

**APPROVED BY**

Resolution of the Board of Directors  
of OJSC Oil Company Rosneft  
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**REGULATIONS ON INTERNAL CONTROL  
OF FINANCIAL AND ECONOMIC ACTIVITIES  
OF OPEN JOINT-STOCK COMPANY  
OIL COMPANY ROSNEFT**

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## I. GENERAL PROVISIONS

### **Article 1. Regulations on internal control of financial and economic activities**

In accordance with the Civil Code of the Russian Federation, Federal Law "On Joint-Stock Companies", other regulatory legislative acts of the Russian Federation, Corporate Governance Code and the Charter of OJSC Oil Company Rosneft (hereinafter the "Company") these Regulations establish the main principles of internal control of the Company's financial and economic activities, structure and composition of the Control and Auditing Department of the Company.

### **Article 2. Terms and definitions**

1. The terms and definitions used in these Regulations shall have the same meaning as they have in laws of the Russian Federation on joint-stock companies and securities unless otherwise is stipulated in these Regulations.

2. The following terms and definitions shall be used for the purposes of these Regulations:

**"internal control"** means control of financial and economic activities of the Company (including compliance with its financial and economic plan) by organizational units and bodies of the Company;

**"control and auditing department"** means a non-separate organizational unit of the Company, which is independent in relation to the executive bodies of the Company, and which exercises control functions in relation to other units, branches, and representative offices of the Company;

**"audit group"** means a group of persons formed based on an order of the head of the Control and Auditing Department of the Company for the purpose of carrying out a comprehensive or subject-focused control (audit) of production activities and financial and economic activities of the Company and units, branches, and representative offices of the Company. The Audit Group shall include staff of the Control and Auditing Department and, if necessary, members of the Audit Commission of the Company, independent experts, and specialists from organizational units, branches, and representative offices of the Company. The head of the Audit Group shall command the Audit Group.

### **Article 3. Main objectives of internal control**

1. The following are the main objectives of internal control:

- Diagnosing the management system, identifying reserves for improvement of its efficiency;
- Provision of the executive bodies of the Company with an independent and objective opinion and recommendations regarding improvement of management efficiency;
- Assurance of constant and comprehensive supervision of the financial status, implementation of financial and economic activity plans of the Company;
- Assurance of safe keeping and substantiates spending of monetary funds and valuable property of the Company;
- Taking measures for protection of property;
- Taking measures for recovering damages inflicted to the Company;
- Provision of independent and objective advice aimed at adherence to the corporate management principles and other corporate standards;
- Identifying reserves for decrease of operational costs, service and maintenance costs, administrative and other expenses;
- Assurance of completeness and reliability of financial accounting, tax accounting and managerial book keeping;
- Identifying major transactions and interested-party transactions, and evaluation of the procedures of execution such transactions;
- Identifying the transactions for which the Charter of the Company stipulates a special procedure of their execution, and evaluation of the procedures of execution of such transactions;
- Assessment of feasibility and efficiency of investment projects;
- Ongoing detection, prevention and limiting of financial and operational risks and possible corrupt practices of officials.

2. The internal control of financial and economic activities shall be ensured by carrying out of all types of controls, audit and expert examinations in order to carry out follow-up control of the production activities and financial and economic activities. Legal compliance, reliability and economic feasibility of the completed economic transactions, regulatory compliance of financial accounting, tax accounting and managerial book keeping, and reliability of all accounting data and reporting indicators shall be estab-

lished and ensured in the course of the follow-up control of the production, financial and economic activity.

#### **Article 4. Structure of internal control**

1. The Control and Auditing Department shall be established in the Company in order to arrange the internal control of its financial and economic activities.

The Board of Directors of the Company shall control the activity of the Control and Auditing Department either directly or/and through the Audit Committee.

