

**APPROVED**

by resolution of the Board of Directors  
of OJSC PhosAgro on 17 August 2015  
(Minutes No. n/a dated 20 August 2015)

**REGULATION  
ON THE AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS OF OJSC PHOSAGRO**  
(new version)

**Moscow  
2015**

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## **1. General Provisions**

1.1. This Regulation on the Audit Committee (hereinafter, the "Regulation") shall govern the proceedings, composition, membership and interaction procedures of the Audit Committee of the OJSC PhosAgro Board of Directors (hereinafter, the "Committee").

1.2. The Committee shall be an arm of the OJSC PhosAgro Board of Directors (hereinafter, the "Board of Directors" or the "Board") designed to conduct a preliminary review of the matters reserved to the Board pursuant to the Charter of OJSC PhosAgro (hereinafter, the "Company"). The Committee shall not be deemed the Company's body, and the Company shall not assume any civil rights or responsibilities through the Committee.

1.3. The Committee shall be guided by the applicable laws of the Russian Federation, the Company's Charter, the Regulation on the Company's Board of Directors, the recommendations of the Corporate Governance Code (approved by the Russian Central Bank's Board of Directors on 21 March 2014), and the MICEX Stock Exchange Listing Rules.

1.4. For the purpose of this Regulation, any references to the Company shall be references to OJSC PhosAgro; any references to the Company's Charter and Regulation on the Company's Board of Directors shall be references to the latest versions of the OJSC PhosAgro Charter and Regulation on the OJSC PhosAgro Board of Directors, respectively, and all amendments thereto; any references to the board of directors shall be references to the OJSC PhosAgro Board of Directors; any references to the Company's internal regulations shall be references to the duly adopted and applicable binding internal regulations of OJSC PhosAgro.

## **2. Committee Purpose, Objectives and Responsibilities**

2.1. The Committee was established to improve the overall efficiency of the Board of Directors by conducting a preliminary review of any matters related to control over the financial and economic operations of the Company, and making recommendations to the Company's Board.

The key objectives and responsibilities of the Committee include the following:

*1) as regards accounting (financial) statements:*

a) to monitor completeness, accuracy and reliability of the Company's accounting (financial) statements;

b) to analyse material aspects of the Company's accounting policy;

c) to participate in the review of key matters and judgements regarding the Company's accounting (financial) statements;

*2) as regards internal control and corporate governance:*

a) to monitor reliability and efficiency of the internal control and corporate governance systems, assess the efficiency of the Company's internal control procedures and corporate governance practices, and make proposals for their improvement;

b) to control over reliability and efficiency of the risk management and internal control system functioning;

c) to analyse and assess compliance with the internal control policy;

d) to monitor procedures ensuring the Company's compliance with the applicable legal requirements, the Company's code of ethics, regulations and procedures, and stock exchange requirements;

e) to analyse and assess compliance with the conflict of interest management policy;

*3) as regards internal and external audit:*

- a) to ensure that the Company's internal audit is independent and unbiased;
  - b) to review the internal audit policy (the internal audit regulation);
  - c) to review the Internal Audit's action plan;
  - d) to consider matters regarding the appointment (removal from office) of the Head of the Internal Audit and their remuneration;
  - e) to review any existing internal audit authority or budget restrictions that could adversely affect internal audit efficiency;
  - f) to assess the efficiency of the Company's internal audit;
  - g) to assess the independence and impartiality of the Company's external auditors and verify that they have no conflict of interest, assess any nominees for the Company's auditors, and make proposals for the appointment, re-election and dismissal of the Company's external auditors, as well as terms and conditions of their engagement, including auditor fees;
  - h) to oversee the external audit and assess the quality of audits and auditors' opinions;
  - i) to ensure efficient communication between the Company's Internal Audit and external auditors;
  - j) to monitor compliance with the Company's principles governing provision by the Company's auditor of both audit and non-audit services to the Company;
- 4) as regards counteracting fraudulent behaviour of the Company's employees or any third parties, including negligence, fraud, bribery, corruption, commercial bribery, abuse or any other improper or illegal actions that may cause damage to the Company:
- a) to monitor the efficiency of the Company's whistleblowing procedures designed to notify on any wrongdoings that may be committed by its employees or any third parties, and any other irregularities;
  - b) to oversee special investigations into suspicions of fraud or misuse of inside or confidential information;
  - c) to monitor the implementation of measures approved by the Company's executive management to counteract any potential employee wrongdoings or any other irregularities.

