

PROJECT

**PROVISIONS
ON THE AUDITING COMMISSION**

**of the Public Joint-Stock Company
"Southern Telecommunications Company"**

Krasnodar
2008

Public Joint –Stock Company
"Southern Telecommunications Company"

Provisions on the Auditing Commission
of the Public Joint –Stock Company
"Southern Telecommunications Company"

APPROVED

by the Annual General Shareholders' Meeting
of the Public Joint-Stock Company
"Southern Telecommunications Company"
Minutes № 19 of June 17, 2008

Chairman of the Annual General Shareholders'
Meeting of "UTK" PJSC

_____ A.V. Andreev

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1. GENERAL PROVISIONS

1.1. These Provisions have been prepared in compliance with the Federal Law "On Joint-Stock Companies" and the Charter of the Company.

1.2. These Provisions set forth the operation procedure of the Auditing Commission, including the procedure of holding meetings of the Auditing Commission, the procedure of holding audits, the powers of the members of the Auditing Commission and the procedure of interaction with the governing bodies of the Company.

1.3. The Auditing Commission shall be elected by the General Shareholders' Meeting according to the procedure provided for by the active law, the Charter of the Company and these Provisions.

1.4. The powers of the Auditing Commission or its individual members may be terminated according to the procedure stipulated by the active law, by the Charter of the Company and by these Provisions.

2. TERMS OF REFERENCE OF THE AUDITING COMMISSION

2.1. The Auditing Commission shall exercise control over financial and economic operations of the Company, including its branches and representative offices.

2.2. Within its terms of reference provided for by the Charter of the Company, the Auditing Commission shall exercise control over financial and economic operations of the Company.

2.3. The Auditing Commission shall exercise control by checking the Company's financial and economic documentation, including data of primary accounts and tax reports;

3. RIGHTS OF THE MEMBERS OF THE AUDITING COMMISSION

3.1. In its work, the Auditing Commission shall be entitled to demand and the officials of the Company's governing bodies shall be obliged to provide documents on financial and economic activities of the Company, including confidential documents, according to the following procedure:

3.1.1. a demand to provide documents on financial and economic activities of the Company may be presented to the General Director either orally or in writing, and the officials of the Company's governing bodies are entitled to request a written confirmation of the demand;

3.1.2. documents on financial and economic activities of the Company shall be produced upon request of the Auditing Commission by the time specified in the demand; and if the time is not specified, they shall be produced within three working days following the date of the demand;

3.1.3. members of the Auditing Commission shall have access to the Company's documents, including confidential documents, at any time within the working day established in the Company and, if necessary, upon written request, after the expiry of the working day, too;

3.1.4. for the purpose of documenting the results of audits (inspections) of the Company's operations, the Auditing Commission shall be entitled to demand that duly certified copies of financial and economic documents of the Company be added to the materials of the audit;

3.1.5. should unreliable documents be presented, or should there be a refusal to present documents, or should the timing provided for by clause 3.1.2 hereof fail to be observed, or should other obstacles be posed in its work, the Auditing Commission shall be entitled to demand that the executive bodies of the Company take appropriate measures against the officials guilty of such a breach and that the required documents be immediately presented;

3.1.6. any cases of breaking the requirements of sub-clause 3.1.5 of these Provisions by the Company's executive bodies, including measures to be taken against the officials guilty of a breach, shall be brought to the notice of the Company's Board of Directors and shall be recorded in the report (conclusion) of the Auditing Commission;

3.1.7. access to financial and economic documents of the Company, dealing with a state secret, shall be regulated by the active law.

3.2. The Auditing Commission shall be entitled to demand convocation of meetings of the Management Board or Board of Directors, or an extraordinary General Shareholders' Meeting in order to resolve the issues included in the terms of reference of the said bodies.

The Auditing Commission may apply to the Committees of the Board of Directors with a proposal to consider any issue, being within the terms of reference of the Committees.

The procedure of convoking meetings of the Management Board, or Board of Directors, or an extraordinary General Shareholders' Meeting, or the meetings of the Audit Committee of the Board of Directors upon demand or apply of the Auditing Commission is determined by the active law, the Charter of the Company and by the Provisions on the respective bodies. If such a procedure is not determined, a meeting shall be held within a reasonable time from the moment the demand or apply is presented by the Auditing Commission.

3.3. The Auditing Commission shall be entitled to demand a personal explanation from officials of the Company in respect of issues being within the terms of reference of the Auditing Commission. The Auditing Commission shall add any received explanations to the materials of the audit.

3.4. Any explanations provided upon request of the Auditing Commission shall be presented in time specified in sub-item 3.1.2. hereof. Should any explanations fail to be provided or should any false explanations be provided deliberately, the Auditing Commission shall act according to the procedure similar to the procedure set forth by clauses 3.1.5 and 3.1.6 herein.

