

**APPROVED**  
**by OJSC “PhosAgro” Board of Directors**  
**resolution dated 18-04-2014**

**ANTICORRUPTION POLICY**  
**Open Joint-Stock Company**  
**“PhosAgro”**

**Moscow, 2014**

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## 1. GENERAL PROVISIONS

- 1.1. Open Joint-Stock Company “PhosAgro” (hereinafter – the “Company”) seeks to comply with the generally accepted ethical standards and assigns high priority to the development, introduction and subsequent control of the implementation of the procedures aimed to prevent corruption.
- 1.2. The anticorruption policy of OJSC “PhosAgro” (hereinafter – the “Policy”) shall set forth the key principles and requirements, existing in the Company, in order to minimize the risk of corruption, associated with the Company’s activities, as well as to ensure that the Company’s internal procedures are in line with the provisions of the Russian and other applicable anticorruption legislation.
- 1.3. The Company shall, within its competence, initiate the introduction by its subsidiaries of their own anticorruption policies, similar to this Policy, and use reasonable endeavors to ensure that the requirements of applicable anticorruption legislation are complied with by the joint ventures, set up by the Company, and the Company’s counterparties.

## 2. TERMS AND DEFINITIONS

**Anticorruption undertaking** shall be understood to mean special contractual provisions obliging the respective counterparty to comply with the requirements of the anticorruption legislation, applicable to the Company’s activities, in the course of such counterparty’s performance of the obligations under the contract.

**Close relatives** shall be understood to mean the persons related to an employee or a representative of the Company either by blood or by law, including his or her parents, children, grandchildren, full and half siblings, aunts, uncles, nephews and nieces, grandfathers, grandmothers, spouses, spouses’ relatives, adoptive parents and adopted children.

**Business presents** shall include:

- a) Presents given by the employees in the name and for the Company and/or at the Company’s expense to representatives of the counterparties of any of the PhosAgro Group companies or other third parties;
- b) Presents given by the representatives of the counterparties and third parties to the Company employees;
- c) Except where the present giving and selection have been prompted by close private relations between a present giver and a present acceptor and are in no way related to a particular position occupied by the present acceptor.

**Officer** shall be understood to mean a person who has been appointed or elected to perform the functions of a representative of the authorities or occupies, temporarily or permanently, in government offices, enterprises, organizations, political parties or instrumentalities the positions involving executive, administrative or management functions or performs the same by virtue of a special authorization.

**Compliance Controller** shall be understood to mean a Company executive appointed by an order of the Company CEO to implement the anticorruption procedures, existing in the Company, in accordance with the requirements of applicable anticorruption legislation and internal regulations of the Company.

**Counterparty** shall be understood to mean any Russian or foreign physical person, except the Company employees, or a legal entity (including its branch and/or representative office) with whom or which the organization has entered into contractual relationships.

**Conflict of interest** shall be understood to mean a situation or circumstances in which:

- a) the private interest (direct or indirect) of a Company employee influences or can influence his or her proper performance of the employment duties, including raising doubts about the objectivity of the decisions made by such employee;  
and/or
- b) there is or may be a conflict between the Company employee's private interest and the rights and legitimate interests of the Company, which may, in turn, adversely affect the rights, legitimate interests, property and/or business reputation of the Company.

**Corruption and corrupt practices** shall be understood to mean:

- a) an offer, promise, provision and gaining of an unlawful advantage, whether financial or not, in any form, including a bribe or a corrupt payment;  
  
and/or
- b) mediation in corrupt practices;  
  
and/or
- c) abuse of office or authority or other unlawful use by a physical person of his or her official position contrary to the Company's legitimate interests, including for purposes of gaining an unlawful advantage, whether financial or not, for oneself or third parties, or unlawful provision of such advantage to that person by other physical persons.

**Private interest of the Company employee** shall be understood to mean the interest of an employee or a representative of the Company related to possible gaining by such a person or his or her close relatives of income or other financial and non-financial advantages, except the salary and other remuneration received from the Company.

