



EuroChem

Mineral & Chemical Company, OJSC

APPROVED

By decision of the Board of Directors
of EuroChem Mineral & Chemical Company, OJSC
Minutes dated 26 September 2007 № 07.09.26-16/10-9

Corporate Governance and Personnel Committee Regulations EuroChem Mineral & Chemical Company, OJSC

(new revision)

**Moscow
2007**

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1. GENERAL PROVISIONS

- 1.1. The Regulations on the Corporate Governance and Personnel Committee under the Board of Directors (“Regulations”) of EuroChem, Mineral and Chemical Company, OJSC (“Company”) have been drawn up in accordance with the Company’s Charter and internal regulatory documents.
- 1.2. The Corporate Governance and Personnel Committee (“Committee”) is a consultative and advisory body of the Board of Directors. The members and Chairman of the Committee are to be appointed by EuroChem Board of Directors. The duties and responsibilities of the Committee are to be determined by the Board of Directors which shall revisit and approve the Committee regulations on an annual basis.
- 1.3. The Committee’s main role is to protect the shareholders interests by monitoring over the quality of the corporate governance, HR strategy, policy and practice; quality and efficiency of the appointments system, as well as the remuneration system as a whole and senior executive management in particular.
- 1.4. The Committee has been established for the purposes of in-depth consideration of issues and preparation of required recommendations that fall within the terms of reference of the Board of Directors and are delegated by the Board to the Committee. Also, as per the instructions of the Board of Directors, the Committee may review other issues which do not fall within the Committee’s terms of references.
- 1.5. The Committee may also provide recommendations and send requests to the Company’s executive management.

2. COMMITTEE STRUCTURE

- 2.1. The individual membership and number of members to sit on the Committee is to be determined as per a ruling issued by the Board of Directors. The Committee’s membership structure is to include at least 2 (two) independent directors. The criteria for independent Board member status are set forth in the Regulation on the Board of Directors.
- 2.2. The Board of Directors is to appoint the Committee Chairman. The Committee structure may be changed at any time and the Committee Chairman may be reelected at any time as per a ruling issued by the Board of Directors.
- 2.3. The Corporate Secretary (“Secretary”) or the officer of the Corporate Secretary staff will be the Secretary of the Committee.

3. TERMS OF REFERENCE

- 3.1. The Committee is authorized by the Board of Directors to act within the Committee’s terms of reference and in line with instructions issued by the Board. The Committee may request and receive any information needed in order to carry out its duties from the Company and EuroChem companies; employees of the Company and EuroChem companies must assist the Committee by providing all requested information.
- 3.2. As necessary and with the pre-approval of the Board of Directors, the Committee may engage the services of legal and other independent professional consultants, the costs of which are to be covered by the Company, and ensure consultation with experts who possess the relevant knowledge and necessary level of qualifications.

4. COMMITTEE TASKS

Corporate Governance:

- 4.1. Oversight of compliance with corporate governance policies and practices, legislative regulations and standards, and preparation of recommendations for the Board of Directors and shareholders.
- 4.2. Oversight of the introduction of effective corporate governance models and tools in accordance with rulings issued by the Board of Directors or a General Meeting of Shareholders (GM).
- 4.3. Preparation of criteria for independent members of the Board of Directors and assessment of the independent status of Board members.
- 4.4. Preparation of recommendations for the Board of Directors on amendments to the Charter and other internal regulatory documents governing the operations of the Company’s bodies of management, or other statutory documents in corporate governance.
- 4.5. Preparation of proposals for the Board of Directors on annual performance appraisal of the Board of Directors and ensure that procedures are carried out.
- 4.6. Assessment of internal documents regulating the ethical standards and rules of corporate conduct of the Company and its members, preparation of recommendations on amending these documents or the way in which they are currently enforced.

- 4.7. Submission of recommendations on corporate reforms in the Company and planned changes to the Company's structure.
- 4.8. Preparation of recommendations on preventing corporate conflicts and, as necessary, participation in the resolution of any corporate conflicts which do arise.
- 4.9. Preparation of recommendations for the Company's bodies of management on organizing training courses for Company employees on corporate conduct and business ethics.

Appointments:

- 4.10. Assist in the search for and recruitment of candidate Board members and candidates for the Company's General Director.
- 4.11. Agree upon nominated individuals to be appointed to managing positions that report directly to the General Director.
- 4.12. Assess the balance of skills; knowledge and expertise required by the Board of Directors use that as a basis to prepare requirements for candidate Board members.
- 4.13. Assess the balance of knowledge, skills and competence of the Company's Management Board (MB) required in order to maintain the Company's leading position in the industry, and on this basis prepare recommendations to the Board of Directors on requirements for candidate members of executive management.
- 4.14. Prepare a succession plan for Board members and the General Director; oversee, assess and submit recommendation on the succession plan for positions that report directly to the General Director. Prepare recommendations on measures to help ensure succession of the Board of Directors and senior management.
- 4.15. Prepare recommendations for the Board of Directors on emergency situations arising from a Board member's (or Board members') inability to perform his (their) functions.

Personnel Strategy and Policy:

- 4.16. Preparation of recommendations for the Board of Directors on the Company's personnel strategy and ensuring required human resources in order to achieve the Company's strategic goals.
- 4.17. Assessment and submission of recommendations on the Company's policy in recruiting, appointing, replacing, training, development, and retention of employees, first and foremost concerning management.
- 4.18. Assessment and preparation of recommendation on building upon work with the Company's employees for the structures and functions relevant to the Company.

