

**Public Joint-Stock Company**  
**“Interregional Distribution Grid Company of the North-West”**



**ROSSETI**



INTERREGIONAL  
DISTRIBUTION GRID  
COMPANY OF THE  
NORTH-WEST

Appendix No.4  
to Minutes of session of the Board of  
Directors of  
IDGC of the North-West, PJSC  
dated 29.02.2016 No. 197/12

APPROVED  
by the Board of Directors of  
IDGC of the North-West, PJSC  
on 29.02.16 (Minutes No. 197/12)

Quality Management Administration

**REGULATIONS**  
**on the Audit Committee under the Board of Directors of IDGC of the North-West,**  
**PJSC**  
(restated)

Saint Petersburg  
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## 1 Purpose and application scope

1.1 The Audit Committee under the Board of Directors of IDGC of the North-West, PJSC (hereinafter - the "Regulations" is the in-house document of IDGC of the North-West, PJSC (hereinafter - the "Company") governing the activities of the Committee and determining the issues pertaining to their competence, the procedure of its composition formation and functioning, the rights and obligations of the Committee members as well as the procedure of the Committee's interaction with the management and control bodies of the Company.

1.2 These Regulations have been developed in accordance with the legislation of the Russian Federation, the Charter of the Company, its in-house regulatory documents as well as in accordance with the requirements of the stock exchanges where the Company's securities are quoted, such requirements representing a condition for shares inclusion in the stock exchanges' quotation lists.

1.3 The following references were used during preparation hereof:

- Federal Law of the Russian Federation No. 208-FZ "On Joint-Stock Companies" dated 26.12.1995;
- Federal Law of the Russian Federation No. 402-FZ "On Accounting" dated 06.12.11;
- Federal Law of the Russian Federation No. 307-FZ "On Auditor Activities" dated 30.12.2008;
- Corporate Governance Code approved on 21.03.2014 by the Board of Directors of the Bank of Russia;
- Methodological recommendations on organization of work of the Board of Directors within a joint-stock company approved by Order No. 357 of the Federal Agency for State Property Management dated 21.11.2013;
- Methodological recommendations on organization of work of Audit Committees under the Board of Directors within a joint-stock company with participation of the Russian Federation approved by Order No. 86 of the Federal Agency for State Property Management dated 20.03.2014;
- Regulations on activities for conductance of organized trading approved by the bank of Russia on 17.10.2014, No. 437-II;
- Methodological recommendations on organization of internal audit work within joint-stock companies with participation of the Russian Federation approved by Order No. 249 of the Federal Agency for State Property Management dated 04.07.2014;
- Methodological recommendations on building the internal audit function within holding structures with participation of the Russian Federation approved by Order No. 330 of the Federal Agency for State Property Management dated 03.09.2014;
- Listing rules approved by the management bodies of a stock exchange and registered by the Bank of Russia in accordance with the established procedure.

1.4 The Audit Committee is created by decision of the Board of Directors of the Company for preliminary in-depth consideration of the most important issues and preparation of recommendations for the Board of Directors to take decisions on issues pertaining to the competence of the Committee as well as for solution of other issues delegated to the Committee by the Board of Directors of the Company.

1.5 During consideration of issues entrusted by the Board of Directors of the Company to be considered at the Committee sessions and requiring no further consideration by the Board of Directors, the Committee is entitled to take decisions and issue recommendations addressed to the Company's executive bodies and internal audit. The Audit Committee is report to the Board of Directors of the Company and independent from other the executive bodies of the Company in their judgements.

1.6 The Committee is an auxiliary consulting and advisory body of the Board of Directors of the Company. The Committee is no management and control body of the Company and is not entitled to act on behalf of the Company.

1.7 The Committee activities are governed by the legislation of the Russian Federation, the Charter of the Company, in-house regulatory documents of the Company, decisions of the Board of Directors of the Company and these Regulations.

## 2 Terms and Definitions

The following terms are used herein, defined as follows:

2.1 *Executive Body of the Company* – Collegial Executive Body– Management Board of the Company, Sole Executive Body - General Director of the Company, reports to the Board of Directors of the Company.

2.2 *Top Managers (Top Management)* – officials of the Company recognized as top managers of IDGC of the North-West, PJSC according to the in-house regulatory document determining the principles of material incentivization of top managers of IDGC of the North-West, PJSC/or in accordance with a decision of the Board of Directors of the Company.

2.3 *Internal Audit* – activities related to provision of independent and objective guarantees and consultations aimed at improvement of the Company’s activities. Internal audit is meant to assist in achievement of the Company’s objectives in the most efficient and economically feasible way, using a systemic and consistent approach to evaluation and improvement of the risk management, internal control and corporate governance systems efficiency.

2.4 *Competence* – totality of legally established authorities, functions, rights and obligations of a specific body or official.

2.5 *External Auditor, Auditor* – organization being a member of one of the self-regulating auditor organizations carrying out independent review of the accounting (financial) statements of the party being audited for purposes of passing a judgment on such statements accuracy.

## 3 Objectives and core tasks of the Committee

3.1 The objective of the Committee consists in assisting in efficient discharge of the functions of the Board of Directors of the Company to the extent of preliminary consideration of issues related to control over the financial and economic activities of the Company.

3.2 Key tasks of the Committee:

- Consideration of accounting (financial) statements of the Company and supervision over the process of their preparation;
- Control over the functional reliability and efficiency of internal control system, the risk management system and the corporate governance practices;
- Control over conductance of external audit and selection of the auditor;
- Ensuring independence and objectivity of the Internal Audit function discharge;
- Supervision over the functional efficiency of the system for non-admittance of fraudulent actions of the Company’s workers and third parties.

3.3 The Committee is not meant to perform the role of the guarantor of achievement of the Company’s objectives related to ensuring accuracy of statements, efficiency of the internal control, and risk management systems and corporate governance practice, independence and objectivity of the internal audit function discharge and compliance with the legislation but solely controls over the executive bodies of the Company discharging their obligations related to attainment of the above objectives of the Company.

3.4 Many of the committee’s functions are set forth herein in terms of performance of “supervision”, “control”, “evaluation”, “analysis”, “organization” and “development” with regard to specific business functions. The Committee’s obligation notably consists not in discharge of the functions with regard whereto it carries out the actions of “supervision”, “control”, “evaluation”, “analysis”, “organization” and “development”, the Committee failing to participate in their immediate discharge. Discharging their supervision obligations, the Committee members rely on the conscientiousness of the Company’s executive bodies and workers providing information to the Committee. In case of doubts as to accuracy of information the Committee is obliged to inform the Board of Directors of the Company of the fact.

## 4 Competence of the Committee

4.1 Pertaining to the Committee competence is consideration of issues related to accounting (financial) statements of the Company, control over the functional reliability and efficiency of the internal control system, the risk management system and the corporate governance practice, conductance of external audit and selection of the auditor, ensuring independence and objectivity of the internal audit functions discharge, of the system of countermeasures against fraudulent actions of the Company's workers and third parties as well as other issues upon instruction of the Board of Directors of the Company.

4.2 Within the framework of their competence, the Committee discharges the following functions in the field of accounting (financial) statements of the Company:

1) Control over ensuring completeness, exactitude and accuracy of annual and intermediate accounting (financial) statements;

a) analysis of the peculiarities of the process of preparation of accounting (financial) statements adopted by the Company and essential changes in the principles and procedures of such preparation;

b) analysis of accounting (financial) statements conformity to the legislation and the regulatory requirements to financial information disclosure;

c) consideration of the conformity of the information systems used for conductance of accountancy and preparation of accounting (financial) statements to the requirements to accounting (financial) information processing, the business nature, scope and complexity of the information being treated;

d) jointly with the executive body of the Company and the Auditor - consideration of the external audit results, essential corrections introduced following external audit results and critical remarks contained in the external auditor's opinion and written information;

e) jointly with the external auditor and the internal auditor - discussion of the of the justifiability and admissibility of the method used by the Company for accounting for areas most badly susceptible to the risk of distortion, their consistent usage during conductance of accountancy and preparation of accounting (financial) statements;

f) conductance of analysis of the level and causes of errors revealed in the course of external and internal audit, obtainment of explanations from the executive body on the errors revealed, in particular - on the measures taken by the Company following the results of audit and/or upon fulfillment of the recommendations of the Auditor of the Company;

g) conductance of analysis of essential fluctuation of results in the course of several years, of extraordinary changes in the performance indicators/trends, discrepancies between actual financial results and those forecast or included in the business plan of the Company;

