

APPROVED
by the Board of Directors
of JSC Acron on June 01, 2005
Minutes No. 245.

**Code on Corporate Governance
of JSC Acron**

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Introduction

JSC Acron (hereinafter – the Company) is one of the largest Russian and world mineral fertilizers producers.

The Company sets its main objective to provide consumers with mineral fertilizers, corresponding to the world quality standards, produced on the basis of technologies guaranteeing industrial safety and environmental protection with economic efficiency, providing for the growth of shareholders' welfare and favourable social working conditions of the personnel.

The Company considers corporate governance as a means to increase effectiveness of the Company's activity, improve its reputation and reduce expenses connected with fund-raising.

The Code on Corporate Governance of the Company (hereinafter – the Code) is one of the most important instruments to implement the Company's mission. The Company assumes a voluntary obligation to follow in its activity the principles and rules of corporate governance stated herein.

The Code is adopted in order to perfect and systematize the principles and rules of corporate governance applied in the Company's everyday activity and facilitating the Company's successful development, which is, first of all, increase of the Company's profit and growth of its capitalization, observance of the rights and legitimate interests of all shareholders, forming the Company's positive image among shareholders and other interested persons (hereinafter the Company's employees, counteragents, lenders, investors, public and local authorities being referred to as "other interested persons").

Provisions hereof correspond to internationally recognized standards presupposing both absolute observance of the legislation requirements and observance of the best practice standards of corporate governance and ethical norms. The present Code is elaborated on the basis of principles of corporate governance of the Organization for Economic Cooperation and Development (OECD), provisions of the Russian Code on Corporate Behaviour, which is a national best practice standard of corporate governance.

The present Code is a code of voluntarily assumed obligations based on taking into account in a balanced way the interests of the Company's shareholders and other interested persons, as well as the Company's management and control authorities.

The development of corporate governance practice in Russia and abroad will determine the Company's aspiration to perfect provisions of the present Code, the Charter and internal documents of the Company and to apply these provisions in the Company's corporate governance practice.

1. Principles of corporate governance

- 1.1. For the purposes of the present Code corporate governance shall be understood as a system of rules, in accordance with which relations between the Company, its management and control authorities, the Company's shareholders and other interested persons shall be regulated.
- 1.2. The Company aspires to develop corporate relations in accordance with principles of corporate governance, providing:
 - shareholders with a real possibility to exercise their rights connected with the participation in the Company;
 - equal attitude to shareholders owning an equal number of shares of one type (category), including minority and foreign shareholders;
 - strategic management of the Company's activities by the Board of Directors of the Company and its effective control over the activity of the Company's executive bodies, as well as accountability of members of the Board of Directors of the Company to its shareholders;
 - management of the Company's current activity by the Company's executive bodies for the purposes of providing for its long-term stable development and receipt by shareholders of the benefit from this activity, accountability of the executive bodies to the Board of Directors of the Company and its shareholders;
 - timely disclosure of full and reliable information on the Company for the purposes of providing for a possibility to adopt justified decisions by the Company's shareholders and investors;
 - effective control over the financial and economic activity of the Company for the purpose of protecting shareholders' rights and legitimate interests;
 - observance of rights and legitimate interests of other interested persons.
- 1.3. The Company considers it necessary to perfect corporate relations in affiliated and dependent companies and aspires to implement contemporary principles of corporate governance and provisions hereof in the practice of their activity.

