



**APPROVED BY**

**resolution of the Board of Directors  
of Mechel Public Joint Stock Company  
Minutes w/o dated May 19, 2016**

**Chairman of the Board of Directors**  
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**I.V. Zyuzin**

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

2016

**Table of contents**

- 1. General provisions..... 3
- 2. Terms and definitions..... 3
- 3. Objectives and tasks of the Audit Committee ..... 4
- 4. Competence of the Audit Committee ..... 6
- 5. Rights and obligations of the Audit Committee and its members ..... 10
- 6. Requirements to composition of the Audit Committee and procedures for its formation..... 12
- 7. Work procedure of the Audit Committee ..... 15
- 8. The procedure of holding meetings of the Audit Committee ..... 16
- 9. Requirements for execution of the minutes of the meeting..... 18
- 10. Requirements for storage and use of documents of the Audit Committee ..... 19
- 11. Requirements to ensure confidentiality of information..... 19
- 12. Final provisions ..... 20

## **1. General provisions**

- 1.1. This Regulation on the Audit Committee of the Board of Directors (hereinafter - the "Regulation") shall be an internal document of Mechel PAO (hereinafter - the "Company"), determine the procedure of formation, composition, status, objectives and tasks of the Audit Committee of the Board of Directors (hereinafter - the "Committee" or the "Audit Committee"), its competence, rights and obligations, procedure of operation, interaction with the Company management bodies and resolving by the Committee.
- 1.2. The Regulation was prepared in accordance with the laws of the Russian Federation, the Company Articles of Association, the Regulation on the Company Board of Directors, the Corporate Governance Code, the Regulation on Standards of Corporate Conduct and Ethics, as well as the listing rules of Russian and foreign stock exchanges where shares of the Company are listed.
- 1.3. The Committee was established to ensure control and participation of the Company Board of Directors (hereinafter - the "Board of Directors") in supervision over completeness and accuracy of financial statements, reliability and effectiveness of the internal control system, independence of external and internal audit, process of ensuring compliance with the laws of the Russian Federation, listing rules of Russian and foreign stock exchanges where shares of the Company are listed, internal documents of the Company.
- 1.4. The Audit Committee is not involved in economic activities of the Company and does not duplicate activities of any units of the Company.
- 1.5. The Audit Committee shall act in the interests of the Company shareholders and its investors and contribute to establishment of an effective system of control over financial and economic activities of the Company and ensure efficient control over financial and economic activities.
- 1.6. In its activities the Committee shall be fully subordinated and accountable to the Board of Directors and act within the powers provided to the Committee by the Board of Directors in accordance herewith.
- 1.7. In its activities the Committee shall be guided by the laws of the Russian Federation, the Company Articles of Association, the Regulation on the Board of Directors, resolutions of the Board of Directors, applicable rules of the New York Stock Exchange and the US Securities and Exchange Commission (hereinafter - the "SEC") and other stock exchanges where securities of the Company are listed, hereby and other internal documents of the Company approved by the Shareholders' Meeting and the Company Board of Directors, as well as resolutions of the Audit Committee of the Company.
- 1.8. Terms used but not defined herein shall be used in the sense they are used in the Company Articles of Association and the Regulation on the Board of Directors, unless otherwise provided.

## **2. Terms and definitions**

Auditor - an independent company that conducts (conducted) external audit of financial statements of Mechel OAO.

Audit Committee, Committee - Audit Committee of the Board of Directors of Mechel OAO.

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

SEC - US Securities and Exchange Commission.

Regulation - Regulation on the Audit Committee of the Board of Directors of Mechel PAO.

Company Management - General Director of Mechel PAO, Senior Vice Presidents and Vice Presidents, members of the Board of Mechel PAO.

Board of Directors - Board of Directors of Mechel PAO.

ICAD - Internal Control and Audit Department of Mechel PAO.

### **3. Objectives and tasks of the Audit Committee**

3.1. The main purpose of establishing the Audit Committee is to assist in effective performance of functions of the Board of Directors in part of control over financial and economic activities of the Company, development and provision of recommendations to the Board of Directors on issues within its competence

3.2. Tasks of the Committee:

#### **in accounting (financial) statements:**

3.2.1. consideration of the Company's financial statements;

3.2.2. control over ensuring completeness, accuracy and reliability of the Company's accounting (financial) statements;

3.2.3. analysis of significant aspects of the Company's accounting policy;

3.2.4. participation in consideration of significant issues and judgments in relation to the Company's accounting (financial) statements;

#### **in internal and external audits:**

3.2.5. evaluation of independence, objectivity and absence of conflict of interest of the Company's external auditors, including evaluation of candidates in the Company's auditors, development of proposals for appointment, re-election and deprivation of the Company's external auditors, for payment of their services and conditions of their involvement;

3.2.6. supervision of external audit and evaluation of quality of audit and auditors' opinions;

3.2.7. ensuring of effective interaction between the Internal Audit Unit and external auditors of the Company;

3.2.8. development and control over implementation of the Company policy that determines the principles of rendering and combination by the auditor of audit and non-audit services of the Company;

3.2.9. annual independent external audit of the Company's financial statements;