Remuneration:

- 4.19. Submit recommendations to the Board on the amounts of base salaries, as well as the principles for building a bonus system and non-monetary remuneration for the General Director and managers who report directly to the General Director. Ensure the Board's confidence that the remuneration system encourages management to achieve the Company's goals and satisfaction of shareholder interests.
- 4.20. Ensure the Board's confidence in the fairness of remuneration for management labor and achievements.
- 4.21. Monitor the operations of the General Director and Company management related to the payment of remuneration to Company employees; prepare recommendations for the Board on bonus remuneration.
- 4.22. Organization and preparation of contracts with the General Director and the managers which report directly to the General Director.
- 4.23. Determining the amounts of remuneration to be paid to executive directors, as well as the financial and other terms in the event of the early termination of their labor relations with the Company.
- 4.24. Assessment of the overall remuneration system and practices from a viewpoint of meeting market realities, and the interests of the Company and its shareholders.
- 4.25. Provide recommendations to the Board of Directors and shareholders on determining the amounts of and principles for remuneration for the members of the Board of Directors and the Chairman of the Board.
- 4.26. Consider other issues as requested by the Board.

5. PROCEDURES FOR SUBMITTING COMMITTEE INFORMATION AND REPORTS

- 5.1. The Committee Chairman is to inform the Board of Directors of the recommendations prepared or decisions taken by the Committee on important key issues considered by the Committee. The Secretary is to ensure access to Committee meeting minutes and materials for any of the Company's Board members for information purposes.

- 5.2. The Committee is to prepare recommendations for the Board of Directors in the fields and on issues which, in the Committee's view, require improvement on the part of the Company's executive bodies.
- 5.3. Each Committee must inform the Board of its activities by submitting a report on Committee activities to the Board at least once per quarter. The Committee will submit to the Board an annual report on the activities of the Committee which may be included in the Company's annual report as per the Board ruling.

6. FREQUENCY OF COMMITTEE MEETINGS

- 6.1. Committee meetings are to be called by the Committee Chairman. In certain cases, a Committee meeting may be called by one of the members of the Board of Directors.
- 6.2. The Committee Chairman is to ensure that the frequency of meetings is sufficient and necessary for the Committee to perform its functions. The Committee must meet at least 6 (six) times per year.
- 6.3. The CEO, the Administrative Director and other persons may attend the Committee meetings given consent from the Committee Chairman.
The Board members have the rights to attend the Committee meetings.
- 6.4. There is a presence of the quorum, on condition that at least 2 (two) members are present.
- 6.5. Meetings may take place in person, by telephone or video conference, and by absent voting.

7. MEETING NOTICES, AGENDAS AND MATERIALS

- 7.1. The dates and agendas for scheduled Committee meetings are to be set at least 4 (four) months in advance; they are to set out the scope of issues meant to be discussed. Amendments will be possible at the discretion of the Committee Chairman.
- 7.2. Draft Committee meeting agenda is to be circulated to all Committee members, the General Director, the Administrative Director at least 7 (seven) business days ahead of the date of the meeting.
- 7.3. The Board members, the CEO and the Administrative Director may request the Committee Chairman to include an item on the agenda at least 5 (five) business days ahead of the date of the meeting. Amendments to the agenda received with the deadline violation will be possible at the discretion of the Committee Chairman.
- 7.4. Notices for regular meetings, the agenda and papers are to be circulated by the Secretary to the meeting participants at least 5 (five) business days before the proposed meeting date.
- 7.5. Papers related to the regular Committee meeting must be submitted 5 (five) business days before the proposed meeting date. Papers relating to the agenda items of the extraordinary Committee meetings will be sent to the Committee Secretary at least 1 (one) business day ahead of the date of the extraordinary meeting if no other deadline is specified by the Committee Chairman.

8. MEETING MINUTES AND DECISION-MAKING PROCEDURES

- 8.1. The Committee Secretary is to reflect the date and place of the meeting, the presence of a quorum, the names of the persons in attendance, the form of conducting (presence, via phone, the written opinion), the lack of any conflict(s) of interest among meeting participants, as well as the discussion and any recommendations that have been submitted.
- 8.2. Draft Committee meeting minutes are to be circulated to the Committee members, as well as the CEO and the Administrative Director for general approval.
- 8.3. The Committee meeting minutes are to be finalized within 15 calendar days.
- 8.4. Meeting minutes are to be signed by the Committee Chairman and the Committee Secretary.
- 8.5. Meeting minutes are to be circulated to the members of the Board of Directors, the CEO, the Administrative Director and other interested parties instructed by the Chairman.
- 8.6. As the Committee's role is limited to providing advice and making recommendations to the Board, it is not required to pass resolutions.
It will make recommendations or requests to the Management based on its discussions. The Committee Chairman is informing the Board of Directors of the Committee's recommendations based on the consensus position reached by the Committee.
In the event that no consensus has been reached, the Committee Chairman will explain to the Board of Directors both the majority view and any derogations from this, in which case any dissenting member of the Committee may choose to make his views known to the Board of Directors.
- 8.7. When a Committee member is unable to attend a meeting a member has the right to submit his opinion in advance in writing and this shall be considered by the Committee.

9. COMMITTEE PERFORMANCE APPRAISAL

- 9.1 The Committee is to review its performance on an annual basis and, as needed, submit recommendations to the Board of Directors regarding the need to make any changes.

10. RECONSIDERATION PROCEDURES OF THESE REGULATIONS

- 10.1. The Committee will review these Regulations annually and, if necessary, enter amendments and submit its recommendations for Board approval.