

RISK MANAGEMENT



**Paul
Ostling**

*Chairman of the
Audit Committee*

A handwritten signature in blue ink that reads "Paul Ostling".

Throughout 2020, maintaining effective risk management and internal control systems has continued to be a key focus for the Company.

I would like to highlight that major global issues remain a constant source of pressure for international organisation. However, the severity and unprecedented nature of the COVID-19 pandemic has tested the operational capabilities and financial resilience of businesses globally. Uralkali has re-emphasised the importance of corporate risk management systems that support

the continuity of our business and the safety of our people through these uncertain times – whether it be the COVID-19 pandemic, wider geopolitical turbulence or market volatility. Throughout the year, the Board of Directors and the Audit Committee have continued to uphold best practice in this business-critical area of corporate governance, which in turn has helped to minimise the business' exposure to potential negative impacts from the issues it faced and supported the delivery of a stable performance in 2020.

We are currently quite focused on sustainable development and ESG. As part of our activities, we are committed to ensuring best practices in corporate governance, which will provide a structured and comprehensive approach to doing business and ensure the Company's sustainable development in times of uncertainty and turbulence.

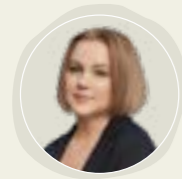
We constantly monitor issues related to the development of our risk management culture and compliance with leading ERM practices. This enables us to comply with international risk management standards. Today, most of the external challenges we face are centred on the development of a risk management and internal control systems, enabling us to view risks through a lens of potential opportunities.

Uralkali's risk management and internal control system has been successfully adapted to meet current conditions. This offers us

reasonable confidence in the achievement of our overarching strategic and operational goals, and helps to create and protect the Group's value. In addition these efforts lead to our sustainable development, through the prompt identification and analysis, and the effective management of risks and opportunities

An objectively challenging year, 2020 acted as an additional incentive for developing high levels of digitalisation and digital innovation, which, in turn, altered our risk assessment approach in matters related to information technology development and cybersecurity.

It is also very important for us to maintain an open and transparent dialogue with our stakeholders, which determines our high priority for the formation of reliable financial statements and contributes to the financial stability of the Company.



Maria Kuzmina
Internal Audit Director

“Our risk management processes use a wide range of tools, enabling us to make timely and correct value judgements on risks in key strategic and functional areas. As a result of

our value judgements, Uralkali’s management is able to use a risk-based approach when making decisions.”

An effective risk management and internal control system remains one of the Company’s key priorities. As part of this system, risks are managed at all levels considering various possible strategies.

Our approach

Uralkali’s risk management and internal control system (RMICS) is based on COSO ERM, ISO 31000 and other similar standards.

The risk management and internal control system ensures:

- reasonable confidence in achieving strategic goals of the Company;
- preservation of assets and maintenance of business efficiency (including objectives in compliance and reliability of both financial and non-financial reporting);
- continuous and sustainable business development;
- a high level of confidence among shareholders and investors in the Company’s governing bodies.

INTERNAL DOCUMENTS GOVERNING THE RMICS:

- RISK MANAGEMENT AND INTERNAL CONTROL POLICY OF PJSC URALKALI
- OTHER INTERNAL REGULATORY DOCUMENTATION: STANDARDS, PROVISIONS AND INSTRUCTIONS

