



# NOURISHING THE WORLD

**SUSTAINABILITY:  
OUR AGENDA**



**SUSTAINABLE  
DEVELOPMENT  
REPORT 2011**



## MISSION STATEMENT

We produce potash fertilisers to ensure people all over the world are provided with food, to ensure the growth of our Company and the welfare of our employees and local communities through an efficient and responsible development of unique potash deposits.

## VISION STATEMENT

- To be one of the leaders of the global potash industry
- To expand our production capacity to satisfy the growing demand for our products
- Our unwavering priorities are: zero accidents and incidents; minimisation of negative environmental impacts; and high quality of our products
- To be the most cost-efficient company in the industry
- To follow the principles of clear segregation of responsibility, management by performance, and risk minimisation
- To be one of the most attractive employers in the Perm region
- To invest in our people and in developing and promoting highly performing employees
- To be an active participant in the development of Berezniki and Solikamsk
- To increase the value of our company and improve its investment attractiveness
- Our activities are open and transparent for any stakeholder

## OUR VALUES

Our activities are guided by the following values:

- Safety: life is priceless
- Professionalism and efficiency: results make our work valuable
- Mutual respect and team work: only through collaboration can we reach set targets
- Openness: we have courage to hear and tell the truth
- Initiative and responsibility: all of us can improve the Company's work
- Commitment to excellence and ambition: we strive to do everything better than others



Go online to find more  
information [www.uralkali.com](http://www.uralkali.com)



More information in  
Annual Report 2011



More information  
in this report

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## ABOUT THIS REPORT

OJSC Uralkali (hereinafter Uralkali or the Company) presents its first report that addresses the sustainability issues of our business. In 2011, following the merger between Uralkali and Silvinit, one of the world's largest potash producers was created. The financial position and the results of Silvinit operations were included in the consolidated financial statements since 17 May 2011. In this report we aim to demonstrate the economic, as well as environmental and social effects of our merger to all stakeholders, to enable a meaningful comparison of results in the field of sustainable development. To this end, we present the cumulative data for 2010 and 2011, which combines the results from the Berezniki and Solikamsk (formerly OJSC Silvinit until 16 May 2011) production sites, which were operated by Uralkali as of 31 December 2011.

When disclosing information about sustainable development we used the Global Reporting Initiative G3.0 Guidelines, including the GRI G3.0 Mining and Metals Sector Supplement. The report has been verified by an independent auditor in line with the ISAE 3000 standard and was awarded a B+ disclosure level. You can find the table of GRI's standard elements and the independent assurance report on this Sustainability Report in the 'Additional information' section.

You can also find news about our sustainability performance at <http://www.uralkali.com/development/>

We will appreciate any feedback you may have while reading this Sustainability Report. Please use the feedback form on our website or use the contact details on page 61.

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# OUR COMMITMENT TO SUSTAINABILITY



**Vladislav Baumgertner**  
Chief Executive Officer

Dear friends, colleagues and partners,

I am pleased to present Uralkali's first Sustainability Report. Efficient corporate governance, industrial safety, HR management, environmental protection and partnerships with the community are some of the key elements of this Report. The Company has always paid great attention to these questions, but they were not disclosed in a specialised report before.

The merger with Silvinit made Uralkali a leader in the global potash industry which presented the Company with a host of new challenges and opportunities. The increased size and scope of the business prompted us to harmonise our sustainability processes and to update a long-term strategy.

For our Company sustainable development is one of the core principles of our business activity. And we think it is important to tell what has been done, what we do now and what we plan to realise in the future in this sphere.

**Strengthening  
pure potash focus  
and industry  
leadership**

We aspire to strengthen our leading position in the global potash industry, supporting sustainable improvements to global food supply.

**Meeting the  
world's growing  
demand for food  
through capacity  
expansion**

We are focused on meeting the world's growing demand for food. With that we seek to take advantage of our solid resource base by selectively expanding production capacity.

**Maintaining  
a robust capital  
structure**

We are committed to retaining a robust capital structure and maximising total shareholder return.

**Maximising our  
efficiency through  
competitive cost  
position**

We seek to be the most cost-efficient potash producer.



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Uralkali for us is not just an efficient business, providing the maximum profit for our shareholders and investors. It is an opportunity to contribute to the global food challenge, because fertilisers are used to increase yields of all crops.

**Vladislav Baumgertner**

Chief Executive Officer

### Sustainability strategy

Owing to world population growth, the increased need for food is exacerbated by a reduction in the amount of arable land per capita suitable for agriculture. It results in a necessity to use intensive farming methods which cause an increase in the demand for mineral fertilisers, including potash. To satisfy this need our Company has developed a strategy that aims to increase production capacity by 65% over the next 10 years.

Uralkali's strategy aims for the continuous improvement of business efficiency and the provision of short and long-term shareholder value.

Uralkali's approach goes beyond achieving economic efficiency of production and is also based on environmental protection, employee safety and community investment. As a large industrial company Uralkali realises its social responsibility, striving to create conditions which provide a comfortable environment for the development of future generations as well as social stability in the territories where it operates.



You can read more about our Strategy in the 2011 Annual Report, page 26

### Our actions

Taking care of people is at the core of our sustainability policy.

Given the nature of the mining sector, we are dedicated to providing the safest working conditions possible. To achieve this the Company has an efficient industrial safety management system in place, aimed at preventing accidents.

It is important for us that people like to work in the Company. Since one of our long-term goals is to become one of the most attractive employers in the region, we provide employees with safe and comfortable working conditions, competitive compensation and a social package. We think not only about our employees but also about their family members who can use different benefits offered by the Company.

We care deeply about preserving the environmental integrity of the Perm region, the territory where we operate. At every stage of the production process the Company provides a set of measures aimed at minimising environmental impacts of its operations. The Company also makes a contribution in the socio-economic development of the regions where it operates and seeks to improve the welfare of its citizens by funding local infrastructure projects.

**LONG-TERM  
VALUE  
CREATION**

**Caring about  
our people and  
communities**

**Promoting  
environmental  
safety**

**Adhering to  
best corporate  
governance  
standards**

We aim to be the employer of choice in the region. We are committed to high levels of health and safety. We cooperate with local communities.

We take significant steps in order to minimise the environmental impact of our operations.

We are guided by the principles of openness, transparency and risk minimisation for all stakeholders and are committed to continuous improvement in our corporate governance practices.



## Our key focus areas

### Corporate Governance



See more details  
on page 14

### Health & Safety



See more details  
on page 22

### Our People



See more details  
on page 28

### Our Environment



See more details  
on page 38

## Our key achievements

#### December 2011

Corporate Social Responsibility Committee of the Board of Directors was established headed by the Senior Independent Director Sir Robert John Margetts.

#### February 2012

Health, Safety, Environment and Corporate Social Responsibility Committee, reporting to the Chief Executive Officer of Uralkali, was established.

#### March 2012

Health, Safety and Environment Policy was approved by the Corporate Social Responsibility Committee of the Board of Directors.

#### January 2011

Certification of health and safety activities according to the national regulations.

#### March 2011

Introduction of new workwear (better texture, improved design, new corporate colours).

#### June 2011 to December 2011

Training and certification of over 5,500 employees in industrial health and safety.

#### May 2012

A technical inspection of fire protection systems at Uralkali's mines.

#### May 2011

Development and launch of management organisational structure of the united Company.

#### May 2011 to December 2011

Internal and external outsourcing of Solikamsk non-core activities, including newly established subsidiaries.

#### December 2011

Agreement of the new collective bargaining agreement which fixed unified social benefits and guarantees for employees.

#### January 2012

Development and launch of the unified grade-based payment system for Berezniki and Solikamsk.

#### May 2011

Commissioning of new container sites at Berezniki mines for temporary waste storage.

#### August 2011

Elimination of the underground tank facilities for fuel storage at Berezniki-3 and following recultivation of the disturbed lands.

#### October 2011

Reconstruction of the pumping stations at hydrotechnical facilities of Berezniki-2.

#### October 2011

Realisation of the 'Ecosphere' programme at Solikamsk mines to record and control emissions, discharges and waste.

#### May 2012 to June 2012

'Say NO to waste' environmental cleaning action on suburban recreation areas.



Watch Vladislav Baumgartner answer questions on Uralkali's integrated approach at <http://www.uralkali.com/development/video/>

## Our Community



See more details on page 46

### January 2011 to April 2012

Uralkali signed cooperation agreements with Berezniki and Solikamsk cities, Usolye and Solikamsk Municipal District Administrations.

### May 2011

Uralkali became an official sponsor of the Russian national football team.

### April 2012

Uralkali provided financial assistance to Solikamsk Municipal District Administration to develop the Master Plan of the Polovodovo residential area.

### May 2012

Uralkali became the general sponsor of events dedicated to the City days in Berezniki and Solikamsk.

## About this Report

The Report you are reading reflects our intention to build a socially responsible business. We have made a long journey from a traditional post-Soviet facility to a modern company which applies best international practices and is focused not only on business development, but also on the welfare of the people and territories where we operate. The establishment of the Corporate Social Responsibility Committee in December 2011, whose members have a broad experience in development and realisation of sustainability-related projects and the publication of this Report are an important stage in the newest history of Uralkali.

To make the Report as informative as possible we used guidelines set out in the Global Reporting Initiative (GRI) G3 during its preparation. To increase the reliability of the Report we also engaged an independent assurance provider, Ernst & Young, which verified the report in line with the ISAE 3000 standard, and confirmed that the Report fulfils the requirements of application level B+. We hope that our first steps in reporting our sustainability activities are successful and will help our shareholders, employees, partners and clients learn more about the Company.

We greatly appreciate your feedback regarding our work. At the end of the Report you will find the feedback form and contacts of its authors. I am sure that only through an open dialogue will Uralkali be able to improve its sustainability performance from year to year.

I hope you enjoy this Report.

**Vladislav Baumgartner**  
Chief Executive Officer

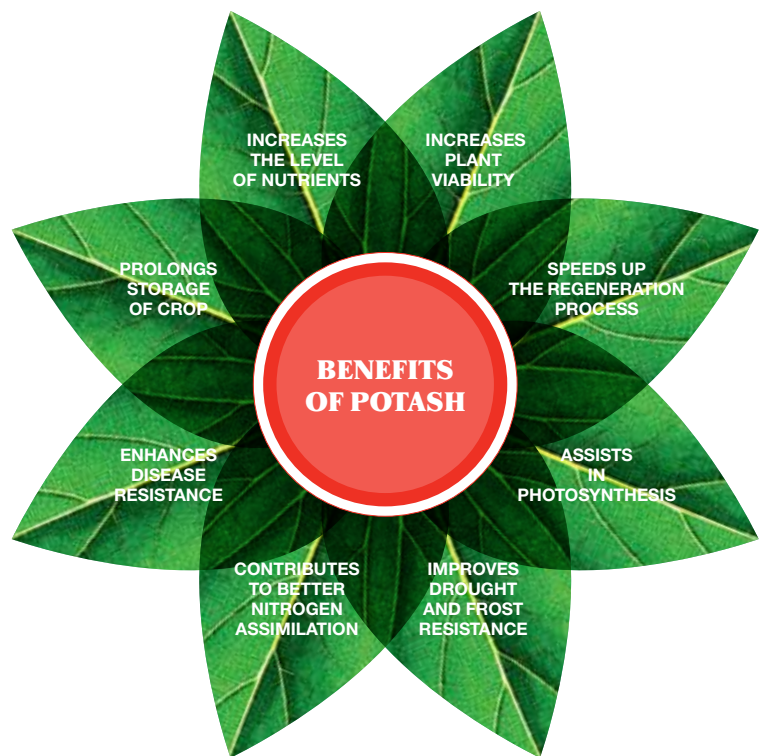
# DEFINING OUR INDUSTRY

**What is potassium?** Potassium is a vitally important element, necessary for the function of all living cells. It is a natural component of soils and, along with phosphorus and nitrogen, an irreplaceable nutrient for plants and agricultural crops. Due to a constant decrease in arable land per capita and a growing need for high quality food, the rational use of fertilisers is key in providing the humankind with a sufficient amount of food.

Plants need sufficient amounts of potassium at every stage of their life cycles to develop optimally. Potassium improves nutritional value, taste, colour and the structure of food cultures and increases resistance to disease and drought. In harsh climate conditions (floods, desertification, etc.), potassium becomes especially valuable in preserving the quality of the harvest.

Potassium is also vital for the normal development of the human body: it regulates the water balance, ensures that nerve and muscle cells function correctly, and facilitates oxygen supply to the brain cells.

Potash fertilisers do not contain toxic heavy metals. For this reason they do not pollute the environment or impact the quality of natural spring water. There are no natural or artificial substitutes for potassium. This natural element plays an important role in providing people with food because it serves as a solution to the global food challenge. A reduction of arable lands per capita amid a globally growing demand for food products leads us to believe that the role of potash fertilisers will only continue to increase.



## Market review

### Potash sales

In 2011, following the merger of Russia's two largest potash producers, Uralkali became the global leader in the production and sales of potash fertilisers. The Company shipped 10.6 million tonnes of potassium chloride in 2011, of which 8.8 million tonnes were export sales. China was the biggest consumer, accounting for 22% of the 2011 sales, followed by South-East Asia and India.

### Key agricultural crops

Wheat, corn, rice and soybeans are the world's main agricultural crops. The application of potash fertilisers can significantly improve these crops' yields.



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Uralkali is more than an efficient business, providing the maximum profit for our shareholders and investors. Since fertilisers are used to increase crop yields all over the world, the Company is in a prime position to assist in addressing the global challenges of food production and food security.

**Oleg Petrov**  
Director of Sales and Marketing



### Wheat

Wheat accounts for 27% of the global production of grain crops and is consumed by both humans and animals. In recent years, wheat has been competing with corn and soybeans, the two products with the highest demand growth rates.



### Corn

Corn is used to produce food products (15%), animal feed (65%), and biofuel (ethanol). The growing demand for corn in developed economies is – especially in recent years – mainly determined by the conversion to bioethanol as an alternative ‘green’ fuel. Over the past five years, corn-growing areas have expanded by 8% throughout the world.



### Rice

Rice accounts for approximately 28% of the global grain production (based on 2010 figures) and is mainly used as a raw material in the food industry (83% of global production). Rice production depends heavily on the weather, which humans cannot control; however, agronomic expertise and techniques that help alleviate the effects of natural disasters are widely available and can become a valuable tool in farmers’ everyday lives. This is why our agronomy programmes provide advice on the best ways to apply fertilisers in regions with harsh weather conditions.



### Sugarcane

Sugarcane is a feedstock for cane (brown) sugar. In comparison to beet (white) sugar, cane sugar contains more B-vitamins and minerals (potassium, magnesium, iron), which makes it more beneficial. Sugarcane needs potash fertilisers particularly during the first months of growth and immediately before harvesting, during the intensive sucrose generation period.



### Soybeans

Soybeans are used as a raw material in the food industry (approx. 74% of global consumption) and for biofuel production (approx. 3%). Around the world, soybeans are mainly used to produce vegetable oil, while soybean meal is used as a valuable source of protein in compound animal feeds. Today, soybean-growing areas occupy over 100 million hectares of land.



