

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.

Impact on sustainability

Effective starting June 2023 is IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information. This standard requires disclosure of information about sustainability-related risks. These are defined as risks that can affect an entity's cash flows, its access to finance or cost of capital over the short, medium and long term. Under the standard, said risks arise as part of an entity's interactions with stakeholders, society, the economy and the natural environment throughout its value chain.

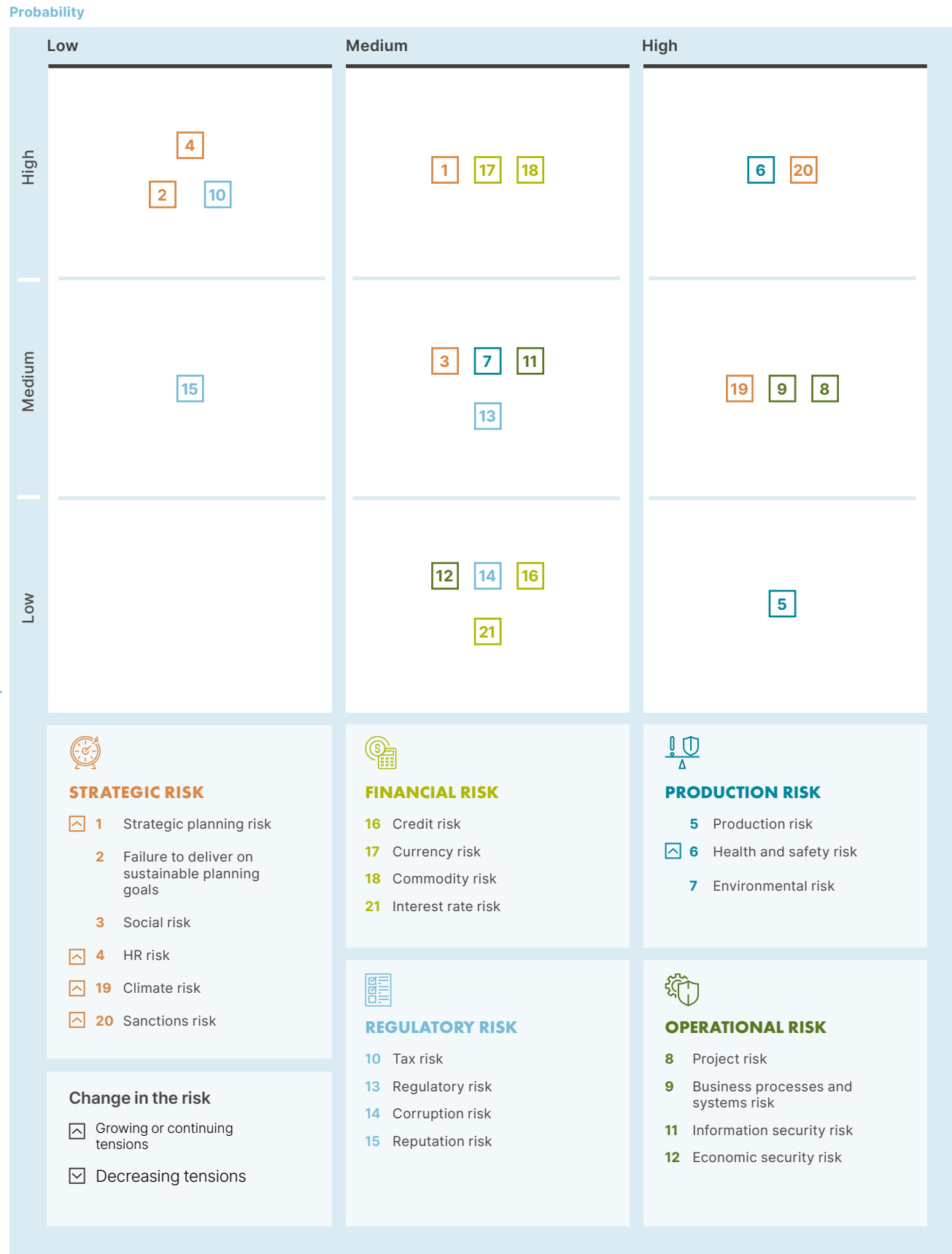
2023 is not a reporting period for the application of IFRS S1. However, for more comprehensive disclosure of information, the Company has classified its risks based on their impact on sustainability, and has described this impact.