2. In its activities, the Control and Auditing Department shall:

- Adhere to the Russian Federation law, the Charter of the Company, regulations on bodies of the Company, these Regulations, decisions of the General Meeting of Shareholders, decisions of the Board of Directors of the Company, decisions of the Management Board of the Company, orders, instructions, resolutions and guidelines of the President of the Company;

- Strictly ensure interests of the shareholders and the Company, take measures in order to eliminate infringements of production discipline and financial discipline, eliminate facts of improper or unreasonable spending of monetary funds and material values, eliminate shortage of funds, theft and inadequate reporting;

- Adhere to unbiased approach; provide practical assistance to the inspected units, branches and representative offices in order to improve efficiency of their production activities and financial and economic activities.

3. All officials and employees of the Company, within the limits of their duties and competence, as well as the Control and Auditing Department, shall be responsible for identifying and prevention of any mistakes, infringements and corrupt practices in the Company.

#### **Article 5. Functions of Control and Auditing Department**

1. The main functions of the Control and Auditing Department are the following:

- Development of the internal control procedures in the Company (jointly with the executive bodies of the Company and the Audit Committee of the Board of Directors);

- Arrangement and implementation of a unified system of comprehensive and continuous internal control in the Company, including internal control in its units, branches, and representative offices;

- Carrying out comprehensive audits, controls and expert examinations of the production activities and financial and economic activities in the Company, including production activities and financial and economic activities in the units, branches, and representative offices;

- Carrying out focuses audits, controls and expert examinations in separate issues of the production activities and financial and economic activities in the Company, including production activities and financial and economic activities in the units, branches, and representative offices;

- Analysis of the financial and economic activities of the Company, including the units, branches, and representative offices;

- Engaging members of the Audit Commission and independent experts in auditing, controls and expert examinations;

- Assurance of high quality and timely measures in order to ensure compliance with resolutions and (or) decisions of the General Meeting of Shareholders, the Board of Directors, the Management Board, the President of the Company; consideration of applications regarding issues belonging to the area of Control and Auditing Department, and assurance of follow-up control of implementation of the made decisions;

- Evaluation, classification, and minimization of possible risks occurring in the course of activities of the Company, including the units, branches, and representative offices;

- Interaction with the bodies, officials and units of the Company.

2. The Control and Auditing Department of the Company shall:

- Supervise elimination of the shortcomings and infringements identified in the course of controls (audits) and implementation of the made decisions;

- Keep records of the carried out controls (audits) and their results;

- Keep records of the complaints, applications and letters from citizens received by the control and audit bodies;

- Report identified infringements in the course of economic transactions, facts of corrupt practices, improper spending, theft of financial funds, and circumstances and conditions that facilitate infringements and corrupt practices, to the Audit Committee of the Board of Directors of the Company immediately after completion of the control (audit);

- The Head of the Control and Auditing Department shall present memoranda (reports) on the results of control (audit), including progress of performance of the financial and economical plan of the Company and deviations from the plan, to the Audit Committee of the Board of Directors of the Company immediately after completion of the control (audit);
- Perform preliminary evaluation of the operations which are not included in the financial and economic plan of the Company (nonstandard operations); work out recommendations on approval of non-standard operations jointly with the Audit Committee of the Board of Directors of the Company;
- Study and summarize the results of controls (audits) in a systematic manner. Make proposals on review and amendment of current corporate regulatory documents, on improvement of the internal and sectoral book keeping and supervision over rational spending and safe keeping of funds of the Company based on the results of controls (audits).

