What quality means to us

PHOSAGRO®

Sustainability Report 2013

Headquartered in Russia, PhosAgro is the world's largest producer of high grade phosphate rock and Europe's largest producer of phosphate-based fertilizers. We control a high quality, premium phosphate resource and we leverage this exceptional asset through our vertically-integrated, flexible fertilizer production model to deliver tailored fertilizers and their grades to farmers in Russia and across the globe.

About this report

This is our inaugural sustainability report and it reflects the results of our operations within the Group during the period 2009-2013. Our report focuses on issues that we consider to be of material significance to our sustainability performance and corporate social responsibility. This report has been prepared following the Global Reporting Initiative (GRI) G3.1 guidelines with the mining and metals sector supplement.

It outlines how our high quality phosphate resource and our vertically integrated, flexible production model make a positive contribution to our wide range of stakeholders – including our employees and customers, educational institutions and governments, as well as how this creates value for our shareholders.

Within this report, we detail our approach and the steps we have taken, providing information on how we approach our business, including the health, safety and social welfare of our employees, how we manage our environmental footprint and the way we contribute to the communities that host our activities, as well as how we work to understand our key stakeholders' concerns and interests. These are all undertaken to meet our goal of being a Company that offers our stakeholders measurable value.

PhosAgro has self-declared a GRI level B. A summary GRI table is available in this report and our detailed index is available to download at www.phosagro.com.

Information presented in this report is based on the level of integration of the operations into the Group and availability at the time of data collection. In future, we plan to produce a fully integrated Group level report annually.

The main holding companies include: Apatit, PhosAgro-Cherepovets, Agro-Cherepovets, Balakovo Mineral Fertilizers and Metachem. Metachem was 100% acquired in 2013, and has been included only in the 2013 data. Data on some GRI LA and HR disclosures are only provided for 2013.

If you have any questions regarding the data and information included in this document, our contact details are on page 60.

Contents

This symbol directs you to further information on our website.

This symbol directs you to more information in the Annual Report 2013.

This symbol directs you to more information within this report.

This symbol is used to signpost further data in the performance summary.

This report should be read in conjunction with our Annual Report and, where noted, material on our website at www.phosagro.com. Unless otherwise stated, the report covers our 2013 financial year.

High quality production assets

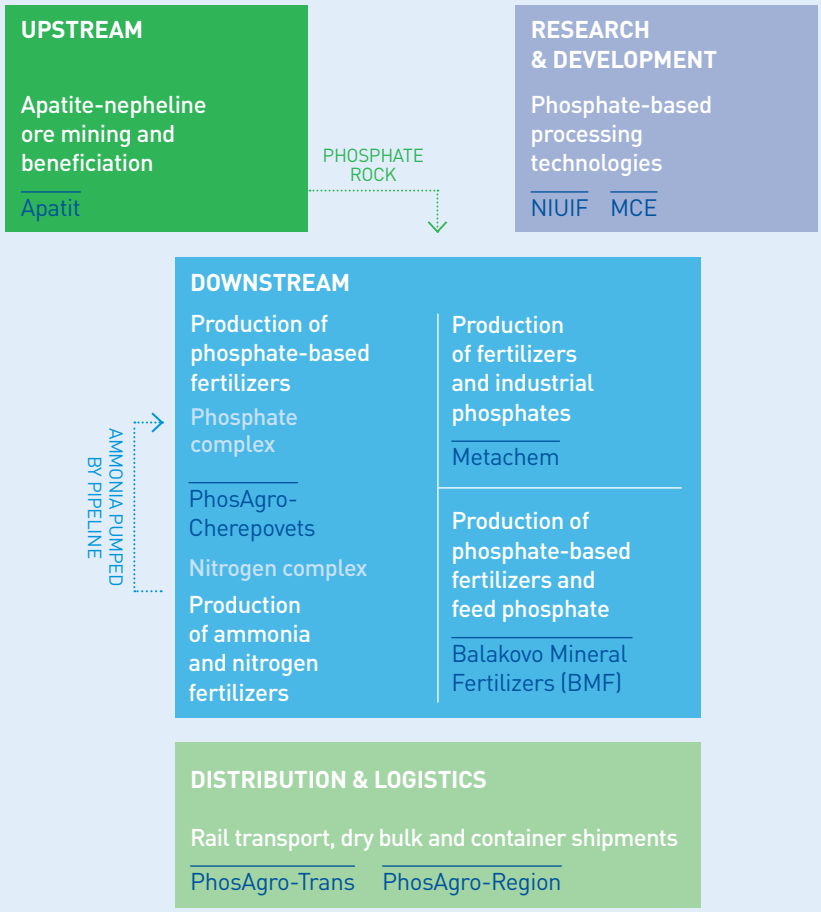
At PhosAgro, we benefit from a unique combination of self-sufficiency in key feedstocks – including phosphate rock, ammonia and electricity – and access to abundant local sulphur and natural gas. We maximise these advantages through our vertical integration and production of 25 different fertilizers, a multi-stage, capital intensive process.

Our strong domestic distribution network enables us to deliver our products across Russia, where we are the leader in fertilizers[1]. We also ship our products in containers worldwide.

Our integrated and flexible business model enables us to run an efficient business, maximising shareholder returns. Our model is difficult for competitors to mimic due to the high quality of our production base and ability to switch production lines.

In addition to our resource production and distribution, we have Russia's only Research Institute for Mineral Fertilizers (NIUIF) specialising in phosphate-based processing technologies and the production of phosphoric and sulphuric acids, phosphorous, nitrogenous and complex mineral fertilizers. Activities of NIUIF include the creation of environmentally sustainable and resource-conserving technologies and equipment for our industry.

Our integrated and flexible business model and assets



25
fertilizer products

18,870
employees

over 100
countries

To find out more about our research and development please go to www.niuif.ru

1. ChemCourier, Azotecon, PhosAgro.

Apatit

Mining and processing of apatite-nepheline ore from the Khibiny deposits, production of phosphate rock and nepheline concentrate

The world's largest producer of high grade phosphate rock

Russia's only producer of nepheline concentrate

Metachem

Production of mineral fertilizers, sodium tripolyphosphate, phosphoric and sulphuric acids

PKS production online 2014

Close proximity to Saint Petersburg sea port

PhosAgro-Cherepovets

Production of phosphate-based mineral fertilizers, phosphoric and sulphuric acids, aluminium fluoride, ammonia, urea, ammonium nitrate (AN) and other nitrogen-based fertilizers

Largest standalone phosphate-based fertilizers producer in Europe

Largest standalone producer of sulphuric and phosphoric acids in Europe

Balakovo Mineral Fertilizers (BMF)

Production of phosphate-based fertilizers and feed phosphates

Leading European producer of feed phosphate MCP

The only Russian producer of MCP

To find out more about our assets please go to www.phosagro.com/about/holding/

What quality means to us

Quality production

Building on the quality of our resource base and through a combination of acquisitions and organic growth, we have in place a fully integrated production model that is both cost efficient and flexible in production capacity, which enables us to rapidly respond to changing market demands and competition.

Quality resource

The value we bring starts with the quality of our phosphate igneous resource. Equivalent to more than 75 years of production, our 2.05 billion tonnes of apatite-nepheline ore is one of the purest of the large ore bodies across the globe.

Quality people

It is our team of talented people that enables us to maximise the value in our unique set of resources and production advantages, led by our Board of Directors operating to the highest standards of corporate governance.

Quality products

Our high quality fertilizers are uniform in grain size and contain properties, including low concentrations of harmful impurities such as cadmium, that maintain the safety and quality of the product prior to soil application.

Quality environment

All our activities are underpinned by our commitment to being a sustainable business. In practice, this means that we have a workplace that offers our 18,870 employees promising career opportunities in a safe and healthy environment.

Quality for customers and consumers

Our flexible production facilities allow PhosAgro to tailor our products to meet the needs of our customers. They help to enhance the recovery of depleted soils to encourage strong and vigorous root and shoot growth, early harvest maturity and sustainable agriculture.

Quality logistics

In recent years we have taken measures to improve the accessibility of our products to our consumers, including the introduction of container transport, which in contrast to bulk transport increases our flexibility in supplying products to international markets.

From quality resource to quality products for our customers

The high quality of our core phosphate resource is mirrored in the high quality of our business processes and people.

It is our consistent focus on quality across our business which will enable us to create value for our shareholders. This will also ensure we are a long-term sustainable business, valued by our key stakeholders – including our own employees, the communities which host our operations, regional and national governments and our customers. As a Russian Company, our BMF subsidiary is the first enterprise to be certified as compliant with the European Good Manufacturing Practice (GMP+) quality control standard for feed materials which is based on widely recognised principles of quality assurance, and Hazard Analysis Critical Control Point (HACCP), and developed to ensure quality and safety throughout the entire production chain.

Quality people

The mining and production of our quality fertilizer products is dependent upon us recruiting, motivating and retaining high quality, skilled employees who are motivated every day to perform to the best of their abilities.

To ensure we have in place the right people in the right roles to execute our strategic goals and day-to-day activities, we have a fully integrated approach to our people. This starts with supporting educational institutions that can assist students to acquire the necessary technical knowledge to join our industry, building close relationships with universities to recruit high quality graduates and a set of structured programmes to support our employees, including housing schemes and social opportunities to support their families. We also have bespoke training and leadership programmes to enable our people to meet their personal career goals, while also meeting the needs of our business.

Quality resource

Due to the exceptional purity and nature of our igneous ore, fewer resources – such as pure water, energy and feed stocks such as phosphate rock and sulphur – are required in the production process. Our ore's purity is particularly important in relation to elements that can be harmful to human health and the environment in concentrated quantities, including cadmium, arsenic, mercury, lead, as well as radioactivity – all of which are at very low levels in our ore. Our cadmium content, for example, is one of lowest in the world of exploitable, large phosphorous ore bodies.

In addition to high grade phosphate, our resource also contains the largest aluminium oxide resource in Russia as well as 41% of the country's total rare earth resources, providing significant value potential.

Quality production

We have one of the highest levels of upstream and downstream integration in the industry – from raw materials to fertilizer production. We are also the only Company where the majority of our production lines are fully flexible. Within very short time frames – between 4 and 16 hours – these lines are able to be switched between different fertilizer grades and compositions, reflecting market demand. We are building on these advantages by strenghtening our sales capacity – establishing a trading branch in Singapore reflecting the significant potential in Asia for consumer growth.

See chart 1 in performance summary.

Quality products

All our fertilizers are characterised by uniform grain-size composition and good physical and chemical properties, ensuring they are fit for purpose at the time of use. Our ability to create these high quality, complex and nutrient rich fertilizers enable an increase both in yields and in the quality of those yields – enabling increased food production and greater returns for farmers.

Quality environment

Through rigorous process quality, we seek to minimise our environmental footprint and constantly seek ways to reduce our resource inputs; this both makes business sense and is the correct approach when working with non-renewable resources, which we illustrate in the Environment Protection section. More broadly, through a range of programmes and initiatives we partner with local communities to enhance social and economic development as well as contributing to the development of our industry sector.

For more information on our environmental protection and resource efficiency, please see pages 34-41.

Quality logistics

In Russia, our sales centres are strategically located in the major agricultural regions, allowing us to optimise our transportation costs. This has helped our sales network become one of the largest in Russia. We are able to deliver our products to customers through shipping and rail networks, including our fleet of 6,000 owned, rented and leased rail cars.

Outside Russia, we do not operate our own distribution platform and are therefore not tied to any particular export market. We are able to sell our products based on the best netback price that we can obtain to about 100 countries, whether in Europe, Africa, Latin America or Asia. This is because over the past number of years we have strategically refined our distribution processes to enable us to be nimble in our ability to match production with high margin markets.

Through the use of containers, which offer far greater logistics flexibility than bulk vessels, we are also able to deliver our product into regions with less developed infrastructure, for example into certain regions in Africa, Latin America and Asia. In addition, netback prices for container sales are often higher than for bulk sales due to lower shipping costs and the premium we can charge for smaller volumes. Total volume of container sales reached 501 kt in 2013.

Quality for customers and consumers

Due to the quality of our resource, the excellent technology used in our production methods and our flexibility, we can offer our customers a tailored product geared to their unique agricultural environment, enhancing the recovery of depleted soils to encourage strong and vigorous root and shoot growth, early harvest maturity and sustainable agriculture. We also enable end consumers to enjoy healthy foods rich in essential phosphate. Because of our products' purity, we also assist in preventing the circulation and accumulation of elements harmful to human health in the food chain.

Our fertilizers are an essential element in creating foodstuffs for the world's population – they enhance yields and increase nutrient value. Our products predominantly fall into two major categories: phosphate-based fertilizers (diammonium phosphate – DAP; monoammonium phosphate – MAP; complex fertilizers – NPK); feed phosphate for livestock (monocalcium phosphate – MCP) and nitrogen fertilizers. We also provide industrial phosphates that are used in the production of synthetic detergents, cleaning agents, for water treatment – boiler feed, in the oil, glass, ceramic and paint and coatings industries and as a source of phosphorus for a wide range of products in pharmaceuticals, medical treatments, food and personal care and hygiene.

Why what we do is important

Providing healthy, nutritious food to meet the demands of an expanding global population can only be achieved through the use of fertilizers. Fertilizers replenish the nutrients absorbed by harvested plants or lost by unavoidable leakage to the environment. They also supplement natural soil nutrients and build up soil fertility to increase the quality and quantity of agricultural yields.

As populations grow and concurrently reduce the availability of agricultural land through urbanisation, yield rates per hectare of land must be maximised. In addition to an expanding global population, other global trends are also placing increasing demands on agriculture: as incomes rise meat becomes more in demand, a key driver of grain consumption and requiring additional land for feedstocks.

The rise of biofuels has also shifted increasing amounts of arable land away from food production, adding to the need to maximise grain yields as well as meet the requirements of the biofuels industry. Combined, these global trends clearly illustrate the value of fertilizers because of the ever increasing demand for farmers to produce more food and feedstocks on decreasing stocks of arable land available for this purpose.

Food security – globally and locally

One of the greatest challenges over the last century has been resolving how we feed a rapidly growing global population – the fertilizer industry has been a critical contributor to the 'green revolution' of increasing crop yields to meet this demand, with current fertilizer growth demands focused on three main countries – Brazil, India and China – where populations and average per capita incomes have been growing strongly. Together, they account for 57% of global consumption of phosphate-based fertilizers.

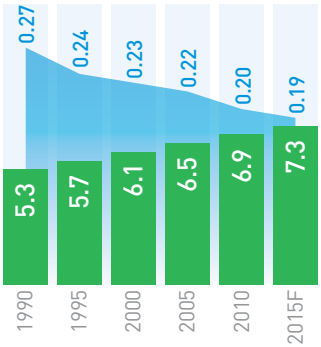
However, as Brazil and India do not have sufficient capacity for the production of phosphate-based fertilizers and the necessary reserves of raw materials, they are dependent on fertilizer imports. Our products help in meeting this demand and assisting them on their journey to increase the productive capability of their arable land, ensuring their populous enjoy a nutritious diet in sufficient quantities.

In our domestic market, we are Russia's number one supplier of phosphate-based fertilizers. Accordingly, we play an essential role in Russia's food security. We have always been able to meet the requirements of our customers and therefore the needs of Russia's population. In fact, growth in Russia is exceeding that in the majority of our markets. This is due to historical underuse of phosphorous in the decade subsequent to the collapse of the Soviet Union. Our future plans are also closely tied to the Russian market.

The quality of our products

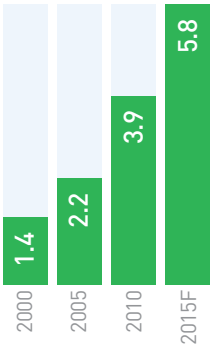
All our fertilizers are characterised by uniform grain-size composition and good physical and chemical properties.

Population growth and decrease of arable land per capita



Source: World Bank, FAO.

Growing GDP per capita in Emerging Markets, (000) US$



Source: World Bank, FAO.

Changing diets – growth in meat consumption, mln t

Source: World Bank, FAO.

The technologies we use ensure the production of dense granules with a static strength of no less than 3 MPa, which complies with the level set by global standards and guarantees the preservation of the granules during transportation, packaging, transit, storage and soil application – ensuring they are fit for purpose at the time of use.

In addition, because our business is able to offer a wide range of tailored fertilizers we are able to capture opportunities that reflect demand trends in individual markets, to the benefit of our shareholders. We also create multiple by-products that are useful for a wide range of processes, from glass manufacturing through to water treatment.

How we produce and distribute our products

From our mines to our distribution networks, we have impacts across our value chain. To ensure we meet our own standards of operational excellence all our operations incorporate sustainability obligations. Our model is built on an overarching commitment to ensuring our operations are environmentally conscious and efficient and puts the safety and wellbeing of our employees and communities at the forefront of our considerations and business planning. Key to achieving this is our strong foundation of systems, controls and reporting, as well as ongoing stakeholder engagement to understand the material issues of our business – and we discuss these throughout this report.

The essential roles of phosphorous

Phosphorous

Phosphates are formed from millions of years' old marine fossils (or sedimentaries), and as a result of igneous activities (igneous rock), which are found in ore that is accessed through open cut and underground mines. The phosphorous that is created after processing the ore is an essential macronutrient: it enables the building block of life – DNA – to form. It is also fundamental to the transfer of energy within cells and, after calcium, it is the most abundant mineral in the human body and is essential to the growth of teeth and bones. Equally, it is essential for plant growth and health and enables increased plant yields and fertility. It is through plants' storage of phosphorous that it is transferred to people and animals.

As well as its role as one of building blocks of life, phosphorous also plays an essential role in the creation of a range of products including the treatment and finishing of metals, pharmaceuticals, cosmetics, water (drinking and industrial) and wastewater treatment, and leather and textile treatment. It is an essential element used in batteries for hybrid and electric cars, as well as an important food preservative, and is used in personal hygiene products and many other products important to modern economies.

Of the three macronutrients (phosphorous, nitrogen and potash – N, P and K), phosphorous is the least renewable – 1 tonne of wheat takes an estimated 11 kilograms of phosphate from the soil, which must be replenished. Unlike potash and nitrogen, phosphorous can only be obtained by mining and being transformed into a digestible form by significant chemical processes to enable plant absorption. Our fully integrated business addresses all steps in this process to create the phosphorous that plants can absorb, and pass those benefits on to animals and people.

In addition to making a direct contribution to human health and increasing the quality of crop yields, phosphorous strengthens crops to withstand adverse weather and contributes to greater water absorption – particularly important in regions vulnerable to drought conditions such as India, one of the largest fertilizer consumption markets. Importantly, phosphate needs to be added to crops throughout the growing cycle and failure to add phosphate to soil at the growth stage cannot be remedied later. Because of the quality of our extensive logistics capability we enable the delivery of our fertilizers in the correct quantity, at the correct technical specification and at the right time in the planting cycle.

See chart 3 in performance summary.

Fertilizers

Food supplements

Industrial chemicals

Pharmaceuticals

Feed phosphates

PhosAgro quality

We produce high quality concentrated and complex fertilizers. The high quality of our products helps to increase crop output and quality. This means that farmers benefit significantly from using our fertilizers.

