



**APPROVED**

**by resolution of the Board of Directors  
of Mechel Public Joint Stock Company  
Minutes w/o No. of August 30, 2021**

**Chairperson of the Board of Directors**

**I.V. Zyuzin**

**REGULATIONS  
on the Audit Committee of the Board of Directors  
of Mechel Public Joint Stock Company**

2021

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## 1. General Provisions

- 1.1. These Regulations on the Audit Committee of the Board of Directors (the Regulations) are an internal document of PAO Mechel (the Company) and defines the procedure for forming the Audit Committee of the Board of Directors (the Committee or the Audit Committee), its competence, rights and obligations, the procedure for the Committee's work, cooperation with the Company's management bodies and decision-making.
- 1.2. The Regulations have been prepared in accordance with the laws of the Russian Federation, the Company's Charter, the Regulations on the Board of Directors of the Company, the Corporate Governance Code, the Regulations on Corporate Conduct and Ethics, and the listing rules of Russian and foreign stock exchanges on which the Company's shares are listed.
- 1.3. The Committee is not a management body of the Company under the laws of the Russian Federation.

The main purpose of the Audit Committee is the preliminary consideration of issues related to control over the financial and economic activities of the Company, including the assessment of the auditor's independence and the absence of a conflict of interest, as well as the assessment of the quality of the audit of the Company's accounting (financial) statements, consideration of other issues in accordance with Russian legislation, the listing rules of Russian and foreign stock exchanges on which the shares are listed, the Company's internal documents.

- 1.4. The Audit Committee does not participate in the business activities of the Company and does not duplicate the activities of any subdivision of the Company.
- 1.5. The Audit Committee acts in the interests of the Company's shareholders and its investors, contributes to the establishment of an effective system of control over the Company's financial and business activities and ensures effective control over financial and business activities.
- 1.6. The Committee is fully subordinate and accountable to the Board of Directors and acts within the authority granted to the Committee by the Board of Directors in accordance with these Regulations.
- 1.7. The Committee is governed in its activities by the laws of the Russian Federation, the Company's Charter, the Regulations on the Board of Directors, decisions of the Board of Directors, applicable rules of the New York Stock Exchange and the United States Securities and Exchange Commission (the SEC) and other exchanges on which the Company's securities are listed, these Regulations and other internal documents of the Company approved by the Shareholders Meeting and the Board of Directors, and decisions of the Audit Committee of the Company.
- 1.8. Terms used but not defined in these Regulations shall be as used in the Company's Articles of Incorporation and the Regulations of the Board of Directors, unless these Regulations provide otherwise.

## **2. Terms and Definitions**

Auditor: Independent company that conducts (has conducted) an external audit of PAO Mechel financial statements.

Audit Committee, Committee: The Audit Committee of the Board of Directors of PAO Mechel.

Company: Mechel Public Joint Stock Company (PAO Mechel).

SEC: US Securities and Exchange Commission.

Regulations: Regulations on the Audit Committee of the Board of Directors of PAO Mechel.

Management of the Company: PAO Mechel's Chief Executive Officer, Deputy Chief Executive Officers, members of PAO Mechel's Management Board.

Board of Directors: Mechel's Board of Directors.

IAD: Mechel OAO's Internal Audit Department.

## **3. Goals and objectives of the Audit Committee**

3.1. The Committee's competence and responsibilities cover the following key areas: accounting (financial) statements and consolidated financial statements (hereinafter referred to as accounting (financial) statements), risk management, internal control and corporate governance (in terms of internal audit tasks defined in these Regulations), internal and external audit, and counteraction against illegal actions.

3.2. Objectives of the Committee:

### **in the area of accounting (financial) reporting:**

3.2.1. Control over the completeness, accuracy and reliability of the Company's accounting (financial) statements;

3.2.2. Analysis of material aspects of the Company's accounting policies;

3.2.3. Participation in the consideration of material issues and judgments in relation to the Company's accounting (financial) statements;

### **in the area of internal and external auditing:**

3.2.4. Evaluating the independence, objectivity and absence of conflicts of interest of the Company's external auditors, including evaluating candidates for the Company's auditors, developing proposals for the appointment, re-election and dismissal of the Company's external auditors, their remuneration and the terms of their engagement;

3.2.5. Oversight of the external audit and quality assessment of the performance of the audit and the auditors' reports;

3.2.6. Ensuring effective interaction between the internal audit division and the Company's external auditors;

- 3.2.7. Developing and overseeing the implementation of the Company's policy, which defines the principles for providing and combining auditing and non-auditing services of the Company;
- 3.2.8. Oversight of the annual independent external audit of the Company's financial statements;
- 3.2.9. Ensuring the independence and objectivity of the internal audit function;
- 3.2.10. Review and preliminary approval of the internal audit policy and the Internal Audit Regulations, which define, among other things, the internal audit goals, objectives and functions, and control over its implementation;
- 3.2.11. Preliminary review of the internal audit unit activity plan and budget of the internal audit unit;
- 3.2.12. Preliminary consideration of issues regarding the appointment (dismissal) of the head of the internal audit unit and the amount of his remuneration;
- 3.2.13. Consideration of existing limitations of authority or budget for the internal audit function that may adversely affect the effective performance of the internal audit function;
- 3.2.14. Analysis and evaluation of the effectiveness of internal audit functions;