3.5. The Auditing Commission shall be entitled to engage independent specialists (individuals or legal entities) in checks according to the procedure set forth in clause 5.4 hereof.

3.6. If any facts of breaches in the issues of its terms of reference are revealed, the Auditing Commission shall be entitled to raise to the Company's governing bodies the issue of bringing to account the employee (official) of the Company, whose action or inaction has led to such a breach.

3.7. The Company's governing bodies shall inform the Auditing Commission on any measures taken on the basis of its applications.

4. DUTIES OF THE MEMBERS OF THE AUDITING COMMISSION. RESPONSIBILITY OF THE MEMBERS OF THE AUDITING COMMISSION

4.1. Members of the Auditing Commission shall:

4.1.1. Not disclose any confidential information (keep the commercial secret) becoming known to members of the Auditing Commission when they exercise their powers.

4.1.2. Provide their reports on the basis of the results of auditing the Company according to the procedure provided for by the Charter and these Provisions.

4.2. Members of the Auditing Commission shall be liable for any breaches in discharging their duties in compliance with the active laws of the Russian Federation.

5. OPERATION PROCEDURE OF THE AUDITING COMMISSION

5.1. Election of the Chairman and the Secretary of the Auditing Commission, and their Powers.

5.1.1. The work of the Auditing Commission shall be managed by its Chairman elected by the majority of votes of the members of the Auditing Commission taking part in voting at the first meeting of the Auditing Commission. The Chairman of the Auditing Commission may be reelected at any time upon decision of the majority of the members of the Auditing Commission.

5.1.2. The candidature of the Chairman of the Auditing Commission may be proposed by any member of the Auditing Commission. A member of the Auditing Commission may propose his/her own candidature.

5.1.3. The Chairman of the Company's Auditing Commission shall organize its work, convoke the meetings of the Company's Auditing Commission, take chair at them, and supervise minutes keeping at the meetings.

5.1.4. Organizational support for the work of the Auditing Commission shall be provided by the Secretary of the Auditing Commission elected at the first meeting of the Auditing Commission. The Secretary of the Auditing Commission shall be elected according to the procedure similar to the procedure established for the election of the Chairman of the Auditing Commission.

5.1.5. Immediately after his/her election, the Secretary of the Auditing Commission shall notify the Company on the methods of transferring documents received by the Auditing Commission in compliance with clause 6.1 hereof.

5.1.6. The Secretary of the Auditing Commission shall keep minutes and ensure storage of documents related to the work of the Auditing Commission in compliance with section 6 hereof.

5.2. Holding sessions of the Auditing Commission.

5.2.1. All issues of the work of the Auditing Commission, that have not been included by these Provisions in the terms of reference of the Chairman of the Auditing Commission, shall be considered at sessions of the Auditing Commission. Sessions of the Auditing Commission shall be held as necessary, however, at least once a quarter.

5.2.2. The first session of the Auditing Commission shall be held within 15 days from the day the Auditing Commission is elected.

5.2.3. The Chairman of the Auditing Commission shall preside at the meeting of the Auditing Commission. Should the Chairman of the Auditing Commission be absent, his substitute at the meeting shall be appointed by the majority of votes of the members attending the meeting.

5.2.4. Minutes of a session of the Auditing Commission shall be kept. In case of absence of the Chairman and/or Secretary of the Auditing Commission at a session, the substitutes shall be appointed by the majority of votes of the members of the Auditing Commission attending the session. The Minutes shall be signed by the person taking chair at the meeting and by the Secretary of the Auditing Commission.

5.2.5. Meetings of the Auditing Commission shall be held without fail before and after performing each audit of the Company.

5.2.6. Sessions of the Auditing Commission may be held both by means of attendance of the members and through correspondence.

5.2.7. In case of holding sessions through correspondence, members of the Auditing Commission must receive documents stating the agenda and a form for voting, which will make it possible to express an exact opinion on the agenda issues.

Preparation and distribution of documents for holding a session through correspondence shall be the responsibility of the Secretary of the Auditing Commission upon instructions of the Chairman of the Auditing Commission. The Chairman of the Auditing Commission shall establish the period, during which the members of the Auditing Commission must express their opinion on the agenda issues.

5.2.8. A session of the Auditing Commission shall be considered as competent, provided at least half the elected members of the Auditing Commission attend it.

In case of holding a session through correspondence, it shall be considered as having taken place, provided at least half the elected members of the Auditing Commission have taken part in absentee voting.

5.2.9. Decisions of the Auditing Commission shall be taken by the majority of votes of the members of the Auditing Commission taking part in a session (participating in absentee voting).

Each member of the Auditing Commission shall have one vote. In case of equal numbers of votes, the Chairman of the Auditing Commission shall have the casting vote.