### Oil palm

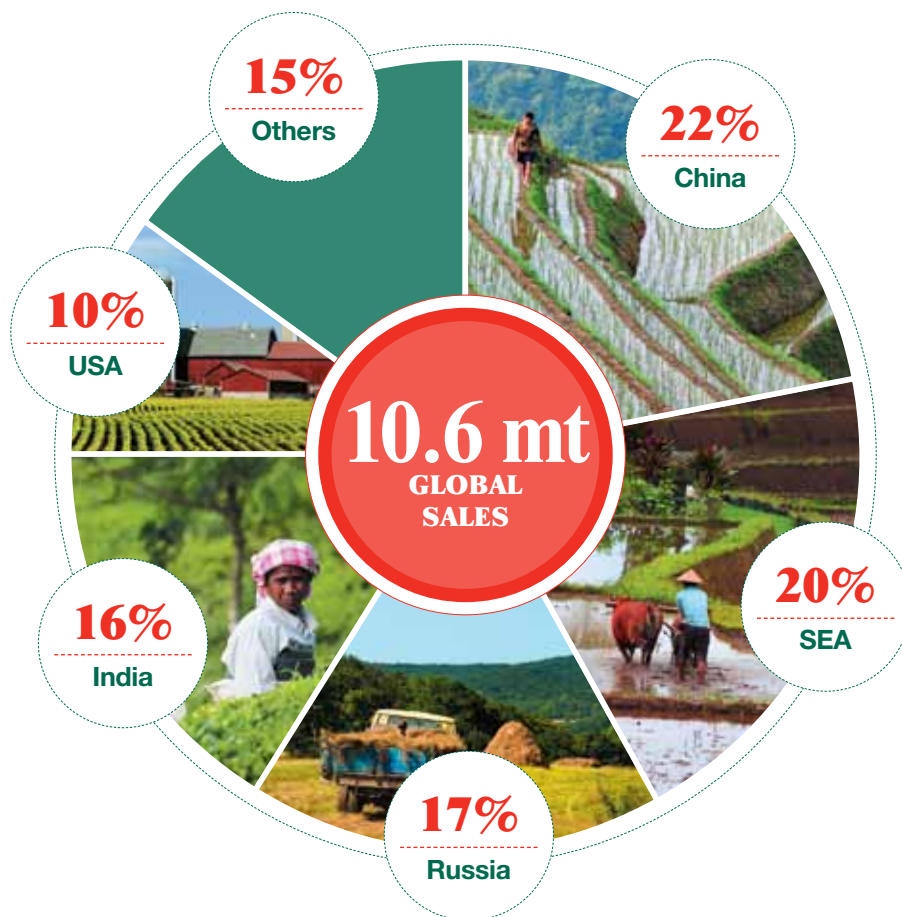
As opposed to other tropical crops, oil palm is heavily affected by a shortage of potassium. This is related to both its high demand for this element and to a low concentration of exchangeable potassium in prevailing soil types in cultivated lands. Each harvest removes 120-140 kg of K<sub>2</sub>O per hectare annually.

**Potash use by crop**  
(as % of world potash consumption)

Oil palm	5%
Wheat	6%
Soybeans	7%
Sugarcane	9%
Rice	13%
Corn	15%
Fruit and vegetables	22%
Other	23%



Source: IFA



#### Regional agronomy programmes South-East Asia

##### Bangladesh

The agronomy programme in Bangladesh is a government project, backed by the Ministry of Agriculture. The programme is led by agronomy specialists of Belarusian Potash Company's (BPC) local trader, and covers key agricultural crops: grain crops (rice, corn) and vegetable crops (tomato, cabbage, eggplant, watermelon). Most farmers have only an elementary education, and so our specialists create demo plots in village fields to demonstrate the benefits of a balanced application of fertilisers; these fields become the centres of practical knowledge for the community. In 2011, the Company's specialists distributed over 800,000 educational leaflets and held workshops for 2,500 fertiliser dealers. In addition to achieving the economic objective – increasing the yield of key agricultural crops as a result of balanced fertilisation – the programme also demonstrates the Company's commitment to its mission in various regions of the world.

##### Vietnam

In Vietnam, agronomy projects are generally focused on issuing recommendations on balanced fertilisation in the cultivation of rice, a traditional and intricate crop. Around

1.5 million educational leaflets were distributed with the help of wholesalers. In 2011, a new three-year project to develop optimal cultivation conditions for rubber trees was launched. The project covers several provinces and is being implemented with the cooperation of the International Potash Institute (IPI).

##### India

India completed a sugarcane project in 2011, which aimed to review existing practices and to increase crop yields by identifying optimal rates of application of potash fertilisers. The experiment involved specialists from the International Plant Nutrition Institute (IPNI). The project determined that a 50% increase in potash application to the soil gave a 20% increase in the crop yield, and so justified the need for further research and new recommendations.

##### China

In the Northern provinces of China, apples are grown for export. Several of these provinces account for almost 80% of the country's apple exports. In 2011, experimental land plots were created in three provinces, where local agronomy experts with the help of IPNI specialists are currently studying the impact of different types of potash (potassium chloride and potassium sulphate) on the quality of the fruit.

## Eastern Europe



### Poland

Poland has regional information centres in each province, which arrange Field Day workshops that attract local farmers, wholesalers and trading companies. As part of the Field Days, agronomists from Belarusian Potash Company create demo plots. In 2011, the land plots were used to demonstrate the results of winter crop (rape and wheat) experiments. To develop recommendations for the direct application of potash, experiments were held with potassium-responsive crops – sugar beet, corn and potato. In total, several thousand farmers attended the workshops.



### Ukraine

In 2011, a three-year scientific project with the National University of Ukraine was completed. The project included practical experiments in four Ukrainian regions aimed at increasing the yield of five main types of agricultural crops. Two workshops were also held, which were attended by over 500 farmers.



### Russia

The Company is about to begin practical experiments in Russia. In 2011, Russian agricultural producers were supported via preferential prices for the direct purchase of potash. The Company strictly abides by the rules issued by the Russian Anti-Monopoly Service, which aim to provide agricultural producers with discrimination-free access to potash fertilisers.

### Cooperation with the global scientific community

At Uralkali, we are convinced that the achievements of modern agronomic science should be used to address the practical challenges in agriculture. Being a global player in the mineral fertiliser market, Uralkali is a member of the largest international industry association (the International Fertiliser Association, IFA). Our Company is also represented on scientific committees led by renowned international agrochemical institutions (the International Plant Nutrition Institute, IPNI; the International Potash Institute, IPI), as well as on the management board of the Russian Fertiliser Association, RFA.

## Material stewardship

Our production is strictly in line with national regulations. For each product, Uralkali has developed a safety passport that describes the product's key elements and safe usage requirements as well as emergency prevention and response measures. The safety passport was prepared in line with recommendations set by the EU regulations.

## Compliance with regulations

In 2011, we reported no instances of our products' non-compliance with state regulations on safety requirements and impact on health, and had no material penalties for deficiencies of our goods and services related to quality, customers' safety requirements, marketing or advertising.

## Customer satisfaction

The success of our business relies heavily on understanding the needs of customers in both internal and external markets. We conduct customer satisfaction surveys each year, which address the commercial, quality, delivery, packaging and other aspects of our relationships with buyers. The survey results show that 90% of our customers take a favourable view of their relationship with Uralkali.



# OUR HISTORY

The history of Uralkali is basically the history of the salt industry of Russia. People from Upper Kama region started extracting salt by evaporating water from local mineral springs back in the Middle Ages. In 1925, Professor Pavel Preobrazhensky, a famous Russian geologist, discovered a deposit of potassium and magnesium salts, which was later named the Verkhnekamskoye deposit. The Professor's discovery signalled the start of the country's potash industry in 1930s.

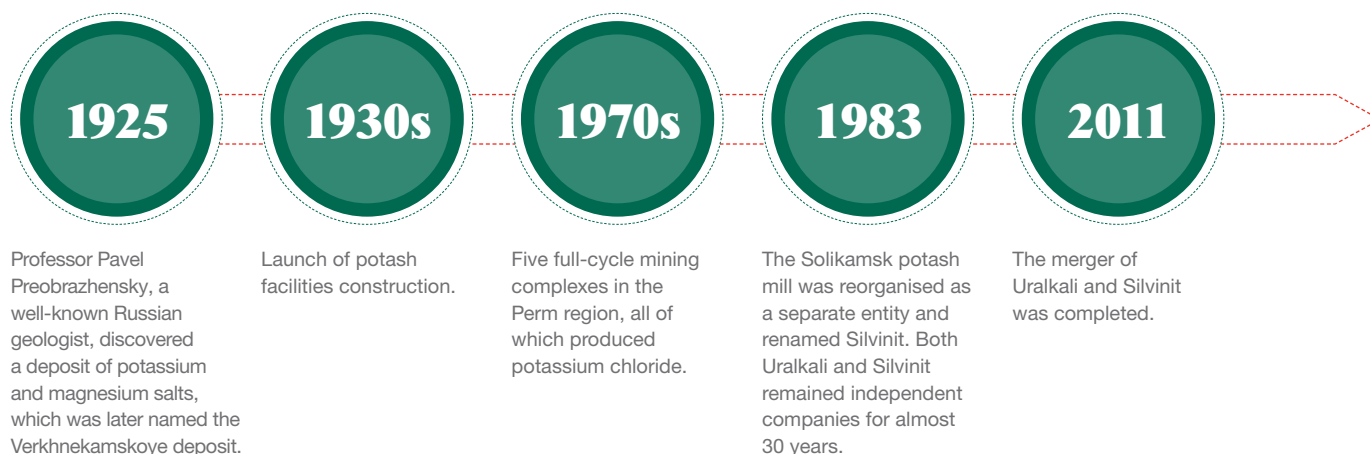
During World War II the production of potash shifted to the production of carnallite – a raw material used to produce magnesium that was used for military purposes, in particular, for the construction of planes.

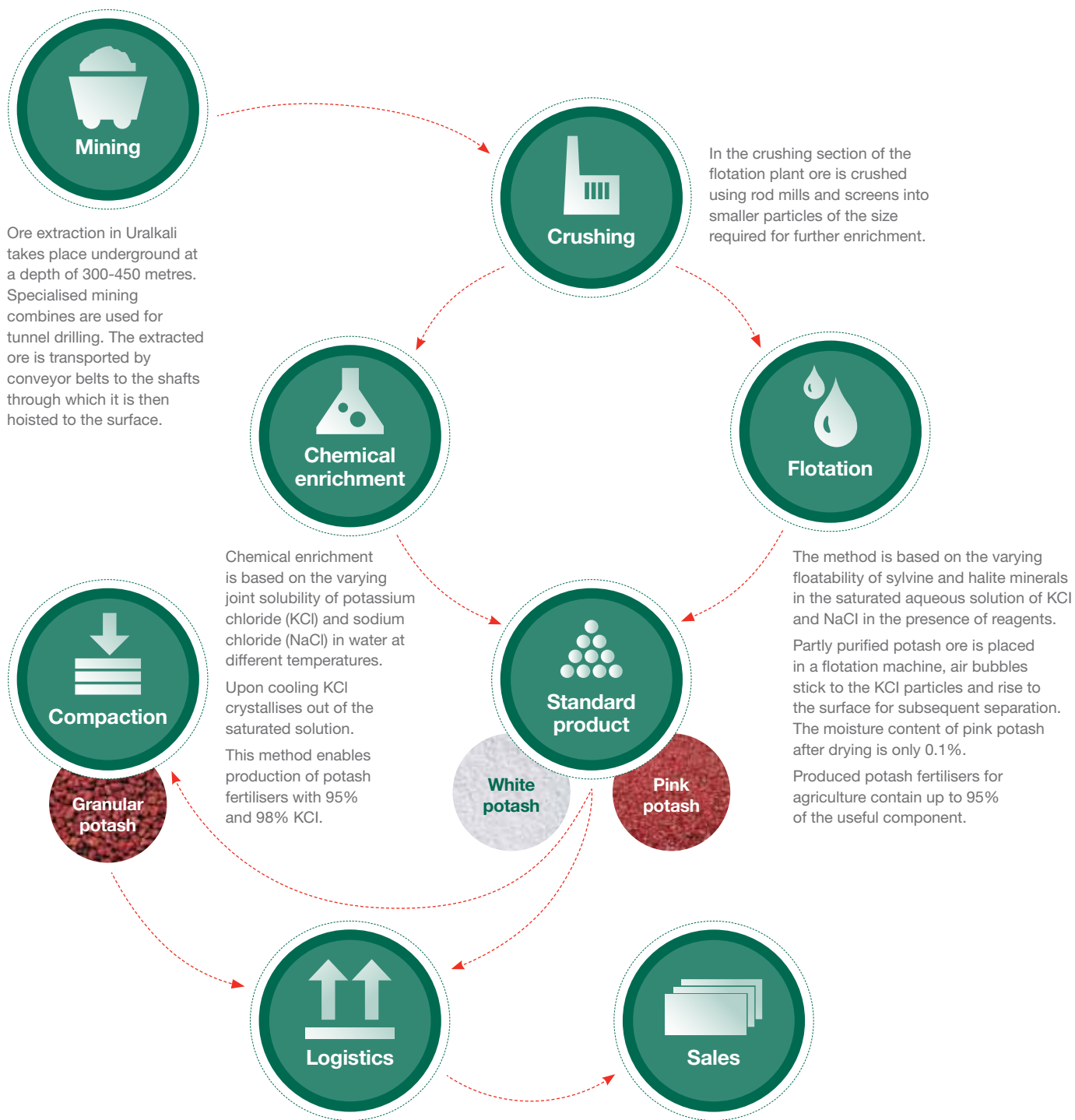
During the postwar years Russia had to restore its agricultural capacities, so the Soviet government set a target to increase the production capacity of potash fertilisers. Several potash mines and enrichment plants were built on the deposit in the towns of Berezniki and Solikamsk. By the 1970s, there were five full-cycle mining complexes in the Perm region, all producing potassium chloride.

In 1983, the Solikamsk potash production site was reorganised as a separate entity and renamed Silvinit. Both Uralkali and Silvinit remained independent companies for almost 30 years. In February 2011, the shareholders of both companies decided to combine them, and the merger was successfully completed in mid-2011. The combined Company became the world's largest producer of potash in terms of output and global market share. Today, we continue to develop and implement greenfield and brownfield projects to meet global demand and to improve economic efficiency and the quality of our management.

We strictly follow the principles of sustainable development, addressing health, safety, environmental and social issues, which are set in our strategy.

## Uralkali history





Uralkali controls all the stages of potassium chloride production – from ore mining to the supply of the finished products to consumers. At key stages of the production process the Company implements a set of measures aimed to minimise the negative impact on the environment and to provide safe working conditions.

As a result of underground mining and then ore enrichment, the valuable component is separated from clay-salt sludge and halite waste, which are stored on the Company's own facilities. This waste is represented by Hazard Class five (almost not dangerous) in terms of the risk to the environment.

The ore enrichment (halurgic and flotation) takes place in the recycled brine. In 2011, the share of reused and recycled water of the total water used was 79%.

The impact of potassium chloride production on the air is minimal. The main pollutants (KCl, NaCl, nitrogen oxides and carbon monoxide) enter the atmosphere during the drying of the final product. At the same time, the exhaust gases undergo a two-stage purification process.

The manufactured products meet the quality requirements and are accompanied by a safety data sheet, which outlines the measures for their use. The Company provides qualified agronomic support to consumers of the products in the regional markets.

