

**URALCHEM HOLDING P.L.C.  
(‘the Company’)**

**Internal Audit Activity Charter**

(approved at a meeting of the Board of Directors of the Company held on 22 December, 2010)

**1. INTRODUCTION**

1.1 These terms of reference (the Charter) for the Company internal audit activity as defined in the next paragraph (the internal audit activity or internal auditing), in accordance with the laws of Cyprus, the applicable rules of the Financial Services Authority of the United Kingdom and the London Stock Exchange, the articles of association of the Company, any other applicable law, shall govern, inter alia, the rights, duties, powers and membership of the internal audit staff.

1.2 Internal auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Company. It assists Company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

**2. ROLE**

2.1 The internal audit activity is established by the resolution of the Board of Directors of the Company (the Board) dated 27 February, 2010. The responsibilities of the head of internal audit (the Internal auditor) and, if applicable, its staff (together, collectively – the internal auditors) are defined by the Board as part of their oversight role.

**3. PROFESSIONALISM**

3.1 The internal audit activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

3.2 The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers should also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to Company relevant policies and procedures and the approved internal audit activity's standard operating procedures.

**4. AUTHORITY**

4.1 The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of Company records, physical properties, and personnel pertinent to carrying out any engagement.

4.2 All Company officers and employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Board. In cases where in the context and scope of the audit access to the subsidiary or associated entities documents or personnel is required, senior management of the Company and the Board will also assist the internal auditors in obtaining such access and cooperation from subsidiary or associated entities.

**5. ORGANIZATION**

5.1 The internal auditor will report functionally to the Board's Audit Committee and administratively (i.e. day to day operations) to the Administrative Director.

5.2 The Board's Audit Committee should review all matters regarding the performance evaluation, appointment, or removal of the internal auditor. The internal auditor will communicate and interact with the Board's Audit Committee, including attendance by invitation of the Audit Committee at its meetings and executive sessions.

## **6. INDEPENDENCE AND OBJECTIVITY**

6.1 The internal audit activity will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

6.2 Internal auditor and its staff will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

6.3 Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

6.4 The Internal auditor will confirm to the Board and its Audit Committee, at least annually, the organizational independence of the internal audit activity.

## **7. RESPONSIBILITY**

7.1 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Company's governance, risk management, and internal processes as well as the quality of performance in carrying out assigned responsibilities to achieve the Company's stated goals and objectives. This includes, but is not limited to:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- Monitoring and evaluating governance processes.
- Monitoring and evaluating the effectiveness of the organization's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization.
- Reporting periodically on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board or its Audit Committee.
- Evaluating specific operations at the request of the Board, its Audit Committee or management, as appropriate.

7.2 Where in the context of the approved audit engagement the internal auditors need access to the

Company's subsidiary or associated entities, the mandate to request documents and access to officers and employees of such entities to fulfill its responsibilities will additionally be provided by the Administrative Director, the Board Chairman or other authorized officer using appropriate legal and corporate governance procedures, in supplement to this Charter and at the request of the Internal auditor.

## **8. INTERNAL AUDIT PLAN**

8.1 At least annually, the Internal auditor will submit to Chief Executive Officer Administrative Director and the Board's Audit Committee Chairman an internal audit plan for review and approval.

8.2 The internal audit plan will consist of a work schedule as well as a budget and resource requirements for the next fiscal/calendar year.

8.3 The Internal auditor will communicate the impact of resource and other limitations and significant interim changes, if any, to Administrative Director and the Board's Audit Committee Chairman, if necessary.

8.4 The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of Company management, Board's Audit Committee and the Board. Any significant deviation from the approved internal audit plan will be communicated to Administrative Director and the Board's Audit Committee through periodic activity reports.

## **9. REPORTING AND MONITORING**

9.1 A written report will be prepared and issued by the Internal auditor or his/her designee following the conclusion of each internal audit engagement, and will be distributed as appropriate.

9.2 Aggregate annual or periodic preliminary internal audit results shall also be communicated to the Board's Audit Committee.

9.3 The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter (i.e. within thirty days) by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by Company senior management and the Board.

9.4 The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared. The periodic status updates and results of the issues follow-up will be reported to the Board's Audit Committee as appropriate.

## **10. PERIODIC ASSESSMENT**

10.1 The Internal auditor will periodically report to the Board's Audit Committee its self-assessment of adequacy and fulfillment of the internal audit activity's purpose, authority, and responsibility, as well as performance relative to its plan. In addition, the Internal auditor will communicate to Board's Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

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Internal auditor

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Administrative Director

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Secretary  
(on behalf of the Board of Directors)

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Chairman of the Board's Audit Committee  
(on behalf of the Board's Audit Committee)