2. General shareholders' meeting

- 2.1. The procedure of preparation, convening and holding of the Company's general shareholders' meeting (hereinafter – a general meeting) shall be regulated by the legislation of the Russian Federation and the Company's Charter.
- 2.2. The procedure of holding a general meeting shall provide an equal attitude to all shareholders, shall not violate their rights and legitimate interests and shall not be too expensive and complicated.
- 2.3. Since the holding of a general meeting provides the Company with a possibility to inform shareholders of its activity at least once a year, achievements and plans and engage them in discussion and adoption of resolutions on the most important issues of the Company's activity, the Company aspires to permanently improve the practice of preparation, convening and holding of a general meeting.
- 2.4. The Company shall observe requirements of the legislation of the Russian Federation regarding the terms of forwarding a notice on holding a general meeting and the contents of such notice.
- 2.5. Notices on holding a general meeting shall be forwarded to each person indicated in the list of persons entitled to participate in a general meeting by a registered mail.
The Company shall also publish a notice on holding a general meeting in the Novgorod, Novgorodskie vedomosti and Khimik newspapers.
A notice on holding a general meeting placed on the corporate Web site at the address: www.acron.ru shall be an additional means to inform of holding a general meeting.
- 2.6. The Company, on the basis of the fact that exercising of shareholder's rights should not be connected with excessive difficulties when confirming these rights, shall not require a shareholder to provide an excerpt from the registry system.
- 2.7. The Company shall provide the persons included into the list of persons entitled to participate in a general meeting and possessing not less than 1 percent of votes with a possibility to get acquainted with such a list, starting from the date of forwarding a notice on holding a general meeting.
The Company shall provide shareholders with a possibility to receive excerpts from the list of persons entitled to participate in a general meeting, as well as statements on non-inclusion into the list, starting from the date of the notice on holding a general meeting.
- 2.8. The Company shall observe requirements of the Russian Federation legislation regarding the information (materials) to be provided to the persons entitled to participate in a general meeting and required to adopt justified and balanced decisions on the items on the agenda of a shareholders' meeting.
The Company shall place the information provided to the persons entitled to participate in a general meeting on the corporate Web site at the address: www.acron.ru
The provided information shall be also available during a general shareholders' meeting.
- 2.9. Access to the information (materials) to be provided to the persons entitled to participate in a general meeting shall be provided by the Company's executive bodies and the Company's Corporate secretary. The information (materials) should be available to the persons entitled to participate in a general meeting to get acquainted in the room of the Company's executive body. Upon request of a person entitled to participate in a general meeting, the Company shall provide such person with copies of the said documents within 5 days from the date when the Company received the corresponding request.
- 2.10. When determining the agenda of a general meeting the Company shall formulate items on the agenda so that to avoid their different or ambiguous interpretations.
- 2.11. The Company, providing shareholders with a real and easy possibility to take part in a general meeting, shall provide for the accessibility of the venue and convenience of time of a general meeting.

An annual general meeting shall be held in the Company's location not earlier than at 9 a.m. and not later than at 10 p.m. (local time).

- 2.12. When carrying out registration of participants of a general meeting the Company shall provide all participants entitled to participate in it with a possibility to go through this procedure.

The registration procedure of participants of a general meeting shall be determined by the internal document of the Company – the Regulations for the counting commission of JSC Acron.

- 2.13. The Company shall make efforts to provide for the presence at a general shareholders' meeting of members of the Board of Directors, the President (General Director), members of the Board of Administration of the Company, the Company's auditor and members of the audit commission of the Company, as well as provide shareholders with a possibility to ask the indicated persons questions.
- 2.14. For the purposes of observance of shareholders' rights when tallying the voting results at a general meeting observers from among shareholders, their representatives and other persons shall control the activity of labour bodies of a general meeting.
- 2.15. The Company aspires so that the procedure of holding a general meeting should guarantee a reasonable equal opportunity to all shareholders present at a general meeting to express their opinion and ask questions regarding the agenda.
- 2.16. For the purposes of avoiding doubts in the correctness of tallying the voting results, resolutions adopted by a general meeting, as well as the voting results shall be announced before the end of a general meeting.
- 2.17. A repeated general meeting convened instead of a meeting not held shall be legally qualified (have quorum), if shareholders, possessing in total not less than 30 percent of the Company's placed voting shares took part in it.

