

## URALCHEM HOLDING P.L.C.

### TERMS OF REFERENCE FOR THE BOARD

(approved at the meeting of the Board of Directors of URALCHEM HOLDING P.L.C.

held on 31 March, 2011)

#### 1. INTRODUCTION

- 1.1 These terms of reference (the **Terms**), in accordance with the laws of Cyprus, the applicable rules of the Financial Services Authority of the United Kingdom and the London Stock Exchange, the articles of association of URALCHEM HOLDING P.L.C. and any other applicable law, shall govern, *inter alia*, the rights, duties, powers and membership of the board of directors of URALCHEM HOLDING P.L.C. (the **Board**).

Throughout the Terms, where reference is made to “Company” it should be taken, where applicable, as referring to the group of which the Company is the parent company

- 1.2 The role of the Board is to lead and control the Company, including the strategy of the Company, with the intention of enhancing the long term value of the Company and to regularly evaluate the Company's performance and its success in achieving its strategy.
- 1.3 The Board shall maintain an open dialogue with shareholders and shall use the annual general meeting to communicate with shareholders and to encourage their participation.
- 1.4 The Terms may be amended, from time to time, with the approval of the Board.

#### 2. DIRECTORSHIP

- 2.1 The Board shall be appointed in accordance with the articles of association of URALCHEM HOLDING P.L.C.
- 2.2 The minimum number of the directors shall be three and there shall be no limitation as to the maximum number (the **Directors**). The Company gives importance to the participation of Independent Directors in its decision making. Therefore, having regard to the best practices of corporate governance, the Board will have no less than two Independent Non-Executive Directors.
- 2.3 The chairman of the Board shall be a Non-Executive Director. In the absence of the chairman of the Board, the Directors present at any meeting of the Board shall elect one of their number to chair the meeting and such person may, in the absence of the chairman, exercise any powers vested in the chairman of the Board.
- 2.4 The chairman and Directors shall be listed each year in the annual report of the Company. Any Directors which are Independent Non-Executive Directors shall be identified as such.
- 2.5 Each Director shall hold office as a Director for a period of up to three years. A Director shall be subject to election at the first annual general meeting after his appointment. Non-executive directors may serve longer than nine years, subject to annual re-election. Sufficient information should be given to shareholders to enable them to take an informed decision on the election or re-election of directors.

- 2.6 Fulfilment of the duties of a Director shall be personal and a Director shall not be permitted to appoint a proxy or representative to fulfil his duties or exercise his rights as a member of the Board.
- 2.7 Each Director of the Board shall disclose to the Board:
- (a) any personal financial interest in any matter to be decided by the Board; or
  - (b) any potential conflict of interest.

Any such Director shall abstain from voting on resolutions of the Board in relation to which such interest exists and from participating in the discussions concerning such resolutions and (if so requested by the Board) shall resign from the Board.

- 2.8 For the purposes of these Terms of Reference, an **Independent Non-Executive Director** shall mean a director who is independent in character and judgment and who is free of relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment in accordance with the UK Corporate Governance Code.
- 2.9 The secretary of the Board shall be appointed by resolution of the Board. Any employee of the Company (including the Company secretary or their nominee) may be appointed secretary of the Board.