#### **Article 6. Powers of Control and Auditing Department**

##### **1. The Control and Auditing Department is entitled to:**

- Carry out comprehensive and continuous internal control of production activities and financial and economic activities of the Company, including its units, branches, and representative offices, by arranging and carrying all forms of control;
- Prepare proposals aimed at improvement of efficiency of use of all available resources and facilities and present them to the Board of Directors and executive bodies of the Company;
- Make proposals on bringing the guilty persons to the civic, disciplinary, material, and other responsibility in compliance with the established legal procedure;
- Request and obtain documents, references, calculations, control reports, audit reports, and other information necessary for achieving the objectives of the Control and Auditing Department, from officials, employees, units, branches and representative offices of the Company, taking into account the limitations imposed by the regulatory acts of the Russian Federation, the Charter and internal documents of the Company;
- Request and obtain unhindered access to any assets, documents, accounting records and other information on activities of the Company, including its units, branches, and representative offices, make copies of the documents, taking into account the limitations imposed by the regulatory acts of the Russian Federation, the Charter and internal documents of the Company;
- Study and evaluate any documents requested in the course of audits, controls and expert examinations, send these documents and corresponding information to the senior management of the Company. All activities of the Company and all parts of such activity shall be the object of the Control and Auditing Department;
- Engage members of the Audit Commission of the Company, independent experts, and specialists of organizational units, branches, and representative offices of the Company in carrying out controls and audits of production activities and financial and economic activities of the Company, including its units, branches, and representative offices, taking into account the limitations imposed by the regulatory acts of the Russian Federation, the Charter and internal documents of the Company;
- Interaction with other units that carry out audit functions (the Security Department, the Legal Support Department, the Property and Corporate Management Department, and other organizational units);
- Request information on institutions, suppliers and contractors from the Security of Department of the Company, in order to receive and verify the necessary data that characterize their founders and financial status;
- Request and receive the necessary assistance from employees of the units in which the controls (audit) are carried out, and assistance from employees of the other units of the Company. If necessary, the Control and Auditing Department shall attract external experts for performance of control measures and procedures;
- Call meetings, arrange and hold topical seminars on issues belonging to competence of the Control and Auditing Department, including its units, branches, and representative offices, and attract employees of the Company for participation in the meetings and seminars;
- Evaluate the condition and arrangement of the internal control in the Company, including its units, branches, and representative offices, and report results of the said evaluation to the Board of Directors and executive bodies of the Company;
- Ensure uniformity of work methods of the Control and Auditing Departments (offices) in subsidiaries and affiliated companies.

2. Instructions of the Head of the Control and Auditing Department regarding the issues that belong to his area of activity shall be mandatory for heads of units of the Company and its branches and representative offices.

All officials and employees of the Company shall provide all assistance to the staff of the Control and Auditing Department when they exercise their control powers.

#### **Article 7. Organizational structure of Control and Auditing Department**

1. The Head of the Control and Auditing Department shall command the Control and Auditing Department.

The head of the Control and Auditing Department shall have the higher economic education (in the area of finance or business) or degree in law and shall have work experience in the line of his education minimum five (5) years.

2. According to the manning table, the Control and Auditing Department shall comprise of controllers (auditors) and technical staff.

Deputy Heads of the Control and Auditing Department and controllers (auditors) shall have the higher economic education (in the area of finance or business) or degree in law.

3. The Head of the Control and Auditing Department, the Deputy Heads of the Control and Auditing Department, and controllers (auditors) shall have flawless business reputation.

A person who has an outstanding conviction may not be a Head of the Control and Auditing Department, a Deputy Head of the Control and Auditing Department, or a controller (auditor).

A person who has received an administrative punishment in the form of disqualification may not be a Head of the Control and Auditing Department, a Deputy Head of the Control and Auditing Department or a controller (auditor).

It is a mandatory requirement that the following factors shall be taken into account as negative factors when appointing individuals to the position of the Head of the Control and Auditing Department, Deputy Head of the Control and Auditing Department, or controllers (auditors):

- The fact of existence of a overturned conviction connected with an offense in the area of economic activities or a crime against the governmental authority, interests of public service and service in the local self-government bodies;

- The fact of committing an administrative offense in the area of entrepreneurial activities, in the area of finance, taxes and charges, or the securities market.

A person who is a shareholder (a participant), an official or an employee of a company that competes with the Company may not be a Head of the Control and Auditing Department, a Deputy Head of the Control and Auditing Departments or a controller (auditor).

#### **Article 8. Arrangement and preparation of comprehensive control (audit)**

1. Comprehensive control (audit) of the production activities and financial and economic activities of the Company and its units, branches, and representative offices shall be carried out based on annual plans, which shall be approved by the Audit Committee of the Board of Directors of the Company, or at any time based on instructions of the Board of Directors.