3. Board of Directors of the Company

- 3.1. The Board of Directors of the Company shall carry out general strategic management of the Company's activity except solution of the issues referred by the Federal law "On Joint Stock Companies" to the competence of a general meeting for the purposes of providing for the rights and legitimate interests of the Company's shareholders, dynamic development and increase of the Company's profit.
- 3.2. The Board of Directors of the Company shall carry out its activity in accordance with the legislation of the Russian Federation, the Company's Charter and the internal document of the Company – the Regulations for the Board of Directors of JSC Acron.
- 3.3. The Board of Directors shall determine priority directions of the Company's activity, approve the Company's strategy and control their realization.
- 3.4. The Board of Directors of the Company shall provide for effective activity of the Company's executive bodies, inter alia by means of carrying out control over their activity, including monitoring and evaluation of such activity.
- 3.5. The Board of Directors of the Company consists of five members, which is stipulated in the Company's Charter and the Regulations for the Board of Directors of the Company.
- 3.6. Members of the Board of Directors of the Company shall have knowledge and experience necessary for the effective operation of the Board of Directors of the Company and complete fulfillment of functions by members of the Board of Directors of the Company, inter alia, in the sphere specific for the Company's activity, as well as are in the confidence of shareholders and possess enough time to exercise their functions.
The Company will aspire to determine specific demands to members of the Board of Directors of the Company in the Regulations for the Board of Directors of the Company.
- 3.7. The Company shall observe regulations of the Russian Federation with respect to the demands to members of the Board of Directors. Thereat members of the Board of Administration of the Company shall make not more than one fourth of members of the Board of Directors of the Company.
- 3.8. Members of the Board of Directors of the Company shall act for the benefit of the Company irregardless of the fact who nominated them and which shareholders voted for their election.
- 3.9. Members of the Board of Directors of the Company should refrain from actions, which will lead or be potentially capable to lead to a conflict between their interests and the Company's interests, and in case of such a conflict – to disclose information on it to the Board of Directors of the Company.
- 3.10. Members of the Board of Directors of the Company shall be obliged to disclose information on possession of the Company's securities, as well as on sale and (or) purchase of the Company's securities.
- 3.11. Meetings of the Board of Directors of the Company can be held in presence (joint presence) or absentee voting (by means of questionnaires).
The form of holding meetings of the Board of Directors of the Company shall be determined by an importance of items included into the agenda of a meeting. Most meetings of the Board of Directors of the Company shall be held in presence.
The Company will aspire so that only at meetings of the Board of Directors of the Company held in presence resolutions will be adopted on the most important issues referred to the competence of the Board of Directors of the Company, inter alia:
- determination of the priority directions of the Company's activity;
 - election and re-election of the Chairman of the Board of Directors of the Company;
 - establishment of the Company's executive bodies and termination of their powers before the appointed time;
 - remittance to a general meeting of suggestions on the Company's reorganization.

3.12. Provision to members of the Board of Directors of the Company of the information required to adopt resolutions on the items included into the agenda of a meeting of the Board of Directors of the Company and they shall be informed of the agenda of the meeting and notified of a meeting of the Board of Directors of the Company within not later than 3 calendar days prior to the date of the meeting.

A notification of holding a meeting of the Board of Directors of the Company, informing of the agenda of the meeting and provision of the necessary information shall be forwarded to members of the Board of Directors of the Company by means of post, telephone, electronic and other communication.

3.13. For the purposes of preliminary consideration of the most important issues referred to the competence of the Board of Directors of the Company, standing and provisional committees can be established in the Board of Directors of the Company.

3.14. Should the Chairman of the Board of Directors of the Company be unable to fulfill his/her duties, there is a procedure of providing for succession in the Company.

3.15. Remuneration may be paid and expenses connected with fulfillment of their duties may be reimbursed to members of the Board of Directors of the Company during the period when they fulfill their duties.

The Company shall aspire so that the amount of the remuneration paid to a member of the Board of Directors of the Company should correspond to his/her contribution to the results of the Company's activity and be determined on the basis of the evaluation of the work of a member of the Board of Directors of the Company.

The evaluation procedure of the activity of the Board of Directors of the Company and the work of a member of the Board of Directors of the Company shall be determined by the corresponding internal documents of the Company.