**in the area of risk management, internal control and corporate governance:**

- 3.2.15. Monitoring the effectiveness of the risk management system;
- 3.2.16. Evaluating the internal control system and improving its effectiveness;
- 3.2.17. Control over the reliability and efficiency of the risk management and internal control system and corporate governance system, including evaluation of the effectiveness of the Company's risk management and internal control procedures and corporate governance practices and preparation of proposals for their improvement;
- 3.2.18. Analysis and evaluation of the implementation of the risk management and internal control policy;
- 3.2.19. Control of procedures ensuring the Company's compliance with legal requirements, as well as ethical norms, rules and procedures of the Company, and requirements of stock exchanges;
- 3.2.20. Analysis and evaluation of the implementation of the conflict of interest management policy;

**in the field of counteraction to unfair actions of the Company's employees and third parties<sup>1</sup>:**

- 3.2.21. Monitoring the effectiveness of the system for reporting potential cases of dishonest actions by Company employees and third parties, as well as other violations in the Company;
- 3.2.22. Overseeing special investigations into potential fraud, misuse of insider or confidential information;

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<sup>1</sup> Including negligence, fraud, bribery and corruption, commercial bribery, abuse and various unlawful acts that harm the Company.

- 3.2.23. Control over the implementation of measures taken by the Company's executive management for reporting potential cases of employee misconduct and other violations.
- 3.2.24. Other tasks related to other aspects of the Company's activities, within the competence established in Sections 3 and 4 of these Regulations.
- 3.3. The Committee is vested with the authority and responsibility to make recommendations to the Board of Directors on the selection, performance evaluation and, if necessary, replacement of the Company's Auditor with subsequent approval by the Company's General Meeting.
- 3.4. Acting in accordance with its terms of reference, the Committee shall work jointly with the Company's Auditor and, if necessary, with the Company's Management and structural divisions in order to perform the function of analyzing the Company's external audit and financial statements and to make appropriate recommendations to the Company's Board of Directors.

#### **4. Competence of the Audit Committee**

In order to provide objective and independent information to the members of the Board of Directors, the Audit Committee, in accordance with its tasks as set forth in Section 3 of these Regulations, shall have the following powers within the competence of the Board of Directors of the Company.

- 4.1. Competencies of the Committee in the field of accounting (financial) reporting.
- 4.1.1. Supervising the process of preparing the Company's annual accounting (financial) statements, informing the Board of Directors of the results of this work, reviewing draft financial statements, the statement of financial position and the statement of comprehensive income, analyzing the acceptability of accounting policies, the validity of significant estimates and the clarity of explanations to the financial statements.
- 4.1.2. Analysis and discussion of the draft annual and quarterly accounting (financial) statements before they are published or provided to third parties in accordance with the requirements of current legislation on the following issues:
- Principles and standards of accounting policies to be used in the process of preparing statements;
  - Options for presenting financial information within generally accepted accounting principles that have been discussed with the Company's management, the possible effects of such alternatives, and the option to which the Auditor prefers;
  - The possible impact of regulatory and accounting initiatives and off-balance sheet structures on the Company's financial statements;
  - Other important matters discussed by the Auditor and management in documents such as management letters or a list of unresolved disagreements.
- 4.1.3. Review of quarterly financial statements prepared in accordance with IFRS requirements, as well as annual accounting (financial) statements, the report on management's analysis and evaluation of the Company's financial position and financial results prepared in accordance with RAS and IFRS requirements;
- 4.2. Competencies of the Committee in the field of independent external audit.

- 4.2.1. Recommending to the Board of Directors candidates for the Company's external auditors, including recruitment, appointment and termination of external auditors, their fees and work plan, and oversight of their activities, including resolution of disagreements between the Company's management and auditors on financial reporting matters.
- 4.2.2. Meetings and negotiations with audit companies to select candidates for the Company's external auditor, including requests for proposals and additional materials.
- 4.2.3. Analysis and issuance of opinions on the compatibility of the provision of any permitted non-audit services by the Company's Auditor, while maintaining the independence of the external auditor in accordance with the requirements of Russian law and the listing rules of the Russian and foreign stock exchanges on which the Company's shares are listed.
- 4.2.4. Annual review of the Auditor's independence and compliance with legal requirements, as well as monitoring the quality of work performed by the Independent Auditor and the experience and qualifications of the Auditor's senior staff providing audit services to the Company. In carrying out such audit, the Audit Committee shall:
- Receive and verify the conclusion (report) on the results of the audit of the financial and economic activities of the Company, prepared by the Auditor. Assesses the Auditor's opinion (report). The assessment of the Auditor's opinion (report) prepared by the Committee shall be provided as materials for the Annual General Meeting of the Company;
  - Receives and analyze the report on the results of the audit of the financial and economic activities of the Company and other documents provided by the Auditor, which describe the internal control procedures applied by the audit firm, as well as any significant issues that have arisen as a result of the most recent internal quality control audit, intra-industry audit of the Auditor by others audit firms, inquiries or investigations by public authorities and local governments or authorized organizations, within the last five years, in relation to one or more independent audits carried out by the Auditor, as well as any steps taken to resolve the above issues;
  - Request and review the report prepared by the Auditor describing all relationships between the external auditor and the Company and considers the impact any relationship or services may have on the objectivity and independence of the external auditor;
  - Obtain and verify from the Auditor confirmation that the external auditor complies with the partner rotation requirements set forth in the listing rules of foreign stock exchanges, including the rules of the SEC on which the Company's shares are listed.
- 4.2.5. Consideration of whether it is appropriate for the Company to use rotation with respect to external audit firms for the annual audit.
- 4.2.6. Review of the results of the annual audit of the financial statements on all matters to be reported to the Audit Committee by the external auditor in accordance with generally accepted auditing standards.
- 4.2.7. Meeting with the Auditor to discuss any audit problems or difficulties and disagreements with Company management, as well as matters that the Auditor should discuss with the Audit Committee as required by accounting standards/audit standards.
- 4.2.8. Review and discuss with the Company's management and the Auditor the Auditor's interim reports on the Company's financial results, including related correspondence between the external auditor and the Company's management.