2. An Audit Group shall be appointed for the purpose of exercising a comprehensive control (audit) of the production activities and financial and economic activities of the Company, including its units, branches, and representative offices, based on an order of the Head of the Control and Auditing Department of the Company. The Audit Group shall include staff of the Control and Auditing Department and, if necessary, members of the Audit Commission of the Company, independent experts, and specialists from organizational units, branches, and representative offices of the Company. The Head of the Audit Group shall manage the Audit Group.

Instructions of the Head of Audit Group regarding matters connected with arrangement and carrying out the control (audit) shall be mandatory for all members of the Audit Group during the period of preparation and carrying out of the control (audit).

3. Intervention of third persons to the process of carrying out the control and audit, determining the objects and the scope of control measures, and intervention of third person during the phase of reporting of the results of the control (audit) to the bodies of the Company shall not be permitted.

4. Timing of carrying out the comprehensive control (audit) and membership of the Audit Group shall be determined by taking into account the scope and peculiarities of activities of the inspected (audited) objects.

Maximum time of the control (audit) shall be 25 business days. This period may be extended in exceptional cases subject to permission of the Head of the Control and Auditing Department. If the control

(audit) is carried out based on a request of an investigating authority, the period of the control (audit) may be extended subject to approval of the investigating authority.

5. Generally, the following preparatory measures shall precede carrying out of the comprehensive control (audit):

- Studying the plans, budgets, reports, statistical data, materials of the previous controls (audits), special audits, received signals and other information, which characterize the operations and the financial status of the inspected (audited) facility, and which are available in the Company and its units, branches, and representative offices;

- Development of a plan of the control (audit) based on the studied materials and information;

- If necessary, making of the plan for concurrent control (audit) of cash accounts and inventory of material values.

The plan of the comprehensive control (audit) of the Company and its units, branches, and representative offices shall include the list of items, which shall be inspected (audited). The Head of the Control and Auditing Department or the Deputy Head of the Control and Auditing Department shall approve the plan of the comprehensive control (audit).

6. The Head of the Audit Group shall communicate the contents of the plan of the control (audit) to the members of the Audit Group and shall assign tasks to the members of the Audit Group.

The members of the Audit Group shall prepare work plans for the control (audit) of the section of activities of the inspected (audited) facility assigned to them. The Head of the Audit Group shall approve the work plans of the members.

The work plan shall include the list of work items, which have to be done, the method of control (total control or sample control) and completion deadlines.

7. The provisions of this article shall also cover carrying out of special controls (audits), if the peculiarities of the special control (audit) do not dictate otherwise.

#### **Article 9. Procedure of comprehensive control (audit)**

1. The Head of the Audit Group shall show the order (instruction) for carrying out the control (audit) to the head of the inspected unit, branch, or representative office of the Company, shall explain the purpose and objectives of the control (audit) to the head of the inspected unit, branch, or representative office of the Company and shall introduce the members of the Audit Group to the head of the inspected unit, branch, or representative office of the Company, prior to commencing the comprehensive control (audit).

2. The head of the inspected (audited) unit, branch or representative office of the Company shall introduce responsible employees of the unit, branch or representative office of the Company to the members of the Audit Group. The head of the unit, branch or representative office shall make arrangements in order to provide a room for the Audit Group, ensure safe keeping of the documents and appoint members of the inventory commission, if necessary.

The members of the Audit Group shall start examining (auditing) cash accounts and inventory of commodities and material values without delay.

3. The members of the Audit Group shall familiarize themselves with the existing arrangement of production, the conditions of work and internal economical relations, arrangement of safe keeping of material values on the spot during the first phase of the control (audit). The Head of the Audit Group shall amend and detail the work plan of the control (audit) by specifying the objects and matters to be inspected or audited, if necessary.

4. If the control (audit) is carried out on demand of the investigative authority, the Head of the Audit Group (the controller) shall receive some assignment from the investigative authority. The assignment shall include the list of matters, which shall be inspected, and shall specify the period of the control (audit).

