



EuroChem

Mineral & Chemical Company, OJSC

APPROVED

by the General Shareholders Meeting of
EuroChem Mineral & Chemical Company, OJSC
Minutes dated 27 June 2006

Code of Corporate Conduct

EuroChem Mineral & Chemical Company, OJSC

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1. GENERAL PROVISIONS

- 1.1. This Code of Corporate Conduct ("Code") has been drawn up in accordance with the law of the Russian Federation, universally recognized principles of corporate conduct, and the terms of operation of EuroChem Mineral and Chemical Company, OJSC ("Company").
- 1.2. This Code is a collection of obligations undertaken by the shareholders, the members of the Board of Directors, executive management, and the managers of the Company relating to the formation of a balanced system of their relations with employees, subsidiaries and dependent companies, consumers, counter parties, creditors, government agencies and the public as a whole.
- 1.3. The Company strives to continually improve its corporate governance systems within its subsidiaries and dependent companies, ensure openness and transparency in their operations, instill in them the fundamental principles of this Code, and ensure that the rights of minority shareholders in said companies are protected and upheld.

2. THE CORPORATE GOVERNANCE SYSTEM STRUCTURE

- 2.1. The Company's highest management body is the General Shareholders Meeting (GM). The main authorities of Company management are to be delegated by the shareholders to the Board of Directors. The Board of Directors will appoint the Company's General Director and Management Board in an effort to support the day-to-day management of the Company.
- 2.2. The terms of reference of the Company's bodies of management are to comply with the requirements set out in legislation and approved in the Charter and the Company's other internal regulatory documents.

3. COMPANY SHAREHOLDERS

- 3.1. The Board of Directors, Management Board and the Company's General Director must uphold and protect all shareholder rights.
- 3.2. Shareholders have the right to reliable methods of registering ownership rights to shares. Maintenance and storage of the shareholder register is to be carried out by an independent registrar that possesses the appropriate technical means and a control system, as well as an impeccable reputation on the securities market.
- 3.3. Shareholders have the right to receive regular and timely information about the Company's operations in the volume needed in order to make rational decisions. The Company undertakes to continuously improve upon information disclosure procedures using advanced Russian and international experience and by introducing systems and formats for reports which meet the requirements of regulatory bodies, the wishes of shareholders, and external users.
- 3.4. Shareholders may receive a portion of the Company's net profits in the form of dividends based on the results of the first quarter, half-year results, the first nine months of the fiscal year and/or the results of the fiscal year in line with the Company's Dividend Policy.
- 3.5. Company Shareholders are liable to each other, to the Company and to other stakeholders for the Company's long-term stability and profitability.
- 3.6. Shareholders must not take any actions which could undermine the Company's long-term profitability, and they must not exert any pressure on the Company's bodies of management, disclose information relating to state or commercial secrets, or abuse the rights granted them.
- 3.7. Shareholder actions that are taken exclusively with the intent of causing harm to other shareholders or the Company will not be permitted. The Company deems it unacceptable to create mechanisms that may allow individual shareholders to gain a level of control incommensurate with his or her stake in the Company's charter capital.

4. THE BOARD OF DIRECTORS

- 4.1. The Board of Directors determines the priorities of the Company's operations and approves promising plans for achieving those priorities; it also approves the Company's development strategies, exercises control over the implementation of the development strategies, and evaluates the effectiveness thereof.
- 4.2. The Board of Directors shall be governed in its actions by the Charter and the Company's other internal regulatory documents.
- 4.3. Board of Directors Structure
 - 4.3.1. The Board of Directors is led by the Chairman of the Board of Directors.

- 4.3.2. The Chairman of the Board of Directors organizes the Board's work, ensures the effective organization of the Board and the Board Committees, and discharges other functions as envisaged in current law and the Company's internal regulatory documents.
 - 4.3.3. The number of members to sit on the Board of Directors is to be determined by a ruling passed by a General Meeting of Shareholders (GM) and must ensure the efficiency of drawing up rulings while taking into account a variety of perspectives.
 - 4.3.4. In order to ensure the objectivity of the decisions that it takes, the Board's membership must include independent directors.
 - 4.3.5. A member of the Board of Directors must perform his functions honestly and responsibly in the interest of the Company and the shareholders. The rights and responsibilities of a Board member are set out in the Charter and the Company's internal regulatory documents.
 - 4.3.6. The procedures for electing a director to sit on the Board of Directors, as well as procedures for organizing the Board's activities, are to be set out in the Company's Board of Directors Regulations, which are approved by a GM. Decisions about the amount of remuneration to be paid to a member of the Board of Directors are to be taken by a GM.
 - 4.3.7. The Company adheres to the principles of disclosing information about the remuneration of members of the Board of Directors as recommended by the Code of Corporate Conduct and the laws and statutory acts of the Russian Federation.
- 4.4. The Board Committees
- 4.4.1. Committees will be established under the Board of Directors for preliminary consideration of the most important issues referred to the Board of Directors.
 - 4.4.2. The Board Committees shall be governed in their actions by their respective Regulations as approved by the Board of Directors, and the members of the Board Committees shall be determined by the Board of Directors.
 - 4.4.3. The Strategy Committee will prepare recommendations for the Board of Directors on the Company's strategic goals, long-term programs, strategic development plans, determining the strategies for collaborative issues, setting up the business plan, investment plan and budgets as well as the dividend policy.
 - 4.4.4. The Corporate Governance and Personnel Committee under the Board of Directors will prepare a competitive (compared to peer organizations) incentives system, a system for Board member evaluation and remuneration, in addition to systems for the evaluation and remuneration of members of the Revision Commission, the General Director, the members of the Management Board and other key members of upper management. The Committee will also review issues concerning the functionality and improvement of the Company's corporate governance system.
 - 4.4.5. The Audit Committee under the Board of Directors reviews issues concerning the Company's financial reports, the functioning of the internal control system and risk management within the Company. It will work together with the independent external auditor, the Company's divisions and departments involved in the internal audit process, the Revision Commission – including when analyzing reports issued by these bodies – and it will review issues concerning valuation of the Company's assets.
 - 4.4.6. The Board Committee recommendations are not mandatory for the Company's Board of Directors, Management Board or the General Director.

