

1. GENERAL PROVISIONS

1.1. In accordance with the laws of the Russian Federation and the Charter of RAO UES of Russia (hereinafter the "Company") the Annual General Meeting shall elect the Internal Audit Commission of the Company for a period of One (1) year to exercise control over the financial and economic activities of the Company and the Company's compliance with the regulations of the Russian Federation.

1.2. The Internal Audit Commission shall comprise 5 members to be elected in accordance with the procedure established by the Charter of the Company and these Regulations.

1.3. When any shareholder(s) make(s) motions to nominate candidates for election to the Internal Audit Commission of the Company in accordance with the procedure established by the Charter, in particular in the event of self-nomination, the candidate's name (if the candidate is a shareholder of the Company), the number and category/type of shares owned by the candidate as well as the names of shareholders nominating the candidate, the number and category/type of shares owned by the candidate shall be specified.

The list of candidate members of the Internal Audit Commission of the Company shall be submitted to the Annual General Meeting of the Board of Directors of the Company.

1.4. A candidate member of the Internal Audit Commission shall be deemed to have joined the commission if the shareholders owning over Fifty (50) percent of voting shares who participated in the General Meeting of Shareholders voted for such candidate.

1.5. Pursuant to a resolution by the General Meeting of Shareholders the authority of any member (all members) of the Internal Audit Commission of the Company may be terminated early.

1.5.1. Any member of the Internal Audit Commission shall be entitled to withdraw therefrom at the member's sole discretion at any time by giving written notice thereof to the remaining members and the Board of Directors of the Company.

1.5.2. The authority of the Internal Audit Commission member shall be terminated in connection with his/her election to the Board of Directors of the Company or nomination to the executive bodies of the Company.

1.6. Members of the Internal Audit Commission of the Company may not simultaneously be members of the Board of Directors of the Company, hold any other positions in the management bodies of the Company or participate in the Counting Commission of the General Meeting of Shareholders.

Shares owned by a member of the Board of Directors of the Company or individuals holding positions in the management bodies of the Company may not vote in the election of members of the Internal Audit Commission of the Company.

1.7. The Internal Audit Commission shall simultaneously submit the annual report of the financial and economic activities of the Company and the Board of Directors' report of the key performance indicators of the Company over a one-year period.

1.8. The first meeting of the Internal Audit Commission of the Company shall elect its Chairman and Deputy Chairman from among its members by open vote.

1.9. The Board of Directors and the Management Board of the Company shall not be governing bodies for the Internal Audit Commission of the Company.

1.10. The activities of the Internal Audit Commission of the Company shall be governed by the laws of the Russian Federation, Decrees of the President of the Russian Federation, ordinances, directives and other resolutions of the Government of the Russian Federation and governmental authorities, resolutions of the General Meeting of Shareholders of the Company, the Charter of the Company and these Regulations.

1.11. Pursuant to a resolution by the General Meeting of Shareholders members of the Internal Audit Commission of the Company during their term office may be remunerated and/or reimbursed for expenses associated with the fulfillment of their duties. The amount of such remuneration and compensation payments shall be established by a resolution of the General Meeting of Shareholders.

1.12. The activities of the Internal Audit Commission of the Company shall be funded from the budget for the executive office of the Company.

2. CONTENT OF WORK OF THE INTERNAL AUDIT COMMISSION

2.1. The Internal Audit Commission of the Company shall conduct audits (inspections) of the financial and economic activities of the Company, its branches, representative offices and other stand-alone subdivisions of the Company based on year-end performance and at any time at its sole discretion, pursuant to a resolution of the General Meeting of Shareholders, the Board of Directors of the Company or upon request from the Shareholders of the Company owning in total at least 10 percent of voting shares in the Company.