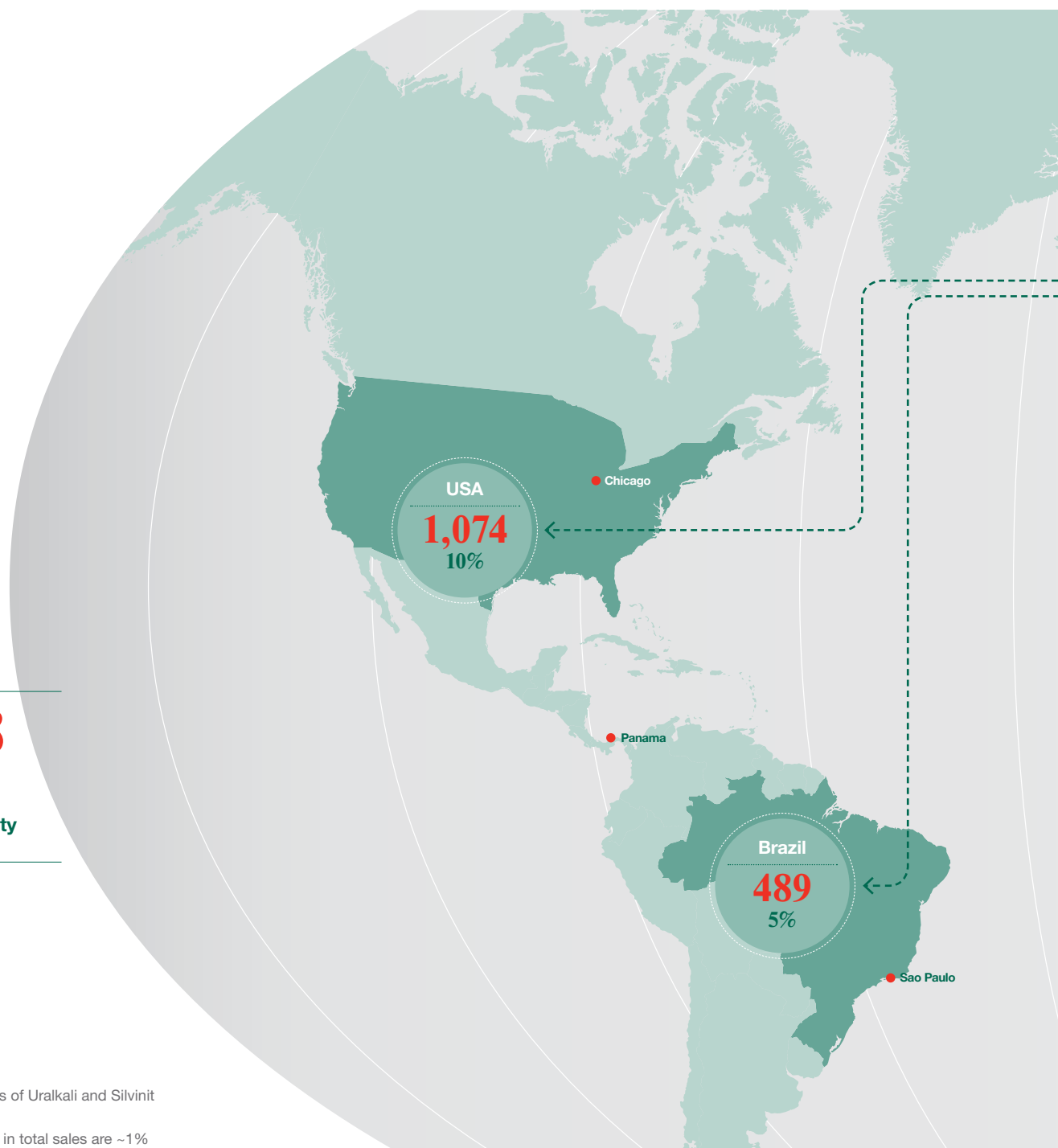
# POSITION IN KEY MARKETS IN 2011

Total sales<sup>1,2</sup>  
(thousand tonnes)

10,648

Production capacity  
(thousand tonnes)

11,522

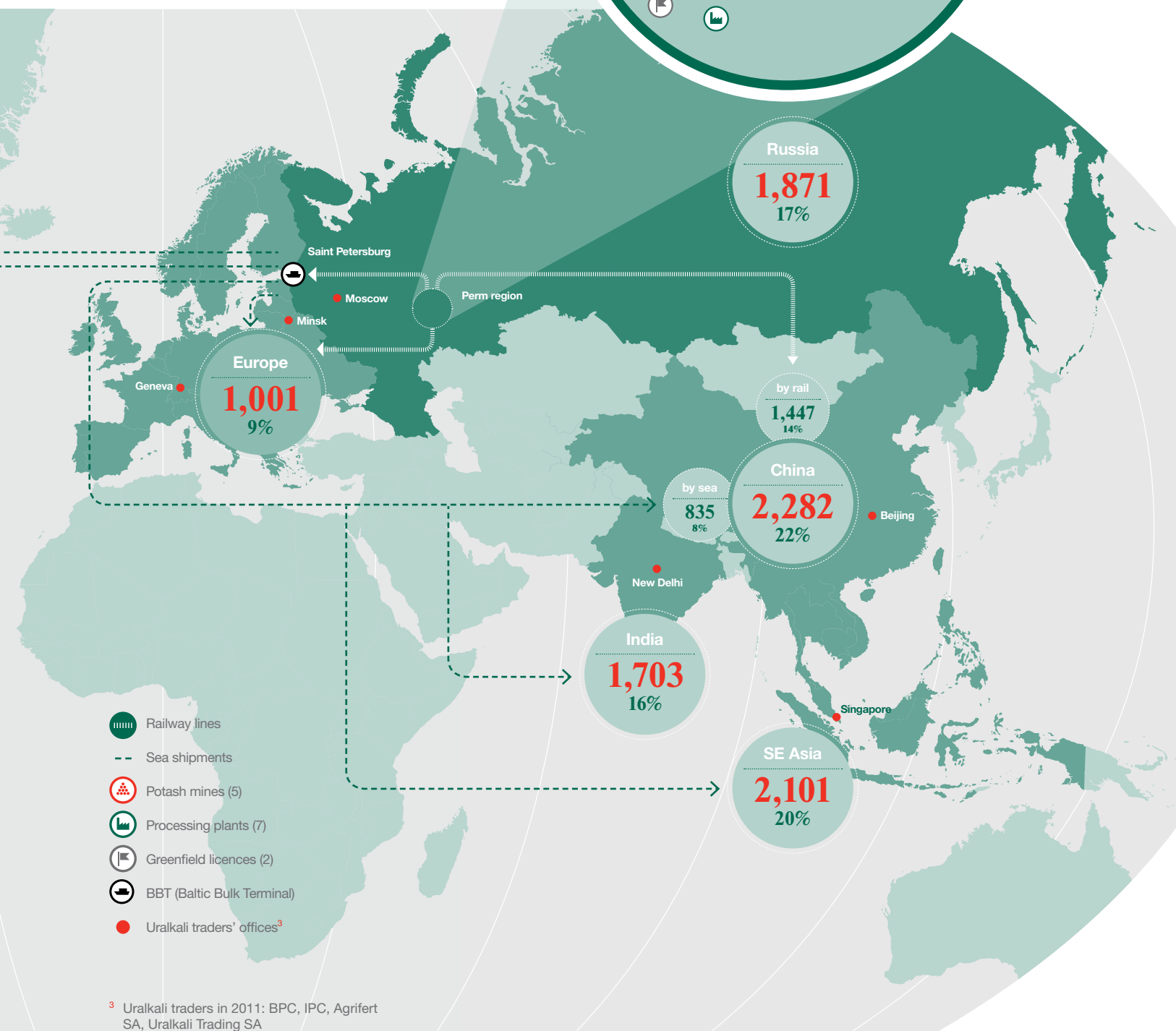
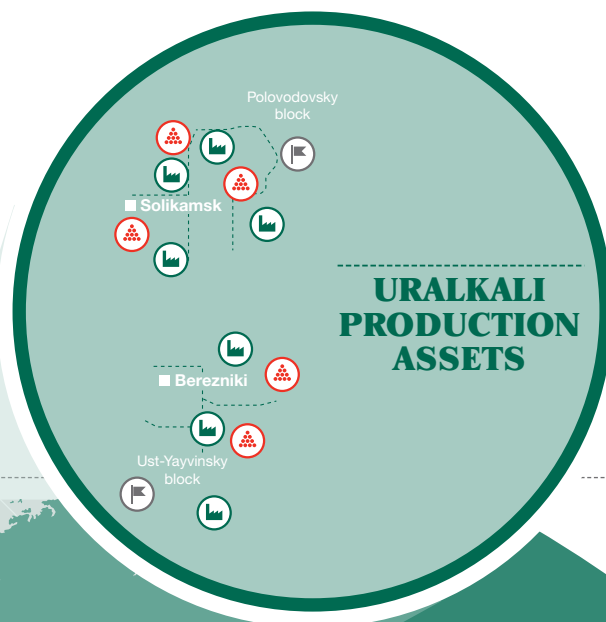


<sup>1</sup> Includes sales volumes of Uralkali and Silvinit since 1 January 2011

<sup>2</sup> Other markets' shares in total sales are ~1%



Uralkali's production assets are located in and around Berezniki and Solikamsk in the Perm region of Russia. Our location gives us access to the second largest global concentration of potash reserves, and allows us to serve our key worldwide markets through our traders.



<sup>3</sup> Uralkali traders in 2011: BPC, IPC, Agrifert SA, Uralkali Trading SA



# CORPORATE GOVERNANCE

## WHY IT IS IMPORTANT FOR US

A public company today can only be successful if it is socially responsible. An important element of corporate social responsibility is to accommodate the interests of all stakeholders.

We are fully aware that global capital markets have high expectations for effective corporate governance, transparency and ethics, as well as for companies to do their best to combat corruption. We also understand that the international investment community today has certain concerns that Russian companies have failed to meet these expectations in full.

We are aware that our shareholders, employees, local communities and other stakeholders expect Uralkali, as a large industrial player, to demonstrate a responsible approach to what we do and to how we address the stakeholders' interests.

This is why the creation of an effective corporate governance system is, among other things, one of the elements of sustainable development for Uralkali. By issuing our first Sustainability Report we wish to show all our stakeholders that the Company continues its development, has a long-term business plan, and is dedicated to observing its commitments.

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Our sustainable development management is guided by principals of transparency and accountability and takes into account interests of all stakeholders. This enables us to achieve balanced and effective solutions.



Watch Marina Shvetsova, Director of Legal and Corporate Affairs, discuss Uralkali's approach to Corporate Governance at <http://www.uralkali.com/development/video/>

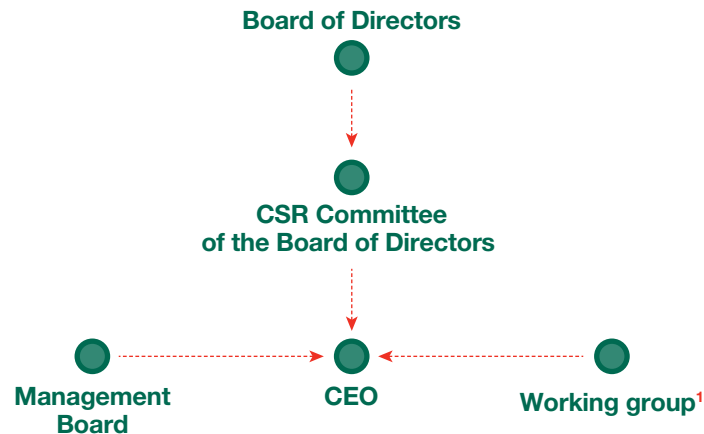


**Marina Shvetsova**  
Director of Legal and Corporate Affairs

### Sustainability management

We comply with the laws and regulations in the countries where we operate. We strive to incorporate best practices in our sustainability management to meet the highest global standards.

### Our management structure



Sustainable development is managed on several levels in our Company. We work towards meeting the world's best standards and also try to organise the management of sustainable development in accordance with our own needs and goals. Due to their extreme importance, the issues related to the sphere of sustainable development – health, safety, and environment (hereinafter HSE) and the corporate social responsibility (hereinafter CSR) of the Company – are monitored by several governance bodies within the Company.

### OUR ASPIRATIONS

Uralkali actively implements the best global practices of corporate governance and is engaged in a constructive relationship with its stakeholders. We hope that by giving a proper regard to their expectations and priorities we will be able to further strengthen the level of trust in relation to Uralkali and obtain all-round support that the Company needs to achieve its strategic goals.

<sup>1</sup> In the 2011 Annual Report – CSR Committee under the CEO





### Board of Directors

The Board of Directors has overall control of Uralkali's activities. It approves development strategy, including CSR-related questions; reviews the CSR Committee activity reports and the CEO's reports on CSR-related activities (as part of regular reports to the Board of Directors); and conducts annual performance reviews of the CSR Committee and the CEO.

**AR** You can read more about the Board of Directors in the 2011 Annual Report, page 70

### CSR Committee

In 2011, we established our Corporate Social Responsibility Committee. As of August 2012, the Committee consists of five Directors: Anton Averin, Alexander Malakh, Vladislav Baumgertner (CEO), and two independent Directors: Paul Ostling and Sir Robert Margetts (Chairman). CSR Committee meetings are held at least once every three months to review HSE performance reports, the status and results of social projects, and other questions related to sustainability.

Though the CSR Committee is fairly new, its members have become deeply engaged in the Committee's work and committed to its Mission – review, monitoring and control over the issues related to CSR. The CSR Committee advises the Company on the development of internal documents, reviews CSR results and plans and provides assistance in the preparation of this Report – in other words, the Committee provides all necessary CSR-related support to the Company.

**AR** You can read more about the CSR Committee in the 2011 Annual Report, page 82

### Working group

The Management Board decided to establish a special consultative body to provide an initial review of sustainability-related matters – the Health, Safety, Environment and Corporate Social Responsibility Committee under the Chief Executive Officer (hereinafter, the Working Group).

The Working Group is led by the Chief Executive Officer and it includes the HSE Director (also Deputy Chairman of the Working Group), HR Director, Chief Engineer, Chief Operating Officer, Director of Legal and Corporate Affairs, and Head of Government Relations.

The Working Group's competency includes regular review of HSE statistics, incidents reports investigation, development of recommendations regarding Company's participation in social projects and the status of their realisation, preliminary approval of internal documents in relation to CSR, development of recommendations for the CSR Committee regarding long-term key performance indicators in the HSE area, and verification of approved performance data.


Also, the Working Group is responsible for reviewing significant HSE and CSR risks and corresponding risk mitigation plans. Although risk management as such is a competence of the Audit Committee, the Working Group collaborates with the CSR Committee to pre-review the HSE and CSR risks and assists the Audit Committee in the analysis and assessment of these risks.

**AR** You can read more about our risk management system in the 2011 Annual Report, page 46

### Management Board

The Management Board, being a collegial executive body of Uralkali, holds an important position in Uralkali's system of management bodies. It is composed of 12 executives who report directly to the CEO and who are responsible for the key activities of the Company.

The Management Board approves collective bargaining agreements on behalf of Uralkali, certain internal documents (including those recommended for approval by the Working Group) and considers matters raised by the Chief Executive Officer.

 You can read more about the composition and reference of the Management Board in the 2011 Annual Report, page 88


### HSE policy

Rules and procedures stipulated by the internal documents of Uralkali, (which are in turn approved by the relevant management bodies), serve as essential tools to increase the transparency of our corporate governance, including sustainability management.

One of our key policy documents is the Health, Safety and Environment Policy (the HSE Policy), adopted in 2012. By adopting this document, Uralkali declared HSE a priority, and this now forms the basis of any action or decision taken by us irrespective of the area of activity. The Company's existing HSE management system consists of a multi-level structure of documents that regulate HSE-related issues. In light of the enactment of the HSE Policy, the management system is currently being updated, and in the future will comprise of two documentation levels: higher-level documents – standards that provide a detailed description of how we intend to implement the HSE Policy and specify the short-term goals in line with our strategic approach; lower-level documents – regulations and instructions that describe HSE-related processes in detail.

### Risk management


The risk management process at Uralkali is based on the Integrated Risk Management Framework. Risk management is an integral part of the Company's system of corporate governance.

 You can read more about the structure and functions of our risk management in the 2011 Annual Report, page 46

### Business ethics

An important element of our sustainability management is our corporate culture. In July 2012, the business ethics section became an integral part of Uralkali's Code of Corporate Culture.

 You can read more about Corporate Culture in 'Our people' section, page 36

 Go online to find more information [www.uralkali.com](http://www.uralkali.com)

The Code's rules are based on the following principles:

- Compliance with applicable laws of the Russian Federation and other countries, irrespective of the type of activity in any such country.
- Adherence to the Universal Declaration of Human Rights; acknowledgement of universality, indivisibility, interdependence and interrelation of rights and freedoms specified therein.
- Rejection of any form of corruption.
- Clear decision-making mechanisms to give proper regard to rights and interests of all stakeholders.



