



A. SCHULMAN, INC. AUDIT COMMITTEE CHARTER

Purpose

The primary purpose of the Audit Committee (the “Committee”) of A. Schulman, Inc. (the “Company”) is to:

- Assist the Board of Directors (the “Board”) in fulfilling its responsibility to oversee the accounting and financial reporting process of the Company, including:
 - the quality and integrity of the Company’s financial statements and other financial information provided by the Company to any governmental or regulatory body, the public or other users thereof;
 - the Company’s compliance with legal and regulatory requirements;
 - the qualifications, independence and performance of, and the Company’s relationship with, its independent auditors;
 - the performance of the Company’s systems of internal accounting and financial controls;
 - the performance of the Company’s systems of internal auditing (the “Internal Auditing function”); and
 - the annual independent audit of the Company’s financial statements.

- Prepare the annual Audit Committee Report to be included in the Company’s proxy statement.

In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention with full access to all books, records, facilities, personnel of the Company and shall have the authority to engage independent outside counsel, auditors or other advisers as it determines necessary to carry out its duties as determined by the Committee. The Company shall provide for appropriate funding as determined by the Committee in its capacity as a committee of the Board for payment of ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and for payment of compensation (i) to the registered public accounting firm retained by the Company for the purpose of rendering or issuing an audit report (the “Outside Auditors”); and (ii) to any advisers employed by the Committee.

The Committee shall review and assess the adequacy of this Charter on an annual basis, and, if appropriate, shall recommend changes to the Board for approval. The Committee shall submit this Charter, and any amendments thereto, to the Board for approval and cause this Charter to be published in accordance with applicable regulations including, but not limited to, those of the Securities and Exchange Commission.

Membership

The Committee shall be comprised of not less than three directors, each of whom shall be independent, nonexecutive directors, free from any relationship that would interfere with the exercise of his or her independent judgment. The Committee’s composition will meet the independence, experience and other requirements of the Securities and Exchange Commission and the National Association of Securities Dealers (the “NASD”), including, without limitation,

the NASD's Audit Committee Policy. In this regard, each member of the Committee must be able to read and understand fundamental financial statements and the Committee shall endeavor to have at least one member who meets the Securities and Exchange Commission's definition of "audit committee financial expert" and at least one member who has accounting or related financial management expertise.

The Board shall appoint the Committee members at the Board meeting held after each annual meeting of stockholders or at any other Board meeting as it deems necessary or appropriate. The Board shall appoint the Chair of the Committee. If a Chair is not designated or present, the members of the Committee may designate a Chair by majority vote of the Committee membership.

Meetings and Reports

The Committee shall meet as frequently as it deems necessary and appropriate. The Chair of the Committee, or any two members of the Committee, may call meetings of the Committee as they deem necessary and appropriate. Meetings of the Committee may be held telephonically.

The Chair shall preside at all sessions of the Committee at which he or she is present and shall set the agendas for Committee meetings. Members of management and the Board are free to suggest items for inclusion in the agenda for the Committee's meetings. The agenda and information concerning the business to be conducted at each Committee meeting shall, to the extent practical, be communicated to the members of the Committee sufficiently in advance of each meeting to permit meaningful review.

The Committee shall meet periodically in separate private sessions with each of: (i) senior management, (ii) the head of the Internal Auditing function, (iii) the Compliance Officer, (iv) the Outside Auditors, and (v) as a Committee to discuss any matters that the Committee or each of these groups believe should be discussed. In addition, the Committee shall meet with senior management and the Outside Auditors quarterly to review the Company's financial statements and significant findings based upon the auditor's limited review procedures. The Committee may request any officer or employee of the Company or the Company's outside counsel or Outside Auditor to attend a meeting of the Committee or to meet with any member of, or advisers to, the Committee.

The Committee shall report regularly to the Board with respect to such matters that are within the Committee's responsibilities and with respect to such recommendations as the Committee may deem appropriate. The report to the Board may take the form of an oral report by the Chair or by any other member designated by the Committee to make such report. The Committee shall maintain minutes or other records of meetings and activities of the Committee, including executive sessions, and make them available to the Board.

The Committee shall provide the report of the Committee to be contained in the Company's annual proxy statement, as required by the rules of the Securities and Exchange Commission.