- 3.2.10. provision of independence and objectivity of internal audit function;
- 3.2.11. consideration of the internal audit policy (regulation);
- 3.2.12. consideration of the action plan of the Internal Audit Unit;
- 3.2.13. consideration of issues on appointment (dismissal) of the Head of the Internal Audit Unit and the amount of his/her remuneration;
- 3.2.14. consideration of existing limitations on authority or budget for performing internal audit function that can negatively affect effective performance of the internal audit function;
- 3.2.15. evaluation of the internal control and audit system, improvement of its effectiveness;
- 3.2.16. analysis of activities of the Internal Audit Commission of the Company;

**in risk management, internal control and corporate governance:**

- 3.2.17. monitoring of the risk management system;
- 3.2.18. control over reliability and effectiveness of the risk management, internal control and corporate governance system, including evaluation of effectiveness of risk management and internal control procedures of the Company, corporate governance practice and preparation of proposals for their improvement;
- 3.2.19. analysis and evaluation of implementation of the policy in risk management and internal control;
- 3.2.20. control over procedures ensuring the Company's compliance with the laws, as well as ethical rules, regulations and procedures of the Company, stock exchange requirements;
- 3.2.21. analysis and evaluation of implementation of the conflict of interest management policy;

**in combating fraud by the Company employees and third parties<sup>1</sup>:**

- 3.2.22. control over the system operation efficiency as to notification of potential cases of fraud by the Company employees and third parties, as well as other violations in the Company;
  - 3.2.23. supervision over special investigations with regard to issues of potential cases of fraud, dishonest use of insider or confidential information;
  - 3.2.24. control over implementation of measures taken by the executive management of the Company as to informing about potential cases of fraud by employees and other violations.
  - 3.2.25. other aspects of the Company activities within competences determined in sections 3 and 4 hereof.
- 3.3. The Committee shall be provided with authority and it shall be responsible for preparing recommendations to the Board of Directors on selection, evaluation of activities and, if required, replacement of the Company Auditor with their subsequent approval by the Company shareholders.

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<sup>1</sup> Including negligence, fraud, bribery and corruption, commercial bribery, abuses and various illegal actions that damage the Company.

- 3.4. Performing its activities in accordance with its competence in order to perform the analysis function as to external audit and financial statements of the Company, and provision of relevant recommendations to the Company Board of Directors, the Committee shall work jointly with the Auditor, the Internal Audit Commission of the Company and, if required, with the Management and organization units of the Company.

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

For the purposes of objective and independent informing of members of the Company Board of Directors, in accordance with its tasks specified in section 3 hereof the Audit Committee shall have the following authority within the competence of the Company Board of Directors.

- 4.1. Competence of the Committee in consideration of the financial statements.

4.1.1. Supervision over the process of preparation of annual financial statements of the Company, informing the Board of Directors of results of this work, consideration of draft financial statements, report on financial position and comprehensive profit and loss statement, analysis of appropriateness of the accounting policy, reasonableness of significant evaluations and clarity of explanations to the financial statements.

4.1.2. Analysis and discussion of draft annual and quarterly financial statements prior to their publication or submission to the authorized body in accordance with the applicable laws on the following issues:

- principles and standards of the accounting policy that shall be used when preparing the statements;
- options for provision of financial information within generally accepted accounting principles that were discussed with the Company management, possible consequences of using such alternative options and the option preferred by the Auditor;
- possible impact of initiatives in the legal and accounting areas, as well as initiatives for formation of off-balance sheet structures on the financial statements of the Company;
- other important points that were discussed by the Auditor and the Company management in documents such as letters to the management or the list of unsettled disagreements.

4.1.3. Audit of quarterly and annual financial statements, report on management review and evaluation of the financial position and financial performance of the Company;

- 4.2. Competence of the Committee in ensuring independent external audit.

4.2.1. Preparation of recommendations to the Board of Directors on candidates as external auditors of the Company, including involvement, appointment and termination of contracts with external auditors, payment for their services and work plan, as well as supervision over their activities, including settlement of disagreements arising between the Company management and auditors regarding the financial statements.

4.2.2. Holding of meetings and negotiations with audit companies in order to select candidates for external auditor of the Company, including requesting them to provide proposals and additional materials.

4.2.3. Analysis and issue of opinions on compatibility of any permitted non-audit services rendered by the Company Auditor with maintaining independence of the external auditor in accordance with the laws of the Russian Federation and listing rules of Russian and foreign stock exchanges where shares of the Company are listed.

4.2.4. Annual audit of independence and compliance of the Auditor with legal requirements, as well as quality control of work of the independent auditor, experience and qualification of senior personnel of the Auditor that renders audit services to the Company. During such audit the Audit Committee shall:

- receive and audit the opinion (report) following the results of audit of financial and economic activities of the Company prepared by the Auditor. Provide evaluation of the opinion (report) of the Auditor. Evaluation of the opinion (report) of the Auditor prepared by the Committee shall be provided as materials to the Annual General Shareholders' Meeting of the Company;
- receive and analyze the report following the results of audit of financial and economic activities of the Company and other documents provided by the Auditor that describe the internal control procedures applied by the audit firm, as well as any significant issues arising from recent internal audit of quality control, intra-industry audit of the Auditor by other audit firms, request or investigation by state authorities and local self-government bodies or authorized companies during the last five years in relation to one or more independent audits carried out by the Auditor, as well as any steps taken to solve the above issues;
- request and audit the report prepared by the Auditor describing all relationships between the external auditor and the Company and consider impact that any relationships or services can have on objectivity and independence of the external auditor;
- receive and audit confirmation with the Auditor that the external auditor complies with the requirements for rotation of partners established by listing rules of foreign stock exchanges, including rules of the SEC where shares of the Company are listed.