2) Conductance of analysis of essential aspects of the Company's accounting policy:

a) review of the accounting policy conformity to the norms and requirements of legislation, accountancy rules (standards), recommendations of the external auditor, consideration of justifiability and admissibility of the accountancy conductance methods used;

b) analysis of past and pending amendments to the accounting policy, discussion of their reasons and impact on the accounting (financial) statements of the Company in the current and future reporting periods with the executive body and the external auditor;

3) Participation in consideration of essential issues and judgments with regard to accounting (financial) statements of the Company:

a) analysis of the information presented by the top management of the Company on the operations and events that are most badly susceptible to evaluative judgements when reflected in accounting (financial) statements and the appended breakdowns or have an essential or non-standard nature, with accounts for the external auditor's critical remarks;

b) jointly with the top management of the Company and the external auditor - discussion of the most essential assumptions used by the Company during preparation of the accounting (financial) statements, conformity of the adopted essential assumptions and estimates to the accountancy rules (standards);

c) jointly with the external auditor and the internal auditor - discussion of the issue of the Company using any essential assumptions or estimates that might be aimed at achievement of the planned financial result of the Company or increase of the amount of reward due to the sole executive body and top managers of the Company;

4) Conductance of analysis of the Company's press releases dealing with financial issues, of any public announcements regarding internal and external audit, the Company's internal control system as well as financial information as may be published;

5) consideration of intermediate accounting (financial) statements of the Company, preliminary (prior to submittal for consideration to the Board of Directors of the Company) consideration of the annual accounting (financial) statements of the Company;

6) Consideration of any other issues that, in the opinion of the Audit Committee, may affect the completeness and accuracy of the Company's accounting (financial) statements.

4.3 Within the framework of their competence, the Committee exercises the following functions in the field of carrying out control over the operational reliability and efficiency of the internal control system, the risk management system and the corporate governance practice:

1) Consideration of approaches to organization of the internal control system before those are determined by the Board of Directors of the Company, analysis and evaluation of the Company's policies in the field of internal control:

a) preliminary (prior to approval by the Board of Directors) consideration of in-house regulatory documents of the Company determining the strategy, organization and development of the internal control system and further amendments thereto;

b) discussion of execution of the policy of the Company in the field of internal control with the executive body and the internal auditor;

2) Control over the functional reliability and efficiency of internal control system, the risk management system and the corporate governance practices;

a) conductance of meetings with the top management of the Company at least on a quarterly basis to discuss the issues of the Company availing of/creating a proper control milieu, efficiency, performance of internal control procedures, consideration of essential drawbacks of the internal control system and plans for their elimination;

b) conductance (at least on an annual basis) of analysis of the measures as the executive bodies of the Company may have developed for improvement of the internal control system as well as their performance results, in particular - following the outcome of self-evaluation carried out by managers of units/structural subdivisions of the Company and following the outcome of the evaluation conducted by the internal auditor;

c) consideration of the text of the section "Internal Control System" of the Annual Report of the Company and its discussion with the executive body and the internal auditor prior to submittal of the Annual Report of the Company for preliminary approval to the Board of Directors of the Company;

d) analysis of reliability and efficiency of the internal control system based on the data contained in reports of the Management Board of the Company on organization and functioning of the internal control system, internal audit review materials as well as the opinion of the external auditor of the Company;

e) preliminary consideration (at least on an annual basis) of the internal audit report on efficiency of the internal control system, the risk management system and corporate governance as well as preliminary consideration of reports on external independent evaluation of efficiency of the internal control system, the risk management system and corporate governance;

f) preparation of proposals on perfection of the risk management and internal control systems and of the corporate governance practice;

3) Control over the Company's compliance with regulatory and legal requirements:

a) consideration of issues related to the procedures ensuring the company's compliance with the requirements of the legislation of the Russian Federation, the Bank of Russia, stock exchanges as well as the ethical norms set forth in in-house regulatory documents of the Company;

b) analysis of the response measures taken by the Company to eliminate the violations revealed by the Auditing Commission of the Company, the internal auditor of the Company and external control (supervision) bodies.

4.4 Within the framework of their competence, the Committee exercises the following functions in the field of control over conductance of external audit and selection of the Auditor:

1) Consideration and development of recommendations for the Board of Directors of the Company that are to be provided to shareholders for approval at the annual General Meeting of Shareholders of the Company with regard to re-election or dismissal of the External Auditor;

2) Elaboration of recommendation on determination of the rotation framework of the External Auditor for the Board of Directors of the Company;

3) Exercise of general supervision over selection of the External Auditor;

a) participation in development and agreement of the conditions for conductance of procurement procedures for selection of the external auditor, in particular - determination of the set and significance of the criteria for evaluation of procurement participants and the procedure for evaluation of the procurement participants' bids;

b) supervision over the Company's Auditor selection procedure compliance with the legislation and the in-house regulatory documents of the Company by way of participation of a representative of the Audit Committee in the work of the procurement commission related to selection of the external auditor in the capacity of the commission member or an independent observer;

c) evaluation of the independence, objectivity and absence of conflict of interests on the part of the external auditor of the Company inclusive of analysis of all the relationships between the external auditor and the Company (provision of services other than auditor ones, amount of reward for provision of auditor and non-auditor services etc.) with the aim of identifying the circumstances that may affect the external auditor's independence;

d) preparation of recommendations for the Board of Directors on the candidacy of the external auditor of the Company;

4) Supervision over conductance of external audit and evaluation of the quality of audit review performance and of opinions of the Auditor:

a) Evaluation of the scope of auditor proceedings and review methods proposed by the External Auditor;

b) jointly with the external auditor and the executive body - discussion of the essential aspects of the accounting policy, methods used for accounting for essential or extraordinary transactions in cases where multiple approaches are allowable;

c) jointly with the external auditor and the executive body of the Company - discussion of issues related to drawing accounting (financial) statements, reviewing clarity and completeness of information disclosure in such accounting (financial) statements as well as determination of the information disclosure correctness;

d) jointly with the external auditor - discussion of any serious troubles as may occur in the course of audit conductance inclusive of any limitations of the scope of works and/or access to the information that the external auditor may require;

e) consideration of the external auditor's opinions and written information provided to the executive body of the Company following the outcome of the audit with respect to the list of the main solved and unsolved issues, review of the main accounting and auditor judgments, analysis of the level of errors revealed in the course of the audit;

5) Conductance of evaluation of the external audit process efficiency at least once a year, such evaluation including:

- analysis of compliance with the external audit conductance plan as well as analysis of the causes of any deviations from it including any actions of the Auditor undertaken in case of change in the auditor risk;

- consideration of the stance to the External Auditor's works on the part of the key workers involved in the external audit conductance process inclusive of the Chief Accountant, Deputy General

Director for Economy and Finance, manager of the structural division ensuring the internal audit functions etc.;

- analysis of the Auditor's understanding of the nature of the Company's business and of adequacy of the recommendations provided;

- evaluation of the level of response and qualification in provision of information to the Audit Committee and of recommendations regarding the internal control system;

- evaluation of the quality of opinions of the Company's External Auditor as confirming accuracy of the annual accounting (financial) statements of the Company, preparation of an opinion of the level of efficiency and quality of the external audit process forming an integral part of the information (materials) for the annual General Meeting of Shareholders of the Company (Appendix No 1 to these Regulations);

6) Development of a policy in the field of the External Auditor providing services of non-auditor nature, including determination of the following, and provision of such policy for consideration to the Board of Directors of the Company:

- nature of the allowable non-auditor services;

- ratio of the amounts of remuneration due for provision of auditor and non-auditor services (both proportionally and as the total amount of remuneration due to the auditor firm);

- requirements to ensuring independence during combination of types of auditor and non-auditor services inclusive of determination of the types of services to provision whereof the External Auditor shall not be admitted;

- determination of the list of services requiring preliminary consideration and agreement of the Audit Committee.

7) Ensuring efficient interaction between the External and Internal Auditors of the Company.

