

STRATEGY

STRATEGY TO 2025

IN 2023, PHOSAGRO CONTINUED TO BE GUIDED BY THE STRATEGY TO 2025 APPROVED BY THE COMPANY'S BOARD OF DIRECTORS IN MARCH 2019. MOST OF ITS GOALS REMAINED RELEVANT IN THE REPORTING YEAR DESPITE SIGNIFICANT CHANGES IN PRODUCTION AND BUSINESS OPERATIONS. ANOTHER RECORD-BREAKING YEAR FOR THE PRODUCTION OF MINERAL FERTILIZERS AND OTHER AGROCHEMICALS (11.3 MT) WAS YET ANOTHER TESTAMENT TO THE EFFECTIVENESS OF OUR STRATEGY.



Health and safety goals

ZERO WORKPLACE INCIDENTS AND INJURIES

Environmental and climate goals

REDUCED EMISSIONS AND WATER USE, INCREASED WASTE RECYCLING

HR goals

CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT

Sustainability principles are deeply integrated in all of the strategy to 2025 aspects

ESG

INCREASING SALES IN PRIORITY MARKETS

- Expansion of the foothold in the domestic market and other premium markets
- Higher share of premium fertilizer brands in the sales mix

➤ For more information, see [page 54](#)

BOOSTING LOGISTICS EFFICIENCY

- Allignment of production and sales
- Reduction of per unit transportation costs
- Developing port infrastructure

➤ For more information, see [page 57](#)

OPERATIONAL EFFICIENCY AND PRODUCTION GROWTH

- Capacity expansion
- Higher self-sufficiency in feedstock
- Stronger operating efficiency

➤ For more information, see [page 59](#)

STRATEGIC GOALS

APPENDICES

SHARE CAPITAL


CORPORATE GOVERNANCE

PERFORMANCE REVIEW

STRATEGIC REPORT

COMPANY PROFILE

Increasing sales efficiency



Progress ✔

2025 targets / 2023 status

Expansion of the foothold in premium markets, the Company's own products

Sales volume: Russia and the CIS

2025 target.. **3.7 mt**
 2023 **2.8 mt** up 9% y-o-y

Number of distribution and logistics centres

2025 target.. **35**
 2023 **34** up 3% y-o-y

Total storage capacity:

2025 target.. **>650.0 kt**
 2023 **868.0 kt** up 6% y-o-y

Sales volume: Americas

2025 target.. **3.5 mt**
 2023 **3.8 mt** up 44% y-o-y

Higher share of premium fertilizer brands, the Company's own products

Share of complex fertilizers (NPK/NPS/PKS) in total output:

2025 target.. **43.0% (5.0 mt)**
 2023 **31.4% (3.5 mt)** down 4.6% y-o-y

Operational efficiency and production growth



Progress ✔

Capacity expansion

Phosphate rock processing:

2025 target.. **8.6 mt**
 2023 **9.1 mt** up 4% y-o-y

Mineral fertilizer and feed phosphate production:

2025 target.. **11.6 mt**
 2023 **11.0 mt** up 2% y-o-y

Maintaining high feedstock self-efficiency

Ammonia:

2025 target.. **76%**
 2023 **75%** down 1% y-o-y

Sulphuric acid:

2025 target.. **91%**
 2023 **92%** flat y-o-y

Ammonium sulphate:

2025 target.. **75%**
 2023 **46%**¹ down 5% y-o-y


Stronger operating efficiency

The actual effect of 2023 approved by project steering committees:

>1.6 bln.

¹ Deviation from the self-sufficiency target target for ammonium sulphate is due to the fact that part of the ammonium sulphate output (167 kt in 2023) is sold as a commercial product rather than used for processing into compound mineral fertilizers as per the scenario adopted in the Strategy to 2025.

