



EuroChem

Mineral & Chemical Company, OJSC

APPROVED

By decision of the Board of Directors
of EuroChem Mineral & Chemical Company OJSC
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Audit Committee Regulations

EuroChem Mineral & Chemical Company, OJSC

(new revision)

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1. GENERAL PROVISIONS

- 1.1. The Regulations on the Audit Committee under the Board of Directors (“Regulations”) of EuroChem, MCC, OJSC (“Company”) have been drawn up in accordance with the Company’s Charter and internal regulatory documents.
- 1.2. The Audit Committee (“Committee”) is a consultative and advisory body of the Board of Directors. The members and Chairman of the Committee are to be appointed by EuroChem Board of Directors. The duties and responsibilities of the Committee are to be determined by the Board of Directors and are set forth in these Regulations.
- 1.3. The Committee’s main role is to protect the shareholders’ interests by monitoring the quality of the financial statements, information received from the Executive bodies (including non-financial information), and the internal control system (in particular, preparation of statements, compliance with standards and risk management).
- 1.4. The committee has been established for the purposes of in-depth consideration of issues and preparation of recommendations that fall within the terms of references of the Board of Directors and are delegated by the Board to the Committee. Also, as per the instructions of the Board of Directors, the Committee may review other issues which do not fall within the Committee's terms of reference.
- 1.5. The Committee may also make recommendations and send requests to the Company's executive management.

2. COMMITTEE STRUCTURE

- 2.1. The individual membership and number of members to sit on the Committee are to be determined as per a ruling issued by the Board of Directors. The Committee’s membership structure is to consist exclusively of independent directors.
- 2.2. The Board of Directors is to appoint the Committee Chairman. The Committee structure may be changed at any time and the Committee Chairman may be reelected at any time as per a ruling issued by the Board of Directors. The Chairman of the Board cannot be a Committee member.
- 2.3. The Corporate Secretary or the officer of the Corporate Secretary staff will be the Secretary of the Committee.

3. COMMITTEE AUTHORITIES

- 3.1. The Committee is authorized by the Board of Directors to act within the Committee’s terms of reference and in line with instructions issued by the Board. The Committee may request and receive any information needed in order to carry out its duties from the Company and EuroChem companies; employees of the Company and EuroChem companies must assist the Committee by providing all requested information.
- 3.2. As necessary and with the pre-approval of the Board of Directors, the Committee may engage the services of legal and other independent professional consultants, the costs of which are to be covered by the Company, and ensure consultation with experts who possess the relevant knowledge and necessary level of qualifications.

4. COMMITTEE TERMS OF REFERENCE

The Committee shall:

External Audit:

- 4.1. Oversee the process for appointing the company’s auditor including evaluation of the candidates for the position of auditor and submission of the results of such an evaluation for Board review.
- 4.2. Review of issues related to the audit fee and the auditor’s independent status, making recommendations to the Board of Directors with regard to the audit fee, and the key terms and conditions of the audit service contract.
- 4.3. Review of the results of the audit and the auditor’s recommendations, analysis of the actions taken by the management of the Company towards managing the risks identified by the auditor,

evaluation of the adequacy of management's actions in risk management and minimization, and oversight of management's execution of the auditor's recommendations.

- 4.4. Oversee the results of the audit, its effectiveness, independence, objectivity and quality, as well as audit expenses and auditor qualifications. The external auditors are to report directly to the Committee.
- 4.5. Discuss the nature and scope of the audit with the auditor (before the audit process begins) and ensure co-ordination if more than one audit firm is involved.
- 4.6. Hold regular (at least once per year) meetings with the auditor in the absence of company management in order to discuss the audit process.
- 4.7. Review the auditor's opinion and submit a review of the opinion to the Board of Directors for inclusion in the materials that will be presented to shareholders when preparing for the Annual Meeting.
- 4.8. Review the performance of the auditor and the audit process on an annual basis.
- 4.9. Prepare a policy on and monitor the nature and scope of key non-audit services provided by the external auditor (if applicable) in order to support a balance of objectivity, quality and the cost of services.