4.2.5. Consideration of appropriateness of application by the Company of rotation in relation to external audit firms to perform annual audit.

4.2.6. Consideration of results of the annual audit of the financial statements on all issues that the external auditor shall report to the Audit Committee in accordance with the generally accepted audit standards.

4.2.7. Holding of meetings with the Auditor in order to discuss all problems or difficulties as part of the audit and disagreements with the Company management, as well as issues that the Auditor shall discuss with the Audit Committee in accordance with the accounting / audit standards.

4.2.8. Consideration and discussion of intermediate opinions of the Auditor on financial performance of the Company with the Company management and the Auditor, including related correspondence between the external auditor and the Company management.

4.2.9. Holding of other procedures in order to ensure independence and objectivity of external audit functions.

4.3. Competence of the Committee in ensuring internal control and audit.

- 4.3.1. Pre-approval of appointment to a position, conditions of the labor contract, resolution on reward (disciplinary penalty), as well as resolution on termination of powers of the Head of the Internal Control and Audit Department.
- 4.3.2. Approval of the annual audit plan, agreement of structure and budget of the Internal Control and Audit Department.
- 4.3.3. Analysis of regular reports of the Internal Control and Audit Department representing the results of work and the most significant audit comments in a generalized form.
- 4.3.4. Evaluation of activities of the Internal Control and Audit Department at year end.
- 4.3.5. Agreement of the Regulation on the Internal Control and Audit Department.
- 4.3.6. Consideration of the issue of existing limitations that prevent the Internal Control and Audit Department from effective performance of the set tasks and assistance in elimination of such limitations.
- 4.3.7. Holding of meetings with the Director of the Internal Control and Audit Department at least once a quarter without participation of the Company management.
- 4.3.8. If necessary, formation of requests of the Internal Control and Audit Department for holding extraordinary audits of the Internal Control and Audit Department, revisions and other control activities, as well as analysis of results of executing such requests.
- 4.3.9. Analysis of reports of internal and external auditors on the status of the internal control system.
- 4.3.10. Analysis of results and quality of the performed activities (corrective steps) that were developed by the management with regard to improvement of the internal control system.
- 4.3.11. Consideration of information on identified cases of fraud, theft and abuse, evaluation of effectiveness of measures taken by the Company management, as well as evaluation of the system to avoid fraud, theft and abuse.
- 4.4. Competence of the Committee regarding analysis of the Internal Audit Commission activities.
  - 4.4.1. Consideration of opinion of the Internal Audit Commission based on the results of the audit of financial and economic activities of the Company.
  - 4.4.2. Participation in joint meetings on issues within the competence of the Committee and the Internal Audit Commission.
  - 4.4.3. Development of recommendations on introduction of amendments and supplements to internal documents of the Company regulating the activities of the Internal Audit Commission.
  - 4.4.4. Consideration of reports and other materials prepared by the Internal Audit Commission on identified violations and preparation of recommendations to the Board of Directors of the Company on methods to prevent similar violations in the future.
- 4.5. Competence of the Committee regarding the process of valuation by independent property valuer.



- 4.5.1. Preparation of recommendations to the Company Board of Directors on candidacy of the independent valuer, analysis, at the request of the Board of Directors, of the market property valuation held by the independent valuer in cases stipulated by the laws of the Russian Federation, as well as analysis, at the request of the Board of Directors, of valuation of some items of assets and property for the purposes of reporting under international financial reporting standards and possible valuation of pledges.
- 4.6. Competence of the Committee regarding monitoring of the risk management system.
  - 4.6.1. Consideration of reports of the Company management, on a regular basis, as to the status of risk management work, including information on measures taken aimed at elimination, minimization and/or mitigation of risks.
  - 4.6.2. Discussion with the Company management and the Auditor of the risk management policy, risk evaluation and monitoring rules and procedures, exposure of the Company to significant risks and actions taken by the Company management to limit, monitor and control such exposure.
  - 4.6.3. Control over reliability and efficiency of operation of the risk management and internal control system.
- 4.7. Other competences of the Committee.
  - 4.7.1. Discussion of press releases on the Company's income and financial information provided to analysts and rating agencies.
  - 4.7.2. Discussion with the Company management of any correspondence received from state executive bodies, or sent to the same, complaints from employees or published reports where significant issues regarding the financial statements of the Company, preparation of financial statements, accounting policy or the Internal Control and Audit Department of the Company are discussed.
  - 4.7.3. Discussion with the Director of the Legal Department or the external legal counsel of any legal issues brought to the attention of the Audit Committee that, in reasonable expectation, may have a significant impact on the financial statements of the Company.
  - 4.7.4. Determination of the policy regarding hiring of employees and former employees of the Auditor.
  - 4.7.5. Determination of the procedure of receipt, storage and processing of complaints received by the Company in relation to accounting, internal control systems and audits, as well as the procedure of confidential and anonymous appeals of employees regarding doubtful accounting or audits.
  - 4.7.6. Provision of regular reports through relevant Chairman to the Board of Directors on its performance and provision of comments on any issues arising in relation to accuracy and completeness of the Company's financial statements, compliance by the Company with legal or regulatory requirements, work efficiency and independence of the Auditor, work efficiency of the Internal Control and Audit Department or any other issues that the Audit Committee deems necessary or appropriate to be reported to the Board of Directors.
  - 4.7.7. Control over compliance with recommendations of the Auditor and resolutions of the Board of Directors on issues related to its competence.