Boosting logistics efficiency



Progress ✔

Reduction of transportation costs

Increased reliance on corporate rolling stock

Use of innovative railcar fleet

Alignment of production and sales

Rail infrastructure throughput at key production sites:

2025 target.. **28.3 mt**
 2023 **26.5 mt** up 2% y-o-y

Developing port infrastructure

Efficient mix of port capacities in terms of costs and supply reliability:

2025 target.. **8.0 mt**
 2023 **8.0 mt** flat y-o-y

INCREASING SALES EFFICIENCY

Both of PhosAgro Group's key strategic sales goals (expanding our footprint in premium markets and increasing the share of premium product sales) serve the ultimate common goal of increasing sales profitability.

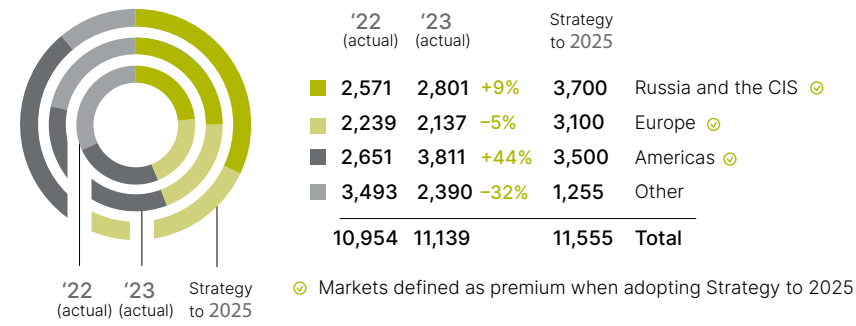
PhosAgro Group is successfully working on achieving this goal in the new landscape through an active involvement in the most high-margin markets along with the development and promotion of premium mineral fertilizer grades, primarily complex fertilizers.

The goals are interrelated, as historically there has been a predisposition of geographical markets to consume certain fertilizer grades. In particular, one of our key regions, the Americas, is largely focused on the consumption of dual fertilizer grades with the aim of then independently preparing combinations of fertilizers that are best suited to the crops, soils, climate, and other factors of agricultural production. At the same time, the Baltic and Eastern European countries have historically focused on procuring complex

fertilizer grades that do not require blending and are ready for application. Accordingly, the product mix offered by the Company is also changing amid restrictions on supplies to the European market introduced in 2022–2023. PhosAgro Group is fully prepared for such challenges, thanks to the flexibility of its production assets following a major overhaul during the previous investment cycle.

EXPANSION OF THE Foothold IN PREMIUM MARKETS

Sales of mineral fertilizers and feed phosphates, the Company's own products, kt



We remain strategically committed to our home market, the core one, which translated into an 8% increase in domestic sales during the reporting year (12% including third-party products), and a 9% increase if the CIS market is included.

The Latin America market showed the most significant growth of more than 52% in 2023.

Europe, another market identified as a priority one in 2019, showed a 5% decline.



Targets 2.4, 12.4, 15.1.

Promoting and raising awareness of best farming practices and developing a service model

Progress towards our targets

Item	2021 (actual)	2022 (actual)	2023 (actual)	Strategy to 2025
Distribution centres	31	33	34	35
Total storage capacity, kt	765	821	868	>650
Liquid complex fertilizer storage capacity, kt	66	74	85	62

From 2018 to 2023, PhosAgro invested some RUB 4 bln in developing its corporate sales network across Russia. In 2023, the number of the network's distribution centres increased to 34, while the total storage capacity exceeded 860 kt, including 85 kt for the transshipment of liquid mineral fertilizers (a new record for Russia).

In 2023, as part of its service model development, the Company introduced chemical soil analysis – a new service for Russian consumers. During the year, the Company's agronomic experts surveyed about 50,000 ha across 20 regions in five federal districts. In 2024, the Company plans to increase its survey area by 40% by expanding its regional coverage and services.

A landmark event in 2023 was the launch of two new business areas – the supply of crop protection products

and seeds of Russian breeders. Thus, the Company's customers gained access to a comprehensive service, including agrochemical soil analysis, hybrid selection, development of plant nutrition and protection systems, product supply, and additional services.

In 2023, in line with our strategy of shifting to direct interactions with customers, the Company transformed its regional office in Krasnodar into Russia's first PhosAgro-Region customer centre to provide farmers with a one-stop shop for the full range of PhosAgro Group services, including a wide range of mineral fertilizers, logistics support, agronomic support, agrochemical soil analysis, and much more. Going forward, if this practice proves successful, we will roll it out across our network's footprint.