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**Fraud prevention**

In 2011, Uralkali initiated and developed an Anti-Fraud Programme, which primarily aims to prevent fraudulent actions by personnel against the Company, to establish an effective fraud prevention and investigation system, and to ensure the appropriate punishment.

The purpose of the Programme is to introduce a corporate fraud combating and prevention mechanism. It provides a detailed description of how risks and instances of corporate fraud should be assessed, prevented, identified, treated and monitored with the goal of further improvement. Pursuant to the Programme, internal documents of our Company are periodically reviewed and analysed, and internal anti-fraud control procedures are developed. Should a fraud be identified, an internal investigation is held and its findings are submitted to the law enforcement bodies. The responsibility for corporate fraud prevention is divided into several levels. Every employee of our Company, from a miner to the Chief Executive Officer, is responsible for performing certain fraud prevention actions in his or her work. In March 2012, the CEO approved the Programme implementation schedule, which covers the period from 2012 to 2014.

**Procurement transparency**

Uralkali believes that transparency in choosing suppliers is one of the conditions of an efficient purchasing process of goods and services. Transparency is achieved by holding a two-stage tender. The first stage, Prequalification, is used to evaluate the supplier's potential to fulfill his obligations to a good quality and in the timeframe specified by the Company. The second stage, Discount auction, takes place only among those participants who have passed the first stage. The second stage allows the Company to obtain the optimal price on a good (service) and be sure of the timeframe and quality. It is important for us that our suppliers are reliable and responsible partners and carry out their activities in accordance with the law.

**Stakeholder engagement**

People and parties interested in the activities of our Company (the Stakeholders) include Uralkali's shareholders, investors, customers, partners, contractors, employees, as well as state authorities and local communities. A key element here is to identify existing stakeholders and understand their expectations of our Company. Stakeholder engagement should be a continuous process, which takes into account both the short and long-term plans and objectives of Uralkali. It is also important to know why certain stakeholders are interested in us and whether this creates obligations or opportunities. First of all, our activities must be compliant with the applicable requirements of laws and the stock exchanges where our shares and GDRs are listed. Thus, the crucial challenge is to find a solution that satisfies the majority of our stakeholders, ensuring full compliance with mandatory, legal and other requirements.

The stakeholder engagement process in the Company involves various methods and approaches, both required by laws and dictated by the best corporate governance practices.



## How we engage with our stakeholders

<b>Shareholders</b>	<ul style="list-style-type: none"> <li>- General meetings of shareholders, where important and legal aspects of Uralkali's activities are considered.</li> <li>- Publication of information materials for general meetings of shareholders on the corporate website, including materials directly pertaining to the meeting agendas and materials whose publication is not legally regulated but are published for convenience and clarification purposes.</li> <li>- Advice to shareholders on their rights relating to their participation in the management of the Company.</li> <li>- Disclosure of information as prescribed by Russian laws.</li> </ul>
<b>Investment community</b>	<ul style="list-style-type: none"> <li>- Quarterly earnings and market update calls.</li> <li>- Road shows with participation of senior executives.</li> <li>- Capital Markets Days and site visits.</li> <li>- Senior executives' participation in leading industry and region dedicated conferences.</li> <li>- Regular meetings of independent directors with analysts and investors.</li> <li>- Disclosure of sufficient information through press releases and announcements by the news services of the LSE.</li> <li>- Publications in print media.</li> <li>- Perception studies.</li> </ul>
<b>Contractors</b>	<ul style="list-style-type: none"> <li>- Development and follow-up of sustainability-related requirements to contractors.</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>- Drafting and execution of a collective bargaining agreement.</li> <li>- Regular meetings between management and employees regarding Company activities.</li> <li>- System of internal communications and feedback.</li> <li>- Implementation of social programmes for employees.</li> <li>- "Hot Line" to report violations of corporate policy in different areas.</li> </ul>
<b>Authorities and local communities</b>	<ul style="list-style-type: none"> <li>- Cooperation with the authorities to identify the most effective manner in which the Company can contribute to the socio-economic development of the territories where it operates.</li> </ul>
<b>Public Media</b>	<ul style="list-style-type: none"> <li>- Press releases.</li> <li>- Conference calls and press briefings.</li> <li>- Organisation of press tours for Russian and foreign media.</li> <li>- Comments on questions related to Uralkali.</li> <li>- Organisation of regular meetings with the media and representatives of Uralkali.</li> </ul>



# MEASURING OUR SUSTAINABILITY PERFORMANCE

Along with the business goals, our strategy defines areas related to social responsibility, which include taking care of people and communities as well as the promotion of environmental safety in the territories where we operate. To measure the efficiency of the strategy realisation we have developed and implemented key performance indicators (KPIs) which are calculated and analysed by the Company on a regular basis, including those KPIs which are related to sustainable development.

Indicator	2011 performance
<b>Caring about our people and our communities</b>	
Work-related fatal injury frequency rate (FIFR)	<b>0.000</b>
Lost time injury frequency rate (LTIFR) <sup>1</sup>	<b>0.19</b>
Social investments	<b>US\$19.5 mln</b>
Voluntary labour turnover	<b>9.3%</b>
Average annual wages	<b>US\$12,300</b>
<b>Promoting environmental safety</b>	
Total water consumption for production needs	<b>1.28 m<sup>3</sup>/tonne of production</b>
Energy consumption	<b>140 kWh/tonne of production</b>
Environmental investments	<b>US\$39.3 mln</b>

<sup>1</sup> The Indicator used in the 2011 Annual Report (0.25) has been clarified and the updated number is presented in this report

## Relevance to the strategy

## Comments

FIFR is the core indicator of responsible health and safety management. It is central to our focus on operational excellence (see measurement methodology of FIFR on page 24).

There were no fatalities in 2011.

LTIFR reflects work related injury frequency. The rate helps us to measure the efficiency of our health and safety initiatives and of our control procedures on the production sites (see measurement methodology of LTIFR on page 24).

LTIFR performance at Berezniki improved by 40% to 0.10 in 2011. At the same time, due to a less efficient performance of Solikamsk, the overall rate for the Company totalled 0.19.

Social investments demonstrate the Company's important role in the community in which we operate.

It is vital for the Company to improve the socio-economic environment in the territories where it operates. In 2011 36% of investments were allocated to support sports, 36% to charity and 28% on maintenance of social infrastructure.

Labour turnover (including key personnel categories) is one of the indicators of correct management decisions and actions that aim to sustain the Company's position as one of the most attractive employers in the region.

Labour turnover for the combined Company in 2011 increased insignificantly despite big changes happening due to the merger and was 9.3%.

The ability of the Company to maintain a competitive wage level defines its attractiveness as an employer. A systematic approach to compensation contributes to hiring and retaining the most highly qualified personnel.

To create a team of the most talented specialists of all levels, the Company offers an attractive compensation package and maintains a satisfactory wage level. In 2011, the average annual wages per employee increased by 18%.

Water scarcity is a common issue for the industry, and it is vital for the Company to manage its consumption responsibly.

In 2011, water consumption decreased which is a result of rational use of water.

The Company consistently realises measures aimed to decrease energy consumption.

Energy consumption in 2011 went down from 150 kWh/tonne of production to 140 kWh/tonne of production.

Environmental investments reflect our concern about the ecosystems and the environment as a whole.

In 2011, the Company realised a number of projects aimed to support the environment in the region where it operates.





# FOCUSED ON HEALTH AND SAFETY

## WHY IT IS IMPORTANT FOR US

Being a mining company, Uralkali puts health and safety at the top of our agenda. We aim to be a leader in providing a safe, healthy working environment and are absolutely committed to preventing accidents at all our sites.

In order to achieve this, Uralkali ensures that health and safety is the personal responsibility of every single employee, from senior executives through to rank and file personnel. Our management is assigned the task of implementing our corporate Health and Safety Strategy, appointing workplace safety officers

and conducting safety briefings, training, consultations and audits. In turn, our workers are obliged to strictly follow the established safety rules and procedures.

Compliance with both internal and external health and safety regulations is mandatory at Uralkali, and whilst we remain committed to the continual development of our corporate safety standards and improvement of workplace conditions, we also ensure that our equipment is regularly updated and modernised.





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Life and good health are priceless. Our goal is to protect our people from injuries at work and to do everything possible to avoid any potential negative impacts of our operations on health.



Watch Stanislav Seleznev, HSE Director, discuss Uralkali's approach to HSE at <http://www.uralkali.com/development/video/>



**Stanislav Seleznev**  
HSE Director

### Management approach

The organisational structure of Uralkali includes the Health, Safety and Environment Directorate, consisting of the Health and Safety Department and the Environmental Protection Department. The HSE Director reports directly to our CEO. The Company has a health and safety management system in place.

### Testing of gas analysers

In 2011, new gas analysers were tested on gas-powered equipment and on combine complexes at the production site. The installation of these devices will reduce the likelihood of accidents in case the maximum allowed concentrations of hazardous gases are exceeded.



## OUR ASPIRATIONS

### Zero accidents

We will continuously monitor our working conditions and compliance with health and safety requirements to achieve our goal of zero accidents, setting the highest standards of safe behaviour for our employees and contractors.

### Zero incidents

Industrial incidents are often caused by human factors and personnel failing to follow industrial safety rules. To help us minimise incidents in the workplace, we will ensure that the highest standards of health and safety are achieved through the continuous training and awareness of our staff.

### Prevention and minimisation of occupational diseases

We will continue to ensure that personal protective equipment is provided to every employee engaged in potentially harmful activities, preventing incidences of occupational diseases.



## OUR ACTIONS

Following our merger with Silvinit, Uralkali provided health and safety training and certification to its personnel. The training and certification were required as Silvinit staff had to be formally transferred and many employees were assigned new duties. Following this exercise, over 5,000 employees completed training and certification in industrial safety and over 500 employees in health and safety.

Our newly combined Company identified and registered 96 hazardous production facilities, renewed our licence to operate explosive and fire hazardous production facilities, and obtained a new licence to operate chemically hazardous production facilities.

To extend the safe life of technical equipment at Berezniki-2 and Berezniki-3, an occupational safety review of equipment was undertaken, resulting in new certificates being issued with new safe life expiration dates.

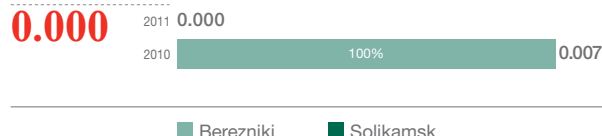
### Performance indicators

There were no work-related fatalities in Uralkali in 2011. This was partly due to accident prevention and timely responses to incidents from staff.

Unfortunately, we are not able to report the same positive trend this year, and it is with sadness that we inform you of the fatality of an employee at the Solikamsk-1 mine in May 2012.

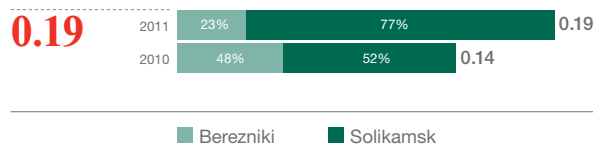
In response to these situations, we have strengthened the system of measures to prevent and reduce the number of injuries and incidents.

#### Work related fatal injury frequency rate (FIFR)



FIFR is calculated based on the number of fatalities per 200,000<sup>1</sup> hours worked

#### Lost time injury frequency rate (LTIFR)



LTIFR is calculated based on the total number of lost time injuries per 200,000 hours worked

In 2011, LTIFR at Berezniki sites went down by 40% year-on-year, although the rate increased compared to 2010. The increase was caused by a higher number of injuries at our Solikamsk sites.

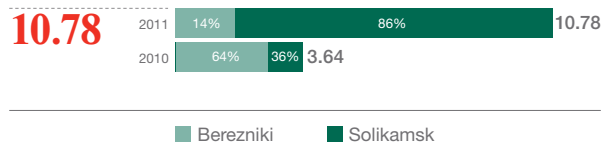
We expect, however, that the centralisation of health and safety functions following the merger of Uralkali and Silvinit will enable us to improve the overall incident rate at our operations.

<sup>1</sup> The factor 200,000 for FIFR, LTIFR, LDR, ODR, is derived from 50 working weeks at 40 hours per 100 employees





### Lost day rate (LDR)



LDR is calculated based on total number of days with disability per 200,000 hours worked

### Health

Human health and life are priceless, and this fundamental principle governs every single aspect of the Company's activity. We developed and are currently implementing a number of measures aimed at protecting and restoring the health of our employees and preventing occupational diseases. The collective bargaining agreement stipulates key areas where Uralkali and its employees join their efforts to ensure safe working conditions and protect the health of staff. These areas are as follows:

- Prevention of work-related accidents.
- Prevention of occupational diseases.
- Improvement of working conditions.
- Improvement of sanitary and domestic conditions of work.
- Enhancement of workers' self-motivation to work safely and follow health and safety rules.

In 2011, 18 incidents of occupational diseases were diagnosed among Uralkali's employees, including six at the Berezniki sites and 12 at the Solikamsk sites. All incidents of occupational disease were related to partial deafness caused by industrial noise. To decrease the rate of the occupational diseases, we have developed the following measures:

#### Medical

- Audiometry of all individuals to be employed at sites with high levels of noise.
- Audiometry of all current employees during the annual medical checks at sites with high levels of noise followed by health checks from an audiologist should a problem be detected.

#### Organisational

- Purchase and use of modern, comfortable ear plugs, headphones and active headphones.
- Control over use of personal protective equipment.
- Constructive removal of hazardous noise sources or minimisation of its adverse impact.

A timely identification of the initial signs of occupational diseases, harmful industrial factors, and preventive and rehabilitative measures are strongly supported by our well-functioning system of medical examinations. This system includes periodic check-ups of current employees and mandatory pre-employment examinations.

Uralkali also initiated the creation of an industrial healthcare department at Polyclinic Uralkali-Med, one of our subsidiaries. The department was specifically designed to conduct medical examinations. Employees who are potentially engaged in arduous, harmful or hazardous tasks undergo examinations every five years at the Perm Regional Occupational Pathology Centre.



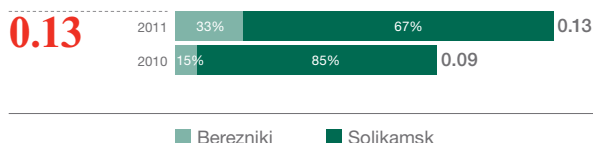
## INTRODUCTION OF NEW PROTECTIVE WORKWEAR

Uralkali designed and provided its employees with a new type of workwear. The new protective clothing has improved fabric and can be worn by all categories of workers to provide adequate protection against dust, dirt and chemical exposure.



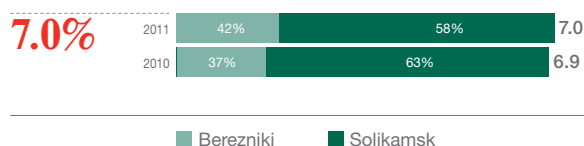
Uralkali consistently implements a series of measures to prevent people from getting ill from the diseases that are most common in Russia. For instance, to prevent oncological diseases our female staff receive annual examinations by an obstetrician-gynaecologist, while under the anti-tuberculosis programme all employees receive annual chest X-ray examinations. Annual voluntary anti-flu vaccinations are administered to prevent systemic, cold-related and epidemic diseases. Uralkali also finances primary and renewed vaccinations against tick-borne encephalitis, which is a recommended measure for the Perm region.

