

APPROVED

By Resolution of the Board of Directors
of PJSC PhosAgro dd. 21.12.2023
(minutes of the meeting
of the Board of Directors of PJSC PhosAgro
dd. 22.12.2023 unnumb.)

Tax strategy of PJSC PhosAgro and organizations being part of the same Group of entities

PJSC PhosAgro and its subordinated organizations (hereinafter referred to as the “Group”) is one of the world’s leading manufacturer of phosphate-based fertilizers. The Group includes more than twenty companies in the segments of extraction and processing, manufacture, sales, logistics, research and development of mineral fertilizers. Individual companies of the Group are the city-forming enterprises in the Russian Federation and the largest employers providing employment for residents of the regions of their presence, and determining the regions’ economic development.

The Group’s companies are responsible and good faith taxpayers calculate and pay applicable taxes, insurance premiums, fees and duties in the Russian Federation. The Group pays taxes in more than fifteen regions of the Russian Federation, having a significant impact on the generation of budgets at all levels (federal, regional and local budgets) as a taxpayer and a tax agent. Responsible fulfillment of tax liabilities by the Group’s companies directly affects the efficiency of commercial activities and implementation of the Group’s strategic sustainable development goals, as well as protects the interests of investors and shareholders.

This document defines the principles of the Group’s activities and strategic objectives in the field of taxation, and is intended, among other things, to inform management, employees, shareholders and investors, as well as public authorities, contractors and other stakeholders about the principles which the Group adheres to, when implementing the tax function.

The document is subject to approval by the Board of Directors of PJSC PhosAgro. The tax strategy is updated and refined as necessary, but at least once every two years.

This strategy is publicly available and easily accessible at the official website: <https://www.phosagro.ru>.

1. The Group’s work principles in the field of taxation

Centralization and unification

The Group pursues the unified consistent tax policy conforming with the goals of its sustainable development, and ensures the unified approach to compliance with the requirements of the tax law by all companies of the Group.

Legality

The Group’s companies strictly and rigorously comply with the provisions of the tax law of the Russian Federation, international treaties and other acts in the field of taxation. In their activities, the Group’s companies are guided by the provisions of the laws on taxes and levies, as originally framed and taking into account the official interpretation given by the authorized bodies and the established practice in applying the law. The Group’s companies submit tax reports and other documents, as well as make their tax payments within the time limits established by law.

Due Diligence

The taxes are calculated and paid based on the real economic substance of the companies' economic activities. The Group's companies neither carry out transactions the main purpose of which is tax savings, nor they use aggressive tax planning practices.

The Group does not have companies registered in offshore zones to be recognized as such by the Russian Federation¹, as well as in the territories that has no practice of exchanging tax information with the European Union.

Efficiency

The Group rationally implements its tax strategy, taking into account its investors' and shareholders' interests, as well as the long-term strategic goals of the Group's development. The Group uses the tax burden management tools provided for by the applicable law, in particular, investment protection and promotion agreements (IPPA) and special investment contracts (SIC).

Due circumspection

The Group's companies take all necessary actions to avoid entering into transactions with counterparties whose activities may indicate their unfairness or evasion from fulfilling their tax obligations (obtaining unjustified tax benefits). The Group provides verification procedures of suppliers aimed at making transactions exclusively with bona fide counterparties and building long-term mutually beneficial business relationships with suppliers.

For improving the above measures, the Group plans to automate verification of counterparties from various open sources based on the set of criteria for assessing the reliability of counterparties.

Planning

For the purpose of effectively and timely fulfilling fiscal obligations, the Group plans and forecasts tax payments taking into account external and internal factors affecting the tax burden, as well as monitors the transfer of tax payments to the budget. The tax planning is arranged considering all stakeholders' balance of interests.

Transparency

The Group complies with international requirements for public disclosure of information, in particular, annually publishes its report on payments to the state budget in accordance with the rules set forth in section 4.3A of the Disclosure Guidance and Transparency Rule adopted by the Financial Conduct Authority of the United Kingdom (Financial Conduct Authority's Disclosure and Transparency Rules 4.3A).

The Group strives to build the open dialogue with government authorities, for the purpose of creating favorable environment for business and social development in the regions of its presence. The Group's companies assist the tax authorities in implementation of tax control measures, promptly and fully responding to requests from tax authorities and providing access to the required information.

The main production enterprise of the Group, Apatit JSC, whose share of taxes paid exceeds 80 % of the total amount of the Group's tax deductions, switched to tax monitoring on January 1, 2021, and the Group's parent company switched to tax monitoring on 1 January 2023. This form of tax control involves unconstrained provision to the tax authority of access to accounting data and tax records in real time (instead of conducting desk and on-site inspections) through the Tax Monitoring Data Mart. Starting in the second quarter of 2024, Apatit and PhosAgro plan to connect to AIS Tax-3 through the taxpayer's personal account on the website of the Federal Tax

¹ The list of offshore zones is established by the Order of the Ministry of Finance of the Russian Federation dated 13.11.2007 No. 108n "On approval of the List of the countries and territories, which grant the preferential tax treatment and (or) do not require the disclosure and submission of information when conducting financial transactions (offshore zones)"

Service of the Russian Federation, in order to directly integrate (synchronous and asynchronous) interaction between the accounting systems of these companies and the accounting system of the tax authority.

