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by resolution of the Board of Directors
of PJSC “PhosAgro” dd. 15.11.2016
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Directors dd. 18.11.2016, unnumbered)

CORPORATE GOVERNANCE CODE
of Public Joint-Stock Company
“PhosAgro”

(new version)

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1. INTRODUCTION

This Code of Corporate Governance of Public Joint-Stock Company “PhosAgro” (hereinafter - the “Code”) has been developed according to the legislation of the Russian Federation basing on the recommendations, stipulated by the Code of Corporate Governance, approved by the Board of Directors of the Bank of Russia on 21.03.2014, the Company`s Charter and internal documents, with account of requirements defined by securities market operators and the settled best corporate governance practices.

The main goals of this Code are to define the principles and approaches which shall enhance the Company`s appeal for long-term investments, to arrange and improve the Company`s corporate governance, to ensure better transparency, good faith and accountability in the Company's management, as well as to confirm the Company's commitment to follow the high standards of due corporate governance to achieve sustainable financial success.

In particular:

- the Company shall recognize and ensure equal rights of shareholders, it shall meet legal interests of the Company`s employees and all stakeholders;
- corporate governance shall ensure due level of responsibility and accountability in order to maximize the shareholder's value. The Company shall ensure due control over financial and business activities for protecting rights and legal interests of shareholders;
- the Board of Directors and executive bodies shall cooperate efficiently in the best interests of the Company and its shareholders (including minority shareholders) and shall create conditions for sustainable growth of the shareholder's value. Individual persons shall not be given overall decision-making authority in the course of management;
- the Board of Directors shall be of primary significance as the body of strategic management. At the same time excessive restriction of the executive bodies` functions shall not be allowed;
- due disclosure of information, transparency and efficient functioning of risk management and internal control systems shall be ensured.

The Company shall adopt, regularly improve and adhere to this Code, the Charter of the Company and other internal documents, and it hereby confirms its commitment to develop and perfect the practice of due corporate governance.

For the purpose of further consolidation of confidence and trust from the part of shareholders, employees, investors and the public, when developing this Code, the Company has not confined itself only to the provisions of the Russian legislation but complemented the Code with additional provisions based on generally recognized Russian and international standards of corporate governance.

The Company herewith assumes obligations contemplated by this Code and undertakes to observe its provisions and principles.

The structure, procedure and practice of corporate governance shall be regulated by the Company`s Charter and internal documents.

The Company`s internal documents have been developed according to the Russian legislation in force, the Company`s Charter, with due account for the requirements defined by securities market operators and the recommendations, stipulated by the Code of Corporate Governance, approved by the Board of Directors of the Bank of Russia on 21.03.2014, as well as with account of the best corporate governance practices, and shall be published on the Company`s web site on Internet at www.phosagro.ru (hereinafter – the “Company`s web site”).

2. INFORMATION ABOUT THE COMPANY

The Company was established in 2001 and is the parent company of a major vertically-integrated holding, which produces and sells mineral fertilizers.

The Company's large-scale activities are connected with high responsibility before the shareholders, the state, the Company's employees, its suppliers, consumers and the public at large. While assuming such responsibility and the importance of high-profile corporate governance for successful business of the Company and for achievement of mutual understanding among all stakeholders, the Company shall follow the principles hereof and exert every reasonable effort for their observance in day-to-day operations and in course of long-term strategic plans implementation.

The Company seeks to develop and implement economically efficient, profitable and investment-attractive business projects, integrated in world economy, providing the consumers with high standard and environment-friendly mineral fertilizers and other goods and services, produced by high-skilled employees, in the spirit of competition for the consumer and resources saving, with advanced technologies application.

3. PRINCIPLES AND STRUCTURE OF THE COMPANY'S CORPORATE GOVERNANCE

3.1. Definitions and Principles

Corporate governance – a system of relations among the Company's executive bodies, its Board of Directors, shareholders and other stakeholders. Corporate governance is a vehicle for defining the Company's goals and means of such goals' achievement as well as for raising efficiency of control over the Company by shareholders and other stakeholders.