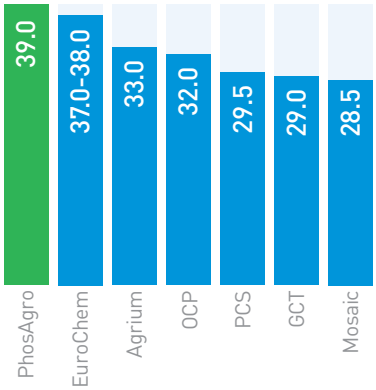
We use our own high-quality raw materials from igneous phosphate ore (phosphate rock with high phosphate content and low levels of impurities).

Companies that use high quality phosphate rock benefit from lower processing costs for the manufacture of end products, which enables them to achieve higher profits both on phosphate rock and fertilizer sales. This has been confirmed in research recently published by CRU. It gives us a sustainable advantage due to the low cost associated with processing of our phosphate rock.

The quality of phosphate rock is based on the phosphorus nutrient content, its makeup and the level of impurities. Certain impurities that remain in end products can have negative effects on human health. Some phosphate rocks contain traces of heavy metals, one of most hazardous of which is cadmium. The higher the concentration of cadmium in the raw material, the greater the risk of it ending up in the soil, where it could be absorbed by plants and end up being consumed by a person or an animal. Premium fertilizer markets like Europe, and particularly Scandinavian countries, bar certain fertilizer products with high cadmium levels. Igneous phosphate rock is characterised by low levels of cadmium.

Impurities may reduce the efficiency and uptime of production lines, or require additional resource consumption, depending on type and concentration. These ore impurities include chlorides, magnesium, magnesium oxides, iron and aluminium. Chloride and fluorides in phosphate rock significantly speed up equipment corrosion.

Phosphate rock grade, %



Source: Fertecon, PhosAgro, companies' data.

Our phosphate rock contains almost no chloride and the level of silica in our phosphate rock is sufficient to bond with and remove fluorides during the fertilizer production process by creating hydrofluosilicic acid. This acid is then used to create the commercial products aluminium fluoride and sodium silicofluoride.

World's premium phosphate resource base

Location[1]	PHOSAGRO	Morocco	USA	Jordan	China	Tunisia
World Phosphate Rock Reserves, bn t	2.05	50	1.4	1.5	3.7	0.1
Ore type	Igneous	Sedimentary	Sedimentary	Sedimentary	Sedimentary	Sedimentary
AL_2O_3 content	13.0–14.0% High	Very low	Very low	Very low	Very low	Low to moderate
Minor Element Ratio (MER)[2]	0.02-0.04	0.02-0.04	0.05-0.1	0.02-0.03	More than 0.05	0.05
Cadmium content[3]	Less than 0.1	15-40	9-38	5-6	2	40
Level of radioactivity	Very low	Moderate	Moderate to high	Low to moderate	Low to moderate	Moderate
Hazardous metals content	Very low	Moderate	Moderate to high	Low	Low to moderate	Low to moderate

Source: Fertecon, IMC, USGS 2011.
1. Primary global DAP/MAP producing regions.
2. Average Minor Element Ratio (MER) greater than 0.1 not sustainable for production of high quality DAP.
3. Average cadmium content in ppm.

● Positive effect on quality
● Negative effect on quality

High magnesium oxide, iron or aluminium levels inhibit the ammoniation process during MAP/DAP production, and increase viscosity and sludge formation. Because of the similar effect that magnesium, aluminium and iron oxides have on this chemical process, they are grouped together under the MER indicator. If the MER level is above 0.1, producers of high quality DAP face significantly increased production costs.

Generally, higher phosphorus content decreases per-unit production costs for phosphate-based fertilizer products due to lower transportation and processing costs for phosphate rock. In addition, our consumption of other resources is lower than that of peers who use phosphate raw materials of sedimentary origin. For example, the lower ratio of calcium to phosphor in our phosphate rock means we consume less sulphuric acid. We consume 190 kg less sulphuric acid per tonne of phosphate rock processed than producers that use more widely available phosphate raw materials of sedimentary origin. In addition, our consumption of energy and highly-purified water is significantly lower, while we also produce less phosphogypsum, one of the principal solid wastes resulting from the production of phosphate-based fertilizers.

See chart 2 in performance summary.

For more information on the advantages of a high quality phosphate resource, please see the 'Environmental protection and efficient resource use' section on pages 34-41.

CRU report on phosphate resource quality

CRU has conducted research to determine how the quality of phosphate rock affects production costs for fertilizer producers. The research, which covered the majority of the world's deposits, defined the production costs associated with impurities contained in phosphate rock.

CRU chose K10 phosphate rock, made by OCP (Morocco), for the benchmark in its analysis of costs associated with producing phosphate-based fertilizers. This grade of rock was chosen as it is produced in large volumes and it is sold into many markets.

In determining the level of premium, CRU analysts took the following into account:

- The selected benchmark rock concentrate (K10) contains about 52% CaO, which is higher than most other sites. Phosphate rock containing 48-52% CaO was attributed a value premium of up to US$ 10/t;
- Small value adjustments were made based on the MER (typically ±US$ 2/t) and fluoride content (typically ±US$ 3/t).

There are a number of important characteristics which are not included in the quality valuations such as product variability, content of organic matter, and the maintenance cost implications of different rock characteristics.

The contribution of each quality premium or discount that a consumer can be expected to place relative to the benchmark rock concentrate that CRU made is shown in the diagram below.

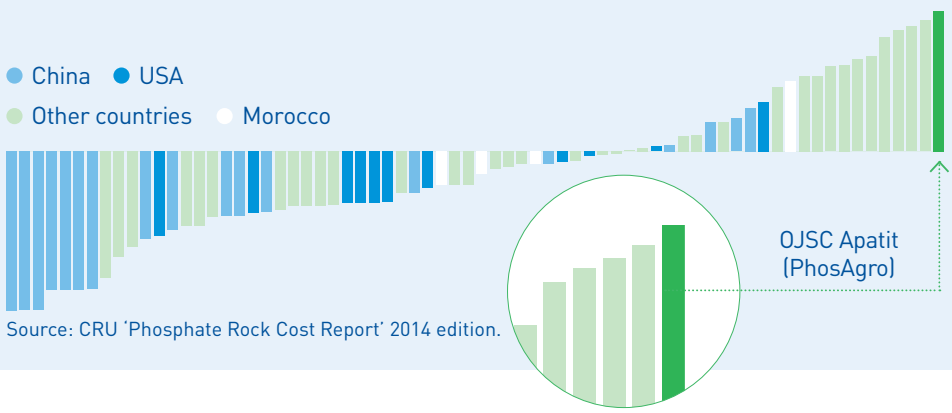
P_2O_5 content is the principal determining factor in the quality adjustment, so the largest price premiums are commanded by miners of igneous rock deposits that produce very high P_2O_5 concentrates – most notably, producers in Russia, Brazil and sub-Saharan Africa. These concentrates have been attributed a price premium of US$ 30-40/t compared to K10.

Concentrates grading less than 32% P_2O_5 are attributed a price discount not only because of the lower P_2O_5 content, but also because this often corresponds to higher MER, CaO: P_2O_5 ratio and fluoride levels than in the benchmark rock.

This low-grade P_2O_5 content is associated with higher wear on equipment. Not only is this due to the high content of harmful impurities, but also due to the need to process a lot more raw materials for the production of one ton of phosphoric acid. However, the additional costs of maintaining this equipment have not been taken into account when determining the discount or premium.

CRU only calculated premiums and discounts for the phosphate rock containing more than 29% P_2O_5. Rock with P_2O_5 levels lower than this are rarely used in the production of phosphoric acid due to the sharp increase in CaO associated with lower P_2O_5 levels, which subsequently requires more sulphuric acid per tonne of phosphoric acid.

Premium/discount relative to K10, US$/t



Source: CRU 'Phosphate Rock Cost Report' 2014 edition.

Benefits of our quality products

Phosphate rock
The high quality of our phosphate rock means it can be used in the production of fertilizers and feed additives, and also in the treatment of water and metals, the manufacture of detergents and toothpaste, pharmaceuticals and cosmetics, the processing of meat products, cheeses and drinks in the food industry, as well as in the production of batteries for electric vehicles.

MAP
Monoammonium phosphate fertilizer is a fully digestible phosphate-based fertilizer and is an efficient source of P and N for plants. It tends to be used at the start of the growing season to enhance and strengthen plant root formation. MAP can be used for all types of soil and crops, and is suitable for both the main application (spring planting, autumn harvesting) and for fertilizing during the growing season. It can also be applied in greenhouses. MAP is compatible with other fertilizers and is widely used for fertilizer blending.

DAP
Diammonium phosphate fertilizer is an excellent source of P and N for plant nutrition. This double nitrogen-phosphate fertilizer is highly soluble and thus dissolves quickly in soil to release these components for plants to absorb easily. Diammonium phosphate can be used in all soil types for any plant culture.

NPK
We produce a variety of grades of the most popular NPK fertilizers. NPK fertilizers are complex products containing phosphorus, nitrogen and potassium. The presence of all three key nutrients makes NPK a universal concentrated fertilizer that is in water-soluble form and can be used in any type of soil for all types of plants. NPK fertilizers have excellent physical and agrochemical qualities, and are used in the spring as the primary fertilizer or in the fall to provide plants with an even distribution of nutrients to provide balanced nutrition throughout the growing season.

NPS
NPS fertilizers contain an available form of the secondary element sulphur. Sulphur enhances the effect of other nutrients like nitrogen and phosphorous. It is also important for the formation of amino acids and proteins as well as activating certain enzymes and vitamins. NPS fertilizers are used for nearly all plant cultures and are applied in a variety of ways.

For more information on phosphorus see our website: www.phosagro.com/production/poputnoe_proizvodstvo/

MCP
We are the only Russian producer of monocalcium phosphate (MCP), a valuable feed additive for livestock and poultry. It helps to compensate for mineral deficiencies (phosphorous and calcium) in the diet of cattle. MCP helps to provide animals with a more balanced diet and increases their productivity (daily weight gain, meat quality, milk yield).

Nitrogen fertilizers
We produce ammonium nitrate and urea, which are widely used fertilizers. Because of the high concentration of nitrogen, they promote plant growth and improve crop output. Ammonium nitrate is considered a universal fertilizer that is applied for all plant cultures using various forms of application. Urea is the most concentrated nitrogen fertilizer, which is unique because it supports higher levels of proteins, calories and other elements. Nitrogen fertilizers are the primary pre-planting fertilizer, but are also used to provide additional nutrients as plants grow.

Nepheline concentrate
PhosAgro is the only producer of nepheline concentrate and provides raw materials for the aluminium industry, using unique technology developed by the specialist Russian Institute. During processing, by-products include belite sludge and soda-potash solutions used in the production of cement, soda ash, and potash. In addition, nepheline concentrate is also used in the chemical industry for ceramics, welding electrodes, water-dispersion paints and chemicals used to clean natural and waste water.

Building a better future for us all

This is PhosAgro's first sustainability report and represents an important step in the evolution of our business. It reflects the efforts we have undertaken over the last 5 years to optimise our business and increase the transparency of our operations.

Our sustainability advantage

Sustainability is a strategic advantage to our business and fundamental to achieving our commercial goals. By running our business sustainably, we effectively leverage the opportunities inherent in our high quality resource base and the integration of our business – maximising the value we can create for all our stakeholders. This is because the long-term success of our business is dependent upon many interlocking factors, which when managed successfully create a powerful set of advantages.

These include running our business efficiently by managing our resource inputs and continually improving our technology and processes; ensuring we have a healthy and engaged workforce, who are treated with respect to ensure they are motivated and can perform to the best of their ability; gaining the support of surrounding communities by managing our environmental impacts appropriately and offering value beyond our mines and fertilizer production; and working collaboratively with schools and universities so they are equipped to successfully educate our future workforce.

RUB 30 bn

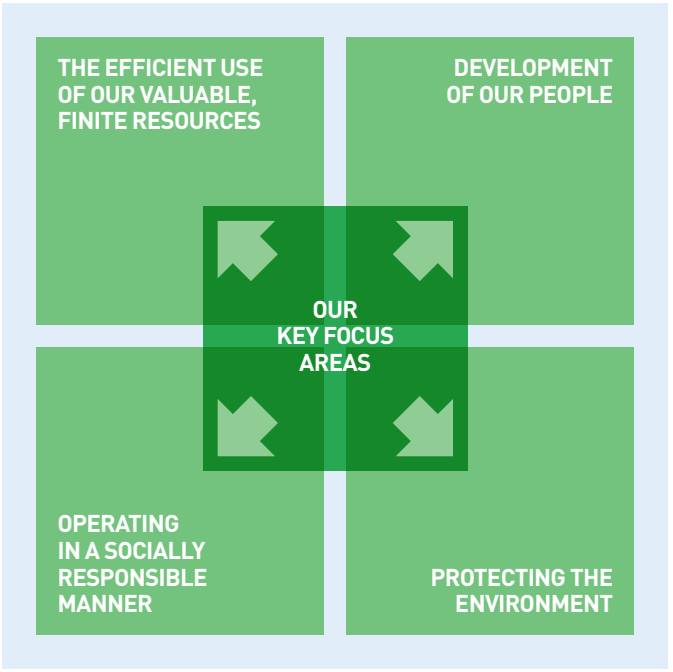
paid in regional taxes since 2009

18,870

employees

200

employees placed in Staff Reserve Programme following assessment



In addition, through our pro-active engagement, regional and local governments understand the real, concrete value we can offer them in their areas of responsibility.

By integrating sustainable business practices across all our operations, we more deeply embed our competitive strengths. All the activities and processes that we illustrate throughout this report are undertaken to contribute to maximising the value inherent in our exceptional apatite-nepheline ore body – the most high quality, large phosphate resource in the world – and our vertically-integrated, flexible fertilizer production model.

Quality and care for our people

Our 18,870 strong workforce is crucial to our success, and is key to us delivering on our promise of quality to our shareholders, our communities and our customers.

In 2013, we continued to more tightly integrate and centralise our management to ensure that we have in place the right people with the right skills across all our operations and this is bringing positive results: in parallel with refining our corporate structure – and some headcount reductions – we increased our production. We wish to leverage the benefits of this tighter integration through deeply embedding a unified culture.

For example, our new health, safety and environment policy – applicable to all our subsidiary businesses – is an important means of creating a consistent attitude and approach to sustainable working across all of PhosAgro. This reflects our absolute priority to protect all our people from workplace injury or illness, as well as offering multiple opportunities for employees to improve their own and their families' quality of life.

In recognition of the importance we attach to sustainable ways of working, we have introduced new KPIs to our senior leadership team, which more closely link their remuneration to the achievement of environmental, health and safety outcomes.

over 15,000

children benefit from our 'DROZD' youth programme

125

selected students benefit from the 'PhosAgro Classes' initiative

For more information on developing our people, please see page 28-33.

We have also continued to roll out additional benefits to our employees, both through more career opportunities created by our Staff Reserve Programme and more broadly, for example through our housing schemes. In undertaking these activities, we will be an employer of choice, attracting the best and brightest applicants and ensuring we have a strong pipeline of talent for the future.

Quality and care for our resources and environment

Throughout this year, and in previous years, we have worked to improve our mining and production processes, investing in the modernisation and technical re-equipping of our facilities. This has been with the support of NIUIF, our in-house R&D team, who have worked tirelessly to provide new solutions and technology. This is enabling us to minimise our environmental impacts wherever possible – including reducing our emissions, and minimising our production of solid waste as well as enabling more efficient use of raw materials and energy resources. We are also continuing to develop and implement an integrated management system in accordance with Russian environmental legislation and international standards.

Quality and care for society

In addition to the clear economic and social benefits we offer through employment, taxes and agreements with third party suppliers, we also work to provide lasting cultural and educational benefits to society, as well as broader sustainable economic benefits which reach beyond our business.

This strengthens communities, which in turn creates a stable operating environment for PhosAgro. In addition, economically successful and well educated communities benefit all of us, including our employees and their families, as well as assisting in creating a strong pool of students who may work with us in the future.

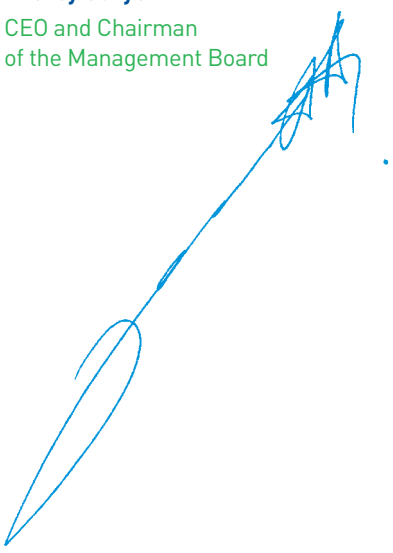
Working closely with our host communities is not a new undertaking for us – for example, our 'DROZD' programme (which we initiated over a decade ago in collaboration with the Ministry of Sport of the Russian Federation and Sambo 70 sport and educational centres in Moscow) is aimed at promoting education and a healthy lifestyle among children. In 2013, over 15,000 children participated in the programme across our six regional sport and educational centres. This year, I have also been particularly proud of our new 'PhosAgro Classes' initiative which is now providing excellent scientific education to 125 carefully selected students across five schools. I hope many of them will join us one day. I have also been pleased with the number of agreements we have signed with regional governments. These have covered many joint initiatives to increase the quality of life and employment opportunities for their people.

Embedding sustainability for our future

Although this is our first sustainability report, we have been operating our business in accordance with the principles of sustainability for over 5 years. This report does, however, give us and our stakeholders a more rigorous and transparent framework to report our activities, in the context of our broader obligations to our people, the environment and society.

Over the coming years, I look forward to reporting to you the additional steps we will have taken in our pursuit of being a long-term sustainable business and our success in meeting the wide range of targets we have set ourselves. These are all structured to ensure PhosAgro maintains its position as a global leader in phosphate mining and fertilizer production and distribution – enabling populations across the world to enjoy plentiful, nutritious food.

Andrey Guryev
CEO and Chairman
of the Management Board



For more information on social responsibility, please see pages 42-47.

Providing sustainable value

Guiding all our activities is our desire to provide stable, sustainable value to our stakeholders – including employees, customers and the communities where we operate. By doing this, we will ensure our long-term competitiveness and our ability to deliver strong returns to our shareholders.

Igor Antoshin

Chairman of the Environmental, Health and Safety Committee

For more information on developing our people and environmental protection and resource efficiency, please see pages 28-41.

To create and deliver meaningful value, we must maintain and accelerate our competitive advantage in phosphate mining and fertilizer production and distribution. We achieve this by ensuring our vertically integrated, flexible production is undertaken with ethical, socially responsible and environmentally sound practices embedded throughout: from initial scoping of projects to their commencement and day-to-day operation.

We define and measure our responsible business practices by our outcomes, achieved through robust policies and consistent, agreed ways of working. These are guided by four overarching aims: ensuring the development of our people; protecting the environment; the efficient use of our valuable, finite resources; and operating in a socially responsible manner. To ensure we work consistently across all our operations and maximise the value of our business model, we are centralising our core management at Cherepovets, our main production hub, and implementing consistent policies across all our subsidiary businesses. These are important steps to optimise our processes and to embed a unified culture of operating sustainably.