- 4.2.9. Carrying out other procedures to ensure the independence and objectivity of the external audit functions.
- 4.3. Competencies of the Committee in the area of internal audit.
  - 4.3.1. Preliminary consideration of proposals for the appointment (dismissal), the terms of the employment contract, the promotion (disciplinary action) of the head of the IAD.
  - 4.3.2. Preliminary review of the annual audit plan, approval of IAD structure and budget.
  - 4.3.3. Analysis of regular IAD reports, presenting in a summarized format the results of work and the most significant audit comments.
  - 4.3.4. IAD's year-end performance evaluation.
  - 4.3.5. Approval of the Regulations on IAD.
  - 4.3.6. Addressing the current limitations that prevent IAD from effectively performing their tasks, and assisting in the elimination of such limitations.
  - 4.3.7. Meetings with the IAD Director at least once a quarter without the participation of the Company's management.
  - 4.3.8. Forming, when necessary, IAD requests for extraordinary IAD audits and other control measures, as well as analysis of the results of such requests.
  - 4.3.9. Consideration of information on detected cases of fraud, theft and abuse, evaluation of the effectiveness of measures taken by the Company's Management, and evaluation of the effectiveness of the fraud, theft and abuse prevention system.
- 4.4. Competencies of the Committee concerning the process of evaluation of property by an independent appraiser.
  - 4.4.1. Preparation of recommendations to the Company's Board of Directors regarding candidates for independent appraisal, analysis, at the request of the Board of Directors, of market property appraisal performed by an independent appraiser in cases provided for in the Russian laws, as well as analysis, at the request of the Board of Directors, of the evaluation of certain assets and property items for reporting purposes under international financial reporting standards and possible collateral valuation.
- 4.5. The Committee's competencies related to monitoring the effectiveness of the risk management and internal control system.
  - 4.5.1. Regular review of reports by the Company's management on the status of risk management, the functioning of an effective risk management and internal control system, including information on the measures taken to eliminate, minimize and/or mitigate risks.
  - 4.5.2. Discussion with the Company's Management and the Auditor the risk management policy, risk assessment and monitoring rules and procedures, the Company's exposure to material risks and the actions management has taken to limit, monitor and control such exposure.



- 4.5.3. Preliminary review of the Company's draft risk management and internal control policy and any subsequent changes prior to its approval by the Board of Directors;
  - 4.5.4. Control over reliability and efficiency of the risk management and internal control system.
  - 4.5.5. Reviewing and forming an opinion on the risk appetite and its indicators before submitting them to the Board of Directors for approval;
  - 4.5.6. Initiating (as necessary, when procedures and/or applicable regulatory requirements change) an assessment of the reliability and effectiveness of risk management and internal controls;
  - 4.5.7. Assist in maintaining effective interaction and open dialogue between the departments responsible for organizing risk management, internal control and internal audit in the Company, including as part of assessing the reliability and effectiveness of risk management and internal control;
  - 4.5.8. Analysis of internal and external auditors' reports on the state of the internal control system.
  - 4.5.9. Analysis of the results and quality of implementation of measures (corrective steps) developed by the Company's management to improve the internal control system.
  - 4.5.10. Consideration and formation of opinions for subsequent submission to the Board of Directors regarding the results of the assessment of risk management and internal control efficiency, proposals (recommendations) to improve risk management and internal control organization based on the reports of the internal auditor, the auditor of the Company.
- 4.6. Other competencies of the Committee.
- 4.6.1. Discussion of press releases about the Company's earnings and financial information provided to analysts and rating agencies.
  - 4.6.2. Discussion with Company management any correspondence received from, or sent to, governmental executive agencies, employee complaints or published reports that raise significant questions about the Company's financial statements, financial reporting process, accounting or IAD policies.
  - 4.6.3. Discuss with the Deputy General Counsel, Director of Legal Affairs, or outside legal counsel any legal matters brought to the attention of the Audit Committee Director of Legal Affairs or outside counsel on any legal matters brought to the attention of the Audit Committee that may reasonably be expected to have a material effect on the Company's financial statements.
  - 4.6.4. Determining policies regarding the hiring of employees and former employees of the Auditor.
  - 4.6.5. Determining procedures for receiving, storing and handling complaints received by the Company regarding accounting, internal control systems and auditing matters, as well as procedures for confidential and anonymous employee referrals regarding questionable accounting or auditing matters.

