

APPROVED

by the Board of Directors

**of Open Joint Stock Company
United Chemical Company
URALCHEM
Minutes № 1 of 17.09.2008**

**REGULATIONS ON THE
STAFF AND REMUNERATION COMMITTEE
OF THE BOARD OF DIRECTORS**

Open Joint Stock Company

United Chemical Company

URALCHEM

Moscow, 2008.

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1. GENERAL PROVISIONS

- 1.1. The present Regulations on the Staff and Remuneration Committee of Open Joint Stock Company United Chemical Company URALCHEM (hereinafter referred to as the Committee) has been drawn up in accordance with the legislation of the Russian Federation, Charter of Open Joint Stock Company United Chemical Company URALCHEM (hereinafter referred to as the Company), Regulation on the Company's Board of Directors, and Code of Corporate Conduct.
- 1.2. The present Regulations shall define status, composition, purposes, functions and powers of the Staff and Remuneration Committee, establish the procedure for functioning and interaction of the Committee with other management bodies of the Company, procedure of convening and holding the Committee meetings, adopting and execution of its resolutions.
- 1.3. The Committee shall be established by resolution of the Company's Board of Directors and shall be the consulting-advisory body providing efficient fulfillment by the Board of Directors of their functions on general management of the Company activities.

The Committee shall not be the Company body and shall not be entitled to act on behalf of the Company.

Resolutions of the Committee shall be advisory for the Company's Board of Directors.

- 1.4. The Committee shall be established with the Company's Board of Directors for preliminary examination and drawing up advices on making decisions on the issues on involvement of highly professional specialists for election in the Company's Board of Directors and appointment to the posts of the General Director, top managers, managers of subsidiary and dependent companies of the Company, evaluation of their activity, procedure and amounts of their remuneration, as well as advices on the main principles of the staff and remuneration policy.
- 1.5. The Committee shall act within the powers given to it in accordance with the present Regulations.
- 1.6. In its activities the Committee shall be guided with legislation of the Russian Federation, the Company Charter, Regulation on the Company's Board of Directors, resolutions of the Company's Board of Directors, Code of Corporate Conduct, the present Regulations, and other local documents of the Company approved by the General Meeting of Shareholders and the Company's Board of Directors.
- 1.7. In its activities the Committee shall be fully subordinated to the Company's Board of Directors.
- 1.4. In the course of its activities the Committee shall cooperate with executive bodies of the Company and, if required, with other structural subdivisions of the Company and its subsidiary and dependent companies.
- 1.5. Activities of the Committee shall be financed by the Company funds within the Company budget, which is approved by the Board of Directors.

2. OBJECTIVES AND TASKS OF THE COMMITTEE

- 2.1. The main objectives and tasks of the Committee shall be as follows:
 - ensuring continuity and high professional and managerial level on changing members of the Board of Directors, General Director, top managers, managers of the Company subsidiary and dependent entities.
 - ensuring construction of remuneration system for members of the Board of

Directors, General Director, top managers, and managers of subsidiary and dependent entities of the Company subject to Shareholders' interests, ensuring coordination of the system with the general remuneration system in the Company and the level of remuneration of other employees, as well as ensuring its competitiveness and conformance with the existing legal norms.

3. COMPETENCE OF THE COMMITTEE

3.1. HR Policy:

- 3.1.1. Drawing up of advices for the Board of Directors on determining criteria for selection of candidates for posts of the General Director, top managers, and managers of subsidiary and dependent entities of the Company.
- 3.1.2. Preliminary examination of candidates for posts of the General Director, top managers, and managers of subsidiary and dependent entities of the Company, drawing up of guidelines to the Board of Directors on their employment.
- 3.1.3. Drawing up of guidelines on material conditions of the contracts concluded with the General Director, top managers, and managers of subsidiary and dependent entities of the Company.
- 3.1.4. Drawing up of recommendations on development of criteria and the system used for evaluating activities of the General Director, top managers, and managers of subsidiary and dependent entities of the Company;
- 3.1.5. Analysis of the activity results of the General Director, top managers, and managers of subsidiary and dependent entities of the Company, submission of conclusions and guidelines on the given issue to the Board of Directors.
- 3.1.6. Drawing up requirements to candidates for posts of the members of the Board of Directors.