Internal Control, Risk Management and Internal Audit:

- 4.10. Review internal control, risk management and financial reporting systems (including financial reporting risk management, controls around management information, operational risk management, fraud and compliance).
- 4.11. Review the effectiveness of internal control procedures and make proposals for the improvement of such procedures.
- 4.12. Oversee the Internal Audit Service. Review the Internal Audit Service's plan and progress in executing this plan. Analyse the Internal Audit Service's operations, resources and organizational structure in order to ensure the effective execution of internal audit projects and to ensure that Internal Audit retains its due status within the Company. The Internal Audit Service shall report directly to the Committee whilst reporting for operational purposes to the CFO.
- 4.13. Approve candidates for the Head of the Internal Audit Service. The approval of the Committee must be obtained before the Head of the Internal Audit Service can be dismissed.
- 4.14. Review and analyze the reports of the Internal Audit Service before they are submitted for Board review. Consider the major findings of Internal Audit and monitor management's response.
- 4.15. Review the effectiveness of the Internal Audit Service annually.
- 4.16. Analyze current company policies on risk management, as well as the rules, review procedures, and monitor risks that arise as part of daily business operations.
- 4.17. Review the effectiveness of risk management systems, including the effectiveness of the risk management function and prepare proposals for improving the system.
- 4.18. Review the risk profile of EuroChem and its companies, consult with management, the external and internal auditors on the management of existing risks, and analyze management's actions toward managing identified risks. Define the areas in risk management that require more attention and participation from management.
- 4.19. Analyze reports and statements on risk management before they are submitted for Board review.
- 4.20. Inform the Board of Directors of existing and potential risks and the overall performance of the risk management system.
- 4.21. Pre-approve the candidates for the heads of Company divisions when said positions involve the organization and support risk management processes.
- 4.22. Oversee procedures aimed at increasing the responsibility of employees with regard to information about the instances of abuse in financial reporting and other areas.
- 4.23. Ensures ongoing compliance with any applicable stock exchange and legal requirements, including disclosure and reporting, and corporate governance requirements (in coordination with legal counsel and accountants).

Financial reporting

- 4.24. Review and monitor the integrity of the interim and annual financial statements (having particular regard to the application of accounting policies, significant adjustments arising from the audit,

any unadjusted differences, the going concern assumption, compliance with accounting standards and any other reporting requirements).

- 4.25. Review the integrity of non-financial data included in the annual report based on a review of related internal controls a coherence in relation to the financial performance reported in the financial statements.
- 4.26. Review the Company's press releases containing performance-related numerical information.
- 4.27. Review the management accounts to ascertain the extent of their alignment with the audited financial statements.
- 4.28. Discuss problems and reservations arising from the interim and final audits, as well as any matters the auditor may wish to raise (in the absence of executive management where necessary). This shall include being informed of and considering any instances of malpractice which may have an impact on the financial accounts or negatively affect the control environment which underpins the quality of financial reporting and financial reporting controls.
- 4.29. Review the management representation letter.
- 4.30. Review the external auditor's management letter and management's response to it.
- 4.31. Consider other issues, as requested by the Board.

5. PROCEDURES FOR SUBMITTING COMMITTEE INFORMATION AND REPORTS

- 5.1. The Committee Chairman is to inform the Board of Directors of the recommendations prepared and decisions taken by the Committee on important key issues considered by the Committee. The Secretary is to ensure access to Committee meeting minutes and materials for any of the Company's Board members for information purposes.
- 5.2. The Committee is to prepare recommendations for the Board of Directors in the fields and on issues which, in the Committee's view, require improvement on the part of the Company's executive bodies.
- 5.3. Each Committee must inform the Board of its activities by submitting a report on Committee activities to the Board at appropriate intervals. The annual report on the Committee's activities may be included in the Company's Annual Report as per the decision of the Board.

6. COMMITTEE MEETINGS

- 6.1. Committee meetings are to be called by the Committee Chairman. In certain cases, a Committee meeting may be called by the Chairman or one of the members of the Board of Directors.
- 6.2. The Committee Chairman is to ensure that the frequency of meetings is sufficient and necessary in order for the Committee to perform its functions. The Committee must meet at least 6 (six) times per year.
- 6.3. The Director for Finance and Economics (CFO), the Internal Auditor and the representatives of external auditors may attend Committee meetings at the invitation of the Committee Chairman.
- 6.4. The Committee may invite the Chairman of the Board of Directors and the General Director to attend Committee meetings. Board members who are not members of the Committee may also attend Committee meetings if they believe it necessary.
- 6.5. The meeting is quorate when at least 2 (two) members are present.
- 6.6. Committee meetings may be held as a joint-presence meeting, a telephone conference, a video conference or by absentee vote.

