

APPROVED
by the General Shareholders' Meeting
of Joint-Stock Company
Chelyabinsk Zinc Plant
on August 18, 2006 (Minutes w/n)

PROVISIONALLY APPROVED
by the Board of Directors
of Joint-Stock Company
Chelyabinsk Zinc Plant
on June 1, 2006 (Minutes dated June 1, 2006)

CORPORATE GOVERNANCE CODE

*of Joint-Stock Company
Chelyabinsk Zinc Plant*

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1. INTRODUCTION

Joint-Stock Company Chelyabinsk Zinc Plant (hereinafter the “Company”). The plant was established in 1935. It is the largest producer of zinc and zinc alloys in Russia and the C.I.S. The Company’s production capacity is up to 200,000 MT of zinc per year. The plant currently produces about 2% of world production and around 60% of Russian domestic production of zinc. The Company’s range of products also includes cadmium, indium, sulfuric acid, and zinc sulfate.

The Company’s aim in adopting the Corporate Governance Code (the “Code”) is to establish and introduce the principles and rules of corporate governance into the Company’s day-to-day business in order to facilitate the successful development of the Company, first and foremost by ensuring long term prospects for the Company’s development and growth in capitalization, observing the rights and lawful interests of all shareholders, and fostering a positive corporate image among shareholders, employees, customers, potential investors, professionals in the securities market, and other interested parties.

The Code is a body of obligations taken on voluntarily that balances the interests of the Company, shareholders of the Company, and other interested persons.

The principles and rules embodied in the Code ensure that management and supervisory bodies within the Company function at a higher level, and that a higher level of business culture and Company ethics are observed than provided for in applicable Russian law.

2. PRINCIPLES OF CORPORATE GOVERNANCE

Corporate governance is a set of principles, rules and guidelines governing how the mechanisms of management and control operate in respect of the relations between Company shareholders, the Company's Board of Directors, the Company's executive bodies and other interested parties (creditors, partners, clients, employees, etc.). The Company undertakes to develop corporate relations in accordance with principles ensuring that:

- Company shareholders have a real opportunity to exercise their rights in relation to the Company;
- shareholders are treated equally regardless of the number of shares held;
- the Board of Directors exercises strategic management of the Company's business and has effective control over the executive bodies of the Company, and that the Board of Directors of the Company is accountable to shareholders;
- the executive bodies of the company are able to manage the day-to-day activities of the Company reasonably, in good faith and solely in the interests of the Company, and that executive bodies report to the Board of Directors of the Company and the shareholders;
- full and accurate information about the Company is disclosed in a timely manner to enable Company shareholders and investors to make informed decisions;
- the statutory rights of Company employees are taken into account and a collaborative relationship develops between the Company and its employees with a view to implementing a Company social policy and improved working conditions;
- active cooperation is encouraged between the Company and interested persons with a view to increasing the assets of the Company and the value of its shares and other securities;
- efficient control is exercised over the financial and business operations of the Company in order to protect the rights and lawful interests of shareholders and investors.

3. RIGHTS OF COMPANY SHAREHOLDERS

The sum total of rights vesting in the shareholders of the Company must be protected, in the first instance, by the board of directors of the Company and the Company's executive bodies. The Company shall ensure that shareholders are able to exercise their right to take part in the management of the Company and in taking decisions on the major issues relating to Company business. The Company shall together with an independent registrar take measures to ensure the protection of title to shares by creating a reliable and efficient system of recording title to shares.

Company policy shall always be aimed at providing timely and extensive information to shareholders about the Company to allow them to make balanced decisions on how best to dispose of their shares.

The Company shall acknowledge the right of shareholders to receive dividends, and shall aim to ensure that the way they are paid best meets the needs of shareholders in exercising their right to receive same. For their part, Company shareholders should not abuse their privileges and commit actions with malicious intent to inflict harm on other shareholders or the Company.

4. GENERAL SHAREHOLDERS' MEETING

The procedure for preparing and convening a general shareholders' meeting of the Company is set forth in the Company Charter and the Company by-law *Regulations on the General Shareholders' Meeting of the Company*.