5.3. Audits Carried Out by the Auditing Commission.

5.3.1. The Auditing Commission shall audit the financial and economic operations of the Company based on its performance results for the year. Report on the results of an obligatory audit of the Company's financial and economic operations on the basis of the performance results for a year shall be provided to the Board of Directors not later than 14 working days prior to the date of preliminary approval of the Company's annual report by the Board of Directors.

5.3.2. Besides the audit mentioned in clause 5.3.1 herein, the Auditing Commission shall be entitled to carry out unscheduled audits at any time in compliance with these Provisions.

5.3.3. An unscheduled audit shall be obligatory, if the following parties act as the initiator of the audit:

- General Shareholders' Meeting;
- Board of Directors of the Company;
- shareholder(s) holding at least 10% of the voting shares of the Company;
- the Company's Auditing Commission itself.

5.3.4. A respective decision of a Company's governing body shall be the ground for an audit to be carried out upon initiative of the General Shareholders' Meeting or the Board of Directors.

The Chairman of the Auditing Commission shall organize an unscheduled audit within 30 days from the moment the respective decision is taken by the General Shareholders' Meeting or by the Board of Directors.

5.3.5. A respective written request received by the Auditing Commission shall serve as the ground for carrying out an audit upon initiative of a shareholder. The Chairman of the Auditing Commission shall organize an unscheduled audit within 30 days from the moment the request is received.

5.3.6. If a member of the Auditing Commission finds it necessary to carry out an unscheduled audit of the Company's operations, he/she shall apply with a respective proposal to the Chairman of the Auditing Commission. The Chairman of the Auditing Commission shall convoke a session of the Auditing Commission, where the need and time of carrying out an unscheduled audit shall be discussed. An unscheduled audit upon initiative of the Auditing Commission itself must be carried out, if the majority of the members of the Auditing Commission vote for it.

5.3.7. Prior to the start of an audit, the Chairman of the Auditing Commission shall notify in writing the Board of Directors and the General Director of the Company (or his/her substitute) on issues to be audited, on the initiator of the audit, proposed time of the audit and

on the need of involving independent specialists in the audit and on other important conditions of the audit.

5.3.8. To support the work of the Auditing Commission, the General Director of the Company (or his/her substitute) shall appoint a group of employees of the Company, who will be in charge of interaction with the Auditing Commission.

5.4. Procedure of engaging independent specialists in certain audits carried out by the Auditing Commission.

5.4.1. The Board of Directors, as well as any member of the Auditing Commission, shall be entitled to apply to the Chairman of the Auditing Commission at any time with a proposal on engaging independent specialists (individuals or legal entities) in an audit.

A decision on the necessity of independent specialists employment shall be taken at a session of the Auditing Commission.

5.4.2. If independent specialists can be employed on a paid basis only, this shall be done upon preliminary agreement with the Board of Directors of the Company. In its decision, the Board of Directors shall establish the payment method and other important terms of the participation of independent specialists in an audit carried out by the Auditing Commission.

The Company's General Director shall conclude the contract with an engaged specialist on behalf of the Company and on the conditions established by the Board of Directors.

5.4.3. The engaged specialists shall not disclose any confidential information (shall keep the commercial secret) becoming known to them during the check.

If independent specialists are engaged, the Auditing Commission shall ensure signing of the Confidentiality Agreement between the engaged specialists and the Company prior to their involvement in the audit (inspection).

5.5. Recording the Results of Audits Carried out by the Auditing Commission.

5.5.1. On the basis of the results of an audit, a Statement shall be made up not later than five working days after the audit is completed.

The Statement shall be made up on the basis of written conclusions of the members of the Auditing Commission who have taken part in the audit. They shall send their conclusions to the Secretary of the Auditing Commission within three business days after the audit (inspection) is completed.

The Statement shall describe in a systematized way documented facts of breaches in the financial and economic activities of the Company, revealed during the audit, or state the absence of such facts, as well as include conclusions and proposals of the Auditing Commission on elimination of the revealed breaches.

The Statement shall be signed by the Chairman of the Auditing Commission and its members who take part in the audit, and shall be submitted to the individual executive body of the Company. The individual executive body is entitled to produce objections and/or documents related to the revealed breaches to the Auditing Commission within three business days.

5.5.2. On the basis of the Statement of Audit, the Auditing Commission shall make up a report, in which it shall express its opinion, among other things, on reliability of the data presented in accounts and reports and other financial documents of the Company.

5.5.3. A report shall contain the following information:

- brief data on the audited Company;
- data on the members of the Auditing Commission;
- period audited;
- auditing method;
- conclusions of the Auditing Commission on reliability of the accounts and reports on the whole or in a certain part, or on unreliability thereof.