### Occupational disease rate (ODR)



ODR is calculated based on the total number of newly diagnosed incidents of occupational diseases per 200,000 hours worked

### Absentee rate (AR)



AR is calculated based on the total number of missed days per total days worked. The rate reflects the actual number of days of staff absence from the workplace

### Safety requirements to contractors

We do not distinguish between our own employees and contractor personnel when it comes to safety. Every contractor engaged by Uralkali is obliged to comply with our labour safety standards.

During the preliminary supplier assessment stage, we thoroughly review the bidders' health and safety permits, and personnel training and assessment arrangements.

Contractor agreements expressly specify safety compliance requirements, and Uralkali's officers inspect and audit contractors' actual safety performance during contractual periods.

All contractors and subcontractors that carry out work according to formal agreements with Uralkali go through mandatory introductory training before starting the work. It is recorded in a special register. Another note is made in the subcontractor's order by Uralkali's health and safety specialists allowing the worker to start his job.

### Our relations with regulatory and supervisory authorities

In 2011, Uralkali underwent regular inspections by state supervisory authorities. The West-Ural department of Rostekhnadzor (the Russian Federal Environmental, Technical and Nuclear Supervision Service) conducted 14 occupational safety audits, which did not reveal any material breaches of legal requirements.

An independent expert organisation also audited health and safety activities and issued a legal certificate of compliance.

### Emergency and incident prevention

In 2011, the management of the Company decided to enhance existing fire safety controls and to improve emergency preparedness, resulting in the creation of two new units as part of the HSE Directorate:

- Fire Inspection and Prevention Unit
- Civil Defence Unit

### Legal compliance

In 2011, we finalised the update of all internal HSE documents to ensure compliance with applicable legal requirements. This work also included development of Emergency Localisation and Response Plans (ELRP) for every unit of Uralkali.



# OUR PEOPLE

## WHY IT IS IMPORTANT FOR US

The development of our business depends directly on the initiatives, professionalism and involvement of our staff. We value and respect our employees which is why we create numerous opportunities for them. Those who are committed to the Company enjoy professional development, career and personal advancement, social stability, and acknowledgement of their merits and achievements.





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The role of HR management is to ensure employees enjoy working for Uralkali, are empowered to become leaders, and are able to reach their full potential. Sustaining this balance is our primary goal.



Watch Elena Samsonova, HR Director, discuss Uralkali's approach to HR at <http://www.uralkali.com/development/video/>



**Elena Samsonova**  
HR Director



### Management approach

In 2012 the Company updated its HR-strategy with consideration of the long-term strategy and the situation on the labour market.

The main goals of the HR strategy are:

- To increase employee productivity.
- To ensure the Company has qualified and experienced personnel.
- To improve employee loyalty.

Successful realisation of the HR strategy is a long-term process which requires a great deal of effort, including improvement of the business processes and incentive systems, improvement of the quality of the social programmes and corporate culture development.

## OUR ASPIRATIONS

Maintaining the status as one of the most attractive employers among the industrial enterprises in the Perm region is part of our strategy. By having this goal, we want to create a stable platform for our future growth. But as sustainable growth is impossible without the best specialists, we will continue to attract and retain qualified employees by offering them:

- Competitive salaries.
- Results-based incentive schemes.
- Social packages aimed to attract and retain employees.
- Opportunities for professional and career advancement, training and development.
- Robust corporate culture.



### Attractive employer

The labour market is becoming more and more competitive and industrial companies are finding it increasingly difficult to attract and retain talented and highly qualified specialists. For our Company the task is complicated due to the remote location of Berezniki and Solikamsk and the fact that the infrastructure in these cities is insufficiently developed. That is why it is imperative that our business builds a brand as the employer of choice.

The perception of Uralkali as an employer of choice depends on many factors, some of which are outside the control of our management. We keep a close eye on the recognisability of our brand. In late 2008, Uralkali conducted its first employer perception survey among students, pupils and the working-age population. As a follow-up, a similar study was performed in the spring of 2012. Afterwards, we plan to develop an advertising



## OUR ACHIEVEMENTS IN 2011

In 2011, Uralkali completed the merger with Silvinit. This complicated multi-level task was completed successfully given the tight timeframe and the necessity to maintain ongoing production process of two companies which used to be significantly different in structure, management systems and corporate culture.

The process included several stages. First, all business processes were revised and described and a unified organisational structure was elaborated. A comprehensive assessment of employees allowed to appoint most efficient and professional managers to key posts.

The next stage was the analysis of functions which should be included in the core business. As result, a number of functions were internally and externally outsourced, and the repair and construction units of Solikamsk production site were reorganised. Some of the personnel joined the Uralkali Group companies while some employees moved to servicing contractors.

During 2011, the Company developed a unified grade-based remuneration system. The Code of Corporate culture was revised. A new collective bargaining agreement securing basic benefits and guarantees for the employees of the combined company was elaborated and signed in cooperation with the trade union. While working out the social package, best practices of Berezniki and Solikamsk sites as well as the results of a survey of 3,000 employees were taken into consideration.

All combination-related procedures were conducted strictly in line with the Labour Code. To help those who were made redundant following the merger, Uralkali developed and implemented a special outplacement programme. Different aspects of integration were widely covered in corporate and external mass media which helped make this process transparent and understandable for employees and other stakeholders.

and communication campaign to present the target audiences with a compelling story about the advantages of working for Uralkali.

#### Our team

As of the end of 2011, Uralkali had 12,500 employees in its main production units, of whom 95% were in full-time employment.

#### Number of employees in Uralkali production units (thousand)

Uralkali + Silvinit	As at 31.12.2010	18.6
Outsourcing internal and external, optimisation		(5.9)
Uralkali	As at 31.12.2011	12.5

#### Ratio of employees in different locations of Uralkali (as of 31.12.2011)

■ Berezniki	51.1%
■ Solikamsk	48.6%
■ Moscow	0.3%



Employees are mainly based in two towns in the Perm region – Berezniki (head office) and Solikamsk – where all production facilities of the Company are located.

The vast majority of our employees live in Berezniki and Solikamsk. Specialists and managers from other regions are only recruited if the local labour market does not have candidates with the necessary skillset and experience. Managers from other locations (among senior and mid-level executives) account for 16% of the total number of managers.

#### Priority given to professionals

Uralkali applies unified personnel recruitment and promotion principles. The key criteria on filling available vacancies and appointing existing employees to more responsible positions is professionalism, i.e. education, qualification, experience and compliance with the corporate model of competencies. We are not predetermined by the candidate's age, gender or social status when making appointment decisions and do not impose any kind of discrimination limitations.

Uralkali conducts business in accordance with labour legislation and does not permit child, forced or compulsory labour. No cases of such violations were recorded during the reporting period.

53% of our employees are male and 47% are female.

#### Categories of personnel by gender (as of 31.12.2011) (%)

	Male	Female
Total workforce	53	47
Senior executives	80	20
Mid-level managers	76	24
Line managers	68	32
Specialists	28	72
Workers	55	45

It should be noted that mining has historically been a predominantly male industry, whereas the production of potassium chloride tends to involve both male and female personnel.

Over half of our workforce is represented by people aged 30 to 50 years. This category of staff demonstrates the optimal balance of productivity and experience to work in the mining sector.



## DYNASTY



Calm and smiling Evgeny Gagarinov walks to the stage and gratefully receives his award. It is the fifth award in his family, which is not surprising. The Gagarinovs are a real mining dynasty. It started with Evgeny's grandfather, Nikolai, the first miner in the family. Evgeny's father Alexander, in turn, is a full knight of the Miner's Glory Badge, whose career was almost fully devoted to Berezniki-2.

Evgeny continued the family tradition. After college he became a mining electrical mechanic. Then he undertook his mandatory military service before starting work at Uralkali.

Evgeny's colleagues say that "Gagarinov learned the equipment by touch, and that's why he knows every device so well." This is a quality that his father was also famous for.

The son went further than his father. Today, Evgeny is a leading specialist in stationary installations. His main responsibility is to control skip hoists and mine ventilation systems at all of Uralkali's mines. He also oversees several projects to reconstruct underground equipment at Uralkali. To the question "Is your father proud of you?" he responds, smiling: "Yes, he certainly is!"

### Categories of personnel by age (as of 31.12.2011) (%)

	Below 30 y.o.	30-50 y.o.	Over 50 y.o.
Total workforce	22	56	22
Senior executives	0	75	25
Mid-level managers	4	70	26
Line managers	14	60	26
Specialists	28	53	19
Workers	23	56	21

Personnel turnover is a good indicator of whether we have a healthy company and whether we take sound managerial decisions. We therefore monitor this indicator and analyse factors that may adversely affect the turnover rate.

Research data in the Perm and Sverdlovsk regions for 2011 illustrates that lowest turnover rate was 1.2% and the highest was 20%. In 2011, Uralkali's employee turnover rate was 9.3%, which we believe is acceptable and in line with industry norms (7-15%).

### Employee turnover (%)

	2010	2011
Uralkali and Silvinit in general	8.8	<b>9.3</b>
Top managers, middle and line management	5.9	<b>9.9</b>
Specialists	13.0	<b>13.3</b>
Workers, in total	8.6	<b>8.5</b>
Mining personnel of mines	4.4	<b>4.5</b>
Production personnel of plants	7.7	<b>6.7</b>

Turnover is calculated as a ratio of a number of people leaving organisation voluntarily or dismissed due to the breach of rules or disability, to the average number of staff positions

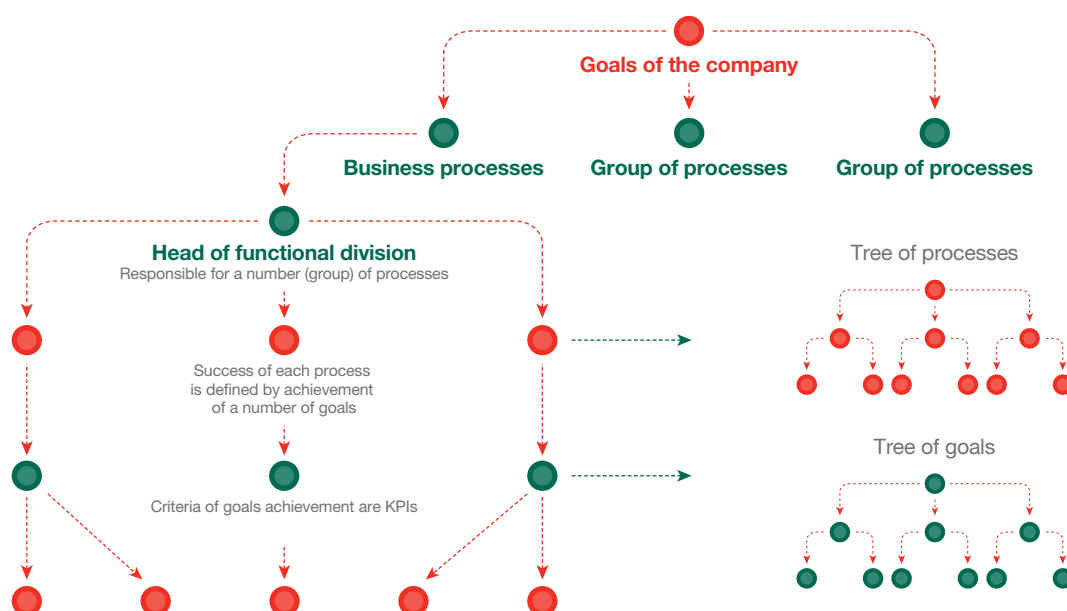
### Labour remuneration

The labour remuneration system adopted by Uralkali is based on the following important principles:

- Equal pay for equal value and no pay discrimination.
- Equal salary increase potential for all categories of personnel.
- Salary tiers based on complexity and importance of work, working conditions, workloads and employee qualifications.
- Remuneration tied to the performance of the individual, his or her unit and the Company as a whole.



## Key performance indicators structure



Our remuneration system is transparent, fair and common to all our employees and does not depend on their position. It clearly gives an understanding of how the salaries are calculated, what factors affect the remuneration, as well as ways to get a better salary.

An employee's salary is formed from two main elements:

- Basic component – basic salary or grade-based tariff. The system of grades (i.e. groups of jobs or professions with similar significance for the Company) takes into account a set of factors: skill category, qualifications, labour conditions, complexity and significance of work. Grades help rank jobs that are completely different in nature based on their significance for the Company.
- Variable component – bonus for achieving key performance indicators. A bonus is a fixed percentage of the basic salary. At Uralkali, the bonus system is part of the overlying efficiency management system, which constitutes a set of processes and tools interlinking targets and goals of an individual, a unit and Uralkali on the whole.

To ensure the competitiveness of our remuneration package, we conduct annual reviews of the labour market in the Perm region and the Ural Federal District. The review provides relevant information about major pay trends among various professions, helps determine the suitability of wages offered by Uralkali as compared to other employers, and informs us whether we need to adjust our payouts. Results of market reviews are also factored in during annual salary indexations as prescribed by the collective bargaining agreement.



## YOUNG SPECIALISTS



The summer of 2011 became an important milestone for Marat Nuriev. Lectures, seminars and exams were in the past. Thanks to Uralkali's programme of target selection to institutions and due to his personal work and persistence he received the much-coveted diploma of the St. Petersburg State Mining Institute and his labour book stated: 'Engineer of the purchasing department at Berezniki-4'.

"It was very difficult in the beginning", Marat recalls. "Studying is one thing, but real work is completely different". Filing documents, working with special computer programmes and cooperating effectively with colleagues from different departments and contractors is something that students do not normally deal with. Thankfully, Marat had supportive colleagues.

Today, the young specialist, Marat Nuriev, is achieving good results in his work. He says he is happy with how his career journey is developing: "From the very beginning my goal was to get a degree with a reputable university and grow professionally within a global company that has a leading market position." Happily, Marat is already achieving his goal!

### Average annual wages<sup>1</sup> (including year-end bonus, US\$)

12,300	2011	12,300
	2010	10,400

Due to specific conditions of work in the mining sector, employees engaged in ore extraction (who are subject to underground/hazardous working conditions) receive a higher pay than those involved in potassium chloride production. Jobs which share the same level of complexity and conditions have comparable levels of remuneration irrespective of an employee's gender.

### Personnel development

We place great emphasis on professionalism and career development at Uralkali. We have annual and monthly training and development plans for various categories of employees based on the needs of the Company.

The following types of training take place:

- Mandatory training (e.g. preparation of occupational safety certification etc.);
- Professional training (held both internally and as part of specialised training centres, workshops, conferences etc.);
- Company-funded secondary and higher education degrees in the most relevant areas of expertise;
- Career planning and development (development programmes for executive personnel and the talent pool).

<sup>1</sup> Excluding senior executives

## SCHOOL



"Why do people need potassium salt?" asks a fifth grade pupil of School 17 in Berezniki. "And how do you extract it?" comes another question from a boy sitting at the same desk. Boys and girls ask a lot of questions. This is why the Head of the Museum and Exhibition Center, Yulia Denisova, conducts open lessons with visiting pupils.

"Let us go back 250 million years, when this town was nothing more than an ancient sea, which gave birth to a layer of salt, the same material that we currently extract from our mines," says Yulia, showing the children a collection of minerals.

The kids take turns to admire the colourful patterns on the exhibits, which show how rock salt was formed under the ground. Several brave "explorers" conduct gustatory experiments, trying to see if the bars indeed have a salty taste!

"What kind of jobs do you have at Uralkali? Will you hire me when I grow up?!" The questions are fired one after another. "When I finish my studies, I will be a driver in the mine and will transport workers and ore!" says a pupil named Zhenya. Clearly the lesson makes a good impression!

Uralkali also has an appraisal and training system for those included in the talent pool, whereby members of staff are assessed and trained once every two to four years depending on the current needs of the Company. At the end of 2011, a programme to develop talent pool candidates for mid-level and line managers was completed. The two and half year programme consisted of modular training sessions and allowed the candidates to increase their qualification in management. The graduates of the programme were preferential candidates for new vacancies, and over 40% of the employees in the pool have since been promoted.

