



**AGROFERTRANS GROUP**

**CODE OF GOOD PRACTICES AND RISK MANAGEMENT**

**MAY 2022**

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## INTRODUCTION

Since Agrofertrans is a multinational company with a wide area of business, specializing on research, innovation, production and distribution activities and has employees and counterparties around the world, it was decided to make recommendations and unify the risk management procedure in the company - Code of Good Practices – (the “Code”) - to articulate key principles governing reasonable and fair trading practices.

The code is designed to help all employees when they face difficulties in identifying risks in their daily business activities, applying risk management and using appropriate selectivity criteria on a non-discriminatory basis for controlling all our business activities.

Two key principles underpin the Code:

- (a) understanding of the traders’ corporate governance, risk management practices, business and transactions through due diligence and policy requirements; and
- (b) sufficient transparency and control over the financed transactions, sale and purchase of goods.

This document also provides guidance on what constitutes good practice and on how relevant application of good practice contributes to the duty to reduce risks or demonstrate that risks have been reduced.

All members of the group of companies are strongly encouraged to follow the provisions of this document. Agrofertrans' employees, management, partners, associated companies should consider and incorporate these principles as part of their business practices in a risk proportionate manner.

All internal policies, procedures, and rules must comply with the code.

## APPLICATION

The Code is intended to apply to any trade and/or financial operation and/or transaction made by Agrofertrans with each and any business partner, lender, borrower, buyer, purchaser, seller, trader, financial institution and any other partner.

The Code serves as a set of guidelines to provide broad guidance to Agrofertrans' employees, management, partners, associated companies and any other connected parties and is not meant to be exhaustive or a replacement of any legislation, regulations or guidelines issued by the relevant authorities of a respective country.

Agrofertrans' employees, management, partners and associated companies should refer to the Code in its supervisory oversight of the business and risk management activities. Further reference should always be made to applicable legislation, regulations or guidelines, which Agrofertrans' employees, management, partners, associated companies and any other connected parties are required to comply with.

The principles are supplemented with requirements of good practices in the appendices. Agrofertrans' employees, management, partners, associated companies and any other connected parties are encouraged to adopt and use them as applicable and appropriate, taking into consideration the risk, scale and complexity of the transaction and the financing activities undertaken. In this regard, the practices and examples listed in the appendices are not meant to be exhaustive, prescriptive nor to be used as a checklist.

## **GENERAL PRINCIPLES**

### **1. CORPORATE GOVERNANCE**

Good corporate governance serves to facilitate appropriate management and conduct of the business and affairs of companies and will better achieve accountability and transparency. The Code as well as the corporate governance policies and practices are to be considered for credit risk assessments.

1.1. Each Agrofertrans' employees, partners, associated companies and any other connected parties should conduct any business activity in conformity with the corporate governance policies, which are based on division of roles and responsibilities and sufficient independence in the decision-making within the key company management including both dependent and independent directors, with defined and documented accountability and responsibilities of the various roles.

1.2. In assessing the appropriateness of the corporate governance policies and practices Agrofertrans' employees, partners, associated companies and any other connected parties may refer to Appendix 1 which sets out of corporate governance policies and practices.

1.3. Agrofertrans' employees, partners, associated companies and any other connected parties should keep track on the periodic updates of corporate governance policies and/or practices, as well as non-compliance, amendments, waivers or exceptional handling that could affect the effectiveness of the policies and/or practices.

### **2. RISK MANAGEMENT**

Risk management serves to ensure that appropriate policies and controls are adopted to effectively manage identified risks. Company's traders and other key departments should consider risk management policies and practices for Company's risk assessment.

2.1. The Company established risk management policies and practices appropriate to its business strategy, turnover, complexity of operations and minimally address the following:

- (a) segregation of roles and responsibilities among various managers, with defined and documented accountability and responsibilities of these managers;
- (b) development of processes necessary for proper identification of risks;
- (c) regular monitoring of trading limits and risk position limits;
- (d) controls to protect the integrity and security of information; and
- (e) development of measures to mitigate price and trade risks.