2.2. The Board of Directors may also decide to present for Committee consideration any other matters appropriate for delivering the objectives specified in Clause 2.1 hereof.

### **3. Committee Composition**

3.1. The Committee shall consist of at least three members.

3.2. The Audit Committee shall consist of independent members of the Board, or, if reasonably impossible, members of the Board other than the sole executive body, members of the collegial executive body, and employees of the Company or its subsidiaries.

The Audit Committee shall include one independent director with knowledge of and expertise in preparation, analysis, assessment and audit of the accounting (financial) statements.

3.3. The Board of Directors shall appoint a Chair to manage Committee operations, who shall be an independent member of the Company's Board.

The Chair's key responsibility shall be to ensure that the Committee makes recommendations on an unbiased basis.

3.4. No Committee members (including the Chair of the Board) may be elected to more than three Committees of the Board.

3.5. The Committee may engage appropriately qualified experts and advisers who are not members of the Committee to contribute to the Committee's work.

The Chair or any other member of the Committee shall have the right to request, on behalf of the Committee, engagement of a person (business entity) as an expert or adviser on matters of public (non-confidential) nature, subject to the Company's allocated budget. No personal interest in engaging a person (business entity) as an expert or adviser shall be tolerated.

3.6. The Company's CEO, the Board members other than the Committee members, members of the Company's Review Committee (inspector), the Company's Auditor, the Company's Corporate Secretary, the Head of the Internal Control, other officers and employees of the Company, as well as advisers and experts, may be invited to attend the Committee's meetings.

3.7. The Audit Committee or its Chair shall meet the Head of the Internal Audit at least once a quarter to discuss matters reserved to the Internal Audit.

3.8. The Committee Secretary shall be appointed by the Committee's resolution to provide organisational support for the Committee.

3.9. Information on the composition and performance of the Audit Committee, as well as the fact that one of the Committee's members is an independent director with knowledge of and expertise in preparation, analysis, assessment and audit of the accounting (financial) statements, shall be disclosed on the Company's website as part of the Company's annual report.

#### **4. Committee Establishment**

4.1. The Board shall decide on the establishment of the Committee and persons to be appointed as members and the Chair thereof upon each re-election of the Board.

The overall number of the Committee members shall be determined with a view to ensuring an in-depth discussion of any matters reserved thereto and due consideration of any opinions.

When establishing a new Committee, the Board of Directors shall be informed of the work of the Committees appointed by the previous Board.

The Board shall have the right to reshuffle the Committee at any time, as proposed by any of the Board members.

4.2. When electing the Committee Chair and members, consideration shall be given to their willingness to serve on the Committee, educational and professional background, track record in the Committee's area of responsibility, expertise in dealing with financial and economic documents and any other experience and expertise required to exercise their respective powers.

#### **5. Committee Meetings**

5.1. Committee meetings shall be held in accordance with the schedule approved by the Committee at one of the meetings, but also as the need may arise.

The Committee's schedule shall be prepared based on the approved schedule of the Board of Directors and form an appendix thereto.

5.2. The Committee Chair shall set the meeting agenda, with each Committee member entitled to propose additional items related to the Committee's area of responsibility for inclusion in the agenda. The agenda may be amended by common consent of the Committee members. Whenever necessary, the Committee may abandon certain issues included in the meeting agenda to discuss other issues of higher priority as considered appropriate by the Committee members.

The Board members other than the Committee members, the Company's CEO, members of the Company's Review Committee (inspector), the Company's Auditor, the Company's Corporate Secretary, the Head of the Internal Control, as well as experts and advisers engaged by the Committee, may submit proposals to the Committee Chair to discuss any matters related to the Committee's area of responsibility. Such matters may be discussed at the next scheduled Committee meeting or, should the issue be of particular importance and admit no delay, at an ad hoc Committee meeting.

5.3. Committee meetings shall be called by the Committee Chair on their own initiative or at the request of a Committee member.

5.4. Notification of the forthcoming Committee meeting shall be given and all necessary materials shall be circulated to the Committee members in reasonable and adequate time prior to the meeting, in a form and manner agreed upon by the Committee members, generally at least three (3) working days prior to the meeting. The Committee Chair shall take all necessary measures to make sure that timely notification has been duly given.