4. Executive bodies of the Company

- 4.1. For the purposes of providing for the management of the Company's current activity the Board of Directors of the Company shall establish a collegial executive body of the Company (the Board of Administration) and appoint a sole executive body of the Company (President (General Director)).
- 4.2. The President (General Director) and the Board of Administration of the Company shall be accountable to the Board of Directors of the Company and a general meeting and carry out their activity in accordance with the legislation of the Russian Federation, the Charter and internal document of the Company – Regulations for the Board of Administration of JSC Acron.
- The President (General Director) shall organize and provide for the fulfillment of the resolutions of a general meeting, the Board of Directors of the Company and the Board of Administration of the Company.
- 4.3. Members of the Board of Administration of the Company shall be appointed by the Board of Directors of the Company as advised by the President (General Director), basing on the necessity to provide for the most effective fulfillment of functions imposed on the Company's executive bodies and adoption of justified and balanced decisions on the issues referred to the competence of the Company's executive bodies.
- 4.4. The President (General Director) and members of the Board of Administration of the Company shall be obliged to act for the benefit of the Company in good faith and reasonably, as well as to be loyal to the Company.
- The President (General Director) and members of the Board of Administration of the Company should refrain from actions, which will lead or be potentially capable to lead to a conflict between their interests and the Company's interests, and in case of such a conflict – to disclose information on it to the Board of Directors of the Company.
- 4.5. The President (General Director) and members of the Board of Administration of the Company shall be obliged to disclose information on possession of the Company's securities, as well as on sale and (or) purchase of the Company's securities.
- 4.6. The division of competence between the President (General Director) and the Board of Administration of the Company shall be regulated by the Company's Charter and the Regulations for the Board of Administration of the Company.
- The Company assumes that solution of issues, which are not within the framework of the Company's normal economic activity, and issues, which, despite being within the framework of the Company's normal economic activity, exert significant influence on the Company or require a collegial approval, should refer mainly to the competence of the Board of Administration of the Company.
- 4.7. The following issues are, in particular, within the competence of the Board of Administration of the Company:
- approving perspective plans of the Company's operation, including business plans of the Company;
 - considering and drawing-up recommendations on the main issues of the current economic activity of the Company;
 - coordinating the work of organization departments and their effective interaction;
 - forming the production program and determining production volumes;
 - considering and drawing-up recommendations on organizing fulfillment of the Company's social development program.
- 4.8. The Board of Administration of the Company shall hold regular meetings. The procedure of holding meetings of the Board of Administration of the Company shall be regulated by the Regulations for the Board of Administration of the Company.
- A notice of a meeting of the Board of Administration of the Company, the agenda of the meeting and the necessary information shall be forwarded to the President (General

Director) and members of the Board of Administration of the Company within not later than 3 calendar days prior to the date of the meeting.

4.9. The President (General Director) shall ensure provision of information upon requests of members of the Board of Directors, the Board of Administration and the Company's shareholders, as well as regularly (at least once a quarter) shall provide the Board of Directors of the Company with reports on the Company's activity.

4.10. Should the President (General Director) be unable to fulfill his/her obligations, there is a procedure of providing for the succession in the Company.

4.11. The Company shall aspire that the remuneration of the President (General Director) and members of the Board of Administration of the Company should depend on the results of the Company' activity, fulfillment of the financial and economic plan (budget) of the Company and evaluation of the work of the said persons.

The evaluation procedure of the work of the President (General Director) and members of the Board of Administration of the Company shall be determined in the Company's internal documents.

5. Corporate secretary of the Company

- 5.1. For the purposes of providing for observance by the Company's management bodies and executive officers of the Russian Federation legislation, the Charter and internal documents of the Company, inter alia procedures guaranteeing realization of rights and legitimate interests of the Company's shareholders, the Company shall consider appointment of the Company's Corporate secretary as an important direction of perfection of corporate governance practice.
- 5.2. The Company's Corporate secretary shall be a standing executive officer possessing a necessary professional qualification.
- 5.3. In his/her activity the Company's Corporate secretary shall be governed by the legislation of the Russian Federation, the Charter and internal documents of the Company.
- 5.4. The main functions of the Company's Corporate secretary shall be:
 - participation in providing for the preparation and holding of a general meeting;
 - organizing and providing for the preparation and holding of meetings of the Board of Directors and the Board of Administration of the Company;
 - assistance to members of the Board of Directors of the Company in exercising their functions;
 - the Company's documents custody.