In order to assess the appropriateness of the risk management policies and practices of an employee, it is necessary to refer to Appendix 2 which sets out examples of good risk management policies and practices.

2.3. Each Trader should provide a periodic updates on its risk management policies and practices, as well as non-compliance, amendments, waivers or exceptional handling that could affect the effectiveness of the policies and/or practices.

### **3. BUSINESS DUE DILIGENCE**

Company management conducts regular business due diligence to obtain comprehensive information on Traders' operations, business and relevant aspects relating to trade financing for appropriate risk assessment.

3.1. Company management conducts proper and adequate business due diligence on each Trader regularly in order to assess risks on a regular and informed basis.

3.2. Company management may refer to Appendix 2, 3 which provide information on areas of information that may be requested from Traders when conducting business due diligence for risk assessment.

3.3. Company management procures regular reporting by each trader on daily basis.

#### **4. TRANSPARENCY AND CONTROL**

Company is working based on the principles of transparency and control in respect of the financed transactions, goods and receivables.

4.1. Company management should adopt measures to ensure sufficient transparency and control over all employee's business activities.

4.2. Company management should procure that any assignment of receivables in its favor is notified to the debtor of such receivables and use reasonable endeavours to procure that the fact of such assignment is recorded in all relevant invoices issued to such debtor.

4.3. Company management may refer to Appendix 4 which sets out examples of measures that they may adopt and/or impose on a transactional basis.

## **Appendix 1**

### **Corporate governance policies and practices, established by the Company**

1. Director possesses an adequate and appropriate level of understanding of the fertilizers and raw materials trading and operations.
2. Responsibilities, obligations, expectations and delegations of authorities of various roles in the Company are properly formulated and documented and where necessary, Company's regulations regarding specific positions in the Company are adopted.
3. The Company establishes certain criterias and procedures to assess the effectiveness of the performance of Director in the Company as well as each manager, trader and other employees of the Company at least annually.
4. The Company insures that the director and any Company manager have risk management expertise and established a risk management committee to support the director in risk governance. The risk committee is responsible for setting, approving and monitoring the traders' risk management policies and financial policies (see Appendix 2).
5. The Company established an audit committee to be responsible for monitoring the integrity of the traders' and other key department's work and reviewing its internal controls, the effectiveness of the traders' internal audit function and the effectiveness, adequacy and independence of the external auditor (see Appendix 2).
6. A set of rules is established to outline the Company traders' and other key department's principles, including expected levels of ethical behavior. There are whistleblowers policies in place to enable incidents of non-compliance to be reported (see Appendix 4).
7. Assessment of performance and remuneration of the directors, key management personnel as well as traders are based on formulated metrics that support a sound risk culture and take into consideration the risk policies. Employees, including traders, are not encouraged to engage in excessive risk-taking for the purpose of achieving short-term results at the expense of long-term results and must follow the current risk assessment procedure (see Appendix 2, 3).
8. Responsibility of executive directors and key management personnel is insured to mitigate possible risks caused by possible poor business decisions.
9. Directors hold general meetings at least annually to assess among other things, the performance of the management and the effectiveness of the trading in the Company.

## Appendix 2

### **Risk management policies and practices, established by the Company**

The Company established the risk management committees to support the director in risk governance. The risk management committee is responsible for setting, approving and monitoring the traders' risk management policies and financial policies. Committees are divided into decision-making and risk type areas.

#### **1. Global Strategic Risk Assessment Committee.**

Membership is comprised of the heads of all departments in all divisions, regardless of country of operation, as well as the executive management of the entire company, including directors.

##### Committee's functions:

- Determination of the general direction of the company's development and identification of potential risks of the chosen direction.

- Coordination of the activity of all the departments, divisions and branches in order to ensure the chosen vision of the company. Clearly defined roles, responsibilities, risk measurements and reporting methodologies appropriate for the trader's business strategy, turnover, complexity of operations are applied in the company's day to day business.