In 2024, PhosAgro Group will focus on further expanding its distribution network, developing the existing logistics centres and launching new ones in Russia's key agricultural regions. The Company has already embarked on projects to build three new facilities in the Altai territory, Penza and Ryazan regions. We will also continue to enhance the service component of the Company's offer to Russian farmers.

Another area of increasing sales in Russia's priority market is expanding the functionality and improving the efficiency of PhosAgro Group's digital ecosystem, which includes, among other things, an online trading platform, the AgroResult mobile app, the Agro Calculator project and the Pro Agro communications platform (YouTube, VK, Zen).



~RUB **4 bln** was invested by the Company in the development of its domestic sales network in 2018–2023

➤ For more information on the Company's digital platform, see the Customers and Product Management section on page 96

HIGHER SHARE OF PREMIUM FERTILIZER BRANDS

As the Company forecast in its 2021 and 2022 integrated reports, demand for dual fertilizer grades continued

to prevail in 2023 due to the superior growth of the markets historically focused on these types of fertilizers, primarily in Latin America. The flexibility of our production assets enables

us to respond swiftly to changes in the market demand, while maintaining full capacity utilisation.

Mineral fertilizer and feed phosphate sales mix, kt

Item	2021 (actual)	2022 (actual)	2023 (actual)	Strategy to 2025
Urea/AN/AS	2,495	2,551	2,561	2,620
MCP	405	350	377	472
APP	206	112	198	213
NPK/PK/PKS	3,586	3,670	3,500	4,980
MAP/DAP	3,565	4,272	4,504	3,270
Total	10,257	10,954	11,139	11,555
Share of complex fertilizers,%	35.0	33.5	31.4	43.1

The Company continues to develop and actively market new fertilizer grades in an effort to meet the existing and potential needs of farmers in Russia and abroad to the fullest extent possible, while taking into account the specifics of crops, soil types, and farming conditions.

2019–2023 was more than RUB 60.3 bln, or 5.2% of total sales of the Company's chemical products¹. The Company's ability to maintain a substantial share of new grades is underpinned by the strong R&D capabilities of NIUIF and PhosAgro Innovation Centre.

In 2023, sales of fertilizers introduced from 2019 to 2023 exceeded RUB 19.5 bln, or 5.4% of total sales of the Company's chemical products¹. Over the last three years (2021–2023), revenue from fertilizers developed in

► For more information on our innovative fertilizer grades, see the Research and Education section.

PhosAgro is actively developing the following premium products:



fertilizers with micronutrients are considered one of the most potent ways to combat malnutrition and reduce nutrient deficiencies, as the micronutrients can be accumulated by plants and thus benefit the human diet;



biological and biomineral fertilizers are expected to become one of the most effective solutions to ensuring global food security by boosting agrochemical efficiency of plant nutrition systems without damaging the ecosystem;



coated fertilizers provide increased environmental and agrochemical efficiency due to coating with a mixture of monocalcium and dicalcium phosphates.



Targets 2.4, 12.4, 13.1, 13.2.

Expanding sales of efficient and eco-friendly mineral fertilizers and developing innovative plant nutrition systems, including those that limit greenhouse gas emissions and help adapt to climate change

BOOSTING LOGISTICS EFFICIENCY

Rail transport accounts for the most part of the Company's domestic shipments (ca. 99%). In 2023, freight turnover totalled 29.3 mt, up 1.0% against 2022, with further growth to 31.0 mt expected in 2024.

Rail shipments are also a focus area of key initiatives aimed at improving the reliability of product deliveries and reducing transportation costs. Ensuring a secure supply is a top priority for us.