4.5 Within the framework of their competence, the Committee exercises the following functions in the field of ensuring the independence and objectivity of the internal audit function exercise:

1) Organization of the Internal Audit function discharge;

- a) elaboration of recommendations for the Board of Directors of the Company on the most optimal way to organize the internal audit (creation of internal audit subdivisions/outsourcing/cosourcing);

- b) preliminary (prior to submittal for approval to the Board of Directors of the Company) consideration of the internal audit policy, contract with an external organization engaged to exercise the external auditor functions, other in-house documents of the Company determining the internal audit objectives, tasks, authorities and functions;

- c) agreement of regulations on the internal audit subdivision prior to endorsement by the Board of Directors of the Company and approval by the sole executive body of the Company;

2) Ensuring independence and objectivity of the Internal Audit:

- a) Agreement (prior to approval by the Board of Directors of the Company) of decisions on appointment or dismissal as well as agreement (prior to determination by the Board of Directors of the Company) of the reward due to the chief of the internal audit subdivision;

- b) in case an external organization is engaged to exercise the internal audit functions:

- preliminary consideration of the candidacy of such organization to gain assuredness of independence, objectivity, professionalism and competence of such organization and their personnel involved in carrying out the internal audit of the Company;

- preliminary consideration of the essential conditions of the contract with such organization, in particular - regarding the issues of the reward payable, the plan of internal audits and periodicity of reporting on internal audit outcome;

- preliminary consideration of draft supplementary agreements to the contract with the external organization to exercise the internal audit functions;

- c) consideration (at least on an annual basis) of the structure and manpower of the internal audit subdivision of the Company, preliminary consideration and agreement of amendments thereto;

- d) agreement of ii annual work plan and amendments thereto prior to approval by the Board of Directors of the Company;



e) consideration (at least on a quarterly basis) of the internal audit report on execution of the work plan and on the results of the internal audit activities as well as agreement of the report on execution of the internal audit annual work plan prior to approval by the Board of Directors of the Company;

f) regular (at least on an annual base) analysis of the results of the Company executing the plan of measures for elimination of the violations and drawbacks revealed by the Auditing Commission of the Company and the internal auditor of the Company;

3) Consideration of limitations that can negatively affect the Internal Audit function discharge:

a) agreement (prior to approval by the Board of Directors of the Company) of the annual budget of the internal audit subdivision and amendments thereto, of the price protocol of the contract with the external organization engaged to exercise the internal audit functions as well as amendments thereto;

b) consideration of the essential limitations of the internal audit authorities, discussion (jointly with the internal audit) of any serious troubles as may occur in the course of audit conductance inclusive of any limitations of the scope of works and/or access to the information that the internal auditors may require;

4) Evaluation of efficiency of the Internal Audit function discharge:

a) arrangement (at least on an annual base) of an individual meeting with the internal audit subdivision chief/authorized representative of the external organization exercising the internal audit functions dedicated to issues related to the internal audit function;

b) discussion of the plan of measures for the function perfection with the internal audit subdivision chief/authorized representative of the external organization exercising the internal audit functions;

c) consideration (at least on an annual base) of the results of the self-evaluation of the internal audit activities quality conducted in accordance with the in-house standards of the internal audit activities, communication of such evaluation results to the Board of Directors of the Company;

d) organization (at least on a five years' basis) of conductance of an independent evaluation of the internal audit function quality inclusive of agreement of the terms of reference, the essential contract conditions and the candidacies of the appraisers of the internal audit function quality, preliminary consideration of the evaluation results, communication of such evaluation results to the Board of Directors of the Company;

4.6 Within the framework of their competence, the Committee exercises the following functions in the field of supervision over the functional efficiency of the system for non-admittance of fraudulent actions of the Company's workers and third parties:

1) Exercising supervision over implementation of measures as may be adopted by the Company when informed of potential cases of fraudulent actions of workers, violations revealed and the results of the investigations conducted;

2) development of draft documents related to organization of the Audit Committee activities and their submittal for approval to the Board of Directors of the Company.

4.7 Upon decision of the Board of Directors of the Company, other issues pertaining to the Audit Committee competence may be submitted for consideration to the Committee.

## **5 Committee composition and formation procedure**

5.1 The number of the Committee members is no less than three (3) members. The personal composition of the Committee is elected by the Board of Directors of the Company from among the candidates presented to members of the Board of Directors of the Company. It is recommended to ensure formation of the Audit Committee composition within 45 (forty-five) calendar days from the moment of election of a newly composed Board of Directors of the Company.

The Committee members may be re-elected to the Audit Committee an unlimited number of times.

In case of nomination a candidate for membership in the Audit Committee for the next reporting period, their participation in the sessions of the Committee in the previous reporting period is taken into account. It is recommended not to include a member of the Committee that has participated in less than 75 per cent of the sessions in the previous reporting period into the list of candidates to the Audit Committee in the next reporting period.

5.2 For purposes of having the Company's shares included and maintained in the second level quotation list, the Audit Committee shall consist of independent members of the Board of Directors; should it be impossible due to objective reasons, the Committee may include members of the Board of Directors failing to be the sole executive body and (or) members of the collegial executive body as well as workers of the Company.

5.3 For purposes of having the Company's shares included and maintained in the first (top) level quotation list, the Audit Committee shall consist of independent directors; should it be impossible due to objective reasons, the majority of the Committee shall consist of independent directors, the other members of the Committee represented by members of the Board of Directors of the Company failing to be the sole executive body and (or) members of the collegial executive body as well as workers of the Company.

5.4 The criteria of independence of members of the Board of Directors are determined in accordance with the in-house regulatory documents of the Company or, in case of no such criteria set forth in the in-house documents- by the listing rules of the stock exchange where the Company's securities are traded.

5.5 During nomination of members of the Audit Committee, it is recommended that the following candidates have preferential treatment:

- those having a higher education in the field of finance, law, economics or management;
- those having experience of work in the field of internal audit, internal control and risk management, accounting (financial) statements, financial management (the candidates must understand the principles of preparation of accounting (financial) statements and be capable to "read" accounting (financial) statements), those having comparison and analysis skills;
- those having basic knowledge in the internal audit and control field;
- those having knowledge of the Company's activities (branch, characteristics of the products produced, market position, competitive advantages etc.) and understanding the general regularities of business conductance.

Additionally, members of the Audit Committee shall have a reputation giving rise to no doubts as to whether they will discharge the obligations of members of the Committee in a conscientious way and act in the interests of the Company.

5.6 Proposals of members of the Board of Directors of the Company on candidacies for election to the Committee shall be drawn as addressed to the Chairman of the Board of Directors of the Company, executed in writing and signed by the member of the Board of Directors of the Company having filed such proposals.

5.7 A proposal on nominating a candidate for membership in the Committee shall contain the following details of the candidate:

- Candidate's full name;
- Candidate's place of employment and position as of the proposal submittal moment;
- Work experience (qualifications) in the recent 5 years;
- Candidate's consent to nomination for membership in the Audit Committee;
- Information bearing witness of the candidate meeting all the requirements set forth in Section 5 hereof;
- Contact information (inclusive of the preferable mode for contacting the candidate).

5.8 A member of the Board of Directors of the Company elected to the Committee as an independent director, if ceasing to meet the requirements to independent directors due to occurrence of any events whatsoever, shall report on loss of such status to the Board of Directors of the Company within 3 (three) business days from the moment when such member of the Board of Directors becomes aware of the independent director status loss.

5.9 The Committee members are elected for a term until election of a newly composed Committee.

5.10 The authorities of members of the Committee are terminated prematurely in the following cases:

- 1) the member of the Committee has filed to the Chairman of the Board of Directors of the Company a statement of voluntary premature abdication;

2) the authorities of the member of the Committee in the capacity of a member of the Board of Directors have been prematurely terminated;

3) the Board of Directors of the Company by their decision has relieved the Committee member from discharge of their obligations

5.11 In case of premature termination of the authorities of a member of the Audit Committee by virtue of Clause 5.10 (Listing 1 and 3), the Board of Directors of the Company conducts election of a new member of the Committee within 30 (thirty) calendar days from the date when the statement of the Committee member was received as specified in Clause 5.10 (Listing 1) or when the decision was taken as specified in Clause 5.10 (Listing 3). Until the moment referred to the member of the Audit Committee proceeds with discharge of their obligations in full.