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| <p>Risk appetite</p> <p>In pursuing its goals, the Company is guided by risk appetite, or the level of risk it deems acceptable. Risk appetite is an integral part of strategic and operational decision-making. The Board of Directors defines the overall risk appetite when reviewing the Company's risks and also as part of approving its strategy, budget and investment programme and considering other matters within the Board's scope of authority. Risk appetite is then reflected in the Company's specific procedures and key performance indicators.</p> | <p>STRATEGIC RISKS</p> <p>4</p> <p>The Company aims to identify and use opportunities that open up in the market as a result of changes in the external environment. The Company quickly responds to the changing operating landscape and targets priority markets that offer the best terms and conditions to sell its products. At the same time, the Company's business model is designed in a way that ensures operational efficiency while maintaining a commitment to sustainable development.</p> | <p>PRODUCTION RISKS</p> <p>2</p> <p>The Company aims to minimise unscheduled downtime in production while at the same time making sure that its processes and end product quality meet all applicable requirements. Creating a safe working environment is the Company's absolute priority. The Company makes every effort to minimise the negative impact of its production processes on the environment and climate.</p> |
| <p>FINANCIAL RISKS</p> <p>3</p> <p>As a reliable borrower, the Company seeks to raise funding on the most attractive terms available in the market. The Company's core operations are FX-linked, so we use natural hedging methods to manage our FX risk. We are not ready to take on credit risk related to our counterparties: in our relations with them, we either seek to secure terms and conditions we see as most beneficial to us or use risk transfer strategies.</p> | <p>OPERATIONAL RISKS</p> <p>2</p> <p>The Company aims to prevent any disruptions to its business processes and IT infrastructure performance and to also secure maximum protection from cyber threats and fraud. When planning and implementing its investment projects, the Company works to deliver against strategic priorities and key performance indicators while factoring in potential deviations as a result of changing external factors.</p> | <p>REGULATORY RISKS</p> <p>1</p> <p>The Company aims to remain 100% compliant with all applicable statutory regulations, including those related to taxation. As part of industry associations, the Company is involved in developing regulatory initiatives in order to minimise any non-compliance risk. In addition to laws and regulations, the Company operates in line with corporate values and ethical principles so as to minimise potential reputational damage.</p> |

- 0** zero risk appetite (no operations)
- 1** minimum risk appetite (reduction of risk exposure to the largest extent possible)
- 2** low risk appetite (reduction of risk exposure)
- 3** balanced risk appetite (risks and opportunities are balanced)
- 4** focused on opportunities (increased risk exposure)
- 5** maximum risk appetite (maximisation of risk exposure)

KEY RISKS ASSOCIATED WITH PHOSAGRO GROUP'S ACTIVITIES



| Nº | Risk | Description | Risk mitigants | Key indicators / risks materialised |
|----|---|--|---|--|
| 1 | Strategic planning GRI 201, 202 | 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 | 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. PhosAgro started updating its strategy to 2030 to reflect the latest changes in the external and internal environments. | Downside deviations of actual strategic performance from targets. Geopolitical developments cause uncertainty to persist and result in the assessment of this risk as high. |
| 2 | Failure to deliver on ESG and sustainable development goals GRI 203, 308, 414 | Risk factors include failure to set ESG targets and Sustainable Development Goals (SDGs) or update them in a timely manner, as well as the lack of resources and processes necessary to achieve these targets and goals. ➤ Has an impact on sustainable development through goal setting and resource planning to achieve said goals | The Board of Directors' Strategy and Sustainable Development Committee helped set and prioritise SDGs and strategic ESG targets. To achieve the same, PhosAgro developed and is successfully implementing the Low-Carbon Transition Plan, the Climate Strategy, the Water Strategy, the Energy Efficiency Programme, and other initiatives. Significant work done in this area has enabled the Company to materially improve its ratings and become a leader in ESG. It should be noted that a result of certain geopolitical developments, a number of ESG rating agencies suspended their operations in Russia. ➤ For more information on the Company's activities and indicators in this area, see the Navigator on UN SDGs section on page 14 | Downside deviations of actual ESG and SDG performance from targets. No material risk events occurred. |
| 3 | Social GRI 401, 413 | Risk of an adverse social environment in the regions of operation. ➤ Has an impact on sustainable development through community relations in regions of operation | 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 proactive 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 and towns where the Company operates. Sustainable development in the regions of operation is one of the key goals the Group pursues in its community activities. ➤ For more information on the Company's activities in this area, see the Contributing to Local Communities section on page 222 | Downside deviations of actual ESG performance (social dimension) from targets. No material risk events occurred. |