2.2. In auditing (inspecting) the financial and economic activities of the Company (any subdivision) the Internal Audit Commission of the Company shall organize work in the following areas:

- compliance with the laws of the Russian Federation, resolutions of the General Meeting of Shareholders of the Company, the Board of Directors and prescriptions reflected in the statements of previous audits (inspections);
- reliability of data contained in the annual report of the Company, annual financial statements;
- conformity to the provisions of the regulatory documents approved by the Board of Directors of the Company governing relations within the Company;
- compliance with the rules established by the Charter of the Company and other documents of the Company by members of the Board of Directors, the Management Board and executive officers of the management bodies of the Company, including the non-misuse of authority in managing the Company's property, execution of transactions and performance of financial operations on behalf of the Company;

- accurate recognition of the amount of authorized capital in accounting records, lawful and feasible resolutions on changes in its amount;
- timely and correct recognition of all financial operations in financial statements and statistical reports in accordance with the established rules and applicable execution procedure;
- correct recognition of costs (expenses) as the cost of products (work, services), preparation of financial performance of the Company and their recognition in the Profit and Loss Statement;
- calculations of the amount of ordinary share dividend payable to shareholders and correct determination of the amount of preference share dividend;
- safeguarded cash and valuables. Authorized cash spending in accordance with the approved budgets;
- feasible and efficient decisions on participation of RAO UES of Russia in investment projects and retention of outside investors;
- compliance with the Charter of RAO UES of Russia;
- reasonable and necessary establishment and termination of operation of branches, representative offices and other stand-alone subdivisions of the Company.

2.3. In auditing (inspecting) the branches, representative offices and other stand-alone subdivisions of the Company the Internal Audit Commission of the Company shall audit, inter alia:

- whether the property assigned to the subdivision is safeguarded; expenses made thereby are reasonable and economically feasible; observance of financial discipline and saving mode with respect to funds allocated by the Company for the operation of the subdivision;
- whether accounting records of property are maintained correctly and the established statements submitted to the Company are reliable;
- fulfillment of prescriptions reflected in the statements of previous audits (inspections).

3. RIGHTS AND DUTIES OF THE INTERNAL AUDIT COMMISSION

3.1. Members of the Internal Audit Commission of the Company may participate in the Board of Directors meetings in an advisory capacity.

3.2. The Internal Audit Commission shall be entitled to:

- request that the Management Board and Board of Directors meetings or the Extraordinary General Meeting be convened when breaches identified in the production, economic, financial or legal activity or threat against the interests of the Company necessitate the adoption of resolutions on issues falling within the jurisdiction of these management bodies of the Company;
- request that the minutes of the Company's Management Board meeting be submitted;
- request that individuals holding positions in the management bodies of the Company submit documents on the financial and economic activities of the Company;
- consider information from the persons specified in Article 81 of the Federal Law "On Joint-Stock Companies";
- request that the heads of the executive office functions, branches, representative offices and other stand-alone subdivisions of the Company submit original accounting or other documents, journals, balance sheets, plan calculations, budgets and financial statements for conducting audits (inspections);

- inspect premises in which cash and valuables are stored, verify whether each accountable person actually has them in place;
- request from lending institutions (banks) data on the availability of cash in the accounts of the Company, its branches, representative offices and other stand-alone subdivisions in accordance with agreements with these institutions;
- receive from members of the Management Board, heads of the executive office functions, branches, representative offices and other stand-alone subdivisions or accountable persons written and oral explanations of financial breaches, embezzlements, shortages or where otherwise necessary;
- involve the shareholders of the Company from among economists, financial or other employees in audits (inspections) by agreement with the heads of their respective functions;
- submit proposals aimed at eliminating breaches and defects in the financial and economic activities of the Company identified by the audit (inspection);
- if needed, invite experts to be compensated by the Company to participate in an audit (inspection);
- make motions related to the agenda of the General Meeting of Shareholders and the Board of Directors meeting of the Company.

3.3. The Internal Audit Commission shall be obliged to:

- audit (inspect) the financial and economic activities of the Company, its branches, representative offices and other stand-alone subdivisions on a regular basis (at least annually).