- 4.7.8. Preliminary consideration, within its competence, of issues of the agenda of meetings of the Company Board of Directors, preparation of recommendations to the Board of Directors on these issues.
- 4.7.9. Consideration of issues regarding control of Company compliance with ethical standards in accordance with the Regulation on standards of business conduct and ethics, including discussion of procedure applied by the Company management to ensure compliance herewith.
- 4.7.10. Support of free and open interaction among the Auditor, internal auditors, the Company management and the Committee.
- 4.7.11. Initiation of audits or valuations with involvement of both internal and external resources on issues related to its competence, as well as analysis of procedures for making certain operational or investment decisions, environmental issues, evaluation of the amount of reserves and other issues.
- 4.7.12. Control over effectiveness of the system operation as to notification of potential cases of fraud by the Company employees (including dishonest use of insider or confidential information) and third parties, as well as other violations in the Company's activities and control of implementation of measures taken by the executive management of the Company within such system.

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

- 5.1. To exercise the powers the Board of Directors shall entitle the Audit Committee with the following rights.
  - 5.1.1. Take part in control and audits of execution of resolutions and orders of the Company Board of Directors regarding its activities.
  - 5.1.2. Request and receive any information required to perform its activities, documents, reports, explanations from members of executive bodies of the Company, staff of the Board of Directors, members of the Internal Audit Commission, Internal Control and Audit Department, heads of organization units and other employees of the Company other information, including confidential data. The Audit Committee shall also be entitled to request information from subsidiaries, affiliates and managed companies of the Company. Information from subsidiaries, affiliates and managed companies of the Company shall be requested within the laws and internal documents of these companies.
  - 5.1.3. Invite officials and employees of the Company and its affiliates to the meetings.
  - 5.1.4. Invite external experts and consultants to the meetings and use their services within the Committee's budget.
  - 5.1.5. Hold meetings with the Auditor and employees of the Internal Control and Audit Department without participation of the representatives of executive management of the Company.
  - 5.1.6. As necessary, initiate and carry out special investigations, audits or valuations involving both internal and external resources, including independent experts and consultants in order to obtain independent opinion on issues arising within the Committee's budget or over the budget upon agreement with the Chairman of the Board of Directors.

- 5.1.7. Make proposals for introduction of amendments and supplements herein, develop and submit draft documents regulating activities of the Audit Committee to the Board of Directors for approval.
- 5.1.8. Other rights required for the Audit Committee to perform vested powers.
- 5.2. In accordance with the purpose of establishment of the Audit Committee, it has the following responsibilities.
- 5.2.1. Provide opinions and recommendations to the Board of Directors with on issues on its competence within its powers.
- 5.2.2. Timely inform the Board of Directors on risks incurred by the Company.
- 5.2.3. Provide a report to the Board of Directors on its activities at any time upon request.
- 5.2.4. Provide an annual report to the Board of Directors on implementation of tasks performed by the Audit Committee. Annual report of the Committee, except for confidential information, shall be included in the annual statements of the Company approved by the Annual General Shareholders' Meeting. Report of the Audit Committee shall contain information on activities of the Audit Committee during the year, in particular, on:
- opinions and recommendations on various issues, in accordance with the competence of the Audit Committee, prepared for the Board of Directors;
  - detected violations of rules set forth in section 11 hereof;
  - professional services received from third parties;
  - compliance with the Audit Committee's budget;
  - other significant events at the discretion of the Chairman of the Audit Committee.
- 5.2.5. Assess work efficiency of the Committee and its members at least once a year, including consideration of compliance herewith.
- 5.3. Members of the Audit Committee shall be authorized to the following.
- 5.3.1. Obtain the required information on the Company's activities, familiarize with the constituent, accounting and reporting, organizational and regulatory, other documents of the Company, including confidential ones, on issues within the competence of the Committee.
- 5.3.2. Request in writing to convene a meeting of the Committee.
- 5.3.3. Submit proposals, discuss and vote on agenda items of the meeting of the Committee.
- 5.3.4. Express in writing their opinion and disagreement with resolutions of the Committee and report it to the Chairman of the Committee.
- 5.3.5. Within their competence and in accordance with the procedure provided for hereby, exercise other powers determined by the Board of Directors.
- 5.4. Members of the Audit Committee shall have the following responsibilities.
- 5.4.1. Act in the interests of the Company honestly and responsibly, exercise their rights and perform obligations in relation to the Company reasonably and in good faith, be loyal in relation to the Company.

