

APPROVED:

By the Board of Directors of OJSC “Uralkali”,  
Minutes of the meeting of the Board of Directors No.  
179 dated 16 April 2006

## **REGULATIONS**

On the system of internal control of the financial and economic activity of the  
Open Joint Stock Company “Uralkali”

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## 1. General provisions

1.1. These Regulations on the system of internal control of the financial and economic activity (hereinafter the *Regulations*) regulate the procedures of internal control in the Open Joint Stock Company “Uralkali” (hereinafter the *Company*).

1.2. Main terms used in the Regulations:

**Internal control** – a system of procedures conducted by the Board of Directors, executive or control bodies, officers or other employees of the Company in order to ensure that the economic activity of the Company is productive and efficient, that all types of reports and statements of the Company are reliable and truthful and that the Company complies with the with the requirements of the legislation and the internal documents of the Company.

**System of internal control** is an integral part of the governance system of the Company which enables the Company to adopt decisions which help to improve the operations of the Company and to promptly identify, prevent and reduce any operational or financial risks.

**Business process** – a sequence of interrelated actions (combinations of operational steps and management tools) aimed at achieving particular goals.

**Owner of business process** – an officer of the Company who has at his/her disposal the staff, infrastructure, software and hardware and information related to the business process, and who manages the course of the business process and is responsible for the productivity and effectiveness of the business process at all its stages and who is responsible for the efficiency and proper functioning of the systems of internal controls within the framework of a particular business process. Owners of business processes are appointed under the Order of the General Director of the Company. In order to motivate the owners of business processes, effective maintenance of the system of internal control within a particular business process is included on the list of key performance indicators for the indicated business process owners.

**Control procedures (controls)** – actions taken by the employees of the Company in order to prevent the occurrence of risks.

**Risk** – a probable event or action which may negatively impact the ability of the business to achieve its goals or to successfully realize the strategy of the Company.

1.3. In order for the system of internal control to function properly and effectively and in order to detail its procedures, the Board of Directors of the Company approves the following documents:

- Policy of organization of the system of internal control in the Company;
- Procedure of testing the system of internal control for the business processes of the Company;
- Regulations on the assessment of the owners of business processes in order to improve the quality of the system of internal control in the Company;
- Approach to the description of business processes and the development of matrixes of risks and controls;
- Regulations on the assessment of operational risks and the risks of misrepresentation and distortion of financial statements and control procedures.

## 2. Purpose of the system of internal control

2.1. The system of internal control in the Company has the following purposes:

- Prompt identification and analysis of risks;
- Ensuring reliability of the financial and management information contained in the statements of the Company;
- Fulfillment of financial and economic plans and budgets of the Company;
- Ensuring the safety of the assets of the Company and effective utilization of the resources of the Company;

- Ensuring efficiency and cost-effectiveness of operations;
- Compliance with the requirements of the current legislation and internal procedures established in the Company.

2.2. Internal control is exercised through the following procedures:

- Organization of the system of collection, processing and transfer of information including the generation of reports and statements which contain operational, financial and other information on the Company;
- Development and implementation of measures whose purpose is to improve the effectiveness of the system of internal control in the Company;
- Testing and audit of the system of internal control within various business processes of the Company with further assessment of the effectiveness of the system of internal control.

### **3. Objectives of the system of internal control**

3.1. The main objectives of the system of internal control in the Company are:

- Organization of permanent and periodic control of financial and economic operations of the Company in order to confirm that the indicated operations serve the best interest of the Company;
- Protection of the assets of the Company;
- Independent assessment and analysis of the financial position of the Company;
- Permanent and periodic control to ensure the Company's compliance with the legislation and other regulatory norms, the decisions of the General Meeting of shareholders of the Company, the decisions of the Board of Directors and the executive bodies of the Company.
- Identification and assessment of risks for the Company's business processes which have significant importance;
- Monitoring of the system of internal control which makes it possible to identify all significant aspects which impact the system's reliability;
- Development and deployment of control procedures which enable the Company to minimize or eliminate risks in business processes.

### **4. Organization of the system of internal control**

4.1. The system of internal control is based on the segregation of the competences of the bodies and individuals who are part of the system of control of financial and economic activity of the Company and who are charged with the development, approval, application and assessment of the effectiveness of the procedures of internal control:

- The executive bodies of the Company together with the Internal Audit Department develop the documents related to internal control procedures.
- The developed documents on internal control procedures are approved by the Board of Directors of the Company.
- The executive bodies of the Company apply the procedures of internal control in the Company.

4.2. The Internal Audit Department submits reports on the results of inspection of the current internal control procedures in significant business processes to the Board of Directors of the Company and, if necessary, proposals to improve the current internal control procedures which are developed in cooperation with the executive bodies of the Company.

4.3. The Audit Committee of the Board of Directors reviews the information submitted by the Internal Audit Department, evaluates the effectiveness of the procedures of internal control and reviews the proposals to improve the current internal control procedures.

4.4. The proposals to improve the current internal control procedures approved by the Audit Committee are then reviewed by the Board of Directors of the Company.

## **5. Maintenance of the system of internal control**

5.1. The system of internal control is maintained by the owners of business processes in the Company. The Internal Audit Department monitors the organization of the system of internal control by the owners of business processes.

5.2. In order to properly maintain the system of internal control, the owners of business processes must do the following:

- Make sure that the documents related to each business process are regularly updated;
- Annually re-evaluate the risks and control procedures for particular business processes;
- Develop and execute Corrective Action Plans in order to improve the effectiveness of the system of internal control within a particular business process.

5.3. In order to monitor the maintenance of the system of internal control, the Internal Audit Department must do the following:

- Initiate the process of annual re-evaluation of risks and controls for the business processes of the Company, including the preparation of the matrix of assessment criteria for the Company's operations risks for a year;
- Evaluate the owners of business processes in order to determine whether the system of internal control is effectively maintained;
- Test and audit the system of internal control for business processes during the course of each calendar year.

## **6. Final provisions**

6.1. These Regulations are approved by the Board of Directors of the Company.

6.2. These Regulations may be amended by the Board of Directors of the Company.

6.3. If certain provisions of these Regulations come to contradict the provisions of the legislation of the Russian Federation or the Charter of the Company due to any changes of the legislation or the Charter of the Company, those provisions of these Regulations that are not contradictory remain valid and applicable.