Participation in forming public policy in the field of taxation

The Group actively participates in forming and implementing the public tax policy, as well as in discussing and developing draft laws in the field of taxation.

In particular, employees of the Directorate of Tax Administration and the Directorate of Tax Planning and Tax Risk Management, the Directorate for Information Technology of Apatit JSC participate in activities of two working groups under the Federal Tax Service of Russia, related to ensuring tax transparency: “Integration of accounting systems of taxpayers participating in tax monitoring in AIS “Tax-3”, “On standardization of requirements for tax registers”.

As a member of the Russian Union of Industrialists and Entrepreneurs (RSPP), the Group actively participates in the analysis of draft laws submitted to the RSPP for consideration, as well as in development of legislative initiatives of the RSPP, and defends its own position on key issues for business development. The Group also joined the RSPP Social Charter of the Russian Business.

Flexibility (operability)

The Group ensures prompt changes in its tax policy in case of amendments to the applicable law on taxes and levies and established practice in applying the law, as well as timely updates of the accounting policy of the organization. In addition, the Group is taking measures to create conditions for rapid integration of best practices in performing the tax function and interaction with regulatory authorities.

Independence in the approach to pricing in the Group’s internal transactions

The Group has created all necessary conditions for fulfillment of transfer pricing requirements, introduced control mechanisms to assess application of market pricing principles.

The Group’s companies regularly prepare and promptly provide to the authorized bodies notifications on controlled transactions. In accordance with the requirements of the applicable law, the Group’s companies prepare national documentation on controlled transactions.

2. Organization of the Group’s tax function

The Group’s companies independently perform the tax function considering the provisions of this strategy

Strategic planning in the field of taxation is carried out by the Board of Directors of PJSC PhosAgro. The tax function strategic management and methodological support are carried out by the Directorate of Tax Administration, which is part of the Legal Affairs Directorate, which functionally controls the Directorate of Tax Planning and Tax Risk Management, which is part of the Economic Affairs Directorate, and the Tax Accounting Department of the Directorate of Accounting and Tax Records of Apatit JSC, which is part of the Group and unites the Group’s key production assets.

For the purpose of improvement of the effectiveness of the tax function, the Group automates and improves the processes of business transactions accounting, calculating taxes, forming tax reports and monitoring correctness of tax calculation, with assistance of the external experts and consultants recognized on the international market and/or highly qualified in the field of taxation.

If there is ambiguity in application of tax law provisions, the Group’s companies request clarifications from authorized public authorities, including requests for submitting the reasoned opinion of the tax authority in framework of tax monitoring.

The Group's companies, as well as all responsible structural units, ensure timely provision to management of all tax information that may affect commercial and managerial decision-making, including the opinions of external experts and consultants, as well as explanations from the authorized bodies.

The system of internal tax control and tax risk management functions in the Group

Basic principles and approaches to organization of the risk management and internal control system are determined by the Board of Directors of PJSC PhosAgro, which quarterly reviews the information on management of key risks, including tax risks. The main tasks, structure and key functions of the participants of the risk management and internal control system are approved in the Risk Management and Internal Control Policy of PJSC PhosAgro.

The tax risk management includes the following steps:

- risk planning;
- identification of risks;
- risk assessment;
- defining the limits of risk acceptability;
- development of control procedures and their integration (documentation), i.e. their inclusion in the internal documents;
- automation of control procedures;
- analysis of the control procedures implementation, and assessment of their efficiency;
- disclosure of information on identified risks and control procedures.

The control procedures are carried out by responsible officials of the Group's companies. Results of the control procedures shall be documented. Assessment, monitoring and audit of the internal tax control system are carried out annually, based on the results of which the action plan is developed to improve the level of the internal tax control system.

If significant tax risks are identified, the Group's companies take measures to reduce and eliminate them, for ensuring compliance with tax law and timely preparation of reliable financial reporting. The Group discloses information on identified significant tax risks. Reliability of the data disclosed by the Group as part of financial reporting shall be confirmed by the external auditor. The reports are published at the website <https://www.phosagro.ru>.

The Group's companies have developed and implemented the set of organizational, legal, informational and explanatory measures aimed at improving the high ethical standards of the unified corporate culture, as well as minimizing risks of involving employees in illegal activities (including those related to tax evasion). The Group has internal and external tools for seeking advice and reporting on ethical and law-abiding behavior, as well as on issues related to manifestations of unfairness in the organization. An employee of any company in the Group, as well as a member of the Board of Directors, the Management Board, who has become aware of an incident or impending violation of the applicable law (including the law on taxes and levies), has to immediately report this to the PhosAgro Hotline.

In order to improve the internal tax control system, PJSC PhosAgro and JSC Apatit have developed and plan to approve the Concept for the Development of the Internal Tax Control System for 2024-2028.