6. Material corporate actions

- 6.1. The Company acknowledges that a number of actions, which can lead to fundamental corporate changes, inter alia to change of shareholders' rights, shall be material corporate actions for the Company.
- 6.2. The following actions of the Company shall be recognized as material corporate actions:
 - settlement of major transactions, transactions settled as per the procedure stipulated for major transactions, as well as interested-party transactions;
 - acquisition of 30 and more percent of the Company's placed ordinary shares (takeover);
 - reorganization and liquidation of the Company;
 - increase or decrease of the Company's charter capital;
 - introducing alterations and addenda to the Company's Charter;
 - establishment and liquidation of the Company's subsidiaries and representation offices.
- 6.3. The Company shall provide shareholders with a possibility to affect material corporate actions by means of establishing a transparent and fair procedure based on due disclosure of information on the consequences, which such actions may have for the Company.
- 6.4. Major transactions and interested-party transactions shall be considered and approved by the Company's corresponding management authorities before their settlement.
- 6.5. Reorganization of the Company (merger, affiliation, division, separation and reorganization) shall be carried out only as per the procedure determined by the Federal law "On Joint Stock Companies", providing for protection of rights and legitimate interests of the Company's shareholders and other interested persons.
- 6.6. In case of the Company's reorganization, providing for share conversion, the share market price and the share conversion ratio shall be evaluated by an independent evaluator.

7. Disclosure of information on the Company

- 7.1. The Company's policy in the sphere of disclosure of information on the Company's activity is based on bringing of this information timely and fully to the notice of the Company's shareholders and other interested persons to the extent required to adopt a balanced decision on participation in the Company or performance of other actions capable to affect the Company's financial and economic activity.
- 7.2. The main principles of information disclosure on the Company shall be:
- regularity and efficiency of providing information on the Company;
 - availability of such information for shareholders and other interested persons;
 - reliability and completeness of contents of this information;
 - providing for the balance between the Company's openness and observance of its commercial interests.
- 7.3. The issues of information disclosure on the Company shall be regulated by the Order of the Company's sole executive body on information disclosure.
- 7.4. Selecting the means of information disclosure, the Company bases on the necessity to provide for unhampered and easy access not involving excess costs of the interested persons to the information disclosed by the Company.
The Company shall disclose information by means of publishing it in a news bulletin of information agencies, as well as in periodic print mass media published in a circulation available for most holders of the Company's securities.
The Company shall attach special importance to the information disclosure on the corporate Web site at the address: www.acron.ru, as the least expensive and most available means of information disclosure on the Company for most shareholders and other interested persons.
- 7.5. The Company shall place on the corporate Web site at the address: www.acron.ru the Charter and internal documents of the Company, regulating the activity of the Company's authorities, the present Code, annual and quarterly reports of the Company, statements on material facts, statements on the data, which may exert material influence on the cost of the Company's securities, information on the Company's affiliated persons, financial statements in accordance with the Russian accounting standards and international standards of financial statements, as well as information on the structure of the Company's management and control authorities, dividend payment on the Company's shares, financial status of the Company and the results of its activity.
- 7.6. The Company shall annually provide shareholders with an annual report. The Company's annual report contains necessary information, allowing shareholders to evaluate the results of the Company's activity for the year.
The Company shall comply requirements of legal normative acts of the Russian Federation in respect of the contents of the Company's annual report, as well as includes additional information, in particular, as follows:
- the Company's strategy;
 - affiliated and dependent companies of the Company;
 - corporate social responsibility of the Company (relations with the population in the Company's location, public and local authorities, counteragents etc.).
- 7.7. For the purposes of protection of confidential information, constituting commercial or official secret, the Company assumes an obligation to provide for non-disclosure of such information, as well as to control the use of insider information.
- 7.8. The Company shall determine a list of data constituting commercial or official secret, the procedure of access to such information.
- 7.9. All members of the Company's managements bodies, officials, employees, counteragents of the Company and other persons who received access to such information shall be obliged to

provide for non-disclosure of confidential information and observe generally accepted rules connected with the use of insider information.

- 7.10. For the purposes of observing the rules of the use of confidential and insider information the agreements with the Company's officials and employees shall include terms on non-disclosure of such information.