- 5.4.2. Comply with the applicable laws of the Russian Federation, requirements of the SEC and New York Stock Exchange, the Articles of Association, the Regulation on the Company Board of Directors, herewith and other internal documents of the Company approved by the Board of Directors or the General Shareholders' Meeting of the Company.
- 5.4.3. Take an active part in work of and vote at the meetings of the Audit Committee; provide time for work of the Committee required for effective performance of duties as a member of the Committee, including preparation and participation in meetings.
- 5.4.4. Immediately inform in writing the Audit Committee about existence of personal interest or conflict of interests on the discussed agenda item or adoption of a certain resolution.
- 5.4.5. Not to use or transfer to others the information on the Company's activities, shares and other securities and related transactions that became known to them and that may affect the Company, its business reputation, market value of shares and other securities of the Company.
- 5.4.6. Refrain from actions that may cause a conflict between interests of the Committee member and interests of the Company, report to the Board of Directors on any conflict of interest in connection with issues discussed by the Committee.
- 5.4.7. Report to the Board of Directors the information on legal entities where they own 20 and more percent of voting shares (interests, stakes) and legal entities in management bodies of which they hold positions.
- 5.4.8. Inform in writing the Board of Directors, in case of occurrence of events, when it ceases to meet the independence requirements specified in clauses 6.2. and 6.3 hereof, within 5 (five) business days upon occurrence of such events, but no later than the date preceding the date of the next meeting of the Committee.
- 5.5. Members of the Audit Committee shall be responsible in accordance with the applicable laws of the Russian Federation.

## **6. Requirements to composition of the Audit Committee and procedures for its formation**

- 6.1. The Committee shall consist of at least three members.
- 6.2. Only independent Directors can become the members of the Audit Committee in accordance with the Company Articles of Association. If this is not possible due to objective reasons the majority of the Committee members shall be independent Directors, but minimum 3, and other Committee members may be members of the Board of Directors not being the sole executive body and (or) members of collective executive body of the Company.
- 6.3. Members of the Audit Committee may not be Directors who and whose close family members are or were the partners or employees of the company that was external or internal auditor of the Company within the last three years.
- 6.4. Members of the Audit Committee shall be appointed by the Board of Directors by a majority of votes after consultation with the candidates. By resolution of the Company Board of Directors the powers of all or some members of the Audit Committee may be early terminated.

- 6.5. Members of the Audit Committee may be appointed an unlimited number of times.
- 6.6. Performance of duties of member of the Audit Committee is voluntary and personal. Representation of members of the Audit Committee by power of attorney shall not be allowed.
- 6.7. When appointing the Chairman and members of the Audit Committee their education, training, experience, special knowledge required to perform functions of the Audit Committee shall be taken into account. Each member of the Committee shall have basic knowledge in finance or obtain the appropriate knowledge within one year after his/her election to the Audit Committee; in this case, at least one member of the Audit Committee shall have qualification in accounting and/or financial management (hereinafter referred to as the "Financial expert") under the requirements of the New York Stock Exchange and the SEC.
- 6.8. When selecting candidates for members of the Audit Committee, as well as during activities of the Audit Committee, personal interest or conflict of interest between the member of the Audit Committee and the Company shall not be allowed. Any information on presence of actual or potential conflict of interest shall be disclosed by members of the Audit Committee and immediately reported to the Audit Committee and the Company Board of Directors.
- 6.9. Member of the Audit Committee of the Company may resign by submitting a written application to the Chairman of the Audit Committee two weeks before the date of authority termination.
- 6.10. Upon receipt of the application from member of the Audit Committee on resignation the Chairman of the Audit Committee shall initiate inclusion, in the agenda of the next meeting of the Board of Directors, of the issue on appointment of new member of the Audit Committee or on approval of less members of the Audit Committee, but no less than established hereby.
- 6.11. Members of the Board of Directors acting as members of the Audit Committee shall be paid remuneration and/or compensated for costs associated with performance of these functions in the amount and in accordance with the procedure approved by the Shareholders' Meeting of the Company.
- 6.12. The Chairman of the Audit Committee shall appoint the Board of Directors.
- 6.13. The Company Board of Directors shall be entitled to terminate the powers of the existing Chairman of the Audit Committee and to appoint a new one at any time.
- 6.14. The Chairman of the Audit Committee shall organize work of the Audit Committee, in particular:
  - convene meetings of the Committee and preside over them;
  - propose the agenda to be discussed at the meetings of the Audit Committee, as well as the list of issues for report of the Director of the Internal Control and Audit Department;
  - organize discussion of issues at meetings of the Audit Committee, as well as hearing of opinions of persons invited to participate in the meeting;
  - when voting, in case of equality of votes of the Audit Committee members, have the casting vote;

- form the work plan of the Audit Committee on the basis of work plans of the Company's management bodies and proposals of the Committee's members and taking into account the plan of meetings of the Company Board of Directors;
- distribute duties among members of the Audit Committee;
- report to the Board of Directors about existence of personal interest, actual or potential conflict of interests of members of the Audit Committee on the discussed agenda item, in adoption of a resolution or performance of its duties;
- present the work results of the Committee at meetings of the Company Board of Directors;
- represent the Audit Committee in relations with the Company management, the Internal Audit Commission of the Company, organization units of the Company, the Auditor and companies involved by the Audit Committee or the Company, on issues of competence of the Audit Committee;
- be responsible for obtaining the most complete and reliable information required for performance by the Committee of its functions;
- establish the procedure of work of the Audit Committee on issues not regulated hereby;
- develop forms and terms for provision of recommendations, opinions, information and analytical materials to the Company Board of Directors.
- perform other functions provided for by the applicable laws, the Company Articles of Association, hereby and other internal documents of the Company approved by the Shareholders' Meeting and the Board of Directors.