**Organization** shall be understood to mean a legal entity irrespective of its form of ownership, form of incorporation and the industry in which it operates.

**Facilitation payments** shall be understood to mean the amounts paid for purposes of influencing the action/inaction of any officers and other staff in order to facilitate, expedite or obviate bureaucratic, administrative and other formalities, except the official payments as provided for by legislation.

**Agent of the state:**

- a) a person who performs, permanently, temporarily or by virtue of a special authorization, executive, administrative or management functions in a government or municipal authority or organization or in the Armed Forces of the Russian Federation or any other RF military organization;  
  
and/or
- b) an officer or employee of a business organization owned, fully or partially, by a government or municipality;

and/or

- c) candidate/applicant for public office in government or municipal service, including the Federal Government.

**Combating corruption** shall be understood to mean, for purposes of this document, the activities of the employees, members of the Management Board, shareholders and counterparties of the Company, which are carried out within the framework provided for by applicable legislation and the Company's internal regulations and include:

- assessment of the corruption risk inherent in the Company's operations (*risk assessment*);
- prevention of corruption, including orientation and training of the employees and third parties, introduction of anticorruption procedures and control of the implementation thereof (*preventing corruption*);
- identification and investigation of the corrupt practices of the Company employees and representatives of the counterparties of the Company in connection with such persons' performance of their employment duties and the contractual obligations of such counterparties, respectively (*fighting corruption*);
- management of the consequences of corrupt practices.

**Employees** shall include for purposes of this document:

- Company employees who perform their functions under employment agreements concluded with them;
- employees who perform their duties under civil-law agreements concluded with them.

### **3. LEGAL FRAMEWORK**

3.1. For purposes of this Policy, the applicable anticorruption legislation shall be:

- a) Russian anticorruption legislation covering the Company as a legal entity, the Company employees in the course of performance of their employment duties and the counterparties of the Company in the manner provided for by statutes and regulations of the Russian Federation;
- b) International statutes and regulations aiming to combat corruption, which have been ratified by authorized officers and government authorities of the Russian Federation and covering the activities of the Company and the Company employees;
- c) Anticorruption legislation of foreign states applicable to the Company's operations in the respective countries due to the legal status and business of the Company or other circumstances, as may be approved by legislative acts of the respective state.

### **4. SCOPE**

4.1. The provisions of this Policy shall be binding on all of the Company employees, irrespective of their particular positions, and members of the Company governance bodies. In addition, this Policy has been recommended for observance by the employees of the subsidiaries and

counterparties of the Company in the course of performance of such counterparties' contractual obligations.

- 4.2. Certain provisions of this Policy may be binding on the counterparties and their representatives, where such an undertaking has been provided for by an agreement entered into by the parties.

## **5. KEY PRINCIPLES OF COMBATTING INVOLVEMENT IN CORRUPT PRACTICES**

### **5.1. Compliance**

This Policy has been developed in accordance with the requirements of current legislation of the Russian Federation and does not conflict with the international treaties to which the Russian Federation is a party as well as with other statutes and regulations applicable to the Company.

### **5.2. Zero tolerance**

In transacting business, the Company adheres to the principle of non-acceptance of corruption in any form or way (zero tolerance). In order to ensure the implementation of this principle, there have been several undertakings introduced by the Company, in particular:

- a) The employees and representatives of the Company or the Company counterparties, acting in the name and/or for the Company, shall not engage in corrupt practices in the course of performance of their employment duties or the counterparties' contractual obligations, respectively;
- b) The employees and representatives of the Company or the Company counterparties shall not make any facilitation payments or act as intermediaries in handing over such sums in the name of the Company and/or for purposes of making decisions in favor of the Company;
- c) The employees and representatives of the Company or the Company counterparties shall not employ intermediaries, agents or other third parties to perform acts or actions incompliant with the provisions of this Policy and applicable anticorruption legislation.

The breach of these undertakings shall be allowed only where the refusal to engage in corrupt practices may inflict harm to the health of the employees and representatives of the Company or the Company counterparties as well as their close relatives. In such a case the person in breach of the undertaking shall inform his or her immediate supervisor or the Compliance Controller about the breach as soon as possible.