## **6 Rights and duties of the Committee and members thereof**

6.1 For exercise of the functions entrusted to them, the Audit Committee is entitled to:

1) If instructed by the Board of Directors – exercise control over execution of decisions of the Board of Directors within the Company;

2) give recommendations to the executive bodies of the Company and to the Board of Directors of the Company within the framework of their competence;

3) undertake investigations into issues within the framework of the tasks and functions entrusted to them;

4) request and obtain from the executive body and officials of the Company and from the internal audit documents, reports, explanations, conclusions and other information inclusive of details of confidential nature. The said information shall be furnished within 5 (Five) business days from the request receipt moment unless a longer term specified in the request;

5) Upon agreement with the executive body – form work teams with participation of the Company workers and engaged experts (specialists) for analysis of issues pertaining to the Committee competence, within the framework of the Committee budget. Persons heading the said teams organize their work and provide for analysis of issues determined by the Committee within the terms as may be established by the Committee decision;

6) invite to their sessions officials and workers of the Company and of subsidiary and dependent companies (hereinafter - SDCs), members of other committees under the Board of Directors the Committee, Chairman/members of the Auditing Commission as well as other persons for discussion issues pertaining to the Committee competence (without the right to vote);

7) arrange meetings with the external auditor and the chief of the internal audit subdivision/authorized representative of the external organization exercising the internal audit functions;

8) whenever required - initiate and organize conductance (within the framework of their competence and of the Committee budget) special reviews, investigations, expert studies and overviews inclusive of their implying engagement of specialists in the respective fields (law, economics, finance, accountancy, management, corporate security and other branches of knowledge) failing to hold offices within the Company as well as specialized organizations and solicit that the Company conclude civil law contracts with the said specialists and organizations;

9) whenever required - engage in their work Experts failing to hold offices within the Company for obtainment of an independent, objective and professional judgement on issues referred to the Committee competence, in particular - for preparation of materials and recommendations on the issues on the agenda of the Committee session;

10) develop draft documents related to organization of the Audit Committee activities and submit them for approval to the Board of Directors of the Company.

11) Exercise other authorities specified by the Board of Directors, within the limits of their competence and following the procedure as stipulated hereby.

6.2 The Committee is obliged to:

- 1) Carry out the activities entrusted to the Committee in accordance with the requirements of the legislation of the Russian Federation, the Charter of the Company, these Regulations, other in-house regulatory documents of the Company and decisions of the Board of Directors of the Company;
- 2) Present substantiated recommendations (opinions) to the Board of Directors of the Company within the limits of the Committee competence;
- 3) Timely inform the Board of Directors of the Company of risks associated with the Company's activities within the limits of the Committee competence;
- 4) Comply with confidentiality requirements, abstain from disclosure of information representing commercial secret and(or) included in the list of insider information of the Company;

6.3 The Committee members are entitled to:

- 1) Obtain information on the activities of the Company and their subsidiary organizations as may be required, familiarize themselves with constitutive, filing, reporting, organizational-and-managerial and other documents of the Company and their subsidiary organizations (including those of confidential nature) concerning issues pertaining to the Committee competence;
- 2) Demand convening of a session of the Committee in writing;
- 3) move proposals on formation of the Committee work plan as well as on submittal of issues at sessions at the Committee sessions unincorporated in the Committee annual work plan (with the initiating member of the Committee having to suggest a draft solution and to provide an explanatory note on the issue proposed by them), discuss and vote on the issues on the agenda of the Committee session;
- 4) Express in writing their opinions including disagreement with decisions as may be taken by the Committee, communicate such opinions to the Committee Chairman and record them in minutes of the Committee session;
- 5) Exercise other authorities specified by the Board of Directors of the Company, within the limits of their competence and following the procedure as stipulated by hereby.

6.4 The Committee Members are obliged to:

- 1) During discharge of their duties - act in the interests of the Company, exercising their right's and discharging their obligations with regard to the Company in a conscientious and reasonable way;
- 2) Actively participate in sessions of the Committee;
- 3) If facing a conflict of interests –n the agenda issue under discussion - communicate the fact to other members of the Committee;
- 4) Abstain from using and transferring to other persons information on the Company's activities (including confidential information) as may have become known to members of the Committee when such information, if at the disposal of third parties, may essentially affect the Company and business reputation thereof;
- 5) While discharging their duties – comply with the requirements established by the effective legislation of the Russian Federation, the Charter of the Company, the Regulations Governing the Procedure of Convention and Arrangement of Sessions of the Board of Directors of the Company, these Regulations and other in-house regulatory documents of the Company;
- 6) Forbear actions that may:
  - result in a conflict arising between the interests of the Committee and those of the Company;
  - affect the reputation of the members of the Committee so that doubts may rise as to their conscientious discharge of the obligations of a member of the Audit Committee and to their being able to act in the interests of the Company.

## **7 Committee Chairman (election procedure, rights and obligations)**

7.1 The management of the Committee and organization of their activities are carried out by the Committee Chairman elected by the Board of Directors of the Company from among the members of the newly elected Committee. Decision on election of the Chairman of the Committee is taken by a majority of votes of the members of the Board of Directors taking part in the session of the Board of Directors of the Company. The Board of Directors of the Company is at any time entitled to reelect the Chairman of

the Committee by a majority of votes of the members of the Board of Directors taking part in the session of the Board of Directors of the Company.

7.2 The Committee Chairman shall to the maximum extent meet the requirements established for members of the Committee in Section 5 hereof.

7.3 In the absence of the Committee Chairman, the latter's duties are discharged by the Deputy Chairman of the Committee. The Committee Deputy Chairman is elected by and from among the Committee members by a majority of the votes of the Committee members participating un the Committee session. The session is to be arranged within 30 (thirty) calendar days from the date when the Board of Directors of the Company elected the Committee composition and Chairman.

7.4 Chairman of the Audit Committee:

1) determines the priorities of the Committee work, shapes the Committee work plan with account for the work plan of the Board of Directors and the instructions of the Board of Directors, presents the said work plan for approval to the Committee and controls execution of the Committee work plan and decisions;

2) convenes and chairs the Committee sessions;

3) determines the date, time, place and arrangement form and approves of the agendas of the Committee sessions;

4) determines the list of persons invited to participate in the Committee sessions;

5) organizes discussion of issues at the Committee sessions, hearing of the opinions of all the members of the Committee and the persons invited to participate in the session, taking minutes of the Committee sessions and signs the Committee session minutes;

6) maintains permanent contacts with the executive body of the Company, the top management of the Company, the Board of Directors of the Company, the external auditor, the Auditing Commission of the Company and the internal audit. Represents the Audit Committee during interaction with the said bodies and officials as well as other bodies and persons;

7) distributes the obligations between members of the Audit Committee;

8) reports on the Committee activities to the Board of Directors of the Company with the periodicity as established hereby;

9) carries out official correspondence of the Committee signing requests, letters and documents on behalf of the Committee.

10) ensures, in the process of the Committee's activities, compliance with the requirements of the legislation of the Russian Federation, the Charter of the Company, these Regulations and other in-house regulatory documents of the Company;

11) discharges other functions stipulated by the legislation of the Russian Federation, the Charter of the Company, other in-house regulatory documents of the Company and these Regulations.

## **8 Committee Secretary**

8.1 Technical (informational, documentary, protocolar and secretary) support of the current activities of the Audit Committee, both in connection with preparation for and arrangement of sessions and during the period between sessions of the Committee, are performed by the Committee Secretary.

8.2 Proposals on the candidacy of the Committee Secretary may be filed in writing by a member of the Board of Directors of the Company and/or the executive body of the Company. The Committee Secretary is elected by a majority of the votes of the Committee members participating in the session. As a rule, the Committee Secretary us a worker of the structural subdivision of the Company discharging the Corporate Secretary functions or any other subdivision discharging the functions of corporate support of the Company's activities. The Committee Secretary may fail to be a worker of the Company, in which case the sole executive body concludes a contract with them for discharge of the Secretary functions. The term in office of Secretary of the Audit Committee extends until arrangement of the first session of the newly elected Committee. The authorities of the Committee Secretary may be prematurely terminated by decision of the Committee.