The major goals of corporate governance are to create an efficient system ensuring the safety and efficient use of funds invested by shareholders as well as to mitigate risks.

Corporate governance affects the economic performance of the Company, the valuation of the Company's shares by investors and its ability to raise capital needed for its development. Enhancing corporate governance is a very important measure necessary to increase the stability and efficiency of the Company's activities as well as the flow of investment. The purpose of applying corporate governance standards is to protect the interests of all shareholders, regardless of the number of shares in their ownership. The higher the level of protection, the more investment the Company can count on.

The Company's corporate governance is based on the following principles:

- The Company should ensure equal and fair treatment of all its shareholders in the course of exercise by them of their rights to participate in the Company's management, the shareholders shall be given equal opportunities to participate in the Company's income by receiving dividends.

- The system and practices of corporate governance should ensure equal conditions for all shareholders owning shares of the same class (category), including minority and foreign shareholders as well as their equal treatment by the Company.

- The shareholders should be provided with reliable and efficient means of recording their rights in shares as well as with the opportunity to freely dispose of such shares in a non-onerous manner.

- The Board of Directors shall be in charge of strategic management of the Company, determine main principles and approaches to creation of a risk management and internal control system within the Company, control the activities of the Company's executive bodies, and perform other key functions.

- The Board of Directors shall be accountable to the Company's shareholders.

- The Board of Directors should be an efficient and professional governing body of the Company which is able to make objective and independent judgments and pass resolutions in the best interests of the Company and its shareholders.

- The Board of Directors should include a sufficient number of independent directors.

- The Chairman of the Board of Directors should help it carry out the functions imposed thereon in a most efficient manner.

- Board members must act reasonably and in good faith in the best interests of the Company and its shareholders, being sufficiently informed, with due care and diligence.

- Meetings of the Board of Directors, preparation for them, and participation of the Board members therein should ensure efficient work of the Board.
- The Board of Directors should form Committees for preliminary consideration of most important issues of the Company's business.
- The Board of Directors should ensure quality assessment of its work and that of its Committees and the Board members.
- The Company's Corporate Secretary shall be responsible for efficient interaction with its shareholders, coordination of the Company's actions designed to protect the rights and interests of its shareholders, and support of efficient work of its Board of Directors and the Board Committees.
- The level of remuneration paid by the Company should be sufficient to enable it to attract, motivate, and retain persons having required skills and qualifications. Remuneration due to the Board members, the executive bodies, and other key managers of the Company should be paid in accordance with the remuneration policy approved by the Company.
- The Company should have in place an efficient risk management and internal control system designed to provide reasonable confidence that the Company's goals will be achieved.
- The Company and its activities should be transparent to its shareholders, investors, and other stakeholders.
- The Company should disclose, on a timely basis, full, updated and reliable information about itself so as to enable its shareholders and investors to make informed decisions.
- The Company should provide information and documents requested by its shareholders in accordance with the principle of equal and unhindered accessibility.
- Any actions which will or may materially affect the Company's share capital structure and its financial position and, accordingly, the position of its shareholders (material corporate actions) should be taken on fair terms and conditions ensuring that the rights and interests of the shareholders as well as other stakeholders are observed.
- The Company should have in place such a procedure for taking any material corporate actions that would enable its shareholders to receive full information about such actions in due time and influence them, and that would also guarantee that the shareholder rights are observed and duly protected in the course of taking such actions.

3.2. General Structure of Corporate Governance

The Company's Structure of Corporate Governance includes management bodies and the Committees of the Company's Board of Directors:

- the General Meeting of Shareholders - the supreme management body of the Company, through which the shareholders exercise their rights for participation in the Company's governance;
- the Board of Directors - management body responsible for development of the Company's strategy, general management of its activities and control over performance of its executive bodies;
- the Sole Executive Body (CEO) and the collective executive body (Management Board) - management bodies of the Company in charge of managing the Company's current activities and implementation of strategy elaborated by the Board of Directors and shareholders of the Company;
- Committees of the Board of Directors (hereinafter – the “Board Committees” or the “Committees”) – shall ensure efficient discharge of the Board functions, shall be responsible for preliminary consideration of the Company's most material issues and shall draft recommendations for the Board of Directors to adopt resolutions on issues within its authority.