### Average training hours per employee per year by category (man-hours)

Personnel category	2010	2011
Uralkali and Silvit in general	37	64
Senior executives	87	104
Mid-level managers	116	125
Line managers	50	103
Specialists	43	56
Workers	29	56

### Social protection and employee benefits

Social programmes are an important element of Uralkali's human resources management as they help to promote a stable environment for our employees. The social benefits and protection measures are based on the following principles:

- A benefit must help to address specific tasks:
  - retention of staff;
  - improvement in health of employees, spouses and their children;
  - creation of employee loyalty;
  - encouragement of achievements;
  - care for the veterans.
- A benefit must be efficient (cost/result ratio).
- A benefit must cover the widest range and/or key categories of employees.
- Benefit provision must be easy to understand, transparent and fair.



All payments and benefits are provided to employees regardless of their employment type and are fixed in the collective bargaining agreement. In 2011, Uralkali signed a collective bargaining agreement for 2012-2014. The agreement officially fixed social benefits and protection measures that were provided by Uralkali in excess of legally prescribed arrangements. This superseded previous collective bargaining agreements of Uralkali and Silvinit that became void following the merger.

The current agreement was developed jointly by representatives of employees and Uralkali as a social partnership initiative and was signed without a statement of disagreements. The document applies to all employees of the Company.

The collective bargaining agreement stipulates the following social benefits:

Basic:

- Corporate catering.
- Medical services.
- Health resort treatment.
- Health improvement programmes for employees' children.
- Professionalism awards.
- Length of service awards.
- Transportation services for employees working outside areas covered by public transport.

Other:

- Additional days off.
- Financial assistance to employees in difficult situations.
- Compensation for emotional damages caused by work-related accidents.
- Corporate events for employees and their families.

### Corporate culture

When a new member of staff joins our Company, he or she becomes acquainted with Uralkali's corporate culture. On their first day at work, they meet their new colleagues, get acquainted with the operating environment of the organisation and are given a copy of our Code of Corporate Culture, which contains Uralkali's Mission and Vision statements, values, as well as principles, standards and rules of corporate interaction and conduct.

Many theses of the Code seem obvious and easy to understand, but behind this simplicity and structure are several years of diligent work.

The mid-2000s was a period of big changes. A serious modernisation of production processes began, new methods of management were implemented, more ambitious goals appeared. During this stage it became clear that the previously established behaviour of employees had to change for the Company to develop further. These are the changes in corporate culture. The project to transform our corporate culture was launched in late 2007. The management formulated the Mission and Vision statements, which were then adjusted following discussions with representatives of the workforce. The next stage was the formulation of corporate values – they were defined in 2008. Afterwards the corporate values were described in detail, the rules of corporate interaction and conduct were formulated and the Code of Corporate Culture was introduced.

This process engaged employees from practically every unit and subsidiary of the Company and included brainstorming sessions, heated discussions and numerous iterations. In June 2010, the document was approved by workforce representatives. The Code was officially adopted in November and became effective in January 2011. Following the merger with Silvinit, the Code was extended to apply to employees of the combined Company and later supplemented with a section on external stakeholder engagement.



A value-based system of non-financial incentives (e.g. the Best Employee of the Year award) and corporate events (the Chemical Workers' Day, the Company's Day, the Miners' Day, the Corporate Olympics, the corporate anthem and others) play an important role in our corporate culture. The corporate anthem was composed and performed during the Company's Day celebrations in 2008 by the management team. It was then that the tradition of collective performance of the anthem at the Company day was started.

#### Employee satisfaction survey

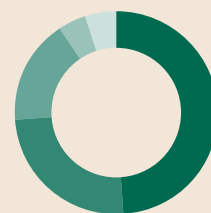
The Company's employee satisfaction survey is one of the best ways to discover what employees think about Uralkali and their work. This includes factors which influence their mood, motivation and contribution to the Company. The first employee survey was conducted in 2006. The 2012 survey was the first one for the merged company and it incorporated feedback from 2,924 employees from all levels and divisions of the Company. The 2012 survey covered areas such as:

- Payment system.
- Social package.
- Possibilities for growth and career development.
- Management efficiency.
- Corporate culture.
- Information and communications.

## RESULTS OF EMPLOYEE SATISFACTION SURVEY CONDUCTED (APRIL 2012)

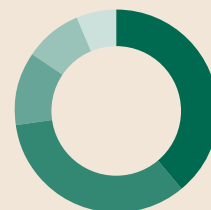
**To what extent does Uralkali give you the opportunity to take part in training or to improve qualification in your area of expertise?**

Very likely, there is access	49.1	74.1%
Definitely, there is access	25.0	
Unlikely, there is access	16.7	21%
Definitely, there is no access	4.3	
Hard to say	4.9	



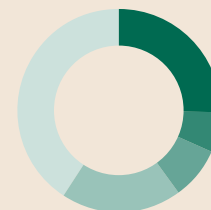
**Would you recommend Uralkali to a jobseeker?**

Yes	39.1	72.9%
Definitely	33.8	
Unlikely	11.9	21%
No	9.1	
Hard to say	6.1	



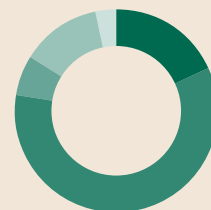
**Do you have an opportunity to move to an improved salary tier within the Company?**

Rather, no	25.3	31.9%
Definitely, no	6.6	
Hard to say	8.2	59.9%
Definitely, yes	19.2	
Rather, yes	40.7	



**Do you believe that the Company takes care of its employees?**

Definitely, yes	18.1	77.6%
Very likely	59.5	
Hard to say	6.3	16.1%
Unlikely	12.8	
Definitely, not	3.3	





# TAKING CARE OF THE ENVIRONMENT

## WHY IT IS IMPORTANT FOR US

We realise our responsibility to the public to maintain a favourable environment and so aim to improve the environmental safety of our operations continuously.

We are committed to helping preserve the unique ecosystems of our motherland, ultimately benefiting every single person in this lifetime and in the generations to come.

Our environmental impact mitigation activities are based on robust annual action plans, which strictly comply with Russian environmental protection laws and help us put sustainability at the heart of everything we do. There were no breaches of environmental laws and regulations in 2011.

### Environmental investments (US\$ mln)



### Environmental investments by type in 2011 (US\$ mln)

Activity	
Air protection	0.15
Water protection	4.50
Land protection and waste management	34.30
Environmental education and control improvement	0.04
Research and development, environmental monitoring	0.35



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The conservation of our natural heritage is fundamental to humanity – the ability to live in a clean, healthy and safe environment is an important human right. Environment is one of the core elements of life.



Watch Stanislav Seleznev, HSE Director, discuss Uralkali's approach to HSE at <http://www.uralkali.com/development/video/>



**Stanislav Seleznev**  
HSE Director

### Management approach

Our current environmental management system features a high degree of integration, a unified policy regarding quality and protection of the environment, as well as cohesive guidelines and standards.

## OUR ASPIRATIONS

### Reduction of discharges of pollutants into water bodies to encourage sustainable water consumption

Water conservation is a hugely important issue given the scarcity of water resources in the world. In addition to consuming water wisely, we believe that we should reuse it where possible to minimise the discharges.

### Ensuring efficient waste management

At Uralkali, we see waste as a reusable resource. To minimise the amount of waste generated by our operations, we are committed to designing and implementing projects aimed at the maximum utilisation of waste, e.g. underground storage.

### Reduction of air emissions

Clean air is vital for every living organism on our planet. We have developed and implemented a range of techniques to help us reduce our emissions.

### Increase of energy efficiency

To help reduce the emissions of greenhouse gases, Uralkali regularly introduces mechanisms to improve our operating efficiency. In particular, we are gradually replacing fuel oil with more environmentally friendly types of fuel and energy intensive equipment with more energy efficient installations.



## OUR ACHIEVEMENTS

### 2011

- Winner of the seventh all-Russian contest “Leader of Environmental Activity in Russia – 2011”.
- Uralkali topped the rating as the most environmental and energy transparent enterprise in the Perm region, compiled by the rating agency Interfax-ERA. The Company also won first place in the rating for the most environmental and energy transparent (mineral) fertiliser producer in Russia.

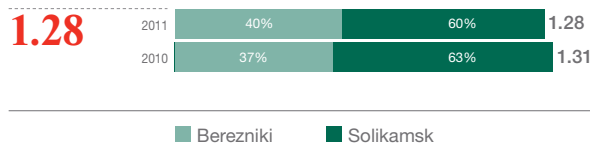
### 2012

- Winner of the contest “100 Best Companies of Russia. Ecology and Environmental Management”.

### Water impact

Our main units consume significant volumes of fresh water and discharge their waste water. At the same time the existing water intake level does not have a significant impact on the condition of the water bodies involved. To preserve and protect water resources against pollution we are currently implementing a set of specific actions, which helped us to reduce specific process-related consumption of water in 2011 as compared to 2010.

### Consumption of water for industrial needs (m<sup>3</sup> per tonne of production)

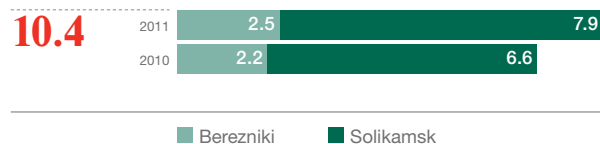


The figure for 2011 does not include industrial water consumed by external users

### Uralkali takes water from surface and underground sources for domestic, production and technical purposes (mln m<sup>3</sup>)

Berezniki	2010	2011
Industrial water	6.9	7.3
including:		
– purchased	2.1	2.8
– owned	4.8	4.5
Household drinking water	1.5	1.5
including:		
– purchased	1.3	1.3
– owned	0.2	0.2
Solikamsk		
Industrial water		
including:		
– owned	8.7	10.8
Household drinking water	3.9	4.2
including:		
– purchased	0.04	0.04
– owned	3.8	4.1

### Water discharges (mln m<sup>3</sup>)



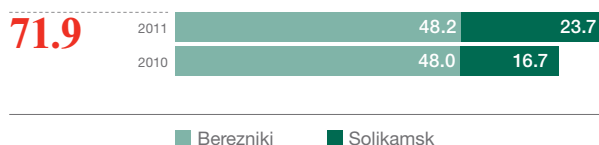
An increase in waste water discharge in 2011 was directly related to higher production levels in the same year.

Actual discharges into surface water bodies are within the established limits. In 2011, actual water disposal was 1.3 times below the approved threshold.

To further preserve and reduce the consumption of fresh water, water reuse and recycle techniques are being implemented.



### Volumes of water reused and recycled (mln m<sup>3</sup>)



In 2011, the volume of water used by the recirculation and reutilisation systems went up by 11% year-on-year. The share of recirculated and reutilised water of the total water consumption was 79% in both 2010 and 2011.

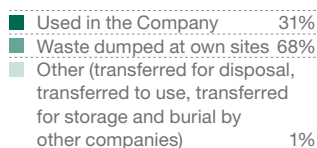
### Discharge of pollutants into water bodies

Indicator	Actual discharge, thousand tonnes	
	2010	2011
Total discharge, including:	27.90	<b>25.10</b>
Potassium	2.38	<b>1.45</b>
Sodium	5.24	<b>4.03</b>
Calcium	2.25	<b>2.27</b>
Chlorides	15.15	<b>13.06</b>
Sulphates	0.53	<b>0.50</b>
Other pollutants	2.35	<b>3.79</b>

### Waste management

Waste management is one of the most pressing issues facing our industry. Waste management solutions often pose significant risks of damage to the environment. Uralkali's waste management strategy provides for an effective combination of our own disposal capacity and engagement of specialised contractors.

### Waste flow in 2011 (%)



Clay-salt and halite waste is generated during the processing of extracted sylvinitic and carnallite ores to separate the waste from the mineral.

Uralkali's clay-salt and halite waste is stored in special facilities (salt dumps and slime dump sites) constructed under the projects approved by legal authorities.

The Company aims to reduce the amount of stored waste at salt dumps and slime dump sites and realises the following initiatives:

- Development and implementation of projects to maximise the use of clay-salt and halite waste as backfill in worked out areas. These activities are aimed at increasing the safety of operating mines.
- Produces technical sodium chloride and brine to produce soda ash with further realisation to consumers.

Uralkali operates seven production residue disposal areas, where clay-salt sludge is stored. The disposal areas are classified by Russian laws as hydrotechnical facilities. Pursuant to applicable regulations, the Company has introduced special safety declarations, and we execute monitoring and insurance. The disposal areas present a minimal threat to the environment, and risks of any kind of emergency are extremely low.



There are five classes of hazardous waste according to the Federal law on waste produced and consumed. Hazardous waste is determined by the level of the possible impact on the environment. In 2011, we generated around 30.1 million tonnes of production and consumption waste, of which over 99% is represented by Hazard Class five (almost not dangerous) – halite waste and clay-salt sludge.

#### Waste management (mln tonnes)

Year	Total generated waste of Hazard Class 1 to 5	Including halite waste and clay-salt slime	Utilisation of halite waste and clay-salt slime
2010	28.9	28.9	8
including:			
– Berezniki	12.2	12.2	1.1
– Solikamsk	16.7	16.7	6.9
2011	30.1	30	9.3
including:			
– Berezniki	12.1	12.1	1.1
– Solikamsk	18	17.9	8.2

#### Energy efficiency and climate change

##### Energy efficiency

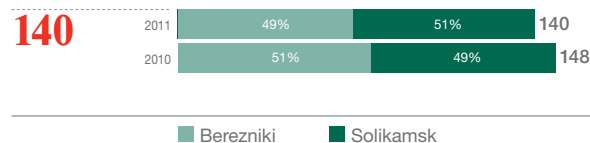
The economic growth and social development of Uralkali strongly depends upon the energy efficiency of our business.

We conduct audits of our equipment and facilities to select optimal energy saving measures and estimate potential savings. To obtain the necessary data we conduct energy audits of our sites.

Between 2007 and 2008 Uralkali developed an 'Energy Passport' and completed a comprehensive energy inspection of its sites. This inspection revealed a number of opportunities for improvement, and corrective actions were included in the Energy Saving Programme, which was approved in December 2008.

The programme covered the period from 2009 to 2011 and included organisational and technical sections. Over 10 projects were implemented as part of the programme, which, combined with other improvements, enabled Uralkali to become the most energy efficient company among the large industrial entities of the Perm region in 2008 and 2009, as declared by IES Holding.

#### Electricity consumption (kWh/tonne of production)



The figure for 2011 includes consumption of mines and plants as well as consumers of electricity provided by Berezniki and Solikamsk city grids

Specific energy consumption went down due to higher capacity utilisation and implementation of energy efficiency measures

We are developing a new Energy Management Policy, that will incorporate global best practices and current standards and applicable legislation.

##### Key goals related to energy efficiency

- Reliable and uninterrupted supply of all necessary types of energy resources to the production facilities of the Company.
- Efficient and economically justified reduction of energy cost per unit of output through the use of best practices, energy efficient equipment, advanced energy management methods and approaches.
- Improvement of production processes, equipment operating modes and control processes.
- Optimisation of energy consumption structure.
- Better energy transmission efficiency and minimisation of losses of energy resources.
- Development of our own energy facilities.

Uralkali's demand for thermal energy is fully covered by our own boilers fired by natural or associated petroleum gas. Fuel oil is used as a back-up source.

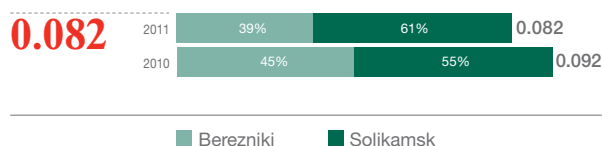
Consumption of natural gas in 2011 was 393 million m<sup>3</sup> (15.4 PJ), associated petroleum gas was 36 million m<sup>3</sup> (1.4 PJ) and fuel oil was 9,000 tonnes (0.36 TJ).