Authority and Key Responsibilities

The Committee's job is one of oversight and it recognizes that the Company's management is responsible for preparing the Company's financial statements and that the Outside Auditors are

responsible for auditing those financial statements. Additionally, the Committee recognizes that financial management, the Outside Auditors, as well as the internal auditors responsible for the Internal Auditing function (the “Internal Auditors”) have more time, knowledge and detailed information on the Company than do Committee members; consequently, in carrying out its oversight responsibilities, the Committee shall not be deemed to be providing any expert or special assurance as to the Company’s financial statements or any professional certification as to the Internal Auditing function or Outside Auditor’s work. Each member of the Committee, in exercising his or her business judgment, shall be entitled to rely on the integrity of those persons and organizations within and outside the Company from whom he or she receives information, and on the accuracy of the financial and other information provided to the Committee by such persons or organizations unless he or she has reason to inquire further.

The following functions shall be the common recurring activities of the Committee in carrying out its oversight function. These functions are set forth as a guide with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures in furtherance of the purpose of the Committee outlined in this Charter, as may be appropriate in light of changing business, legislative, regulatory, or other conditions, or as may be delegated to the Committee by the Board from time to time.

Financial Statement and Disclosure Matters

- The Committee shall review with management and the Outside Auditors the audited financial statements to be included in the Company’s Annual Report on Form 10-K (or the Annual Report to Stockholders if distributed prior to the filing of Form 10-K), recommend to the Board whether said financial statements should be included in such Annual Report, and review and consider with the Outside Auditors the matters required to be discussed by Statement of Auditing Standards (“SAS”) No. 61 as amended from time to time. The Committee may delegate responsibility for the review of such financial results to a member of the Committee.
- The Committee shall review with management and the Outside Auditors the Company’s interim financial results to be included in the Company’s quarterly reports on Form 10-Q to be filed with Securities and Exchange Commission and the matters required to be discussed by SAS No. 61; this review will occur prior to the Company’s filing of each of the Company’s Quarterly Reports on Form 10-Q. The Committee may delegate responsibility for the review of such financial results to a member of the Committee.
- The Committee shall review with the Company’s principal executive officer and principal financial officer any issues pertaining to the certifications required to accompany the filing of the Form 10-K and the Forms 10-Q, and any other information required to be disclosed to it in connection with the filing of such certifications, including (i) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that are reasonably likely to adversely affect the Company’s ability to record, process, summarize and report financial information, and (ii) any fraud that involves management or other employees who have a significant role in the Company’s internal control over financial reporting.
- The Committee will review with management and the Outside Auditor at least quarterly, significant financial reporting issues, if any, that arose and judgments made in connection with the preparation of the Company’s financial statements, including any significant

changes in the Company's selection or application of critical accounting principles, any major issues as to the adequacy and quality of the Company's disclosure procedures and controls and any special steps taken or changes made to respond to material control deficiencies.

- The Committee shall review and discuss with the Outside Auditor the reports from the Outside Auditor with respect to:
 - all critical accounting policies and decisions;
 - all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment recommended by the Outside Auditor; and
 - other material written communications between the Outside Auditor and management, such as any management letter or schedule of adjustments.

Oversight of Internal Controls and Internal Auditing Function

- The Committee shall discuss with management and the Internal Auditors the quality and adequacy of the Company's internal accounting and financial controls, the Company's financial, auditing and accounting organizations and personnel, and the Company's policies and compliance procedures with respect to business practices, which shall include the disclosures regarding internal controls and matters required by Sections 302 and 404 of the Sarbanes-Oxley Act of 2002 and any rules promulgated thereunder by the Securities and Exchange Commission. The Committee shall discuss with the Outside Auditors any significant matters regarding internal controls over financial reporting that have come to their attention during the conduct of their audit.
- The Committee shall:
 - Periodically meet separately with the Internal Auditors;
 - Review and approve the annual internal audit plan; and
 - Discuss with the Internal Auditors its review of the operations of the Company and the systems of internal controls and, when deemed appropriate, management's responses thereto.

Oversight of the Company's Compliance Function

- The Committee shall establish procedures for (i) the receipt, retention, and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
- The Committee shall discuss with management, the Compliance Officer, the Company's counsel and the Outside Auditor any correspondence with regulators or governmental agencies and any published reports that raise material issues regarding the Company's financial statements or accounting policies.
- The Committee shall review and discuss with Management, the Compliance Officer, the Company's counsel and the Outside Auditor, legal matters that may have a material

impact on the financial statements or the Company's compliance policies, including reports and disclosures of insider and affiliated party transactions and any knowledge of fraud or breach of fiduciary duties.