In addition, we also engage with our stakeholders to identify their material issues to enable mutual understanding. We feed back our understanding of our stakeholders' key interests and concerns into our own business decision making, refining our ways of working as and when appropriate – an important ingredient in managing our business as effectively and sustainably as possible.

By understanding, managing and improving our business in accordance with the principles of sustainability, we will deliver greater value to our stakeholders and improve shareholder returns.

Certifying Balakovo Mineral Fertilizers

To meet the environmental quality aims we have for our business, we work with external auditors to add rigour to our operations, measure our success and identify where we need to improve in meeting international standards.

Our Balakovo Mineral Fertilizers (BMF) subsidiary, for example, worked with TUV NORD CERT – a specialist in assessing and certifying ISO and voluntary standards – to audit its compliance with ISO 14001:2004, to which it had been previously certified in 2009. TUV NORD found improvements since the last audit, including:

- Enhancement of the skills of the organisation's personnel and their knowledge of the environmental management system;
- The systematic reduction of emissions by retrofitting processes; and
- Reduction in the consumption of resources including water and gas through equipment modernisation.

In addition, according to the audit report:

- The criteria for evaluation of internal consumers should be improved;
- Quality goals should be more precise and detailed;
- Some goals should be modified to become measurable and revelant to environment;
- Management needs to enforce training.

Ongoing development and initiatives

Our corporate governance principles

ACCOUNTABILITY

The Board of Directors is accountable to PhosAgro's shareholders, and is responsible for:

- Formulation of the Company's strategy;
- Establishing and maintaining systems that enable it to monitor PhosAgro's performance; and
- Holding management accountable for successful implementation of the strategy.

TRANSPARENCY

We strive to ensure the appropriate disclosure of reliable information on all significant issues relating to our operations, including financial status, social and environmental performance, operating results, ownership and governance structure.

EQUALITY

PhosAgro's corporate governance system is designed to protect shareholders' rights and ensure equal treatment of all shareholders.

RESPONSIBILITY

PhosAgro values the rights of all stakeholders, and seeks to cooperate with a wide range of individuals and institutions to find ways to ensure the Company's financial stability and its successful, sustainable development.

Quality corporate governance

The way we manage our business to grow sustainable long-term value starts with our Board of Directors, in cooperation with our executive leadership team.

The Board's primary responsibilities are determining our strategy for long-term sustainable growth; risk management; our control systems – including audit and review of financial and operational results; and sustainability. It sets out how we should conduct ourselves and the overall approach that should guide all decisions and behaviours. All of our Board's decisions are made in the context that a commitment to good corporate governance is fundamental to meeting the business goals we have set for ourselves, within a framework of operating sustainably.

Our Governance Framework

Our Governance Framework incorporates the general shareholders' meeting, Board of Directors, the management board and the CEO. This Framework complies with the requirements of Russian legislation and is informed by the standards and practices set out in both the Russian Code of Corporate Conduct and the UK Corporate Governance Code.

Importantly, three of the Board's eight Directors are classified as independent within the terms of accepted corporate governance standards.

More detail on our Governance structure and procedures as well as the biographies of our Board members is available in our Annual Report and on our website at www.phosagro.com

Corporate governance structure[1]

BOARD OF DIRECTORS

SVEN OMBUDSTVEDT
Chairman, Independent non-executive director

ANDREY G. GURYEV
Deputy chairman

MARCUS RHODES
Independent non-executive director

IVAN RODIONOV
Independent non-executive director

ANDREY A. GURYEV
CEO, Executive director

IGOR ANTOSHIN
Executive director

ROMAN OSIPOV
Executive director

YURIY KRUGOVYKH
Executive director

COMMITTEES OF BOARD OF DIRECTORS

THE AUDIT COMMITTEE
Chairman – Marcus Rhodes

THE STRATEGY COMMITTEE
Chairman – Andrey A Guryev

THE REMUNERATION AND HUMAN RESOURCES COMMITTEE
Chairman – Ivan Rodionov

THE ENVIRONMENTAL, HEALTH & SAFETY COMMITTEE
Chairman – Igor Antoshin

1. Board composition as at 17 March 2014.

The Board of Directors and Sustainability

PhosAgro's Board of Directors supports and monitors our sustainable business practices, including occupational health and safety and our redundancy programme.

The Board's Environmental, Health and Safety Committee and Remuneration and Human Resources Committee are jointly responsible for the Board's key sustainability initiatives and compliance – with a core focus on employee health and safety, and environmental protection, as well as headcount optimisation.

In 2013, their activities included:

- Consideration of an anti-corruption policy;
- A review of initiatives to create an integrated HSE management system, in line with the Company's business consolidation;
- Analysis and review of proposed Russian legislation impacting environmental protection and waste management, including the obligation to use best available technology (BAT);
- Consideration of the process to optimise PhosAgro's workforce and relocation of management personnel to Cherepovets;
- Introduction of a new remuneration programme for PhosAgro's leadership team (including the CEO and his immediate subordinates – classified internally as 'N1' and 'N2'), linked to new KPIs which incorporate sustainability objectives including safety regulations and environmental protection;
- The decision to develop PhosAgro's first sustainability report.

In 2014, the committees' main focus will be the introduction and implementation of our new Industrial Safety, Health and Environment policy – which will replace the separate and varied policies that have previously been in place at our production entities – and the introduction of a new central Directorate for Industrial Safety, Health and Environment at our production sites. Both initiatives are designed to maximise the benefits of being a vertically integrated Company, embedding a consistent, Company-wide approach to health, safety and the environment.

Over the course of the next year, the committees will be analysing the results of these initiatives and assessing each production site's compliance with our new integrated approach. The committees will also be conducting a review of our approach to information disclosure with stakeholders and an assessment of risks related to our continued integration and their mitigation. We will report on the results of these initiatives in next year's report.

Policies introduced in furtherance of our sustainability aims are available on our website at www.phosagro.com

Being a responsible business

Industrial Safety, Health and Environment Policy

Our Industrial Safety, Health and Environment Policy ('ISHE'), established in early 2014, sets our clear expectations and management commitments as a core part of business operations.

Success in meeting these will have a direct impact on management remuneration through our new KPI structure.

For more information on our people, please see pages 28-33.

The policy seeks to meet our key priorities of ensuring safe working conditions for our employees and protecting the health and environment of the communities surrounding our operations. In addition, meeting the policy's obligations will ensure the effective and efficient use of our natural resources – an important element in managing our business sustainably.

Since 2005, Apatit has taken part in the 'Responsible Care' voluntary initiative. Its main objective is the achievement and maintenance of high standards of health and safety, and environmental protection.

Anti-Corruption Policy

Our Anti-Corruption Policy applies to all management and employees of the PhosAgro Group of companies without exception and obligates us to consider its adherence by our counterparties. We have communicated the policy and expectations to all staff. The policy outlines that the senior management will set the tone through compliance with the policy, and assisting in creating a culture of adherence across the business.

PhosAgro seeks to implement and uphold anti-corruption policies and procedures that are in line with globally accepted good practice. To help achieve this, we have initiated a review of our current policies and practices together with an external consultant in order to update existing or introduce new policies and procedures. The results of this review will be presented to the Board of Directors for consideration, including:

- New edition of the Anti-Corruption Policy;
- Corporate Code of Conduct;
- Policy on conflict of interests;
- Policy on charitable activities;
- Policy on interaction with government officials and their representatives;
- Policy on establishing a whistleblower hotline;
- Policy on business gifts and corporate expenses.

Upon completion of this review and passage by the Board of Directors, we plan to publish the new policies, decrees and code of conduct on the PhosAgro website. We currently expect the documents listed above to be approved and implemented in 2014.

In addition to our health, safety, social and environmental obligations and our zero tolerance for corruption, we also comply fully with Russian federal and regional laws that define our businesses' broader obligations to society and our employees. This includes a ban on child and forced labour, the right to exercise freedom of association and collective bargaining and the social welfare of employees and their communities.

Our policies are available on our website at www.phosagro.com

Reporting concerns

We strongly encourage our employees to report all concerns regarding possible violations or potentially dangerous situations at our production sites, and on any issues relating to health and safety or general welfare. We currently have different means of enabling employees to raise issues across our various operational sites. These include meetings with senior management and trade union representatives; we also use email addresses and internally advertised phone numbers where concerns can be raised confidentially.

As we continue to integrate our business, we will also continue to integrate how we enable and respond to employees' concerns, requests and suggestions.

Certifying PhosAgro-Cherepovets

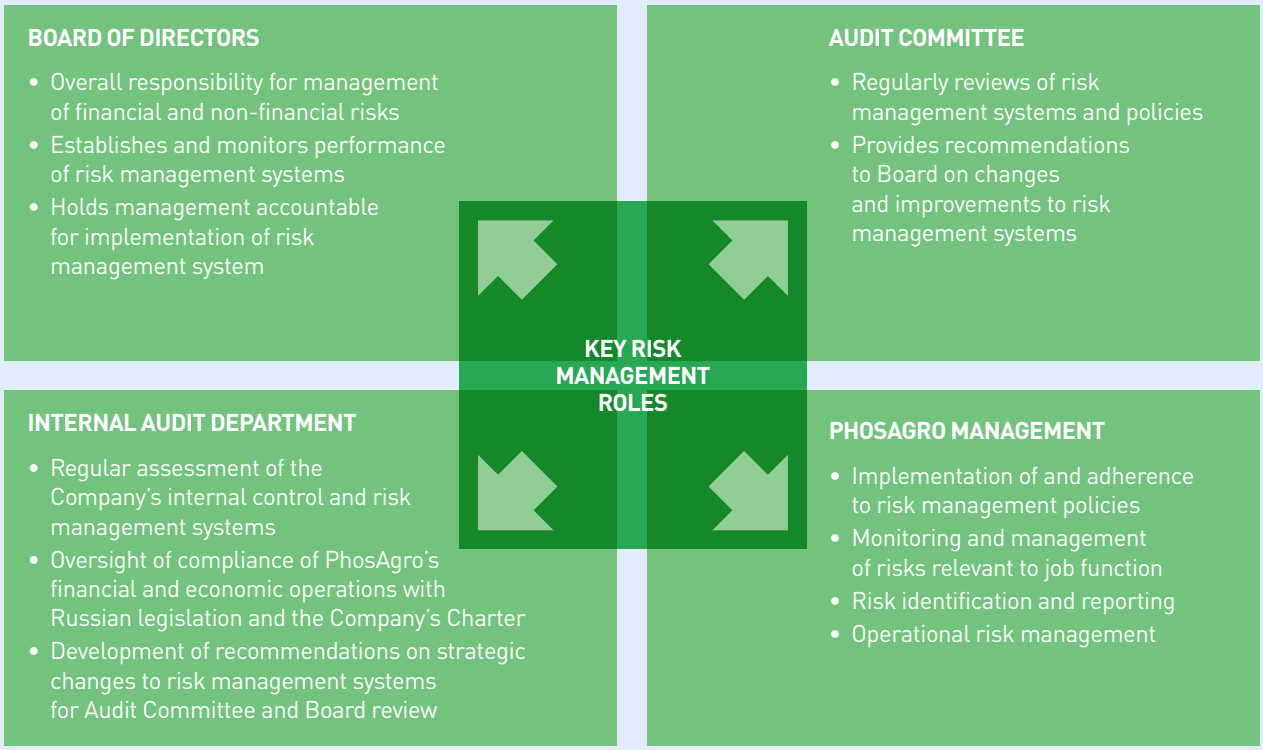
To meet the highest quality standards – encompassing the health and safety of our people and our environmental footprint – we have undertaken numerous audits and certification processes. For example, following the merger of OJSC Ammophos and OJSC Cherepovets Azot to form OJSC PhosAgro-Cherepovets in July 2012, a Quality Management System (QMS) audit, an Environmental Management System (EMS) certification and the verification of Industrial Safety Management System Health and Safety are undertaken to assess compliance with ISO 9001, ISO 14001 and OHSAS 18001. In addition to ISO compliance, the aim of the process included:

- Evaluating the performance of the business in the light of internal and external changes and its adequacy and applicability to selected areas of certification;
- Evaluation of the commitment to and effectiveness of work to improve management systems to improve overall performance; and
- System efficiency assessment in accordance with the principles of continuous improvement.

The audit verified that PhosAgro-Cherepovets was compliant with ISO standards including conforming to Environmental Management Systems and Industrial Safety and Labour Protection. However, further steps were required to reduce air and water discharges, and monitoring of the success in reducing those discharges and their environmental impact must take place during 2014. We will report on the steps taken to meet these requirements in next year's report.

Understanding and assessing risk

Our risk management framework



Managing our risk
We have established risk management system to identify, monitor and analyse our risks, and specific rules and procedures to mitigate these risks – including in health, safety, environment, and corruption.

The Board of Directors reviews our risk management policies and systems when it is necessary to reflect changes in market conditions and the Company's activities. In particular, the Russian federal government has been discussing the introduction of new environmental legislation which could have a significant impact on our business, and we discuss these issues in the Environmental Protection section of this report.

Measuring our performance
We undertake internationally compliant internal and external audits to assess our businesses' success in meeting our sustainability obligations and ISO compliance. Audits provide rigour around the obligations we have set ourselves to manage our business sustainably and enable us to assess our success and areas for improvement.

A R More details of our approach and risk identification can be found in our annual report.

For more information on our environmental protection and resource efficiency, please see pages 34-41.

Working together for positive change

Stakeholder engagement is a pillar upon which we build and manage our business sustainably. Strategic and effective engagement enables us to gather and appropriately respond to the evolving expectations of our stakeholders – particularly those that can influence the future of our business.

Simply stated, stakeholder engagement is people working together for positive change, mutual understanding and the creation of shared value – from a new leisure facility for employees, through to the evolution of national environmental regimes. Effective stakeholder engagement also enables us to be aware of trends – both positive and negative – that could affect our business, and enable us to respond rapidly to maximise the value of that opportunity or mitigate the risk and impact.

Mechanisms for stakeholder engagement

MANAGEMENT TASKS

Certification of Companies for compliance with international standards in the field of corporate social responsibility

Unification of corporate local regulations in the field of social development

Development of new social programmes to stimulate staff

Joint development of social programmes and health & safety initiatives with trade unions

TOOLS

Joint venture agreements and public-private-partnership

Introduction of social standards

Social reports in accordance with international standards

Participation in local, regional and national government projects, conferences and investigations

Collective agreements

METHODS OF IMPLEMENTATION

Participation in the work of public associates, joint working Groups, and expert organisations

Participation in competitions, exhibitions and presentations

Sustainable and consistent work with media at all levels to communicate current and strategic Company objectives

Workplace meetings and employee engagement through KPI development. Roundtables, conferences, investor roadshows

Employee surveys

Interviews, statements, comments, corporate website

Through using our engagement tools – including employee surveys, bulletin boards, feedback in corporate media, conferences, attendance at public hearings and contributions to scientific research studies – we work to establish meaningful two-way conversations to help us understand our stakeholders and equally for stakeholders to understand the value we can bring and the reasons why we undertake our activities. Ultimately, we aim to achieve consistency in our engagement goals and practices, working with our stakeholders to create sustainable value and ensuring we are respected as a responsible business.

Stakeholders	Shareholders and investors
Why we engage	• Improving the culture and quality of corporate governance. • Build the long-term value of the Company. • Disclosure and justification of the strategic development of the Company.
How we engage	• Roadshows. • Investor conferences. • One-on-one shareholder meetings, Capital Markets Day, results and operating conference calls, regulating press releases. • On-going discussions with analysts. • AGM and formal reporting.
2013 engagement activities	• 12 roadshows, 3 hosted field trips for analysts (2 trips to Apatit and 1 to BMF). Arranged the first Capital Markets Day. • Six conference calls with analysts and investors about operating and earnings results. Dedicated investor relations team in constant dialogue with key investors and analysts. • Disclosure of 63 regulatory press releases on the London Stock Exchange.

12

investor meetings

3

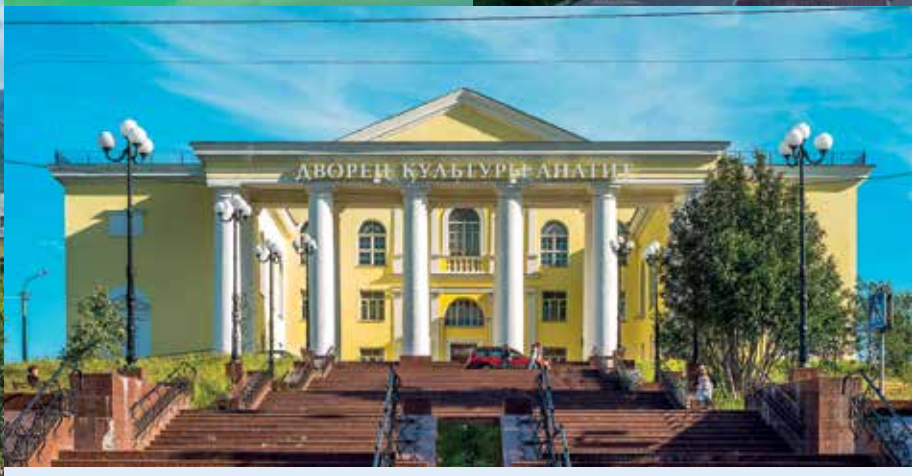
hosted field trips to production sites for analysts

20

international and local conferences attended

Regional governments and local communities	Employees and trade unions
• Development of socio-economic agreements. • Promotion of socio-economic development of regions. • An awareness and understanding of evolving government policies or proposed regulatory changes which could impact our business. • Implementation of programmes to support youth, education, and sports development. • Addressing community needs and resolving any social and environmental concerns.	• Creating conditions for the professional growth and social well-being of employees. • Improvement in employee motivation. • Responsible approach to use of human resources. • Social support for current and retired employees. • Establishing an effective corporate culture. • Maintaining productive relationships with trade unions. • Responsible and effective use of manpower.
• Developing terms of agreements with regional governments based on what is most appropriate to the region. • Meetings with government and community representatives. • Supporting local social and sporting organisations.	• Collective agreements reached following negotiations with representative trade unions incorporating conditions and compensation for employees (usually of 3 year terms, entered into with each of our production entities). • Ongoing engagement with trade unions, including joint working groups, negotiations and meetings. • Collaboration with trade unions to create sporting and cultural programmes and joint participation in safety committees, nomination of safety representatives and annual participation in safety workshops. • Employee development programmes, including our Staff Reserve Programme. • Employee surveys, presentations, bulletin boards, intranet. • Meetings with general directors of production sites and management responsible for social and HR issues together with trade union representatives, dedicated email addresses for complaints, telephone hotlines for inquiries about social issues, reporting violations and questions asked though corporate newspapers.
• Formal agreements with governments: – Three-way agreement between Murmansk regional administration, Kirovsk city administration and PhosAgro subsidiary Apatit for the development of the Bolshoi Vudyar alpine ski resort; – Agreement between PhosAgro and the Vologda region on improving professional (vocational) education and the quality of human resources for the chemicals industry – aimed at addressing the need to prepare more qualified personnel to work in the chemicals sector in the Vologda region; – Agreement between the Cherepovets city administration and PhosAgro to develop youth sports and healthy lifestyles; – Agreement between PhosAgro and Rostov region guaranteeing supplies of mineral fertilizers to agricultural producers in the region; – An agreement was signed with the Volkhov administration/ Leningrad Region aimed at supporting socio-economic development by ensuring that local residents and manufacturers benefit from PhosAgro's activities at Metachem.	• Weekly engagement with representatives of the primary trade union organisations. Participation in labour dispute committees. • Adoption of local regulations and safety promotions. • Trade unions arrange the following events annually: Festival of PhosAgro Stars; Company-wide sporting competitions; professional skills competitions (including in welding, lathe turning, and electrical abilities). • General directors and management responsible for HR and social issues at production facilities, together with trade unions, regularly meet in person with employees; every corporate newspaper provides contact information for feedback, and in the event of violation of Company rules employees are encouraged to call dedicated hotline numbers.