6.15. In case of temporary absence of the Chairman of the Audit Committee, his/her functions shall be performed by one of members of the Audit Committee on its behalf or by resolution of the Company Board of Directors.

6.16. The Secretary of the Audit Committee shall be appointed by resolution of the Audit Committee. A member of the Board of Directors, one of the members of the Audit Committee, a full-time employee of the Company or involved person may be appointed as the Secretary of the Committee.

6.17. The Secretary of the Audit Committee shall perform the following functions:

- ensure preparation and holding of meetings of the Committee, collection and systematization of materials for meetings;
- timely send notifications to members of the Committee and invited persons of holding the meetings of the Audit Committee, agenda of meetings, materials on agenda items;
- ensure documentation of meetings of the Committee;
- organize archive keeping and storage of the Audit Committee;
- under management of the Chairman of the Audit Committee exercise control over strict compliance herewith;
- ensure the availability of written non-disclosure commitments from third parties who participated in the Committee meetings;
- record correspondence (including requests and applications) addressed to the Audit Committee and/or its Chairman and/or members and ensure preparation of appropriate responses, clarifications, as well as resolutions of the Audit Committee for the incoming correspondence in other form;
- send the correspondence to the members of the Audit Committee received by them and that does not include requirements or proposals to submit an appropriate issue to

the meeting of the Audit Committee and, if required, assist members of the Audit Committee in preparation of responses to letters, requests, etc.;

- keep a log of official correspondence (incoming and outgoing documentation) of the Audit Committee;
- monitor compliance with terms established for the Audit Committee by resolutions of the Board of Directors or other resolutions and inform the Chairman of the Committee on occurrence of deviations in a timely manner.

## **7. Work procedure of the Audit Committee**

- 7.1. The Audit Committee shall perform its activities in accordance with the work plan for the year duly approved by the Board of Directors.
- 7.2. To ensure activities of the Audit Committee the Company's budget provides for financing of activities of the Audit Committee (budget of the Audit Committee).
- 7.3. Proposals on the annual budget size of the Audit Committee shall be sent to the Board of Directors for inclusion in the annual and quarterly financial plans of the Company. The Audit Committee shall be entitled to form and send proposals to the Board of Directors to amend the budget of the Audit Committee.
- 7.4. At the request of the Audit Committee the General Director, the Board of Directors, members of the Internal Audit Committee, the Auditor, heads of organization units of the Company, as well as other employees of the Company shall provide complete and accurate information and documents on issues within the competence of the Audit Committee or a written refusal to provide such information specifying the reasons for such refusal within reasonable terms set by it.
- 7.5. Requirement to provide the information and documents specified in cl. 7.4. hereof shall be executed in writing and signed by the Chairman of the Audit Committee.
- 7.6. Information and documents specified in the requirement for the Audit Committee shall be provided to the Committee through the Secretary of the Committee.
- 7.7. According to the resolution of the Audit Committee or the Chairman of the Audit Committee, experts and consultants may be involved in work of the Committee. Employees of the Company, independent specialists or third parties may be involved as experts. These persons may participate in meetings of the Audit Committee without the right to vote on the agenda items.
- 7.8. Services of third parties and independent specialists involved in the work of the Audit Committee shall be paid at the expense of the Company.
- 7.9. The Company Board of Directors shall be entitled to require the Audit Committee to provide a report on current activities of the Committee at any time within a year. Terms of preparation and provision of such report shall be determined by resolution of the Company Board of Directors.
- 7.10. Report of the Audit Committee shall be provided to the Company Board of Directors by the Chairman of the Audit Committee.

- 7.11. Terms of compliance by the Audit Committee with orders of the Board of Directors shall be determined by the Board of Directors. For issues requiring the Board of Directors' approval the Audit Committee shall consider that the minutes and opinions (recommendations) shall be sent to the Board of Directors no later than 3 (Three) days before the date of the meeting of the Board of Directors.
- 7.12. At its discretion the Audit Committee shall be entitled to send its recommendations on any issue within its competence to the Company Board of Directors.
- 7.13. All opinions and recommendations of the Audit Committee shall be executed in writing.

