

(DRAFT)

**APPROVED**

by the Annual General Meeting of the Shareholders  
of the Open Joint-Stock Company

North-West Telecom

Minutes No. \_\_\_\_ of \_\_\_\_ 2008

Chairperson of the General Meeting of the Shareholders

\_\_\_\_\_ V.A. Akulich

**PROVISIONS  
ON THE AUDITING COMMITTEE**

of the Open Joint-Stock Company

North-West Telecom

(Version 04 - 08)

## **1. GENERAL**

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

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

1.3. The Auditing Committee shall be elected by the General Meeting of shareholders in compliance with the procedure provided for by the active law and the Company's Articles of Association.

1.4. The powers of the Auditing Committee or its individual members may be terminated according to the procedure provided for by the active law, by the Articles of Association of the Company and by these Provisions.

## **2. TERMS OF REFERENCE OF THE AUDITING COMMITTEE**

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

2.2. The Auditing Committee shall control the Company's financial and economic operation within its terms of reference as established by the Company's Articles of Association.

2.3. The Auditing Committee shall exercise control through checking the Company's financial and economic documentation, including the source data of accounting and tax reporting.

## **3. RIGHTS OF THE MEMBERS OF THE AUDITING COMMITTEE**

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

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

3.1.2. documents on financial and economic operation of the Company shall be produced upon request of the Auditing Committee within the time established in such request, and if the terms are not indicated – not later than 3 working days following the date the request is presented;

3.1.3. members of the Auditing Committee 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 operation, the Auditing Committee shall be entitled to demand that duly certified copies of financial and economic documents of the Company be presented;

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 of these Provisions fail to be observed, or should other obstacles be posed in its work, the Auditing Committee 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 Committee;

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 Committee shall be entitled to demand convocation of meetings of the Management Board or Board of Directors, or an extraordinary general meeting of the shareholders in order to resolve the issues included in the terms of reference of the said bodies.

The Auditing Committee may apply to the Committees of the Board of Directors with a proposal to consider any issue, which has to do with the Committee's terms of reference.

The procedure of convoking meetings of the Management Board, or Board of Directors, or an extraordinary general meeting of the shareholders, or the meetings of the Audit Committee of the Board of Directors. upon demand or apply of the Auditing Committee is defined by the active law, the Articles of Association of the Company and by the provisions on the respective bodies. If such a procedure is not defined, a meeting shall be held within a reasonable time from the moment the demand or apply is presented by the Auditing Committee.

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

3.4. Any explanations provided upon request of the Auditing Committee shall be presented within terms stated in clause 3.1.2 of these Provisions. Should any explanations fail to be provided or should any false explanations be provided deliberately, the Auditing Committee shall act according to the procedure similar to the procedure provided for by clauses 3.1.5 and 3.1.6 of these Provisions.

3.5. The Auditing Committee shall be entitled to engage independent specialists (individuals or legal entities) in checks according to the procedure provided for by clause 5.4 of these Provisions.

3.6. If any facts of breaches in the issues of its terms of reference are detected, the Auditing Committee shall be entitled to raise to the Company's management 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 management bodies shall inform the Auditing Committee on any measures taken on the basis of its applications.

#### **4. DUTIES OF THE MEMBERS OF THE AUDITING COMMITTEE.**

##### **RESPONSIBILITY OF THE MEMBERS OF THE AUDITING COMMITTEE**

4.1. Members of the Auditing Committee shall:

4.1.1. Not disclose any confidential information (keep the commercial secret) becoming known to members of the Auditing Committee 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 Articles of Association and these Provisions.

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

#### **5. OPERATION PROCEDURE OF THE AUDITING COMMITTEE**

5.1. Elections of the Chairperson and the Secretary of the Auditing Committee, and Their Powers.

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

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

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

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

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

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

5.2. Holding sessions of the Auditing Committee.

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

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

5.2.3. Sessions of the Auditing Committee shall be held by the Chairperson of the Auditing Committee. In case of his/her absence, members of the Auditing Committee shall appoint, by the majority of votes of the members attending the session, a substitute for the Chairperson at the session.

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

5.2.5. Sessions of the Auditing Committee shall be held before each audit of the Company and after each audit.

5.2.6. Sessions of the Auditing Committee 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 Committee must receive documents stating the agenda and a form for voting, which will make it possible to express an exact attitude towards the issues of the agenda.

Preparation of documents for holding a session through correspondence and sending them shall be the responsibility of the Secretary of the Auditing Committee upon instructions of the Chairperson of the Auditing Committee. The Chairperson of the Auditing Committee shall establish the period, during which the members of the Auditing Committee must express attitude towards the issues of the agenda.

5.2.8. A session of the Auditing Committee shall be considered as competent, provided at least half the elected members of the Auditing Committee 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 Committee have taken part in voting.

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

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

5.3. Audits Carried Out by the Auditing Committee.

5.3.1. The Auditing Committee shall audit the financial and economic operation of the Company based on the results of work for the year. The report (conclusion/opinion) based on the results of an obligatory audit of the Company's financial and economic operation with the outcome of the results of operation for a year shall be provided to the Board of Directors not later than 14 working days before 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 of these Provisions, the Auditing Committee shall be entitled to carry out unscheduled audits at any time in compliance with these Provisions.