REDUCTION OF TRANSPORTATION COSTS

As part of implementing the Strategy to 2025, we have significantly increased reliance on our own rolling stock, buying mostly innovative railcars with a higher capacity and longer run life. Increased reliance on PhosAgro's own rolling stock means:

- enhanced safety of operation and more reliable supplies, as PhosAgro Group's production and logistics processes are less dependent on third-party services;
- higher cost efficiency, as corporate railcars are cheaper in use than third-party rolling stock;
- a positive environmental effect, as the use of innovative rolling stock with higher cargo tonnage per railcar and train reduces the negative impact on the environment per tonne of cargo.

Other areas of focus to ensure transportation security and optimise transportation costs in 2023 included:

- developing mutually beneficial terms and entering into agreements with Russian Railways to co-finance the development of transport infrastructure at railway stations adjacent to Apatit's production sites: Volkhov branch – final stage, Balakovo branch – planning stage;
- securing tariff preferences for the shipment of liquid sulphur and sulphuric acid;

Target 12.4.

Managing chemicals and wastes wisely throughout their life cycle, including transportation

- verifying the possibility of receiving subsidies for export transportation of industrial products by rail in the period from 2022 to 2024 according to Decree of the Government of Russia No. 1347 On State Support of Russian Industrial Organisations in Order to Compensate Expenses for Transportation of Industrial Products dated 28 July 2022.

Increased reliance on corporate rolling stock, railcars



As part of the fleet renewal programme in 2023, we procured

6,000 containers,
402 mineral hoppers
and **165** tank cars for molten sulphur.

¹ Due to certain aspects of accounting, the revenue does not include the margin.



Target 9.1.

Developing rail infrastructure and contributing to the development of local communities through our value chain

ALIGNMENT OF PRODUCTION AND SALES

Corporate rail infrastructure throughput capacity at the Company's key production facilities is critical to efficient transportation. Throughput capacity depends on a number of factors, such as availability of rolling stock, length of railways, combination of rolling stock types, and quality of traffic organisation. Thanks to our comprehensive investment programmes, we have been able to expand the throughput capacity of our key production facilities' railway infrastructure to or above target levels over the last three years.

In particular, in order to achieve the target, the Company launched a rolling stock renewal programme to 2034 in November 2022. As part of the programme, we plan to procure 392 ore dump cars and 11 electric locomotives for the Kirovsk branch, as

well as 23 shunting locomotives for the Cherepovets facility and the Balakovo branch.

As at the end of the reporting year, the construction of a container yard and the installation of the required equipment at the phosphate facility in Cherepovets was practically completed, which will allow for a significant increase in future container shipments.

As part of a four-party agreement between Apatit, Severstal, Russian Railways and Lengiprotrans, we are modelling the operation of Cherepovets railway hub, with a list of measures to be drawn up to handle both current and future freight turnover.

In 2023, as part of a comprehensive Volkhov branch development project, rail infrastructure throughput at the Volkhov site was ramped up to 4.0 mtpa from 3.8 mtpa as at the end of 2022, which exceeds the target set

in the Strategy to 2025. The project implementation continues. We have reached an agreement with Russian Railways to co-finance the construction of public infrastructure as part of the second stage. Freight turnover in 2025 is expected to reach 4.5 mtpa, which exceeds the targets of Strategy to 2025.

We continued to work on expanding the transport infrastructure at the Balakovo branch to support the planned increase in finished product shipments and acceptance of new raw materials – potassium chloride and ammonium sulphate. The Company plans to increase the throughput capacity of railway infrastructure in Balakovo from the current 7.2 mtpa to 8.9 mtpa by 2025 (which also exceeds the Strategy to 2025 target). To that end, more than 12 km of railway tracks are currently being laid in addition to the existing 51 km.

Progress towards our targets, mtpa

Freight turnover of chemical facilities' railway infrastructure	2021 (actual)	2022 (actual)	2023 (actual)	Strategy to 2025
Cherepovets site	15.2	15.4	15.3	16.5
Balakovo branch	6.7	6.7	7.2	8.0
Volkhov branch	2.6	3.8	4.0	3.8
Total	24.5	25.9	26.5	28.3

DEVELOPING PORT INFRASTRUCTURE

In addition to developing logistics and sales infrastructure across Russia, our priority market, we are working to increase the reliability and efficiency of our exports by both reducing transshipment costs and providing state-of-the-art transshipment capacities.