- 4.6.6. Determining procedures for receiving, storing and handling complaints received by the Company regarding accounting, internal control systems and auditing matters, as well as procedures for confidential and anonymous employee referrals regarding questionable accounting or auditing matters.
- 4.6.7. Monitoring the implementation of the Auditor's recommendations and the decisions of the Board of Directors on matters within its competence.
- 4.6.8. Preliminary review, within its competence, of issues on the agenda of meetings of the Board of Directors of the Company and preparation of recommendations to the Board of Directors on these issues.
- 4.6.9. Consideration of matters relating to monitoring the Company's compliance with ethical standards in accordance with the Business Conduct and Ethics Policy, including discussion of procedures used by the Company's management to ensure compliance with these Regulations.
- 4.6.10. Supporting free and open communication between the Auditor, internal auditors, management and the Committee itself.
- 4.6.11. Initiation of audits or evaluations, involving both internal and external resources, on matters within its purview, as well as on the analysis of procedures for certain operational or investment decisions, environmental issues, reserve estimates, and other matters.
- 4.6.12. To monitor the effectiveness of the system of notification of potential cases of dishonest actions of Company employees (including the unfair use of insider or confidential information) and third parties, as well as other violations in the activities of the Company, as well as control over the implementation of measures taken by the executive management of the Company within the framework of such system.

## **5. Rights and duties of the Audit Committee and its members**

- 5.1. The Board of Directors grants the Audit Committee the following rights in order to exercise its authority:
  - 5.1.1. To participate in the control and inspection of the implementation of decisions and instructions of the Board of Directors of the Company on its activities.
  - 5.1.2. To request and obtain any information, documents, reports, explanations from members of the Company's executive bodies, the Company's Management, IAD, heads of structural divisions and other employees of the Company, including information of a confidential nature, necessary for the performance of its activities. The Audit Committee may also request information from organizations controlled by the Company. Information from the Company's controlled entities shall be requested in accordance with the laws and internal documents of such entities.
  - 5.1.3. To invite to its meetings the head of the IAD, officers, employees of the Company and its controlled entities, as well as representatives of the Company's external auditors.
  - 5.1.4. To invite external experts and consultants to its meetings and to use their services within the Committee's budget.

5.1.5. To hold meetings with the Auditor and IAD staff without the participation of representatives of the Company's management.

5.1.6. As necessary, to initiate and conduct special investigations, audits or evaluations, utilizing both internal and external resources, including independent experts and consultants, to obtain an independent opinion on matters arising within the Committee's budget or in excess of the budget as agreed upon by the Chairperson of the Board of Directors.

5.1.7. To make proposals for amendments and additions to these Regulations, develop and submit for approval by the Board of Directors draft documents regulating the activities of the Audit Committee.

5.1.8. To enjoy other rights necessary for the Audit Committee to exercise the powers vested in it.

5.2. In accordance with the purpose of creating the Audit Committee, it has the following responsibilities.

5.2.1. To submit opinions and recommendations to the Board of Directors on matters within its competence.

5.1.2. To inform the Board of Directors in a timely manner about the risks to which the Company is exposed.

5.1.3. To timely inform the Board of Directors of its reasonable concerns and of any circumstances not peculiar to the Company's business that become known to the Committee in connection with the exercise of its powers.

5.1.4. Inform the Board of Directors when the Audit Committee comes to the conclusion that the information reflected in the accounting (financial) statements is incomplete, inaccurate and unreliable.

5.1.5. Provide the Board of Directors with a report on its activities, including an evaluation of the Company's internal and external audits, on an annual basis and at any time requested by the Board of Directors.

The report of the Audit Committee must contain information on the work of the Audit Committee during the year, including:

- A brief description of the functions of the Audit Committee in accordance with the internal documents of the Company;
- Personal composition of the Audit Committee, information on the qualifications and experience of each member of the Audit Committee;
- The results of the evaluation of the Audit Committee;
- explanations of the Audit Committee on the results of the evaluation of the Company's internal audit;
- The most important issues considered by the Audit Committee, including issues related to the preparation of the Company's accounting (financial) statements, issues initiated by the Company's auditor.

5.1.6. To evaluate the effectiveness of the Committee and its members at least once a year, including a review of compliance with these Regulations.

- 5.1.7. At least once a quarter, to hold meetings of the Committee or its Chairperson with the head of IAD on matters within the competence of the internal audit unit.
- 5.2. Members of the Audit Committee have the following rights:
- 5.3.1. To receive necessary information about the Company's activities, get acquainted with the founding, accounting, reporting, organizational and administrative and other documents of the Company, including those of a confidential nature, on issues within the competence of the Committee.
- 5.2.2. To request in writing that a meeting of the Committee be convened.
- 5.2.3. To make proposals, discuss and vote on issues on the agenda of the Committee meeting.
- 5.2.4. To express in writing his/her opinion as well as disagreement with decisions of the Committee and bring it to the attention of the Chairperson of the Committee.
- 5.2.5. To exercise, within the limits of its competence and in the manner prescribed by these Regulations, other powers determined by the Board of Directors.
- 5.3. Members of the Audit Committee have the following responsibilities:
- 5.4.1. To act for the benefit of the Company honestly and responsibly, exercise his or her rights and perform his or her duties to the Company reasonably and in good faith, and be loyal to the Company.
- 5.3.2. Comply with the requirements set forth in the applicable laws of the Russian Federation, the requirements of the SEC and the NYSE, the Company's Charter, the Regulations of the Board of Directors, these Regulations, and other internal documents of the Company approved by the Board of Directors or the General Meeting of the Company.
- 5.3.3. To actively participate and vote at Audit Committee meetings; to devote the time necessary for the Committee to perform its duties effectively, including preparing for and participating in meetings.
- 5.3.4. To immediately inform the Audit Committee in writing if there is a personal interest or conflict of interest in an item under discussion or in a decision.
- 5.3.5. Not to use and not to transfer to other persons the information, which has become known to them, on activity of the Company, shares, other securities of the Company and transactions with them, which can affect the Company, its business reputation, market value of shares and other securities of the Company.
- 5.3.6. Refrain from actions that may lead to a conflict between the interests of a Committee member and the interests of the Company, and notify the Board of Directors of any conflict of interest in connection with matters discussed by the Committee.
- 5.3.7. To bring to the attention of the Board of Directors information: 1) on legal entities in respect of which they, their spouses, parents, children, full and half siblings, adoptive parents and adopted children and (or) their controlled entities are controlling persons (i.e. a person having the right directly or indirectly (through controlled persons) to manage by virtue of participation in the controlled entity and (or) under agreements of trust management of property, and (or) simple partnership, and (or) assignment, and (or) shareholder agreement,