- The Committee shall review and approve all "related party transactions" as such terminology is defined under Item 404 of Regulation S-K under the Securities Act of 1933.

Oversight of the Company's Relationship with the Outside Auditor

- The Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of the Outside Auditors (including resolution of disagreements between management and the Outside Auditors regarding financial reporting) and the Company's Outside Auditors shall report directly to the Committee. The Audit Committee and the Board have the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the Outside Auditor.
- The Committee shall:
 - Request from the Outside Auditors annually, a formal written statement delineating all relationships between the auditor and the Company consistent with Standard Number 1 of the Independence Standards Board;
 - Discuss with the Outside Auditors any such disclosed relationships and their impact on the Outside Auditor's independence; and
 - Take appropriate action to oversee independence of the Outside Auditor.
- The Committee shall review the experience, qualifications and performance of the independent audit team, ensuring that all audit engagement team rotation requirements, as promulgated by applicable rules and regulations, are executed, and establishing hiring policies for employees or former employees of the Outside Auditors.
- The Committee shall obtain and review a report from the Outside Auditor at least annually addressing (i) the Outside Auditor's internal quality-control procedures, (ii) any material issues raised by the most recent internal quality-control review or peer review of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, (iii) any steps taken to deal with any such issues and (iv) all relationships between the independent auditor and the Company (in order to assess the Outside Auditor's independence).
- The Committee shall consider whether the Outside Auditor's performance of permissible non-audit services, together with the relationships between the Outside Auditor and the Company described above, are compatible with maintaining the Outside Auditor's independence.
- The Committee shall review and approve in advance the annual audit plan and scope of work of the Outside Auditor and fee arrangements, including staffing of the audit, and shall review with the Outside Auditor any audit-related concerns and management's response. With respect to auditing services, the Committee's approval of the engagement

letter with the Outside Auditor will constitute approval of the audit services to be provided thereunder.

- The Committee shall pre-approve all non-audit services (including the fees and terms thereof) to be performed for the Company by the Outside Auditor, to the extent required by law, according to established procedures. The Committee may delegate to one or more Committee members the authority to pre-approve non-audit services to be performed by the Outside Auditor, provided that such pre-approvals shall be reported to the full Committee at its next regularly scheduled meeting. Attached hereto as Appendix A are the Committee's pre-approval policies for the approval of non-audit services.

Delegation

In addition to the delegation of duties and responsibilities specifically set forth in this Charter, the Committee, in its discretion, may delegate all or a portion of its duties and responsibilities to one or more members of the Committee, provided that any action taken by such member(s) is ratified by the full Committee and provided that any such member(s) must conduct their business in accordance with this Charter.

APPENDIX A

STATEMENT OF POLICY OF THE AUDIT COMMITTEE OF A. SCHULMAN, INC. PRE-APPROVAL OF ENGAGEMENTS FOR NON-AUDIT SERVICES

Background

The purpose of these policies and procedures is to ensure that A. Schulman Inc. (“ASI”) and its subsidiaries are in full compliance with the Sarbanes-Oxley Act of 2002 (“SO”) and the SEC Rules regarding Auditor Independence. This document sets forth the policies and procedures of the Audit Committee of the Board (“AC”) with regard to permitted audit and non-audit services and the pre-approval of such services.

These policies and procedures comply with the requirements for pre-approval, but also provide a mechanism by which ASI management can request and secure pre-approval of audit and non-audit services in an orderly manner with minimal disruption to normal business operations.

Prohibited Services

Under no circumstances will the Audit Committee approve the engagement of the PricewaterhouseCoopers (“PwC”) for the performance of services that are prohibited by section 201(a) of the Act (15 U.S.C. §78j-1(g)), or by §210.2-01(4) of the SEC Rules (17 CFR Part 210.2-01(c)(4)). Such prohibited services include the following:

1. Bookkeeping or other services related to the accounting records or financial statements of the Company, unless the results of those services will not be subject to audit procedures during an audit of the Company’s financial statements;
2. Services relating to the design or implementation of financial information systems, unless the results of such services will not be subject to audit procedures during an audit of the Company’s financial statements;
3. Services relating to appraisals or valuations, fairness opinions, or contribution-in-kind reports, unless the results of such services will not be subject to audit procedures during an audit of the Company’s financial statements;
4. Any actuarially-oriented services (other than assisting the Company in understanding the methods, models, assumptions, and inputs used in computing an amount), unless the results of those services will not be subject to audit procedures during an audit of the Company’s financial statements;
5. Internal audit outsourcing services relating to the Company’s internal accounting controls, financial systems, or financial statements, unless the results of such services will not be subject to audit procedures during an audit of the Company’s financial statements;

