

## **REGULATIONS FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF JSC IDGC HOLDING**

### **Principal Terms, Definitions and Abbreviations Used in These Regulations**

JSC IDGC Holding	- Company
Regulations for the Audit Committee of the Board of Directors of JSC IDGC Holding	- these Regulations
Audit Committee of the Board of Directors of JSC IDGC Holding	- Committee
Chairman of the Audit Committee of the Board of Directors of JSC IDGC Holding	- Chairman of the Committee
Deputy Chairman of the Audit Committee of the Board of Directors of JSC IDGC Holding	- Deputy Chairman of the Committee
Secretary of the Audit Committee of the Board of Directors of JSC IDGC Holding	- Secretary of the Committee
Member of the Audit Committee of the Board of Directors of JSC IDGC Holding	- Member of the Committee
Expert of the Audit Committee of the Board of Directors of JSC IDGC Holding	- Expert of the Committee
Subsidiaries and dependent companies of JSC IDGC Holding	- SDCs

#### **1. General**

- 1.1. The Committee Regulations are prepared in accordance with the laws of the Russian Federation and the Articles of Association of the Company.
- 1.2. The decisions of the Committee shall be advisory to the Board of Directors of the Company.
- 1.3. The activity of the Committee shall be governed by the applicable laws of the Russian Federation, the Articles of Association of the Company, the Regulations for the Board of Directors of the Company, the decisions of the Board of Directors of the Company, these Regulations and other internal documents of the Company. All matters related to the activity of the Committee not governed by these and other regulations binding upon the Company shall be settled in accordance with the applicable laws.

1.4. These Regulations shall apply to all members of the Committee, members of the Board of Directors of the Company and employees of the Company in their interaction with the Committee.

## **2. Goals and Principal Objectives of the Committee**

2.1. The goal of the Committee shall be to elaborate and submit recommendations to the Board of Directors of the Company on issues related to ensuring effective participation of the Board of Directors of the Company in exercising control of the financial and economic activities of the Company.

2.2. The principal objective of the Committee shall be to render advisory assistance necessary to the Board of Directors of the Company to elaborate strategy on issues related to:

- the formation of recommendations concerning the selection of the Company's auditor: qualifications, quality of services rendered and compliance with the requirements for the auditor's independence;
- ongoing monitoring of the preparation by the executive bodies of the Company of the accounting (financial) statements of the Company, the fairness of these statements, the process of disclosure of reliable financial information about the Company, its amount and transparency level;
- ongoing monitoring of the functioning of the Company's internal control procedures;
- interaction with the executive bodies of the Company and other persons and entities.

## **3. Authority and Rights of the Committee**

3.1. The Committee shall be authorized to:

3.1.1. elaborate recommendations and proposals concerning the procedure for the preparation of the accounting (financial) statements of the Company;

3.1.2. prepare the assessment of the Company's audit report for its submission as materials for the Annual General Meeting of the Company;

3.1.3. develop, in collaboration with the division for the internal control/audit of the Company, recommendations concerning the management of risks incurred during the financial and economic activities of the Company;

3.1.4. develop internal control procedures under instructions from the Board of Directors of the Company in collaboration with the division for the internal control/audit of the Company;

3.1.5. consider proposals and elaborate recommendations for increasing the efficiency of internal control and risk management procedures of the Company in collaboration with the division for the internal control/audit of the Company;

3.1.6. approve the annual plan of audits conducted by the division for the internal control/audit of the Company;

- 3.1.7. consider the annual report of the division for the internal control/audit of the Company;
  - 3.1.8. elaborate recommendations for the amendment of the internal documents of the Company governing the activities of the division for the internal control/audit of the Company;
  - 3.1.9. interact with the Internal Audit Commission of the Company and the Company's auditor;
  - 3.1.10. select candidates for participation in the competitive (tendering-based) selection of the Company's auditor, assessment of candidates and submission of final reports to the Board of Directors of the Company;
  - 3.1.11. develop recommendations for the composition and content of the terms and conditions of agreements with the Company's auditor, including the amount of remuneration payable;
  - 3.1.12. submit final reports and recommendations on issues falling within the jurisdiction of the Committee for consideration by the Board of Directors of the Company;
  - 3.1.13. consider information about breaches in the course of business operations identified by the Internal Audit Commission of the Company and/or the division for the internal control/audit of the Company, prepare final report on identified breaches containing the ways and methods of preventing similar breaches in the future;
  - 3.1.14. execute other instructions of the Board of Directors of the Company conforming to the goals of the Committee.
- 3.2. To perform the functions imposed thereupon, the Committee shall be vested with the rights to:
- 3.2.1. conduct inquiries into the issues falling within its jurisdiction;
  - 3.2.2. request and receive information and documents necessary to perform its activity from the division for the internal control/audit of the Company and/or executives of the Company;
  - 3.2.3. request information from outside entities through the Chairman of the Board of Directors of the Company or the sole executive body of the Company;
  - 3.2.4. listen to the reports of the division for the internal control/audit of the Company;
  - 3.2.5. be rendered professional services by outside entities or retain (on a contractual basis) any third parties in the capacity of experts (consultants) having special expertise with respect to issues falling within the jurisdiction of the Committee within the budget of the Committee. The employees of the Company may be retained by the Committee as experts (consultants);
  - 3.2.6. invite the managers of the Company's divisions, members of other Committees of the Board of Directors of the Company, representatives of the Company's auditor or any other persons to participate in the Committee meetings;
  - 3.2.7. develop and submit for approval by the Board of Directors of the Company draft amendments and supplements to these Regulations (as needed);