Our strategic aim is to develop and maintain a balanced port sales infrastructure in terms of costs and reliability, capable of handling at least 8 mtpa of fertilizer exports. To achieve this target, in 2023 the Company revised a number of existing transshipment contracts and entered into new ones covering the required export volumes and effective through 2028. As of today,

we have basically secured the required transshipment capacities in line with the 8 mtpa target. Given our plans to expand production capacities, the work is underway to consider the measures that would increase the available transshipment capacity to 9–10 mtpa.

The ports key to PhosAgro Group's operations are located in the North-West of Russia. In the Leningrad region and St Petersburg: European Sulphur Terminal, Petrolesport, First Container Terminal, and St Petersburg Port, in Murmansk: Murmansk Bulk Terminal. The Company also uses its own terminal at the HaminaKotka port in Finland. We rely on specialised terminals and their equipment designed to mitigate the environmental impact.



Target 9.1.

Enhancing port network, along with offering employment opportunities, developing infrastructure and implementing social investment programmes

OPERATIONAL EFFICIENCY AND PRODUCTION GROWTH

CAPACITY EXPANSION

The long-term growth in demand for mineral fertilizers has been steady. In order to respond to stronger demand, PhosAgro focuses on expanding capacities to produce its key products, which is one of our key strategic goals for 2025.



Target 12.4.

Making ecologically pure products in line with sustainability requirements and maximising the use of production waste in further processes

Delivery on production targets, mt

Item	2021 (actual)	2022 (actual)	2023 (plan) ¹	2023 (actual)	2024 (plan)	Strategy to 2025
Production of nitrogen-based fertilizers	2.4	2.5	2.5	2.6	2.5	2.6
Production of phosphate fertilizers and feed-grade MCP	7.9	8.2	8.4	8.4	8.7	8.9
In-house processing of phosphate rock	8.0	8.7	9.0	9.1	9.3	8.4

¹ The Board of Directors approved an updated plan on 30 August 2023.

IMPLEMENTATION OF HIGH-PRIORITY PROJECTS

APPENDICES

SHARE CAPITAL

CORPORATE GOVERNANCE

PERFORMANCE REVIEW

STRATEGIC REPORT

COMPANY PROFILE

Project

Phase 3 of Balakovo development project with a flexible production scheme

Completion

🕒 2025

Targets

🎯 NPK **937** ktpa,
DAP **560** ktpa

Investments

💰 **18.2** bln
IRR of **25%**

Status

📌 DAP production is to be launched in 2Q 2024

Project

Developing +10 m level at the Kirovsky mine

Completion

🕒 2022: first start-up facility (Kukisvumchorr flank)
2023: second start-up facility (Yukspor flank)
Further development until 2035

Targets

🎯 Maximum production capacity of the level **9.4** mt of ore by 2028

Investments

💰 **>36** bln
IRR of **21%**

Status

📌 In October 2023, the Kirovsky mine saw the launch of the second start-up facility (Yukspor flank) to compensate for diminishing ore volumes and ramp up ore production to 25 mtpa.

Project

Dry phosphogypsum storage at the Cherepovets phosphate facility

Completion

🕒 2023: the first stage is completed (dry transportation of phosphogypsum from technological system 1 of the wet-process phosphoric acid plant, conveyor section to transfer unit 1)
2024: dry transportation of phosphogypsum from technological system 2 of the wet-process phosphoric acid plant, conveyor construction finished
2027: the entire set of works is to be completed

Targets

🎯 The capacity of a trunk phosphogypsum conveyor at **550** t/h

Investments

💰 **RUB 4.6** bln (targeted project)

Status

📌 In November 2023, building 2.12 (phosphosphoric acid plant 1) was fully transferred to the dry transportation of phosphogypsum, work was completed on the first start-up facility of the trunk phosphogypsum conveyor (to transfer unit 1), and the first batches of dry phosphogypsum were transported by road to a storage facility

Project

Higher volumes of phosphate rock processing at the Cherepovets facility

Completion

🕒 2024

Targets

🎯 An increase in phosphate rock and DAP processing by **218** ktpa and **173** ktpa respectively