5.5.4. The report shall be signed by the Chairman of the Auditing Commission and by its members who take part in the audit. All and any disagreements arising at making up the report shall be settled by means of voting by the majority of votes. A member of the Auditing Commission, who does not agree with the conclusions contained in the report shall be entitled to state his/her opinion in writing.

5.5.5. The Report shall be made up within 10 days from the moment the audit is over.

Within five days from the moment the Report of the Auditing Commission is made up, it shall be brought to the notice of the Company's Board of Directors, General Director, as well as the initiator of the audit, if he/she is the Company's shareholder.

6. STORAGE OF DOCUMENTS OF THE AUDITING COMMISSION AND PROVIDING THEM TO INTERESTED PARTIES

6.1. All and any documents to the Auditing Commission (including requests for audits) shall be sent by registered mail to the Company with a notice of delivery or shall be handed over to the secretariat (office) of the Company. The executive bodies of the Company shall ensure a transfer of the received documents to the Chairman of the Auditing Commission or to the Secretary of the Auditing Commission.

6.2. Reports of the Auditing Commission shall be stored in the place of location of the executive body.

6.3. Reports of the Auditing Commission shall be provided to persons entitled to access these documents in compliance with the active laws and according to the procedure established by the effective legislation and the Charter of the Company.

6.4. Minutes of sessions of the Auditing Commission and other documents related to the work of the Auditing Commission (except for reports) shall be kept by the Secretary of the Auditing Commission. In case of reelection of the Secretary of the Auditing Commission, he/she shall transfer these documents to the newly elected Secretary of the Auditing Commission.

7. MATERIAL SUPPORT OF THE WORK OF THE AUDITING COMMISSION. REMUNERATIONS AND COMPENSATIONS PAID TO MEMBERS OF THE AUDITING COMMISSION

7.1. To support the work of the Auditing Commission (among other things, for holding meetings of the Auditing Commissions and for the time of audits) the Company shall provide premises equipped by office facilities (telephone sets, fax machines, computers, printers and other office facilities upon grounded request of the Chairman of the Auditing Commission). Premises provided shall be situated so as not to hamper the activities of the Auditing Commission.

7.2. At the expense of the Company, the Auditing Commission shall be provided with stationery and other consumables in the amount required for activities of the Auditing Commission.

7.3. Members of the Auditing Commission shall be reimbursed for all documented expenses related to discharging the duties of members of the Auditing Commission.

7.4. In the period of discharging their duties, each member of the Auditing Commission shall receive a quarterly remuneration in the amount of 250,000 rubles.

Quarterly remuneration to the Chairman of the Auditing Commission shall be rated by a raising factor 1.3.

Remuneration for the quarter in which the Auditing Commission has been re-elected or some members of the Auditing Commission have been removed from its structure in order stipulated in item 8 hereof shall be paid to a member of the Auditing Commission in proportion to the time worked in the quarter.

8. EARLY TERMINATION OF POWERS

8.1. Powers of certain members or of all members of the Auditing Commission may be terminated before the scheduled time by a decision of the General Shareholders' Meeting.

8.2. A member of the Auditing Commission shall be entitled to leave the Auditing Commission at his/her own initiative at any time, notifying the Chairman of the Auditing Commission and the Company thereof in writing. In such a case the powers of a member of the Auditing Commission shall be terminated on the day of sending the respective notification.

8.3. In case the Chairman leaves the Auditing Commission, the following procedure shall be observed:

- the Chairman of the Auditing Commission shall inform the Company of his/her decision to leave the Auditing Commission;
- the Chairman shall convoke a session of the Auditing Commission;
- a new Chairman shall be elected at the session of the Auditing Commission.

8.4. The powers and duties of the Chairman of the Auditing Commission shall be retained until the new Chairman of the Auditing Commission is elected.

8.5. If the actual number of the members of the Auditing Commission becomes less than half the official number of the Auditing Commission as established by the Charter of the Company or by these Provisions, the Chairman of the Auditing Commission shall inform the Board of Directors about it within 5 days from the moment of the commencement of the said event. The Board of Directors shall be obliged to convoke an extraordinary General Shareholders' Meeting for election (additional election) of the members of the Auditing Commission.

9. FINAL PROVISIONS

9.1. These Provisions shall be approved at the General Shareholders' Meeting by the majority of votes of the shareholders – owners of the voting shares of the Company attending the General Shareholders' Meeting.

9.2. Amendments and additions to these Provisions shall be approved at the General Shareholders' Meeting by the majority of votes of the shareholders – owners of the voting shares of the Company attending the General Shareholders' Meeting.

9.3. Should the changes in the legislation of the Russian Federation or the Company Charter result in contradiction with some Articles of the present Provisions, such Articles shall become null and void. Till the moment of introduction of corresponding amendments to the Provisions, the members of the Auditing Commission shall be guided by the active laws.