8.3 The Committee Secretary is no member of the Audit Committee, carrying out his/her activities in accordance herewith.

8.4 The Committee Secretary discharges the following functions:

- 1) Ensuring preparation and arrangement of the Committee sessions;
- 2) Carrying out collection and systematization of materials for the Committee sessions;
- 3) Interaction with the Committee Expert in accordance with Section 16 hereof;
- 4) Ensuring timely forwarding of notifications of arrangement of the Committee session, such session agenda, materials on the agenda issues and questionnaires, draft documents for preliminarily familiarization etc. to the Committee members and the persons invited to participate in the Committee session;
- 5) Organizational and technical support of conductance of voting at the Committee session, determination of the presence of quorum during arrangement of the Committee session;
- 6) Ensuring interaction of the Committee with the Board of Directors of the Company, other committees under the Board of Directors, the executive bodies and top management of the Company, the external auditor, the Auditing Commission and mother bodies and persons;
- 7) Taking minutes of sessions, organization of preparation of the Committee draft decisions;
- 8) Mailing enquiries, information and materials upon the Committee's request;
- 9) Accounting for correspondence addressed to the Committee and/or members of the Committee (inclusive of enquiries, requests, petitions) ensuring receipt of the required information by the Committee members;
- 10) Storage of the original minutes of the Committee sessions with all the appendices thereto, statements of special opinion of members of the Committee (if any), questionnaires and other documents pertaining to the Committee activities in accordance with the documentation storage procedures adopted within the Company;
- 11) Control over progress in execution of the Committee's decisions;
- 12) Fulfilling instructions of Committee Chairman within the framework of the authorities of the Committee Chairman;
- 13) Discharging other functions in accordance herewith.

8.5 The Committee Secretary has the right to request and obtain information as may be required for the Committee work (in particular - in accordance with enquiries of the Committee members) from officials of the Company.

8.6 The Committee Secretary is held liable for:

- timely forwarding notifications of sessions of the Committee and materials for the sessions to members of the Committee;
- quality of execution and reliability of information contained in Minutes of sessions of the Committee;
- timely forwarding of minutes to the Board of Directors of the Company as well as that of copies of the minutes to the Committee members, the Committee Expert and the sole executive body.

## **9 Engaging Experts in the Committee work**

9.1 Whenever required, the Audit Committee is entitled to engage in their work Experts failing to hold offices within the Company for assisting the Committee members in their work, for obtainment of an independent, objective and professional judgement on issues referred to the Committee competence, in particular - for preparation of materials and recommendations on the issues on the agenda of the Committee session.

9.2 The recommended number of Experts is no more than 2 (two) persons.

9.3 The decision on the necessity to engage the Expert(s) is taken by the Committee members at the first organizational session of the Audit Committee of the Company and is formally executed through the Committee session minutes. The Committee Expert(s) are elected by a majority of the votes of the the Committee members participating in the session.

9.4 Proposals on the candidacy(ies) of the Committee Expert(s) may be filed in writing by a member of the Board of Directors of the Company and/or the sole executive body of the Company.

9.5 Only individuals meeting the following criteria may act as Experts:

- availability of a higher economic (financial), legal or other relevant education got at Russian higher education institutions having a state accreditation and recognized foreign higher education institutions;

- having an experience of work (for at least 5 years) in the field of internal audit, internal control or risk management or in the field of accounting (financial) statements, financial management;

- having knowledge of the Company's activities (branch, characteristics of the products produced, market position, competitive advantages etc.).

9.6 The Committee Expert generates written opinions and draft decisions on the issues on the agenda of the Committee session, personally participates in sessions of the Audit Committee arranged in the form of joint attendance, has the right to speak on the matter of the issues on the Committee meeting agenda, participates (when invited by the Committee Chairman) in meetings with internal and external auditors and officials of the Company as may be arranged in accordance with the Committee competence.

The Committee expert is no member of the Audit Committee, carrying out his/her activities in accordance herewith.

9.7 The term in office of an Expert of the Audit Committee extends until arrangement of the first session of the newly elected Committee. The authorities of the Committee Expert may be prematurely terminated by decision of the Committee.

## **10 Committee work procedure**

### **10.1 Committee work plan generation**

10.1.1 The draft work plan for the Committee's term in office is generated by the Committee Chairman in accordance with the objectives, tasks and competences of the Committee on the form set forth in Appendix 2 hereto.

10.1.2 The draft work plan of the Committee's work is generated for a corporate year based on the work plan of the Board of Directors of the Company approved by the Board of Directors of the Company, decisions of the Board of Directors of the Company, decisions of the Committee, proposals of the Committee members, the internal audit, the sole executive body of the Company with application of the list of issues to be included in the Committee work plan and the recommended terms of conductance of sessions as set forth in Appendix 3 hereto.

10.1.3 The Committee work plan is approved at a session of the Committee.

10.1.4 The Committee work plan shall contain:

- schedule for arrangement of the Committee sessions (with indication of the planned term of the Committee sessions arrangement);

- issues to be considered at the Committee sessions;

- information on the speakers and of the persons responsible for preparation of issues and material for arrangement of the Committee sessions;

- indication of the Committee session arrangement form: joint attendance (in presentia form) or absentee voting.

### **10.2 Terms and procedure for convention of regular sessions of the Committee**

10.2.1 Each first sessions of a newly elected Committee is arranged within 30 (thirty) calendar days from the arrangement date of the session of the newly elected Board of Directors where the Committee members were elected.

10.2.2 Sessions of the Committee are arranged as per the plan approved by the Committee but at least on a quarterly basis as well as by request of the persons listed in Clause 10.3.1. hereof.

10.2.3 A decision on convention of a regular session of the Committee, the session arrangement date, time and place and on the agenda issues as well as a decision on the list of the persons invited to

participate in the session is taken by the Committee Chairman in accordance with the Committee work plan.

10.2.4 A decision on convention of an extraordinary session of the Committee, the session arrangement date, time and place and on the agenda issues as well as a decision on the list of the persons invited to participate in the session is taken by the Committee Chairman based on proposals of the persons listed in Clause 10.3.1 hereof.

10.2.5 Notifications of the Committee sessions arrangement with the materials appended on the form as set forth in Appendix 4 hereto shall be executed by the Committee Secretary and forwarded to the persons participating in the session in accordance with Section 16 hereof.

10.2.6 The Committee members may be notified of the session arrangement:

- at the location of the Committee member's employer organization;
- at any other address specified by the Committee member inclusive of an e-mail address.

10.2.7 Preparation for the Committee sessions is carried out by the Committee Secretary under the guidance of the Committee Chairman.

10.2.8 The peculiarities of convention of an extraordinary session of the Audit Committee are established in Subsection 10.3 hereof.

### **10.3 Extraordinary sessions of the Committee**

10.3.1 An extraordinary session of the Committee is conducted by decision of the Committee Chairman, by request of any member of the Committee, of the Board of Directors of the Company, at the petition of the executive body of the Committee, of the external and/or internal auditors.

10.3.2 Within 5 (five) business days from the date when the request was filed or the petition was received for convention of an extraordinary session of the Committee, the Committee Chairman takes decision on arrangement of such extraordinary session of the Committee and on the commission arrangement form, date, time and place or on denying convention of such extraordinary session of the Committee. A motivated decision to deny convention of an extraordinary session of the Committee is forward to the party concerned that has filed the petition for such session convention within 2 (two) business days from the moment when the decision to deny the session convention was taken by the Committee Chairman.

10.3.3 The decision of the Committee Chairman to deny convention of an extraordinary session of the Committee may be taken in the following cases:

- the issue(s) proposed for inclusion in the agenda of such extraordinary session of the Committee are not referred to the competence of the latter;
- the issue contained in the request/petition for convention of an extraordinary session of the Committee has already been included in the agenda of the next scheduled session to be convened in accordance with a decision of the Committee Chairman taken prior to receipt of the above request/petition or in accordance with the approved plan of the Committee work;
- the procedure for filing requests/petitions for sessions convention as established hereby has not been complied with.

10.3.4 In case of the Board of Directors of the Company filing a request for convention of an extraordinary session of the Committee, the Committee Chairman is obliged to convene such extraordinary session within 5 (five) business days.

### **10.4 Arrangement Procedure of a Session of the Committee**

10.4.1 The Committee sessions are chaired by the Committee Chairman. In case of the latter's absence the session is chaired by the Committee Deputy Chairman.

10.4.2 The Committee session is legally qualified (the quorum is present) if at least half of the total number of the Committee members but no less that 2 (two) members of the Committee have participated therein. In the absence of the quorum required for arrangement of the Committee session a repeated session of the Committee with an identical agenda shall be arranged within 5 (five) business days.

