

## **Explanatory Memo**

### **Re: ratification of the new edition of the Regulations on Remuneration and Reimbursement of the Members of the Board of Directors of OJSC “Uralkali”**

The current version of the Regulations on Remuneration and Reimbursement of the Members of the Board of Directors of OJSC “Uralkali” (*Regulations*) was ratified by the extraordinary general meeting of shareholders of OJSC “Uralkali” (*OJSC “Uralkali”, Company*) on 04 February 2011.

The Regulations established the conditions of remuneration and reimbursement of the members of the Board of Directors for their expenses and included the amounts of remuneration as well as the terms and the procedure of the relevant payments.

Later, the general meetings of shareholders of OJSC “Uralkali” held on 29.06.2011, 16.04.2011 and 07.06.2012 adopted various Amendments to the Regulations.

These amendments concerned the amount of remuneration and other conditions of the work of the members of the Board of Directors.

For example, in compliance with the Amendments ratified by the annual general meeting of shareholders on 29.06.2011 the amount of base remuneration of the members of the Board of Directors was increased.

The amendments concerning the amount and the structure of remuneration paid to the members of the Board of Directors were ratified by the extraordinary general meeting of shareholders on 16.04.2012.

In compliance with the best corporate governance practices, 07.06.2012 the annual general meeting of shareholders approved the amendments providing for property insurance of the members of the Board. The Company had insured the property interests of the directors and officers of the Company even before the indicated Amendments were made (D&O agreements are regularly approved by the general meetings of shareholders), however, the indicated changes had never before been included in the Regulations as mandatory conditions. The Regulations also provide for a possibility to execute deeds of indemnity between the Company and the directors (*Deeds*) under which the directors are indemnified against any and all liability which may be incurred while they serve in the capacity of Board and Committee members. The conditions of the Deeds are approved by the general meeting of shareholders in relation to all Board members; for the first time the Deeds of Indemnity were approved by the general meeting of shareholders on 7 June 2012.

It is proposed to incorporate all the previously approved Amendments into a single document which would facilitate its use by all the interested parties. There will be no new clauses in the Regulations.

It is proposed to make two new changes to the Regulations:

- 1) a change connected with the procedure of remuneration payment. This change would clarify the procedure of remuneration payment in cases when the member of the Board of Directors was elected or his/her term of service was terminated in the course of a calendar month in order to ensure that Board members are properly remunerated for the entire period of time during which he/she was an effective member of the Board of Directors. It is proposed to exclude the excessive points.
- 2) Formal change to clause 4.3 due to the fact that this clause partially repeats the previous clause of the Regulations.

<b>Current version</b>	<b>Proposed version</b>
<p>4.2. Base remuneration, additional remuneration and annual remuneration will be paid to the members of the Board of Directors and to the Chairman of the Board of Directors during the entire period of their service on the Board of Directors, namely: from the date of their election to the Board of Directors until the date of termination of their term of service on the Board of Directors.</p> <p>Whereas:</p> <ul style="list-style-type: none"> <li>- If a member of the Board of Directors is elected to the Board of Directors before the 15th (fifteenth) of the calendar month, base remuneration, additional remuneration and annual remuneration will be paid for a full month.</li> <li>- If a member of the Board of Directors resigns from the Board of Directors before the 15th (fifteenth) of the calendar month, base remuneration, additional remuneration and annual remuneration for the relevant calendar month will not be paid;</li> <li>- If a member of the Board of Directors is elected after the 15th (fifteenth) of the calendar month, base remuneration, additional remuneration and annual remuneration for the relevant calendar month will not be paid;</li> <li>- If a member of the Board of Directors resigns after the 15th (fifteenth) of the calendar month, base remuneration, additional remuneration and annual remuneration will be paid for a full month.</li> </ul>	<p>4.2. Base remuneration, additional remuneration and annual remuneration shall be paid to the members of the Board of Directors and to the Chairman of the Board of Directors during the entire period of their service on the Board of Directors, namely: from the date of their election to the Board of Directors until the date of termination of their term of service on the Board of Directors.</p>
<p>4.3. The remuneration of the Chairman of the Board of Directors is paid in compliance with the procedure established under clause 4.2 of these Regulations.</p>	<p>Excluded</p>