The Charter and the Regulations on the General Shareholders' Meeting of the Company establish a procedure for conducting a general shareholders' meeting that guarantees equal treatment of all shareholders, the opportunity for shareholders to properly prepare for a meeting, and the provision of all available information to shareholders to allow them to make informed and balanced decisions at the meeting.

Notice of the general shareholders' meeting must be given not later than 30 days before the meeting. If the proposed agenda of an extraordinary shareholders' meeting includes the election of members of the Board of Directors or an item on restructuring of the Company in the form of a merger, spin-off or division, and an item on election of the board of directors of a company restructured in the form of a merger, spin-off or division, notice of the extraordinary general meeting must be given not later than 70 days prior to the meeting. The Company complies with the requirements of Russian law regarding the contents of the notice of the general shareholders' meeting, and specifies a time for the start of registration of persons taking part in the general shareholders' meeting. The notice of the general shareholders' meeting shall be forwarded to each person included in the list of persons entitled to take part in the general shareholders' meeting by registered mail or delivered personally to each person against a signature.

The Company shall also post the relevant details of the forthcoming general shareholders' meeting on the company website at: www.zinc.ru. The Company may also inform shareholders of the forthcoming general shareholders' meeting through the mass media (press, television, radio).

The Company shall allow shareholders holding at least one percent of voting shares to familiarize themselves with the list of persons entitled to take part in a general shareholders' meeting. In this case the personal details and postal addresses of individuals included in such list shall be made available only upon the consent of such persons.

Pursuant to the Company Regulations on Information Policy the Company may, in addition to the list of information to be made available by law to shareholders in connection with the preparation for a general shareholders' meeting and as required, provide additional information to enable shareholders to gain a fuller picture of the company's operations and make informed and sound decisions on items of the agenda. To provide an opportunity for shareholders to receive responses to any questions they may have, the Company shall seek to arrange for members of the Board of Directors, the person exercising the functions of the sole executive body of the Company, members of the Audit Commission of the Company, and a representative of the auditor to be present at the annual general shareholders' meeting.

The registration procedure for participants of the general shareholders' meeting of the Company shall be set forth in the Company Regulations on the General Shareholders' Meeting so as not to create any obstacles to participation therein.

To avoid any doubt concerning the results of voting the Company shall aim to count and announce the voting results before the end of any general shareholders' meeting conducted in the form of a meeting. The counting of votes shall be undertaken by an independent registrar performing the functions of a counting commission at general shareholders' meeting. In the event that the results of voting at a general shareholders' meeting conducted in the form of a meeting are not announced at the meeting, or if the general shareholders' meeting is conducted by absentee ballot, the Company shall inform shareholders of the results of voting by way of a report of the voting drawn up not later than 10 days after the report on the results of voting is prepared.

5. BOARD OF DIRECTORS OF THE COMPANY

The Company's Board of Directors shall undertake general management of the Company's business except for those matters which are referred to the competence of the general shareholders' meeting. The primary objective of the Company's Board of Directors shall be to ensure the effective management of the Company's business with the aim of increasing capitalization, achieving stable growth in profitability and net asset value in the long term, protecting the rights of Company shareholders, and ensuring the efficacy of their investment. The objectives, composition, right and obligations of members of the Board of Directors, and procedures of the Company's Board of Directors are defined in the Charter and the Company by-law *Regulations on the Board of Directors*. The terms of reference of the Board of Directors are set forth in the Company Charter and the Regulations on the Board of Directors of the Company.

The Board of Directors is accountable to the general shareholders' meeting of the Company. In preparation for a general meeting whose agenda includes the election of the Company's Board of Directors shareholders are given full and accurate information on candidates nominated to the Company's Board of Directors. The Company places great significance on having independent directors on the Board of Directors of the Company, as this allows the Company's Board of Directors to form an unbiased opinion on matters under consideration.