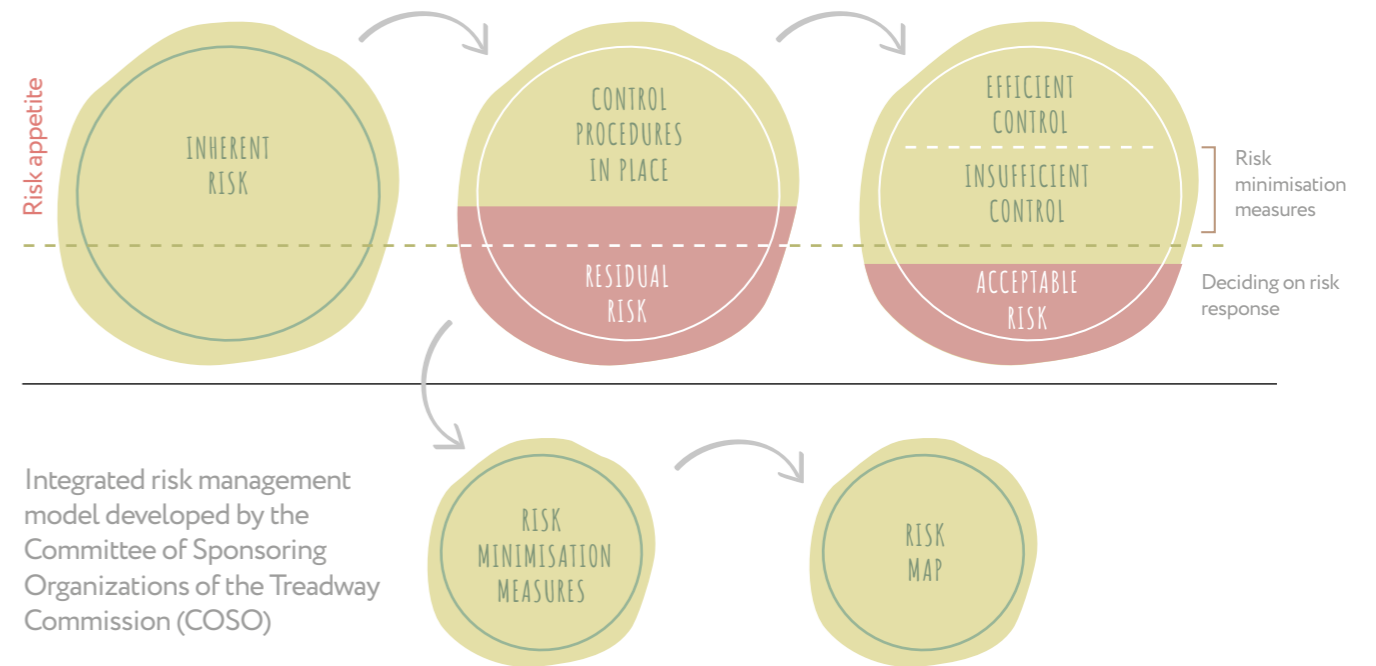
Issues of risk management are regularly addressed by the Board of Directors and its Audit Committee.

Taking into account the significant opportunities and challenges we face in our markets, the continuous development of the risk management and internal control system is essential for the timely identification and assessment of risks and the effective performance of the tools for their management.

To this end, the Risk Committee under the CEO, which includes all functional directors, performs its work. The Risk Committee considers changes in the Company’s risk map, actual key risk indicators data and risk minimisation measures. This enables the Company to approach new or increasing risks in a timely manner and to develop efficient measures to minimise them.

The Company’s top managers with support from the Risk

RISK MANAGEMENT. APPROACH



Integrated risk management model developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO)

Management Office oversees the coordination, development of a common methodology, phased implementation and submission of key results of the risk management and internal control system.

The Company’s top managers with support from the Risk Management Office oversees the coordination, development of a common methodology, phased implementation and submission of key results of the risk management and internal control system.

The Company’s management facilitates the integration of the system across main business processes and operations, primarily in geological safety, labour and industrial safety, environmental safety, information security and investment activities.

All of the Company’s employees have the opportunity to report identified risks directly to their manager or via a hotline.

Risk management aspects are taken into account when determining the remuneration of the Company’s managers by means of a corresponding motivation system.

Sustainable development risk management

We strive to apply a responsible business approach to all areas of our operations. The Company is focused on environmental and social risks, which are included in the risk register and assessed, and management activities are developed. The Board’s Corporate Social Responsibility Committee reviews material risks related to sustainable development.