Subject matter specialists shall be employed for control of respective matters or giving conclusions as necessary. Accountants (auditors) shall be employed for restoration of the accounting documentation as necessary, if accounting is inadequate in the inspected (audited) facility.

5. The following matters shall be inspected in the course of comprehensive examining (auditing) the production activities and financial and economic activities:

- Economic condition of the inspected facility, adherence to the established plans, compliance with requirements of the production discipline, financial discipline, labor discipline and the law in the course of operations, safe keeping of monetary funds and material values;



- Efficient use of the material, financial, and labor resources, timely documenting of business transactions, complete discovery and use of internal economic reserves, reasons of nonproductive expenses and losses;
- Compliance of the technical condition of the production facilities to the regulatory and technical documentation;
- Correct and reliable book keeping and reporting, correct and reliable accounting of financial, credit and settlement transactions, timely discharge of obligations to make payments to the state budget;
- Compliance with corporate requirements (procedures) for establishment and application of prices and tariffs;
- Compliance with instructions on elimination of the deficiencies identified in the course of the previous control (audit).

6. The total control method or sample control method shall be used for control of the primary documents and records in the accounting registers.

All documents and records in the accounting registers shall be inspected if the total control method is used. Cash transactions and banking transactions, settlement with the accountable persons, and some other sections of activities of the inspected (audited) facility, which are specified in the program of the control (audit), can be inspected by using the total control method.

A part of primary documents for each month of the inspected period or some primary documents for separate months shall be inspected if the sample control method is used. If control by using the sample control method identifies serious infringements or corrupt practices, then the control shall be carried out on this section of the inspected (audited) object by using the total control method.

7. The economic operation shall be considered legal if its contents do not conflict with the current laws and corporate standards of the Company when legality and feasibility of the economic operations reflected in the primary documents are inspected. Practicability and feasibility of economic operations shall be determined based on whether the operation is aimed at achieving the production, financial and economic objectives established for the inspected (audited) facility and based on legal compliance of the executed transactions.

When illegal or non-practicable operations (operations lacking economic feasibility) are identified, the controller shall establish the guilty persons who gave instructions to carry out such operations, and the amount of the material damages (losses), including the lost profit, inflicted by such operations.

8. Reliability of the financial and economic operations shall be established by formal and arithmetical control of the documents and by using special techniques of documentary control and actual control.

The formal control shall establish correctness of filling in all requisite details of the document, presence of non-confirmed corrections, erasures, added text or digits, authenticity of signatures of officials and persons bearing material responsibility. The signature of the employee in the document shall be compared with the signature of the employee in the other documents, if necessary. A personal confirmation from the employee shall be obtained, or a graphology examination shall be carried out in the event of doubt.

The arithmetic control shall determine correctness of calculation in the documents, for example, correct total values in the cash reports, payroll lists and other documents.

9. Reliability of the economic operations reflected in the primary documents can be established by carrying out crosschecks at the enterprises and institutions with which the inspected (audited) facility entered into economic relations, if necessary, and if such cross-control is possible.

The primary documents and accounting information of the inspected (audited) facility shall be compared with the respective documents and information existing at the institutions (enterprises), from which monetary funds or material values were received, or to which monetary funds or material values were handed over or issued, in the course of cross-control. The bank statements of accounts for the settlement accounts, current accounts and loan accounts available at the inspected (audited) facility shall be compared with the original records for such accounts which are kept at the banking institutions, if necessary.

10. The following actual control techniques are used along with the documentary control in the course of carrying out comprehensive controls (audits) in order to determine the actual quantity and quality of the carried out work and actual reception or release of monetary funds and material values indicated in the documents:

- On-site examination in workshops, production sections, storage areas, in order to study arrangement of production and labor, safe keeping of material values, the condition of the access control system, control of taking in and taking out material values, ready products, etc. In so doing, one shall familiarize oneself with the document workflow system and the accounting policies in force at the inspected facility, and with the documents which regulate the procedure and dates of showing the operations of the produc-

tion and financial cycle and movement of material resources in the primary documents and process documents. The received data shall be compared to the actual book keeping system and the system of accounting of economic operations, which is currently in use at the inspected facility, in order to identify deviations and risks of losses and nonproductive spending;

