

APPROVED  
by Resolution of the Board of Directors  
of PJSC PhosAgro dd. 03.11.2022  
(minutes of the meeting of the Board of Directors  
dated 07.11.2022 w/n)

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

Moscow  
2022



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

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

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

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

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

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

### **Centralization and unification**

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

### **Legality**

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

### **Due Diligence**

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

The Group does not have companies registered in offshore zones to be recognized as such by the Russian Federation<sup>1</sup>, as well as in the territories that has no practice of exchanging tax information with the European Union.

### **Efficiency**

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



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

### **Due circumspection**

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

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

### **Planning**

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

### **Transparency**

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

The Group strives to build the open dialogue with government authorities, for the purpose of creating favorable environment for business and social development in the regions of its presence. The Group's companies assist the tax authorities in implementation of tax control measures, promptly and fully responding to requests from tax authorities and providing access to the required information, as well as disclose tax information in full compliance with international reporting standards<sup>2</sup>.

The main production enterprise of the Group, Apatit JSC, whose share of taxes paid exceeds 80 % of the total amount of the Group's tax deductions, switched to tax monitoring on January 1, 2021. This form of tax control involves unconstrained provision to the tax authority of access to accounting data and tax records in real time (instead of conducting desk and on-site inspections). PJSC PhosAgro is preparing to switch to tax monitoring starting from January 1, 2023.

### **Participation in forming public policy in the field of taxation**

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

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

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<sup>2</sup> For example, the Group prepares and submits to the tax authorities Country-by-Country Reporting, with data on companies by jurisdiction.

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

### **Flexibility (operability)**

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

### **Independence in the approach to pricing in the Group's internal transactions**

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

The Group's companies regularly prepare and promptly provide to the authorized bodies notifications on controlled transactions. In accordance with requirements of the applicable law, and at the request of the authorized bodies, the Group's companies submit documentation on transfer pricing.

Annually, the parent company of the Group, PJSC PhosAgro, prepares reporting on international groups of companies as required by the Tax Code of the Russian Federation<sup>3</sup>:

- Country-by-Country Reporting (CbCR), to be submitted to the Russian tax authority at the location of PJSC PhosAgro;
- Global Documentation / Master File;
- National Documentation / Local file.

Moreover, the notification on participation in an international group of companies (MGK) is submitted within the established time frame.

## **2. Organization of the Group's tax function**

### **The Group's companies independently perform the tax function considering the provisions of this strategy**

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

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

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

The Group's companies, as well as all responsible structural units, ensure timely provision to management of all tax information that may affect commercial and managerial decision-making,

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<sup>3</sup> The reporting on international groups of companies as required by the Tax Code of the Russian Federation, and the notification on participation in an international group of companies (MGK), will be submitted for the period from January 1, 2022 to March 17, 2022.

including the opinions of external experts and consultants, as well as explanations from the authorized bodies.

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

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

The tax risk management includes the following steps:

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

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

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

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

In order to improve the procedures for identifying tax risks and control, the Group plans to implement in the accounting system the tax returns versions comparison by tax periods and by versions, as well as calculation of control ratios of tax reporting and generation of audit reports.