## **8. The procedure of holding meetings of the Audit Committee**

- 8.1. Meetings of the Audit Committee shall be held according to the plan approved by the Audit Committee and at the initiative of the Company Board of Directors, the Chairman of the Audit Committee, member of the Audit Committee, the General Director of the Company, the Internal Audit Commission, the Head of the Internal Control and Audit Department and the External Auditor of the Company, but at least one (1) time during each reporting quarter.
- 8.2. Meetings of the Audit Committee may be held in praesentia, including video conferencing or absentee voting.
- 8.3. The Chairman of the Audit Committee shall approve the venue, date and time of the meeting of the Audit Committee (or the due date for receipt of ballots), the form of the meeting, propose for discussion the agenda of the meeting of the Audit Committee and the persons invited for participation in the meeting of the Audit Committee.
- 8.4. The agenda of the meeting of the Audit Committee and the persons invited for participation in the meeting of the Audit Committee shall be formed by the Chairman of the Audit Committee on the basis of work plans approved by the Audit Committee and on the basis of proposals of the persons who initiated the meeting. The agenda of each meeting of the Audit Committee shall be sent to all members of the Board of Directors in advance. Each independent Director, as well as the Chairman of the Board of Directors shall be entitled to attend any meeting of the Audit Committee regardless of whether he/she is a member of the Audit Committee.
- 8.5. Persons who, in accordance with cl. 8.1. hereof, shall be entitled to initiate holding of the meeting of the Audit Committee shall send a letter to the Secretary of the Committee in the name of the Chairman of the Committee on convocation of the meeting of the Audit Committee no later than 5 (Five) business days prior to the proposed date of the meeting. The Secretary of the Committee shall report on these letters to the Chairman of the Audit Committee no later than the next business day after it received the same.

A letter to convene a meeting of the Audit Committee shall include the following information:

- full name of the person initiating the convocation or name of the body that submitted such demand;
- agenda of the meeting;
- draft resolutions on the agenda items;
- date of the meeting;



- list of information (materials) provided to members of the Audit Committee for the meeting.
- 8.6. In case of letter with the initiative to hold the meeting of the Audit Committee from persons, not specified in cl. 8.1. hereof, the Chairman of the Audit Committee shall resolve on holding the meeting of the Committee or refuse to convene the meeting. The reasoned resolution on refusal to convene the meeting of the Audit Committee shall be sent to the requester with the initiative to hold the meeting of the Committee within 2 (Two) business days upon receipt of the application by the Chairman of the Audit Committee. All members of the Audit Committee shall be informed on resolutions to refuse.
- 8.7. The Chairman of the Audit Committee may resolve on refusal to convene the Committee meeting in the following cases:
- issues proposed for inclusion in the agenda of the meeting of the Audit Committee are not referred hereby to its competence;
  - proposed issues are already scheduled for consideration within the terms established by the Audit Committee;
  - the procedure for submitting letters for convening a meeting established hereby is not complied with;
  - materials required for discussion and resolving on issues submitted to the meeting of the Audit Committee are not provided completely or partially.
- 8.8. Notification of holding the meeting of the Audit Committee together with the agenda and materials required for resolution shall be sent by the Secretary of the Audit Committee to persons participating in the meeting no later than 3 (Three) business days before the date of the Committee meeting. In case of holding the Committee meeting by absentee voting, no later than 3 (Three) business days prior to the date of holding the absentee voting the Secretary of the Committee shall send a notification to the members of the Audit Committee as to holding the meeting with attachment of ballots for each agenda item and all documents required for resolution. In case of high urgency of the issue, the specified term may be reduced provided that all members of the Audit Committee received an appropriate notification on the meeting of the Committee and no objections were received from them.
- 8.9. In case of meeting in praesentia, member(s) of the Audit Committee who cannot personally attend the meeting shall be entitled to send their written opinions with proposed resolutions on the agenda items.
- 8.10. The written opinion shall be sent to the Chairman of the Committee within the term before the date of the meeting of the Audit Committee. Prior to the meeting the Chairman of the Committee shall bring to the attention of the members of the Audit Committee opinions of absent members of the Committee. Written opinion shall be attached to the minutes of the meeting of the Committee.
- 8.11. The Chairman of the Committee shall preside over meetings of the Audit Committee.
- 8.12. The meeting of the Audit Committee shall be authorized (have quorum) if more than half of the total number of its members attends it and in case of a meeting by absentee voting - if on the due date for receipt of ballots the Committee received ballots from more than half of the total number of the Committee members.

- 8.13. In case of no quorum, the Chairman of the Committee shall resolve on postponement of the date of the meeting and a repeated notification shall be sent to the Committee members.
- 8.14. All resolutions shall be adopted by the Audit Committee by a simple majority of votes of members of the Audit Committee present at the meeting (who sent ballots when holding the meeting through absentee voting).
- 8.15. When resolving issues, each member of the Audit Committee shall have one vote. Vote transfer by the Committee member to another member of the Audit Committee, as well as other persons shall not be allowed.
- 8.16. Invitees participating in the meetings of the Audit Committee may speak in discussions, submit proposals, make comments on the discussed materials, and submit statements on the agenda items of the meeting of the Committee. Invitees shall not be entitled to have voting rights on the agenda items of the meeting of the Audit Committee. Absence of invited experts shall not be a reason for postponement of the meeting, however, when without the invitees it is impossible to discuss the agenda items of the meeting, the Audit Committee may resolve on postponement of the specified issues to the next meeting.
- 8.17. During the meeting the Audit Committee may authorize the Committee member(s) to consider a certain issue and report the findings as a result of consideration at the meeting of the Audit Committee.
- 8.18. If you become aware of existence of personal interest of a member of the Audit Committee in consideration of an issue, the Committee member shall not participate in voting on this issue. If the number of disinterested Committee members is not sufficient for resolving, the issue shall be submitted to the meeting of the Board of Directors without the recommendation of the Audit Committee.
- 8.19. Recommendations of the Audit Committee shall be provided to the Board of Directors within 3 (three) business days upon holding of the meeting of the Audit Committee, but no later than the date of submitting materials on the agenda items for members of the Board of Directors. If due to objective reasons it is impossible, the Chairman of the Committee on behalf of the Audit Committee shall inform the members of the Board of Directors about the Committee's stance on the issues considered, at the meeting of the Board of Directors.