The Company seeks to establish and maintain business relations with the organizations which carry out their activities in accordance with the highest ethical standards in doing business and implement their own anticorruption measures.

### **5.3. Top-level commitment**

The CEO, members of the Board of Directors, members of the Management Board and senior executives of the Company are responsible for the formation of the ethical standard of non-acceptance of corruption within the Company. In order to ensure the implementation of this principle, such officers shall:

- a) Set an example for the employees and representatives of the Company and the Company counterparties by their own behavior in the course of performance of their routine employment duties;
- b) Take an active part in the development, implementation, monitoring and updating of the anticorruption measures within the scope set forth by the Company regulations;
- c) Encourage the Company employees' initiatives for the improvement of the anticorruption measures within the Company.

#### **5.4. Proportionate procedures**

The Company shall develop and introduce the anticorruption measures and monitor the efficiency thereof on a regular basis. Such measures must be proportionate to the corruption risk inherent in the Company's operations, considering, amongst other things, the country and industry risks as well as the risks related to the building of particular business processes and the terms and conditions of the transactions concluded by the Company.

The measures to be developed must be economically efficient and provide for the wise utilization of resources available to the Company.

#### **5.5. Risk Assessment**

The Company shall assess the corruption risk inherent in its operations on a regular basis. In order to assess that risk, there have been determined within the Company:

- the lines of business which shall be checked;
- the employees who take part in the assessment;
- corruption risk indicators;
- a procedure for the indicator list update;
- the assessment methodology.

Following the corruption risk assessment, the Compliance Controller shall prepare the plan of corrective actions aimed to minimize the risk level in every risk-laden line of business. The corruption risk assessment report and proposed corrective action plan shall be submitted for consideration to the Audit Committee of the Board of Directors.

#### **5.6. Due diligence**

The Company shall use reasonable endeavors to minimize the risk of business relations with the counterparties which may be involved in corrupt practices. In order to ensure the implementation of this principle, the Company, prior to entering into an agreement, shall check the bona fides of the counterparty ("due diligence"). Such a check shall aim, amongst other things, to identify the potential corruption risk which may be inherent in the relations with that counterparty.

#### **5.7. Communication and training**

The Company shall upgrade the anticorruption culture by way of periodically giving their employees training in applicable anticorruption legislation and anticorruption measures introduced in the Company. This training is mandatory for the Company new hires and shall be received within one (1) month from the date of signing an employment or civil-law agreement by the parties. In

addition, the Company shall ensure that the employees receive on-site or distance training on an annual basis.

The employees, whose positions are most essential for the organization of the anticorruption measures, shall attend specialized seminars to improve their knowledge of basic anticorruption requirements, as may be applicable to the Company's operations, and their role in ensuring the compliance with such requirements.

The Company shall inform the counterparties about the standards of doing business in an ethical manner and combating corruption, existing in the Company, by way of posting this Policy and the Code of Ethics of the Company on the open-access corporate site in the Internet.

In the event that a Company employee has any doubts as to whether his/her or a third party's acts or actions comply with the provisions of this Policy and the Code of Ethics of the Company, he or she shall receive recommendations of the Compliance Controller on the matter.

#### **5.8. Monitoring and review**

The Company shall monitor and review on a regular basis the compliance with the provisions of this Policy and applicable legislation on combating corruption. The Company shall improve on a permanent basis the internal control system following such a monitoring, with a special emphasis on the increased corruption risk areas.

#### **5.9. Responsibility statement**

The Company adheres to the principle pursuant to which the compliance with the provisions and requirements of this Policy shall be personal responsibility of every employee, with the punishment for the breach thereof being inevitable.

The Company employees shall not interfere with the checks, considering that such checks are provided for by the provisions of current legislation.

