

# Corporate governance statement

Nord Gold N.V. (the “Company”) is committed to the highest standards of Corporate governance and has chosen to act as if it were listed on the London Stock Exchange, and therefore subject to the Dutch and UK Corporate Governance Codes.

The Corporate governance statement summarises the Company’s corporate governance arrangements and its level of compliance with the Dutch and UK Codes.

## Dutch Corporate Governance Code

The Board has reviewed the Dutch Corporate Governance Code (the ‘Dutch Code’) and supports its best practice provisions. The Board intends to comply with these provisions, except (i) where the Dutch Code cannot be reconciled to the UK Corporate Governance Code (the ‘UK Code’), (ii) as noted below or (iii) in the case of any future deviation, subject to explanation at the time.

The Company currently complies with the Dutch Code, with the following exceptions:

- best practice provision III.8.4, which requires the majority of Board members to be independent non-executive directors, is not complied with as only four of the eight members of the Board are independent non-executive directors
- neither a code of conduct, arrangements for whistleblowers nor the composition and terms of reference of the Board committees have been published on the Company’s website, as required by best practice provisions II.1.3(b), II.1.7 and III.5.1, respectively, and
- the Company has not formulated an outline policy on bilateral contacts with the shareholders and published this policy on its website, in accordance with best practice provision IV.3.13.

## UK Corporate Governance Code

The Company currently complies with the UK Code, with the following exceptions, most of which arise because of the Company’s status as a wholly owned subsidiary of OAO Severstal:

- the UK Code recommends that at least half the board of directors, excluding the chairman, should be independent non-executive directors. Only three members of the Board, excluding the chairman, are independent Non-executive directors
- the Company does not comply with the independence requirements for the Remuneration committee, which includes one Non-independent director
- the Company does not comply with the composition requirements for the Nomination committee, as it contains two non-independent non-executive directors
- the terms of reference of the Audit, Remuneration and Nomination committees are not published on the Company’s website
- one of the independent non-executive directors has not been nominated as the Senior Independent Director
- the Company did not use any external search consultancy or open advertising in the recruitment of the non-executive directors
- the Company has no directors’ and officers’ liability insurance at the date of this report, and
- at the date of this report, the Company has not adopted a code of conduct or whistleblowing procedures, although the need for and possible form and content of such policies will be considered by the Audit committee in due course.

## The Board

Dutch law does not provide for a board consisting of executive and non-executive directors. Instead it provides for a two-tier structure, with separate management and supervisory boards.

It is, however, established practice in the Netherlands to have a management board structure which is similar to a one-tier structure. Although all members of the management Board are formally managing directors, the articles of association can provide that certain directors have roles which are similar to those of executive directors and other directors have roles which are similar to those of non-executive directors.

This is the structure the Company has adopted. The articles of association provide for the appointment of executive and non-executive directors, with the executive directors responsible for the day-to-day management of the Company, and the non-executive directors responsible for supervising and generally assisting the executive directors. All duties are, however, subject to the overall responsibility of the Board.

There is a formal schedule of matters reserved for the Board which includes:

- approving the business strategy, objectives and budget
- proposing changes to the Company’s capital structure
- approving the annual and half year financial statements and other results announcements
- overseeing the Group’s risk management and internal control systems and matters of governance, and
- approving all major capital projects, corporate or related actions and investments with respect to a company in the Group.

The Board meets regularly throughout the year. To enable the Board to perform its duties, each Director has full access to all relevant information.

**Board composition**

The Board is made up of eight directors, of which two are executive directors (the Chief Executive Officer and the Chief Financial Officer) and six are non-executive directors.

The Board considers four of the non-executive directors to be independent, including the Chairman. The division of responsibilities between the Chairman and the Chief Executive Officer has been clearly established, set out in writing and agreed by the Board.

The following table lists each of the Directors:

Name	Position
Philip Baum	Chairman of the Board and chairman of the Nomination committee
Nikolai Zelenski	Chief executive officer
Sergey Zinkovich	Chief financial officer
Vadim Larin	Non-executive director
Alexey Kulichenko	Non-executive director
Peter Lester	Independent non-executive director and chairman of the Safety and Sustainable Development committee
David Morgan	Independent non-executive director and chairman of the Audit committee
Michael Nossal	Independent non-executive director and chairman of the Remuneration committee

Each director was appointed on October 11, 2010 and remained in office at the year end.

Equity Trust Co. N.V. was the sole director of the Company from September 1, 2009 until October 11, 2010. Biographies of each director can be found on pages 64-65.

**Information and professional development**

Each director has received training on their duties and responsibilities under Dutch and UK regulation. Each of the independent non-executive directors has also been provided with relevant information on the Company and its operations.