3.2. Remuneration Policy

- 3.2.1. Drawing up guidelines on the Company policy in the sphere of remuneration, which is called to provide motivations for efficient activities of the Board of Directors, General Director, top managers, and managers of subsidiary and dependent entities of the Company:
 - on the issue of remunerating members and Chairman of the Board of Directors the Committee shall elaborate the criteria allowing the Company to propose adequate remuneration to them.
 - on the issue of remunerating the General Director the Committee shall elaborate criteria for determining remuneration and the system of long-term motivation of his/her activity;
 - on the issue of remunerating top managers of the Company and managers of subsidiary and dependent entities of the Company the Committee shall coordinate concept of the policy in relation to their remuneration and the General Director shall submit same for examination of the Board of Directors.
- 3.2.2. Coordination of the policy in relation to the mid-term remuneration (annual and quarterly bonuses) of the Company employees, which is submitted by the General Director for examination by the Board of Directors; coordination in distribution of means in the reserve bonus fund proposed by the General Director.
- 3.2.3. coordinating in the sphere of long-term remuneration programs for the Company employees of policy in respect of the long-term remuneration proposed by the General Director and the list of employees' posts, which are covered by the programs.
- 3.2.4. Making comparative analysis and informing the Board of Directors on labor payment and remuneration policy and programs applicable in the Company and

other comparable entities, evaluating competitive position of the Company in the sphere of remuneration, giving relevant advices to the Board of Directors on perfection of the Company labor payment and remuneration policy.

3.3. Social Policy:

- 3.3.1. Evaluating efficiency of social programs, conformance of the social policy with strategic priorities of the Company. Submission of a conclusion and advices on the given issue to the Board of Directors.
- 3.3.2. Control of social programs to the extent that their financing does not adversely impact discharge by the Company of its obligations in face of Shareholders and investors.
- 3.3.3. Drawing up guidelines on liaison with the local community in the territories of presence, social economic development of areas, charity, and sponsorship.

4. RIGHTS AND OBLIGATIONS

- 4.1. To discharge its functions the Committee, in accordance with the existing procedure, shall be entitled to request in writing subject to fixing reasonable periods and obtain from the management and other employees of the Company complete and reliable information and documents on the Company activities.
- 4.2. The Committee shall perform its functions in cooperation with executive bodies and top managers of the Company.
- 4.3. To obtain additional (independent) data the Committee can apply to services of outside consultants.
- 4.4. The Committee, within its competence and in accordance with the procedure established in the present Regulations, shall be obliged to perform any other duties, which may be defined by the Board of Directors, and, in particular, to act as a third party on settlement of disputes in the sphere of corporate ethics.
- 4.5. Members of the Committee shall be obliged to:
 - participate in activities of the Committee and attend its meetings or present written opinions on the meeting agenda;
 - analyze situation in the sector of economy, where the Company acts, as well as tendencies in management of human resources and staff motivation.
- 4.6. The Committee shall conduct annual evaluation of its activities including, compliance check of the present Regulations by the Committee.
- 4.7. The Committee shall submit to the Board of Directors annual information on results of its activities.
- 4.8. Within the period between the annual meetings the Committee shall be obliged to inform the Board of Directors on its activities on additional request of the Board of Directors; time frames for submission of data shall be defined by the Board of Directors.

5. COMPOSITION OF THE COMMITTEE

- 5.1. Quantitative composition of the Committee shall be defined by resolution of the Company's Board of Directors in the minimum number of Three (3) members.
- 5.2. Members of the Committee shall be elected by the Company's Board of Directors by majority of votes of the members in the Board of Directors taking part in the meeting of the Board of Directors from among the candidates represented by members of the Company's Board of Directors.

5.3. Only non-executive members of the Company's Board of Directors shall be Members of the Committee. At least one member of the Committee shall be an independent director of the Company's Board of Directors.

Members of the Board of Directors shall be recognized to be independent members of the Board of Directors:

- 1) the ones who were not within the last 3 years and are not being officials (manager) or employees of the Company, as well as officials or employees of the Company managing entity;
- (2) the ones not being an official of another Company, in which any of the Company officials is a member of the Staff and Remuneration Committee of the Board of Directors;
- (3) the ones not being affiliates of the Company official (manager) (official of the Company managing entity);
- (4) the ones not being affiliates of the Company, as well as affiliates of such affiliates;
- (5) the ones not being Parties on liabilities with the Company, in accordance with the conditions of which they can purchase assets (receive monetary funds), their cost making 10 and more percent of the aggregate annual income of the mentioned persons in addition to receipt of remuneration for involvement in activities of the Board of Directors;
- (6) the one not being a major counteragent of the Company (counteragent with an aggregate volume of the Company transactions within a year equal to 10 and more percent of the balance value of the Company assets);
- (7) the ones not being representatives of the State.

Member of the Board of Directors not being a sole executive body of the Company and/or member of the collegiate executive body of the Company shall be recognized to be a non-executive member of the Board of Directors.

5.4. By resolution of the Company's Board of Directors powers of all or some of the Committee members can be terminated early. Member of the Committee can file an application with Chairman of the Committee on putting off his/her duties of the Committee member. Chairman of the Committee shall initiate inclusion in the agenda of the nearest meeting of the Board of Directors of an issue on appointing a new member of the Committee or approval of the Committee in smaller number.