### **6. COMPANY PRINCIPLES AND REQUIREMENTS FOR THE HIGHEST RISK BUSINESS PROCESSES**

#### **6.1. Public relations**

All public relations events held by the Company shall be aimed solely to improve the image and business reputation of the PhosAgro Group companies.

The Company does not permit the payment for publications in printed media and/or broadcasts in electronic media aimed to improve the personal image of third parties for purposes of influencing their making of decisions related to the implementation of projects by the Company and/or the Company subsidiaries.

#### **6.2. Interaction with government authorities**

In interacting with government officers the Company employees shall adhere to the principles and requirements set forth by this Policy, other internal regulations of the Company and the provisions of the Russian and other applicable legislation.

The Company shall refrain from paying any expenses for government officers and/or their close relatives (or in their interests), including their transportation, accommodation, meals,



entertainment, PR-companies, etc., as well as from offering such persons other advantages at the Company's expense for purposes of gaining any commercial and other benefits in the projects of the Company and/or the Company subsidiaries.

### **6.3. Political activities**

The Company does not fund political parties, organizations and movements for purposes of gaining commercial benefits in the projects of the Company and/or the Company subsidiaries.

The Company does not prohibit the employees from being politically active, including membership in parties or movements, provided that such an activity meets the following criteria:

- be compliant with the principles and requirements of this Policy and other internal regulations of the Company as well as the provisions of current legislation;
- be unrelated to the name of the Company in any way or form;
- do not damage the Company's reputation;
- do not interfere with the employment duties of the employee; and
- be carried out during the employee's free hours.

Any activities related to the funding of political parties, movements and other political events shall be agreed with the Compliance Controller of the Company. Information about such activities shall be posted on the corporate site in the Internet in the manner approved by the internal regulations of the Company.

### **6.4. Charity and sponsorship**

The Company does not fund charity and sponsor projects for purposes of gaining commercial benefits in the projects of the Company and the Company subsidiaries.

Any charity, sponsor or other financial aid provided by the Company shall meet the following criteria:

- be compliant with the principles and requirements of this Policy and other internal regulations of the Company as well as the provisions of current legislation;
- do not be a hidden fee for a service, action, inaction, connivance, protection or provision of other unlawful advantages to the Company and/or its partners and subsidiaries;
- aim to support particular population groups, voluntary organizations, charity foundations, including for purposes of building a positive image of the Company.

Any charity aid provided by the Company shall be pre-agreed and pre-approved in the manner set forth by the internal regulations of the Company.

Information about charity, sponsor or other financial aid provided by the Company shall be posted on the corporate site in the Internet in the manner approved by the internal regulations of the Company.

### **6.5. Presents and representation expenses**

The Company does recognize that exchanging business presents and making representation expenses, including hospitality expenses, constitute a necessary part of the process of doing business and a generally accepted business practice.

The presents and representation expenses, made by the Company employees in the name and for the Company and in the Company interests or received by the Company employees in the course of performance of their employment duties, shall meet the combination of the below criteria:

- be directly related to the legitimate goals of the Company's activities, e.g., to presentation or completion of business projects, successful performance of contracts, or to traditional holidays, such as Christmas and New Year, International Women's Day, professional holidays, anniversaries, etc.;
- be reasonable and proportional but not luxurious;
- do not be a hidden fee for a service, action, inaction, connivance, protection or provision of other unlawful advantages to the Company and/or its partners and subsidiaries;
- do not create a reputational risk for the Company, its employees and other people in the event of disclosure of information about such gifts and representation expenses;
- be compliant with the principles and requirements of this Policy and other internal regulations of the Company as well as the provisions of current legislation;
- be compliant with the policies, procedures and other local regulations of the host country.

Giving and receiving business presents as well as making representation expenses shall be agreed and documented in accordance with the requirements of the internal regulations of the Company.

No presents in the name of the Company may be permitted in the form of cash or cashless funds or cash equivalents in any currency.

