



**PhosAgro Group**

**Economic contribution and  
payments to governments  
Report for the year ended  
31 December 2021**

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## Introduction

As one of the world's leading producers of mineral fertilizers, PJSC PhosAgro and its subsidiaries ("PhosAgro Group" or "the Company") has up-to-date and relevant policies and ensures full compliance with applicable legislation. PhosAgro Group closely tracks legislative developments at the government and regulatory levels, and acts in a timely manner to prepare and submit all required reports and statements.

This report on PhosAgro Group's economic contribution and payments to governments (the "Report") is prepared in accordance with the rules enacted by Section 4.3A of the UK Financial Conduct Authority's (FCA) Disclosure and Transparency Rules, which require oil, gas, mining and logging companies that have securities listed on UK-regulated markets to annually and publicly disclose payments made to governments.

The Report provides information on payments made to government agencies in 2021 by PhosAgro Group that carry out the exploration, development and extraction of mineral raw materials (hereinafter referred to as "mining activities"). The Report provides information on payments made on a country-by-country and/or project-by-project basis. The Report does not include payments made by companies that are part of PhosAgro Group but that do not carry out mining activities.

JSC Apatit ("Apatit") is the only PhosAgro entity that is involved in exploration, prospecting, discovery, development and extraction activities. Hence, this Report provides an overview of the payments to government authorities in the Russian Federation made by Apatit for the year ended 31 December 2021.

This Report has been disclosed via an FCA-approved Regulatory Information Service, submitted to the National Storage Mechanism (<https://data.fca.org.uk/#/nsm/nationalstoragemechanism>), and is available for download on the Company's website at [www.phosagro.com](http://www.phosagro.com).

## Basis for Preparation – Report on Payments to Governments for the Year ended 31 December 2021

### Reporting entities

PhosAgro Group has more than twenty subsidiaries in the upstream and downstream mining, processing, distribution, logistics, and research and development segments.

However, only one PhosAgro subsidiary, Apatit, is involved in mining activities. This Report provides an overview of the payments to government authorities in the Russian Federation made by Apatit for the year ended 31 December 2021.

### Activities

Apatit holds five mining and two exploration licences allowing it to conduct exploration and mining activities and two licenses for geologic study, exploration and mining activities at two deposits. The Kirovsk branch of Apatit extracts apatite-nepheline ore that is then transferred to the beneficiation plant for processing into phosphate rock and nepheline concentrate, which is primarily used for processing at Cherepovets, Balakovo and Volkhov branches of Apatit.

Payments to governments made by Apatit arising from activities involving the exploration, discovery, development and extraction of apatite-nepheline ore and its beneficiation are disclosed in this Report.

The report excludes payments related to the further processing of phosphate rock into mineral fertilizers at the production facilities of the Balakovo and Volkhov branches of Apatit.

However, as a practical matter, initial processing activities are integral to the extractive activity resulting in payment liabilities being determined on a basis that includes both the extraction and initial processing of the apatite-nepheline ore. These initial processing activities may be inseparable from the relevant activities for the purposes of reporting and were included in the Report.

### **Government**

Government means any national, regional or local authority of a country, including a department or agency. All payments by Apatit have been made to federal, regional and local governments of the Russian Federation. Payments to any state-owned enterprises, such as utility fees, water charges, and electricity charges were excluded from this Report (please see the “Payments” section). In this Report, payments are broken down by allocation to federal, regional, and local authorities, and include the name of the corresponding government agency.

### **Project**

A project is an operational activity governed by a single contract, licence, lease, concession or similar legal agreement, and forms the basis for payment liabilities with a government.

Upstream operations are conducted by Apatit, a PhosAgro subsidiary, which mines apatite-nepheline ore from the group of Khibiny mineral deposits in accordance with 5 (five) mining and exploration licences and two licences for geological study, exploration and mining activities (please see the Table No. 1 below).

The Company realises that licence-by-licence disclosure is the preferred approach for the purposes of the Report. However, where multiple licences relate to a single mine, these have been treated as a single project due to:

- the geological characteristics of the extracting activities;
- the geographical proximity of the deposits;
- the chemical identity of the mined minerals;
- the particular nature of the ore extraction.

For the purposes of the Report, the Company uses the mine as the project definition.

Table No. 1

No.	Mine	Mineral deposit	Licence
<b><i>Exploration and mining activities</i></b>			
1	Kirovsky mine	Kukisvumchorr deposit	Exploration and mining activities
		Yukspor deposit	
2	Rasvumchorrskiy mine	Apatitovy Cirque and reserves located below the Rasvumchorr Plateau deposit mine	Exploration and mining activities
3	Vostochniy mine	The Plateau Rasvumchorr deposit	Exploration and mining activities
4		Koashva deposit	Exploration and mining activities
5		Njorkpahk deposit	Exploration and mining activities
6		Iyolitovy otrog deposit	Geological study, exploration and mining activities
7		Plot Plateau	Geological study, exploration and mining activities

## Payments

Payments included in the Report are amounts paid, whether in money or in kind, for relevant activities. The Report includes cash payments actually made during the reporting period (the year ended 31 December 2021).

The Report excludes the following payments:

- administrative government fees, including utility fees, water charges and electricity charges paid to state-owned companies;
- environmental payments, including water pollution, solid waste pollution, and air pollution payments;
- charity payments or any other voluntary payments (made either in cash or in kind) that do not directly follow from a licence agreement;
- any other obligatory payments that are not directly linked to mining activity;
- interest or/and penalties on late tax payments or on underpaid tax;
- any refunds received by Apatit.