and (or) other agreement, the subject of which is the exercise of rights certified by shares (stakes) of the controlled entity, more than 50 percent of the votes in the supreme governing body of the controlled entity or the right to appoint (elect) the sole executive body and (or) more than 50 percent of the collective governing body of the controlled entity. A controlled person (controlled entity) is a legal entity that is directly or indirectly controlled by the controlling person); 2) on legal entities in the management bodies of which they, their spouses, parents, children, full and half-siblings, adoptive parents and adoptees and (or) their controlled persons hold positions; 3) on transactions known to them that are or may be deemed to be interested parties.

5.3.8. To inform the Board of Directors in writing, in the event of events when it ceases to meet the independence requirements specified in 6.2 and 6.3 hereof, within five (5) business days of the occurrence of such events, but no later than the date preceding the date of the nearest Committee meeting.

5.3.9. Participate in general meetings of the Company and answer shareholders' questions regarding the opinions submitted by the Audit Committee.

5.4. The members of the Audit Committee shall be liable in accordance with the norms of the current legislation of the Russian Federation.

## **6. Requirements to the Composition of the Audit Committee and Procedures of its Formation**

6.1. The Committee shall consist of at least three members.

6.2. Only independent directors may be members of the Audit Committee, in accordance with the requirements of the Company's Charter. If this is not possible due to objective reasons, the majority of members of the Committee shall be independent directors, but not less than 3, and the remaining members of the Committee may be members of the Board of Directors who are not the sole executive body and (or) members of the collective executive body of the Company.

6.3. Members of the Audit Committee may not be directors who, or whose immediate family members, are or have been within the last three years partners or employees of an organization that has been the Company's external or internal auditor.

6.4. Members of the Audit Committee are appointed by the Board of Directors by a majority vote after consultation with the candidates. The powers of all or part of the members of the Audit Committee may be terminated prematurely by resolution of the Board of Directors of the Company.

6.5. Members of the Audit Committee may be appointed an unlimited number of times.

6.6. Acting as a member of the Audit Committee is voluntary and personal. Representation of Audit Committee members by proxy is not allowed.

6.7. When appointing the Chairperson and members of the Audit Committee, their education, professional training, work experience, and special knowledge necessary to perform the functions of the Audit Committee shall be taken into account. Each of the members of the Committee shall have basic knowledge in the field of finance or acquire relevant knowledge

within one year after his/her election to the Audit Committee. In doing so, at least one member of the Audit Committee must have:

- Experience and knowledge in the preparation, analysis, evaluation and audit of accounting (financial) statements;
- Qualifications in accounting and/or financial management (hereinafter referred to as Financial Expert) as required by the New York Stock Exchange and the SEC.

- 6.8. When selecting candidates to the Audit Committee, as well as during the Audit Committee's activities, no personal interest or conflict of interest between an Audit Committee member and the Company shall be allowed. Any information on the presence of an actual or potential conflict of interest shall be disclosed by Audit Committee members and immediately reported to the Audit Committee and the Company's Board of Directors.
- 6.9. A member of the Company's Audit Committee may resign by submitting a written request to the Chairperson of the Audit Committee two weeks prior to the date of termination.
- 6.10. Upon receipt of a resignation letter from a member of the Audit Committee, the Chairperson of the Audit Committee shall initiate the inclusion on the agenda of the next Board meeting of a new member of the Audit Committee or the approval of a smaller Audit Committee, but not less than the number of members established by these Regulations.
- 6.11. The members of the Board of Directors acting as members of the Audit Committee shall be paid remuneration and/or reimbursed for expenses related to the performance of these functions in the amount and according to the procedure approved by the Shareholders Meeting of the Company.
- 6.12. The Chairperson of the Audit Committee is appointed by the Board of Directors.
- 6.13. The Board of Directors of the Company may at any time terminate the powers of the current Chairperson of the Audit Committee and appoint a new Chairperson.
- 6.14. The Chairperson of the Board of Directors of the Company may not be the Chairperson of the Audit Committee.
- 6.15. The Chairperson of the Audit Committee shall organize the work of the Audit Committee, in particular:
  - Convenes meetings of the Committee and presides over them;
  - Proposes for discussion an agenda for Audit Committee meetings, as well as a list of items for the IAD Director's report;
  - Organizes the discussion of issues at meetings of the Audit Committee, as well as hearing the opinions of persons invited to participate in the meeting;
  - In the case of a tie vote of the members of the Audit Committee, has a casting vote;
  - Generates the work plan of the Audit Committee based on the work plans of the Company's management bodies and proposals of the Committee members and taking into account the meeting plan of the Company's Board of Directors;
  - Assigns duties to the members of the Audit Committee;
  - Notifies the Board of Directors of any personal interest or actual or potential conflict of interest of the members of the Audit Committee in the matter under discussion, in any decision made, or in the performance of their duties;