3.2.8. consider for consideration by the Board of Directors of the Company issues falling within the jurisdiction of the Audit Committee.

#### **4. Support for the Activities of the Committee**

4.1. One-calendar-year budget of the Committee shall be approved by the Board of Directors of the Company as advised by the Chairman of the Committee.

4.2. The Chairman of the Committee shall have the necessary authority to spend funds in accordance with the approved budget.

4.3. A separate expense item shall be included in the expense side of the Company's budget to secure the operation of the Committee. Expenses incurred by the Committee shall include, but not be limited to, the remuneration of the Chairman of the Committee, Deputy Chairman of the Committee, members of the Committee, expenses in connection with the retention of outside entities and experts (consultants), administrative staff and other expenses.

4.4. Pursuant to the decision of the Committee, the Chairman of the Committee, Deputy Chairman and members of the Committee shall be entitled to participate in international conferences and workshops and, in particular, hold meetings on issues falling within the jurisdiction of the Committee with the representatives of the investment community, auditing and consulting firms both in the Russian Federation and abroad.

If the Chairman of the Committee, Deputy Chairman and members of the Committee participate in and/or hold the above-mentioned meetings, they shall be:

- paid daily allowance in an amount established for the employees of the executive arm of the Company;
- reimbursed for expenses in connection with purchasing a ticket to and from the place of meeting:
  - business class ticket for traveling by air;
  - sleeping car ticket for traveling by railway;
  - at the existing local fare for traveling by car (with the exception of taxi and car rent);
- reimbursed for expenses in connection with hotel reservation and accommodation, including additional hotel services (insurance, refrigerator with the exception of mini-bar, TV set with the exception of paid programs).

If the above-mentioned meetings are held, daily allowance and reimbursement shall be paid to the Chairman of the Committee, Deputy Chairman and members of the Committee as part of the expense item of the Committee included in the expense side of the Company's budget within two weeks of the last day of the month in which the meeting is held.

4.5. The amount and procedure for the remuneration of the Deputy Chairman of the Committee, members and experts (consultants) of the Committee shall be determined in the decision of the Committee as advised by the Chairman of the Committee.

4.6. The amount of remuneration of the Chairman of the Committee shall be determined in the decision of the Board of Directors of the Company.

4.7. For the purposes of holding meetings and sessions of the Committee, the Director General of the Company upon petition from the Chairman of the Committee shall be obliged to provide room, grant unimpaired access to such room for the persons listed in the above-mentioned petition and take other measures to hold a meeting and/or session of the Committee.

## **5. Composition of the Committee, Structure and Operating Procedure**

5.1. The Committee shall be composed of at least 3 (three) members of the Board of Directors of the Company other than the sole executive body and/or members of the collegial executive body of the Company. Membership of the Committee shall be approved by the Board of Directors of the Company from among the candidates proposed by members of the Board of Directors of the Company. Members of the Committee may be elected to the Committee an unlimited number of times.

5.2. The Committee shall be headed by a member of the Board of Directors of the Company who shall meet the following requirements provided for in paragraph 2 of Appendix 1 to the Regulations for Activities Related to the Organization of Trade in the Securities Market approved by Decree of the Federal Financial Markets Service of the Russian Federation No. 07-102/pz-n, dated October 9, 2007:

