

APPROVED
by the Decision of the Board of
Directors of PJSC PhosAgro
dd. December 18, 2018
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of Directors dd. December 20, 2018,
w/No.)

**RISK MANAGEMENT AND INTERNAL CONTROL POLICY
of Public Joint Stock Company PhosAgro**

**Moscow
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1. Purpose and scope of application

- 1.1. This PhosAgro Risk Management and Internal Control Policy (the 'Policy') establishes the main goals of risk management and internal control, principles of the risk management and internal control system ('RMICS') operations, the structure and key functions of RMICS participants, and the RMICS assessment procedure.
- 1.2. This Policy shall be binding upon all officials and business units of PhosAgro.

2. References

- 2.1. The following recommendations and standards in the field of risk management and internal control have been used to prepare this Policy and implement the RMICS in the Company:
 - 2.1.1. 'Code of Corporate Governance' approved by the Bank of Russia Board of Directors on March 21, 2014
 - 2.1.2. 'Internal Control — Integrated Framework' published by COSO, 2013
 - 2.1.3. 'Enterprise Risk Management — Integrating with Strategy and Performance' published by COSO, 2017
 - 2.1.4. 'Risk Management', a series of Russian GOST/ISO standards

3. Terms and definitions

- 3.1. The following main terms and definitions are used in this Policy:
 - 3.1.1. Company shall mean PhosAgro.
 - 3.1.2. RMICS shall mean the scope of organizational measures, methodologies, procedures, corporate culture standards, and actions taken by the Company to achieve an optimal balance between increasing costs, profitability and risks to ensure financial stability, efficient business conduct, asset safety, compliance with current legislation, the charter, and internal documents, and the timely drafting of accurate reports.

4. RMICS purpose and goals

- 4.1. The risk management and internal control system in the Company shall ensure unbiased, fair, and clear representation of the current state and prospects of the Company, reporting integrity and transparency, and reasonability and the acceptability of risks accepted by the Company.
- 4.2. The Company has established the following organizational goals of the risk management and internal control system:
 - 4.2.1. Ensure reasonable confidence in the achievement of the Company's goals.
 - 4.2.2. Ensure financial and economic efficiency and reasonable resource use.
 - 4.2.3. Identify and manage risks.
 - 4.2.4. Ensure the safety of the Company's assets.
 - 4.2.5. Ensure the integrity and accuracy of accounting (financial), statistical, managerial, and other reporting.
 - 4.2.6. Control compliance with current legislation and the internal policies, regulations, and procedures of the Company.
- 4.3. The risk management and internal control system shall function at different governance levels taking into account the role of each level in the development, approval, application, and assessment of the risk management and internal control system:

- 4.3.1. At the operational level: by implementing and competing the necessary control procedures in operational processes.
- 4.3.2. At the organizational level: by organizing functions to coordinate the Company's activities in the risk management and internal control system and to support its operation (risk management, internal control, compliance control, quality control etc.).

5. RMICS principles and structure

5.1. The Company RMICS structure is based on the following interrelated components identified in COSO publications 'Enterprise Risk Management — Integrating with Strategy and Performance' and 'Internal Control — Integrated Framework':

- 5.1.1. Control environment, corporate governance, and culture.
- 5.1.2. Strategy and goal setting.
- 5.1.3. Risk assessment.
- 5.1.4. Control procedures.
- 5.1.5. Monitoring and review.
- 5.1.6. Information, communications, and reporting.

5.2. The risk management and internal control system of the Company is based on the following principles:

5.2.1. For the 'Control environment, corporate governance, and culture' component:

- Oversight by the Board of Directors: The Board of Directors oversees the strategy and fulfils its corporate governance duties to support management in the implementation of the strategy and achievement of business goals.
- Creation of the structure: Management under the oversight of the Board of Directors develops the organizational and operational structures, the system of reporting, and distribution of powers to achieve the Company's goals.
- Corporate culture and primary values: The Board of Directors and management define the corporate culture and ensure commitment to its primary values, including ethical and fair business conduct, and risk awareness.
- Competence: The Company strives to attract, develop, and retain employees with competences in line with its goals.
- Independence: The Board of Directors demonstrates independence from Company management.
- Responsibility: The Company creates mechanisms of personal liability in support of the risk management and internal control system.

5.2.2. For the 'Strategy and goal setting' component:

- Strategy and business goals: The Company takes into account risks when analysing alternative strategies and identifying business goals at different levels conforming to the strategy and supporting it.
- Risk appetite: When formulating its strategy and business goals, the Company identifies its acceptable risk level in terms of value creation, conservation, and realisation.