7. MEETING NOTICES, AGENDAS AND MATERIALS

- 7.1. Notice of an upcoming meeting, the final agenda and meeting papers are to be circulated by the meeting Secretary to all meeting attendees at least 5 (five) business days ahead of the meeting date.
- 7.2. Draft Committee meeting agendas are to be circulated to all Committee members, the General Director, the Director of Finance and Economics, and the head of the Internal Audit Service at least 7 (seven) business days ahead of the date of the meeting. All aforementioned persons may make their additions to the meeting agenda after first discussing such with either the Chairman of the Committee or the Committee Secretary.

- 7.3. At the beginning of each meeting, the Committee Chairman will allow those in attendance to suggest changes to the meeting agenda; the final decision on changes to the agenda will be made by the Committee Chairman.
- 7.4. The agendas of upcoming Committee meetings are to be prepared at least 4 (four) months in advance and are to include the general scope of issues for discussion. Amendments to the Committee's forward agendas may be made at the discretion of the Committee Chairman.
- 7.5. Dates for regular meetings are to be approved 4 (four) months in advance. Extraordinary Committee meetings may be called per the initiative of any Board member, any Committee member, the General Director, the Director of Finance and Economics, the Head of the Internal Audit Service or the Head of the Revision Commission. The party requesting a meeting must inform the Committee Chairman of such at least 5 (five) business days before the proposed meeting date.
- 7.6. Papers submitted for Committee meeting agendas must be submitted to the Committee Secretary at least 1 (one) business day ahead of the date of the extraordinary meeting if no other deadline is specified by the Committee Chairman.

8. MEETING MINUTES AND DECISION-MAKING PROCEDURES

- 8.1. The Secretary is to specify the date and location of the meeting in the minutes, as well as whether or not the meeting was quorate, the names of the participants, the form in which the meeting was held (joint-presence, telephone conference, written statements), the absence or existence of any conflict(s) of interest arising with any meeting participant, as well as the course of discussion and recommendations which were submitted.
- 8.2. Draft meeting minutes are to be sent to the members of the Committee, the Director of Finance and Economics and the Head of the Internal Audit Service.
- 8.3. Meeting minutes are to be prepared within 15 calendar days.
- 8.4. Meeting minutes are to be signed by the Committee Chairman and the Secretary.
- 8.5. Minutes are to be circulated to Board members, the General Director, the Director of Finance and Economics and the Head of the Internal Audit Service, as well as any other people as per the instructions of the Committee Chairman. Minutes shall be included in the materials for the following Committee meeting.
- 8.6. A Committee member may request that his (her) opinion or statement be reflected in the meeting minutes.
- 8.7. As the Committee's role is limited to preparing recommendations for the Board of Directors, the Committee is not required to pass rulings at Committee meetings.
The Committee is to prepare recommendations and make requests of the executive bodies based on discussions held at meetings. The Committee Chairman is to inform the Board of Directors of the Committee's recommendations based on the consensus reached by the Committee during discussions.
If Committee members are unable to reach a unanimous decision, the Committee Chairman shall explain to the Board of Directors the opinion of the Committee's majority as well as any other positions. Furthermore, a Committee member may submit his (her) own opinion to the Board of Directors.
- 8.8. If a Committee member is not able to attend a meeting, he (she) may submit a written statement on agenda items ahead of the Committee meeting. Written statements received ahead of the meeting are to be taken into account by the Committee.

9. COMMITTEE PERFORMANCE APPRAISAL

- 9.1. The Committee is to review its performance on an annual basis and, as needed, submit recommendations to the Board of Directors regarding the need to make any changes.

10. RECONSIDERATION OF PROCEDURES OF THESE REGULATIONS

- 10.1. The Committee will review these Regulations annually and, if necessary, enter amendments and submit its recommendations for Board approval.