## **7. ACCOUNTING**

- 7.1. The Company shall strictly comply with the requirements of the Russian and other applicable legislation on financial accounting and reporting.
- 7.2. All the financial transactions shall be recorded in an accurate and sufficiently detailed manner and kept open for audit.
- 7.3. In accordance with current legislation of the Russian Federation, the Company has appointed the employees who shall bear personal responsibility for the preparation and provision of the complete and reliable accounting reports.
- 7.4. Misstatement, falsification or inclusion of misleading information in the accounts maintained for the financial reporting, tax reporting or management purposes (including where such irregularities aim to hide corruptive payments) are strictly prohibited and shall be deemed to be fraud by the Company. All such identified facts shall be investigated in the manner set forth by local regulations of the Company and in accordance with current legislation of the Russian Federation.

## **8. AUDIT AND CONTROL**

- 8.1. The Company's business operations shall be audited on a regular basis by internal and external auditors in order to control the correctness and completeness of data recording and the compliance with current legislation and the internal regulations of the Company, including the principles and requirements set forth by this Policy.

- 8.2. As part of the internal audit process, the Company shall check the performance of the key control procedures, including the sample checks of the lawfulness and economic reasonableness of the payments which have been made. Such checks will include the availability of source documents and the consistency of the purposes of such payments with the provisions of this Policy.
- 8.3. The procedures performed by the internal auditors of the Company aim to identify and prevent the activities which may be, directly or indirectly, in breach with the provisions of this Policy, other internal regulations of the Company and applicable legislation.

## **9. WHISTLE BLOWING**

- 9.1. Should the employees and representatives of the Company and the Company counterparties have any doubts as to whether their acts and actions, as well as those of the third parties having contractual relations with the Company, are lawful and ethical, they may report this via the hot line of the PhosAgro Group companies (please see the corporate site in the Internet) or to their immediate supervisor or the Compliance Controller.

Hot line:

E-mail: [help@phosagro.ru](mailto:help@phosagro.ru)

Tel.: (495) 232-96-89 (ext. 22-73)

## **10. COOPERATION WITH LAW-ENFORCEMENT AGENCIES IN COMBATING CORRUPTION**

- 10.1. The Company and its employees shall cooperate with law-enforcement agencies in combating corruption and provide assistance to the authorized officers of law-enforcement agencies in taking measures to prevent or investigate the instances of breach of the anticorruption legislation; they shall also share with such law-enforcement agencies all the necessary information about corruptive crimes.
- 10.2. The Company shall provide assistance to the authorized officers of supervisory and law-enforcement agencies in their inspections of the organization's activities in the field of preventing and combating corruption.

## **11. WAIVER OF RETALIATORY MEASURES**

- 11.1. The Company guarantees that no sanctions, including dismissal, downgrading, non-payment of bonuses, etc., shall be imposed on the employees who refuse to perform unlawful acts or actions, including those of a corruptive nature, even if due to such a refusal the Company has not gained extra financial or non-financial advantages or suffered losses which could have been avoided only by way of breach of the requirements of legislation or this Policy.
- 11.2. The Company deems inappropriate and seeks to timely identify and preclude retaliatory measures within the Company against the employees who report in good faith supposed facts of corrupt practice committed by the other employee or other person, even if such a suspicion has not been proven.

## **12. RESPONSIBILITY FOR FAILURE TO PERFORM/IMPROPER PERFORMANCE OF THIS POLICY**

- 12.1. The CEO, members of the Board of Directors, members of the Management Board and other employees, irrespective of their position, shall bear personal responsibility for the compliance with the requirements and principles of this Policy.
- 12.2. Since sanctions may be imposed on the Company for the involvement of their employees in corrupt practices, each reasonable suspicion or established fact of corruption shall give rise to an internal investigation within the framework of applicable legislation.

## **13. REVISION OF, AND MAKING AMENDMENTS TO, THIS POLICY**

- 13.1. In the event that any amendments are introduced to the internal regulations of the Company and/or the Russian or other applicable legislation, which could directly or indirectly impact on the provisions of this Policy, an expert examination shall be undertaken to determine whether the provisions of this Policy are consistent with the amended legislation. As and when necessary, the appropriate amendments shall be introduced to this Policy.