4. THE COMPANY'S PRACTICE OF CORPORATE GOVERNANCE

4.1. The Board of Directors

4.1.1. Goals, tasks and functions of the Board

The main goals of the Board of Directors are the Company's sustainable and successful development, long-term increase of the Company's assets' value, ensuring protection of the Company's shareholders' rights and legal interests. The Board of Directors shall ensure that the public information about the Company should be comprehensive, true and unbiased.

The Board of Directors shall be in charge of strategic management of the Company, it shall determine the main principles and approaches to creation of a risk management and internal control system within the Company and it shall control the activities of the Company's executive bodies, and perform other key functions.

The functions of the Board of Directors are set by the Federal Law "On Joint-Stock Companies" (hereinafter – the "Law on Joint-Stock Companies") and the Company's Charter.

4.1.2. Composition of the Board of Directors

An individual only can be a member of the Board of Directors. A Board member may not necessarily be the Company's shareholder.

Board members are elected by the General Shareholders' Meeting under the procedure, stipulated by the Law on Joint-Stock Companies and the Company's Charter, for the period until the next Annual General Shareholders' Meeting. In case the Annual General Shareholders' Meeting has not been held within the period, indicated in clause 47, paragraph 1 of the Law on Joint-Stock Companies, the Board powers shall be terminated, with the exception of the powers relating to making arrangements for, convening and holding the Annual General Shareholders' Meeting.

Individuals elected as the Board members, may be re-elected an unlimited number of times.

The Company seeks to have a sufficient number of independent directors as the Board members.

Criterion of independence of the directors (candidates for election as independent directors) are stipulated by the Company's Regulations on the Board of Directors.

4.1.3. Chairman of the Board of Directors

The Chairman of the Board of Directors shall be elected by and from the Board members, by a majority vote of all Board members, unless otherwise provided by the Company's Charter.

The Board of Directors may at any time re-elect its Chairman by a majority vote of all Board members, unless otherwise provided by the Company's Charter.

The Chairman of the Board of Directors shall arrange the Board activities, convene its meetings and take the chair, he shall approve the agenda of the Board meetings, ensure that minutes are kept at the meetings, take the chair at the General Shareholders' Meeting, represent the Board of Directors in relations with the Company's executive bodies, shareholders and third parties, arrange the annual assessment of the Board performance, and shall control implementation of offers aimed at improving the efficiency of the Board performance.

In case the Board Chairman is absent, his functions shall be performed by the Deputy Chairman of the Board of Directors or another Board member (by the decision of the Board of Directors).

4.1.4. Secretary of the Board of Directors

The Board Secretary shall be appointed by the Board resolution. The Company's Corporate Secretary, another employee of the Company or another individual may be appointed as the Secretary of the Board of Directors. The Board may at any time remove the Secretary and appoint a new Secretary.

4.1.5. The Board Committees

The Committees of the Board of Directors are created for effective performance of the Board, for preliminary consideration of the most important issues relating to the Company's activities and drafting recommendations for the Board of Directors for adopting resolutions on issues within the Board authority.

The Committees are not the Company's bodies. The Company shall not accept any rights or undertake any obligations through the Committees.

The quantitative and personal composition of the Committees shall be determined by the Board of Directors, which shall approve the Regulations on the Committees.

Besides the permanent Committees the Board of Directors may also create temporary Committees to handle specific issues.

The Chairman of each Committee plays the key role in arrangement of the Committee's activities. His main task is to ensure unbiased approach to drafting the Committee's recommendations to the Board of Directors. In this regard the Company seeks to procure that the Committees are headed by independent directors.

A member of the Board of Directors may participate in maximum three (3) Committees.

In certain cases experts and consultants with necessary professional knowledge, experience and skills may be retained to work for a Committee.

Reports on the Committees' performance shall be provided to the Board of Directors at least once a year.