10.4.3 Sessions of the Committee may be arranged in the form of joint attendance of members of the Committee or in the form of absentee voting.



10.4.4 Information on the Committee session arrangement form shall be contained in the notification of the Committee session arrangement.

10.4.5 Decision on arrangement of a session of the Committee in the form of absentee voting is taken by the Committee Chairman.

10.4.6 When the session is arranged in the form of absentee voting, the Committee members are entitled to present their proposals as well as a written statement of opinion of the proposed draft decisions of the Committee on the issues put to absentee vote at least 2 (two) working days prior to expiry of the term specified for collection of voting questionnaires as indicated in the notification of absentee voting arrangement.

10.4.7 The Committee Chairman draws the absentee voting questionnaire (Appendix 5.1. hereto) with account for the submitted proposals (new wording variants) and/or comments on the proposed draft decisions of the Committee on the agenda issues.

10.4.8 The absentee voting questionnaire is forwarded to members of the Committee no later than 1 (one) business day prior to expiry of the questionnaires acceptance term specified in the notification of arrangement absentee voting.

10.4.9 When completing the questionnaire a member of the Committee shall leave uncrossed only one of the possible voting options (“for”, “against”, “abstained”). The Committee member may abstain from participation in voting on one or more agenda issues. The questionnaire shall be signed by the member of the Committee indicating their family name and initials

Such questionnaire shall be presented by the member of the Committee to the Committee Corporate no later than on the Committee session arrangement date in the original or via facsimile communication with the questionnaire original subsequently forwarded to the address specified in the questionnaire.

10.4.10 Tally of votes on the issues on the agenda of a session arranged in in absentia form is performed based on the questionnaires completed and signed by members of the Committee and received by the Committee Secretary.

A questionnaire received by the Secretary with violation of the requirements and terms indicated in Clause 10.4.9. hereof is not taken into account during quorum presence estimate and tally of votes.

10.4.11 An in presentia session of the Committee is arranged by way of joint attendance of the Committee members for discussion of the session agenda issues and decision thereon.

10.4.12 A member of the Committee may participate in a session arranged in the form of joint attendance over the telephone or using video conference communication. Participation in the session through the above communication means is treated as equivalent to personal presence at the session.

10.4.13 Taken into account during determination of the quorum presence are the votes of the Committee members failing to attend the session if their written statements of opinion, executed following the procedure as stipulated hereby, have been collected by the Company by the Committee session commencement time.

10.4.14 During tally of votes on the issues included in the agenda of an in presentia session of the Committee one shall simultaneously take into account:

- opinions of the Committee members attending the session;
- written statements of opinion of the Committee members failing to attend the session, executed and received following the procedure as stipulated hereby.

10.4.15 The written statements of opinion of the Committee members failing to attend the session shall be executed solely by way of completing the questionnaire for voting on the agenda issues drawn in accordance with Appendix 5.2 hereto.

10.4.16 When completing the questionnaire for absentee voting on the agenda issues, a member of the Committee shall leave uncrossed only one of the possible voting options (“for”/“against”/“abstained”) on each draft decision on each issue.

10.4.17 The written statement of a member of the Committee (questionnaire) shall be signed by the member of the Committee indicating their family name and initials.

10.4.18 The written statement of opinion (questionnaire) completed in breach of the requirements set forth in Clauses 10.4.16-10.4.17 hereof are not taken into account during determination of the presence of quorum and tally of votes to the extent of the corresponding issue.

10.4.19 A timely received written statement of opinion (questionnaire) of the Committee member failing to attend the session of the Committee shall mandatorily be presented by the Secretary to the Committee members attending the session for familiarization.

10.4.20 The written statement of opinion (questionnaire) of a Committee member failing to attend the session collected after expiry of the date and time assigned for collection of voting questionnaires is deemed unreceived and is not taken into account during determination of quorum presence and tally of votes.

10.4.21 If amendments (revisions) or supplements have been introduced to the wording of the session agenda issue or the draft decision on such session agenda issue in the course of discussion of the agenda issues at the Committee session, the written statements of opinion (questionnaires) of the Committee members failing to attend the session are taken into account during determination of quorum presence and tally of votes on the corresponding issues in accordance with the procedure established by Clause 10.4.22 hereof.

10.4.22 The Committee Secretary draws a questionnaire (Appendix 5.2) in accordance with the amendments introduced to the wording of the issue and/or draft decision, such questionnaire to be signed by the Committee Chairman and forwarded to the Committee members who failed to attend the session but provided written statements of opinion on the next day after arrangement of the session so that they complete and sign such questionnaire.

10.4.23 A questionnaire completed and signed by the Committee member shall be handed over by the Committee member to the Secretary within 3 (three) business days upon the session arrangement.

10.4.24 Relying on the results of voting at the session of the Committee and the written statements of opinion (questionnaires) received from the members of the Committee absent from the session, the Committee Secretary performs tally of votes on the agenda issues and formally execute Minutes of the session in accordance with the procedure set forth thereby.

10.4.25 The Committee sessions are attended by the Committee Expert; attendance of further workers of the Committee and third parties is possible subject to invitation of the Committee Chairman. The invitees have no right to vote on the Committee session agenda issues.

## **10.5 Procedure for the Committee to take decisions**

10.5.1 In the course of voting on issues each member of the Committee has one vote.

10.5.2 The Committee member may not assign their voting right to any other person including another member of the Committee.

10.5.3 In case of a tie of the votes cast by the Committee members, the vote of the Chairman/session chairperson shall be the tie-breaking one.

10.5.4 The Committee decisions are taken by a simple majority of votes of the total number of members of the Committee.

## **10.6 Minutes of the Committee session**

10.6.1 The Committee sessions are formally recorded through Minutes of the session of the Committee (hereinafter - the "Minutes") on the form as set forth in Appendix 6 hereto which minutes are signed by the Committee Chairman and the Committee Secretary within 5 (five) business days after the session arrangement date.

The following data are indicated in minutes of the Committee:

- session arrangement form;
- date, place and time of the session arrangement/date and time of termination of questionnaires receipt;
- list of the Committee members having participated in consideration of the agenda issues with indication of the voting form (in presentia or by way of submittal of a questionnaire) as well as list of other persons having attended the session;
- agenda;
- proposals of the Committee members on the agenda issues;
- issues put to vote, outcome of voting thereon with indication of the voting option selected by each

member of the Committee, the fact whether “special opinions” were expressed;

- decisions taken:

The Chairperson and Secretary of the Committee are held liable for the minutes drawing correctness.

10.6.2 The minutes are drawn in two original counterparts, one of them to be forwarded by the Committee Secretary to the Board of Directors of the Company within 1 (one) business day upon signature, with the materials and recommendations prepared for it appended, while the second counterpart remains in the Committee archive. Copies of the Minutes with appendices thereto are forwarded to all the Committee members.

10.6.3 Prior to signing the Minutes, the Committee Secretary forwards the draft to the Committee Expert. The Committee Expert considers the draft Minutes within 1 (one) business day.

10.6.4 Within 1 (one) business day upon signature of the Minutes, the Committee Secretary forwards a copy thereof (with all the appendices and statements of “special opinion” of the Committee members (if any)) to the sole executive body of the Company, the Committee members and the Committee Expert.

10.6.5 The Committee Secretary ensures storage of the Minutes (with all the appendices, statements of “special opinion” of the Committee members (if any) and questionnaires) in accordance with Clause 8.4 hereof (Listing 10).

## **11 Interaction with bodies of the Company and other persons**

11.1 Interaction with the Board of Directors of the Company is carried out:

1) to the extent of the Committee executing instructions of the Board of Directors concerning provision of conclusions on individual issues pertaining to the Committee competence; The Board of Directors shall establish in their instruction reasonable terms for its execution by the Committee;

2) when the Committee forwards recommendations to the Board of Directors on issues belonging to the Committee competence inclusive of applying to the Board of Directors of the Company with the initiative to conduct unscheduled reviews (internal audits). The issue of feasibility of consideration of the Committee’s recommendations forwarded to the Board of Directors shall be solved at a session of the Board of Directors;

3) in case of information promptly communicated to the Board of Directors on negative deviations in any aspect of preparation of accounting (financial) statements;

4) when the Committee’s report on the work carried out in the reporting corporate year is provided to the Board of Directors at least on an annual basis at least 15 (fifteen) calendar days prior to arrangement of the annual General Meeting of Shareholders;

5) when a report on the Committee current activities (work carried out) is provided by request of the Board of Directors at any time throughout the year; Such report preparation and presentation terms shall be determined by decision of the Board of Directors of the Company.