5.2.3. For the 'Risk assessment' component:

- Risk identification: The Company identifies risks affecting its strategy and business goals.
- Assessment and prioritisation of risks: The Company evaluates risk significance and prioritises risks to choose response methods.
- Countering fraud: The Company takes into account potential fraud during risk assessment.

5.2.4. For the 'Control procedures' component:

- Adequacy: The Company implements control procedures aimed at mitigating risks to the acceptable level.
- Focus on technology: The Company implements control procedures to mitigate risks associated with the use and development of technology, including information technology.
- Regulation and implementation: The Company implements control procedures by establishing them in the corresponding policies and using them in practice.

5.2.5. For the 'Monitoring and review' component:

- Registration of changes: The Company evaluates and registers changes in due time that may have a significant impact on the risk management and internal control system.
- Improvement: The Company strives to improve its risk management and internal control system with due regard for new opportunities.
- Continuity: The Company ensures continuous monitoring to ensure that control procedures are implemented and functioning efficiently.

5.2.6. For the 'Information, communications, and reporting' component:

- Information quality: The Company uses high-quality and relevant information to support its risk management and internal control system.
- Internal communications: The Company ensures information exchange on its risk management and internal control system, inter alia, on its goals and allocation of responsibilities within the Company.
- External communications: The Company ensures information exchange with external parties on risk management and internal control issues and submits corresponding reports.
- Information technology: The Company strives to gain the maximum benefit from using information systems to support risk management and internal control.

5.2.7. The Company discloses its risk management and internal control system description in its annual report.

6. Key functions of RMICS participants

- 6.1. The functions of the main RMICS participants (the Board of Directors, executive bodies, internal audit commission, Internal Audit Directorate, Risk Management and Internal Control Directorate, and other business units) and the procedure of their interaction are set out in the internal documents of the Company.
- 6.2. The Company's Board of Directors defines the main principles and approaches toward RMICS organization, controls the activities of executive bodies, and performs other key functions:

- 6.2.1. Ensuring that the executive body acts in accordance with the approved development strategy and key business areas of the Company.
- 6.2.2. Ensuring fulfilment of the corporate governance practices in the Company.
- 6.2.3. Establishing the principles and approaches toward the organization of the risk management and internal control system in the Company, approving the risk management and internal control policy.
- 6.2.4. Analysing and assessing at least once annually the current risk management and internal control system.
- 6.2.5. Assessing the risks the Company is exposed to (both financial and nonfinancial risks, including operational, social, ethical, and environmental), establishing the acceptable risk level. (Furthermore, the Board of Directors strives to achieve the optimal balance of risk and profitability for the Company in general, with due regard for legislative requirements and the provisions of internal documents. During operations and transactions associated with an increased risk of capital and investment losses, decisions shall be made based on the reasonable risk level and the conformity of the acceptable risk level to the limits established in the Company.)
- 6.2.6. Ensuring the proper organization and efficient functioning of the information disclosure system and shareholder access to information about the Company.
- 6.2.7. Approving major transactions and interested-party transactions in cases established by the Federal Law 'On Joint-Stock Companies' and the Company's Charter.
- 6.3. The Company discloses information in its annual report on the performance of duties by the Board of Directors associated with its role in organizing an efficient risk management and internal control system.
- 6.4. The functions of the Strategy Committee under the Board of Directors in the field of risk management and internal control include the identification of strategic goals, implementation of the Company's strategy, and the elaboration of recommendations for the Board of Directors on amending the existing development strategy of the Company.
- 6.5. The functions of the Risk Management Committee under the Board of Directors include the elaboration of recommendations and proposals for the Board of Directors and other bodies of the Company as regards the identification of major risks, the elaboration of major risk control measures, and the improvement and development of the risk management system. For the purpose of exercising these functions, the Risk Management Committee of the Board of Directors shall do the following:
 - 6.5.1. Evaluate the efficiency of the risk management system organization in the Company and prepares recommendations for its improvement.
 - 6.5.2. Prepare proposals for the Company's Board of Directors:
 - On the risk management methodology, on the identification of the most significant risks of the Company for continuous monitoring and control, and recommendations for improving the risk management system.
 - On the substantiation of risk appetite.
 - On introducing amendments and supplements to the risk management and internal control policy.
 - 6.5.3. Interact with the Risk Management and Internal Control Directorate of the Company and the Risk Commission of the Company.
 - 6.5.4. Interact with Company management.