- shall be neither executives nor employees of the Company (manager) as of election and during 1 year preceding the election;
- shall not be executives of any other business entity any executive of which is a member of the Nomination and Remuneration Committee of the Board of Directors;
- shall be neither spouses, parents, children, brothers nor sisters of the executives (manager) of the Company (executive of the managing entity of the Company);
- shall not be affiliates of the Company other than member of the Board of Directors of the Company;
- shall not be parties to commitments with the Company under which they may purchase property (receive funds) whose value accounts for 10 or more of the aggregate annual income of the above-mentioned persons, with the exception of remuneration for participation in the work performed by the Board of Directors of the Company;
- shall not be representatives of the government, i.e. persons representing the Russian Federation, constituent entities of the Russian Federation and municipalities on the Board of Directors of the joint-stock companies in respect of which a decision on the use of a special right ("golden share") is adopted and persons elected to the Board of Directors from among the candidates proposed by the Russian Federation and a constituent entity of the Russian Federation or municipality if such members of the Board of Directors vote under written directives (instructions, etc) respectively of a constituent entity of the Russian Federation or municipality.

5.3. The Chairman of the Committee shall organize the functioning of the Committee, convene and chair meetings, arrange for taking meeting minutes, report to the Board of Directors of the Company on the activities of the Committee.

5.4. In the absence of the Chairman of the Committee at and between its meetings or if the Chairman is unable to perform his/her functions, his/her duties shall be fulfilled by the Deputy Chairman of the Committee. Deputy Chairman of the Committee shall be elected by a simple majority of votes from among members of the Committee.

5.5. Members of the Committee shall be elected for a period until the election of the next membership of the Board of Directors of the Company. Pursuant to a decision of the Board of Directors, the authority of all or some members of the Committee may be terminated early.

The Chairman of the Committee, Deputy Chairman of the Committee and members of the Committee may abdicate their authority by giving notice thereof to the Chairman of the Board of Directors of the Company not later than 30 (thirty) days prior to the expected termination of authority with the Committee.

5.6. The Committee meetings shall be held as needed, yet at least on a quarterly basis. The Committee decision shall be valid (a quorum shall be reached) if the meeting is attended by at least half of total membership of the Committee.

5.7. The Committee meetings shall be held either in the form of co-presence or through the completion of a written questionnaire by members of the Committee. Technical communications (teleconferences, Internet, etc) may be used to hold the Committee meetings. The persons invited to the meeting, including members of the Committee, may submit their opinions on the meeting agenda items in writing.

5.8. Decisions at the Committee meeting shall be adopted by a majority vote of the Committee members attending the meeting. Each member of the Committee shall hold one vote for resolving issues at the Committee meeting.

In the event of equality of votes, the Chairman of the Committee shall cast the decisive vote.

A member of the Committee may not assign his/her vote to any other person, including any other member of the Committee.

5.9. In determining whether a quorum is reached and counting votes on the issues included in the agenda of the Committee meeting, consideration shall be given to the written opinions of members of the Committee failing to attend the meeting received before counting votes on the meeting agenda item.

5.10. The Committee shall approve the annual action plan, which shall be prepared based on the approved action plan of the Board of Directors of the Company, proposals of members of the Committee and decisions of the Board of Directors of the Company. In addition to the meetings specified in the plan of the Committee, the Chairman shall be entitled to convene extraordinary meetings at his/her sole discretion, upon request from the Company's auditor, the division for the internal control/audit, the Internal Audit Commission or the Board of Directors of the Company.

5.11. For the purposes of complete and high-quality preparation of materials for the meetings, the Committee shall be entitled to establish Expert Groups. The composition, operating procedure and objectives of Expert Groups shall be determined in the decision of the Committee.

The amount of remuneration of the Committee experts shall be determined in the decision of the Committee as advised by the Chairman of the Committee.

5.12. The Secretary of the Committee shall be appointed to provide organizational, information and document support for the activities of the Committee both in connection with the preparation and holding of meetings and between the Committee meetings. The Secretary of the Committee shall not be a member of the Committee and shall act in accordance with these Regulations.

5.13. The Secretary of the Committee shall be remunerated and/or reimbursed for expenses in connection with the fulfillment of his/her responsibilities. The agreement with the Secretary of the Committee on behalf of the Company shall be signed by the Chairman of the Committee.

## **6. Obligations of the Committee**

The Committee shall be obliged to:

6.1. The Company's auditor and its services

6.1.1. Participate in the development of terms and conditions applicable to the tender-based competition among auditing firms for acting as the Company's auditor, preparation for the Board of Directors of the Company of recommendations concerning the candidate and amount of remuneration of the Company's auditor for the services being rendered through the participation of members of the Committee in the work performed by the Tender Committee selecting an auditing firm for conducting mandatory annual audits of the Company.

6.1.2. Develop policies and procedures related to the prior approval of all auditing and non-auditing services provided to the Company by the Company's auditor. The Committee shall pre-approve the services rendered by the Company's auditor in accordance with the policies and procedures approved by the Board of Directors of the Company.