- Presents the results of the Committee's work at meetings of the Company's Board of Directors;
  - Represents the Audit Committee in its relations with the Company's Management, with the Company's structural subdivisions, with the Auditor and organizations engaged by the Audit Committee or the Company on matters within the competence of the Audit Committee;
  - Is responsible for obtaining the fullest and most reliable information necessary for the Committee to perform its functions;
  - Is responsible for obtaining the fullest and most reliable information necessary for the Committee to perform its functions;
  - Develops forms and deadlines for submitting recommendations, conclusions and information and analytical materials to the Company's Board of Directors.
  - Performs other functions as provided for by applicable law, the Company Charter, these Regulations and other internal documents of the Company approved by the Shareholders Meeting and the Board of Directors.
- 6.16. In the temporary absence of the Chairperson of the Audit Committee, his functions shall be performed by one of the members of the Audit Committee by order of the Chairperson or by decision of the Board of Directors of the Company.
- 6.17. The secretary of the Audit Committee shall be appointed by resolution of the Audit Committee. The Secretary of the Committee may be an employee of the Board of Directors, a member of the Audit Committee, a full-time employee of the Company or a third party.
- 6.18. The secretary of the Audit Committee performs the following functions:
- Ensures preparation and conduct of Committee meetings, collection and systematization of materials for the meetings;
  - Sends timely notices to Committee members and invitees about Audit Committee meetings, meeting agendas, and materials on agenda items;
  - Keep the minutes the meetings of the Committee;
  - Organizes the maintenance and storage of the Audit Committee's archives;
  - Under the direction of the Chairperson of the Audit Committee, monitors strict compliance with the requirements of these Regulations;
  - Ensures that there are written undertakings from third parties attending Committee meetings not to disclose information;
  - Keep records of correspondence addressed to the Audit Committee and/or its Chairperson and/or its members (including requests and appeals) and ensure that appropriate responses, clarifications, as well as resolutions of the Audit Committee on incoming correspondence in other forms are prepared in an organized manner;
  - Sends correspondence received by members of the Audit Committee that does not contain a request or suggestion to bring the relevant issue to the Audit Committee meeting and, if necessary, assists members of the Audit Committee in preparing responses to letters, inquiries, etc;
  - Keeps a journal of official correspondence (incoming and outgoing documentation) of the Audit Committee;
  - Monitors compliance with the deadlines established for the Audit Committee by decisions of the Board of Directors or other decisions and promptly informs the Committee Chairperson of any deviations.

## **7. Proceedings of the Audit Committee**

7.1. The Audit Committee carries out its activities in accordance with the work plan for the year approved by the Board of Directors in accordance with the established procedure.

7.2. In order to ensure the operation of the Audit Committee, the Company's budget provides for the funding of the Audit Committee (Audit Committee budget).

7.3. Proposals on the size of the Audit Committee's annual budget shall be submitted to the Board of Directors for inclusion in the Company's annual and quarterly financial plans. The Audit Committee is entitled to form and submit to the Board of Directors proposals to change the budget of the Audit Committee.

7.4. The CEO, the Auditor, the heads of the Company's business units and other employees of the Company shall, at the request of the Audit Committee, provide complete and accurate information and documents on matters within the competence of the Audit Committee or refuse to provide such information in writing, stating the reasons for such refusal within a reasonable period of time specified by the Audit Committee.

7.5. The request for provision of information and documents specified in 7.4 of these Regulations shall be executed in writing and signed by the Chairperson of the Audit Committee.

7.6. The information and documents specified in the Audit Committee's request shall be provided to the Committee through the Secretary of the Committee.

7.7. By decision of the Audit Committee or the Chairperson of the Audit Committee, experts and consultants may be involved in the Committee's work. The Company's employees, independent experts or third-party organizations may be engaged as experts. These persons may participate in meetings of the Audit Committee without the right to vote on agenda items.

7.8. Payment for the services of third-party organizations and independent specialists involved in the work of the Audit Committee shall be made at the expense of the Company.

7.9. The Board of Directors of the Company has the right at any time during the year to request the Audit Committee to submit a report on the Committee's current activities. The timing of the preparation and submission of such report shall be determined by resolution of the Board of Directors of the Company.

7.10. A report on the current activities of the Committee shall be prepared with respect to:

- Opinions and recommendations prepared for the Board of Directors on various matters in accordance with the Audit Committee's terms of reference;
- Identified violations of the rules set forth in Section 11 of these Regulations;
- Professional services received from third parties;
- Compliance with the budget of the Audit Committee;
- Other issues/other information by decision of the Board of Directors.

7.11. The report of the Audit Committee shall be submitted to the Board of Directors of the Company by the Chairperson of the Audit Committee.

7.12. The timing of the Audit Committee's instructions to the Board of Directors shall be determined by the Board of Directors. The Audit Committee shall note that on matters requiring



Board approval, minutes and conclusions (recommendations) shall be sent to the Board of Directors no later than five (5) days prior to the date of the Board meeting.

7.13. The Audit Committee may, at its discretion, make recommendations to the Company's Board of Directors on any matter within its competence.