Investments

💰 **RUB 6.3** bln
IRR **>20%**

Status

📌 Scheduled ramp-up to increased phosphate rock processing volumes – 4Q 2024

Project

Higher volumes of phosphate rock processing at the Volkhov branch

Completion

🕒 2024

Targets

🎯 An increase in phosphate rock and MAP processing by **153** ktpa and **107** ktpa respectively

Investments

💰 **RUB 2.3** bln
IRR **>20%**

Status

📌 Scheduled ramp-up to increased phosphate rock processing volumes – 4Q 2024

Project

An increase in production of feed-grade MCP by 53 ktpa

Completion

🕒 2024

Targets

🎯 An increase in production of feed-grade MCP by **53** ktpa

Investments

💰 **RUB 3.3** bln
IRR of **22%**

Status

📌 In November 2023, major construction and installation were completed, with a new belt filter put in place to increase phosphate rock processing as part of the project. A ramp-up to design output of feed-grade MCP is scheduled for 2Q 2024.

HIGHER SELF-SUFFICIENCY IN FEEDSTOCK

Feedstock self-efficiency

Strong vertical integration is PhosAgro's major competitive advantage. With our phosphate rock reserves covering 100% of the Company's needs for raw materials required for phosphate mineral fertilizers, we are ramping up the production of other key commodities thus maintaining a high level of self-sufficiency in feedstock.

Chemical production and consumption

Item	2021 (actual)	2022 (actual)	2023 (actual)	2024 (plan)	Strategy to 2025
Ammonia, %	76.0	76.0	75.0	74.0	76.0
• Production, mt	1.9	2.0	2.0	2.0	1.9
• Consumption, mt	2.5	2.6	2.6	2.7	2.5
Sulphuric acid, %	95.0	92.0	92.0	95.0	91.0
• Production, mt	7.4	7.9	8.1	8.7	7.8
• Consumption, mt	7.8	8.6	8.8	9.1	8.6
Ammonium sulphate¹, %	60.0	51.0	46.0	49.0	75.0
• Production, mt	0.3	0.3	0.3	0.3	0.7
• Consumption, mt	0.5	0.6	0.6	0.6	0.9

Implementation of high-priority projects

Project An upgrade of the process system for 20% sulphuric acid production with an increase in output by 350 ktpa at the Balakovo branch	Completion 1Q 2024	Targets An increase in sulphuric acid output by 350 ktpa
	Investments RUB 6.6 bln	Status The sulphuric acid unit with the existing compressor was launched in November 2023. A ramp-up to design capacity of 135 t/h is scheduled for 1Q 2024.

CAPITAL INVESTMENTS

Progress against 2025 strategic goals of capacity expansion and feedstock self-efficiency comes on the back of effective planning and the successful implementation of the Company's investment programme.

A disciplined approach to CAPEX

- The minimum project IRR – an approved discount rate +2% (at least 15%)
- Annual CAPEX budget of up to 50% of EBITDA
- More efficient working capital management



Breakdown of CAPEX, RUB bln

Expenditures	2021 (actual)	2022 (actual)	2023 (actual)	2024 (plan)
Investment projects	30.0	24.1	18.8	25.4
Maintenance	10.8	27.0	31.3	32.4
Non-industrial construction	1.1	2.2	3.3	2.7
Total excluding capitalised repairs	41.9	53.2	53.4	60.5
Total including capitalised repairs	48.0	63.0	64.2	73.0

CAPEX funding in 2021–2023 and 2024 forecast¹

Item	2021 (actual)	2022 (actual)	2023 (actual)	2024 (plan)
CAPEX, RUB bln	41.9	53.2	53.4	60.5
Adjusted EBITDA, RUB bln	192.1	266.9	168.4	165.4
CAPEX / adjusted EBITDA, %	22	20	32	37

Details of key investment projects in 2023¹

Stripping and mine development preparations: +10 m at the Kirovsky mine	3.7
Stripping and mine development preparations at the Rasvumchorr Plateau	3.4
Development of the Balakovo branch (phase 3) with a switch to triple fertilizers	3.4
An upgrade of the process system for 20% sulphuric acid production with an increase in output by 350 ktpa	2.4
An increase in production of feed-grade MCP by 53 ktpa	1.6
Development of the Volkhov branch (including – construction of a unit to produce water soluble MAP)	1.2
Other key projects	3.1
Total	18.8

¹ Failure to meet the self-sufficiency target for ammonium sulphate is due to the fact that part of the ammonium sulphate output (167 kt in 2023) is sold as a commercial product rather than used for processing into compound mineral fertilizers as per the scenario adopted in the Strategy to 2025.