5.5. Candidates in members of the Committee shall have an excellent reputation, higher education, work experience at executive positions in the sphere of production, management, economics and finances.

5.6. Responsibility for organizing activities of the Committee shall be imposed on Chairman of the Committee who shall:

- convene, upon its own initiative or proposal of the Committee members and executive bodies, meetings and preside over them;
- develop a long-term plan of activities and meetings;
- draw up agenda of meetings;
- organize taking of minutes;
- provide control over execution of the adopted decisions;

Chairman of the Committee shall be elected by the Company's Board of Directors out of the elected Committee members by a majority vote of the Company's Board of Directors taking part in the meeting of the Board of Directors.

5.7. Secretary of the Committee shall be appointed by resolution of the Committee. Any member of the Committee, an employee in the staff of the Company's Board of Directors, full-time employee of the Company can be appointed Secretary of the Committee.

6. WORKING PROCEDURE OF THE COMMITTEE

- 6.1. The first meeting shall be held no later than 30 days from appointing a Chairman and new composition of the Committee.
- 6.2. Meeting of the Committee shall be held in accordance with the work plan of the Committee.
- 6.3. Extraordinary meeting of the Committee shall be held on demand of the Board of Directors, and Chairman of the Committee.
- 6.4. Decision on holding of the Committee meeting, date, time, and place of meeting, agenda, and list of the persons invited to the meeting shall be made by Chairman of the Committee.
- 6.5. Meeting of the Committee shall be deemed competent, if it involves minimum one half of the elected members of the Committee.
- 6.6. Meeting of the Committee can be held by joint presence of the Committee members or in the form of absentee voting.

Should a meeting be held in the form of joint attendance, members of the Committee, who were unable to attend the meeting for valid reasons, shall be entitled to forward to the Chairman of the Committee a written opinion on the agenda points.

- 6.7. In the course of making resolution on the items of agenda each member of the Committee shall have one vote; the Committee shall make a decision by simple majority of votes of the Committee members involved in the Meeting. On equal votes vote of the Committee Chairman shall be decisive.
- 6.8. On issues within competence of the Committee as defined in the present Regulations, the Committee shall draw a conclusion, which shall reflect opinion of the Committee in general, conclusions, and advices of the Committee on the examined issue.
- 6.9. Minutes of the Meeting signed by Chairman of the Committee shall be drawn up in the Russian and English languages no later than 3 days after the meeting.
Minutes of the Meeting shall be appended with the materials and documents approved by the Committee.
- 6.10. At the next meeting of the Board of Directors after completion of the Committee activities the Committee shall inform the Board of Directors on the decisions made in the course of the Committee activities.
- 6.11. Relevant costs can be envisaged to support activities of the Committee within the budget planned for upkeep of the Board of Directors. Proposals on amount of the costs shall be examined at the meeting of the Committee and forwarded to the Board of Directors for subsequent consideration and approval.

7. CONFIDENTIALITY

- 7.1. Members of the Committee shall not be entitled to use for private purposes or divulge confidential information, which became known to them in the course of realizing their duties of a Committee member.
- 7.2. With a view of complying with requirements on non-disclosure of confidential information:

- Documents with confidential information submitted to the Committee shall have a stamp "Confidential" assigned by decision of the person presenting such documents;
 - Documents with confidential information submitted by the Committee shall have a stamp "Confidential" assigned by decision of the Committee Chairman;
 - Each person received documents with a stamp "Confidential" shall take all measures on protection of confidential information.
 - Third parties involved in meetings of the Committee or involved in activities of the Committee shall conclude with the Company an agreement for non-disclosure of confidential information.
- 7.3. All documents associated with activities of the Committee shall be stored at the location of the Company in accordance with the established procedure applied to safe-keeping of documents.

8. CLOSING PROVISIONS

- 8.1. The present Regulation shall become effective upon its approval by resolution of the Board of Directors.
- 8.2. The present Regulations shall be effective until the Board of Directors decides to modify it or recognize the Regulations to become void.
- 8.3. The present Regulations shall be modified upon decision of the Board of Directors.
- 8.4. Should articles of the present Regulations be in conflict with requirements of the applicable legislation of the Russian Federation, legislative articles of the Russian Federation shall apply.
- 8.5. Should articles of the present Regulations be in conflict with requirements of the Charter or Regulation on the Company's Board of Directors, provisions of the Charter and Regulation on the Company's Board of Directors shall prevail.
- 8.6. Should individual clauses in the present Regulations be recognized invalid, it will not affect validity of remaining clauses in the present Regulations.