7.14. All opinions and recommendations of the Audit Committee must be issued in writing.

## **8. Procedure of meetings of the Audit Committee**

8.1. Meetings of the Audit Committee are held according to the plan approved by the Audit Committee, as well as on the initiative of the Company's Board of Directors, Audit Committee Chairperson, Audit Committee members, the Company's General Director, IAD manager and the Company's external auditor, but at least once during each reporting quarter.

8.2. Meetings of the Audit Committee may be held in person, including through conference calls, or by absentee voting. Information and communication technologies may be used during in-person meetings of the Committee to enable remote participation in the meeting, discussion of agenda items and decision-making on issues put to a vote without being present at the Committee's meeting venue.

8.3. The Chairperson of the Audit Committee shall approve the place, date and time of the meeting of the Audit Committee (or the closing date for accepting voting ballots), the form of the meeting, propose for discussion the agenda of the meeting of the Audit Committee and the composition of persons invited to participate in the meeting of the Audit Committee.

8.4. The agenda of the meeting of the Audit Committee and the composition of persons invited to attend the meeting of the Audit Committee shall be formed by the Chairperson of the Audit Committee based on its work plans approved by the Audit Committee, as well as on the proposals of the persons who initiated the meeting. Persons who are not members of the Audit Committee may attend meetings of the Committee only by invitation of the Chairperson of the Audit Committee.

8.5. Persons who have the right to initiate a meeting of the Audit Committee in accordance with 8.1 of these Regulations shall send an appeal to the Secretary of the Committee to convene a meeting of the Audit Committee at least five (5) business days prior to the proposed date of the meeting. The Secretary of the Committee shall notify the Chair of the Audit Committee not later than the next business day after receipt.

A request to convene a meeting of the Audit Committee must contain the following information:

- The name of the person initiating the convocation or the name of the body making such a request;
- Meeting agenda;
- Draft decisions on agenda items;
- Date of the meeting;
- A list of information (materials) to be provided to the members of the Audit Committee for the meeting.

8.6. In the event that a meeting of the Audit Committee is initiated by persons not specified in 8.1 of these Regulations, the Chair of the Audit Committee shall decide whether to convene a meeting of the Committee or to refuse to convene a meeting. A reasoned decision to refuse to convene a meeting of the Audit Committee shall be sent to the person who initiated the meeting of the Committee within two (2) business days of receipt of the request by the Chair of the Audit Committee. All members of the Audit Committee shall be informed of the refusal decision.

8.7. The decision of the Chairperson of the Audit Committee to refuse to convene a meeting of the Committee may be made in the following cases:

- Items proposed for inclusion in the agenda of the meeting of the Audit Committee are not referred by these Regulations to its competence;
- The proposed issues are already scheduled for review by the Audit Committee;
- The procedure established by these Regulations for filing appeals to convene a meeting has not been followed;
- All or part of the materials necessary for discussion and decision-making on the issues submitted to the Audit Committee meeting have not been provided.

8.8. Notice of an Audit Committee meeting, along with the agenda and materials required to make a decision, shall be sent by the Secretary of the Audit Committee to the persons attending the meeting at least three (3) business days prior to the date of the Committee meeting. In case of an in-absentia meeting of the Committee, the Secretary of the Committee shall, at least three (3) business days prior to the date of in-absentia voting, send to members of the Audit Committee a notice of the meeting with voting ballots for each agenda item and all documents required for decision-making. In case of high urgency of the issue, the said term may be shortened, provided that all members of the Audit Committee have received proper notice of the meeting of the Committee and no objections have been received from them.

8.9. In the event of an in-person meeting, member(s) of the Audit Committee who are unable to attend the meeting in person shall have the right to send their written opinion with proposed decisions on agenda items.

8.10. The written opinion shall be sent to the Chair of the Committee by the date of the meeting of the Audit Committee. Prior to the meeting, the Chairperson of the Committee shall inform the members of the Audit Committee of the opinions of the Committee members who are absent from the meeting. The written opinion shall be attached to the minutes of the Committee meeting.

8.11. The Chairperson of the Audit Committee shall preside at the meetings of the Audit Committee.

8.12. A meeting of the Audit Committee is competent (has a quorum) if more than half of its members participate in it, and if a meeting is held by absentee voting, if more than half of the total number of Committee members have received ballots as of the deadline for accepting ballots by the Committee.

8.13. If there is no quorum, the Chairperson of the Committee decides to postpone the meeting and the members of the Committee are notified again.

8.14. All decisions are made by the Audit Committee by a simple majority vote of the Audit Committee members present at the meeting (who sent in their ballots when the meeting was conducted by absentee vote).

8.15. Each member of the Audit Committee has one vote when deciding issues. No member of the Audit Committee may transfer his or her vote to another member of the Audit Committee or any other person.

8.16. Invitees participating in the meetings of the Audit Committee may speak in the discussions, make suggestions, comments on the materials discussed, and submit references on the issues on the agenda of the Committee's meeting. Invitees shall not have the right to vote on issues on the agenda of the meeting of the Audit Committee. The absence of invited experts is not a reason to postpone the meeting, but when it is impossible to discuss the issues on the agenda of the meeting without the presence of invited experts, the Audit Committee may decide to postpone consideration of these issues to the next meeting.

8.17. During the meeting, the Audit Committee may authorize the Committee member(s) to examine a particular matter in detail and report the findings of the examination to the Audit Committee meeting.