The directors' ongoing training needs will be kept under review and further training will be provided when appropriate. It is also intended that visits to various operational sites will be arranged during 2011, to further assist with the induction of the independent non-executive directors.

All directors have access to the advice and services of the company secretary and, if necessary, the non-executive directors may take independent professional advice at the Company's expense.

**Board committees**

In line with the Dutch and UK Codes, the Company has established an Audit committee, a Remuneration committee and a Nomination committee. The Board has also established a Safety and Sustainable Development committee. Details of the committees' membership and a brief description of their responsibilities is set out below.

**Audit committee**

The Audit committee helps the Board meet its responsibilities relating to internal and external audits and controls, including:

- reviewing the Group's annual and half-year financial statements
- considering the scope of the annual audit and the extent of the external auditors' non-audit work
- advising on the appointment of external auditors, and
- reviewing the effectiveness of the Group's internal controls.

The committee operates under terms of reference approved by the Board and will normally meet at least three times a year.

David Morgan chairs the Audit committee and its other members are Peter Lester and Michael Nossal. The Board is satisfied that David Morgan has recent and relevant financial experience. The Board appoints Audit committee members on the recommendation of the Nomination committee and in consultation with the Audit committee chairman.

The UK Code recommends that all Audit committee members are independent non-executive directors. The Dutch Code requires that all Audit committee members are non-executive directors and that all but one is independent. The Company complies with these requirements because the committee only contains independent non-executive directors.

**Nomination committee**

The Nomination committee helps the Board to determine its composition. It is also responsible for:

- periodically reviewing the Board's structure
- identifying potential candidates to be directors, and
- determining succession plans for the chairman and chief executive officer.

The committee operates under terms of reference approved by the Board and will meet when appropriate.

Philip Baum chairs the committee and its other members are David Morgan and Alexey Kulichenko. Members of the Nomination committee are appointed by the Board.

# Corporate governance statement

The UK Code recommends that a majority of Nomination committee members are independent non-executive directors. The Dutch Code requires that all members are non-executive directors and that all but one is independent. The Company does not comply with the UK Code, as the committee contains two non-independent non-executive directors and one independent non-executive director. The Company complies with the Dutch Code because, for purposes of the Dutch Code, Mr Baum is considered independent and the committee therefore contains two independent non-executive directors and one non-independent non-executive director.

### Remuneration committee

The Remuneration committee has the following responsibilities:

- recommending executive remuneration policies
- determining the executive directors' remuneration
- recommending and monitoring the senior management's remuneration, and
- producing an annual remuneration report, to be approved by the Company's members at the annual general meeting.

The committee operates under terms of reference approved by the Board and will normally meet at least twice a year.

Michael Nossal chairs the committee and its other members are David Morgan and Alexey Kulichenko. The Board appoints committee members on the recommendation of the Nomination committee and in consultation with the Remuneration committee chairman.

The UK Code recommends that all Remuneration committee members are independent non-executive directors. The Dutch Code requires that all members are non-executive directors and that all but one is independent. The Company does not comply with the UK Code but does comply with the Dutch Code, because the Remuneration committee contains one non-independent non-executive director.

### Safety and Sustainable Development committee

The Safety and Sustainable Development (S&SD) committee monitors and evaluates reports on the effectiveness of S&SD policies, management standards, strategy, performance and governance across the Group, and reports to the Board on key S&SD issues.

The committee operates under terms of reference approved by the Board and will normally meet at least twice a year.

Peter Lester chairs the S&SD committee and its other members are Philip Baum and Vadim Larin. Members of the S&SD committee are appointed by the Board.

The UK and Dutch Codes do not contain any recommendations concerning a S&SD committee. However, the relationship agreement between the Company, Lybica Holding B.V. and OAO Severstal provides that at least half the members of each Board committee to which significant powers, authorities or discretions are delegated should be independent directors, for which purpose the chairman is considered independent. The S&SD committee complies with this requirement.

### Board and committee meetings and attendance

The number of meetings held during the year ended December 31, 2010 and the Directors' attendance is detailed below:

	Board (1)	Audit committee (1)	Remuneration committee (1)
Philip Baum	1	N/A	N/A
Nikolai Zelenski	1	N/A	N/A
Sergey Zinkovich	1	N/A	N/A
David Morgan	1	1	1
Peter Lester	1	1	1
Michael Nossal	1	1	N/A
Alexey Kulichenko	1	N/A	1
Vadim Larin	1	N/A	N/A

#### Notes

- The current Board of Directors was appointed by resolution of the sole shareholder on October 11, 2010 and subsequently met as a Board on October 11, 2010, at which each of the Board committees was created and its members appointed.
- The Remuneration committee met on October 11, 2010, primarily to consider and make recommendations concerning the chief executive officer's remuneration.
- The Audit committee met on December 8, 2010, primarily to consider and make recommendations to the Board on the Company's financial statements.
- The Nomination and S&SD committees did not meet during the year ended December 31, 2010.