4.1.6. Remuneration due to members of the Board of Directors and reimbursement of their expenses incurred by them while performing their tasks

By the resolution of the General Shareholders' Meeting members of the Board of Directors may be paid a remuneration and/or a compensation for their expenses in relation to performing their functions of the Board members.

4.1.7. Meetings of the Board of Directors

The Board of Directors acts according to its schedule. Its meetings are held in accordance with the work schedule, approved by the Board of Directors, usually, at least once every two (2) months, and also if necessary, with due account for the scope of the Company's activities and its goals for a set period. The Board schedule shall include a list of issues which shall be considered at the respective meetings.

The meetings of the Board of Directors, preparation for such meetings and participation of the Board members in such meetings shall ensure the Board's effective performance.

The Board meetings may be held both in person and without physical presence of the Board members, which shall depend on importance of the issue on the agenda.

The most important issues relating to the Company's activities are usually considered at meetings held in person (including, among other things, meetings held via a video conference or a conference-call).

4.1.8. Adopting resolutions by the Board of Directors

A meeting of the Board of Directors is duly constituted (the quorum is present), if at least half of the elected Board members have participated in it.

When considering issues at the Board meeting and also without physical presence of the Board members, each member of the Board of Directors has one vote. When the Board of Directors makes resolutions the Board Chairman shall have a casting vote in case the members' votes on each side are equal.

Resolutions of the Board of Directors shall be adopted by a majority vote of the Board members, who participate in the meeting (vote without physical presence of the members) of the Board of Directors, provided that the Law on Joint-Stock Companies or the Company's Charter do not require more votes for adopting the respective resolutions.

The Board's performance results shall be summarized in the Company's Annual Report.

The procedure of the Board's activities, including the rights, duties and responsibility of the Board members shall be established by the Regulations on the Company's Board of Directors, which shall be disclosed on the Company's web site.

4.2. The Company's Executive Bodies

The Company's sole executive body (the Chief Executive Officer) and the collective executive body (the Management Board) shall be responsible for managing the Company's day-to-day operations.

4.2.1. The Company's Chief Executive Officer

The Company's Chief Executive Officer shall be accountable to the Company's Board of Directors and the General Shareholders' Meeting.

All and any issues relating to managing the Company's current activities fall within the authority of the Company's CEO, except for issues which pertain to the competence of other management bodies of the Company according to the Russian legislation in force and/or the Company's Charter.

The CEO shall be elected by the Board of Directors for the period of three (3) years.

The Company's Board of Directors may at any time remove the Company's CEO and elect a new CEO.

4.2.2. The Company's Management Board

The Company's Management Board shall be accountable to the Company's Board of Directors and the General Shareholders' Meeting.

The personal composition of the Company's Management Board shall be approved by the resolution of the Company's Board of Directors for the period of one (1) year.

An employee only can be a member of the Company's Management Board.

The quantitative composition of the Company's Management Board shall be determined by the resolution of the Company's Board of Directors.

Persons elected as the members of the Company's Management Board may be re-elected an unlimited number of times.

The Company's Board of Directors may at any time resolve to terminate ahead of schedule the powers of the Company's Management Board's members and to establish a new Management Board.

The Company's Management Board adheres to the Russian legislation, the Company's Charter, the Regulations on the Management Board and other internal documents of the Company, approved by the General Shareholders' Meeting, and pertaining, in particular, to the Management Board's activities.

The authority of the Company's Management Board shall be stipulated by the Company's Charter.

The Regulations on the Company's Management Board have been disclosed on the Company's web site.

4.3. The Company's Corporate Secretary

The Company's Corporate Secretary (hereinafter – the “Corporate Secretary”) shall be responsible for day-to-day cooperation with the shareholders, coordination of the Company's activities relating to protection of the shareholders' rights and interests, support of the Board's effective performance.

The Corporate Secretary shall be appointed and removed by the Company's CEO under the resolution of the Board of Directors.

The Company seeks to ensure sufficient independence of the Corporate Secretary from the Company's executive bodies.