5. THE MANAGEMENT BOARD AND GENERAL DIRECTOR

- 5.1. In line with the Company Charter, Management Board and the General Director are to be elected by the Board of Directors.
- 5.2. The General Director's duties will include serving as the Chairman of the Management Board.
- 5.3. The Management Board and the General Director are to act in the interests of the Company, upholding their rights and performing their responsibilities to the Company conscientiously and with reason. They shall be held liable to the shareholders and the Board of Directors in line with Russian federal law.
- 5.4. The Management Board and General Director manage the day-to-day operations of the Company and ensure its long-term profitability and efficiency.
- 5.5. The Management Board will submit management proposals on priority issues to the Board of Directors for review or approval; issues may include promising and strategic plans, annual budgets, investment projects and investment policies, as well as work with subsidiaries and dependent companies.
- 5.6. The Management Board reviews and approves the following:

- the system of quarterly and monthly performance reviews of the Company as well as its subsidiaries and dependent companies;
 - major investment projects (within the annual investment limit approved by the Board of Directors);
 - parameters for the Company's organizational structure, and that of the Company's subsidiaries and dependent companies;
 - the total amounts of employee year-end bonuses (in line with the payroll fund approved by the Board of Directors).
- 5.7. The General Director will submit reports on the Company's financial results to the Board of Directors for review.
- 5.8. The system for incentives, performance review and remuneration for the General Director and members of the Management Board (and other key members of executive management) is to be approved by the Board of Directors.
- 5.9. The procedures for electing the members of the Management Board and the terms of reference of the Management Board are set out in the Management Board Regulations, which are approved by a GM.
- 5.10. The procedures for electing the General Director and the terms of reference of the General Director are set out in the General Director Regulations, which are approved by a GM.

6. THE CORPORATE SECRETARY

- 6.1. The Corporate Secretary ensures that the Company's management bodies and employees comply with the requirements and procedures which guarantee and uphold the rights and interests of the shareholders and which ensure that the Board of Directors works effectively.
- 6.2. The Corporate Secretary's responsibilities include:
- preparing and conducting General Shareholder Meetings (GMs) in accordance with the requirements set out in current Russian federal law, the Company's Charter and other internal regulatory documents based on the corresponding ruling to hold a GM;
 - organizing, preparing and convening meetings of the Board of Directors in accordance with the requirements of the Russian federal law, the Company Charter and other internal regulatory documents;
 - providing assistance to members of the Board of Directors as they perform their functions;
 - ensuring disclosure (submission) of information about the Company and storage of documents of GMs and Board meetings in line with the requirements in the Company's internal regulatory documents;
 - submitting information about the rulings passed by GMs and the Board of Directors in line with the Company's internal regulatory documents;
 - organizing the appropriate review by the Company of shareholder requests and resolving conflicts related to the violation of shareholder rights.
- 6.3. The Board of Directors, the Management Board, the General Director, the Revision Commission and Company employees must assist the Corporate Secretary in discharging her functions. The Corporate Secretary will inform the Chairman of the Board of Directors of any information, events or circumstances hindering compliance with procedures that fall within the Corporate Secretary's terms of reference.
- 6.4. The Corporate Secretary is appointed by the Board of Directors and reports directly to the Board of Directors.

7. LIABILITY IN RELATIONS WITH EMPLOYEES, SUBSIDIARIES, DEPENDENT COMPANIES AND GOVERNMENT BODIES

- 7.1. The relations of the Company and its employees are regulated by current Russian federal labor laws, the Company's internal regulatory documents and employment contracts with the Company.
- 7.2. The Company implements its HR policy which encourages the professional development and growth of employees and is aimed at ensuring labor safety and protecting employee health.
- 7.3. The Company's relations with subsidiaries and dependent companies, as well as with the shareholders of said companies, are aimed at increasing overall capitalization.
- 7.4. The Board of Directors, the Management Board and the General Director must contribute to the systemic creation of an efficient management system at subsidiaries and dependent companies, ensuring improved profitability and the reduction of the Company's investment risks.
- 7.5. The Company will ensure that all finished product consumer quality requirements are met and

continuously strive to improve the management system.