¹ Excluding capitalised repairs.

OPERATING EFFICIENCY IMPROVEMENTS

At PhosAgro, we are implementing a whole range of projects and initiatives to improve our technologies and organisational approaches and streamline production processes.

In 2023, we successfully implemented the following projects.



Target 8.3.
Maintaining and developing existing operations and creating innovative facilities



Project Introduction of a screening and forecasting system for Apatit counterparties

This is PhosAgro Group's first state-funded project using a grant from the Skolkovo Foundation issued in accordance with Russian Government Resolution No. 555 dated 3 May 2019 to finance the first large-scale roll-out of Russian IT solutions. The grant financed 50% of project costs.

Project schedule

🕒 10 January 2022 – 31 December 2023

Project goals

- 🎯 **1** Introduction of a counterparty screening and forecasting IT system
- 🎯 **2** Creating a framework to reduce the likelihood of materialised risks related to interactions with unreliable counterparties by introducing an automated scoring and forecasting system
- 🎯 **3** Streamlining operational indicators for counterparty screening, assessment, selection, and document submission to supervisory authorities

Project goals are fully met.

Economic effect

💰 **RUB 80.4 mln**

Saved through:

- ✅ Risk mitigation in contracting and bidding procedures
- ✅ No potential increase in counterparty vetting expenses

Project Improving the performance of Apatit's business units and branches in 2023

Production site

🕒 Cherepovets, Kirovsk, Balakovo, Volkhov

Completion

🕒 9 January 2023 – 31 December 2023

Key project initiatives

- 🎯 **1** Higher volumes of phosphate rock processing and MAP production
- 🎯 **2** Reducing end-to-end phosphate rock losses
- 🎯 **3** Improving recovery rates in phosphate rock production

Economic effect in 2023

💰 **RUB 1,593.6 mln¹**

¹ Not including the impact of higher volumes of phosphate rock processing

S172 STATEMENT

According to Section 172 “Duty to promote the success of the company” of the UK Companies Act 2006, PhosAgro’s Board of Directors acts in good faith for the benefit of the Company to promote its success, taking into account possible long-term consequences of its decisions for society and the environment, as well as the interests of the Company’s employees and other stakeholders.

For the members of PhosAgro’s Board of Directors, these standards mean that the Group’s stakeholders should be interacted with responsibly and that their interests should be respected to the maximum extent possible when making decisions within the Board of Directors’ scope of authority.

At least once a year, the Strategy and Sustainable Development Committee of the Board of Directors reviews feedback from stakeholders on aspects of the Company’s operations that are material to them.

Such feedback is used both to identify topics and indicators to be disclosed in the Company’s non-financial reporting and to determine mechanisms for engagement with the Company’s stakeholders, including at the Board level.

➤ For more information on the Company’s stakeholders and engagement with them, see the Stakeholder Engagement section of this Report on page 28, which also contains references to related Performance Review subsections describing approaches to opinion surveys of relevant stakeholders and collecting data on their interests to be taken into account by the Company’s governance bodies when making decisions.

As the Company’s key governance body, the Board of Directors aligns its decision with their understanding of stakeholder interests shaped as part of management communications, Board and committee meetings, approval of non-financial reporting, and study of other information sources.

The reporting year saw the resumption of on-site Board meetings at the Company’s production facilities. These meetings help the Board of Directors reach a completely new level in engaging with the whole range of stakeholders – regional and municipal governments, key management of PhosAgro’s subsidiaries, production teams, and local communities.