Stakeholders	Public and mass media	Business partners and industry consumers
Why we engage	• Improving Company's image and business reputation. • Company initiatives and best practice in the production of mineral fertilizers, mining and support in improving global food security. • Support in resolving production and social issues.	• Creating a business relationship built on trust and respect. Mutual understanding of obligations and expectations of the relationship. • Consumer health. • Understanding and contribution to major issues affecting the fertilizer and mining industry.
How we engage	• Interaction with expert and public organisations. • Media engagement including regular meetings and briefings with journalists, access to senior management, site tours for press and press releases. • Attendance at public hearings. • Company plant tours, exhibitions and congresses. • Corporate website, social media.	• Contracts and agreements. • Conferences. • Joint submissions on issues affecting our industry. • Support for international applied research and sustainability projects. • Negotiations with consumers, publications and distribution of advertising materials.
2013 engagement activities	• Publication of weekly corporate newspaper at Company's production sites. • PhosAgro produced a monthly corporate newspaper. • PhosAgro and its key subsidiaries issued 120 press releases. • Over 12,000 Russian and foreign media publications mentioned the PhosAgro Group. • Regular meetings with the CEO of PhosAgro were held with leading Russian and foreign media, including the Financial Times, Bloomberg, Reuters, Dow Jones, Vedomosti, Kommersant, Interfax, RIA Novosti, and RBC covering important developments for the Company and industry. Six interviews including Business FM, RIA Novosti, RBC daily, Direct Investment magazine, Reuters, Interfax and CNBC. • CEO press conferences and briefings were organised for journalists and major events, including the St. Petersburg International Economic Forum, the International Chemical Industry and Science Exhibition, signing ceremonies of agreements between PhosAgro and the government of the Vologda region, and UNESCO 'Green Chemistry'. • Regular updates of information, photos and videos on PhosAgro's corporate website and social networks.	• Approximately 20 international and local industry conferences attended, including: – St. Petersburg International Economic Forum (including the signing of an agreement for the construction of a new ammonia plant in the Vologda region); – CSGN global industry conferences conducted by the International Fertilizer Industry Association (IFA), the CIA, Argus-FMB and TFI; – The CEO presented at the International Chemical Sciences Exhibition. • PhosAgro also participated in: – The Quarterly Council of the Russian Union of Chemists; – Meetings with the Russian Association of Fertilizer Producers (RAFP); – Exhibitions including 'Grain – Mixed Feed-Veterinary' and 'Golden Autumn 2013'. • PhosAgro and UNESCO have established a joint 'Green Chemistry for Life' programme to support promising projects by young chemists, aimed at promoting the use of 'Green Chemistry for Life' to solve important issues to ensure global sustainable development. • Distribution of promotional booklets and brochures, negotiations with key customers and end consumers.



Working with regional governments

Social and Economic Partnership with the Government of Murmansk

PhosAgro is one of the largest employers in the Murmansk region, where we mine and process our apatite-nepheline ore.

In December 2013, we signed an agreement formalising our work together in order to provide greater transparency and structure to our contribution to the region. The key aim of the agreement is the sustainable socio-economic development of the Murmansk region. It was signed by Marina Kovtun, the Governor of the Murmansk region, the head of the Kirovsk administration and representatives of PhosAgro and our Apatit subsidiary.

PhosAgro, Apatit and the regional governments have agreed to carry out joint programmes aimed at improving housing, public utilities and municipal services as well as the implementation of energy efficiency programmes with the aim of improving the comfort and quality of life of community residents. It was also agreed that the regional government and PhosAgro would co-finance activities over 2014-2015 to develop social and communal infrastructure based on jointly agreed proposals.

The agreement confirmed PhosAgro's continued implementation of targeted social programmes and active participation in the development of sport, culture and education and the sponsorship of major regional programmes – including diversifying the economy, which is challenged by a declining population.

More about our social responsibility is on pages 42-47.

Respect for our employees

To meet our goal of being a long-term business, managed sustainably we must ensure we recruit appropriately, that our 18,870 employees are motivated, work in a united culture and enjoy a healthy and safe working environment. In addition, we must equip our employees with the skills to enable them to meet our business goals, satisfy their personal career aspirations and ensure succession planning.

Optimising and consolidating our business

In line with our strategy to integrate and consolidate our business, an important step this year has been our decision to bring together management and administrative teams in Cherepovets. This was a logical step in our journey to optimise the business: Cherepovets is our most centrally located and main fertilizer production hub and by bringing key management and administrative teams together we improve Group-wide co-ordination and create a stronger relationship between the management and production arms of the business. This and other employee activities we discuss reflect our desire to have the right number of people, with the right skills in the right role in order that we maximise the value of our resources and our competitive advantages – in the spirit of managing our business sustainably.

Other steps towards this aim include removing duplication of functions; expanding responsibilities – which in turn is enabling greater opportunities for career advancement; and our Human Capital programme to identify talent across the business.

Importantly, our headcount reduction has not been a mere cost reduction exercise; rather it is a product of the integration of our business – following our clear strategy to remove inefficiencies and centralise processes where this adds value enabling us to be the most vertically integrated and flexible Company in our industry, cementing our position as a market leader in phosphate-based fertilizers.

The efforts we have made to consolidate our business and ensure that we have correctly skilled employees in place is bringing positive results: in parallel with reducing our headcount and refining our corporate structure, we have increased our production.

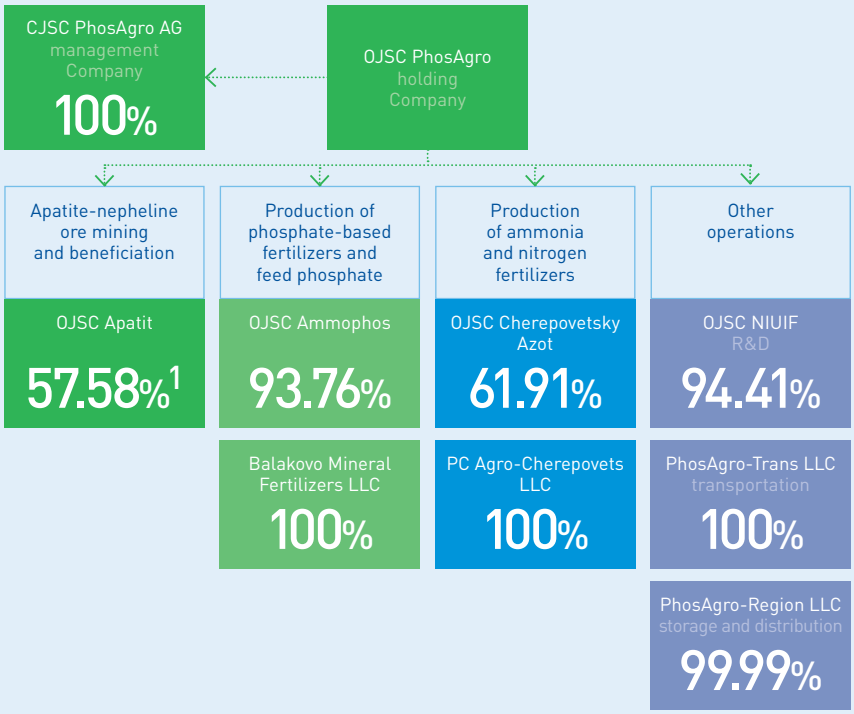
The average headcount in upstream production decreased from 13,027 in 2011 to 11,307 in 2013, while production increased by 0.3%. The average headcount in downstream production decreased from 10,753 in 2011 to 10,226 in 2013 – including the addition of Metachem staff in 2013 with an average headcount of 1,445 – while production increased by 17%. Using our 2011 IPO year as a baseline, we reduced total average staff headcount, including service, sales, administrative and other staff, from 24,512 in 2011 to 23,308. Meanwhile, the redundancy programme accelerated at 2013 year-end and as at end February 2014, we have an average overall staff headcount of 18,870.

Relocations are undertaken in a structured and transparent manner, offering employees financial, transport and housing assistance. Redundancies are conducted in strict compliance with Russian employment laws, including severance pay in excess of what is required.

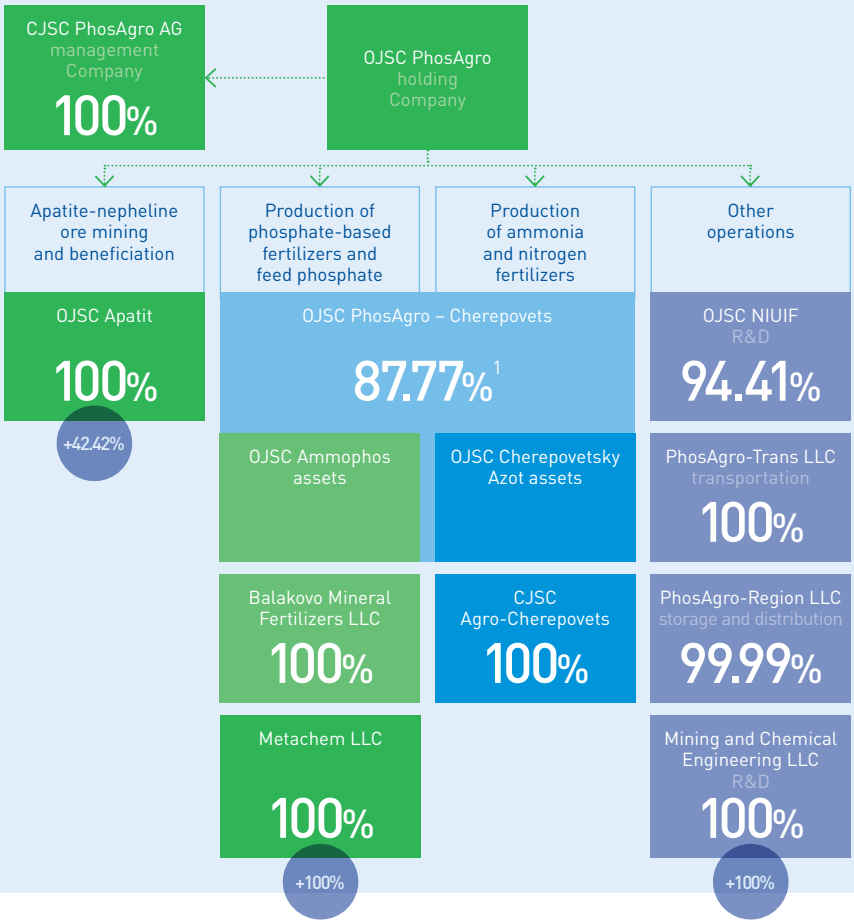
Andrey Guryev

CEO and Chairman of the Management Board

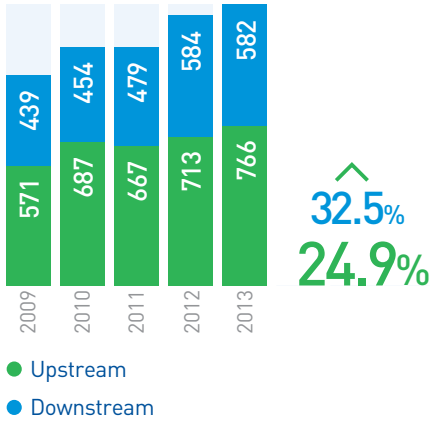
Organisational structure at IPO



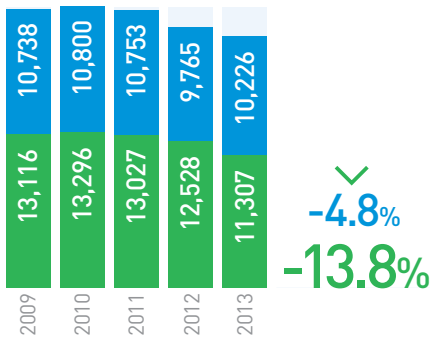
Current structure as of 17 March 2014



Employee productivity, tonnes per capita



Average number of employees



1. Including affiliated parties.

Safety and security

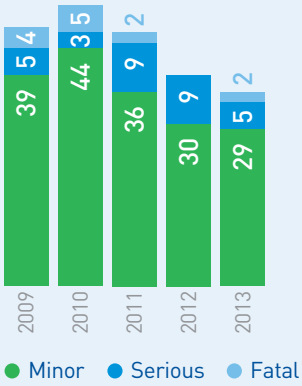
PhosAgro management is committed to the health and safety of our employees because protecting our people from injury and reducing illness levels are clearly the right thing to do and equally it helps to ensure the stability and sustainability of our business. If we are not seen to protect our own people, the trust of our local communities and lead supervisory authorities can impact the work of individual production lines or the entire plant.

We protect our employees from hazards through:

- Regular workplace risk assessments;
- Annual safety seminars;
- Training new employees;
- Retraining for new safety technologies;
- Regular monitoring of the condition of production equipment.

The last 6 years has seen us make significant inroads in reducing injuries and fatalities across our business – between 2009 and 2013 we reduced our total injuries and fatalities by 25%.

Injuries and fatalities due to workplace accidents



This includes clear adherence to having safe and comfortable working conditions as well as ensuring our environmental impacts – including emissions – are within safe and legal limits.

For more information on environmental protection and resource efficiency, please see pages 28-41.

Ensuring the health and safety of our people begins with creating a clear culture that embraces a sense of personal responsibility for health, safety and care for fellow employees – including a clear understanding that safety is everybody's responsibility – from the CEO to the factory floor. When people join our business, they receive regular training in the importance of hazard mitigation and following prescribed safe work practices.

Safety processes are strengthened throughout every year, and safety rules are reviewed and updated at least annually in order that we appropriately address any identified risks. We also conduct annual safety workshops and work to embed an awareness of site specific hazards and appropriate work practices. All our production sites, in accordance with regulatory requirements, have a health and safety services representative that is responsible for safety inspections and incident investigations, working to disseminate any learnings from near misses or incidents causing an injury or fatality – and work to mitigate any identified risks, both in processes and equipment. Our focus on safety is reflected in all our collective bargaining agreements with trade unions, which include specific provisions for personnel safety equipment, hazardous working conditions, and combined Company-union involvement in the ongoing development of safety standards.

We also hold joint seminars with trade unions specifically addressing workplace health and safety.

People development and motivation

To ensure we reach the quality standards we have set for ourselves, we must develop a workforce that can fulfil our businesses' strategic goals. Our most important initiatives this year have been the introduction of new KPIs (Key Performance Indicators) for our leadership team and our training programmes.

Across the business, we offer all employees the opportunity for additional rewards for excellent performance. For example, at Apatit the top 200 employees and their families are provided with an all expenses holiday to Turkey. The award is based on several criteria, including participating in mentoring programmes and their individual work results.

The introduction of a new set of KPIs across our business at the senior management level – our 'N1' leadership team who report directly to the CEO and our 'N2' executives who report into N1s – is another important step in consolidating our business. These KPIs replace a varied set of workplace benchmarks that previously existed across our operations. They have been introduced as a further aspect of the consolidation and streamlining that we have been undergoing and to clearly translate PhosAgro's business goals into individual goals for each member of our leadership team. Importantly, these KPIs emphasise our sustainability goals, with direct linkages between an executive's remuneration and meeting health, safety and environmental standards.

In addition to our new senior level KPIs, we have also undertaken the testing of a new system of bonuses for levels

N3 and N4 at our Cherepovets business, linked to key targets including increasing long-term business stability and the efficiency of invested capital, and will report on the results and next steps of this initiative in our 2014 report.

Developing skills for the future

We will only ensure our long-term success by creating a pipeline of talented individuals who are capable of moving into leadership and/or more technically challenging roles. Importantly, to ensure we have highly capable personnel able to execute our business goals, we are taking steps to vertically integrate our recruitment and training, encompassing schools, universities and our own programmes.

New KPI system

Key objectives of the new KPI system that has been recently introduced at all PhosAgro enterprises are:

1
Translate Company's goals into individual goals for the managers

2
Encourage managers to achieve Company's goals through the alignment of the bonus size with goal achievement level

3
Create additional drivers for the Company's capitalisation growth

PhosAgro Staff Reserve Programme

Career classes in schools

'YOUNG PROFESSIONALS' PROGRAMME

- Preparatory course PhosAgro classes (8-9 grade)
- Sport activities 'DROZD' (1-7 grade)

Vocational education support

Participating colleges:

- Khibinsk Technical College
- Apatity Polytechnic College
- Cherepovets College of Chemistry and Technology
- Balakovo Polytechnic College
- Volkhov Aluminium College
- Volkhov Polytechnic College

Secondary education

'PHOSAGRO CLASSES' PROGRAMME

Participating colleges:

- Kirovsk
- Apatity
- Cherepovets
- Balakovo
- Volkhov

Higher professional education

'YOUNG TALENTED PROFESSIONALS' PROGRAMME

Technical institutes and specialised universities

Apprenticeship

Internships

Employment with PhosAgro Enterprises

PHOSAGRO STAFF RESERVE

Schools

We take a long-term view of our recruitment needs and our community obligations, and extend our engagement to high schools. In 2013, we established our 'PhosAgro Classes' programme focused on specialist chemistry and technical education across five schools in our areas of operation. This is a key initiative to assist in developing the future talent we need to ensure we are a sustainable business.

University engagement

In 2012, in collaboration with 24 universities in Russia and Belarus and open to recent graduates, we established our Young Talented Professionals Programme to identify and recruit new graduates, with a particular focus on those with skills in process chemistry, water engineering, mining, power engineering and transport machinery. Under this programme, in 2012 and 2013 we recruited 40 and 41 graduates respectively (81 in total). The trainees were selected on the basis of a combination of university recommendations and PhosAgro screening, with those selected offered relocation expenses and housing assistance, in addition to competitive salaries. Each trainee was assigned a mentor and senior leader as a sponsor.

To date, we have retained 70 graduate trainees as permanent employees and they are progressing into a range of roles across the business including: mineralogy; geology; hydraulic engineering; chemistry; railway transport; open pit and underground mining and environmental engineering.

We also sponsor and support Universities that provide education in areas relevant to our business.

For more information on social responsibility, please see pages 42-47.

Staff Reserve Programme

Our Staff Reserve Programme and Management Training are our key tools to motivate talented employees as well as ensure we have good succession plans in place across the business. The Staff Reserve programme was established via a pilot in 2011 and is now fully implemented across PhosAgro. The programme's goal is to ensure we identify and provide additional training for employees of talent, capable of both expanding their roles and stepping into more senior positions. This is a key programme for our business – by ensuring we have capable people in place, we limit the risk of a shortage of talent to execute our operations, particularly in regions where the availability of suitably skilled people can be limited. It also enables these employees to be visible across the business – reflecting our aims of creating a unified Company. As part of the programme, we have put in place Group-wide criteria for evaluating staff reserve candidates using competency models for key positions such as Production Manager or Head of Department.