8.18. If it becomes known that a member of the Audit Committee has a personal interest in the consideration of a particular issue, that member shall not participate in voting on the issue. If the number of disinterested Committee members is insufficient to make a decision, the issue shall be submitted to the Board of Directors without a recommendation of the Audit Committee.

8.19. Recommendations of the Audit Committee shall be provided to the Board of Directors within three (3) business days from the date of the meeting of the Audit Committee, but no later than the date of sending materials on agenda items to members of the Board of Directors. If this is not possible due to objective reasons, the Chairperson of the Committee shall inform the members of the Board of Directors of the Committee's position on the items under review at the meeting of the Board of Directors on behalf of the Audit Committee.

## **9. Requirements for the preparation of the minutes of the meeting**

9.1. No later than three (3) business days after the meeting of the Audit Committee, the Secretary of the Audit Committee shall prepare minutes of the meeting. The minutes must be kept in Russian.

9.2. The minutes of the meeting of the Audit Committee shall contain information on the place, date and time of the meeting, members of the Audit Committee present at the meeting, invited persons, agenda of the meeting, issues put to vote and the results of voting on them, and decisions made. If the resolution is not unanimous, the voting results must be stated by name. When a meeting is held by absentee voting, the minutes shall contain information on the closing date for accepting voting ballots, members of the Audit Committee who sent in completed ballots, the agenda of the meeting, issues put to a vote and the results of voting on them, and decisions made. The dissenting opinions of the members of the Audit Committee shall be included in the minutes.

9.3. The minutes of the Audit Committee meeting shall be signed by the Chairperson of the Audit Committee and the Secretary of the Audit Committee.

9.4. The minutes of the Audit Committee meeting shall be prepared in two original copies, one of which shall be sent to the Company's Board of Directors within three (3) business days after the signing, along with the recommendations and conclusions prepared, and the other shall remain in the archive of the Audit Committee.

- 9.5. All members of the Audit Committee are sent copies of the Committee meeting minutes and prepared conclusions and recommendations.
- 9.6. Decisions of the Audit Committee shall be communicated to interested parties by sending an excerpt from the minutes of the Audit Committee meeting within three (3) days of the meeting.

## **10. Requirements for storage and use of Audit Committee documents**

- 10.1. As a result of the activities of the Audit Committee, an Audit Committee archive is formed.
- 10.2. The Audit Committee Archives include:
  - Minutes of meetings of the Audit Committee;
  - Appeals to convene meetings of the Audit Committee with attachments;
  - Accompanying materials to the minutes of the Audit Committee meeting;
  - Other information materials for meetings of the Audit Committee;
  - Decisions and recommendations of the Audit Committee;
  - Incoming and outgoing correspondence of the Audit Committee.
- 10.3. The documents included in the archive of the Audit Committee shall be kept at the location of the sole executive body of the Company for at least seven (7) years. Storage must be at the expense of the Company.
- 10.4. The confidentiality of information contained in the documents of the Audit Committee is determined by the Company's internal documents and may also be determined by the Audit Committee.
- 10.5. Documents on file with the Audit Committee shall be available for review by members of the Board of Directors and members of the Audit Committee.
- 10.6. Access to documents from the IAD Audit Committee's archives, the external auditor, other Company employees, and third parties is granted only by prior permission of the Chairperson of the Audit Committee.

## **11. Requirements for ensuring confidentiality of information**

- 11.1. Members of the Audit Committee and the Secretary of the Audit Committee may not use for personal purposes or disclose confidential information and information about the Company's activities, shares, other Company securities and transactions with them, which may affect the Company, its business reputation, the market value of shares and other Company securities.
- 11.2. Members of the Audit Committee shall maintain the confidentiality of information they receive or create in connection with their work for the Company.
- 11.3. In order to comply with confidentiality requirements:
  - Documents submitted to the Audit Committee that contain confidential information must be marked "Confidential" by the decision of the person submitting such documents;

- Documents containing confidential information provided by the Audit Committee shall be marked “Confidential” by decision of the Chairperson of the Audit Committee;
- Each person who has received documents marked “Confidential” must exercise due diligence in the handling and storage of such documents, and must take all measures to protect confidential information.

11.4. Third parties who participate in meetings, are involved in the work of the Audit Committee or have access to documents from the Committee's archives must sign a Mutual Non-Disclosure Agreement with the Company in advance.

## **12. Final Provisions**

12.1. Amendments to these Regulations shall be approved by resolution of the Board of Directors of the Company.

12.2. The Audit Committee shall review these Regulations at least once a year and, if necessary, amend them as necessary, which shall then be approved by the Board of Directors.

12.3. Matters not regulated by these Regulations shall be governed by the applicable laws of the Russian Federation, decisions of the Board of Directors and internal documents of the Company.

12.4. If certain norms of these Regulations conflict with the requirements of the current legislation of the Russian Federation, they shall be invalid and the norms of the current legislation of the Russian Federation shall apply.

12.5. The invalidation of certain clauses of these Regulations shall not invalidate other clauses of these Regulations.

12.6. If the provisions of these Regulations conflict with the requirements of the Company's Charter and Regulations on the Board of Directors, the provisions of the Company's Charter and Regulations on the Board of Directors shall prevail.

12.7. It is the responsibility of the Chairperson of the Audit Committee to ensure that these Regulations are consistent with the requirements of applicable law, the Company's Charter and the Regulations on the Board of Directors.