6.1.3. Perform regular analysis of: (a) compliance of the existing policies and procedures of the Committee related to the prior approval of a candidate for the Company's auditor to conduct audits and provide non-auditing services with the requirement for the independence of auditors; (b) conformity of the pre-approved auditing and non-auditing services with the policies and procedures of the Committee; (c) amounts of remuneration of the Company's auditor for the provision of pre-approved auditing and non-auditing services.

6.1.4. Analyze in collaboration with the Company's auditor on a regular basis: (a) the scope of work related to the independent audit of the Company's statements; (b) results of the external audit of the financial statements of the Company; (c) all material weaknesses of the structure or functioning of internal audit in the area of accounting and finance identified by the Company's auditor and appropriate recommendations for the elimination of these weaknesses and measures taken by the executive bodies of the Company; (d) other significant materials prepared as

part of interaction between the Company's auditor and the Company's management.

The Committee shall be obliged to communicate the information about its activities specified in this paragraph to the Board of Directors of the Company, including its recommendations concerning the issues under consideration.

6.1.5. For the purposes of exercising control of compliance with the requirement for the independence of the Company's auditor, the Committee shall: (a) request from the Company's auditor formal written confirmation of their independence from the Company on an annual basis; (b) discuss with the Company's auditor any aspects of relationship between the auditor and the Company and their impact on the independence of the Company's auditor.

6.1.6. The assessment of the Company's audit report made by the Committee shall be incorporated in the information (materials) to be submitted to the persons entitled to participate in the Annual General Meeting of the Company.

6.1.7. Control whether the system for selecting the auditor of the Company and its SDCs and the system of control of its activities complies with laws.

## 6.2. Financial statements

6.2.1. Analyze annual financial statements prior to their submission for consideration by the Board of Directors of the Company and interim (quarterly) statements prior to their disclosure, including the assessment of their completeness and level of conformity to the information known to members of the Committee; assessment of application of the proper accounting principles in the preparation of financial statements.

In analyzing the statements, members of the Committee shall meet with the Company's management and the Company's auditor to discuss the statements and its audit results.

6.2.2. Consider, in collaboration with the Company's auditor and the division for the internal control/audit of the Company, any known illegal acts, weaknesses of internal control procedures and other similar matters, and assess their impact on the financial statements.

6.2.3 Supervise the development and implementation of the Company's accounting policy.

## 6.3. Internal control/audit.

6.3.1. Assess the activities of the executive bodies of the Company related to the establishment of proper internal control within the Company.

6.3.2. Assess the areas of the highest financial risk for the Company and performance of the executive bodies of the Company in the management of these risks.

6.3.3. Discuss the existence of significant risks and the plans of their minimization with the executive bodies, auditor of the Company, the division for the internal control/audit of the Company and (as needed) outside consultants.

6.3.4. Assess the activities performed by the executive bodies of the Company to implement the recommendations concerning the internal control procedure submitted by the Internal Audit Commission of the Company, the Company's



auditor, the division for the internal control/audit of the Company or outside consultants.

6.3.5. Analyze the scope of work, organizational structure, budget and performance of the established division for the internal control/audit of the Company and prevent unreasonable restrictions imposed on its activities.

6.3.6. Interact with the Manager of the division for the internal control/audit of the Company to consider issues related to the activities of the division for the internal control/audit of the Company.

6.4. Compliance with laws and regulations

6.4.1. Analyze the efficiency of the system of control of compliance with laws and regulations and the results of managerial inquiries and follow-up measures (including disciplinary sanctions) in respect of any breaches of laws.

6.4.2. Receive requested information from the management bodies of the Company concerning compliance with laws and regulations.

6.5. Miscellaneous

6.5.1. Make additional inquiries into the issues related to its activities (as needed).

6.5.2. Develop the procedure for accepting and considering complaints about the maintenance of accounting records, the exercise of internal control, audit (including procedures aimed at ensuring the confidentiality of complaints filed by the employees of the Company); regularly analyze these practices and procedures and determine whether or not it is necessary to amend them.

6.5.3. Analyze the need to amend these Regulations and prepare such amendments for approval by the Board of Directors of the Company.

6.5.4. Perform other obligations under its jurisdiction.

6.5.5. Members of the Committee shall be obliged to familiarize themselves with the materials for the Committee meeting and elaborate their own position on each issue on the agenda of the Committee meeting.

6.5.6. In exercising their rights and performing their obligations, members of the Committee shall act for the benefit of the Company, exercise their rights and perform their obligations in respect of the Company reasonably and in good faith.