8. Control over the financial and economic activity of the Company

- 8.1. The main purpose of control over the Company's financial and economic activity shall be protection of shareholders' investments and assets of the Company.
- 8.2. The Company's audit commission, the Department for internal audit of the Company, as well as an outside auditor of the Company shall control the financial and economic activity of the Company.
- 8.3. The competence of the bodies and persons included into the control system over the financial and economic activity of the Company shall be established by the Charter and internal documents of the Company.
- 8.4. The Board of Directors of the Company shall analyze and evaluate the Company's operating system of internal control at least once a year.
- 8.5. A separate organization department has been established in the Company – the Department for internal audit, the main functions of which shall be:
 - organizing effective audit control over the Company's current activity from the point of view of its compliance with the Russian Federation legislation in force;
 - introducing suggestions aimed at perfection of the internal system of control and information;
 - organizing the Company's audits;
 - control over observance of the established procedure of the Company's accounting.The legal status, tasks, functions, membership and other issues of the activity of the Department for internal audit of the Company shall be determined by the Regulations for the Department of internal audit of JSC Acron.
- 8.6. The Company's audit commission shall be elected for the term till the next annual general meeting and shall carry out its activity on the basis of the legislation of the Russian Federation, the Company's Charter and the Company's internal document – the Regulations for the audit commission of JSC Acron.
- 8.7. The Company's audit commission shall carry out audits of the Company's financial and economic activity.

The Company's audit commission shall inform a general meeting of the results of carried out audits. The Board of Directors and the Board of Administration of the Company are entitled to get acquainted with the results of audits of the Company's financial and economic activity carried out by the Company's audit commission.
- 8.8. The Company shall annually engage an outside auditor not bound with property interests with the Company, members of the Company's management bodies or its shareholders, for the purposes of audit and confirmation of the correctness of annual financial statements.

9. Dividends

- 9.1. The Company assumes the necessity to establish a transparent procedure comprehensible for shareholders to determine the amount of dividends and their payment.
- 9.2. The Company shall pay declared dividends in cash.
- 9.3. The Company aspires to allocate for the dividend payment not less than 25 percent of the Company's net profit.
- 9.4. Dividends shall be paid not later than within the term determined by the Company's Charter.

10. Settlement of corporate conflicts

- 10.1. Carrying out by the Company of entrepreneurial activity, successful solution of tasks and achievement of goals set before the Company shall be possible only if there are conditions to prevent and settle corporate conflicts – conflicts between the Company and its shareholders, as well as between shareholders, if such conflict affects the Company's interests.
Prevention and settlement of corporate conflicts in the Company *pari passu* allows protecting rights and legitimate interests of the Company's shareholders and providing for property interests and business reputation of the Company.
- 10.2. The Company aspires to prevent potential corporate conflicts, as well as settle arising corporate conflicts at the earliest possible stages.
- 10.3. In the course of settlement of a corporate conflict the Company shall be governed by provisions of the legislation of the Russian Federation.
- 10.4. Upon consent of the Company's shareholders, being Parties to a corporate conflict, the Company's management bodies (their members) may participate in negotiations between shareholders, provide shareholders with the information and documents relating to the conflict, which they have at their disposal, explain provisions of the legislation of the Russian Federation and the Company's internal documents, give advice and recommendations to shareholders, prepare draft documents on settlement of conflicts for their signing by shareholders, on behalf of the Company within their competence assume obligations before shareholders to the extent, which may facilitate settlement of the conflict.
- 10.5. Should a corporate conflict arise between the Company's shareholders, which can affect the interests of the Company itself or its other shareholders, the Company's management body responsible for examination of this dispute shall decide the issue whether this dispute affects the interests of the Company or its other shareholders and whether its participation will facilitate settlement of a corporate conflict.
- 10.6. For the purposes of observance of shareholders' rights and prevention of corporate conflicts the shareholders' applications shall be considered and measures aimed at prevention and settlement of corporate conflicts shall be taken by the Corporate secretary of the Company.

Final provisions

11.1. The present Code, as well as alterations and addenda hereto shall enter into force upon approval by the Board of Directors of the Company.

11.2. The Board of Directors of the Company at its meetings shall periodically consider issues of observance hereof.

11.3. The issues not considered herein shall be regulated by the legislation of the Russian Federation, the Charter and internal documents of the Company.

Should there be contradictions between the legislation of the Russian Federation and the corresponding provisions hereof, provisions of the legislation of the Russian Federation shall be applied.