- Acquainting all the departments of the company with the identified risks and providing instructions on how to handle such risks.

- Assessment of the risks of macroeconomic, industry, country changes.

- Updating and approval the system of risk assessment of trading operations for the Committee of risk assessment of current operations.

- Articulating consequences for breaches of the risk management.

##### Committee convening periodicity: Once a quarter.

Responsibility of executive directors and key management personnel is insured to mitigate possible risks caused by possible poor business decisions.

#### **2. Committee of risk assessment of current operations.**

All company employees and department heads involved in current operations, regardless of country of activity, as well as the director, are members of the committee.

##### Committee's functions:

- Analysis of the current list of contracts.

- Checking progress on all current trading operations.

- Presentation by all managers of new potential business activities.

- Identification risk of each trade operation and provide instructions on how to handle such risks.

- Analysis of the counterparties' financial statements.

- Evaluating current and potential counterparties according to the procedure described in

Appendix №3.

##### Committee convening periodicity: Once a week.

Analysis of cash flow, account receivables, weekly/daily/monthly budgets: Once a day.

Meeting of financial managers with CEOs and Directors to discuss monthly results and plans for the next months, cash needs for upcoming periods: Once a month.

Assessment of performance are based on formulated metrics that support a sound risk culture and take into consideration the risk policies. Employees, including traders, are not encouraged to engage in excessive risk taking for the purpose of achieving short-term results at the expense of long-term results.

#### **3. Audit Committee.**

All members of the financial department and director are members of the committee.

The Company established an audit committee that is responsible for monitoring the integrity of the traders' work and reviewing its internal controls, the effectiveness of the traders' internal audit function and the effectiveness, adequacy and independence of the external auditor.

Committee convening periodicity: Once a month.

### **Appendix 3**

#### **Information relevant for business due diligence conducted by the Company**

Counterparties are evaluated rigorously, including careful due diligence conducted on each counterparty regularly. Checking current and potential counterparties for their creditworthiness, sustainability, and legal compliance using:

1. Financial information documents, including financial statements whether audited or unaudited (from government registries, data analytics companies (like D&B portal), additional legal investigation and other relevant open sources).
2. Amount of current financial liabilities including but not limited to payables (from government registries, data analytics companies (like D&B portal), credit insurance agencies, additional legal investigation and other relevant open sources).
3. Counterparty assets, including assets under any encumbrance; inventory on the traders' balance sheet and ownership of such inventory (from government registries, data analytics companies (like D&B portal), additional legal investigation and other relevant open sources).
4. Annual turnover of the counterparty, including but not limited to transactions relating to sale and/or purchase of goods that do or do not involve any physical transfer or movement of such goods (from government registries, data analytics companies (like D&B portal), additional legal investigation and other relevant open sources).
5. Coverage by credit insurance companies.
6. Corporate structure information as well as statutory documents (from government registries, data analytics companies (like D&B portal), additional legal investigation and other relevant open sources).
7. Related party transactions, including but not limited to the use of assets and/or services of a related party (from government registries, data analytics companies (like D&B portal), additional legal investigation and other relevant open sources).
8. Litigations, disputes and arbitrations whether existing or threatened (from government registries, and the Specially Designated Nationals And Blocked Persons List (SDN)).
9. Other documents.

### **Appendix 4**

#### **Measures to enhance transparency and control**

1. Trader warrants and agrees not to conduct any transaction without obtaining an approval of senior Company management.
2. Trader declares that the transaction is a trade transaction involving a genuine sale or purchase of goods in consideration of payment made or to be made for such goods.
3. Trader provides information on the end-to-end process an trade cycle in respect of all transaction to Company management.
4. Trader is prohibited from entering into arrangements amounting to a set-off, deduction, withholding counterclaim and/or pay-when-paid in respect of the transactions and procure that all payments received in relation thereto shall be free of any set-off, deduction, counter-claim, withholding and not subject to any pay-when-paid or other similar arrangements.
5. Underlying title and/or transport documents in respect of goods sold or purchased by the Company are endorsed by the Company management.