

On top of that, we strongly support traditional cultural and spiritual values.

By and large, the sustainability principles are firmly incorporated into our business model, as our primary goal is to supply our eco-efficient fertilizers to farmers around the globe and in the local priority market.

We used the best available technologies to implement all the investment projects and programmes in 2022, and our sustainability efforts do not go unnoticed by the expert community.

In November 2022, the Russian Quality Agency (Roskachestvo) confirmed that PhosAgro Group's products meet the requirements of the Green One label. In 2021, the Company was the first business in Russia to take assessment for compliance with the standard enabling us to use this ecolabel. By a wide margin, PhosAgro's fertilizers comply with the world's most stringent limits on heavy metals and arsenic content in fertilizers, which are introduced by Russian national standard GOST R 58658-2019.

We also passed an inspection for product compliance with the Ecological Union's Vitality

Leaf standard in November 2022. PhosAgro became the first company in the country's fertilizer industry to be granted the right to use this international label a year earlier.

We also ranked among the companies with the best social and charitable programmes in the Russian Leaders in Corporate Philanthropy 2022 competition organised by the Donors Forum, a coalition of major grantmakers in Russia.

## Outlook

We have big plans for 2023. PhosAgro will continue to pursue the Strategy to 2025 by increasing capacity and upgrading production facilities.

We plan to ramp up our state-of-the-art phosphate fertilizer production site in Volkhov to its design capacity, and it will become an innovative industry leader for years to come. This will help us increase not only the output of finished products, but also the processing of phosphate rock – the main raw material for fertilizers.

We will continue with our ambitious programme to develop our raw material base in Kirovsk, where we intend to bring the second start-up facility

at level 10 of the Kirovsky mine on stream by the end of the year. In Cherepovets, we plan to bolster phosphate rock processing; in Balakovo we intend to complete projects designed to boost feed phosphates and sulphuric acid output, and to kick off phase 3 of our production site creating a flexible MAP/DAP/NPS/NPK fertilizer production scheme.

For more than 20 years of our history, we have remained true to our mission of supplying eco-efficient PhosAgro Group fertilizers to farmers around the world, including the priority Russian market, and making a meaningful contribution to global food security.

PhosAgro Group's strength lies in its employees, shareholders, and partners alike. Thank you for your confidence in the course the Company has chosen to follow.

**Mikhail Rybnikov,**  
Chief Executive Officer  
of PJSC PhosAgro

# Business environment

SASB EM-MM-210b.2

## December 2021 – present

### On 1 December 2021, Russia's export quotas for nitrogen-based and complex fertilizers came into effect

As a way to prevent shortages in the domestic market and, consequently, to slow down the growth of food prices amid rising gas prices (with gas used extensively in the production of nitrogen-based

fertilizers), Russia's government resolved to restrict exports of nitrogen-based and complex fertilizers for six months starting from 1 December 2021. The quotas for nitrogen-based and complex fertilizers were approved at 5.9 mt and 5.35 mt respectively. Later on, the urea export quota was raised by 280 kt. When the initial effective period expired, the quotas were first

extended until the end of August, and then until the end of 2022. The quotas for nitrogen-based and complex fertilizers were set at slightly above 8.3 mt and 5.9 mt respectively. In 2023, the Russian Ministry of Industry and Trade extended the quotas until 31 May 2023, with the quotas for nitrogen-based and complex fertilizers coming in at 7.3 mt and 5 mt respectively.

## February – March

### Ban on Russian vessels entering UK ports and other logistical restrictions

On 1 March 2022, the UK passed a bill fully blocking access to the nation's ports for all vessels related to Russia. On 4 March 2022, Denmark's Maersk stopped accepting bookings for the shipment of essential goods from the ports of Novorossiysk, St Petersburg and Kaliningrad.

### The London Stock Exchange suspended trading in PhosAgro's global depository receipts

The London Stock Exchange suspended trading in depository receipts issued by Russian companies, including PhosAgro. According to the LSE, this move was designed to maintain orderly markets in light of the market conditions.

### Western suppliers of equipment and industrial solutions halted their operations in Russia.

In February–March 2022, many Western suppliers of equipment and industrial solutions resolved to close shop in Russia. Among them were Caterpillar, Metso, Epiroc, Sandvik, Komatsu, Hitachi and others. The economic sanctions imposed by the USA and EU complicated exports of dump trucks from respective countries to Russia, while also contributing to the shortage of components (engines, gearboxes) and spare parts.