In keeping with the global agenda, PJSC Uralkali has also begun to consider possible risks and opportunities associated with climate change. The Company analyses the effect from different angles and, if

necessary will consider measures in order to take into account the risks and opportunities.

Another significant risk for the Company is the occurrence of man-made accidents at production facilities. Uralkali carefully analyses the risks that could potentially cause accidents/incidents which include climate and natural disasters. The Company has emergency response procedures for various emergencies, including environmental ones.

Key risk factors

This section describes major risk factors which may have a considerable impact on the financial and operating performance of Uralkali. All estimates and forecasts contained herein should only be viewed taking these risks into account.

Other risks of which Uralkali is unaware or which are not currently deemed material, may become material in the future and have a considerable adverse effect on the Group's commercial, financial and operating performance.

The Annual Report does not aim to give an exhaustive description of all risks that may impact the Company's operations. Uralkali will disclose any necessary information in a timely manner according to the applicable Russian and international laws.

Our risk management approach is based on an understanding of our current risk exposure, risk probability and impact, and risk dynamics in the course of the Company's operations.

Overview of the main risk factors and uncertainties affecting the Company's operations

Risk	Risk description	Management/impact on risk level
Strategic and marketing risks		
Failure to meet targets set for investment projects	Expansion CAPEX, costs associated with productivity increase and other investment costs of Uralkali are an important part of the Company's expenditure budget. There are risks that investment projects' deadlines and budgets will be exceeded, and risks that the projects' technical parameters will not be achieved, or risks of project termination taking into account current factors and forecasts.	The Company continuously monitors and controls the implementation of its investment programme, and makes current decisions based on the outlook of the market situation, while taking into account the economic efficiency of the projects, the balance of demand and supply in the market, its own financial capabilities, and optimal project implementation time. When implementing investment projects, the Company adheres to its project management principles. Major investments are made after the design stage activities are completed and after the deadline, costs and feasibility of the projects are confirmed.
Change of the supply and demand balance in the main potash markets	Change of the supply and demand balance in the main markets of potash consumption due to a decrease in demand and price of potash as a result of political or economic factors may have a negative impact on the Company's operations. The desire of potash producers to achieve high capacity utilisation in the context of insufficient demand can lead to potassium chloride oversupply and thereby to a reduction of global prices. All this may affect revenues and result in a decrease in the Company's profits.	The demand for potash in major sales markets does not align with the level of supply, which can lead to a price reduction and a decrease in the Company's revenue, as well as affecting the ability to meet assumed obligations. Uralkali's management is developing a marketing strategy to promote potash and actively supports agricultural producers (e.g. by updating farmers' calculators). The Company maintains a flexible production strategy and operations, increasing or decreasing production depending on current demand and market outlook.
Operating risks		
Reduction of production capacity/production volumes	External and internal factors, including accidents, downtime and a general decline in potash demand may affect potash production.	Uralkali continues to expand its production capacity and replace retired assets, maintaining them in working order. The Company sets the production targets in accordance with the current market situation and adopted strategy.
Lack of qualified employees	The specific nature of the Company's business implies in-depth professional training and and highly qualified employees, particularly, in production, mining, and geology. Uralkali may face the difficulty of attracting and retaining staff with sufficient qualifications and the need for additional time and material resources to train and develop its employees. This can negatively affect the Company's timely achievement of goals.	Due to other companies' plans to launch and develop a number of mining projects in the Perm and neighbouring regions in the upcoming years, the retention of qualified personnel is becoming one of the main tasks for the Company. The Company constantly monitors the labour market and takes measures to retain personnel, particularly in production. It conducts surveys to determine the degree of personnel engagement and monitors reasons for resignation. The Company has implemented a system for in-house personnel assessment and training. For example, Uralkali has established a Corporate University, which is licensed to deliver 370 training programmes. Additionally, an e-learning system is being implemented and a talent pool programme is in place for key positions. Uralkali offers one of the most attractive social benefits packages in the industry and market-matching salaries, as well as compensating mortgage payments to key employees.