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

- 9.1. No later than 3 (Three) business days after the meeting of the Audit Committee the Secretary of the Audit Committee shall execute the minutes of the meeting held. The minutes shall be executed in English and Russian.
- 9.2. The minutes of the meeting of the Audit Committee shall include information on the venue, date and time of the meeting, members of the Audit Committee who attended the meeting, invitees, agenda of the meeting, issues put for voting and voting results, resolutions adopted. If the resolution is not unanimous, voting results shall be specified by name. When holding the meeting by absentee voting, the Minutes shall include information on the due date for receipt of ballots, members of the Audit Committee who sent the completed ballots, agenda of the meeting, issues put for voting and voting results, resolutions adopted. Individual opinions of members of the Audit Committee shall be included in the Minutes.

- 9.3. The minutes of the meeting of the Audit Committee shall be signed by the Chairman of the Audit Committee and the Secretary of the Audit Committee.
- 9.4. The minutes of the meeting of the Audit Committee shall be executed in two original copies, one of them shall be sent to the Company Board of Directors with attachment of prepared recommendations and opinions within 3 (Three) business days upon signature and the other one remains in the archive of the Audit Committee.
- 9.5. Copies of the minutes of the Committee meeting and prepared opinions and recommendations shall be sent to all members of the Audit Committee.
- 9.6. Resolutions of the Audit Committee shall be reported to the stakeholders by sending an extract from the minutes of the meeting of the Audit Committee within 3 (Three) days from the date of the meeting.

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

- 10.1. As a result of activities of the Audit Committee, an archive of the Audit Committee shall be formed.
- 10.2. Archive of the Audit Committee shall include:
  - minutes of meetings of the Audit Committee;
  - letter for convening of meetings of the Audit Committee with attachments;
  - supporting materials to minutes of meetings of the Audit Committee;
  - other information materials for meetings of the Audit Committee;
  - resolutions and recommendations of the Audit Committee;
  - incoming and outgoing correspondence of the Audit Committee.
- 10.3. Documents included in the archive of the Audit Committee shall be subject to storage at the location of the sole executive body of the Company for at least 7 (seven) years. Storage shall be carried out at the expense of the Company.
- 10.4. Confidentiality of information included in the documents of the Audit Committee shall be determined by the Audit Committee and recorded in the minutes of the relevant meeting.
- 10.5. Documents from the archive of the Audit Committee shall be available for review to members of the Board of Directors and members of the Audit Committee.
- 10.6. Access to documents from the archive of the Audit Committee to members of the Audit Committee, the Internal Control and Audit Department, the external auditor, other employees of the Company and third parties is only possible upon preliminary permission of the Chairman of the Audit Committee.

## **11. Requirements to ensure confidentiality of information**

- 11.1. Members of the Audit Committee and the Secretary of the Audit Committee shall not be entitled to use for personal purposes or disclose confidential information on the Company's activities, shares and other securities of the Company and transactions with them that may affect the Company, its business reputation, the market value of shares and other securities of the Company.

- 11.2. Members of the Audit Committee shall respect confidentiality of information received or created by them in connection with their work in the Company.
- 11.3. In order to comply with the requirements on non-disclosure of confidential information:
- documents to be provided to the Audit Committee and that include confidential information shall be marked "Confidential" and assigned by resolution of the person who provides such documents;
  - documents including confidential information provided by the Audit Committee shall be marked "Confidential" and assigned by resolution of the Chairman of the Audit Committee;
  - each person who received documents marked "Confidential" shall comply with due diligence for work and storage of such documents and take all measures for protection of confidential information.
- 11.4. Third parties that participate in the meetings are involved in work of the Audit Committee or get access to documents from the archive of the Committee shall sign an agreement with the Company on mutual information non-disclosure.

## **12. Final provisions**

- 12.1. Amendments introduced herein shall be approved by resolution of the Company Board of Directors.
- 12.2. At least once a year the Audit Committee shall analyze this Regulation and, if required, introduce appropriate amendments that then shall be approved by the Board of Directors.
- 12.3. Issues not regulated hereby shall be regulated by the applicable laws of the Russian Federation, resolutions of the Board of Directors and internal documents of the Company.
- 12.4. If certain provisions hereof are in conflict with the applicable laws of the Russian Federation, they shall become invalid and respective norms of laws of the Russian Federation shall apply.
- 12.5. If some clauses hereof are found invalid, it does not entail finding other clauses hereof invalid.
- 12.6. If norms hereof come into conflict with requirements of the Articles of Association and the Regulation on the Company Board of Directors, the priority shall be given to provisions of the Articles of Association and the Regulation on the Company Board of Directors.
- 12.7. Responsibility for bringing this Regulation in accordance with the applicable laws, the Company Articles of Association and the Regulation on the Board of Directors shall be borne by the Chairman of the Audit Committee.