An independent director shall be deemed to be a member of the Company's Board of Directors who:

- has not been in the past 3 years and is not currently an officer (manager) or employee of the Company, or an officer or employee of the managing organization of the Company;
- is not an officer of another company in which any of the officers of the Company are members of the Board of Directors committee for staffing and remuneration;
- is not a party to any obligation involving the Company whereby he/she could acquire property (receive monetary funds) for a value amounting to 10% or more of the aggregate annual income of such person, except remuneration for participating in the work of the Board of Directors of the Company;
- is not a major supplier or customer of the Company (whose business with the Company is worth in the aggregate 10 percent or more of the net asset value of the Company);
- is not a representative of the state;
- is not a person whose spouse, parents, children, blood or non-blood siblings, adoptive parents or children are persons employed in the management bodies or managing organization of the Company or who are a manager of the Company;
- is not an affiliate of the Company, except a member of the Board of Directors of the Company;
- is not an affiliate of an officer (manager) of the Company (officer of the managing organization of the Company).

After a period of 7 years of filling the position of member of the Board of Directors of the Company an independent director is no longer deemed independent.

The main requirement for an independent director is the ability to make unbiased judgments, which assumes that there are no circumstances that could prejudice his/her opinion.

The Company has an interest in seeing that there are at least 2 (two) independent directors on the Company's Board of Directors.

To ensure the effective adoption of decisions a meeting of the Company's Board of Directors shall be deemed constituted if at least one-half of all elected members of the Company's Board of Directors is present. Members of the Board of Directors of the company should discharge their duties reasonably and in good faith in the best interests of the Company and shareholders.

Members of the Company's Board of Directors should refrain from actions that may result or may potentially result in a conflict between their own interests and the interests of the Company and, if such conflict of interests exists or arises, they must disclose it to the Board of Directors of the Company. In this regard, members of the Company's Board of Directors may not, either directly or indirectly, receive instructions from outside the Company on the impact of any particular decision of the Board of Directors, whether for a fee or not. During the course of their term of office members of the Board of Directors of the Company also may not participate in the establishment or operations of any organization or company in competition with the Company, unless this is expressly permitted by the Board of Directors.

Meetings of the Board of Directors of the Company shall be held as necessary, but not less than once every 3 months. Meetings of the Board of Directors of the Company may be held both in person (in the form of a meeting) and by absentee vote (voting by absentee ballot).

For the adoption of resolutions on the following matters the Board of Directors of the Company must hold a meeting in person only:

- Determination of priority areas in the Company's business, as well as plans and budgets of the Company;
- Preliminary approval of the annual report of the Company;
- Election of the Chairman of the Board of Directors of the Company and early termination of his/her duties;
- Formation of executive bodies of the Company and early termination of their authority;
- Tabling of the following matters at the Company GSM:
 1. Proposals to restructure the Company;
 2. Increase of Company charter capital by means not falling within the competence of the Board of Directors of the Company;
 3. Splitting and consolidation of shares.

The procedure for conducting meetings of the Board of Directors of the Company is set forth in the Regulations on the Board of Directors of the Company.

For purposes of dealing with specific issues concerning the Company the Board of Directors shall form a standing Audit Committee, whose sole functions shall be to assess candidates for the position of Company external auditor, evaluate the Auditor's Report, assess the effectiveness of the Company's internal control procedures and draw up proposals for the improvement thereof. The Board of Directors may also create other committees.

6. EXECUTIVE BODIES OF THE COMPANY

For purposes of managing the Company's day-to-day business the Board of Directors of the Company shall appoint a collective executive body called the Management Board and shall appoint the sole executive body (the General Director).

The authority of the sole executive body may be delegated to a management organization. The decision to delegate the authority of the sole executive body of the Company to a management organization shall be adopted by the GSM based on a proposal by the Board of Directors of the Company.

The Company's sole executive body and Management Board shall undertake their duties in accordance with Russian law, the Charter and Company by-laws, and employment contracts concluded between the Company and the sole executive body (the General Director) and members of the Management Board.

Matters falling within the competence of the Company's sole executive body shall be set forth in the Company Charter and Regulations on the General Director of the Company.

Matters falling within the competence of the Company's Management Board shall be set forth in the Company Charter and Regulations on the Management Board of the Company.

The Board of Directors and shareholders of the Company may not involve themselves without good reason in the activities of the management bodies or limit their capacity to deal effectively with the ongoing business of the Company.

The competence of the Company's Management Board shall be set forth in the Company Charter and Regulations on the Management Board of the Company.

The General Director shall be appointed for a term of 3 years. The Management Board shall be appointed for a term of 1 year. The size of the Company's Management Board shall be determined by the Board of Directors of the Company. The sole executive body of the Company shall nominate candidates to positions on the Management Board.