The Regulations on the Company's Corporate Secretary have been approved by the resolution of the Company's Board of Directors. These Regulations set the requirements to a nominee for appointment as the Corporate Secretary, the procedure for his appointment and removal, the conditions and procedure for the remuneration payment, determine the Corporate Secretary's rights and obligations and control the Corporate Secretary's activities.

The Regulations on the Company's Corporate Secretary and information on the Corporate Secretary have been disclosed on the Company's web site.

4.4. The Risk Management Directorate

The Risk Management Directorate is the Company's structural unit.

The Risk Management Directorate has been established for ensuring the creation and support of effective performance of the Company's risk management system.

The Risk Management Directorate collects information on all risks detected and updates the risk register of the Company. Basing on the information received regarding the risks, the Risk Management Directorate drafts and provides to the Commission on Risks and the Board of Directors quarterly reports on the key risks' status and information on newly determined key risks, measures to manage them, risks which have become actual and measures to respond to the risks.

4.5. The Internal Audit Directorate

The Internal Audit Directorate is the Company's structural unit.

The Internal Audit Directorate's task is to raise efficiency of managing business-processes, of internal control and risk management systems by means of independent and impartial assessment of their performance in the spheres of risk management, corporate governance, information systems and the internal control system, as well as other projects within the authority of the Internal Audit Directorate, with due account for the International Standards for the Professional Practice of Internal Auditing approved by the Institute of Internal Auditors.

5. SHAREHOLDERS' RIGHTS AND EQUAL TREATMENT OF SHAREHOLDERS EXERCISING THEIR RIGHTS

5.1. Rights and Remedies of Shareholders

Shareholders of the Company are allotted with a package of rights in relation to the Company, the observance and protection of which shall be ensured by the Board of Directors and the Company's executive bodies.

The rights of the Company's shareholders shall be determined by the applicable legislation and the Charter of the Company.

Shareholders shall have the right for regular and timely receipt of information on the Company's business within the scope enough for making informed and reasoned decisions on disposal of the Company's securities.

Shareholders possessing voting shares of the Company, shall have the right to participate in the General Meeting of Shareholders and to vote on any issue in their competence.

For the purpose of due observance and protection of the above rights, the Company shall arrange and hold the General Meeting of Shareholders in a manner that the shareholders' participation will not be time consuming and will not lead to excessive material costs, and shall ensure equal treatment to all shareholders.

The Company shall be obliged to provide the shareholders with information on issues put on the agenda of the General Meeting of Shareholders to an extent and in time limits, stipulated by the legislation in force and the Company's Charter.

In cases stipulated by applicable legislation and the Charter of the Company, the Board of Directors shall make impartial and reasoned recommendations to shareholders.

Shareholders shall be entitled to a portion of net profits of the Company payable as dividends. For the purpose of due observance and protection of the above rights the Company shall be obliged to pay declared dividends in time specified by General Meeting of Shareholders.

The Company shall ensure keeping and storage of the Shareholders Register according to the Russian law.

The Company's Shareholders Register holder shall be a special registrar (hereinafter – the "Registrar") which shall keep the register of shareholders as the only activity category and which shall have a license for performing such activities.

5.2. General Meeting of Shareholders

5.2.1. Preparation for Meetings

Each shareholder shall have the right to participate in the General Meeting of Shareholders, to vote on issues of its agenda, to be timely notified of such meeting and its agenda, and to obtain

timely access to reliable and impartial information, sufficient for adopting sound decisions on issues included in the agenda. The sole executive body (the Chief Executive Officer) shall be responsible for the support of this process.

The Company has established fair and efficient procedure of introducing proposals to the agenda of the General Shareholders` Meeting, including proposals related to candidacies to the members of the Board of Directors.

5.2.2. Holding the Meetings

The Company shall take all necessary steps for ensuring participation of shareholders in the General Shareholders` Meeting and their voting on issues included in the agenda.

The venue of the General Shareholders` Meeting shall be accessible for all shareholders. The procedure of registration shall be convenient for participants and shall ensure easy and unrestricted access to the place of the meeting.