In total in 2013, 993 employees were evaluated under our Staff Reserve programme, including 471 foreman for manager positions and 468 for head of department positions – including 6 employees from our 2012 graduate intake programme. In total in 2013, we invested RUB 45 million in the professional and personal development of employees, including RUB 19 million for special development programmes for 213 current and future managers from the staff reserve.

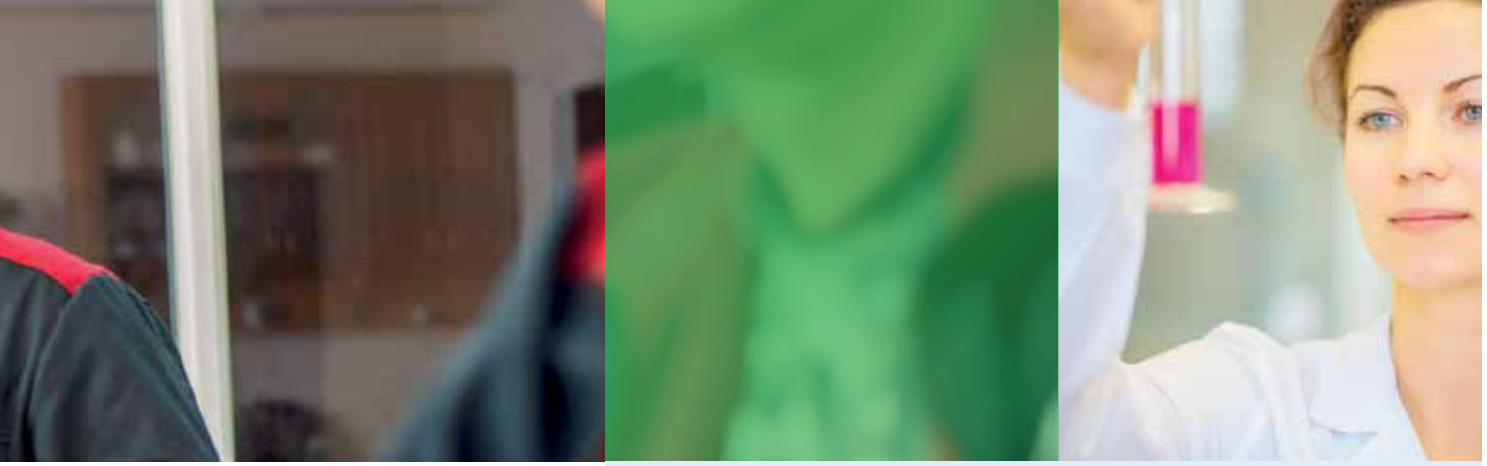
Management training

Our management training programmes tend to encompass sets of between 14 and 16 people who are trained together, covering a wide range of business skills, including:

- Decision making;
- Leadership and delegation skills;
- Conflict management;

Number of staff evaluated under the Staff Reserve Programme

	Apatit	PhosAgro Cherepovets	BMF	Metachem	Total
Evaluation					
– number of employees evaluated for machine-shop manager positions	**143**	**194**	**86**	**48**	**471**
acting managers (persons)	97	70	38	17	222
potential staff reserve members in production positions (persons)	46	124	48	31	249
– number of employees evaluated for head of department positions	**186**	**144**	**74**	**64**	**468**
acting managers (persons)	42	52	45	23	162
potential staff reserve members in management positions (persons)	144	92	53	41	306
– number of employees evaluated for foreman positions	**42**	**12**	**–**	**–**	**54**
Total number of employees (evaluated)	**371**	**350**	**160**	**112**	**993**



- Project management;
- Communication skills;
- Staff mentoring.

In 2013, 594 senior employees participated from across the business – from heads of production to foremen. In 2014, subjects to be covered in training include: working effectively with suppliers; finance for non-financial positions; analysis and improvement of production processes; management competency training; change management; effective production unit management; structural problem solving; constructive communications and employee motivation.

In addition to management training, we support our employees' professional and personal development through a wide range of additional professional training initiatives and programmes as well as participation in projects that provide them with the opportunity to 'stretch' themselves. In addition to skills development, our training programmes also increase motivation by clearly identifying talented employees and providing a clear path to advancement, while also maintaining best practices and sharing successful processes from across our production facilities. We also extensively support our employees outside the workplace.

To gain a deeper understanding of our employees' engagement with the business, we conduct regular anonymous surveys. In 2013, we conducted our first consolidated Group-wide survey, that included questions relating to:

1. Cooperation between colleagues and management – how comfortable they are in their team and in their interaction with management.
2. How satisfied they are with their designated role.
3. The perceived fairness of the salaries and benefits provided.
4. The value of their training and the employee development programme.
5. Engagement with the Company-wide process of optimisation and integration.
6. Understanding of, and engagement with, the corporate culture and values.

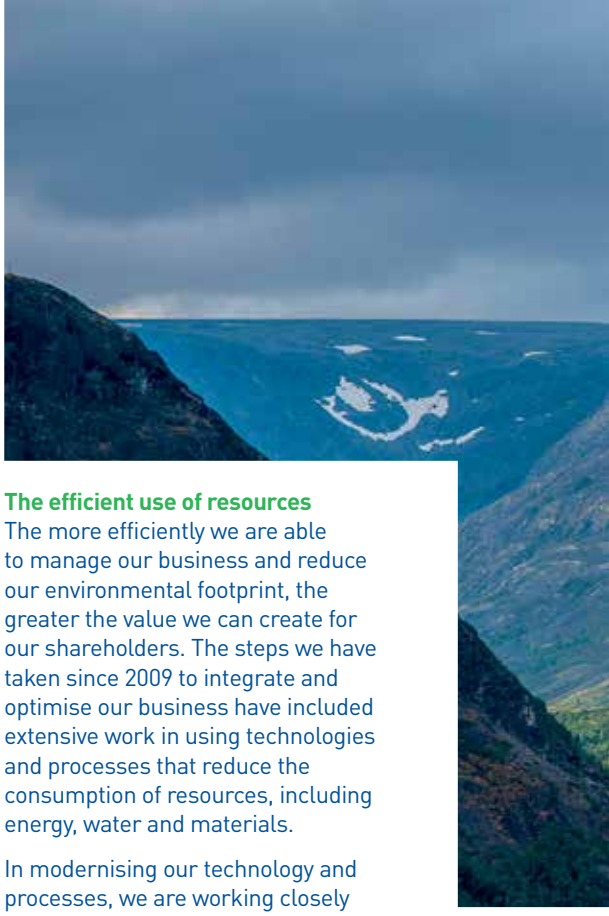
Results from participants at our main production hub at PhosAgro-Cherepovets included:

- 76% of PhosAgro-Cherepovets employees are proud of working in the Group;
- 74% of PhosAgro-Cherepovets employees are ready to recommend PhosAgro to their friends and acquaintances as a good employer;
- 61% of PhosAgro-Cherepovets believe that PhosAgro contributes significantly to the prosperity of the region;
- 69% of employees believe that PhosAgro has a positive image in Vologda region;
- Two-thirds of PhosAgro-Cherepovets employees trust the decisions of the Group's management and appreciate the positive changes brought about by our consolidation/reorganisation;
- 87% of employees use a newspaper issued at PhosAgro-Cherepovets production site as their main source of information about the business.

Percentage of staff identified and placed in Staff Reserve Programme

	Apatit		PhosAgro Cherepovets		BMF		Metachem		**Total**	
Number of employees	No.	%	No.	%	No.	%	No.	%	**No.**	**%**
– number of acting managers who have passed the evaluation successfully and **have been promoted**	42	12.5	31	9	23	14	18	17.0	**114**	**11**
– number of acting managers who were **moved from their current positions or stepped down** as a result of the Staff Reserve Programme	18	5.4	25	7	6	3.8	15	13.4	**64**	**6.5**
– number of those who have become Staff Reserve members as a result of the Staff Reserve Programme	27	8.2	99	29.3	28	17.5	46	41.1	**200**	**20**

Best practice environmental management



High quality processes and advanced technology enable PhosAgro to meet its sustainability goals. These include the efficient use of finite resources and best practice environmental management to reduce the impact on the environment as much as possible – balancing our obligations to all our stakeholders and meeting our goal of being a long-term sustainable business.

Although we have the advantage of the highest quality apatite-nepheline ore resource, we must constantly work across our business to reduce our environmental footprint – a key factor in maintaining our licence to operate. The environmental impacts we must mitigate and/or prevent include the discharge of pollutants into the atmosphere, and the discharge of waste water and solid waste which need to be disposed of or recycled. We manage these impacts by a variety of tools, processes and technologies. These include: measuring and understanding our environmental impacts; adherence to Russian and international regulations; environmental audits; continually seeking new technologies and processes that reduce our use of finite resources and energy; reducing and recycling waste and embedding a culture of respect for the communities and environment in which we operate. In addition, we aim to be completely transparent in relation to our impacts and this report is a key part of our aim to deliver accurate, open environmental data.

For more information about our world's phosphate resource base, please see pages 8-9.

The efficient use of resources

The more efficiently we are able to manage our business and reduce our environmental footprint, the greater the value we can create for our shareholders. The steps we have taken since 2009 to integrate and optimise our business have included extensive work in using technologies and processes that reduce the consumption of resources, including energy, water and materials.

In modernising our technology and processes, we are working closely with our NIUIF R&D division, which holds more than 50 patents on various phosphate processing and fertilizer production technologies. NIUIF work includes the establishment of technologies for the recycling of large-scale production of mineral fertilizers; the development of measures to conserve electricity and use secondary energy resources; and development of technology for the deep processing of apatite concentrate.

Due to the high quality of our phosphate rock, our environmental impacts are lessened. This is because:

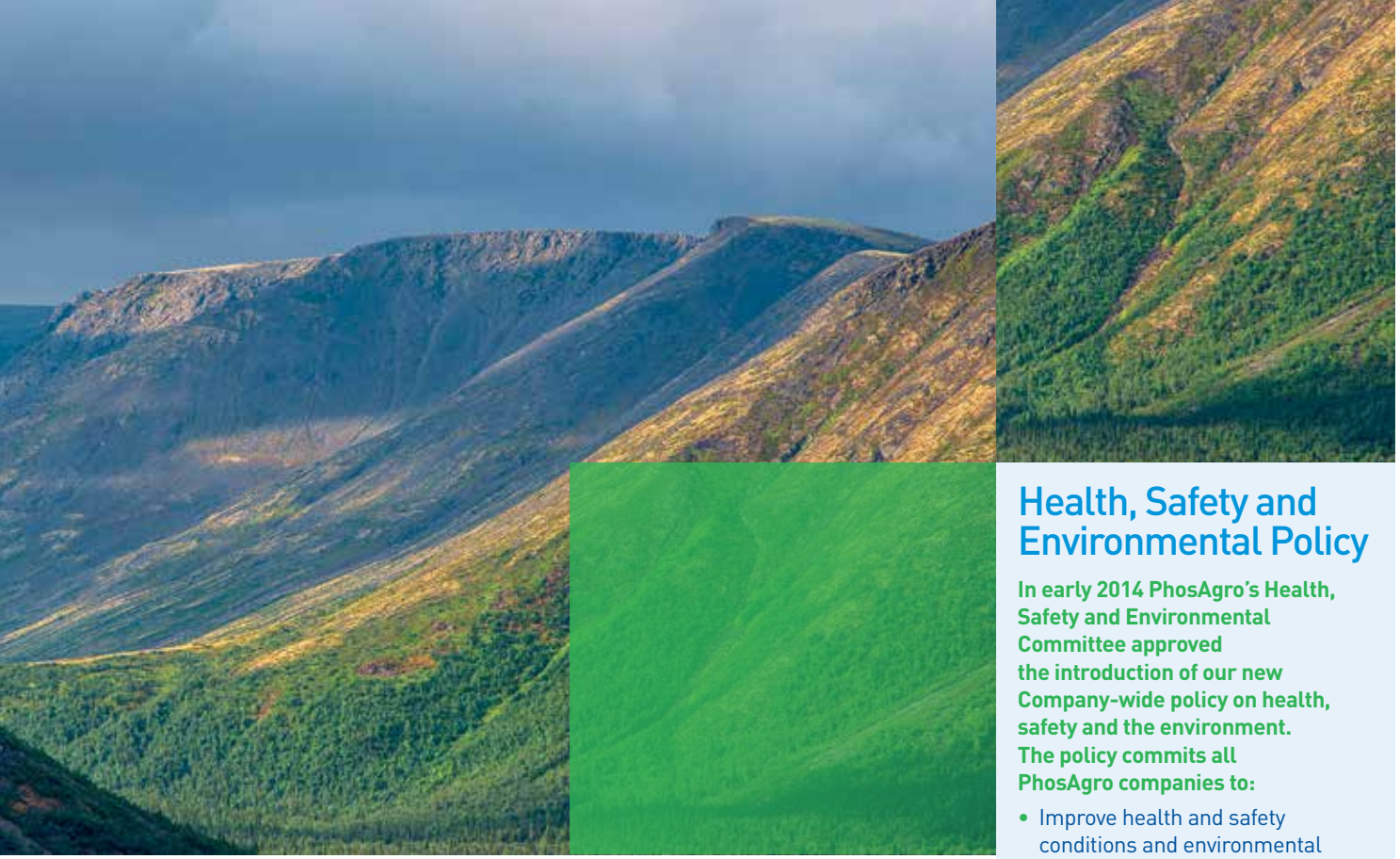
CARBONATES — VERY LOW
The low level of carbonates means that the release of greenhouse gasses is reduced.

ORGANIC MATTER — VERY LOW
The low level or absence of organic matter makes for cleaner processing of solvents.

PHOSPHOGYPSUM — VERY LOW
Lower levels of phosphogypsum as a by-product of production.

HEAVY METALS — VERY LOW
The low levels of heavy metals mean less purification is required for industrial, feed and food use.

CALCIUM/ PHOSPHORUS — VERY LOW
Because of lower calcium/phosphorus ratio, less sulphuric acid is required for calcium binding.



NIUIF conducts feasibility studies for the construction and/or modernisation of facilities on the basis of Best Available Technology (BAT), from both a cost and an environmental impact perspective – a key ingredient in maintaining our competitive advantage.

We also work closely with our engineering Company Mining and Chemical Engineering LLC, as well as with external international and Russian chemical and mining experts to develop project protocols.

Recent projects aimed at enhancing our efficiency and reducing energy and materials consumption include:

- Reducing the operating costs of grinding apatite-nepheline ore at Apatit-ANBP-3 through implementing fine sieve technology;
- Increasing the productivity of our ammonia units at PhosAgro-Cherepovets, which improves our self-sufficiency in this key input for fertilizer production. This includes a concurrent reduction in the consumption of natural gas in production and improves the reliability and safety of production, as well as increasing time between repairs by replacing and upgrading equipment, and using recycled energy resources of ammonia and sulphuric acid production in further energy production and usage at PhosAgro's operations;
- Modernisation of the compressed air supply systems at BMF, which reduced operating costs by increasing energy efficiency and reducing compressed air losses;
- Reducing gas consumption per unit of production by approximately 8% in the phosphate-based fertilizer production shop at BMF by replacing air heaters with high speed GSS-3000 burners.

Health, Safety and Environmental Policy

In early 2014 PhosAgro's Health, Safety and Environmental Committee approved the introduction of our new Company-wide policy on health, safety and the environment. The policy commits all PhosAgro companies to:

- Improve health and safety conditions and environmental protection measures, and ensure implementation of these requirements;
- Constantly seek to improve existing and introduce new technologies to help reduce negative environmental impact;
- Support a level of safety that is in line with the latest best practice;
- Efficient and rational use of resources and energy;
- Form a culture of health and safety in the workplace, and of environmental protection;
- Provide safe working conditions for employees and residents in the areas where the Company operates;
- Maintain and improve environmental conditions.

Performance

Activities we undertake to reduce our environmental impact include:

- Efficient use of raw materials and energy resources;
- Construction of new production facilities, and modernisation and technical re-equipping of existing facilities;
- Introduction of automated control systems for production processes, including control over emissions of pollutants;
- Reduction of the discharge of pollutants into the atmosphere and surface water by improving air and water treatment systems;
- Expanding the utilisation of by-products that require long-term storage and increasing the amount of re-processing of secondary raw materials;
- Increasing the energy efficiency of production through the use of secondary energy sources, and energy-efficient equipment thereby decreasing losses in power and heat networks;
- Measures to reduce the environmental impact of waste storage.

Energy efficiency

Across all our business, we generate over 40% of our own electricity needs by, for example, capturing the heat released in the production of the sulphuric acid we require to create our phosphate-based fertilizers and using this to produce steam. The steam is used to produce the heat required to concentrate phosphoric acid and also to produce electricity to run a number of our plants.

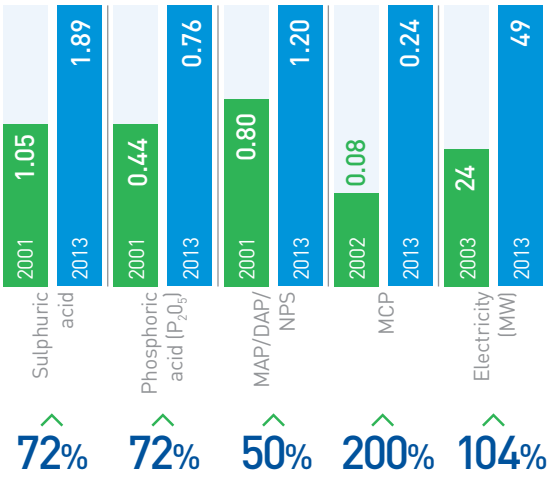
In 2011, a new sulphuric acid unit was installed at BMF increasing production capacity by 50% to 1.9 million tonnes of sulphuric acid per year. In conjunction with the new unit, a 25 MW turbine generator was installed, which has enabled BMF to achieve 70% energy self-sufficiency.

In 2012, we completed construction of our state-of-the-art urea production line at PhosAgro-Cherepovets, including a new 32 MW gas turbine, which increased the plant's self-sufficiency in electricity to 89%. With this new power generation capacity, our overall electricity capacity at PhosAgro-Cherepovets has reached 134 MW.

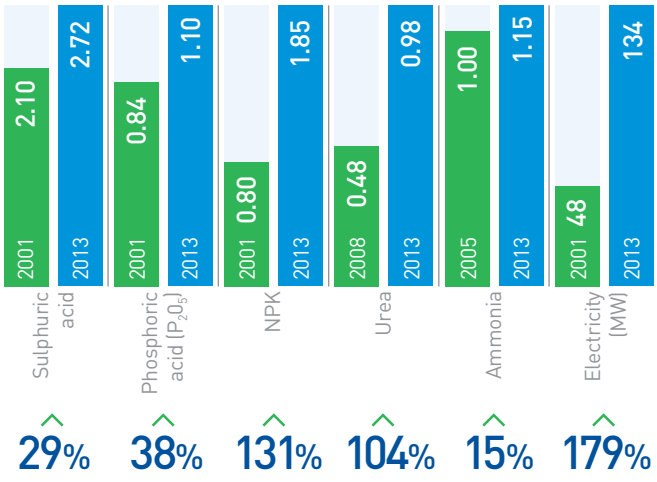
In 2013, we continued our energy saving and energy efficiency programmes in full compliance with Russian law. Activities under the programme are divided into two main categories: priority activities intended to improve energy efficiency at our subsidiaries, and activities aimed at increasing the reliability and safety of energy supply.