6. Any management functions, whether or not temporary, including any decision-making, supervisory, or ongoing monitoring function for the Company;
7. Any services relating to human resources of the Company, including searching for, testing, investigating, negotiating, or providing recommendations or advice with respect to human resources or prospective human resources;
8. Any services relating to acting as a broker-dealer, promoter, or underwriter for the Company, including providing advice, exercising discretionary authority, or assuming custodial responsibility with respect to investment decisions or assets of the Company;
9. Any service that can be provided only by a person licensed, admitted, or otherwise qualified to practice law in the jurisdiction in which the service is to be rendered;
10. Providing an expert opinion or other expert service for the Company, or for the Company's legal representative, for the purpose of advocating the Company's interests in litigation or in a regulatory or administrative proceeding or investigation, except for factual accounts or testimony explaining work that the PwC has performed, positions that the PwC has taken, or conclusions that the PwC has reached during the performance of any permitted service for the Company; and
11. Any other service that the Public Company Accounting Oversight Board may from time to time determine by regulation to be impermissible.

Procedures

1. Ratification of Permitted Audit and Non-Audit Services
 - a. ASI management and PwC shall jointly submit to the AC a Services Matrix (Exhibit 1) of permitted audit and non-audit services for which ASI management may want to engage PwC.
 - b. The Matrix will categorize the types of audit and non-audit services and provide a corresponding explanation of each service in sufficient detail to enable the AC to understand the nature of the work.
 - c. The Matrix will be submitted annually.
 - d. The AC will review each service category on the Matrix and either approve or reject each service category. The approval of the Matrix is merely a ratification of the types of services for which the principal auditor may be engaged. The services are subject to the pre-approval procedures (see 2 and 3 below).
 - e. The Matrix will be revised as needed to include only those categories of services approved by the AC.
 - f. The Matrix will be distributed by ASI management to the appropriate personnel within the operating companies worldwide and will be distributed by PwC to its partners serving ASI worldwide.
2. Pre-Approval Request
 - a. Management and PwC shall jointly submit an Pre-Approval Request (Exhibit 2), which will list each permitted category of service for which there are known and/or anticipated

- audit and non-audit services. The Pre-Approval Request will list the services by category in accordance with the Matrix and a description of the service. (The Pre-Approval Request also will list the corresponding budget or range of fees for each category of service.)
- b. When preparing the request, management and PwC will utilize the most current version of the ratified Services Matrix.
 - c. The AC will review the Pre-Approval Request with both management and PwC.
 - d. The AC will either approve or reject each of the items on the Pre-Approval Request (and the associated fees) or defer its decision to a later date.
 - e. Management then will prepare a list of Pre-Approved Services. Management will distribute the list internally to appropriate personnel worldwide; PwC will distribute the list to its partners who provide services to ASI worldwide.
 - f. Approval of engagement expires one year after date of approval if engagement has not been commenced.
3. Designation of Primary AC Member or Members and Interim Pre-Approval Procedures
- a. During the course of the year there may be additional non-audit services that are identified by ASI management that are desired and were not contained in the Annual Pre-Approval Request.
 - b. The AC will designate one or more members to have the authority to pre-approve interim requests for additional non-audit services.
 - c. Prior to engaging PwC for such services, ASI management should submit to one of the designated AC members an Interim Services Pre-Approval Request Form (Exhibit 3).
 - d. The designated AC member should act upon the request as expeditiously as possible by either approving or rejecting the request and notifying ASI management.
 - e. This Audit Committee member would have to an independent member of the Company's Board of Directors. The AC may not delegate its authority to management or an employee of the Company.
4. On-Going Monitoring of Approved Audit and Non-Audit Services
- a. At each AC meeting, the designated AC member or members should report to the Committee any interim service pre-approvals since the last AC meeting. R. A. Stefanko will assist AC member or members in providing any information required.
 - b. ASI management and PwC will provide the AC with a summary description of ongoing projects and a year to date (ending the quarter before the month of the AC meeting) of the actual fees (as compared to the pre-approved budget for services and an updated estimate for the full year).

