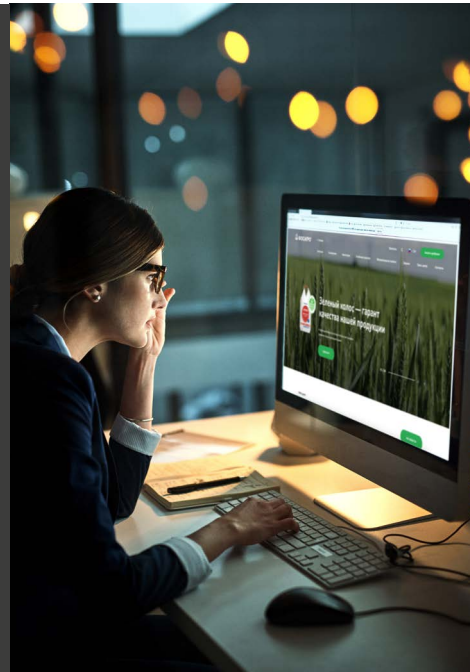
Video instructions on PhosAgro's official website



Video instructions in the Instructions section on PhosAgro's EBP

In addition, the Company organised training for its counterparties as part of the Supplier Day and included links to the instructions in notices made available to counterparties registered on PhosAgro's EBP.

The SCOUT system used to automate counterparty verification procedures was integrated with key corporate systems to collect and categorise data from corporate and external sources.



**IMPROVED PERFORMANCE**

In the reporting year, PhosAgro focused on streamlining the operations of its Procurement Department and related joint ventures involved in the procurement process. To this end, we implemented a project to improve the efficiency of interaction between a joint-venture customer and the Procurement Department by optimising end-to-end processes and structural changes, while another initiative – updating PhosAgro Group's stock item catalogue – is now in the advanced stages of implementation. This has improved

the operating efficiency of the Company units and enhanced the competences of employees involved in procurement, as well as helped us build universal chains of interaction between a joint-venture customer (applicants) and the Procurement Department.

The Company also launched a project for the procurement of low-value items on Marketplace, an online platform that connects suppliers and customers, which serves to reduce the transaction burden in non-strategic procurement categories and increases the speed of B2B procurement.

**161 initiatives** were implemented to develop the Procurement Directorate, optimize procurement business processes and improve the efficiency of the Company

**Oleg Minnullin**  
Head of Procurement, Apatit

"Continuous development and improvement of business processes is the foundation that underpins everything we do in our function. We never stop learning and adopting the best practices of successful businesses."



**LOCAL SUPPLIER MANAGEMENT**

GRI 204-1

At the St Petersburg International Economic Forum in June 2023, the Company signed a protocol on the implementation of the cluster model of economic development in the Vologda region. This is a joint project of the regional government, Vologda regional branch of the Russian Union of Industrialists and Entrepreneurs (RSPP), PhosAgro Group, and Severstal. The initiative will see the creation of a new cluster model for the Vologda region's economy at the industrial site in Cherepovets. The project of the Synergy of Growth 3.0 cluster model is a continuation of the Synergy of Growth project. It provides for the local manufacture of popular products in order to meet long-term needs of the region's largest businesses.

PhosAgro is also actively involved in similar initiatives organised by the Vologda regional branch of the RSPP and the All-Russia Public Organisation Business Russia.

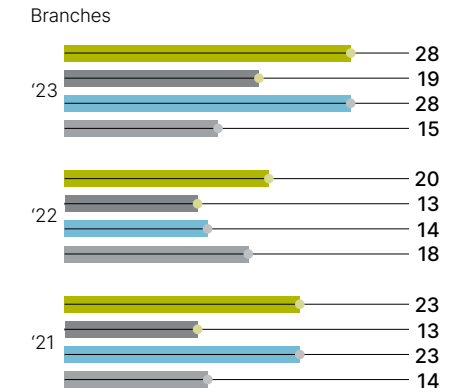
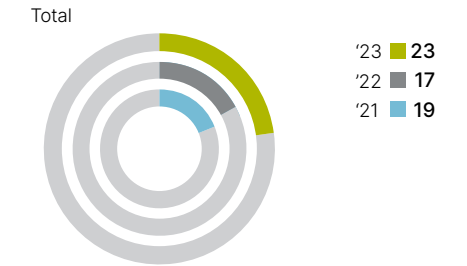


In 2023, the amount of PhosAgro's procurement from local suppliers exceeded RUB 41 bln (vs RUB 37 bln in 2022), while the share of procurement from local businesses increased to 23% (from 17% in 2022).