6) in case of information promptly communicated to the Board of Directors on unlawful or mala fide actions as well as violations (risks) that can entail a significant damage caused to the Company;

7) in connection with other issues referred to the Committee competence;

11.2 Interaction with the executive bodies and top management of the Company is carried out:

1) per activity area to the extent of provision of information and materials as the Committee members may required for taking decision on issues within the Committee competence (in accordance with Section 16 hereof);

2) in case of the Committee petitioning for creation of work teams composed of workers of the Company and engaged experts (specialists) within the framework of consideration of individual issues included in the Committee competence;

3) to the extent of the Committee providing consulting on issues as may be considered between an prior to sessions;

4) in case of generation of enquiries for additional information on the issues under consideration, such enquiring executed in writing, signed by the Committee Chairman and forwarded to the sole executive body of the Company.

11.3 Interaction with the Expert of the Committee is carried out:

1) to the extent of ensuring participation of the Committee Expert in the Committee sessions and providing for the possibility of the Expert issuing recommendations on the agenda issues;

2) for agreement of the session agenda, for provision of an expert opinion of the agenda issues, for agreement of the Committee session Minutes (Appendix 6 hereto).

11.4 Interaction with the Internal Auditor is carried out:

1) when the Audit Committee considers the internal audit work plan and the internal audit subdivision budget as well as the Company's policy in the field of internal audit/amendments introduced thereto;

2) when the Committee initiates conductance of reviews and carrying out further assignments (to the extent of the internal audit competence);

3) by way of execution of the right of the internal audit subdivision chief to participate in the Committee sessions in connection with issues related to internal audit, internal control, risk management and corporate governance as well as direct access to the Committee;

4) during the Committee periodically considering the internal audit reports on execution of the work plan and on the internal audit activity results;

- on execution of the internal audit work plan;

- on the core results of follow-up measures;

- on execution status of measures for elimination of previously revealed violations;

- on the internal audit quality evaluation;

- on core changes within the subdivision discharging the internal audit functions;

- on the internal audit expenditures;

- on actually unjustified limitations of the internal audit activities;

5) during periodical consideration of reports of the management of the Company on execution of plans of corrective measures to eliminate the drawbacks as may have been revealed by the Auditing Commission of the Company, the internal audit of the Company and external control (supervision) bodies;

6) during annual consideration of information prepared by the internal audit on evaluation of efficiency of the internal control and risk management system of the Company;

7) for the Committee to ensure participation of the internal audit in in presentia sessions of the Committee;

8) to the extent of arranging (on a permanent, at least quakerly basis, in particular - during consideration of issues within the framework of Clause 11.4 hereof (Listing 1-3)) individual meetings with the internal audit subdivision chief/authorized representative of the external organization exercising the internal audit functions dedicated to issues related to the internal audit function; The meetings may have a closed character and be arranged on the initiative of both the Committee Chairman and the chief of the internal audit subdivision/authorized representative of the external organization exercising the internal audit functions;

9) to the extent of the Committee taking measures to eliminate unjustified limitations, in particular - those of the scope and resources impeding the internal audit activities;

10) For the Committee to ensure efficient interaction between the Internal and External Auditors of the Company.

11.5 Interaction with the External Auditor of the Company is carried out:

1) During preliminary consideration and endorsement of the allowable types and scopes of non-auditor services provided by Auditor of the Company, and the amount of reward payable to Auditor of the Company, for such services;

2) in the process of arranging meetings with the Auditor and executive bodies of the Company with the aim of:

- discussing the issues related to drawing accounting (financial) statements, checking the clarity and completeness of information disclosure in such accounting (financial) statements;

- discussion of the essential aspects of the accounting policy, methods used for accounting for essential or extraordinary transactions in cases where multiple approaches are allowable;

3) In case of obtainment and consideration of a formal written report (written information) from the Auditor of the Company upon completion of each review stage;

4) To the extent of shaping an opinion of independence of Auditor of the Company,, elaboration of recommendations for the Board of Directors on undertaking measures to provide for independence of Auditor of the Company;

5) during consideration of the auditor's opinion confirming accuracy of the annual accounting (financial) statements of the Company drawn in accordance with the Russian Accounting Standards (hereinafter - RAS) and the International Financial Reporting Standards (hereinafter - IFRS);

6) To the extent of the Committee conducting evaluation of the Auditor's opinion of annual accounting (financial) statements of the Company generated as per RAS forming part and parcel of the information (materials) for the annual General Meeting of Shareholders of the Company.

11.6 Interaction with the Auditing Commission of the Company us carried out:

1) During consideration of information presented by the Auditing Commission to the Board of Directors on certain issues concerning the Company's financial and economic activities;

2) during consideration of information provided by the Auditing Commission to the Board of Directors on all the cases of the Company workers (inclusive of persons discharging managerial functions) failing to fulfil the requirements of the Auditing Commission concerning provision of documents as may be required and on denial of explanation on the questions as the Auditing Commission may have;

3) During evaluation of the Company executive bodies' work for execution of recommendations of the Auditing Commission of the Company;

4) During consideration of request of the Auditing Commission for convention of an extraordinary General Meeting of Shareholders as may have been forwarded to the Board of Directors for presentation of recommendations on such request satisfaction possibility to the Board of Directors.

## **12 Provision for the Committee activities**

12.1 For provision for the Committee activities the Committee budget is formed. The Committee budget, representing an integral part of the budget of the Company, shall ensure full-scale funding of the Committee activities inclusive of expenses on engagement of specialists and compensations due to the Experts for the expenses actually incurred in connection with participation in sessions of the Committee under the Board of Directors of the Company.

12.2 The Committee Chairman, jointly with the Committee Secretary, prepares proposals on the total budget amount (with per item disclosure of information) for discussion by the Committee members at the first session after the Committee election. Proposals on (corrections of) the total budget amount having been adopted by the Committee are submitted for approval to the Board of Directors of the Company.

12.3 The results of the Committee annual budget execution are discussed by the committee members and presented to the Board of Directors of the Company as part of the annual report on the Committee activities.

12.4 Payment of rewards and compensation for participation in the Committee sessions to the Committee members, Chairman, Deputy Chairman, Secretary and Experts is effected in accordance with the Regulations on Payments of Rewards and Compensations to Members of the Audit Committee under the Board of Directors of IDGC of the North-West, PJSC as approved by decision of the Board of Directors of the Company.

In case the Chairman and/or members of the Committees are simultaneously members of the Board of Directors of the Company, payment of rewards due to them shall be effected following the procedure and in the amount as stipulated by the in-house document of the company governing payment of rewards

and compensations to members of the Board of Directors of the Company as approved by the General Meeting of Shareholders of the Company.

12.5 For purposes of arrangement of sessions and work conferences of the Committee, the Company makes available premises and provides for unhindered access of the Committee members and invitees thereto and undertakes other measures for organizational support of sessions and/or conferences of the Committee.

### **13 Confidentiality**

13.1 During the period of their duties discharge as well as 3 (three) years upon expiry of their term in office with the Committee, persons being (having been) the Committee members, the Committee secretary and third parties engaged for work for the Committee are obliged to comply with the regime of protection of information representing commercial secret of the Company and the Company insider information confidentiality regime with regard to information they may obtain in connection with their activities within the Committee. The list of information constituting commercial secret of the Company and insider information of the Company is established by decision of the authorized body of the Company.

13.2 The Committee members, the Committee Secretary and third parties engaged for work in the Committee are entitled to obtain the information specified in Clause 13.1 hereof subject to conclusion of a confidentiality agreement (Appendix 7 hereto) between them and the Company.

13.3 All documents related to the Committee activities shall be stored at the Company's location in accordance with the documents storage procedure established within the Company. The Committee Secretary is the one in charge of the said documents storage.

### **14 Committee reporting and activities evaluation**

14.1 The Committee Chairman on an annual basis presents a report on the activities results (Appendix 8 hereto) to the Board of Directors of the Company.