### **3. MEETINGS**

- 3.1 The Board shall meet as and when required to discharge its duties effectively, provided that the Board shall meet at least four times a year and at such other times as any director may require.
- 3.2 No one other than the Directors is entitled to be present at a meeting of the Board. The secretary of the Board shall attend meetings to perform his/her role. The Directors shall, however, have the discretion to decide who else shall be invited to attend for all or part of any meeting, as and when appropriate.
- 3.3 The quorum for meetings of the Board may be fixed by the Directors, and unless so fixed at least one half of the total number of Directors shall constitute a quorum, present throughout the meeting in person. A duly convened meeting of the Board at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Board.
- 3.4 Meetings of the Board shall be called by the secretary of the Board at the request of any Director.
- 3.5 The Chairman of the Board shall compile an agenda for each meeting of the Board.
- 3.6 Unless otherwise agreed, notice of each meeting confirming the venue, date and time together with an agenda of items to be discussed and supporting papers where appropriate shall be forwarded (by way of facsimile message, electronic mail, post or in person) to each Director of the Board and any person invited to attend no later than three working days prior to the date of the meeting. All reasonable efforts shall be made to give notice of meetings of the Board to all Directors and to arrange such meetings so that Directors are able to attend them.
- 3.7 In the event that circumstances make it impossible or difficult to conduct a meeting of the Board at the place or at the time which was provided for in the notice to such meeting of the

Board, such meeting may be conducted at a different place or at a different time with the agreement of each Director of the Board provided that such meeting is conducted in accordance with the agenda which was notified to the Directors.

- 3.8 Each Director shall have one vote. A decision shall be made on a simple majority of votes. In the event of an equality of votes, the chairman of the Board shall not have a casting vote.
- 3.9 A decision in writing signed by all the Directors entitled to receive notice of a meeting of the Board shall be as valid and effectual as if it had been passed at a meeting of the Directors duly convened and held, provided that the following may only be decided at duly convened meetings:
- (a) approval of strategic plans of the Company;
  - (b) definition of priority directions of development of the Company;
  - (c) approval of the annual budget of the Company; and
  - (d) approval of the annual report of the Company.
- 3.10 The secretary of the Board shall prepare minutes of any meeting of the Board no later than three working days after the meeting, including the names of those present and in attendance, and present the minutes for approval and signature by the chairman of the Board.
- 3.11 Each Director shall have the right to demand that his/her dissenting opinion on the matters on the agenda at a meeting of the Board and any resolutions approved therein, be noted in the minutes of the meeting. In the event that a Director exercises such right, such dissenting opinion shall be duly noted in the Minutes by the secretary of the Board.
- 3.12 The majority of the meetings of the Board shall take place in Cyprus.

## **4. DUTIES**

### **4.1 Duties of the Chairman**

The Chairman shall be responsible for organizing the Board activities including, without limitation:

- (a) organizing the work of the Board, convening and chairing its meetings, and ensuring that minutes are maintained of all meetings of the Board;
- (b) being responsible for the preparation of the agendas of the meetings of the Board;
- (c) organizing the proceedings at the meetings of the Board so that discussion of the matters on the agenda thereof be open, comprehensive, concise, representative of diverse points of view, and conducive to the approval of specific agreed resolutions;
- (d) organizing the development of efficient resolutions on the matters on the agenda and, if necessary, free discussion of the relevant issues, and ensuring that the meetings of the Board are conducted in a supportive and constructive atmosphere;
- (e) ensuring that all the Directors receive accurate, timely and clear information;
- (f) initiating the development of draft resolutions on the matters under consideration;

- (g) ensuring that the Directors of the Board continually update their skills, knowledge and familiarity with the Company as required to fulfill their role on the Board;
- (h) coordinating the appointment of directors to the committees of the Board, and ensuring such committees are organized and managed in accordance with their terms of reference; and
- (i) managing communication with shareholders.

#### **4.2 Duties of each Director**

Each Director is expected to

- (a) operate reasonably, objectively, honestly, with due care in relation to affairs of the Company;
- (b) act in the interests of the Company as a whole, but not separate shareholders, officials and other persons;
- (c) possess the degree of knowledge, skills and experience which are required for decision-making on issues referred to the competence of the Board;
- (d) refrain from actions, leading to or potentially able to lead to a conflict between their interests and the interests of the Company, and in case of occurrence of such conflict, they must disclose the information on this conflict to the Board of Directors;
- (e) advise the Company of any interest which it has in securities of the Company and comply with the Share Dealing Code of the Company in relation to any dealings in such securities;
- (f) not disclose confidential information relating to the Company, its business, affairs, clients and customers;
- (g) where necessary, call meetings of the Board for the resolution of urgent issues;
- (h) be present at board meetings and actively participate in decision-making;
- (i) evaluate fully the risks and potential consequences of such decisions;
- (j) act within the limits of the competence of the Board; and
- (k) participate in committees of the Board, in case of appointment.