- 6.5.5. Interact with other stakeholders.
- 6.5.6. Upon decision of the Board of Directors, other issues within the competence of the Risk Management Committee may also be considered.
- 6.6. The functions of the Audit Committee under the Board of Directors include:
 - 6.6.1. In the field of accounting (financial) reporting:
 - Ensuring the integrity, accuracy, and authenticity of the Company's accounting (financial) statements.
 - 6.6.2. In the field of risk management, internal control, and corporate governance:
 - Ensuring the reliability and efficiency of the risk management and internal control system, including the assessment of the efficiency of risk management and internal control procedures, and preparing proposals for their improvement.
 - Analysing and assessing the implementation of the risk management and internal control policy.
 - Control over the procedures ensuring compliance with legislative requirements and ethical standards, rules, and procedures of the Company, and requirements of exchange markets.
 - 6.6.3. In the field of countering unfair practices of the Company's employees and third parties:
 - Ensuring the efficient functioning of the notification system of potential unfair actions committed by the Company's employees and third parties as well as other violations in the Company.
 - Oversight of special investigations of potential fraud cases, unfair use of insider or confidential information.
 - Ensuring the implementation of measures adopted by the executive bodies of the Company in response to notifications about the potential unfair actions of employees and other violations.
- 6.7. The General Meeting of Shareholders elects the Review Committee (Review Officer) as the body in charge of monitoring the Company's financial and economic activities.
- 6.8. The Review Committee shall do the following:
 - 6.8.1. Review the financial and economic activities of the Company based on its annual performance results as well as any other time upon the initiative of the Review Committee (Review Officer), the decision of the General Meeting of Shareholders, the Board of Directors of the Company, or the demand of the Company's shareholder(s) jointly holding not less than 10% of the Company's voting shares.
 - 6.8.2. Conduct expert reviews of the data contained in the reports and other financial documents of the Company to verify their accuracy.
 - 6.8.3. Ensure compliance with the accounting and financial reporting procedures as well as with the legislative and regulatory acts of Russia in the course of the financial and economic activities of the Company.
 - 6.8.4. Resolve other issues, as provided for by the Federal Law 'On Joint-Stock Companies' and the Company's Charter.
- 6.9. The executive bodies of the Company create and support the functioning of an efficient risk management and internal control system. They also:

- 6.9.1. Bear responsibility for the fulfilment of decisions of the Board of Directors regarding the organization of the risk management and internal control system.
 - 6.9.2. Report to the Board of Directors on a regular basis on the functioning of the risk management and internal control system.
 - 6.9.3. Allocate the powers, responsibilities, and liability for specific risk and internal control procedures between the Company's business units under their control or supervised by managers.
- 6.10. The Risk Commission is formed at the level of the Company's executive bodies. The functions of the Commission include the consideration of the status of risk management and of the efficiency of risk management activities. Based on risk management monitoring results, the Risk Commission prepares risk management proposals for the executive bodies and the Board of Directors.
- 6.11. The goals of the Company's Internal Audit Directorate include:
- 6.11.1. Assist the executive bodies and employees of the Company in the development and monitoring of the implementation of procedures and activities to improve the risk management and internal control system.
 - 6.11.2. Coordinate operations with the external auditor of the Company and with persons providing consultancy services in the field of risk management and internal control.
 - 6.11.3. Internal audit of controlled entities within the framework of the established procedure.
 - 6.11.4. Prepare and submit to the Board of Directors and the executive bodies reports on the performance results of the Internal Audit Directorate (inter alia, reports containing information on the assessment results of the actual condition, reliability and efficiency of the risk management, internal control, and corporate governance system).
 - 6.11.5. Check compliance by the members of the executive bodies and employees of the Company with the provisions of laws and internal policies concerning insider information and combating corruption as well as compliance with the requirements of the code of ethics.
- 6.12. The goals of the Risk Management and Internal Control Directorate of the Company include:
- 6.12.1. Overall coordination of risk management processes.
 - 6.12.2. Development of methodological documents to support the risk management process.
 - 6.12.3. Organization of risk management and internal control training of the Company's employees.
 - 6.12.4. Analysis of the Company risk portfolio and the elaboration of proposals for the strategy of responding to and reallocating resources for the management of corresponding risks.
 - 6.12.5. Formation of consolidated risk reporting.
 - 6.12.6. Prompt control of the risk management process by the Company's business units.
 - 6.12.7. Notification of the Board of Directors and executive bodies of the Company about risk management efficiency and other issues, as provided for by the Company's internal regulations.
- 6.13. In accordance with their functional responsibilities, heads of the Company's business units bear liability for the elaboration, documentation, implementation, monitoring, and

development of the risk management and internal control system within the functional areas of business under their control.