One of the most significant achievements of the programme has been the modernisation of the sorting system in the ore grinding cycle of ANBP-3 at Apatit. This is intended to reduce energy consumption at the enterprise and is anticipated to be completed in 2014, with three of the six grinding mills already modernised in 2013.

Technical modernisation at BMF, mln t



Technical modernisation at PhosAgro-Cherepovets assets, mln t



Modernisation at Apatit, PhosAgro-Cherepovets and BMF has resulted in an increase in economic efficiency, including improvements in energy self-sufficiency.

Water purification and consumption

We have a large water footprint across our businesses. In 2013, we used about 81 million m^3 and discharged 183 million m^3 of water. Guiding all our activities is an understanding that we must manage our water use in a way that protects community health and the environment by employing technologies and processes that both minimise consumption and enhance the efficiency of our use of this essential resource.

Our total wastewater discharges comply with applicable Russian standards and involve the careful monitoring of 30 indicators of purity and the use of a 3-stage process of purification – mechanical, reagent and biochemical. In areas where we deviate from regulatory requirements we have in place plans to rectify our approach across our operations.

In 2013, PhosAgro's overall water consumption volumes declined largely due to the increased purchase of sulphuric acid from third parties, which decreased our own water requirement for production of this input.

Water discharges declined year-on-year in 2013 primarily due to less rainfall and a decline in flood waters resulting from high water levels in the area around Apatit during 2012. We saw a significant increase in water discharges in 2012 due to a sharp increase in flood waters in the Apatit tailings dump due to climate conditions.

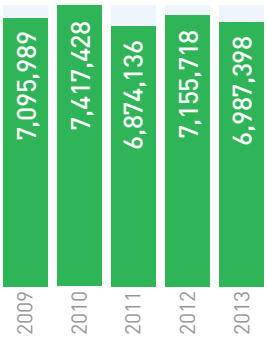
See chart 4, tables 1 and 2 in performance summary.

We also monitor and engage with our third party maritime contractors regarding the transhipment and transportation of our products in the Baltic Sea, in order to assess ecology risks and compliance with HELCOM requirements.

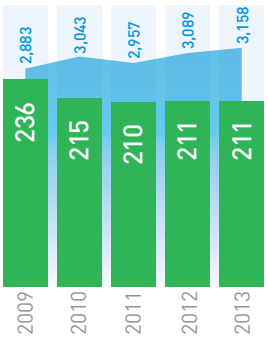
Apatit

Due to the nature and scale of its operations, Apatit is the largest contributor to our water consumption and discharge. In 2012, we upgraded Apatit's water intake mains from Lake Imandra. This contributed to a reduction in fresh water used by Apatit and by PhosAgro as a whole. At Apatit's Vostochny mine we installed a system of wells designed to reduce the overall groundwater level, thus enabling us to eliminate contamination of the groundwater.

Total indirect energy consumption for the period 2009-2013, GJ

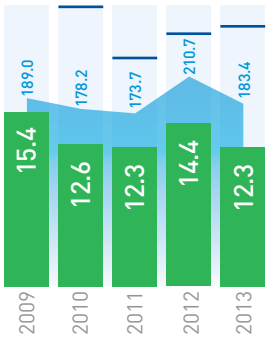


Electricity consumption



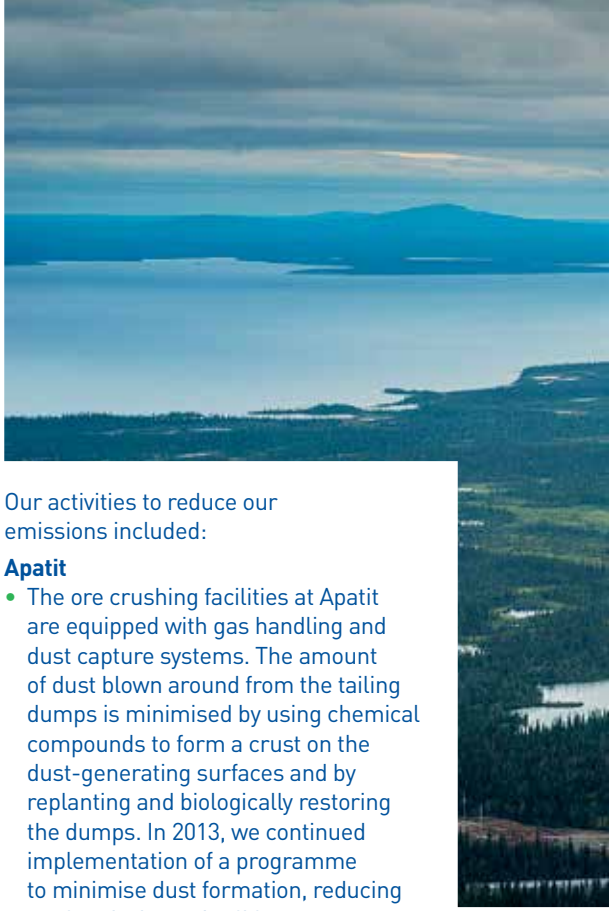
- Electricity consumption per unit of production, kWh/t
- Total PhosAgro electricity consumption, million kWh

Water discharge



- Water discharge per unit of production, m^3/t
- Total water discharge, million m^3
- Water discharge permits[1]

1. 2009 data is not available.



PhosAgro-Cherepovets
At PhosAgro-Cherepovets, we regularly monitor the condition of our water-based system for removing phosphogypsum and its sludge storage facilities. We also carry out geo-monitoring of local groundwater pits in order to prevent situations that may lead to contamination.

At PhosAgro-Cherepovets we are also reconstructing our water treatment facilities in order to increase the wastewater treatment throughput. The reconstruction has enabled us to significantly improve the quality of wastewater discharged. The next phase of the project at PhosAgro-Cherepovets envisions the introduction of a water treatment system that uses coagulant and flocculent solutions.

To improve the quality of industrial storm water we repaired our water reservoir; at our phosphate site we carried out the research and development of catalytic technology for purification of storm water and carried out a pilot test to clean storm water discharges of nitrogen compounds by aeration.

Our modernisation efforts have also enabled us to reduce the use of fresh water to 24% below the limit set by our licence.

We are using the learnings from our undertakings to assist us in the development of new water treatment facilities at Metachem, and will report on our progress next year, having now started the treatment facilities engineering.

BMF
BMF is currently the only enterprise in the Russian fertilizer market to use a closed-cycle drainless water supply, which avoids any contamination of regional water resources by polluted wastewater. This technology is important because BMF is located in the Saratov region, close to the Volga River, an essential water source. Since 2005, we have monitored our impacts on surface and groundwater, because of their importance to surrounding communities.

To protect the bioresources of rivers used for industrial and household consumption, all rivers suction pipes at BMF have fish protection devices installed.

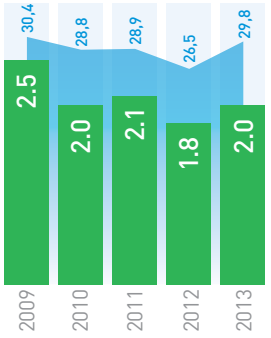
Metachem
At Metachem, our programme of water body observation is in line with the regulatory requirements of the Neva-Ladoga Basin Water Authority.

Air pollution and greenhouse gas emissions
All our operations' environmental protection departments monitor the quality of atmospheric and air emissions. Overall, the successful implementation of programmes and projects for technical upgrades at our production facilities has enabled us to significantly lower emissions of pollutants into the air in recent years, also supported by the fact that all of our enterprises are equipped with modern gas purification systems.

Our activities to reduce our emissions included:

Apatit
- The ore crushing facilities at Apatit are equipped with gas handling and dust capture systems. The amount of dust blown around from the tailing dumps is minimised by using chemical compounds to form a crust on the dust-generating surfaces and by replanting and biologically restoring the dumps. In 2013, we continued implementation of a programme to minimise dust formation, reducing total emissions of solid matter into the air by 8.5%;
- A reduction in emissions (including carbon emissions) was achieved by connecting buildings and production sites to the central heating plant instead of using individual boilers. Additional reductions are achieved through the heating plant's air scrubbers. This will be continued in 2014.

Emissions into the air



- Emissions into the air per unit of production, kg/t
- Total PhosAgro emissions into the air, kt

PhosAgro-Cherepovets

- Our urea line that was launched in 2012 at PhosAgro-Cherepovets reduced our Greenhouse Gas Emissions significantly by using an additional 370,000 tonnes of $C0_2$ annually in production.

BMF

- At BMF, we continued with our modernisation programme, including the upgrading and replacement of heat exchangers in our sulphuric acid production lines. These steps reduced our sulphur dioxide emissions by 23% compared to 2011, prior to modernisation – a decrease of 950 tonnes.
- We also achieved a 19%, or 91 tonne, reduction in our ammonia emissions through the modernisation of the gas treatment/re-absorption system in our phosphate-based fertilizer production line.

The Company's entities have not assessed their greenhouse gas emissions.

Our approach for PhosAgro's greenhouse gas emissions assessment will be clarified following the approval of the required legal acts in line with the Presidential Decree of 30 September 2013 No. 752 'On the reduction of greenhouse gas emissions' that sets the requirements for greenhouse emissions according to the industry, obligatory reporting, and methodology of defining the key indicators of greenhouse gases emissions.

See tables 3 and 4 in the performance summary.

Land usage and reclamation

PhosAgro has a direct impact on the land through our mining and chemical and beneficiation plant activities. In addition, we clear and excavate land for new construction. We undertake these activities in accordance with licenses granted by Russian authorities, State Ecological Expertise RF, Main Department of State Examination and in accordance with our key stakeholder Groups.

Increasing the productivity of our apatite-nepheline ball mills and reducing input consumption.

- The process of grinding ore is the most expensive component of the apatite-nepheline ore enrichment process, comprising approximately 60% of the total cost. The grinding is carried out in ball mills which operate in a closed loop with classifying equipment to ensure the desired product size.
- By improving the productivity of the ball mill through implementing fine sieve technology, we will reduce the operating costs of grinding apatite-nepheline ore at Apatit-ANBP-3. The reduction in cost is achieved through:
  - Reducing power consumption by over 24%;
  - Reducing consumption of metal grinding balls by 15%;
  - Reduction in lining mills by 10%;
  - Reduction in repairs and their attendant costs;
  - We also obtain more apatite concentrate – P_2O_5 0.7 abs – from the same volume of apatite-nepheline ore by reducing overgrinding.

The mining of our apatite-nepheline ore creates our largest land footprint, due to the large volumes of extraction and tailings storage resulting from the beneficiation of apatite-nepheline ore.

In order to reduce the volume of extracted materials sent to dumps, we use part of the materials for production needs such as sanding roads during winter months, cement production and reinforcing banks at tailings dumps.

In order to reduce the risk of pollution of the territory and ground water at Apatit's mines and production facilities, canals and reservoirs are used in accordance with approved designs to divert clean water from areas where mining activities take place, as well as equipment to collect and purify pit water.

Ongoing reclamation work includes the reinforcement of external embankments for dam walls and evaporation pools. The processing plant ANBP-1 ceased operating over 20 years ago and the land previously allocated for the storage of ANBP-1 tailings has been reclaimed and a natural habitat is re-developing.

At our ANBP-2 and ANBP-3 tailings dumps, we are carrying out work to reduce and tamp down dust using special compounds and the planting of grass. At this stage, we have not carried out any reclamation activities at our open cut mine, which is still operational and has the prospect of continued commercial mining for another 75 years.

Waste, waste storage and secondary resources

Our various mining and production activities generate significant amounts of secondary products and waste. As far as possible, we seek to minimise this waste through efficient processes, including recycling and conversion of waste into useful secondary products.

See chart 5, tables 5 and 6 in the performance summary.

The processing of our apatite-nepheline ore produces solid waste in the form of tailings. The tailings are a mixture of crushed minerals that remain after extracting the main commercial components from the ore.

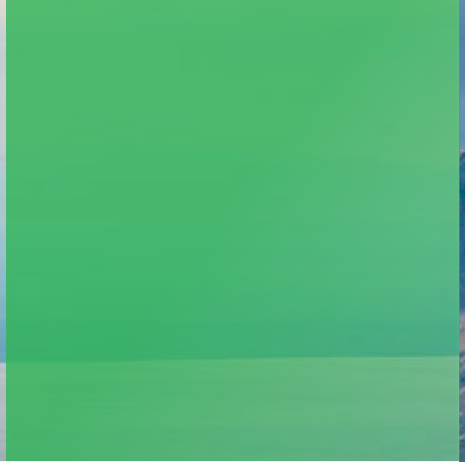
See chart 6 in the performance summary.

The initial tailings slurry is transported to the tailings dumps, where it is processed to recover the water content, which is returned to the concentrators and reused. To date, our Apatit business has accumulated about 900 million tonnes of tailings, including 17 million tonnes in 2013. Tailings are considered a man-made deposit of chemical elements and are the property of the state and are included in the state balance of minerals. According to our licenses for the production of apatite-nepheline ore, which are issued and managed by the Federal Subsoil Resources Management Agency (ROSNEDRA), we are obliged to secure and maintain a record of the useful components in tailings. We have a preferential right to use the tailings as technogenous deposits.

Additional waste we generate includes phosphogypsum, cement kiln dust, sludge from the neutralisation of fluorine-containing wastewater, silica gel and lime milk. Some of these waste products are recyclable materials, such as phosphogypsum, which can be used in the production of building materials, as a filler in cement production. At BMF, for example, work is underway to explore the use of our phosphogypsum for the production of gypsum binders for use in cement and related building products. Phosphogypsum in its dehydrate and hemihydrate forms can be used for road construction and we have undertaken a pilot programme at BMF to test our product and demonstrate its use in road surfacing in Balakovo.

In 2011, we launched the first part of a unified tailings pond with a 100 million cubic metre capacity for storage of phosphogypsum at PhosAgro-Cherepovets. The initial complex included a dam, drainage ducts, water collection equipment, a pumping station for clear water, a buffer pond and several other items.

Phosphogypsum, in addition to being used in construction materials, is a valuable source of rare earth elements. Prayon, the world's leading developer


of phosphate recycling technology, and PhosAgro have signed an agreement under which we are jointly developing technology for the production of rare earth elements from phosphogypsum.

Our production facilities also produce small-volume waste as part of the manufacturing process, such as oil, light bulbs, railroad ties, etc. The majority of this waste is stored, disposed of or recycled in accordance with its hazard classification and approved procedures.

Environmental regulations, certifications and audits

In addition to our own quality standards, our approach to managing our environmental footprint is guided by the Russian Federation's environmental legislation and supporting regulations. We are also informed by EU environmental protection directives and international agreements, including the Basel Convention and the Helsinki Convention. None of PhosAgro's enterprises uses ozone-depleting substances in production, or extinguishers or coolants. We do not undertake cross-border hazardous waste transportation and our production sites are not situated in protected areas. Hence, there are no significant restrictions on our operations. We also comply with IFC standards.

In general, Russian environmental law meets international standards, and utilises two main pieces of legislation: the Environmental Protection Law and the Environmental Expert Review Law. Both require Environmental Impact Assessments (EIAs) prior to the implementation of a project that may have an impact on natural resources. No construction and/or operation is permitted until the Company is in receipt of a positive report from the State Environmental Expert Review (an essential precondition for financing and implementation). Regional legislation supports and expands on these federal laws and regulations. Russia is also a signatory to most of the major International environmental conventions and treaties, which in the event of conflict with Russian law, take precedence.

In general, any activity in Russia that may have an adverse impact on the environment is subject to:

- The issuance of permits or licences (including for water use; subsoil use – for example in mining; and forest use; air emissions; waste treatment; and the operation of hazardous industrial facilities);
- The establishment of limits with respect to the amount of environmental impact;
- Payment of a fine for negative impact;
- Payment for environmental impact (emissions and waste disposal);
- Liability in the event of violation – up to and including criminal prosecution.

In addition, permits are available for specific impacts, including air pollution (in excess of maximums), discharges into water bodies and disposal of waste and other activities having an adverse impact on the environment. Granted permits include the obligation to remediate any negative impacts.

The Russian parliament has been considering a number of amendments to environmental law, and if passed these could have a significant impact on our industry, including increased financial levies. We work together with the Russian Union of Industrialists and Entrepreneurs' (RSPP) Committee on Ecology and Nature to present our disagreement and further suggestions in respect to the Russian Government's approach.

The proposed legislative amendments have not been passed yet, but if enacted, they will be addressed in PhosAgro's next report (including the impact on the Company's operations).

In 2012, Russia became a member of the World Trade Organization, with implications for environmental regulations. These impacts are still being assessed.

In addition to observing Russian environmental law, we make particular use of ISO and other international standards relevant to our business to guide our approach – for example, BMF is the first Russian enterprise to be certified compliant with the European GMP+ quality control standard for feed materials. We also undertake regular internal and external audits to assess our compliance and obtain certification, together with exposure assessments, international format safety data sheets, and recommendations for safe handling which are developed in compliance with the requirements of European Regulation No. 1272/2008 on classification, labelling and packaging and No. 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) in the development of exposure scenarios.

Entreprises' certification

	ISO 9001	OHSAS 18001	ISO 14001
Apatit	2011 – present	–	–
PhosAgro-Cherepovets	2004 – present	2008 – present	2006 – present
BMF	2005 – present	–	2009 – present

A valued member of society

Our social programmes are a key component in ensuring our long-term sustainability. They encompass our employees and their families and our local communities, including schools, sporting organisations and regional government. By supporting and creating programmes that enhance our local communities, we embed ourselves as a valued member of society. In addition, in the formulation of many of our programmes, we seek to meet the dual needs of both our business and society – for example by creating tailored programmes that enhance local education, while also meeting our need to recruit a well-educated workforce.

Pyramid of social policy

Supporting our employees and their families

Caring for our employees and their families is our core social responsibility – by enhancing their lives and offering a range of valuable employment benefits, we create a motivated workforce willing to work to the best of their abilities to meet our business goals. By treating our workforce with respect and meeting their health, safety, cultural and material needs we also reduce the risk of labour conflict and create good relations between our leadership team and the broader workforce. We also ensure we are regarded as an employer of choice, enabling us to attract appropriately skilled people to our business.

To create a motivated and harmonious workforce, we provide the following benefits: competitive wages and pensions; medical support and decent on-site conditions, including nutritious food, appropriate housing and good opportunities for rest and recreation, including regular sporting and cultural events. We also have a range of facilities across the business to support our employees and their families, including gyms and sports centres, as well as holiday homes.

Though we are still in the process of finalising our Group-wide social policy we have provided four main social programmes for our employees, who work at our production sites –

To find out more about our social responsibility please go to www.phosagro.com/social/

our four pillars of support: our Health programme, Housing programme, Material Support and Social Benefits programme and Comfortable Working Conditions programme.