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| 4 | HR GRI 401, 402, 403, 404, 405 | Developments and decisions related to the hiring, development and retention of employees. ➤ Has an impact on sustainable development through dependence on staff, which are one of the Company's key resources | 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. ➤ For more information on the Company's activities in this area, see the People Development section on page 142 | Personnel turnover and skill mismatch. No material risk events occurred. However, labour market developments, including those related to generational and geopolitical factors, cause the risk to increase moderately. |
| 5 | Production GRI 201, 302, SASB EM-MM-210b.2 | Technical/industrial disruptions of production processes resulting in unscheduled equipment downtime | 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. | Unscheduled equipment downtime. No material risk events occurred. |
| 6 | Health and safety GRI 403 | Risks associated with occupational illnesses, injuries, accidents at production facilities and other incidents, including acts of terrorism, and risks arising from non-compliance with statutory requirements in the realm of health, safety and combating terrorism | PhosAgro Group ensures health and safety in workplaces and anti-terrorist protection of facilities 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, ensures anti-terrorist protection of facilities, 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. Initiatives and measures to reduce the above risks are set out in the relevant internal regulations of the Company ➤ For more information on the Company's indicators in this area, see the Health and Safety Review section on page 164 | Workplace injuries and other incidents. 2023 saw some risks materialise in terms of workplace injuries. All investigations lead to the implementation of remedial action plans to prevent the recurrence of similar incidents. |

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| 7 | Environmental GRI 303, 304, 305, 306, 308 | Risk of actual and potential environmental damage resulting from the Company's operations. ➤ Has an impact on sustainable development by affecting the environment | The Company has put in place the Environmental Policy, the Water Strategy, 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 implements projects to address all the main areas of environmental impact (water use, greenhouse gas and other emissions, waste, biodiversity). 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 minimisation goals and performance in line with applicable laws and as part of global initiatives. ➤ For more information on the Company's activities in this area, see the Environmental Review section on page 182 | Exceeding maximum permissible levels of negative environmental impact. No material risk events occurred. |
| 8 | Project GRI 201 | Risk associated with delays and budget overruns in construction and upgrade projects, along with failure to deliver project efficiency targets | 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 | Downside deviations of actual project efficiency indicators from targets. No material risk events occurred. That said, geopolitical developments caused deviations related to shipments of imported equipment. The Company sets up its business processes in a way that makes sure such risk is minimised, including by relying on import substitution efforts. |

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| 9 | Business processes and systems GRI 402 | Inefficiency or disruption of the Company's business processes, including risks related to counterparties and supply chain | 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 materials and feedstock. To that end, PhosAgro uses multi-stage tender procedures and enters into long-term contracts with its most reliable suppliers. In addition, it continuously works to optimise the logistics infrastructure and ensure sufficient rolling stock. 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. | Downside deviations of actual business process indicators (by focus area) from targets. No material risk events occurred. That said, geopolitical developments caused deviations related, among other things, to shipments of imported materials and use of software. The Company sets up its business processes in a way that makes sure such risk is minimised, including by relying on import substitution efforts. |
| 10 | Tax GRI 207 | Potential claims lodged by tax authorities in response to the Company's failure to correctly file tax returns or pay taxes in due time. ➤ Has an impact on sustainable development through interaction with fiscal authorities, which directly impacts cash flows | PhosAgro complies with tax legislation in 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 experts are engaged to advise on the administration of applicable tax laws. The Company also has a tax monitoring system in place to quickly identify and minimise tax risks in coordination with the Federal Tax Service. | Tax claims. No material risk events occurred. |
| 11 | Information security GRI 410 | Losses incurred on the Company's property and assets as a result of unauthorised access to its information systems or disclosure of confidential data | 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. The Company's Board of Directors adopted the Information Security Policy. | Unauthorised disclosure of confidential data, unauthorised access to IT systems. No material risk events occurred. |