- 6.14. The main goals of heads of the Company's business units related to RMICS within the functional areas of business under their control include:
 - 6.14.1. Identification and assessment of risks.
 - 6.14.2. Development and implementation of risk management measures.
 - 6.14.3. Analysis of risk management efficiency and the development of corrective actions.
- 6.15. The goals of the Company's employees within the framework of the risk management and internal control system include participation in the identification and assessment of respective risks as well as the efficient fulfilment of control procedures and risk management activities in accordance with job descriptions and the requirements of internal regulations.
- 6.16. The motivation system for the Company's employees shall be formed with due regard for the general risk management policy of the Company.
- 6.17. The risk management and internal control system shall provide for a scope of measures designed to prevent corruption, mitigate reputation risks and risks of Company liability for bribing officials, inter alia, to approve the anticorruption policy, which puts forth the measures designed to form the respective elements of corporate culture, organizational structure, and anticorruption rules and procedures.
- 6.18. The risk management and internal control system shall provide for a hotline, which is a safe, confidential, and accessible way of notifying the Board of Directors (Audit Committee of the Board of Directors) and the Internal Audit Directorate about the violations of laws, internal procedures, and code of ethics by any of its employee or any member of the management body or the body in charge of monitoring financial and economic activities.

7. RMICS assessment procedure

- 7.1. The Board of Directors shall consider issues of the organization, functioning, and efficiency of the risk management and internal control system at least once annually and shall provide recommendations for its improvement, if necessary. Information on the results of consideration by the Board of Directors of the risk management and internal control system efficiency shall be submitted to shareholders in the annual report.
- 7.2. The RMICS assessment may be based on the data in the reports received on a regular basis from the executive bodies, Internal Audit Directorate, and external auditors of the Company as well as on the observations of the Board of Directors and the information received from other sources. The frequency of the analysis and assessment of the risk management and internal control system is determined taking into account the nature and extent of the Company's activity, acceptable risks, and changes in the Company's activities.
- 7.3. For the purpose of ensuring the independent nature of the assessment of the reliability and efficiency of the risk management and internal control system, the Internal Audit Directorate conducts internal audits either on its own or involving an independent external organization.
- 7.4. The assessment of risk management system efficiency may include:
 - 7.4.1. Verification of the adequacy and maturity of risk management system elements (goals and tasks, infrastructure, process organization, regulatory and methodological support, interaction of business units within the frames of the risk management system, reporting).
 - 7.4.2. Verification of the completeness of the identification and accuracy of risk assessment by Company management at all governance levels.

- 7.4.3. Verification of the efficiency of control procedures and other risk management activities, including the efficiency of the utilisation of resources allocated for these purposes.
- 7.4.4. Analysis of information on materialised risks (violations discovered during internal audits, failures to achieve goals, judicial proceedings, etc.).
- 7.5. The assessment of internal control system efficiency may include:
 - 7.5.1. Analysis of the conformity to the Company's goals of business process goals, projects, and business units, verification of the reliability and integrity of business processes and information systems, including the reliability of procedures for countering wrongful acts, abuses, and corruption.
 - 7.5.2. Verification of the accuracy of accounting (financial), statistical, managerial, and other reporting, evaluation of the conformance of the results of business processes and activities of the business units to set goals.
 - 7.5.3. Evaluation of the adequacy of criteria established by executive bodies for the analysis of the degree of goal achievement.
 - 7.5.4. Identification of shortcomings in internal control systems that prevent from achieving the Company's goals.
 - 7.5.5. Evaluation of the results of the implementation of measures to resolve violations and issues and to improve the internal control system that are adopted at all governance levels.
 - 7.5.6. Verification of the efficient and expedient utilisation of resources.
 - 7.5.7. Verification of the safety of assets.
 - 7.5.8. Verification of compliance with the requirements of laws, the charter, and internal documents.

8. Final provisions

- 8.1. This Policy as well as all amendments and supplements hereto shall be approved by the Company's Board of Directors.
- 8.2. In accordance with this Policy, the Company develops other internal regulations in the field of risk management and internal control.