#### **4.3 Functions of the Board**

The Board of Directors will:

- (a) act fairly in relation to all shareholders and ensure the equal treatment of shareholders;
- (b) define the overall goals, priorities and strategic objectives of the Company, oversee the implementation thereof, and approve any major strategic development plans;
- (c) set the Company's values and standards;
- (d) approve the annual budget, and business plan;

- (e) approve annual reports and financial statements, including income statements of the Company, and submit those for consideration by the General Meeting of Shareholders;
- (f) decide on the appointment, re-appointment and removal of external auditors before such proposals are put to the shareholders for approval at a general meeting;
- (g) monitor the financial and economic activity of the Company
- (h) ensure the identification, assessment and management of financial, business and operational risks and the implementation and maintenance of a system of internal control and risk management and, following recommendations from the audit committee, review, at least annually, the effectiveness of such system;
- (i) review and approve the statement prepared by the audit committee for inclusion in the annual report in relation to internal control and management of risk;
- (j) approve any significant transactions between the Company and its shareholders (and such shareholders affiliated parties);
- (k) ensure the creation of a system for identifying and settling potential conflicts of interests;
- (l) oversee the day-to-day management of the Company carried out by the Company's executive bodies, including monitoring and, at least annually, evaluating their performance;
- (m) monitor and, at least annually, review the performance of the committees of the Board and the non-executive directors;
- (n) resolve matters referred to the Board by committees of the Board for the approval of the Board;
- (o) resolve the issues related to preparation for and convening of General Meetings of Shareholders;
- (p) approve the dividend policy and give recommendations to the general meeting for the declaration and payment of annual dividends;
- (q) declare and pay interim dividends;
- (r) appoint the chairman of the Board, the Administrative Director and, considering any recommendations of the nomination and remuneration committee, other officers of the Company;
- (s) determine the powers of the chairman of the Board, the Administrative Director and other officers of the Company;
- (t) issue shares or other securities and determine the terms of such issue;
- (u) convene extraordinary general meetings when the Board deems fit or when requisitioned by the required number of members in accordance with the Articles of Association of the Company;
- (v) appoint and remove the Company secretary;
- (w) capitalize profits and issue bonus shares;

- (x) borrow and charge the property of the Company;
- (y) considering any recommendations of the nomination and remuneration committee, appoint additional Directors to fill casual vacancies on the Board.

#### 4.4 **Committees**

The Board may resolve to form committees with the power to review and consider, and supervise over matters delegated to the relevant committee (including without limitation the accounts, financial controls and governance controls and matters within the competency of the audit, nomination and remuneration, and strategy and development committees) and to provide advice to the Board of Directors in relation to such matters.

The Board shall establish the following permanent committees:

- (a) Audit Committee;
- (b) Nomination and Remuneration Committee; and
- (c) Strategy and Development Committee.

The Board can also create other permanent or temporary committees as it deems necessary. The membership, organization and duties of each committee are regulated by terms of reference approved by the Board. The composition of each committee shall be decided upon by the Board following recommendations of the nomination and remuneration committee.

### **5. REPORTING RESPONSIBILITIES**

- 5.1 The Board shall prepare a statement for inclusion in the annual report which describes the roles and responsibilities of the Board and actions taken by the Board to discharge those responsibilities. The report should also list the number of meetings and attendance by each Director.
- 5.2 All Directors shall attend the annual general meeting.

### **6. OTHER**

- 6.1 The Board shall, at least once a year, review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and make any changes it considers necessary.