### The three largest container-shipping lines halted cargo bookings from Russia

On 1 March 2022, the world's three largest container shipping lines – Switzerland's Mediterranean Shipping Company (MSC), Denmark's Maersk and France's CMA CGM – suspended cargo bookings from Russia.



## April

### The EU approved the fifth sanctions package

As part of its new sanctions package, the EU restricted imports of fertilizers from Russia. The restrictions do not apply to the execution until 10 July 2022 of contracts concluded before 9 April 2022. Starting from 10 July, the EU also introduced the following one-year quotas for Russian fertilizer imports: 837.57 kt for potassium chloride, and 1,577.8 kt for complex and other potassium-containing fertilizers.

The fifth sanctions package also imposes a ban on imports of potassium chloride from Belarus through Russia ("anti-circumvention measure against potash imports from Belarus").

As part of its fifth package of sanctions against Russia, the EU closed off its ports for Russian-flagged vessels starting from 16 April 2022. The ban also applies to the vessels that changed their Russian flag or their registration after 24 February 2022.

### Poland approved sanctions against 15 individuals and 35 legal entities from Russia

The sanctions apply to a number of Russian companies, including PJSC Gazprom, PJSC NOVATEK, PJSC Acron, PJSC PhosAgro and others.



## June

### Russia became the largest supplier of phosphate fertilizers to India

From April to June 2022, Russia shipped 350 kt of diammonium phosphate to India, thus becoming the largest supplier of phosphate fertilizers in the Indian market amid the sanctions imposed by Western countries.



## July

### The USA issued a general licence to authorise transactions related to Russian fertilizers

The OFAC authorised transactions with Russia related to the supplies of agricultural commodities, fertilizers, medicines and medical devices.

### The USA rejected duties on nitrogen-based fertilizers from Russia

The US International Trade Commission (ITC) recognised that imports of urea ammonium nitrate (UAN) solutions from Russia and Trinidad and Tobago did not hurt American producers. The investigation was launched in summer 2021 after a petition from CF Industries Holdings, the nation's largest producer of said fertilizers.

### Signing of the grain deal

The grain deal was signed on 22 July 2022. Russia and Ukraine entered into the grain export agreement separately by executing individual documents with Turkey and the United Nations. Furthermore, Russia and representatives of the United Nations Secretariat met in Istanbul on 22 July 2022 to sign a Memorandum of Understanding on promoting Russian food products and fertilizers to the world markets. On 17 November 2022, the grain deal was extended for a period of 120 days.

## September

### The European Commission authorised Russian fertilizer supplies

The European Commission issued an updated guidance to make it clear that EU companies are allowed to offer transportation and insurance support to Russian fertilizers transiting to third countries.

## December

### As part of its ninth sanctions package, the EU authorised the unfreezing of assets belonging to Russian businessmen engaged in production of fertilizers and chemicals

Under the ninth sanctions package, certain EU member states were allowed to unfreeze the assets of Russian businessmen engaged in production of fertilizers and chemicals, if this was needed strictly to bankroll shipments of food and fertilizers.



## November

### The US Department of Treasury and State Department encourage major US banks to continue transactions with certain Russian companies

The US Departments of Treasury and State urged creditors to continue offering their key services (USD settlements, payment transfers, trade financing, etc.) to Russian companies exempted from certain aspects of sanctions, for example, such companies as PJSC Gazprom and PJSC PhosAgro.

### The UK authorises financial services for the supply of Russian fertilizers

The UK Government issued a general licence that permits the provision of financial services for the supply of Russian fertilizers to third countries. The UK officials emphasised that the licence is only applicable to the shipments of fertilizers for agricultural needs.

## January 2023

### Russia introduced duties on fertilizer exports effective until the end of 2023

Starting from 1 January 2023, Russia imposed export duties on all types of mineral fertilizers to be charged at a rate of 23.5% of the price above USD 450 per tonne.

### New Common Agricultural Policy

On 1 January 2023, the New Common Agricultural Policy of the European Union came into effect. This Policy will be key to securing the future of EU's agriculture and forestry, as well as achieving the objectives of the European Green Deal.

### Pan-African Parliament Bureau Resolution

In January 2023, the Pan-African Parliament Bureau adopted a resolution on the impact of sanctions on food security in Africa. The resolution urges to create with an immediate effect a Fact-Finding Mission to assess the impact of current sanction-related fertilizer shortages and to address themselves to the relevant governments and institutions responsible for the shortages.