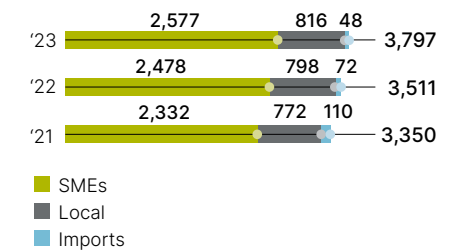


In addition, PhosAgro organises regular Supplier Days to promote cooperation with local suppliers, including training them in the use of specific tools in the Company's procurement process. More than 50 key contractors attended the event held on 19 September 2023.

**Share of local procurement, %**



**Number of suppliers in procurement**



**Procurement, RUB mln**

Year	Total	SMEs	Local	Imports
2023	183,842.61	57,957.23	41,493.65	12,436.83
2022	213,910.69	42,143.22	37,099.57	5,914.77
2021	150,006.70	29,918.40	28,330.40	4,389.30



### 3 SUPPLIER ESG EVALUATION

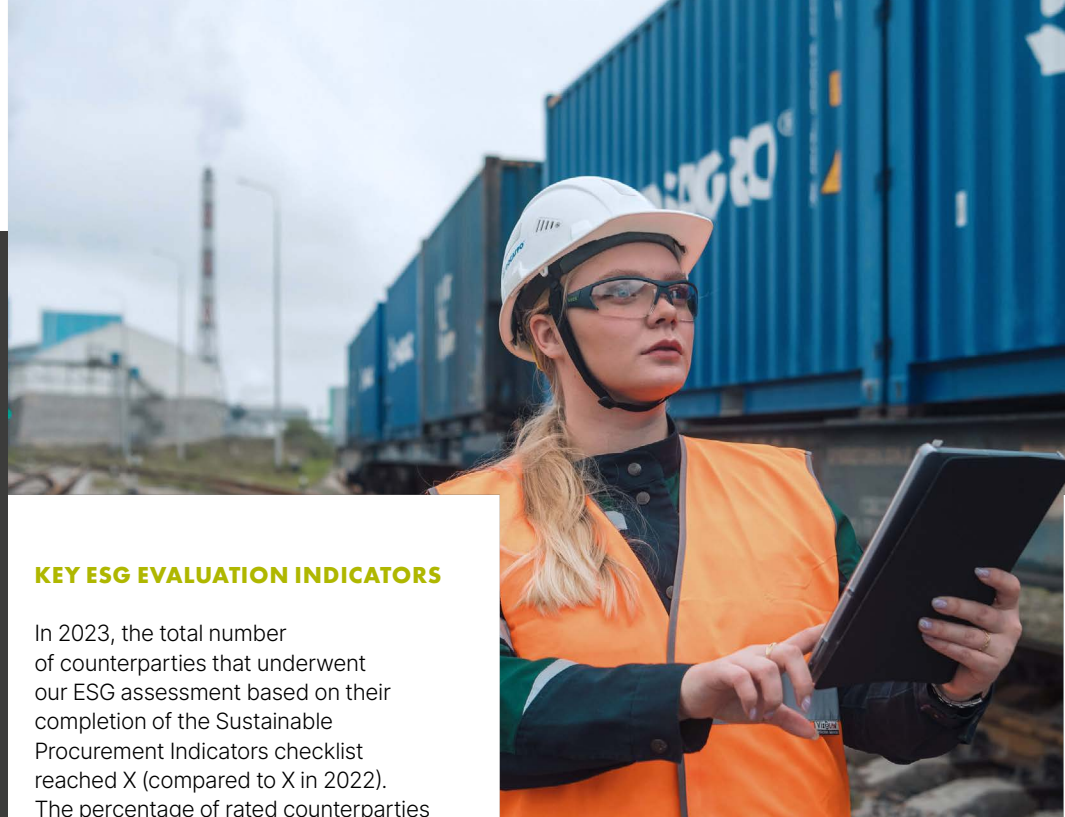
Suppliers are an essential aspect of sustainability in PhosAgro's operations. The Company has an automated system in place to evaluate suppliers on the basis of ESG criteria, which results in an individual rating of each counterparty. This enables us to assess our suppliers' environmental, social and governance performance.