Summarizing the results of an audit (inspection) of the financial and economic activities of the Company the Internal Audit Commission of the Company shall prepare a report which shall contain:

- the confirmation of reliability of data contained in reports and other financial documents of the Company;
- information concerning the breaches of procedure for the maintenance of accounting records and submission of financial statements established by the regulations of the Russian Federation as well as the regulations of the Russian Federation in the execution of financial and economic operations;
- submit the Annual Audit Report to the Board of Directors no later than fifteen days prior to the date of annual meeting of the Board of Directors of the Company in accordance with the financial reporting and accounting policies and procedures established by the Company;
- report to the General Meeting of Shareholders of the Company on the results of annual audits (inspections) and unscheduled audits of financial and economic activities of the Company and its branches, representative offices and other stand-alone subdivisions as well as identified breaches of the code of conduct established by the Charter of the Company by members of the Board of Directors and the Management Board;
- in the event of identification of misuse of authority by executive officers, misuse of funds, embezzlements, shortages and the illegal spending of cash and valuables, prepare an interim statement, immediately notify the Board of Directors thereof and prepare, if needed, audit (inspection) materials for submission to investigation agencies by decision of the Board of Directors;
- exercise control over the elimination of defects and breaches identified as a result of audits and inspections and enforce the Commission's proposals concerning their elimination.

4. PROCEDURE OF OPERATION OF THE INTERNAL AUDIT COMMISSION

4.1. The Internal Audit Commission of the Company shall operate according to a self-approved plan envisioning the procedure and time limits for conducting the audits (inspections) of activities of the Company as a whole, its branches, representative offices and other stand-alone subdivisions. If needed, schedules shall be prepared for individual financial activities of the Company and the implementation of proposals from previous audits (inspections) by the branches, representative offices and other stand-alone subdivisions.

Action plan, audit (inspection) procedure, timelines and audit programs as well as the commission's proposals based on audit and inspection results shall be considered at the Committee meetings.

Resolutions of the Internal Audit Commission shall be adopted by a majority of votes of its members and recorded in the meeting minutes signed by the individual chairing the meeting accountable for the correct minute taking.

The Company shall be obliged to keep the minutes of the Internal Audit Commission and its audit (inspection) reports.

4.2. The annual desk audit of the financial and economic activities of the Company shall be conducted by the Internal Audit Commission of the Company prior to the Meeting of Shareholders summarizing the performance of the Company in the 3a previous year. In due time audit (inspection) results shall be communicated to the Board of Directors and reported to the Meeting of Shareholders of the Company.

4.3. The Internal Audit Commission of the Company shall prepare a certificate (statement) of results of each audit (inspection) which shall be signed by the Chairman and members of the Internal Audit Commission who conducted the audit (inspection) and the officer from the executive body of the Company accountable for the financial and economic performance of the Company.

The certificate (statement) of results of an audit (inspection) conducted for any branch, representative office or any other stand-alone subdivision of the Company shall be signed by the head (or Deputy Head) thereof and Chief Accountant in addition to the Commission.

4.4. The Internal Audit Commission shall function during business hours. Members of the Internal Audit Commission and involved experts shall fully retain the compensation, benefits and bonuses of their primary employer for the period of audits (inspections) and recording of their results.

4.5. The Internal Audit Commission shall be entitled to submit the list of experts retained by the commission to the Chairman of the Management Board of the Company to pay bonuses for the high quality of audits and inspections which contributed to revealing the latent financial reserves of the Company.

4.6. Services related to record management as well as material, technical and organizational support to the Internal Audit Commission of the Company shall be provided by the executive office of the Company through the Executive Secretary of the Commission to be appointed by the Chairman of the Management Board of the Company in collaboration with the Internal Audit Commission.

4.7. The time and location of meetings to be held by the Internal Audit Commission of the Company shall be determined by its Chairman.