## **7. Interaction with the Bodies of the Company and Other Persons**

7.1. In performing its obligations, the Committee shall interact with the management and control bodies of the Company, the divisions of the Company and other entities and persons.

7.2. The Chairman of the Committee and the Secretary of the Committee shall be obliged to ensure information, technical and coordinated interaction of the Committee with the Board of Directors of the Company, the sole executive body of the Company, the Internal Audit Commission, the divisions of the Company and other committees of the Board of Directors of the Company.

7.3. Interaction with the executive bodies and divisions of the Company.

7.3.1. The Committee shall have the right to receive from the executive bodies and divisions of the Company written and/or oral information and documentation about the Company which is necessary to accomplish the objectives of the Committee.

7.3.2. The information and documents specified in paragraph 7.3.1 shall be provided to the Committee within 5 (five) calendar days of the date of receipt by the sole executive body, executive body, manager of the Company's division concerned of the request for the provision of information and documents signed by the Chairman of the Committee. The Committee may, at its sole discretion, establish longer time limits for the provision of the above-mentioned information.

7.3.3. Working groups involving the executives of the executive arm of the Company may be formed to analyze issues falling under the jurisdiction of the Committee upon agreement with the sole executive body of the Company. The persons heading the above-mentioned groups shall organize their work and ensure the analysis of issues defined by the Committee within the time limits established by the Committee.

7.4. Interaction with the division for the internal control/audit of the Company.

7.4.1. The Committee shall consider the results of external and internal audits conducted by the division provided by the division for the internal control/audit of the Company and, after considering the information provided, hold meetings (as needed) to discuss issues falling within the jurisdiction of this division.

7.5. Interaction with the division responsible for legal matters.

7.5.1. Should it be necessary to conduct a legal review of issues faced by the Committee during the performance of its obligations, the Committee shall involve a proper professional in its meetings upon agreement with the manager responsible for legal matters.

7.6. Interaction with the division responsible for financial and tax accounting.

7.6.1. The manager of the division responsible for financial and tax accounting shall submit to the Committee draft annual accounting statements of the Company prepared in accordance with Russian accounting standards, draft annual consolidated accounting statements of the Company prepared in accordance with International Financial Reporting Standards, interim consolidated financial statements of the Company prepared in accordance with International Financial Reporting Standards ("Statements").

7.6.2. The manager of the division responsible for financial and tax accounting shall give necessary explanations to the Committee on issues faced by the Committee in connection with the submitted statements.

7.7. Interaction with other divisions of the Company.

7.7.1 During the accomplishment of tasks given to the Committee, the Committee shall interact with the other divisions of the Company as provided for by paragraphs 7.3.1 and 7.3.2 of these Regulations.

7.7.2. Provided that approval is granted by the Chairman of the Committee and notice is given to the manager of the Company's division concerned, members of the Committee shall be entitled to obtain proper information under their jurisdiction from any employee of the Company.

7.8. In the event of provision of incomplete or unreliable information (materials), the above-mentioned persons shall be entitled to request additional information (materials).

## **8. Confidentiality**

8.1. Within their term of office and for a period of one year after their term of office with the Committee expires, the current (former) members of the Committee, the Secretary of the Committee and any third parties involved in the activities of the Committee shall be obliged to meet the confidentiality requirements in relation to any non-public information received by them in connection with their work on the Committee. The definition of non-public information related to the activities of the Company and its content shall be determined by the decision of the authorized management body of the Company.

8.2. Members of the Committee, the Secretary of the Committee and any third parties involved in the work of the Committee shall be entitled to receive the above-mentioned information provided that they enter into an agreement with the Company to use the above-mentioned information.

8.3. Any documents related to the activities of the Committee shall be stored at the Company's office in accordance with the document storage procedure approved by the Company. The Secretary of the Committee shall be responsible for storing the above-mentioned documents.

## **9. Activity Reports**

9.1. The Chairman of the Committee shall submit to the Board of Directors of the Company reports on the activities of the Committee on an annual basis.

9.2. The Chairman of the Committee may submit to the Board of Directors of the Company separate reports on inquiries into the issues falling within the competence of the Committee.

## **10. Final Provisions**

10.1. The Board of Directors of the Company may at any time request that the Committee submit a report on its day-to-day activities. The deadline for preparing and submitting such report shall be determined by the decision adopted by the Board of Directors of the Company.

10.2. Information about separate decisions adopted by the Committee shall be posted on the Company's corporate website. The Chairman of the Committee shall determine whether it is necessary to make such information public.

10.3. These Regulations and any amendments and supplements hereto shall be approved by the Board of Directors of the Company.