- 7.6. The Company strives to build mutually beneficial relations with its counter parties on a long-term and sustainable basis.
- 7.7. The Company will ensure the development of procedures for the responsible selection of counter parties supplying raw materials, equipment, and other materials as well as counter parties rendering services to the Company, based on competitive bidding in line with current laws.
- 7.8. The Company adheres to principles of absolute transparency and compliance with legal requirements in its relations with government bodies.
- 7.9. The Company undertakes to take a proactive stance in protecting the environment in line with the Russian Federation's environmental laws and international requirements, and given opportunities to do so, invest in new technologies which will help improve environmental protection and energy conservation.

8. INFORMATION DISCLOSURE

- 8.1. The Company recognizes the importance of providing shareholders and other stakeholders with reliable and objective information about the Company. The Company's actions related to corporate changes, including changes in the rights of shareholders or creditors (major corporate events) must be carried out with maximum openness and transparency.
- 8.2. The key principles for information disclosure are: regularity, completeness, timeliness, objectivity and accuracy of the information about the Company and ensuring access thereto.
- 8.3. The goal of information disclosure is to provide all stakeholders with the necessary information for making sound decisions concerning participation in the Company or taking other actions which may influence the Company's financial and business operations.
- 8.4. Prompt and precise information disclosure on all issues concerning the Company's operations will be carried out via meeting the requirements of Russian federal law and voluntary disclosure of additional information in line with the Company's Information Policy.
- 8.5. The information disclosure process will ensure protection of commercial secrets and information which is deemed confidential. The criteria for deeming information confidential and the procedures for granting access to confidential information are to be determined by the Board of Directors.

9. CONTROL OVER FINANCIAL AND BUSINESS OPERATIONS

- 9.1. The control system for financial and business operations is aimed at protecting shareholder assets and the assets of the Company as well as ensuring investor trust in the Company and the Company's bodies of management.
- 9.2. Control over financial and business operations is to be performed by the Board of Directors (including with assistance from the Board Committees), the Revision Commission, the Internal Audit Service and the Company's independent auditor.
- 9.3. The Company's General Director is responsible for the smooth functioning of the Company's internal control system.
- 9.4. The internal control system is a set of procedures performed by the Board of Directors (the Audit Committee) and carried out by executive management, the Company officers and other employees, aimed at improving Company operations and management and ensuring strong performance and effectiveness of the Company's financial and business operations. It also aims to safeguard assets, prevent internal and external risks, ensure reliability and accuracy for all types of Company reports, compliance with legal requirements and the Company's internal regulatory documents and rules.
- 9.5. The activities and the terms of reference of the Revision Commission are governed by current Russian federal law and the Company's Revision Commission Regulations. The Revision Commission will not be dependent on the opinions or instructions of the Company management and shall act independently. The Revision Commission reports the results of its inspections and audits in statements which are to be submitted to the Board of Directors and the shareholders.
- 9.6. The Internal Audit Service will conduct an objective and independent evaluation of the risk management system, the internal control system and the corporate governance system in order to ensure effective risk management, reliability and efficiency in the internal control system, and the completeness and integrity of financial and management information, as well as compliance of the Company's production and business operations with the law. The Internal Audit Service is to report to the Audit Committee under the Board of Directors with regard to performing its functions, and will report to the General Director for all administrative issues.

- 9.7. The independent auditor is to be appointed by a GM based on recommendations from the Board of Directors prepared based on the results of competitive bidding and in line with current law. In the competitive bidding process, the opinion of the Audit Committee with regard to professional qualities, business reputation and independent status will be taken into account.
- 9.8. The independent auditor will conduct an evaluation of financial reports prepared in line with RAS and in line with IFRS and will report its opinion on the reviewed financial reports to the Board of Directors.
- 9.9. The independent auditor will attend the GM and provide an explanation to the shareholders regarding any issues that arose and were addressed in the auditor statement.
- 9.10. The bodies and persons discharging control and oversight functions are to ensure that the proper conditions are in place for unhindered access to the necessary documentation.

10. CORPORATE CONFLICT RESOLUTION

- 10.1. The Company will make all efforts in order to prevent and resolve corporate conflicts: between bodies of management and the Company's shareholder; among shareholders; between shareholders and other stakeholders; between the Company and other parties.
- 10.2. In an effort to prevent and resolve corporate conflicts, the Company will ensure strict and unconditional compliance with Russian law, as well as the Company's conscientious and reasonable behavior with regard to shareholder relations.
- 10.3. Actions taken toward corporate conflict resolution is to be based on searching for a resolution that is both lawful and sound, and which meets the interests of the Company.

11. CLOSING PROVISIONS

- 11.1. This Code is approved by a General Meeting of the Company's shareholders.
- 11.2. Any amendments to this Code are to be introduced by resolve of a General Meeting of the Company shareholders.