Where possible, the Company shall ensure that General Meeting of Shareholders is attended by (shall offer participation in the General Shareholders` Meeting to) the CEO, chief accountant (an officer of the legal entity, which renders accounting record-keeping services for the Company), members of the Review Committee (inspector) of the Company, the chairman or any other member of the Audit Committee of the Board of Directors and the Company`s auditor. The Company shall also invite the candidates for elections as the members of the Board of Directors and the Review Committee to be present at the respective General Shareholders` Meeting.

The Company shall arrange the General Shareholders` Meeting to be held in such a way as to enable the shareholders to make informed and reasoned decisions on all matters on the agenda. In order to do so, a sufficient time for reports on the agenda should be provided and there should be sufficient time to discuss these issues.

The Company arranges the votes counting to be completed, the voting results to be summed up and announced before the end of the General Shareholders` Meeting. After the resolutions adopted by the General Shareholders` Meeting and the voting results have been announced, the chairman of the General Shareholders` Meeting announces that the meeting is over.

The Company arranges the General Shareholders` Meeting to be held during one (1) day.

5.2.3. The Results of the Meeting

The resolutions adopted by the General Shareholders` Meeting and the voting results shall be announced at the General Shareholders` Meeting, where the voting was held, and shall be communicated to persons included in the list of persons entitled to participating in the General Shareholders` Meeting, in the form of a report on the voting results, according to the procedure, stipulated for communications regarding the holding of the General Shareholders` Meeting, no later than four (4) business days after the date when the General Shareholders` Meeting was completed or the last date of receiving voting ballots for holding the General Shareholders` Meeting without physical presence of the shareholders.

The rules for preparing, convening and holding General Shareholders` Meetings are set by the Regulations on the General Shareholders` Meeting, the Company`s Charter and the Russian legislation in force.

6. DISCLOSURE OF INFORMATION ABOUT THE COMPANY AND ITS INFORMATION POLICY

Disclosure of information on the Company is an one of the most important mechanisms of the Company`s relations with the shareholders and other stakeholders (creditors, partners, clients, suppliers, the public, public authorities). It contributes to establishing long-term relationship with such persons and gaining their trust, as well as helps the Company increase its value and raise capital.

The Company has developed and implemented Information Policy, which ensures effective information exchange among the Company, shareholders, investors and other stakeholders. The Regulations on Information Policy have been disclosed on the Company`s web site.

The Company`s Information Policy sets out purposes and principles of information disclosure by the Company, contains a list of information (in addition to that provided for by law) which the Company undertakes to disclose.

The Company`s executive bodies shall be in charge of implementing its Information Policy. Its Board of Directors shall exercise control over compliance with the Information Policy.

The Company shall on a timely basis disclose full, updated and reliable information about itself so as to enable its shareholders and investors to make informed decisions.

The Company shall disclose information according to the principles of regularity, consistency and timeliness, as well as accessibility, reliability, completeness and comparability of disclosed data.

Implementation of the principle of regular, consistent and timely disclosure of information involves:

- 1) ensuring the continuity of the information disclosure process;
- 2) disclosure as soon as possible of information that can materially affect the Company`s estimated value and the value of its securities;
- 3) simultaneous and equivalent disclosure of material information in the Russian Federation and abroad;
- 4) provision in a prompt manner of information about the Company's position regarding rumors or false information presenting a distorted view of the Company`s estimated value and the value of its securities, which presents a threat to the interests of its shareholders and investors.

To comply with the principle of accessibility of disclosed information, the Company shall use electronic channels of information disclosure available to most of its stakeholders. Information communication channels shall provide such stakeholders with free and easy access to the information disclosed by the Company. To comply with the principles of reliability, completeness, and comparability of data disclosed thereby, the Company shall seek to procure:

- 1) that disclosed information is readily understandable and consistent and that data are comparable (so that it would be possible to compare performance indicators of the Company for different periods as well as to compare the Company`s indicators with those of similar companies);
- 2) that information provided by the Company is objective and balanced. When describing its activities, the Company shall not refrain from disclosing negative information about itself if such information is material to its shareholders and investors;
- 3) neutrality of financial and other information disclosed by the Company, that is, such disclosed information should be presented regardless of the interests of any persons or their groups. Information shall not be deemed neutral if its content or form is selected with a view to achieving certain results or effects.