Invitation of the Company's CEO, members of the Company's Review Committee (inspector), other officers and employees of the Company, as well as experts and advisers, to the Committee meetings shall be made in such a manner so as to allow the invitees to get duly prepared for the Committee meeting.

5.5. Committee meetings shall be held either in person or by inviting the Committee members to submit their opinions in writing. Meetings may also be held by teleconference, via a conference call. Invitees to the meeting (including the Committee members) may submit their opinions on the agenda items in writing.

5.6. The meeting shall be properly constituted (quorate) if attended by a majority of the Committee members (if written opinions submitted by a majority of the Committee members have been received by the start of the meeting). Failure to meet the quorum shall lead to the postponement of the Committee meeting.

5.7. All resolutions of the Committee shall be adopted by a majority vote of the participating Committee members, with members having one vote each.

5.8. Any personal interest of a Committee member in the item under consideration shall be disclosed at the Committee meeting.

5.9. The Committee may appoint a Committee member/members to investigate into a particular matter reserved to the Committee and report the findings back to the Committee.

5.10. The Chair shall preside at Committee meetings. The meeting minutes shall be taken by the Committee Secretary and signed by the Committee Chair. Opinions of the Committee members and invitees to the Committee meeting shall be heard and recorded during the meeting (attached to the meeting minutes).

5.11. The Committee meeting minutes shall be made in two copies.

One copy shall be retained by the Committee Secretary, who shall provide access to the Committee minutes and the materials reviewed at Committee meetings to all Committee members.

The other copy shall be retained by the Board Secretary, who shall provide access to the Committee minutes and the materials reviewed at Committee meetings to the Board members.

5.12. Based on the results of the meeting, the Committee may come up with a recommendation (hereinafter, the "Recommendation") to the Company's Board. The Recommendation shall reflect general opinion of the Committee as a whole. Should there be no consensus among the Committee members, all divergent opinions shall be listed in the Recommendation separately.

5.13. The Recommendation shall be signed by the Committee Chair. Materials reviewed at the Committee meeting may be attached to the Recommendation. The Committee Chair shall be responsible for the timely and proper communication of the Recommendation to the Board members. The Recommendation reviewed at a Board meeting may be attached to the minutes of the respective Board meeting.

## **6. Rights and Obligations of the Committee Members**

6.1. The Committee members shall:

6.1.1 participate in the Committee's proceedings;

6.1.2 thoroughly review the documents provided before or during Committee meetings;

6.1.3 promptly notify the Committee of any personal interest associated with decision-making;

6.1.4 avoid any actions that may discredit the Committee or cast doubts on the competence of its members;

6.1.5 not disclose any confidential information contained in any of the Company's documents or materials;

6.1.6 not use internal corporate information for personal gain or transfer it to third parties.

6.2. The Committee members shall have the right to:

6.2.1 request the Board of Directors, the CEO, the Review Committee (inspector) and the Company's Auditor to provide information and documents relating to the Committee's area of responsibility;

6.2.2 participate in meetings with shareholders and representatives to discuss the Committee's responsibilities.

### **7. Remuneration of the Committee Members**

7.1. The Committee members, for the length of their tenure, may receive remuneration and reimbursement of costs incurred in relation to their duties as the Committee members, at the expense of the Company.

7.2. The amount of remuneration and the relevant payment procedure shall be determined by a resolution of the General Meeting of the Company's Shareholders and/or internal regulations of the Company approved by the General Meeting of Shareholders.

### **8. Committee Interaction with the Company's Bodies**

8.1. The Committee Secretary shall be responsible for technical and procedural matters as regards interaction of the Committee with other bodies of the Company.

8.2. The Company's executive bodies shall inform the Committee Chair in writing of all important circumstances related to the Committee's responsibilities within two days from the occurrence of such circumstances.

8.3. The Committee Chair shall provide the Board of Directors with a report on the Committee's work pursuant to the procedure established by the Board of Directors.

### **9. Final Provisions**

9.1. This Regulation shall be approved by the Board of Directors. Any amendments and additions hereto shall be made by resolution of the Board of Directors.

9.2. This Regulation shall be effective until the Board adopts a new version hereof.