### Board effectiveness and evaluation

As the Board only began operation in the final quarter of the financial year, there has been no performance evaluation of the Board, its committees or individual directors at the date of this report.

However, the Board has adopted a memorandum on performance evaluation and will consider this matter fully during the current financial year and report in due course on the processes and procedures adopted.

### Appointment, retirement and re-election of Directors

In accordance with the Company's articles of association adopted on October 8, 2010, the Board consists of one or more executive directors and one or more non-executive directors. Only natural persons may be Board members.

Board members are appointed by the General Meeting, which also determines whether a Board member is an executive or non-executive director. Each director was appointed by resolution of the sole shareholder on October 11, 2010.

In accordance with the Regulations Governing the Principles and Practices of the Board of the Company, Board members are appointed until the next AGM and are subject to annual re-election. The Board submits its proposal regarding the appointment or re-election of Board members to the General Meeting, supported by a recommendation from the Nomination committee, as required by the Dutch Code (Principle III.5.14).

In accordance with the articles of association, the Board has a chairman, who ensures the proper composition and functioning of the Board as a whole. The chairman must be a non-executive director and may not be a former executive director of the Company, under the Dutch Code requirements (Principle III.8.1). The Board may appoint an executive director as chief executive officer and another executive director as chief financial officer.



Board members may at any time be suspended or dismissed by the General Meeting. Executive directors may also be suspended by the Board. A suspension may last no longer than three months in total, even after having been extended one or more times.

#### **Directors' interests**

No director (or any person connected with a director) had any legal or beneficial interest in the Company's share capital or was granted options over any shares in the Company during the year. There was no change to this position between January 1, 2011 and the date of this report.

Full details of the remuneration paid can be found in the Remuneration Report on page 73.

#### **Conflicts of interest**

As Nordgold is not a public company, there are no material conflicts of interest.

Mr Larin and Mr Kulichenko are non-executive directors appointed by OAO Severstal. They are both directors of other members of the Severstal Group and will continue to hold such directorships. Mr Larin is also Chief Executive Officer of the Severstal Resources division of the Severstal Group and Mr Kulichenko is Chief Financial Officer of OAO Severstal. These directorships and positions give rise to situations in which these directors could have a direct or indirect interest that conflicts, or could conflict, with the Company's interests.

Each of the above interests have been fully disclosed to and approved by the Board, in compliance with best practice provisions II.3.2 to II.3.4 of the Dutch Code.

Except for the matters set out above, none of the directors has any conflict of interests between his duties to the Company and his private interests or other duties.

#### **Internal control/risk management**

The Company is on the way to fully complying with the Dutch Code's internal control provisions. Since its establishment, the Board has implemented a continuous process

for identifying and managing the risks faced by the Company, and taken action to address any weaknesses.

The Board and the Audit committee are responsible for the overall supervision of the Group's internal control system and risk management function. The Board performs an annual review of the internal control systems and adopts the Group's major policies relating to business conduct, environmental, health and safety, insurance and risk management, and labour law issues.

To address risk management and internal control matters, the Audit committee reviews the policies and overall process for identifying and assessing business risks and managing their impact on the Group, and analyses regular assurance reports from management, internal audit, external audit and others on risk-related matters.

#### **Articles of Association**

Set out below is a summary of certain material provisions of the articles of association, disclosed in accordance with the Dutch Civil Code and Dutch law.

#### **Dividend distributions**

Distributions can only take place up to the amount of the Company's net assets which exceeds the nominal value of its issued share capital and the reserves it is legally required to maintain. Each year, the Board determines which part of the profit earned in a financial year is to be reserved. The remainder of the profit is then at the disposal of the shareholders' General Meeting, which may, in response to the Board's proposal, resolve to make a dividend distribution to the shareholders, after adopting the annual accounts from which it appears that such distribution is allowed.

The Board may also resolve to pay an interim dividend distribution, subject to Dutch law, or make a dividend payment from reserves. Distributions are claimable and payable at a date determined by the Board. The articles of association provide that the claims of shareholders for distribution of dividends shall lapse after five years.

#### **Issue of shares**

The General Meeting of shareholders is authorized to issue shares or grant rights to subscribe for shares, and the Board may make a proposal to this end.

As long as the maximum number of shares which may be issued is specified, the General Meeting may designate the Board as the corporate body competent to issue shares, or grant rights to subscribe for shares, and to determine the issue price and other conditions for a specified period not exceeding five years. This period can be extended from time to time, for further periods not exceeding five years. Shares may not be issued at less than their nominal value and must be fully paid up on issue.