Approval of the terms and conditions of employment contracts with the sole executive body (General Director) and members of the Management Board of the Company, including setting the respective levels of remuneration and compensation, shall fall within the competence of the Board of Directors of the Company. A member of the Board of Directors who is the General Director of the Company must not take part in voting to approve the terms of the contract to be signed therewith. If a member of the Board of Directors of the Company is also a member of the Management Board of the Company, he/she may not take part in voting to approve the terms of the contract to be signed therewith as a member of the Management Board.

The sole executive body and members of the Management Board of the Company must act reasonably and in good faith in the best interests of the Company.

The sole executive body and members of the Management Board of the Company must refrain from actions that will or may potentially result in a conflict between their interests and the interests of the Company and, should any such conflict exist or arise, they must notify the Board of Directors accordingly.

To ensure the proper discharge by the Management Board of the Company of its duties meetings of the Management Board shall be held not less than once a month.

7. COMPANY SECRETARY

The primary objective of the Company Secretary is to ensure that the various bodies and officers of the Company observe the rules and procedures guaranteeing the rights and lawful interests of Company shareholders.

The Company Secretary shall be elected by the Board of Directors of the Company. The duties, rights and obligations of the Company Secretary shall be set forth in Company by-laws adopted by the Board of Directors as the Regulations on the Company Secretary.

The Company Secretary shall perform the following duties:

- prepare and make arrangements for holding the Company GSM;
- prepare and make arrangements for holding meetings of the Board of Directors of the Company;
- assist members of the Board of Directors in undertaking their duties;
- arrange for disclosure of Company information and archiving of Company documents;
- ensure due consideration by the Company of shareholder petitions and resolution of conflicts arising out of violations of shareholder rights;
- arrange for communication between the Company and its shareholders;
- other duties provided for in the Regulations on the Company Secretary.

The Company Secretary shall be appointed to the position for a term of one year by the Board of Directors of the Company. The Company Secretary shall act in accordance with the Company Charter and by-laws, as well as an agreement signed with the Company. The agreement shall be signed on behalf of the Board of Directors of the Company by the

Chairman of the Board of Directors or by a person authorized by the Board of Directors of the Company in the name of the Company.

8. DISCLOSURE OF COMPANY INFORMATION

The Company acknowledges the vital importance of timely presentation of fair and accurate information to Company shareholders and other interested parties to enable them to control corporate actions and to help attract investment, and for the Company to remain trustworthy.

The goal of disclosure of Company information is to provide accessible, regular, accurate information to all interested parties to enable them to make informed decisions regarding participation in the company or other actions that could affect the Company's financial and commercial operations.

The Company shall disclose information in accordance with Russian law, the Company Charter, and an information policy adopted as Regulations on Company Information Policy aimed at meeting the information needs of interested parties regarding accurate information about the Company as fully as possible.

The main principles of the Company's information policy include its availability on a regular and timely basis, accessibility, accuracy, completeness and reliability, balance, impartiality, consistency, and the protection of information resources.

The company's executive bodies and Company Secretary are responsible for disclosure of information about the Company, and they shall act in accordance with applicable law and the Company by-laws. A list of information that is potentially classifiable as commercial in confidence shall be endorsed by the person filling the position of sole executive body of the Company.

The Company believes it is vital to hold regular meetings with investors and Company shareholders, hold press conferences, publish information about the Company in the mass media, brochures and leaflets, and disclose information about the Company on the Company's website at: www.zinc.ru

The Company shall include the following information on its website:

- the Company Charter and amendments thereto;
- annual Company reports;
- annual financial statements of the Company;
- Company by-laws;
- prospectuses for Company securities;
- quarterly securities issuer's reports,
- lists of Company affiliates;
- notification of material facts;
- information that could have a material effect on the price of Company securities.

The Company shall publish its annual report on its website containing the information necessary to enable shareholders to evaluate the results of the Company's operations for the year.