To verify the resources and capabilities of its business partners, the Company conducts regular technical audits of suppliers. In 2023, we carried out 86 audits of Russian and foreign manufacturers, four of which were disqualified on the basis of environmental and social criteria.

Also, in order to unify approaches and criteria for evaluating suppliers, PhosAgro, as part of the National ESG Alliance, has been a member of a working group since 2023 to discuss draft unified supplier evaluation methodology, a practical ESG transformation solution for as many large companies as possible, as well as for medium and small businesses in corporate supply chains.



Training materials on engaging with suppliers in sustainable development are available in the Procurement section on PhosAgro's official website.



#### KEY ESG EVALUATION INDICATORS

In 2023, the total number of counterparties that underwent our ESG assessment based on their completion of the Sustainable Procurement Indicators checklist reached X (compared to X in 2022). The percentage of rated counterparties in total supplies increased from 35% in 2022 to 59% in 2023. The average score of suppliers also grew from 62 in 2022 to 65 in the reporting year.

**65**  
the average score of suppliers

Item	2021	2022	2023
Number of counterparties that participated in the evaluation on PhosAgro's EBP as at the end of the reporting period	3,031	7,605	11,191
Number of suppliers in the reporting year	3,350	3,511	3,797
Number of rated suppliers in the reporting year	1,046	1,888	2,418
Share of rated suppliers in the reporting year, %	35	54	64
Total supplies, RUB bln	150.0	213.9	183.8
Supplies from rated counterparties in the total volume of supplies in the reporting year, RUB bln	36.1	74.8	108.0
Share of supplies from rated counterparties in the total volume of supplies in the reporting year	24	35	59
Average supplier rating, %	54	62	65

#### SUPPLIER ENVIRONMENTAL ASSESSMENT

GRI 308-1, 308-2

In 2023, more than a third of PhosAgro's suppliers in the category "Raw materials, fuel, energy and commodities" had an environmental management system certified to comply with ISO 14001 or a similar standard (34% in 2023 vs 33% in 2022).

Item	2022	2023
Number of rated suppliers in the reporting year, including:	1,888	2,418
Number of rated counterparties producing raw materials, fuel, energy, and commodities	847	908
Number of rated counterparties in the above categories that have an environmental management system certified to comply with ISO 14001 or a similar standard	276	310
Share of rated counterparties in the above categories that have an environmental management system certified to comply with ISO 14001 or a similar standard, %	33	34

#### SUPPLIER SOCIAL ASSESSMENT

GRI 414-1, 414-2

According to the 2023 social assessment, 62% of PhosAgro's rated suppliers adhere to the official zero-tolerance policy on child labour. In addition, zero-tolerance policies on discrimination and forced labour were adopted respectively by 60% and 61% of the Company's counterparties in the categories "Producers of raw materials, fuel, energy", "Commodity producers and intermediaries", "Logistics services", and "Construction and installation, repairs". The share of counterparties in the above categories that have an occupational health and safety management system certified to comply with OHSAS 18001 or a similar system also rose to 40%.

**40%**  
for contractors using a certified occupational safety and health management system

Item	2022	2023
<b>Number of rated suppliers in the reporting year, including:</b>	<b>1,888</b>	<b>2,418</b>
Number of rated counterparties that adopted a zero-tolerance policy on child labour	1,091	1,511
Share of rated counterparties that adopted a zero-tolerance policy on child labour, %	58	62
<b>Number of rated suppliers in the categories "Producers of raw materials, fuel, energy", "Commodity producers and intermediaries", "Logistics services", "Construction and installation, repairs" in the reporting year, including:</b>	<b>1,524</b>	<b>1,926</b>
Number of rated counterparties in the above categories that adopted a zero-tolerance policy on discrimination	831	1,151
Share of rated counterparties in the above categories that adopted a zero-tolerance policy on discrimination, %	55	60
Number of rated counterparties in the above categories that adopted a zero-tolerance policy on forced labour	856	1,171
Share of rated counterparties in the above categories that adopted a zero-tolerance policy on forced labour, %	56	61
<b>Number of rated suppliers in the categories "Producers of raw materials, fuel, energy, commodities", "Logistics services", "Construction and installation, repairs" in the reporting year, including:</b>	<b>1,174</b>	<b>1,303</b>
Number of rated counterparties in the above categories that have an occupational health and safety management system certified to comply with OHSAS 18001, or a similar system	452	518
Share of rated counterparties in the above categories that have an occupational health and safety management system certified to comply with OHSAS 18001, or a similar system, %	39	40