The following types of payment are covered in this report:

### **Production entitlements**

These entitlements are payments calculated on the basis of the government's share of production under any production-sharing agreements or the government's separate equity interest as an investor in a venture that is incremental to its rights under the production-sharing agreement. In 2021 Apatit had no such arrangements for production entitlements to any government.

### **Taxes**

Taxes on income, production and profits, excluding taxes on consumption such as value-added tax, personal income tax, sales tax, property tax, land tax and social tax.

In 2021 Apatit paid the following taxes that were included in the Report:

- Resource severance tax;
- Corporate income tax (including withholding tax on dividends);
- Water tax.

Taking into account the provisions of tax legislation in Russia, the corporate income tax and water tax are paid at the legal entity level rather than in relation to specific projects. Thus, for the purposes of the Report, these payments are included at the entity level, with no detailed project-by-project breakdown. Resource severance tax is, however, paid based on physical volumes of extracted ore, and has therefore been allocated on a project-by-project basis for the purposes of this Report.

### **Mineral use payments**

Usage-based payments for the right to the ongoing use of an asset.

In 2021 Apatit did not incur any usage-based payments above the **materiality level** that is discussed below.

### **Royalties**

These are payments made to the owner of the subsoil rights that are calculated on the basis of the share of production.

No such payments were made during the reporting period.

### **Dividends**

Dividend payments other than dividends paid to a government as an ordinary shareholder of an entity unless paid in lieu of a production entitlement or royalty.

The Kirovsk branch of Apatit did not incur such payments during the reporting period.

### **Bonuses**

Bonuses include payments to governments upon receipt of a licence, when discovering natural resources, and/or when production has commenced.

In the reporting period Apatit did not make any one-time payments for mining activities above the materiality level that is discussed below.

### **Fees**

Fees are paid as consideration for acquiring licences to gain access to an area where extractive activities are performed. These payments include licence fees, rental fees, entry fees and other payments for licences and/or concessions.

In the reporting period, Apatit paid rental fees for the land used for the purposes of its extractive activities.

### **Payments for infrastructure improvements**

Payments for infrastructure improvements include payments made by companies to governments in the form of infrastructure, whether under contractual obligations or otherwise.

In the reporting period, the Kirovsk branch of Apatit incurred no expenditures that could be treated as legally obliged under licences for the exploration, discovery, development and extraction of the apatite-nepheline ore.

### **Other payments**

Apatit did not incur any such payments during the reporting period.

### **Reporting currency**

The Report was prepared in Russian roubles ("RUB"), being the reporting currency of the Company and the currency of all payments to the government.

### **Materiality level**

No payment, whether made as a single payment or as a series of related payments, was taken into account in this Report if it was below £86,000 in the reporting year (equivalent to RUB 8,716,646 based on the weighted average GBP exchange rate for 2021 according to the Bank of Russia).

## Consolidated Overview

### Payments to governments on a project-by-project basis

'000 RUB

<u>Project</u>	<u>Production entitlements</u>	<u>Total Taxes</u>	<u>Royalties</u>	<u>Dividends</u>	<u>Bonuses</u>	<u>Fees</u>	<u>Other payments</u>	<u>In-kind payments</u>	<u>Payments for infrastructure improvements</u>	<u>Total payments to government</u>
<i>Kirov mine</i>	-	-	-	-	-	104 619	-	-	-	-
<i>Rasvumchorrskiy mine</i>	-	-	-	-	-	40 901	-	-	-	-
<i>Vostochniy mine</i>	-	-	-	-	-	74 038	-	-	-	-
<b>Total</b>	-	<b>13 222 447</b>	-	-	-	<b>219 557</b>	-	-	-	<b>13 442 004</b>

### Taxes paid on a project-by-project basis

'000 RUB

<i>Projects</i>	<i>Corporate income Tax (including withholding tax on dividends)</i>			<i>Resource severance</i>			<i>Water tax</i>		<i>Land tax</i>		<i>Total tax</i>
	<i>Total</i>	<i>Federal Budget</i>	<i>Regional Budget</i>	<i>Total</i>	<i>Federal Budget</i>	<i>Regional Budget</i>	<i>Total</i>	<i>Federal Budget</i>	<i>Total</i>	<i>Local Budget</i>	
<i>Kirov mine</i>	-	-	-	1 798 260	1 492 371	305 889	-	-	246	246	-
<i>Rasvumchorrskiy mine</i>	-	-	-	635 322	527 317	108 005	-	-	4 706	4 706	-
<i>Vostochniy mine</i>	-	-	-	945 943	785 132	160 810	-	-	19 919	19 919	-
<b>Total</b>	<b>9 815 945</b>	<b>0</b>	<b>9 815 945</b>	<b>3 379 525</b>	<b>2 804 821</b>	<b>574 704</b>	<b>2 105</b>	<b>2 105</b>	<b>24 872</b>	<b>24 872</b>	<b>13 222 447</b>

### Payments made, broken down by level of government authority

'000 RUB

<i>Government authority</i>	<i>Total Taxes</i>	<i>Royalt-ies</i>	<i>Fees</i>	<i>Signa-ture bonuses</i>	<i>Production entitlements</i>	<i>Dividends</i>	<i>Payments for infrastructure improvements</i>	<i>Other pay-ments</i>	<i>In-kind pay-ments</i>	<i>Total payments to government authority</i>
<i>Federal Treasury</i>	13 222 447	-	219 557	-	-	-		-	-	13 442 004
<b>Total</b>	<b>13 222 447</b>	<b>-</b>	<b>219 557</b>	<b>-</b>		<b>-</b>		<b>-</b>	<b>-</b>	<b>13 442 004</b>

## Contact Information

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