The annual report must contain information on the major aspects of Company operations, including:

- the company's position in the industry;
- priority areas in the Company's business;
- the report of the Company's Board of Directors on the Company's progress in the priority areas of its business;
- prospects for the Company's development;
- report on payment of declared (accrued) dividends on Company shares;

- major risk factors associated with the Company's business;
- a list of major transactions undertaken by the Company over the reporting year that are deemed major transactions pursuant to the Federal Law on Joint-Stock Companies, as well as other transactions requiring approval as major transactions in accordance with the Company Charter, setting forth for each transaction the material conditions thereof and the Company management body that approved it;
- a list of interested party transactions undertaken by the Company over the reporting year that are deemed interested party transactions pursuant to the Federal Law on Joint-Stock Companies, setting forth for each transaction the interested party (parties), material conditions thereof and the Company management body that approved it;
- the composition of the Board of Directors of the Company, including details of changes to the composition of the Board of Directors of the Company that have taken place during the reporting year, and details of members of the Board of Directors of the Company, including brief CVs, share in Company charter capital and number of ordinary Company shares held and, should there have been any transactions for the acquisition or disposal of Company shares undertaken by a member of the Board of Directors during the reporting year, details of such transactions setting forth for each transaction the date of execution, description, class (type) and number of Company shares that were the object of the transaction;
- details of the person filling the position (performing the duties) of sole executive body of the Company and members of the Management Board of the Company, including brief CVs, share in Company charter capital and number of ordinary Company shares held and, should there have been any transactions for the acquisition or disposal of Company shares undertaken by the person filling the position (performing the duties) of sole executive body and/or a member of the Management Board during the reporting year, details of such transactions setting forth for each transaction the date of execution, description, class (type) and number of Company shares that were the object of the transaction;
- the total remuneration payable or paid to the sole executive body and members of the Board of Directors of the Company as of the end of the reporting year;
- details of the composition and structure of committees formed by the Board of Directors of the Company and the number of meetings held, as well as the major issues reviewed during the reporting year;
- information on corporate governance practice within the Company;
- any other information on the Company's business provided for in the Company Charter or other Company by-laws and/or of material interest to shareholders in the opinion of the Board of Directors of the Company.

9. SUPERVISION OF FINANCIAL AND BUSINESS OPERATIONS OF THE COMPANY

The system of supervision of financial and business operations implemented by the Company is designed to foster the trust of investors in the Company and its management bodies. The chief purpose of such supervision is to ensure adequate protection of shareholder investments and Company assets.

Supervision of the financial and business operations of the Company is carried out by the Board of Directors of the Company, the Audit Commission of the Company, the Company's external auditor, and the Audit Committee of the Board of Directors of the Company.

The system of supervising the financial and business operations of the Company is aimed at the precise execution of the plans and budgets of the Company adopted by the Board of Directors of the Company.

The determination of major risks associated with the Company's business and implementation of measures and procedures for effective risk management fall within the competence of the Board of Directors of the Company.

The GSM shall elect the Company's Audit Commission, comprised of no fewer than 3 persons, for a term until the next annual GSM. The duties and operating procedures of the Company Audit Commission are set forth in the Company Charter and Regulations on Audit Commission Operating Procedures adopted by the GSM.

The Company shall annually engage a professional auditor that has no material interest in or relations with the Company or any of its shareholders to verify and confirm that the Company's annual financial statements are accurate and true.

Determination of the level of remuneration payable to the Company auditor shall fall within the competence of the Board of Directors of the Company.

The Audit Committee of the Board of Directors of the Company is a standing body of the Board of Directors of the Company whose sole functions shall be to assess candidates for the position of Company external auditor, evaluate the auditor's Report, and assess the effectiveness of the Company's internal control procedures and draw up proposals for the improvement thereof.

10. DIVIDENDS

The Company recognizes that shareholders need to receive dividends as income from their investment in the acquisition of shares and aims to ensure complete transparency of the dividend determination and payment process that shareholders can understand.

11. MISCELLANEOUS PROVISIONS

This Corporate Governance Code has been provisionally adopted by the Board of Directors of the Company and shall enter into force from the date it is approved by the Company GSM.

Any amendments or additions hereto must be provisionally approved by the Board of Directors of the Company and shall enter into force from the date they are adopted by the Company GSM.

The Company will continue to make improvements to the Corporate Governance Code as new standards of corporate governance are introduced to Russian and international practice and with a focus on the best interests of the Company, Company shareholders and other interested parties.