Risk	Risk description	Management/impact on risk level
Non-fulfilment of obligations by contractors, suppliers or customers	Uralkali's list of goods suppliers and service providers includes a number of key counterparties. Collaboration with such counterparties is of strategic importance to the Company. The failure of key partners, which are strategically important for the Company, to meet their contractual obligations may adversely affect Uralkali's performance.	The Company's activities depend on monopolistic energy suppliers and the Russian railways, as well as on unique exclusive suppliers of a number of items. In the context of macroeconomic instability, suppliers and contractors may increase the price of their products and services, as well as refusing to supply them due to anti-Russian sanctions. Timely fulfilment by suppliers, contractors and buyers of their obligations related to the implementation of the Company's investment projects is critical in order to ensure compliance with deadlines within the approved financial investments. The Company strives to ensure alternative suppliers and contractors are available for all its needs, and is focused on improving the execution and contractual discipline. Measures include strict control of contractual obligations performance through implementing monitoring procedures (including KYC, development of the credit policy and risk assessment model) in order to improve the quality of documents and cooperation with partners at various steps of contract execution, as well as ensuring timely and complete execution of the obligations assumed by the parties.
Expenditure increase	Risks of production costs increase may occur due to wear-and-tear of production equipment, utilisation of obsolete technologies, the inefficient spending of funds on operating activities or growth of energy prices.	The Company undertakes thorough budgeting and planning activities, ensures continuous monitoring and control of expenses of its bodies and officials, and constantly improves performance discipline, as well as implementing additional controls that allow it to stay on budget and keep costs at an approved level.
Currency rates fluctuations and interest rates growth	Inflation processes and currency fluctuations significantly affect the financial performance of the Company and may lead to a reduction of net profit.	Part of the Company's loan portfolio consists of loans with floating interest rates and is denominated in foreign currency. The Company minimises the currency fluctuation risks and the risk of a significant increase in the floating interest rate by means of financial derivatives and other available hedging instruments.
Environmental risks		
Environmental and mining risks	Uralkali's ore mining and beneficiation activities are exposed to risks associated with the geological structure of the Verkhnekamskoye deposit of potassium salts, and general mineral exploration, extraction and processing risks including possible flooding, fires and other emergencies that can lead to unforeseen costs and a general decline in the efficiency of Company's operations.	Each year the Company develops mining plans, which include an extensive safety section. The Company, if needed, audits the sufficiency of measures aimed at minimising mining risks. Mining safety monitoring is one of the Company's key priorities that is regularly reviewed by the CEO, the Board of Directors and their respective committees.
HSE non-compliance	Uralkali's activities and the use of its property are regulated by various health, safety and environmental laws and regulations. Additional costs and obligations may be incurred due to the need to comply with these requirements. The tense COVID-19 disease in 2020 required the Company to respond quickly and in a timely manner to threats to the lives and health of its employees and their loved ones, contractors, suppliers and residents of the cities where it is present.	The Company pays considerable attention to industrial safety, treating human life and health as the highest value, and making HSE compliance its key priority. The Company has adopted safety standards, including Cardinal Safety Rules. Regular safety training and examinations of personnel are held; a set of measures to prevent occupational diseases are in place. The Company also pays close attention to complying with environmental legislation and improving its environmental performance. All recommendations and instructions from environmental supervisory authorities are duly taken into account and followed. To control the coronavirus situation, Uralkali set up an emergency headquarters in no time to perform daily monitoring across the Company and the regions of operation. The Company promptly took protective measures against the spread of coronavirus, created a support channel for its employees and their loved ones, and began to assist administrations in the cities of presence in combating the coronavirus pandemic.