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| 12 | Economic security GRI 410 | 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 | The Company takes steps to prevent potential damage to its property and assets as a result of economic law infringements, including, in particular, 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. | Theft and fraud incidents. No material risk events occurred. |
| 13 | Regulatory GRI 303, 304, 305, 306 | 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 adverse transformation of the competitive landscape. ➤ Has an impact on sustainable development through interaction with the regulatory environment | 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 | Deviations related to regulatory compliance. No material risk events occurred. |
| 14 | Corruption GRI 204, 205 | 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) | 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. | Corrupt practices, conflicts of interest. No material risk events occurred. |

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| 15 | Reputation GRI 206 | <p>Damage caused to the Company's business reputation as a result of misleading or defamatory information or allegations about the Company made publicly available, leakages of confidential information, and breaches of business ethics on the part of the Company's employees.</p> <p>▶ Has an impact on sustainable development through the Company's business reputation</p> | <p>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 (social) media.</p> <p>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>Stakeholder confidence.</p> <p>No material risk events occurred.</p> |
| 16 | Credit GRI 201 | <p>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>▶ Has an impact on sustainable development through interaction with counterparties, whose credit obligations directly impact cash flows</p> | <p>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, and use of letters of credit. 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.</p> <p>▶ 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 350</p> | <p>Overdue accounts receivable, provision for bad debt.</p> <p>No material risk events occurred.</p> |

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|----|----------------------------------|---|---|--|
| 17 | Currency GRI 201 | <p>Financial losses arising from unfavourable changes in FX rates against the Company's base currency</p> | <p>In the context of 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, a significant portion 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.</p> <p>If need be, PhosAgro can hedge its FX positions either fully or partially.</p> <p>▶ 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 350</p> | <p>Adverse changes in exchange rates.</p> <p>No material risk events occurred.</p> |
| 18 | Commodity GRI 204, 417 | <p>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>Given the volatility in prices for its main products, the Company constantly seeks to streamline its sales structure in terms of the fertilizer grade offering based on market priorities, as a way to maximise 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. 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>Adverse changes in product and feedstock prices.</p> <p>No material risk events occurred.</p> |

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|----|-------------------------------------|---|--|--|
| 19 | Climate GRI 203, 302, 305 | <p>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 regulations or restrictions on the use of fossil fuels or non-renewable energy (transitional factors).</p> <p>➤ Has an impact on sustainable development through the potential impact of climate change and the effect of regulatory changes on the Company's operations</p> | <p>Processes to identify and assess climate change risks are being set up throughout the value chain and form an integral part of the Company's risk management and internal control framework.</p> <p>The Board of Directors approved PhosAgro's Climate Strategy, the key elements of which are analysis of climate risks and opportunities, scenario analysis, science-based targets, and a low-carbon transition plan. 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); and a supplier and customer engagement plan and supplier ESG ratings (Scope 3).</p> <p>Thanks to these actions, the Company has improved its ratings for climate disclosure and sustainable development.</p> | <p>Adverse deviations resulting from climate impacts (by focus area).</p> <p>In 2023, there were abnormal weather events. However, at this stage it is quite difficult to assess the extent to which these were caused by climate change. In any case, the Company did not incur any significant losses associated with these natural phenomena.</p> |

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|----|--|--|--|--|
| 20 | Sanctions GRI 201, 202, 203, 204 | <p>Foreign sanctions imposed on the Group's companies.</p> <p>➤ Has an impact on sustainable development through the potential effect of sanctions on cash flows, access to financing or cost of capital</p> | <p>The global nature of international economy and geopolitical developments create a background for various sanctions to be imposed on the Russian economy and the Company's operations by individual countries or their groups. The Company's flexible business model helps minimise any negative impact of such sanctions or restrictions.</p> | <p>Losses associated with sanctions.</p> <p>Geopolitical developments have caused this risk to materialise and continue to support its assessment as high. By quickly developing and putting in place response measures, the Company ensured business continuity and delivered on its targets.</p> |
| 21 | Interest rates GRI 201 | <p>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>➤ Has an impact on sustainable development through potential changes in interest rates, which directly impacts cash flows</p> | <p>Should the Company accumulate significant floating interest rate borrowings, it would hedge this risk using interest rate derivatives. PhosAgro closely monitors and manages its fixed-to-floating debt ratio to mitigate interest rate risk.</p> <p>➤ For more information on the Company's activities and indicators in this area, see the Financial Risk Management. Interest Risk section of the Notes to the consolidated financial statements on page 350</p> | <p>Losses associated with changes in interest rates.</p> <p>No material risk events occurred.</p> |