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## **Memorandum**

**Re: Items 10, 11, 16 and 17 of the agenda of the annual general shareholders meeting of OJSC “Uralkali”**

10. Approval of interrelated transactions – Deeds of Indemnity – executed between each member of the Board of Directors of OJCS “Uralkali” and OJSC “Uralkali” as interested-party transactions.
11. Approval of interested-party transactions which may be concluded in the course of normal business of OJSC “Uralkali” (in compliance with paragraph 6 article 83 of the Federal Law “On Joint Stock Companies”).
  
16. Determination of the price of insurance services under directors and officers liability insurance policies of OJSC “Uralkali”.
17. Approval of directors and officers liability insurance transactions of OJSC “Uralkali” as interested-party transactions.

The Regulations on Remuneration and Reimbursement of the Members of the Board of Directors of OJSC “Uralkali” (hereinafter the Regulations on Remuneration) contain provisions concerning the obligation of OJSC “Uralkali” (hereinafter the Company) to insure the property interests of the members of the Board of Directors against any losses which may be incurred in connection with the official duties of the Board members including the costs of defense, investigation costs and awarded damages.

The new Code of corporate governance recommended by the regulator – Bank of Russia (Vestnik of the Bank of Russia dated 18.04.2014 # 40) states the following: it is necessary to take into account that corporate oversight is a complicated process where it is possible that the decisions of the governance bodies of the company, adopted reasonably and in good faith, may turn out to be wrong and result in negative consequences for the company.

Accordingly, the companies are recommended to finance the liability insurance of the members of the board of directors from their own funds. In this case if the Company or third parties suffer losses through the actions of Board members, these losses may be compensated by the insurance company.

Directors and officers liability insurance has been successfully practiced in many countries for many years. This type of insurance enables companies to avoid possible financial problems which may be caused by the errors of the officers and directors of the company while acting in their official capacity.

Modern D&O insurance not only helps to avoid financial losses as a result of management errors, but serves as an indicator of the high status of the Company as an organization which is trusted by foreign investors and partners.

OJSC “Uralkali” has been taking out directors and officers liability policies for many years. Every year the Company executes a Corporate Guard Directors & Officers Liability Insurance (D&O). The annual general shareholder meeting is asked to approve the D&O Agreement for a period from 25 July 2014 until 24 July 2015.

The insurance premium under the D&O Agreement is in compliance with the current market conditions established by the leading international and Russian insurance companies for public Russian companies whose securities are traded on foreign stock exchanges.

The shareholders are asked to approve the principal terms and conditions of the D&O agreement, which is standard practice for the company.

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The Regulations on Remuneration also provide for a possibility to conclude Deeds of Indemnity between the Company and each member of the Board of Directors (hereinafter the Deed of Indemnity) in connection with

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any actions, investigations, cases of material liability and claims which may be made against Board members or Board committee members while acting in their official capacity as the directors of the Company.

Such agreements are also common practice in most world countries and provide directors with additional guarantees that their property interests will be protected. Some jurisdictions make it possible to conclude such agreements (Deeds of Indemnity) without limitations as to the amount of liability, assuming that the company will compensate its directors for any and all expenses incurred in connection with their capacity as directors.

At the annual general shareholder meeting held on 04 June 2013 the Deeds of Indemnity with all Board members were approved by the shareholders. The indicated transactions need to be approved once again due to the requirements of the Russian legislation. In view of the fact that a new candidate has been nominated for election to the Board of Directors and if he is elected to the Board, the Company must provide him with all the rights and guarantees already enjoyed by the other members of the Board of Directors. However, due to the fact that the Deed of Indemnity between the Company and the new director may be deemed by the Russian law as a transaction which is interrelated with previously concluded analogous transactions, the Company must have the price of the transaction (interrelated transactions) and the transactions themselves approved by the shareholders once again.

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**For information:**

**CJSC “AIG”** (former CJSC “Chartis” which was re-named AIG, CJSC in November 2012) (Insurer under the D&O Policy and Co-Insurer under the POSI Policy). Represented in the Russian market for more than 15 years.

OJSC “Uralkali” has been working with this insurer in various types of insurance for more than 9 years.

- One of the global leaders in the sphere of personal and property insurance (other than life insurance)
- More than 90-year experience in the sphere of insurance
- Geography of business: more than 90+ years in insurance in 100+ countries
- Serves more than 70+ million clients worldwide
- Listed among the Forbes TOP 2000 largest global public companies (Global 2000, 2011), the parent company is ranked in 38 place for turnover, 18 place for profitability and 49 place for own assets
- In the 9 months of 2012 the revenue of AIG, Inc. amounted to 17.6 billion US dollars which is 39% higher than in the same period last year (12.7 billion US dollars). Net profit after taxes – 1.856 billion US dollars

**AIG awards and achievements:**

- «CyberEdge – best innovative product », Mena Insurance Review Award, 2013
  - «Best technologies in the sphere of risk analysis and assessment », Celent, 2012
  - «Consumer’s choice », Business Insurance, December 2011
  - «Award in the sphere of innovative solutions », Business Insurance, 2012
  - «Best international insurance company », Euromoney, 2010
  - «Best company in the sphere of cargo and property insurance », Business Insurance, 2010
  - «Best company in the sphere of liability insurance », Business Insurance, 2010
  - «Best customer-oriented company », StrategicRISK, 2010
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