The ultimate goal of these programmes is to ensure we run our business effectively by ensuring we have motivated employees and reduced turnover amongst our skilled, hard-to-replace professionals. This includes modifying our programmes and social benefits depending on the unique needs of individual employees and their level within the business. We also review the success of activities at different operations and extend successful programmes to other subsidiaries, in furtherance of our aims to unify and consolidate our business.

Health programme

Because of the nature of our industry, including working with a range of chemicals in a heavy-industry environment, we have developed our focused 'health' framework and programmes in support. This includes offering preventative health programmes and the opportunity to participate in our voluntary medical insurance programme, which offers benefits in excess of those offered by the state, including: home care; hospital day-patient and inpatient care; dental care; prosthetics; medication; medical examinations.

We also offer treatment of occupational illnesses at our two sanatoriums: Tirvast in Kirovsk and Izumrud in Balakovo, as well as rest and recuperation at Sosnovka in Cherepovets.

Since our inception, we have worked – together with representative trade unions – to arrange regular sporting events and competitions. These include soccer, volleyball, basketball, swimming and skiing. We also regularly organise and sponsor major regional and federal sporting events.

Working conditions programme

Under this programme, we ensure the provision of decent and modern working conditions including refurbishing workspaces while also increasing our cost-efficiency through consolidation. The programme of refurbishment was initiated at Cherepovets in 2011, and under a unified set of standards for work-site conditions and amenities (with positive feedback from employees shown in our most recent employee survey) it was extended to other subsidiaries over 2013.

In 2013 uniform health and safety standards have been adopted across all production sites.

1,489

apartments provided to employees

RUB 60 m

spent to support retired employees

Housing programme

In addition to our health programmes, another key employee programme is the provision of good quality housing. Housing is an important additional element to attract high calibre professionals and graduates, and by providing good quality housing, including ownership opportunities, we can reduce turnover. Our housing programme was initiated at Cherepovets in 2009 and was extended to include all our subsidiaries. For example, in 2013 we purchased 90 additional apartments at Cherepovets and 29 at BMF, while 26 employees of Apatit were given the opportunity to obtain new apartments in Kirovsk and Apatity on special terms. In Kirovsk construction of a new building for employees of Apatit has started, with completion anticipated in 2015. We also enable employees at Apatity and Kirovsk to participate in a scheme to own their own homes through our subsidised home loans scheme. In total, employees have received 1,489 apartments under this programme.

Taxes paid into regional and local budgets between 2009-2013, RUB m

	2009	2010	2011	2012	2013	Total
Murmansk region	**2,357**	**2,394**	**2,609**	**3,453**	**4,557**	**15,370**
Regional budget	1,875	1,810	1,972	2,728	3,747	12,132
Local budget	482	584	637	725	810	3,238
Vologda region	**1,257**	**2,156**	**3,006**	**4,732**	**1,022**	**12,173**
Regional budget	1,057	1,940	2,743	4,524	852	11,116
Local budget	200	216	263	208	170	1,057
Saratov region	**90**	**290**	**1,035**	**902**	**131**	**2,448**
Regional budget	52	242	983	838	65	2,180
Local budget	38	48	52	64	66	268
Leningrad region[1]	**–**	**–**	**–**	**–**	**232**	**232**
Regional budget					172	172
Local budget					60	60
Total	**3,704**	**4,840**	**6,650**	**9,087**	**5,942**	**30,223**

1. Data for Leningrad region commences in 2013, as Metachem was consolidated into the Group in 2013.

Financial assistance and social benefits

The social and material wellbeing of our employees is one of the keys to successful operations at our production facilities. In 2013 we developed a unified programme for social benefits for employees. This programme is based on giving high ratings to an employee's efficient work, as well as promoting the value and importance of every award for employees. We introduced the title 'Honoured Worker of PhosAgro' and the 'PhosAgro Worker Merit' award, which are granted together with commemorative pins and bonus payments.

Social benefits for employees' children and retired employees

In accordance with terms agreed in collective agreements, employees may receive material support from the factory in a variety of situations. For children of our employees we offer a range of holiday facilities, including the opportunity to spend vacations/ summer holidays in recreation camps in Russia and abroad. In 2013, some 750 children of our employees enjoyed holiday camps located on the Black Sea and in Italy, Bulgaria, Slovenia and Montenegro. We also reward long-serving, retired employees through extensive social protection programmes, including excellent retirement benefits, from our subsidiaries' retirement funds and post-work adaptation programmes. We also provide retired employees' access to resorts owned by PhosAgro at a substantial discount, with all our obligations to retired employees outlined in collective agreements developed together with trade unions. In 2013, we spent a total of RUB 60 m in the support of retired employees.

Meeting the goals of local and regional governments

We enhance the scale of our community contributions by working closely with regional and local authorities on the development of social infrastructure and utilities, education, cultural activities and sports – our key social priorities.

Our key contribution to local and regional governments is through the taxes and other financial payments we make, our employment of members of the local population and engaging locally based contractors – all of which make a significant contribution to the economic wellbeing of the community enabling the enhancement of local facilities and services.

We formalise many of our links with our local and regional governments and authorities through agreements and contracts. For example, in December 2013 we signed an agreement with the Government of the Murmansk Region and the city administration of Kirovsk, where our apatite-nepheline resources are located. Together, we have agreed to carry out a range of joint activities and programmes to improve housing, public utilities, cultural and sporting activities and municipal services.

In addition, the agreement gave an undertaking by our business to ensure the effective development of our production to increase regional budget income for the cities of Kirovsk and Apatity. A major aim of the agreement is to undertake joint investments to enable the diversification of the economy of the region, for example by developing the ski-ing industry – such as the work we have done to support the Bolshoi Vudyar ski complex in Hibinah to promote the tourism industry, while also assisting in fulfilling our desire to develop sporting opportunities for our employees and communities.

Plans for 2014 at the resort include better links to the local town and the addition of two new ski lifts (launched in February), expanding the number of ski slopes from 5 to 12.

Overall, we have worked to assist in creating a 6-year plan to expand the resort by a factor of four, providing much needed employment opportunities for the region and the economic benefits that flow from increased inbound tourism.

Additional agreements made this year include:

- Agreement between PhosAgro and the Vologda region on improving professional (vocational) education and the quality of human resources for the chemicals industry – aimed at addressing the need to prepare more qualified personnel to work in the chemicals sector in the Vologda region;
- Agreement between the Cherepovets city administration and PhosAgro to develop youth sports and healthy lifestyles (discussed overleaf);

- Agreement between PhosAgro and Rostov region guaranteeing supplies of mineral fertilizers to agricultural producers in the region;
- Following completion of the acquisition of Metachem, an agreement was signed with the Volkhov administration aimed at supporting the socio-economic development of the region by ensuring that Metachem's employment agreements and the plant's operational activities help to ensure that local residents and manufacturers benefit from PhosAgro's activities at Metachem.

Next year, we will report on the progress of these agreements, and their impact on the local communities.

Educational support and youth

We have a long history of working with multiple educational institutions, including secondary schools, colleges and universities. We have offered support through charitable donations, infrastructure creation, scholarships and stipends for students, including the graduate recruitment programmes we discuss in the Developing our People section. Our business is reliant on highly skilled employees, with excellent technical and engineering knowledge, so promoting educational attainment is in our interest if we are to continue to be able to recruit talented employees.

In 2013 PhosAgro signed a three-year agreement with the Vologda region administration aimed at cooperation in the sphere of professional education. The programme is to be financed from the federal and regional government budgets, as well as by PhosAgro. Prior to this agreement, PhosAgro was part of a private-public partnership signed in 2011 aimed at developing the Cherepovets Chemical-Technical College. Both agreements were aimed at developing human resources in the region, reducing the deficit of qualified personnel in the Vologda region chemicals sector and expanding the middle and higher education systems in the region.

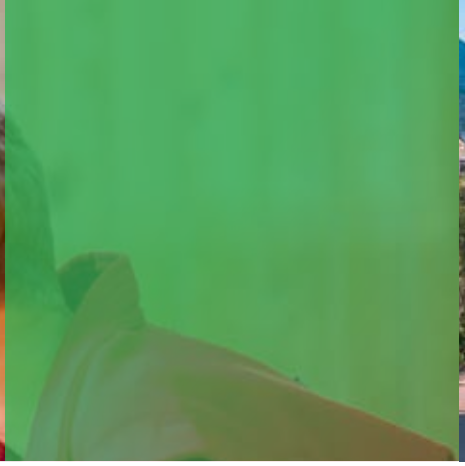
In 2013, we opened five specialised classes in all the cities where we have our major operations: Balakovo; Volkhov; Kirovsk; Apatity; and Cherepovets. The classes are resourced by PhosAgro, in conjunction with regional authorities. These 'PhosAgro Classes' include targeted support for the study of mathematics, computer science, physics and chemistry. This year 125 places were offered to students selected for their skills, aptitude and interest in chemistry, physics, computer science and mathematics. Next year, we aim to double the available places. In 2013 we spent RUB 36 m to refurbish and appropriately equip the classrooms to be used in the programme. To maintain the PhosAgro Classes' activities, we plan to spend approximately RUB 17 m annually. The programme reflects the vertical integration of our business, extending our capabilities into assisting the development of the future leaders of our business from school, with graduates of our PhosAgro Classes well equipped to enter leading universities and, hopefully, join our graduate recruitment programmes.

In 2013, we also signed an agreement with the city of Cherepovets to work together to develop opportunities for youth in sport and the promotion of a healthy and active lifestyle as a means of reducing youth crime and morbidity. This is to be conducted as part of our 'DROZD' youth programme,

> I am sure the relationship with PhosAgro will be one of the best examples of industry showing an understanding of their responsibility to vocational training

Oleg Kuvshinnikov

Governor of Vologda Region



which we initiated over a decade ago to promote education and a healthy lifestyle among children. We operate six regional sport and educational centres: in Cherepovets; Voskresensk; Volkhov; Kirovsk; Apatity and Balakovo within the 'DROZD' programme. The centres were founded in collaboration with the Ministry of Sport of the Russian Federation and Sambo 70 (sport and educational centres in Moscow). Similar to Sambo 70 centres in Moscow, 'DROZD' centres combine sport and education, using public schools as the base; some 40 regions across Russia use 'DROZD' educational methodology. Over 15,000 children participate in the 'DROZD' programme and we provided approximately RUB 52 m to the scheme in 2013. We have also held 11 annual scientific and practical conferences to investigate the role of sports and educational activities in preventing anti-social behaviour, including drug and alcohol abuse.

Other relationships with universities and schools include:

- The Cherepovets Chemical Technical College at Cherepovets State University, including the development of new models of vocational training and support for the training and promotion of teachers. Between 2011 and 2013, we spent RUB 85 m for refurbishment and equipment;
- Co-operation with the Khibinsk Technical College (a branch of St. Petersburg Mining University) in the Murmansk Region. Between 2010 and 2013, we spent RUB 264 m on refurbishment and equipment;
- Support for the St. Petersburg State Mining University.

Charity donations by source, RUB m

	2009	2010	2011	2012	2013
Apatit	243	534	636	340	563
Cherepovets production site	90	318	482	211	304
BMF	39	45	59	39	54
Metachem					11
Others	26	38	83	70	89
Total	**398**	**935**	**1,260**	**724**	**1,021**

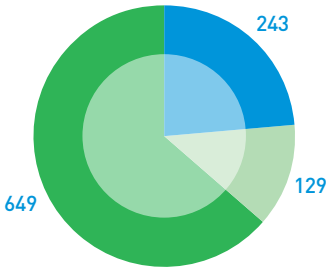
Additional support for sport and culture

In addition to the work we have done with regional governments, which we discuss above, in 2013 we supported the following organisations and facilities:

- The Russian Chess Federation;
- The Russian Swimming Federation;
- The Russian Rhythmic Gymnastics Federation;
- St. Petersburg Regional Judo Federation;
- Development of Khibiny's ski resort infrastructure.

In 2013, for the maintenance and development of sports and sport infrastructure, we donated over RUB 543 m. Of this amount, RUB 243 m was donated to charity. We plan to spend more than RUB 830 m in 2014 on both sports programmes and infrastructure.

Charity donations by purpose in 2013, RUB m



GRI 3.1 disclosure summary

Level of disclosure

■ Fully reported ■ Partially reported ■ Information not reported (not considered material to business operation) □ Not reported

Indicator		Disclosure
MATERIALS		
EN1	■	Materials used by weight or volume.
EN2	■	Percentage of materials used that are recycled input materials.
ENERGY		
EN3	■	Direct energy consumption by primary energy source.
EN4	■	Indirect energy consumption by primary source.
EN5	■	Energy saved due to conservation and efficiency improvements
EN6	■	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives.
EN7	□	Initiatives to reduce indirect energy consumption and reductions achieved.
WATER		
EN8	■	Total water withdrawal by source.
EN9	■	Water sources significantly affected by withdrawal of water.
EN10	■	Percentage and total volume of water recycled and reused.
BIODIVERSITY		
EN11	■	Location and extent of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.
MM1	■	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.
EN12	■	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.
EN13	■	Habitats protected or restored.
EN14	■	Strategies, current actions, and future plans for managing impacts on biodiversity.
EN15	■	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.
EMISSIONS, EFFLUENTS AND WASTE		
EN16	■	Total direct and indirect greenhouse gas emissions by weight.
EN17	■	Other relevant indirect greenhouse gas emissions by weight.
EN18	□	Initiatives to reduce greenhouse gas emissions and reductions achieved.
EN19	■	Emissions of ozone-depleting substances by weight.
EN20	■	NOx, SOx, and other significant air emissions by type and weight.
EN21	■	Total water discharge by quality and destination.
EN22	■	Total weight of waste by type and disposal method.
MM3	■	Total amounts of overburden, rock, tailings, and sludges and their associated risks.
EN23	■	Total number and volume of significant spills.
EN24	■	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.
EN25	■	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.
PRODUCTS AND SERVICES		
EN26	■	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.
EN27	■	Percentage of products sold and their packaging materials that are reclaimed by category.
COMPLIANCE		
EN28	■	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.

Indicator		Disclosure
TRANSPORT		
EN29	■	Significant environmental impacts of transporting products and other goods and materials used for the organisation's operations, and transporting members of the workforce.
OVERALL		
EN30	■	Total environmental protection expenditures and investments by type.
CUSTOMER HEALTH AND SAFETY		
PR1	■	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and categories of service subject to such procedures.
PR2	■	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by types of outcomes.
PRODUCT AND SERVICE LABELLING		
PR3	■	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.
PR4	■	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labelling, by types of outcome.
PR5	■	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.
MARKETING COMMUNICATIONS		
PR6	■	Programmes for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship.
PR7	■	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by types of outcome.
CUSTOMER PRIVACY		
PR8	■	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.
COMPLIANCE		
PR9	■	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.
LOCAL COMMUNITIES		
SO1	■	Percentage of operations with implemented local community engagement, impact assessments, and development programmes.
SO9	■	Operations with significant potential or actual negative impacts on local communities.
SO10	■	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities.
MM6	■	Number and description of significant disputes relating to land use, customary rights of local communities and Indigenous Peoples.
MM7	■	The extent to which grievance mechanisms were used to resolve disputes relating to land use, customary rights of local communities and Indigenous Peoples, and the outcomes.
MM8	■	Number (and percentage) of Company operating sites where artisanal and small-scale mining (ASM) takes place on, or adjacent to, the site; the associated risks and the actions taken to manage and mitigate these risks.
MM9	■	Sites where resettlements took place, the number of households resettled in each, and how their livelihoods were affected in the process.
MM10	■	Number and percentage of operations with closure plans.
CORRUPTION		
SO2	■	Percentage and total number of business units analysed for risks related to corruption.
SO3	■	Percentage of employees trained in organisation's anti-corruption policies and procedures.
SO4	■	Actions taken in response to incidents of corruption.

Indicator		Disclosure
PUBLIC POLICY		
SO5	■	Public policy positions and participation in public policy development and lobbying.
SO6	■	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country.
ANTI-COMPETITIVE BEHAVIOUR		
SO7	■	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.
COMPLIANCE		
SO8	■	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.
INVESTMENT AND PROCUREMENT PRACTICES		
HR1	■	Percentage and total number of significant investment agreements and contracts that include clauses incorporating human rights concerns, or that have been subject to human rights screening.
HR2	■	Percentage of significant suppliers, contractors and other business partners that have undergone human rights screening, and actions taken.
HR3	■	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.
NON-DISCRIMINATION		
HR4	■	Total number of incidents of discrimination and corrective actions taken.
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
HR5	■	Operations and significant suppliers identified for which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and actions taken to support these rights.
CHILD LABOUR		
HR6	■	Operations and significant suppliers identified as having significant risk of incidents of child labour, and measures taken to contribute to the effective abolition of child labour.
PREVENTION OF FORCED AND COMPULSORY LABOUR		
HR7	■	Operations and significant suppliers identified as having significant risk of incidents of forced or compulsory labour, and measures to contribute to the elimination of all forms of forced or compulsory labour.
MM5	■	Total number of operations taking place in or adjacent to Indigenous Peoples' territories, and number and percentage of operations or sites where there are formal agreements with Indigenous Peoples' communities.
SECURITY PRACTICES		
HR8	■	Percentage of security personnel trained in the organisation's policies or procedures concerning aspects of human rights that are relevant to operations.
INDIGENOUS RIGHTS		
HR9	■	Total number of incidents of violations involving rights of Indigenous People and actions taken.
ASSESSMENT		
HR10	■	Percentage and total number of operations that have been subject to human rights reviews and/or impact assessments.
REMEDIATION		
HR11	■	Number of grievances related to human rights filed, addressed and resolved through formal grievance mechanisms.
EMPLOYMENT		
LA1	■	Total workforce by employment type, employment contract, and region, broken down by gender.
LA2	■	Total number and rate of new employee hires and employee turnover by age Group, gender, and region.

Indicator		Disclosure
LA3	■	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.
LA15	■	Return to work and retention rates after parental leave, by gender.
LABOUR/MANAGEMENT RELATIONS		
LA4	■	Percentage of employees covered by collective bargaining agreements.
LA5	■	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements.
MM4	■	Number of strikes and lock-outs exceeding one week's duration, by country.
OCCUPATIONAL HEALTH AND SAFETY		
LA6	■	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programmes.
LA7	■	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region and by gender.
LA8	■	Education, training, counselling, prevention, and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.
LA9	■	Health and safety topics covered in formal agreements with trade unions.
TRAINING AND EDUCATION		
LA10	■	Average hours of training per year per employee by gender, and by employee category.
LA11	■	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.
LA12	■	Percentage of employees receiving regular performance and career development reviews, by gender.
DIVERSITY AND EQUAL OPPORTUNITY		
LA13	■	Composition of governance bodies and breakdown of employees per employee category according to gender, age Group, minority Group membership, and other indicators of diversity.
EQUAL REMUNERATION FOR WOMEN AND MEN		
LA14	■	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.
ECONOMIC PERFORMANCE		
EC1	■	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.
EC2	■	Financial implications and other risks and opportunities for the organisation's activities due to climate change.
EC3	■	Coverage of the organisation's defined benefit plan obligations.
EC4	■	Significant financial assistance received from government.
MARKET PRESENCE		
EC5	■	Range of ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.
EC6	■	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.
EC7	■	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.
INDIRECT ECONOMIC IMPACTS		
EC8	■	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.
EC9	□	Understanding and describing significant indirect economic impacts, including the extent of impacts.