Exhibit 1: Services Matrix

Audit Services	All services performed to comply with auditing standards. These services include the audit and review of financial statements for the Company, statutory and regulatory filings that generally only the principal auditor can provide, and audits of income tax provisions and related reserves.
Audit-Related Services	Audit of employee benefit plans Attest services re: financial reporting that are not required by statute or regulation Sarbanes-Oxley documentation procedures Due diligence related to mergers and acquisitions Internal control reviews Financial accounting and reporting consultations Accounting consultations and audits in connection with acquisitions Procedures performed for SAS 70 reports Other
Tax Services	
Federal and state tax compliance	Preparation and/or review of tax returns, including sales and use tax, excise tax, income tax, and property tax. Consultation regarding applicable handling of items for tax returns, required disclosures, elections, and filing positions available to the company.
International (non-U.S.) tax compliance	Preparation and review of income, local, VAT, and GST tax returns. Consultation regarding appropriate handling of items on the returns, required disclosures, elections and filing positions available to the company. Preparation or review of U.S. filing requirements for foreign corporations.
Federal and state tax consulting	Assistance with tax audits. Responding to requests from the company tax department regarding technical interpretations, applicable laws and regulations, and tax accounting. Tax advice on mergers, acquisitions, and restructurings.
International (non-U.S.) tax consulting	Assistance with tax examinations. Responding to requests for advice on various matters including foreign tax credit, foreign income tax, tax accounting, foreign earnings and profits, U.S. treatment of foreign subsidiary income, VAT, GST, excise tax, and equivalent taxes in the jurisdiction. Tax advice on restructurings, mergers, and acquisitions.
Transfer pricing	Advice and assistance with respect to transfer pricing matters, including preparation of reports used by the company to comply with taxing authority documentation requirements regarding royalties and inter-company pricing and assistance with tax exemptions.

Customs and duties	Compliance reviews and advice on compliance in the areas of tariffs and classification, origin, pricing, and documentation. Assistance with customs audits.
Expatriate tax services	Preparation of individual income tax returns, advice on impact of changes in local tax laws and consequences of changes in compensation programs or practices
Tax Strategies	Any potentially abusive tax strategy must be expressly approved by the Audit Committee prior to commencement of any services and are not permissible under this policy.
All Other Services	

Exhibit 2: Pre-Approval Request

Audit Firm: PricewaterhouseCoopers

Audit Period: Fiscal 2004

Date: January 7, 2004

Service Category	Description	Budget (In USD)	Approved/ Rejected
Federal and state tax compliance	Preparation and/or review of tax returns, including sales and use tax, excise tax, income tax, and property tax. Consultation regarding applicable handling of items for tax returns, required disclosures, elections, and filing positions available to the company.	10,000	
International (non-U.S.) tax compliance	Preparation and review of income, local, VAT, and GST tax returns. Consultation regarding appropriate handling of items on the returns, required disclosures, elections and filing positions available to the company. Preparation or review of U.S. filing requirements for foreign corporations.	85,000	
Federal and state tax consulting	Assistance with tax audits. Responding to requests from the company tax department regarding technical interpretations, applicable laws and regulations, and tax accounting. Tax advice on mergers, acquisitions, and restructurings.	255,000	
International (non-U.S.) tax consulting	Assistance with tax examinations. Responding to requests for advice on various matters including foreign tax credit, foreign income tax, tax accounting, foreign earnings and profits, U.S. treatment of foreign subsidiary income, VAT, GST, excise tax, and equivalent taxes in the jurisdiction. Tax advice on restructurings, mergers, and acquisitions.	104,000	
Transfer pricing	Advice and assistance with respect to transfer pricing matters, including preparation of reports used by the company to comply with taxing authority documentation requirements regarding royalties and inter-company pricing and assistance with tax exemptions	362,000	
Customs and duties	Compliance reviews and advice on compliance in the areas of tariffs and classification, origin, pricing, and documentation. Assistance with customs audits.	25,000	
Expatriate tax services	Preparation of individual income tax returns, advice on impact of changes in local tax laws and consequences of changes in compensation programs or practices	--	

Exhibit 3: Interim Services Pre-Approval Request Form

Audit Firm: _____
 Audit Period (Year): _____
 Operating Company: _____
 Country: _____
 Prepared By: _____

Service Description	Budget (In USD)	Reviewed By	Approved/ Rejected