Risk	Risk description	Management/impact on risk level
Climate-related risks		
Risks of negative impact of climate change on the Company, its employees and counterparties	Climate change leads to increased numbers of extreme natural events that can affect the stable performance of production facilities, health and life of employees, and continuity of our customers' activities.	The Company takes an active part in the work of legislative and other regulatory bodies in order to develop adequate regulatory mechanisms for the issues related to reduction of greenhouse gas emissions, carbon intensity of products in the industrial sector, etc. Uralkali is also actively involved in the climate strategy development, that helps to sharpen its focus on possible improvements in the climate change agenda, as well as finding new opportunities for the Company, its employees and customers.
Information technology and information security risks		
Risks in the information technology and information security area	The extensive and widespread development of information technologies entails a number of questions regarding information security, including security of personal data and critical information infrastructure.	The Company develops, tests and regularly updates its scope of activities aimed at ensuring the security of information, including personal data, critical information infrastructure and other matters.
Political and legal risks		
Risks related to the incidents at Berezniki-1 and Solikamsk-2	The flooding of Uralkali's Berezniki-1 in October 2006, as well as the incident at Solikamsk-2 in 2014 had a significant impact on the size of mineral reserves and may lead to additional costs, losses and obligations.	The Company adheres to the safety and social responsibility policies and adopts a conservative approach. The Company follows its social responsibility policy and maintains a constructive and consistent relationship with state authorities to respond to any issue in a timely manner.
Political and regulatory risks	Uralkali operates in Russia and a number of developing markets which are exposed to higher risks than more developed markets, including significant legal, economic and political risks. The Company may breach applicable laws or regulations in the markets where it operates. Certain measures taken by governmental bodies or increased regulation could lead to additional costs, as well as affect creditors' expectations. Risks of additional obligations, costs and restrictions for Uralkali due to audits by tax authorities, the federal health and safety agency (Rostekhnadzor) and other regulators. Results of such audits may lead to imposing additional obligations, costs and restrictions on Uralkali.	Uralkali is registered in Russia and operates in a number of developing markets that are exposed to higher risks than more developed markets, including legal, economic and political risks, such as rapidly changing legislation and legal practice. The Company's sustainable development depends on its ability to be fully compliant with legal requirements and other binding standards, rules and instructions. The Company has developed a set of interconnected measures to ensure compliance of its activities. The Company also monitors any relevant legislative changes in all applicable jurisdictions and liaises with supervisory authorities to promptly adjust its documents and practices. The Company's corporate governance procedures enable it to quickly make necessary operational and strategic decisions at different managerial levels.
Compliance with applicable legislation and internal policies	Uralkali is subject to the laws of Russia and other countries of its operations, including anti-monopoly legislation. Claims, including anti-monopoly claims, may create additional costs for the Company.	The Company is subject to special state regulations in various jurisdictions. Due to macroeconomic instability, regulators can tighten their requirements. The Company constantly improves its internal control system in order to ensure compliance of its activities with the requirements of applicable law including anti-monopoly legislation.

Risk insurance

PJSC Uralkali organises a corporate insurance programme as a protection measure against risks in partnership with major Russian insurance companies and the international reinsurance market.

The Company continuously aims to improve the terms of insurance coverage and closely cooperates with the insurance and reinsurance community.

Insurance is only one way of minimising risk and the use of different methods helps reduce the maximum aggregate risk.

CORPORATE INSURANCE PROGRAMME INCLUDES THE FOLLOWING:

- PROPERTY AND DOWNTIME INSURANCE
- HAZARDOUS FACILITIES INSURANCE
- CARGO AND CHARTERER'S LIABILITY INSURANCE
- RECEIVABLES INSURANCE
- DIRECTORS' LIABILITY INSURANCE
- ACCIDENT INSURANCE
- OTHER INSURANCE

Development of the Risk Management System

The Company's risk management and internal control system is regularly improved. In 2021, the

Company plans to hold training sessions on risk management for new managers of the Company. The same sessions were also conducted in 2018.