Performance summary

Chart 1: Flexible production capabilities in 2013, mln t

Chart 2: DAP production cash cost, EXW

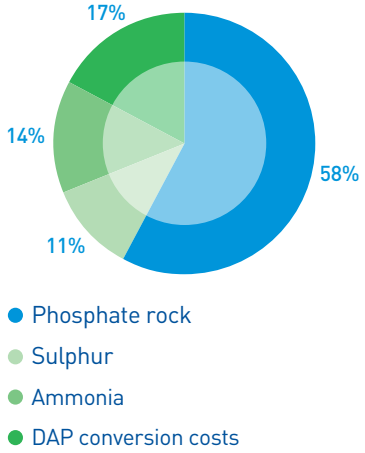
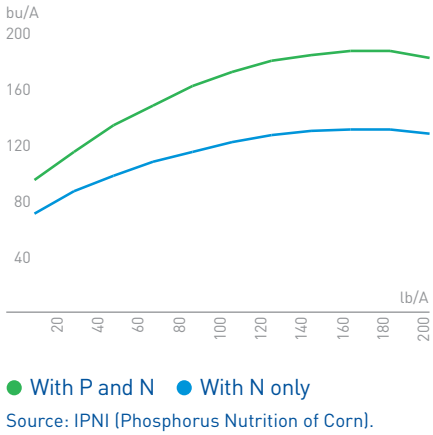


Chart 3: Effect of N and P on corn yield, bu/A



Source: IPNI (Phosphorus Nutrition of Corn).

Table 1: Water discharge, (000) m^3

	2009	2010	2011	2012	2013
Apatit	179,935	168,574	164,202	200,385	172,911
PhosAgro-Cherepovets	9,111	9,618	9,526	10,367	9,484
BMF	–	–	–	–	–
Metachem	–	–	–	–	1,040

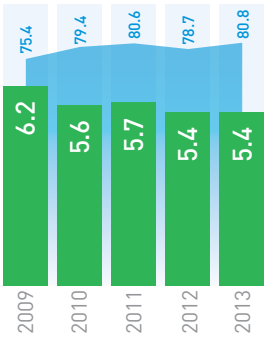
Table 2: Water withdrawal, (000) m^3

	2009	2010	2011	2012	2013
Apatit	48,870	51,401	51,889	49,616	50,648
PhosAgro-Cherepovets	22,334	22,653	22,137	22,338	21,322
BMF	4,142	5,349	6,586	6,748	6,499
Metachem	–	–	–	–	2,330

Table 3: PhosAgro emissions into the air by type, t

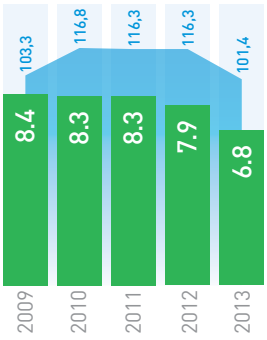
	2009	2010	2011	2012	2013
Solids	5,389	6,027	6,033	5,740	5,758
Gaseous and liquid:	25,005	22,776	22,876	20,712	24,063
sulphur dioxide	13,445	12,049	12,764	11,709	13,082
carbon monoxide	2,595	2,283	2,214	1,975	3,020
nitrogen oxides (calc. in NO_2)	5,493	5,482	5,229	4,321	4,874
others, gaseous and liquid	3,472	2,962	2,670	2,707	3,087

Chart 4: Water withdrawal



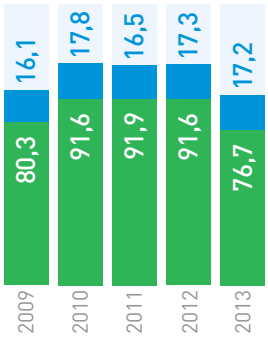
- Water withdrawal per unit of production, m^3/t
- Total PhosAgro water withdrawal, mln m^3

Chart 5: Total waste



- Total waste production per unit, t/t
- Total weight of waste, (000) t

Chart 6: Total amount of overburden, rock tailings, mln t



- Overburden
- Tailings

Table 4: PhosAgro emissions into the air by site, t

	2009	2010	2011	2012	2013
Apatit	14,825	14,681	13,813	12,300	12,377
PhosAgro-Cherepovets	10,467	9,138	8,501	7,801	10,454
Agro-Cherepovets	267	263	274	315	273
BMF	4,834	4,720	6,322	6,035	5,182
Metachem	–	–	–	–	1,535

Table 5: Waste by class of hazard, t

	2009	2010	2011	2012	2013
Total weight of waste, by class of hazard:	103,280,281	116,776,898	116,247,859	116,266,817	101,421,001
I	10	65	95	40	73
II	38	50,285	52,689	49,365	50,730
III	6,231	8,056	7,383	8,643	6,692
IV	6,783,192	3,184,416	3,540,958	3,269,666	3,485,008
V	96,490,810	113,534,075	112,646,734	112,939,104	97,878,497

Table 6: Waste by site, t

	2009	2010	2011	2012	2013
Total weight of waste, by site:	103,280,281	116,776,898	116,247,859	116,266,817	101,421,001
Apatit	96,414,542	109,430,820	108,518,991	109,073,113	93,900,614
PhosAgro-Cherepovets	4,016,807	4,231,405	4,258,615	3,988,168	4,099,440
Agro-Cherepovets	2,771	2,493	2,611	2,032	659
BMF	2,846,161	3,112,180	3,467,642	3,203,504	3,418,377
Metachem	–	–	–	–	1,911

Constantly working to improve in everything we do

Apatit awards

2009
Gold Medal 'European Quality' award at 'Top 100 Russian companies: Ecology and Environmental Management'

'Environmentalist of the Year' honorary award in St. Petersburg to CEO Mr Shaposhnik

Apatit awarded 'Environmental Leader 2009'

XXI Century Platinum Quality mark for apatite 'Standard' and 'Super'

2010
XXI Century Platinum Quality mark for apatite concentrate 'Standard' and 'Super'

2011
ISO 9001:2008 certificate of compliance awarded by the international standard for quality management in St. Petersburg

ISO 9001:2008 certificate of compliance for the production of apatite-nepheline ore, apatite concentrate, nepheline and syenite aluminium alkaline concentrates

Entry into the 'Top 100 Russian companies: Ecology and Environmental Management'

XXI Century Gold Quality mark for nepheline concentrate

2012
XXI Century Gold Quality mark for apatite concentrate 'Coarse' and XXI Century Platinum Quality mark for apatite concentrate 'Standard'

2013
XXI Century Gold Quality mark for nepheline concentrate

Diploma awarded by the Murmansk regional government for participation in the 'Year of environmental protection' activities

Balakovo Mineral Fertilizers (BMF) awards

2009
Russian Quality Organisation award and programme certificate

Winner of the 'Saratov Brand' Investor of the year 2008 award (Saratov region)

'Best exporter in Saratov region' in the Volga Mercury awards

2010
'Engineer of the year 2009' award from the Russian Union of Scientific and Engineering Associations (RUSEA)

1st Grade Diploma for 'Best policy holder' (Balakovo region)

1st Grade Diploma for 'Best policy holder' (Saratov region)

2011
3rd place in the Russian contest 'Russian organisation of high social efficiency' for participation in solving social problems and development in the areas of corporate philanthropy

1st place award for 'Best Russian Exporter 2010' in the 'most dynamically developing Russian exporter' in the chemical industry

Winner of the 'Saratov Brand' Investor of the year 2010 award (Saratov region)

2012
'Best exporter in Saratov region' in the Volga Mercury 2011 awards

Certification Association Russian Register winner of 3rd All-Russian awards for quality management

2013
Winner of the 'Top 100 Russian companies: Ecology and Environmental Management' and 'Environmentalist of the year' awarded to CEO Alexei Gribkov

'Saratov Brand' Investor of the year 2012 award (Saratov region)

PhosAgro-Cherepovets awards

2013
Winner of 'Best exporting production Company' in the annual Silver Mercury awards in the Volga region

XXI Century Platinum Quality mark at the 28th International Exhibition 'National Glory' all Russian brands (III Millennium) awards

Certificate awarded by the city of Cherepovets for the great contribution to improving Cherepovets' city environment

Please see pre-2013 awards on our website www.phosagro.com

Glossary

Abbrevations

GDR or depositary receipt
Global Depositary Receipt

bn
Billion

Gt
Gigatonne

km
Kilometres

kt
Thousand metric tonnes

m
Million

mln t
Million tonnes

MW
Megawatt

RUB
Russian Rouble

t
Metric tonne = 1000 kg

CFR
Cost and Freight – an Incoterms rule. CFR means that the seller must pay the costs and freight to bring the goods to the port of destination, including customs costs for exporting the goods. The buyer pays to insure the goods. Risk is transferred to the buyer once the goods are loaded on the vessel. Maritime transport only.

FOB
Free on Board – an Incoterms rule. The seller must load the goods on board the vessel nominated by the buyer; costs for delivery of the goods on board the vessel are the responsibility of the seller.

USD
United States dollars

Industry terms

Ammonia
A colourless combustible gas with the chemical formula NH_3. Ammonia is a compound of nitrogen and hydrogen, and is primarily used in the production of mineral fertilizers and a wide variety of nitrogen-containing organic and inorganic chemicals.

Ammonium nitrate or AN
A nitrogen fertilizer with a nitrogen content of approximately 34%, produced by reacting nitric acid (an intermediate chemical feedstock produced from ammonia) with ammonia (AN).

NP
(Ammonium nitrate-based fertilizers) Complex ammonium nitrate-based fertilizer with phosphorus content.

Liquid complex fertilizers
Liquid phosphate- and nitrogen-based fertilizer.

Apatite
A Group of phosphate minerals (phosphate ore), usually referring to hydroxylapatite, fluorapatite, and chlorapatite with the chemical formula $Ca_5(PO_4)_3(OH,F,Cl)$. Apatite is the world's major source of phosphorus, found as variously coloured, glassy crystals, masses, or nodules. The phosphorus content of apatite is traditionally expressed as phosphorus pentoxide (P_2O_5).

Apatite-nepheline ore
Ore containing minerals of apatite and nepheline.

By-product
Material, other than the principal product, that is generated as a consequence of an industrial process.

Concentrate
Material that is the result of beneficiation of an ore and which has a higher concentration of mineral values than the mineral values originally contained in the ore. Concentrates are produced in beneficiation plants.

Crushing
A mechanical method of reducing the size of rock.

Deposit
An area of reserves identified by surface mapping, drilling or development.

Diammonium phosphate or DAP
A type of multi-nutrient fertilizer containing nitrogen and phosphorous. Production of DAP is based on the neutralisation of phosphoric acid by ammonia with subsequent drying and granulating.

Downstream
The processing of apatite concentrate, natural gas, sulphur and potash into usable products such as mineral fertilizer, industrial and feed phosphates.

Drillhole
A circular hole made in rock, often in conjunction with a core barrel, in order to obtain a core sample.

Emission
Pollution discharged into the atmosphere from smokestacks, other vents at commercial or industrial facilities and from transportation exhaust systems.

Exploration
The search for minerals. Prospecting, sampling, mapping, diamond drilling and other work involved in the search for mineralisation.

Feed phosphates
Inorganic feed phosphates are a high quality phosphorus source for animal feed. Most inorganic feed phosphates are derived from phosphate rock, which is chemically treated to make phosphorus available for animals in the form of quality feed phosphates. The main inorganic feed phosphates are calcium, magnesium, calcium-magnesium, ammonium and sodium phosphates. These phosphates are constant in composition, low in impurities and considered to be the best available sources of phosphorus for animals. An adequate supply of inorganic feed phosphates in animal feed is essential for animals' well-being.

Grade
The relative quality or percentage content of useful components.

MER or 'minor element ratio'
The sum of the iron, aluminium and magnesium content divided by the P_2O_5 content.

Mitigation
Measures taken to reduce adverse impact on the environment.

Monoammonium phosphate or MAP
A type of multi-nutrient fertilizer containing nitrogen and phosphorous. Production of MAP is based on the neutralisation of phosphoric acid by ammonia with subsequent drying and granulating. Monoammonium phosphate is often used in the blending of dry agricultural fertilizers.

Monocalcium phosphate or MCP
A type of feed phosphate with the highest phosphorus digestibility and content.

Nepheline
A mineral containing aluminium oxide (AL_2O_3).

Nitrogen or N
One of the primary plant nutrients essential for plant growth.

NPK
A multi-nutrient fertilizer containing nitrogen, phosphorus and potassium.

NPS
A multi-nutrient fertilizer containing nitrogen, phosphorous and sulphur.

Open-pit mine
A mine working or excavation that is open to the surface and where material is not put back into the mined out areas.

Phosphate rock
Phosphate rock (apatite concentrate or phosphorus concentrate) is an imprecise term that includes both unprocessed phosphorus containing ore and beneficiated concentrates. Practically all production of phosphate fertilizers is based on phosphate rocks containing some form of the mineral apatite.

Phosphates
A salt or ester of phosphoric acid or a fertilizer containing phosphorus compounds.

Phosphoric acid
Mineral (inorganic) acid having the chemical formula H_3PO_4.

P_2O_5 (phosphoric pentoxide)
A term used to express the content of phosphorus in a substance.

Phosphorous or P
One of the primary plant nutrients essential for plant growth.

Potash or K
One of the primary plant nutrients essential for plant growth.

Rare earth elements/resources
A Group of 15 elements with atomic numbers ranging from 57 to 71: lanthanum; cerium; praseodymium; neodymium; promethium; samarium; europium; gadolinium; terbium; dysprosium; holmium; erbium; thulium; ytterbium and lutetium.

Sedimentary
Formed by the deposition of solid fragmental material that originates from the weathering of rocks and is transported from a source to a site of deposition.

Shaft
A mine-working (usually vertical) used to transport miners, supplies, ore or capping.

Sulphuric acid
A strong sulphur-based inorganic mineral acid with the chemical formula H_2SO_4.

Tailing
The fluid slurry that is left after treatment and extraction of the economically extracted mineral.

Trenches
Lines excavated to a pre-determined depth to establish the geological structure of a deposit.

Urea
An organic compound of carbon, nitrogen, oxygen and hydrogen. It is the most widely used and highest-concentration nitrogen-based fertilizer formed by reacting ammonia with carbon dioxide at a high pressure.

Waste
Rock lacking sufficient grade and/or other characteristics of ore to be economic.

Upstream
Extraction of solid, liquid and gaseous resources from the earth using specialised equipment.

Waste water
Spent or used water from individual homes, communities, farms, or industries that contains dissolved or suspended matter.

Other terms

Basel Convention
The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal was adopted on 22 March 1989 by the Conference of Plenipotentiaries in Basel, Switzerland. The overarching objective of the Basel Convention is to protect human health and the environment against the adverse effects of hazardous wastes. Its scope of application covers a wide range of wastes defined as 'hazardous wastes' based on their origin and/or composition and their characteristics, as well as two types of wastes defined as 'other wastes' – household waste and incinerator ash.

CSR
Corporate Social Responsibility.

Environmental assessment
A process, where the breadth, depth, and type of analysis depend on the proposed project. EA evaluates a project's potential environmental risks and impacts in its area of influence, and identifies ways to improve project design and implementation by preventing, minimising, mitigating, or compensating for adverse environmental impacts and by enhancing positive impacts.

FAO
Food and Agriculture Organization of the United Nations.

Feasibility study
A comprehensive engineering estimate of all costs, revenues, equipment requirements and production levels likely to be achieved if a mine is developed. The study is used to define the technical and economic viability of a project and to support the search for project financing.

Fertecon
Fertilizer Economic Market Analysis and Consultancy, UK.

Group
Refers collectively to OJSC PhosAgro and its subsidiaries.

Helsinki Convention
The Helsinki Convention was signed in 1974 by the then seven Baltic coastal states, and made all the sources of pollution around an entire sea subject to a single convention. The 1974 Convention entered into force on 3 May 1980. A new convention was signed in 1992 by all the states bordering on the Baltic Sea, and the European Community in light of political changes, and developments in international environmental and maritime law. After ratification the Convention entered into force on 17 January 2000. The Convention covers the whole of the Baltic Sea area, including inland waters as well as the water of the sea itself and the sea-bed. Measures are also taken in the whole catchment area of the Baltic Sea to reduce land-based pollution.

IFA
International Fertilizer Association, France.

ISO
International Organisation for Standardisation, the world's largest standards development organisation. Between 1947 and the present day, ISO has published more than 19,000 International Standards, ranging from standards for activities such as agriculture and construction, through mechanical engineering and medical devices, to the newest information technology developments.

LSE
London Stock Exchange.

Moscow Exchange
Russian stock exchanges, MICEX and RTS, were merged into one entity MICEX-RTS in December 2011 and rebranded as the Moscow Exchange in May 2012.

Risk assessment
Qualitative and quantitative evaluation carried out in an effort to define the risk posed to human health or the environment by the presence or potential presence and use of specific pollutants.

Names of legal entities used in this report

OJSC PhosAgro
PhosAgro

CJSC PhosAgro AG
Management Company PhosAgro AG

OJSC PhosAgro-Cherepovets
PhosAgro-Cherepovets

OJSC Ammophos
Ammophos

OJSC Apatit
Apatit

OJSC Cherepovetsky Azot
Cherepovetsky Azot

Balakovo Mineral Fertilizers LLC/
CJSC Balakovo Mineral Fertilizers
Balakovo Mineral Fertilizers or BMF

PC Agro-Cherepovets LLC/
CJSC Agro-Cherepovets LLC
Agro-Cherepovets

Metachem CSJC
Metachem

OJSC NIUIF
NIUIF

PhosAgro-Trans LLC
PhosAgro-Trans

PhosAgro-Region LLC
PhosAgro-Region

Mining and Chemical Engineering LLC
Mining and Chemical Engineering or MCE

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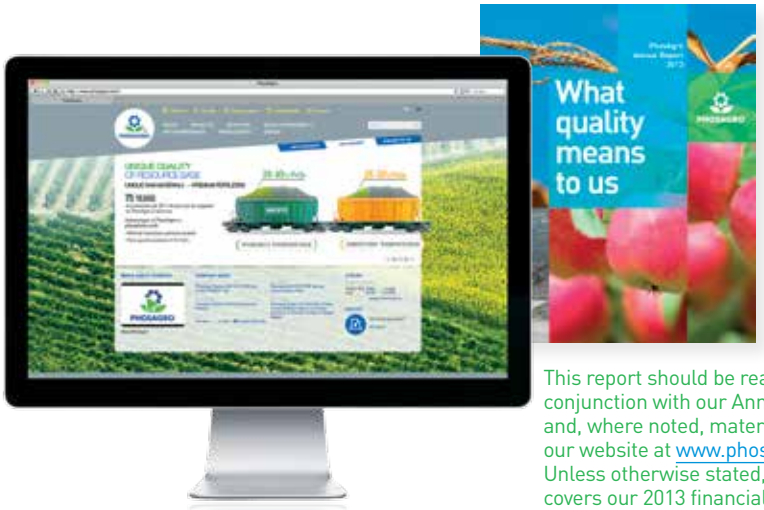

This report should be read in conjunction with our Annual Report and, where noted, material on our website at www.phosagro.com. Unless otherwise stated, the report covers our 2013 financial year.






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