In August 2023, such a meeting took place at the Volkhov production site which completed a major investment project in the reporting year. The project culminated in the construction of a unique mineral fertilizer plant with a capacity of more than 1 mt. The Board of Directors made a tour of the facility, held meetings with key employees, and took part in the opening of renovated social facilities and commissioning of another apartment block for Volkhov branch employees.

On-site meetings are a vital element of feedback which helps the Board of Directors gain a thorough understanding of the Company’s economic, social and environmental impact and make decisions taking into account the interests of a very wide range of stakeholders to the fullest extent possible.

Our employees have a special place among the Company’s stakeholders. Their welfare, including fair remuneration along with successful development and effective social

support, is an area of focus for the Board of Directors, especially its Remuneration and Human Resources Committee, the chairman of which regularly reports to the Board of Directors on relevant progress. Although at the moment we do not apply such practices as appointing directors from among the employees or appointing a non-executive director responsible for interaction with employees for considering their standpoint when managing the Company, we consider it effective and are actively involved in a dialogue on all major management issues with the trade union organisation (Minudobreniya Association), which has historically been an equal partner for PhosAgro Group’s management and an authorised representative of employees in collective bargaining, review and resolution of labour disputes. The Board of Directors can acquaint itself with the opinion of the Minudobreniya Association and take it into account when making decisions on the key matters of the Company’s development both during personal meetings, in particular when visiting production sites, and indirectly from management reports at the meetings of the Board of Directors and its committees.

On top of that, the Audit Committee reviews reports submitted by PhosAgro’s and its counterparties’ employees to the PhosAgro hot line as well as management response to such reports on a quarterly basis. The Board of Directors and its Remuneration and Human Resources Committee also discuss the results of an annual employee satisfaction and loyalty survey launched in 2013.

PROSPECTS

PhosAgro Group’s development scenarios are reviewed by the Board of Directors when approving its Strategy. The strategic planning cycle adopted by the Company is five years, with the current approved strategy effective from 2021 to 2025. Despite increasing uncertainty as regards the Company’s growth prospects and external factors, the Board of Directors decided to stick to a five-year planning horizon in line with existing practices.

Since 2019, the Board of Directors has been considering a contingency plan to prepare for critical changes in the external operating environment, such as possible restrictions on our supplies to key markets.

For PhosAgro Group, 2021 was marked by the countervailing duties imposed on Russian and Moroccan producers in the US market, tighter pricing control and the introduction of quotas and export licences in Russia.

In 2023, countervailing duties and the export quota system remained in force. The restrictions caused by international sanctions and supply chain disruptions still made it difficult for the Company to deliver its products to its traditional markets.

In 2023, similarly to the previous year, the Company was adversely affected by the termination of operations in

Russia by some Western suppliers of equipment, services and technology, as well as by difficulties in making payments.

When approving the Strategy to 2025, the Board of Directors also weighed the associated strategic risks. The Board of Directors reviews the results of key risk monitoring every quarter, while also looking into their reassessment at the end of the year. Each risk has a dedicated risk management map, containing a detailed description along with mitigants and probability, materiality and risk appetite estimates.

The previous year’s risk profile and materiality assessment remained relevant in 2023. At the same time, the Board of Directors analyses new risks that can affect the Company’s ability to perform its obligations and continue business. The key challenges of the reporting year, primarily sanctions and restrictions, did not lead to disruptions of our operations, which proves that we correctly identified and successfully managed these risks, while also taking advantage in such areas as production, sales growth, HR management, and sustainable development.

➤ For more information on the Company’s strategic risks, see the Strategic Report section on page 68

Despite the materialisation of these risks, the Company ensures uninterrupted operation of all its production sites, timely supply of fertilizers, and care for its employees and their families. PhosAgro Group’s team manages to cope with the new challenges in a short space of time, not just keeping the business stable, but reaching new highs. Risks materialised in 2023 did not require us to adjust our Strategy to 2025.

Based on the foregoing, the Board of Directors finds it reasonable to believe that the Company will, without any reservations, be able to continue its operations and meet all its obligations as they fall due while the Strategy to 2025 is in force.