A resolution by the General Meeting to issue shares, grant rights to subscribe for shares or designate the Board as the competent corporate body requires an absolute majority of the votes cast. A resolution designating the Board as the competent corporate body cannot be withdrawn unless the resolution provides otherwise. No resolution is required to issue shares when exercising a previously-granted right to subscribe for shares.

On January 25, 2011, the Board was designated by the General Meeting as the corporate body competent to issue shares and to grant rights to subscribe for shares. The General Meeting may withdraw the designation, increase the percentages of shares that may be issued and extend the period of authority at any time. This designation has not been effected at the date of this report.

#### **Pre-emptive rights**

Under Dutch law and the articles of association, each shareholder has a pre-emptive right in proportion to the aggregate nominal value of their shareholding, upon the issue of shares or the granting of rights to subscribe for shares.

# Corporate governance statement

Exceptions to this pre-emptive right include the issue of shares or the granting of rights to subscribe for shares:

- (i) to employees of the Company or another member of its Group
- (ii) against payment in kind (contribution other than in cash), and
- (iii) to persons exercising a previously-granted right to subscribe for shares.

The General Meeting may limit or exclude the pre-emptive rights by a resolution requiring a majority of at least 75% of the votes cast. The General Meeting may designate the Board as the corporate body competent to resolve upon the limitation or exclusion of the pre-emptive rights if the Board has also been or is designated as the competent body to resolve upon the issue of shares for a specified period not exceeding five years. This period can be extended from time to time for further periods not exceeding five years.

Under Dutch law, a resolution designating the Board as the competent corporate body to resolve upon the limitation or exclusion of the pre-emptive rights, requires a majority of at least two-thirds of the votes cast, if less than 50% of the Company's issued share capital is present or represented at the General Meeting. A resolution designating the Board as the competent corporate body to resolve upon the limitation or exclusion of the pre-emptive rights cannot be withdrawn unless the resolution provides otherwise.

On January 25, 2011, the Board was designated by the General Meeting as the corporate body competent to limit or exclude the pre-emptive rights, subject to the limited authority the Board has in respect of the issue of shares and granting of rights to subscribe for shares, ending on July 25, 2012. The General Meeting of shareholders may withdraw the designation of the Board at any time. This designation had not been effected at the date of this report.

## Acquisition of own shares

Subject to certain provisions of the articles of association, the Company may acquire fully paid up shares or depository interests provided no consideration is given, or the Company has freely distributable reserves at least equal to the purchase price, and the nominal value of the shares or depository interests to be acquired, when aggregated with the nominal value of the shares or depository interests the Company and its subsidiaries already hold, does not exceed 50% of the Company's issued share capital.

The acquisition of shares or depository interests by the Board, other than for no value, requires authorisation by the General Meeting. This authorisation may be granted for a period not exceeding 18 months and must specify the number of shares or depository interests and the conditions of such acquisition.

The authorisation is not required for the acquisition of shares or depository interests for employees of the Company or another member of its Group, under a scheme applicable to such employees. Under Dutch law, a resolution by the General Meeting to designate the Board as the competent corporate body for the acquisition of shares or depository interests other than for no value requires a simple majority of the votes validly cast.

On January 25, 2011, the Board was authorized by the General Meeting to acquire shares or depository interests, ending on July 25, 2012.

No voting rights may be exercised in respect of any share or depository interest held by the Company or its subsidiaries.

## Appointment, suspension and dismissal of Board members

Procedures contained within the articles of association and the Regulations Governing the Principles and Practices of the Board regarding the appointment and dismissal of Board members are detailed on page 70.

## Amendment of Articles of Association

The General Meeting may resolve to amend the articles of association, upon a proposal of the Board. A resolution by the General Meeting to amend the articles of association requires a simple majority of the votes cast.

## Powers of the General Meeting of shareholders

Other powers of the General Meeting of shareholders, in addition to those recorded above, include the adoption of the annual financial statements, release of the Board's members from liability, reduction of the issued share capital and dissolution of the Company, upon a proposal of the Board.

## Other statutory information

The following additional information is disclosed in accordance with the requirements of the Dutch Civil Code:

- In respect of the Company's shares, there are no:
  - (i) restrictions on the transfer of, or in respect of, the voting rights of the Company
  - (ii) agreements, known to the Company, between shareholders which may result in restrictions over the transfer of shares and/or voting rights, and
  - (iii) special rights with regard to control of the Company attaching to any such shares.
- Details of the controlling shareholder are shown on page 66.
- There are no significant agreements to which the Company is a party which take effect, alter or terminate upon a change of control of the Company following a takeover bid.
- There are no agreements between the Company and its directors or employees providing for compensation in connection with a termination of employment resulting from a takeover bid.