#### Climate change

Climate change is a global problem that affects us all, with greenhouse gases being the main cause of the temperature increase. Though Uralkali has relatively few greenhouse gas emissions, we are committed to improving the energy efficiency of our equipment and reducing energy consumption.

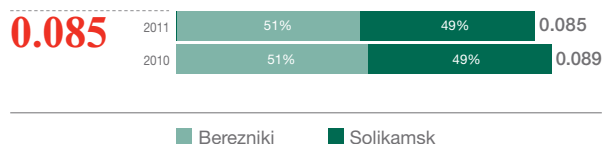
We are confident that transparent information disclosure, international collaboration as part of the Kyoto Protocol, and exchange of expertise and technologies will mitigate global climate change.

#### Direct CO<sub>2</sub> emissions (tonne/tonne of production)



An energy saving programme implemented in 2011 helped reduce indirect emissions of greenhouse gases related to energy consumption despite an increase in output.

#### Indirect CO<sub>2</sub> emissions (tonne/tonne of production)



Indirect CO<sub>2</sub> emissions come from sources owned or controlled by another company. These are the emissions from the electricity produced externally and consumed by Uralkali

#### Air impact

The main air pollutants emitted by Uralkali include KCl and NaCl dust, nitrogen oxides and carbon monoxide, which are generated when fuel is combusted to run turbine boilers and driers at enrichment plants.

#### Air emissions (thousand tonnes)

Indicator	Actual emissions	
	2010	2011
Gross air emissions of pollutants, including:	3.46	<b>3.40</b>
– KCl dust	0.77	<b>0.70</b>
– NaCl dust	0.50	<b>0.50</b>
– Carbon monoxide	0.82	<b>0.77</b>
– Nitrogen oxides	1.06	<b>1.10</b>
– Sulphur dioxide	0.20	<b>0.20</b>
– Volatile organic compounds	0.03	<b>0.03</b>
– Other substances + particulate matters	0.08	<b>0.10</b>

Gross emissions in 2011 went down by 1.7% versus 2010 and were within the annual air emission caps established for the Company.

#### Land impact

In 2011, Uralkali's operations resulted in zero contamination of land cover within its production sites and corresponding sanitary protection zones.

We were able to minimise the environmental impacts of our operations on the territories surrounding our sites by recultivating 3.6 hectares of unused land at a solid household waste temporary storage area, by abandoning two underground fuel oil storage tanks of the total capacity of 4,000 m<sup>3</sup>, by disposing of 550 m<sup>3</sup> of petroleum-contaminated waste and of 420 m<sup>3</sup> of reinforced concrete.



### Geological safety

Mining leads to the formation of cavities in the rock mass, which may cause subsidence of the earth surface, including areas occupied by residential, industrial and infrastructural facilities.

The key conditions for developing a deposit are mining in a safe manner and preserving the undermined facilities.

To meet these requirements, mine development projects take into account a number of development parameters that ensure safe mining, such as the width of the rooms, the size of the pillars that support the mine roof, and the degree of mining that results in permissible deformation of the ground surface and causes zero damage to the surface facilities.

Excessive ground deformation may break the waterproof strata, causing the surface water to enter and flood the mine. Ground sinking may also damage or destroy surface facilities.

To ensure comfortable and safe living conditions for residents of Berezniki, Uralkali launched a unique system of monitoring whereby the Company voluntarily finances various monitoring and population warning activities. The activities are conducted jointly with two research and development institutes, Galurgiya and the Mining Institute of the Ural Department of the Russian Academy of Sciences. These include:

Observations of land subsidence within the mine field of Berezniki-1 mine (50 sections).

- Land subsidence monitoring using satellite radar techniques.
- Comprehensive seismic and electrical surveys of the railway station area, Berezniki Mine Construction Department site and other potentially hazardous undermined areas.
- Continuous seismological control of the subsidence area at Berezniki-1 and carnallite area monitoring of funnel formation on railway tracks and at Berezniki Mine Construction Department site.
- Hydrogeological monitoring including ground water gauging and sampling of water from hydrogeological wells and hydrological stations installed on surface water bodies.
- Soil vapour monitoring including sampling of subsoil air above carnallite mining areas and areas of potential gas-air formation in mined-out and other hazardous zones.

This system of monitoring ensures timely identification of potentially hazardous areas and implementation of mitigation measures (resettlement; fencing off hazardous zones; relocation or reconstruction of utility grids etc.). If there is a risk of emergency, the Berezniki administration and owners of affected facilities are promptly informed. Information about the monitoring progress is published every week in municipal media and on the website of the Berezniki administration.



The results of observations are shared with research institutes for review and forecasting purposes. Weekly information reports are distributed to a specially created governmental commission, the Perm region administration, the Berezniki administration and a number of relevant state authorities. We also conduct scheduled and unscheduled visual inspections of buildings in the town.

#### Conservation of biodiversity

Our corporate environmental policy aims to conserve the natural wealth and biodiversity of the region where we operate. We continuously monitor the regional situation to maintain the natural balance this territory enjoyed before mining started. Each year, we inspect water protection zones and banks of small rivers exposed to waste water discharges (the Lenva, Bygel, Popovka and Chornaya rivers). Inspections cover the condition of grasses, shrubs and trees. To protect the local flora, we regularly clean the territory and adjust waste outlets to avoid contamination of adjacent lands.

There are no specially protected natural territories or Red List flora and fauna species in the vicinity of Berezniki and Solikamsk, where our operations are located.

### SOLID HOUSEHOLD WASTE LANDFILL AT BEREZNIKI-2 AND BEREZNIKI-3



Over the period from 1990 to May 2007, we were placing our solid household waste into the worked-out pit of Berezniki-2. Berezniki-3 had a similar temporary storage area until 2010. However, both storage areas were outdated and therefore we abandoned them. To avoid the waste's adverse environmental impacts, the land at the storage areas was recultivated in 2011.

The recultivation process was split into two stages. First, the waste was concentrated and disposed of at the dump site, after which the waste was covered with a water impervious screen and filled with clean fertile soil. During the second stage, grass seeds were planted into the soil.

As a result, we revived almost 3.6 hectares of land.



# A VITAL PART OF OUR COMMUNITIES

## WHY IT IS IMPORTANT FOR US

More than 156,000 people live in Berezniki and more than 96,000 in Solikamsk. Both cities have a very low unemployment rate (less than 2%) due to the presence of large industrial enterprises, of which Uralkali is one of the largest.

At the same time there are problematic issues in Berezniki and Solikamsk due to their remote location from the regional centre. Among these are a lack of modern social infrastructure, culture, sport and healthcare facilities, and a limited number of educational institutions. Being one of the largest industrial companies in the region, Uralkali strives to make a contribution to the socio-economic development to motivate people living in Berezniki and Solikamsk to live and work there.



“

The creation of a comfortable living environment and the socio-economic development of the region where we operate are our strategic goals. We care about improving the wellbeing of local communities and aim to provide favourable conditions for family creation, educational attainment and job realisation.



**Andrey Motovilov**  
Head of Government Relations



Watch Andrey Motovilov, Head of Government Relations, discuss Uralkali's approach to our communities at <http://www.uralkali.com/development/video/>

#### Management approach

When deciding whether to participate in a social project Uralkali's management considers its materiality for employees and the local community. The priority areas for the Company are the health of the employees and their families and the improvement of housing, social infrastructure and education in the cities of presence.

#### Socio-economic development of the regions of our presence

##### Government relations

Uralkali's Sustainability Approach defines the principles of our relationships with the authorities, the industry and the business associations, including the Russian Association of Fertiliser Producers and the Russian Union of Industrialists and Entrepreneurs – the principles of trusted partnership, mutual benefit and strict legal compliance.

Uralkali strives to sustain a constructive dialogue with local communities and participate in their development. Several of our employees are members of the municipal councils of Berezniki and Solikamsk, which allows us to be a direct participant in the decision-making process aimed at creating favourable conditions to develop our region.

The Company also provides assistance to local authorities in the realisation of different social projects.

## OUR ASPIRATIONS

Local communities are among our key stakeholders. We aim to create a comfortable environment for our employees and for all people in the territories of the Company's presence.



## OUR PROJECTS

We cooperate with local authorities on an ongoing basis about social and infrastructural development. In particular, Uralkali is directly engaged in the elaboration of the Master Plan for the Berezniki-Solikamsk Agglomeration (hereinafter referred to as the Master Plan). This document, which takes into account the area's geological and historical setting, presents a comprehensive programme of socio-economic development of Berezniki and Solikamsk, where Uralkali is the key employer. The Company also conducts monitoring to ensure the timely identification and anticipation of potential hazardous geological processes in order to prevent serious and damaging consequences.

The Company uses various mechanisms of cooperation with the stakeholders in the territories of its presence:

- Participation in the governance process (six employees of Uralkali sit on the Berezniki Municipal Council and five employees sit on the Solikamsk Municipal Council).
- Public hearings for our greenfield and brownfield projects.
- Public consultations on the issues that affect us or local communities.
- Cooperation Agreements between Uralkali and municipal authorities to formalise economic, legal and organisational aspects of relations. These agreements are the framework for the implementation of specific socially-oriented projects and programmes in the areas of our presence.



Uralkali history museum



View of old Solikamsk centre



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### Preserving cultural heritage

Berezniki is a town which was constructed during the 1930s for miners. Solikamsk is one of the oldest towns in the Perm region with a unique cultural heritage and beautiful architecture in its centre, including the Winter Cross Cathedral, the Trinity Cathedral and the Epiphany Church, all constructed in the XVII century.

The Provincial Manor, constructed in 1688, continues to stand on the banks of Usolka river. This monument is the oldest stone-made building in the region. There is also a rare monument of Russian industrial wooden architecture – the Ust-Borowski Salt Production Plant – which is now the Museum of Salt Production History.

Uralkali also has two museums at Berezniki and Solikamsk. The museums serve an educational and social function by sharing the history of the Russian potash industry and Uralkali – both an integral part of the history of the towns – with pupils, students, residents and visitors. The museum offers thematic and general tours, children's festivals, history presentations, workshops, field exhibitions and lectures. In 2011, over 6,000 people took part in excursions and field events despite the fact that the museum in Berezniki was closed for reconstruction and its Solikamsk counterpart was partially closed for visitors due to a renewal of its exhibition. The Berezniki museum reopens to visitors in December 2012.

### Development of the Master Plan

Uralkali recognises the importance of improving the quality of life in the areas where it is present. During the merger with Silvinit, the integration of the two businesses was just one of the key areas of focus. In addition, there was a great emphasis on creating a joint programme to stimulate socio-economic development in Berezniki and Solikamsk. Uralkali supported the idea of master plan development and this initiative was approved by regional and municipal authorities.

In 2011, a tender was held and 12 of the largest global design agencies participated. The jury, which included the government of the Perm region and Uralkali, selected the winner: the joint bid of KK-Architekten mbH (Germany) and Buro Happold (England). According to the terms of the contract, the designers will provide a Master Plan by September 2013. Funding for the project, totalling US\$ 3 million, was provided by Uralkali.



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The Master Plan will include a resettlement scheme in Berezniki, Solikamsk and Usolye, as well as a general transport scheme, a plan of intermunicipal location of social and engineering infrastructure, housing and commercial facilities and plans for the transformation of the central parts of the cities.

The Master Plan is a complex project that aims to develop Berezniki, Solikamsk and Usolye, while taking into account myriad other factors such as the important historical aspects of the cities.

Our multi-level urban development programme will provide innovative solutions relating to infrastructure (such as the location of social facilities), housing and the improvement of environmental conditions.

#### **Infrastructure development**

We clearly understand that the creation of favourable living conditions for local residents is vital to the successful growth of our business. We are passionate about developing existing facilities as well as constructing new ones, making our decisions based on the needs of residents. The decisions about the construction of social facilities are based on the needs of the local people. So, in 2010 the Company donated to Berezniki a medical complex and a kindergarten.

#### **Facilities for children and parents**

We initiated a US\$ 850,000 project to construct another 264-person kindergarten in Berezniki. This was in response to a lack of pre-school facilities and to help young parents return to work after having children. We are now also considering creating a similar facility in Solikamsk.

#### **Healthcare and social facilities**

The social facilities we have created in Berezniki and Solikamsk are for the use of every member of the community. For instance, a member of the public can buy a voucher to any of our health resorts or exercise at Uralkali's Kaliets sports complex, the Dolphin swimming pool or Uralkali's ski base. The sports complex provides a wide range of services for children and runs basketball, volleyball, track and field, skiing and swimming classes, which are attended by over 300 children, while Dolphin has swimming classes for children with special needs and orphans.

#### **Resettlement**

Berezniki and Solikamsk developed intensively in the 1920s, when the Verkhnekamskoye deposit was discovered. Construction took place in accordance with the technical regulations and norms of that time, which allowed development in areas with proven reserves of potassium and magnesium salts where mining started. These norms did not consider the unavoidable negative impacts of mining. Only starting from 1977, based on the Soviet Union's decision, constructive protective measures were applied in Berezniki and Solikamsk during construction of the buildings. Therefore, today, a significant part of both cities is located in the zone of natural danger above worked-out mines or territories which are to be undermined. In addition these facilities have been affected by low quality construction, poor technical maintenance, a long-term absence of major repairs, and the diversion of water from the utilities, which led to the destruction of the foundations.

To minimise the risks associated with urban buildings, Uralkali and Silvinit began to backfill worked out mines (this took place a long time before their merger). Today, backfilling under the urban area is fully completed and Uralkali continues to further backfill worked-out mines outside the towns.

Children's playground  
in Berezniki



Uralkali engaged Berezniki and Solikamsk administrations to develop a programme of relocation for residents of dilapidated housing. This programme, which amounts to a total cost exceeding US\$ 33 million (US\$ 24 million for Berezniki and US\$ 9 million for Solikamsk), will be financed in equal amounts by the federal budget, regional budget and Uralkali (US\$ 11 million from each party). The initiative will provide safe and comfortable housing for almost 13,000 people in Berezniki and almost 5 000 people in Solikamsk. It will also eliminate 255,000 m<sup>2</sup> of dilapidated housing in Berezniki and 91,000 m<sup>2</sup> in Solikamsk.

Similar financing arrangements are currently being discussed for the construction of social facilities such as schools and nurseries in Berezniki and Solikamsk.

Swimming pool  
'Dolphin' in Solikamsk





### Partnering with schools and higher education institutions

At Uralkali, we understand that knowledge is priceless and serves as a foundation for professional and personal growth. We actively support educational institutions that train specialists in our core activities and we partner with educational institutions in the following areas:

- **Improving education** – At universities we help to develop infrastructure, support scientific research in the universities, and monitor the quality of student training annually.
- **Encouraging students** – We offer scholarships, on-the-job training and encourage students to excel in their studies.
- **Attracting** students to work for the Company.

Our strategic partners for higher education are: the Perm Polytechnical National Research University and its branch in Berezniki (higher education); and for secondary education are: Berezniki Polytechnic School and the Solikamsk Mining and Chemistry School (vocational education).

We also work with the Perm State University, the Ural State Mining University, the V. Plekhanov St. Petersburg State Mining Institute and Vocation School No. 47 in Berezniki.

Our relationship with the educational institutions is based on our innovative joint development concept for the next five years.

In 2011, in compliance with the relevant cooperation agreement, Uralkali donated US\$ 700,000 to the Perm National Research Polytechnic University (including its branch in Berezniki). The money went to purchase and install new equipment in university departments and laboratories.

We also provided grants to the lecturers of the Berezniki branch of the Perm State National Research Institute totalling US\$ 8,000. These grants will help the faculty prepare their dissertations. Uralkali also provided scholarships to the 30 best students and gave the Upper Kama Potash Award to three students at the Berezniki campus of the University.