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

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

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

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

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

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

5.3.7. Prior to the start of an audit, the Chairperson of the Auditing Committee shall notify in writing the Board of Directors and the General Manager of the Company (or his/her substitute) on issues to be audited, on the initiator of the audit, expected time of the audit and on the need of employing independent specialists in the audit and on other important conditions of the audit.

5.3.8. To support the work of the Auditing Committee, the General Manager 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 Committee.

5.4. Procedure of employing independent specialists in certain audits carried out by the Auditing Committee.

5.4.1. The Board of Directors, as well as any member of the Auditing Committee, shall be entitled to apply to the Chairperson of the Auditing Committee at any time with a proposal on employing 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 Committee.

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 Committee.

The Company's General Manager 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 (keep the commercial secret) becoming known to them during the check.

If independent specialists are employed, the Auditing Committee shall ensure signing confidentiality agreement between these specialists and the Company prior to their engagement in audits (inspections).

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

5.5.1. On the basis of the results of an audit, a Statement shall be made up within 5 working days from the moment the audit is over.

The Statement shall be made up on the basis of written reports of the members of Auditing Committee who take part in the audit, such reports being sent to the Secretary of the Auditing Committee within 3 working days from the moment the audit (inspection) is over.

The Statement shall describe in a systematized way documented facts of breaches in the financial and economic operation of the Company, detected during the audit, or stating the absence of such facts, as well as conclusions and proposals of the Auditing Committee on eliminating the detected breaches.

The Statement shall be signed by the Chairperson of the Auditing Committee and by its members who take part in the audit and shall be sent to one-person executive body. Within 3 working days the one-person executive body is entitled to present objections and/or documents on revealed breaches to the Auditing Committee.

5.5.2. On the basis of the Statement of Audit, the Auditing Committee 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 (opinion/conclusion) shall contain the following information:

- brief data on the Company audited;
- data on the members of the Auditing Committee;
- period audited;
- auditing method;
- conclusions of the Auditing Committee 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 Chairperson of the Auditing Committee and by its members who take part in the audit. All and any disagreements arising in making up the report shall be settled by means of voting by the majority of votes. A member of the Auditing Committee, who does not agree with the conclusions contained in the report, shall be entitled to set forth his/her attitude in writing.

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

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

## **6. STORAGE OF DOCUMENTS OF THE AUDITING COMMITTEE AND PROVIDING THEM TO INTERESTED PARTIES**

6.1. All and any documents to the Auditing Committee (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 received documents to the Chairperson of the Auditing Committee or to the Secretary of the Auditing Committee.

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

6.3. Reports of the Auditing Committee shall be provided to persons entitled to access these documents in compliance with the active laws and according to the procedure provided for by the active laws and the Articles of Association of the Company.

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

## **7. FUNDS FOR THE WORK OF THE AUDITING COMMITTEE. REMUNERATIONS AND COMPENSATIONS PAID TO MEMBERS OF THE AUDITING COMMITTEE**

7.1. For the work of the Auditing Committee (among other things, for holding sessions of the Auditing Committee 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 Chairperson of the Auditing Committee). Premises provided shall be situated so as not to hamper the activities of the Auditing Committee.

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

7.3. Members of the Auditing Committee shall be reimbursed for all expenses proven by documents and related to discharging the duties of members of the Auditing Committee.

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

The quarterly remuneration of the Chairperson of the Auditing Committee shall have a factor of 1.3.

For the quarter, in which re-election of the Auditing Committee or withdrawal of some members from the Auditing Committee according to the procedure provided for by clause 8 of the Provisions take place, the remuneration shall be paid to a member of the Auditing Committee in proportion to the time of his/her work in the quarter.

## **8. EARLY TERMINATION OF POWERS**

8.1. The authority of individual members or all members of the Auditing Committee can be prematurely terminated by resolution of the General Meeting of the Shareholders.

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

8.3. In case the Chairperson leaves the Auditing Committee, the following procedure shall be observed:

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

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

8.5. If the actual number of the Auditing Committee becomes less than half the official number of the Auditing Committee as established by the Articles of Association of the Company, the Chairperson of the Auditing Committee shall, within 5 days from the moment of the commencement of the said event, notify the Company's Board of Directors. The Board of Directors shall convene an extraordinary General Meeting of the Shareholders for electing new members of the Auditing Committee.

## **9. FINAL**

9.1. These Provisions shall be approved by the General Meeting of the Shareholders by the majority of votes of the shareholders holding the voting shares of the Company taking part in the General Meeting of the Shareholders.

9.2. A decision on making amendments or additions to the Provisions shall be taken by the General Meeting by the majority of votes of the shareholders holding voting shares of the Company and taking part in the General Meeting of the Shareholders.

9.3. If, as a result of changes in the legislation of the Russian Federation or in the Articles of Association of the Company, some articles of these Provisions contradict them, such articles shall become null and void and, before amendments are made in the Provisions, members of the Auditing Committee shall be guided by the active law.