14.2 The Committee Chairman is entitled to present to the Board of Directors of the Company separate reports on results of study of issues pertaining to the Committee competence.

14.3 The Board of Directors of the Company is at any time entitled to demand from the Committee a report on the Committee current activities. Such report preparation and presentation terms shall be determined by decision of the Board of Directors of the Company.

14.4 The Board of Directors of the Company ensures conductance of evaluation of the Committee work quality aimed at determination of the degree of the Committee work efficiency, its work results conformity to the development needs of the Company and identification of the improvement areas.

14.5 Evaluation of the work of the Committee and members thereof shall be performed regularly, at least on an annual basis.

14.6 For conductance of independent evaluation of the Audit Committee work quality an external organization (consultant) may be engaged, but no more often than on a three years' basis.

14.7 For the external organization (consultant) to conduct individual evaluation of the activities of members of the Audit Committee the following factors are paid special attention to:

- competence in issues included in the scope of responsibility of the Audit Committee;
- knowledge of the branch and of peculiarities of the Company's business conductance;
- preparedness to allocate time for preparation and participation in the Committee sessions;
- level of preparedness for the Committee sessions;
- degree of participation in the Committee sessions;
- preparedness to ask sharp questions;
- constructive attitude and determination to search for solutions.

14.8 The results of independent evaluation of the Committee activities are presented for discussion to the Board of Directors.

14.9 The results of individual evaluation of each members of the Committee are communicated to the Committee Chairman and the corresponding member of the Committee and are of confidential nature.

## **15 Final provisions**

15.1 These Regulations as well as any supplements and amendments hereto are approved by the Board of Directors of the Company.

15.2 Issues not regulated hereby are regulated by the Charter of the Company, in-house documents and local regulatory instruments of the Company (inclusive of those governing the procedure of convention and arrangement of sessions of the Board of Directors of the Company and other in-house documents of the Company), the effective legislation of the Russian Federation and decisions of the Board of Directors of the Company.

15.3 If, as a result of amendments to the legislation or regulatory legal instruments of the Russian Federation, certain clauses (articles) hereof come in conflict therewith, such clauses (articles) become invalidated with the Committee members following the laws and sublegislative regulatory legal instruments of the Russian Federation until introduction of amendments hereto.

15.4 These Regulations, the Committee composition and information on certain decisions taken by the Committee are published on the Company's web-site. It is the Committee Secretary bearing the responsibility for organization of posting of the details indicated in this clause.

## **16 Procedure for preparation of issues for consideration at a session of the Committee**

### **16.1 Procedure for preparation of the agenda of sessions of the Committee**

16.1.1 In accordance with the approved work plan, the Committee Secretary generates the agenda of a scheduled session of the Committee with indication of the proposed date and arrangement form of the session and of the officials (of a level no lower than Deputy General Director of the Company or manager who is immediate report to General Director of the Company) who will be responsible for materials preparation.

16.1.2 During generation of the agenda, the Committee Secretary shall take into account the list of issues included in the approved work plan of the Committee, previously issued instructions of the Committee and of the Board of Directors pertaining to the Committee competence.

16.1.3 Prior to signature by the Committee Chairman, the draft agenda is communicated to the chief of structural subdivision exercising the internal audit functions.

16.1.4 The agenda may also be supplemented with issues on the initiative of the Committee Chairman, by demand of any member of the Committee, of the Board of Directors of the Company, of the Management Board of the Company, of the Auditing Commission of the Company, the chief of structural subdivision exercising the internal audit functions or by written request of General Director of the Company.

16.1.5 The initiator shall submit the proposal for inclusion of (an) additional issue(s) to the Committee Chairman (in a letter addressed to the Committee Chairman with a copy addressed to the Committee Secretary), appending thereto the draft decision, an explanatory note with justification of the necessity to consider the issue at the session and other information and reference materials, at least 8 (eight) days prior to the session date and with account for the terms stipulated by Clause 16.3.1 hereof.

16.1.6 Control over compliance with the term for presentation of proposals on inclusion of issues in the agenda (inclusive of the explanatory note and material) is carried out by the Committee Secretary.

16.1.7 Additional issues received by the Committee Secretary in breach of the terms established by Clause 16.1.5 hereof are included in the agenda of the next session or, by decision of the Chairman taken with account for importance and urgency, may be included in the agenda of an extraordinary session of the Committee the terms whereof are determined by the Chairman with account for the requirements of Clause 16.3.1. hereof.

16.1.8 The Committee Secretary forwards the draft agenda to the Committee Expert 12 (twelve) business days prior to arrangement of the session for agreement of the list of issues. The Committee

Expert considers the draft agenda within 1 (one) business day and prepares an opinion of the Committee agenda generation.

16.1.9 The opinion of the Committee agenda generation as prepared by the Expert is forwarded to the Committee Secretary for further approval of the agenda by the Committee Chairman.

16.1.10 The Committee Secretary informs the Committee Chairman of any and all facts of failure to comply with the terms for submittal of proposals for inclusion into the agenda (inclusive of the explanatory note and materials) for the Committee Chairman to take decision on approval of the agenda.

16.1.11 The notification of arrangement of the Committee session inclusive of the agenda shall be forwarded by the Secretary to all the members of the Committee and the persons invited to participate in the Committee session at least 10 (ten) business days prior to the arrangement date of the Committee session, that of arrangement of a session with inclusion of additional issues - at least 7 (seven) business days prior to the arrangement date of the Committee session.

16.1.12 The materials for voting on the agenda issues inclusive of the notification of the Committee session arrangement, the agenda and the Expert's opinion shall be forwarded by the Secretary to the Committee members at least 3 (three) business days prior to the arrangement date of the Committee session

## **16.2 Procedure for preparation of materials on the issues on the agenda of the session of the Committee**

16.2.1 Materials on the agenda issues shall mandatorily include:

- draft decisions of the Committee on the issues included in the agenda;
- explanatory notes on the materials and the draft decisions of the Committee being forwarded on the issues included in the agenda (according to Appendix 9 hereto);
- materials supplementing and supporting the details stated in the draft decisions and explanatory notes;
- Expert's opinion of the issues included in the Committee session agenda;
- other information materials on the issues included in the agenda.

16.2.2 The materials on the agenda issues, explanatory notes and draft decisions thereon (signed by a Deputy General Director of the Company or manager who is immediate report to General Director of the Company) are prepared by the structural subdivisions of the Company responsible for preparation of issues within the framework of the approved work plan as well as the initiators of inclusion of additional issues in the agenda as listed in Clause 16.1.4 hereof.

16.2.3 In case issues are submitted that involve the competences of multiple structural subdivisions/activity areas of the Company, the responsible subdivision ensures preliminary agreement of the materials in accordance with the document flow requirements of the Company.

16.2.4 The package of documents prepared in accordance with the requirements of this section is forwarded by the Committee Secretary to the Committee Expert at least 8 (eight) business days prior to the arrangement date of the Committee session.

## **16.3 Procedure for preparation of The Expert opinion of the issues on the agenda of the session of the Committee**

16.3.1 The Committee Expert considers the agenda materials collected within 4 (four) business days and forwards the Expert opinion of the issues on the Committee session agenda (hereinafter - the "Expert Opinion") to the Committee Secretary 3 (three) business days prior to the arrangement date of the Committee session (Appendix 10 hereto).

16.3.2 The Committee Expert analyzes the materials submitted for completeness, accuracy and relevance of the information provided for decision-taking. The Committee Expert is entitled to request additional materials and explanations on the issues included in the agenda through mediation of the Committee Secretary. The responsible officials shall ensure immediate provision of the materials as may be requested by the Committee Expert.

16.3.3 Following the outcome of the consideration, the Committee Expert prepares the Expert Opinion.



16.3.4 The Expert Opinion shall contain the name of the agenda issues, an info part reflecting the core conclusions drawn by the Committee Expert during consideration of the materials on the issues with indication of the supporting facts and the proposed draft decisions of the Committee.

16.3.5 In case of untimely presentation of materials on the agenda issues, the Committee Expert is entitled to pass an opinion for the specific issue consideration to be postponed until the next session with indication of the reasons for such postponement.

16.3.6 Relying on the draft decisions proposed by the Committee Expert, the Committee Secretary prepares summary draft decisions of the Committee on the agenda issues.