The Company`s website is the main channel for information disclosure by the Company, so its website contains information enabling one to form an objective view of material aspects of the Company`s activities. Along with disclosure of information in Russian the Company seeks to disclose the same information about itself (including an announcement of a General Shareholders Meeting to be held, its annual report and accounting (financial) statements) in a foreign language that is commonly used at the financial market, and provide free access thereto.

The procedure for providing the shareholders with access to information and documents is set by the Regulations on the Company`s Information Policy.

7. RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Company has an efficient risk management and internal control system designed to provide reasonable confidence that the Company`s goals will be achieved.

The Company`s Board of Directors has determined the principles of and approaches to creation of the risk management and internal control system.

The main goals of the Company's risk management system are the following:

- Preservation and effective use of the Company's resources and potential, ensuring continuity of the Company's operations;
- Compliance with the determined performance indicators;
- Reduction of losses and unforeseen events in the Company's business;
- Determining the priorities in the Company's activities basing on the Company's idea of the current risks, including financial risks;
- Timely adaptation of the Company to internal and external changes;
- Ensuring the Company's effective performance, its stability and development prospects;
- Permanent raising of efficiency of the Company's performance in all spheres by means of analysis and appraisal of all risks and opportunities present;
- Control over compliance with the legal acts regulating the Company's activities.

To ensure efficient operation of the risk management system, the Company has created the Risk Management Directorate - a separate structural unit which shall perform the following tasks:

- organizational and methodological support of activities aimed at implementation and improving of the Company's risk management system;
- implementation of processes in relation with risk management;
- coordination of activities in relation with managing the risks of the Company's structural units;
- current control over the performance of the Company's risk management system, including the management's actions in relation with risk management;
- improving the risk management system, information communication to the participants of the risk management system.

The Company's risk management and internal control system enables one to obtain an objective, fair and clear view of the current condition and prospects of the Company, integrity and transparency of its accounts and reports, and reasonableness and acceptability of risks being assumed by the Company.

The risk management and internal control system enables the Company to timely respond to any risks it faces. It is a set of organizational measures, methodologies, procedures, corporate culture rules and actions taken by the Company with a view to achieving an optimal balance between growth of the Company's value, its profitability and risks, achieving its financial stability and efficient operation, ensuring the safety of its assets, complying with the law, the Charter and internal documents of the Company, and preparing reliable statements and accounts in due time.

8. CORPORATE CONFLICTS SETTLEMENT

A conflict of interest means any contradiction between the Company's interests and personal interests of a member of its Board of Directors or the collective executive body or those of its sole executive body; such personal interests shall mean any direct or indirect personal interests or interests favoring a third party, including any interests arising by virtue of his business, friendship, family or other ties and relations, positions held by him or by any persons affiliated with him in any other legal entity, his or such affiliated persons' ownership of shares in another legal entity, or contradiction between such person's duties vis-à-vis the Company and vis-à-vis such other legal entity. A conflict of interest may result, in particular, from entering into a transaction in which a respective person is interested, whether directly or not, acquisition of shares (interests) in any legal entity competing with the Company, or holding a position in such a legal entity, or entering into contractual relations or other connection with it.

The Company shall be obliged to take any and all necessary and possible measures for prevention and resolution of a conflict (as well as for mitigation of its consequences) between any of the Company's bodies and its shareholder(s), as well as between its shareholders, where such conflict affects the Company's interests, and in particular, to use out-of-court dispute resolution procedures.

The Board of Directors plays the key role in identifying and settling such conflicts and, thus, enables all the shareholders to get efficient protection in case of violation of their rights.

If, at any stage, a conflict affects or might affect the Company's executive bodies, it should be referred to the Company's Board of Directors. Board members whose interests are or might be affected by the conflict should not participate in its resolution.