Uralkali organises on-the-job training and internship programmes for students of the Perm region each year. This lets them gain practical experience in the industry and helps them excel in their university studies.

We also organised internships for 530 students in 2011, giving them the opportunity to apply their education, skills, talents and to take their first steps in the profession and to acquire first-hand knowledge and experience of the profession.

### Charity and sponsorship

Our charity programmes, implemented as part of Uralkali's Social Investment Policy adopted in 2011, continue to address the most urgent issues arising in our communities.

### Social investments (US\$ mln)



### Uralkali social investments breakdown by key areas in 2011

Charity	36%
Maintenance of social infrastructure	28%
Sport	36%





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### Assistance to socially vulnerable population groups

Uralkali continues to assume a responsible attitude towards socially vulnerable groups. We support an orphan assistance project called "Bringing back the Childhood" which is implemented under the auspices of the Presidential Plenipotentiary Envoy to the Volga Federal District. As part of the project in 2011,	Uralkali acquired playground equipment, personal care products, and children's books for Orphanage No 2 in Solikamsk. Uralkali also donated funds to renovate homes of World War II veterans.	Our beneficiaries include the Berezniki branch of the Russian Society of the Blind and the Solikamsk branch of the Russian Society of the Disabled. In 2011 we provided the latter with vehicles to transport its members to other towns where sports festivals for people with special needs were being held.
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### Assistance to municipalities in addressing local issues




















Diligence in addressing municipal problems is an intrinsic feature of our social policy. In 2011, Uralkali supported the Solikamsk district administration by purchasing a new fleet of vehicles.	Uralkali has traditionally been involved in supporting the causes of municipal administrations. Such day-to-day support is often the only thing preventing social infrastructure assets from being shut down. To give one example in 2011, Uralkali donated funds to reconstruct a children's hospital in Berezniki that had been closed because of the building's critical condition.	We also often assume expenses that are beyond the means of municipal institutions, for example the utility bills of Kindergarten No. 92 in Berezniki and heat and water supply costs at the children's hospital in Berezniki. Uralkali willingly responds to municipalities' requests to assist in public festivities and holidays, such as the construction of an ice park on the main square of Solikamsk as a New Year present for local residents.
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### Support of sporting activities

Uralkali is passionate about promoting and developing local sport. Last year, we made a charity donation to the Solikamsk Municipal Federation of Thai Boxing.	As a result of the support of Uralkali, the other industrial companies and authorities in the region, the financial difficulties of Amkar (a football club from Perm, which is the only representative of the region in the Russian Premier League) were eased which allowed the team to remain in the top division.	Our sports-related assistance goes beyond just local federations and teams. In 2011, Uralkali was an official sponsor of the Russian national football team.
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# GRI table

 Indicator is fully disclosed
  Indicator is partly disclosed

Indicator	Description	Location	Disclosure
<b>Strategy and analysis</b>			
1.1.	Statement from the most senior decision-maker of the organisation.	CEO's statement	
1.2.	Description of key impacts, risks, and opportunities.	'Our business' Online 2011 Annual Report ('Overview')	
<b>Organisational profile</b>			
2.1.	Name of the organisation.	Cover page	
2.2.	Primary brands, products, and/or services.	'Our business'	
2.3.	Operational structure of the organisation, including main divisions, operating companies, subsidiaries, and joint ventures.	'Our business' Online 2011 Annual Report ('Overview')	
2.4.	Location of organisation's headquarters.	'Our people'	
2.5.	Number of countries where the organisation operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	'Our business' Online 2011 Annual Report ('Overview')	
2.6.	Nature of ownership and legal form.	Online 2011 Annual Report ('Financial review') Company's website (shareholder structure)	
2.7.	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	'Our business' Online 2011 Annual Report ('Overview')	
2.8.	Scale of the reporting organisation.	Online 2011 Annual Report ('Overview') 'Our people'	
2.9.	Significant changes during the reporting period regarding size, structure, or ownership.	'Our business' Online 2011 Annual Report ('Overview')	
2.10.	Awards received in the reporting period.	'Taking care of the environment' Online 2011 Annual Report ('Performance')	
<b>Report parameters</b>			
3.1.	Reporting period (e.g. fiscal/calendar year) for information provided.	Cover page 'About this report'	
3.2.	Date of most recent previous report (if any).	This report is Uralkali's first Sustainability Report	
3.3.	Reporting cycle (annual, biennial, etc.).	'About this report'	
3.4.	Contact point for questions regarding the report or its contents.	Contact information on page 61	
3.5.	Process for defining report content.	CEO's statement	
3.6.	Boundary of the report (e.g. countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers).	'About this report'	
3.7.	State any specific limitations on the scope or boundary of the report.	Not applicable	

Indicator	Description	Location	Disclosure
3.8.	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organisations.	'About this report'	✓
3.9.	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report.	CEO's statement	✓
3.10.	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g. mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	Not applicable	✓
3.11.	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Not applicable	✓
3.12.	Table identifying the location of the Standard Disclosures in the report.	GRI checklist on page 54	✓
3.13.	Policy and current practice with regard to seeking external assurance for the report.	CEO's statement	✓

### Governance, commitment and engagement

4.1.	Governance structure of the organisation, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organisational oversight.	Online 2011 Annual Report ('Governance')	✓
4.2.	Indicate whether the Chair of the highest governance body is also an executive officer.	Online 2011 Annual Report ('Governance')	✓
4.3.	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Online 2011 Annual Report ('Governance')	✓
4.4.	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	'Corporate Governance' Online 2011 Annual Report ('Governance')	✓
4.5.	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organisation's performance (including social and environmental performance).	Online annual report ('Governance') 'Our people'	✓
4.6.	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Company's website (Regulations on the Board of Directors of the OJSC 'Uralkali')	✓
4.7.	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental, and social topics.	Online 2011 Annual Report ('Governance')	✓
4.8.	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.	Inner side of the front cover 'Corporate governance'	✓
4.9.	Procedures of the highest governance body for overseeing the organisation's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles.	Online 2011 Annual Report ('Performance', 'Governance') 'Corporate Governance'	✓
4.10.	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Online 2011 Annual Report ('Governance')	✓
4.11.	Explanation of whether and how the precautionary approach or principle is addressed by the organisation.	The precautionary approach is not addressed by the Company	✓
4.12.	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organisation subscribes or endorses.	The Company did not subscribe to any sustainability-related initiatives	✓
4.13.	Memberships in associations (such as industry associations) and/or national/international advocacy organisations in which the organisation: – has positions in governance bodies; – participates in projects or committees; – provides substantive funding beyond routine membership dues; or – views membership as strategic.	'Our business'	✓
4.14.	List of stakeholder groups engaged by the organisation.	'Corporate governance'	✓
4.15.	Basis for identification and selection of stakeholders with whom to engage.	'Corporate governance'	✓

## ADDITIONAL INFORMATION GRI TABLE (CONTINUED)

✓ Indicator is fully disclosed

✓ Indicator is partly disclosed

Indicator	Description	Location	Disclosure
4.16.	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	'Corporate governance'	✓
4.17.	Key topics and concerns that have been raised through stakeholder engagement, and how the organisation has responded to those key topics and concerns, including through its reporting.	'Corporate governance' 'Focused on health and safety' 'Our people' 'Taking care of the environment' 'A vital part of our community'	✓

### Economic performance indicators

EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation.	'Our people'	✓
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation.	'Corporate governance'	✓
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation.	'Our people'	✓
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement.	'A vital part of our community'	✓
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts.	'A vital part of our community'	✓

### Environmental performance indicators

EN3	Direct energy consumption by primary energy source.	'Taking care of the environment'	✓
EN4	Indirect energy consumption by primary source.	'Taking care of the environment'	✓
EN5	Energy saved due to conservation and efficiency improvements.	'Taking care of the environment'	✓
EN8	Total water withdrawal by source.	'Taking care of the environment'	✓
EN9	Water sources significantly affected by withdrawal of water.	'Taking care of the environment'	✓
EN10	Percentage and total volume of water recycled and reused.	'Taking care of the environment'	✓
MM1	Amount of land (owned or leased, and managed for production activities or extractive use) disturbed or rehabilitated.	'Taking care of the environment'	✓
EN16	Total direct and indirect greenhouse gas emissions by weight.	'Taking care of the environment'	✓
EN20	NOx, SOx, and other significant air emissions by type and weight.	'Taking care of the environment'	✓
EN21	Total water discharge by quality and destination.	'Taking care of the environment'	✓
EN22	Total weight of waste by type and disposal method.	'Taking care of the environment'	✓
MM3	Total amounts of overburden, rock, tailings, and sludges and their associated risks.	'Taking care of the environment'	✓
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally.	The Company does not transport and treat hazardous waste	✓
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organisation's discharges of water and runoff.	'Taking care of the environment'	✓
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	'Taking care of the environment'	✓
EN30	Total environmental protection expenditures and investments by type.	'Taking care of the environment'	✓



Indicator	Description	Location	Disclosure
<b>Social performance indicators referring to labour practices and decent work</b>			
LA1	Total workforce by employment type, employment contract, and region.	'Our people'	✓
LA2	Total number and rate of employee turnover by age group, gender, and region.	'Our people'	✓
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations.	'Our people'	✓
LA4	Percentage of employees covered by collective bargaining agreements.	'Our people'	✓
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs.	'Corporate governance'	✓
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	'Focused on health and safety'	✓
LA8	Education, training, counselling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases.	'Focused on health and safety'	✓
LA9	Health and safety topics covered in formal agreements with trade unions.	'Our people'	✓
LA10	Average hours of training per year per employee by employee category.	'Our people'	✓
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	'Our people'	✓
LA12	Percentage of employees receiving regular performance and career development reviews.	'Our people'	✓
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	Online 2011 Annual Report ('Governance') 'Our people'	✓
LA14	Ratio of basic salary of men to women by employee category.	'Our people'	✓
<b>Social performance indicators referring to Human Rights</b>			
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	'Our people'	✓
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of compulsory labour.	'Our people'	✓
<b>Performance indicators referring to product responsibility</b>			
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes.	'Our business'	✓
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements.	'Our business'	✓
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	'Our business'	✓
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	'Our business'	✓
<b>Social performance indicators referring to society</b>			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting.	'A vital part of the community'	✓
SO5	Public policy positions and participation in public policy development and lobbying.	'A vital part of the community'	✓
SO7	Total number of legal actions for anti-competitive behaviour, anti-trust, and monopoly practices and their outcomes.	'Our business'	✓
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	'Our business'	✓

# Independent Assurance Report on the Sustainability Report 2011 of OJSC Uralkali



To the Board of Directors and stakeholders of OJSC Uralkali

## Engagement

At the request of OJSC Uralkali (hereinafter 'Uralkali') we have performed an assurance engagement. The subject matter of our engagement is the qualitative and quantitative information disclosed in the 'Uralkali Sustainable Development Report 2011: Nourishing the World... Sustainability: Our agenda' (hereinafter 'the Report').

The Report includes the combined sustainability performance for OJSC 'Uralkali' and OJSC 'Silvinit' (hereinafter 'Silvinit') for the years ending 31 December 2010 and 2011 as set out in the section 'About the report' on page 1 of the Report. The combined sustainability performance of Uralkali and Silvinit is disclosed to provide stakeholders with a basis for comparison and assessment of the consequences of the acquisition of Silvinit by Uralkali that was completed on 17 May 2011. The combined performance is presented as though the acquisition took place on 1 January 2010.

The objective of our engagement was to provide a limited level of assurance that the information in the Report is, in all material aspects, a reliable and sufficient representation of sustainability policies, activities, events and combined performance of Uralkali and Silvinit.

As defined in the International Framework for Assurance Engagements issued by International Federation of Accountants (hereinafter 'IFAC'), evidence-gathering procedures in order to obtain limited assurance are substantially less in scope than procedures to obtain reasonable assurance and consequently do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement.

## Criteria

We have assessed the Report against the GRI Sustainability Reporting Framework (hereinafter 'GRI Framework'), including version 3.0 of the Sustainability Reporting Guidelines (hereinafter 'GRI G3.0 Guidelines') and sustainability reporting principles of Uralkali which are identical to the reporting principles contained in the GRI G3.0 Guidelines as set out in the section 'About the report' on page 1 of the Report. We believe that these criteria are appropriate given the purpose of our assurance engagement.

## Responsibility of the Management of Uralkali

The management of Uralkali is responsible for the preparation of the Report and the information contained therein, including any combined information. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of a sustainability report that is free from material misstatements, selecting and applying appropriate reporting principles and using measurement methods and estimates that are reasonable in the circumstances. The choices made by the management, the scope of the Report and the reporting principles and basis of presentation of the combined sustainability performance, including any inherent limitations that could affect the reliability of information, are set out in section 'About the report' on page 1 of the Report.

## Our Responsibility

Our responsibility in performing this assurance engagement is to express conclusions with regard to the information in the Report.

We have performed our engagement in accordance with International Standard on Assurance Engagements 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000), issued by IFAC.

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We have performed the procedures deemed necessary to provide a basis for our conclusions.  
Our principal procedures consisted of the following:

- Interviews with representatives of Uralkali’s Board of Directors and management responsible for its sustainability policies, activities and relevant reporting,
- Analysis of key documents related to Uralkali’s sustainability policies, activities and relevant reporting,
- Benchmarking of the Report against sustainability reports of selected international potash producers,
- Review of a selection of corporate and external publications with respect to Uralkali and Silvinit sustainability policies, activities and events in the reporting period,
- Identification of material issues based on the procedures described above and analysis of their reflection in the Report,
- Review of data samples regarding human resources, environmental, health and safety, and charitable activities for key indicators as well as data collection and combination processes to assess whether these data have been collected, prepared, collated, combined on the basis stated, and reported appropriately,
- Visits to Uralkali offices in Moscow, Berezniki and Solikamsk in order to gather evidence supporting the assertions made in the Report on sustainability policies, activities, events and combined performance of Uralkali and Silvinit,
- Collection on a sample basis of evidence substantiating the qualitative and quantitative information included in the Report,
- Assessment of the Report’s compliance with the sustainability reporting principles used by Uralkali, and
- Assessment of compliance of information and data disclosures in the Report with the requirements of B+ Application level of GRI G3.0 Guidelines.

### Conclusions

Based on our work performed, nothing has come to our attention that causes us to believe that the information in the Report, in all material aspects, does not provide reliable and sufficient representation of sustainability policies, activities, events and combined performance of Uralkali and Silvinit in accordance with GRI Framework and sustainability reporting principles of Uralkali.

Nothing has come to our attention that causes us to believe that the Report does not meet the requirements of B+ Application Level of GRI G3.0 Guidelines.

*Ernst & Young (CIS) B.V.*

Moscow  
10 September 2012

# Glossary

AR	Absentee rate
Berezniki-1	Berezniki-1 plant
Berezniki-2	Berezniki-2 mine and plant
Berezniki-3	Berezniki-3 plant
Berezniki-4	Berezniki-4 mine and plant complex
BBT	Baltic Bulk Terminal, St. Petersburg, Russia
BPC	Belarusian Potash Company, marketing joint venture organisation of Uralkali and Belaruskali
CSR	Corporate social responsibility
FAS	Federal Antimonopoly Service
FCA	Free Carrier
FIFR	Work-related fatal injury frequency rate
GDR	Global Depositary Receipt
GRI	Global Reporting Initiative
KPI	Key performance indicator
HSE	Health, safety and environment
LDR	Lost day rate
LSE	London Stock Exchange
LTIFR	Lost time injury frequency rate
ODR	Occupational disease rate
Solikamsk-1	Solikamsk-1 mine and plant
Solikamsk-2	Solikamsk-2 mine and plant
Solikamsk-3	Solikamsk-3 mine and plant
Working Group	CSR Committee under the CEO



# CONTACTS

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