To prevent corporate conflicts from occurring, the Company is creating a system designed to identify its transactions which involve a conflict of interest (in particular, any transactions entered into for the personal benefit of its shareholders, members of the Board of Directors, members of the Management Board, other bodies or the Company's employees). Such system requires procedures that ensure:

1) timely receipt by the Company of updated information on persons associated or affiliated with members of the Board of Directors, the Company's sole executive body, members of executive body, other key managers and any conflict of interest involving any of the above persons (including information on their interest in entering into a particular transaction); and

2) that decisions to enter into any transactions involving a conflict of interest are made or that control over the terms and conditions of such transactions is exercised by persons who have no conflict of interest and are not influenced by any persons who have a respective conflict of interest.

A special role in prevention of corporate conflicts and evaluation of material corporate actions belongs to independent directors of the Company. Independent directors carry out a preliminary evaluation of the Company's potential actions and draft resolutions which might result in a corporate conflict.

In a conflict situation (for example, if there are significant disagreements among the Board members or if the Board Chairman fails to pay attention to any matters which are requested to be considered by individual Board members or the Company's shareholders entitled to apply to the Board of Directors for that purpose), one of the independent directors should use his efforts to resolve the conflict by liaising with the Board Chairman, other Board members and the Company's shareholders with a view to ensuring efficient and stable work of the Board of Directors.

Board members should refrain from actions that will or may result in a conflict between their interests and those of the Company.

If a Board member has a conflict of interest, he should promptly inform the Board of Directors (through its Chairman or the Company's Corporate Secretary) both of the existence of and grounds for such conflict of interest. In any case, such notification shall be made before the issue in respect of which such Board member has the conflict of interest is discussed at a meeting of the Board of Directors or any of its Committees at which such Board member is present.

If a Board member has a conflict of interest, he may not take part in decision-making. He should abstain from voting on any issues in respect of which he has a conflict of interest.

Where the nature of a matter being discussed or the specifics of a particular conflict of interest requires to do so, the Board of Directors should suggest that the Board member who has such conflict of interest should not be present at the meeting where the respective matter is to be discussed.

To rule out a conflict of interest, executive directors are recommended to abstain from voting when approving the terms and conditions of contracts to be entered with members of the Company's executive bodies.

The Corporate Secretary also plays an important role in corporate conflicts prevention within the Company.

9. MATERIAL CORPORATE ACTIONS

Any actions which materially affect or may materially affect the Company's share capital structure and its financial position and, accordingly, the position of its shareholders (material corporate actions) should be taken on fair terms and conditions ensuring that the rights and interests of the shareholders as well as other stakeholders are observed.

According to the Company's Charter, material corporate actions shall include:

- the Company`s reconstruction;
- acquisition of thirty (30) or more percent of the Company`s voting shares;
- entering by the Company into material transactions;
- increasing or decreasing of the Company`s share capital;
- listing and delisting of the Company`s shares.

The Company`s material transactions shall include:

- major transactions;
- interested party transactions that are material to the Company. The material character of a transaction is determined by the Company`s Board of Directors according to the subject matter, price and other conditions of the transaction;
- transactions for the sale of shares and participation interest owned by the Company in share capitals of legal entities, which produce apatite concentrate, mineral fertilizers and/or aluminum fluoride as one of their activities, if the nominal value of the shares (participation interest) to be sold exceeds ten (10) percent of the respective entity`s share capital.

The rules for developing and holding corporate procedures in relation with material corporate actions undertaken by the Company are set by the Company`s internal documents.

10. FINAL PROVISIONS

This Code shall be adopted, amended and supplemented by the resolution of the Company`s Board of Directors, approved by a majority vote of the Company`s Board of Directors, participating in the meeting.

If in result of amendments to laws and other legal acts of the Russian Federation, any provisions of this Code are in conflict with such legal acts, these provisions shall lose force, and the Company shall follow the requirements of the applicable legislation of the Russian Federation, until the respective amendments are made to the Company`s Code.