- Carrying out a partial (sample) or total inventory of material assets in order to establish their actual availability and compliance to the accounting data. The inventory shall be carried out in compliance with requirements of the current methodical guidelines on inventory of property and financial liabilities and in compliance with the corporate standards;

- Carrying out control measurement of construction, erection, repair work and other work with participation of respective specialists, in order to determine reliability of the reported data on the completed quantities of these works;

- Carrying out control runs of raw materials and processed materials in the production processes, control analytical tests of materials and finished products, and measurement or weighing of materials, semi-finished products and finished products in order to establish actual consumption of the materials, correct writing off the materials for production, complete stocktaking of the finished products, substantiated material expenses rates, ready product output rates and rates of natural loss in the course of transportation and storage of material assets; in so doing, subject matter specialists shall be employed if necessary;

- Control of compliance with technical specification and process modes, control of compliance of products with standards, specifications, control of substantiated character of pricing; in so doing, subject matter specialists shall be employed, if necessary.

11. The controllers (auditors) shall take steps in order to make sure that the materially responsible persons are present in the course of inventory of the material values entrusted to them, and in the course of control measurement of the completed work, and in the course of other similar actions aimed at control of activities of the materially responsible persons.

12. If facts of improper spending of funds, or other infringements of production discipline or financial discipline, or corrupt practices are identified, then it is necessary to establish the amount of inflicted damage, the reason of the infringement, and the officials who are responsible for the infringements.

13. In the event of discovery of corrupt practices, and in other cases, when necessary, the controllers (auditors) shall receive copies of documents connected with the identified facts (invoices, bank orders, bank instructions, checks, managerial orders, letters, and other documents) or references made on the basis of available documents from officials and employees working on the inspected (audited) facility, and shall receive written explanations of the guilty officials or materially responsible persons.

14. The controllers (auditors) shall seize the necessary original documents in the exceptional cases, based on a written instruction of the head who initiated the control (audit), if safe keeping of the documents in the inspected (audited) facility is not guaranteed, and in the event of discovery of forged documents or falsification of documents.

Photocopies of the seized documents, certified by signatures by the controller (auditor) and the chief accounting officer or other responsible person of the inspected (audited) facility, shall remain in the files of the inspected (audited) facility as a replacement for the seized documents.

In certain cases, subject to agreement with the head of the inspected facility, it is permitted to seize documents related to the monetary and material values reporting (accounts, orders, etc.) based on the report containing an exact list of all documents (including the type, date, number of the document, and the sum of the document) without making photocopies.

15. The provisions of this article shall also cover carrying out of special controls (audits), if the peculiarities of the special control (audit) do not dictate otherwise.

#### **Article 10. Rights and obligations of controllers (auditors)**

1. When carrying out comprehensive controls (audits), the controllers (auditors) are entitled to:

- Check the following in the inspected (audited) facility: plans, cost estimates, accounting documents and other documents, presence of money and valuables; they are entitled to seize the necessary documents in compliance with the established procedure in the event of discovery of forged documents, falsification of documents or other infringements;

- Check statements of account for settlement accounts, (current accounts, special loan accounts, foreign currency accounts) and, if necessary, confirm the information on sums of cash money issued to the inspected (audited) facility during the period under review, with the banking institution, when controlling complete registration of the monetary funds received from the banking institution in the cash account;

- Confirm reliability of documents connected with operations of the inspected (audited) facility with banking institutions;
- Carry out or arrange total or partial inventory of the main assets, material assets, monetary funds and settlements. When necessary, seal cash registers and cash account rooms, warehouses, storage areas, archives. In so doing, the controller (auditor) shall hold the seal (hand punch) and the materially responsible person shall hold the key;
- Engage specialists for determining quantity and quality of raw materials, production materials, semi-finished goods, and ready products, for carrying out of control measurement of construction, erection and other works, for determining quality of work and products with participation of respective organizations;
- Request and receive references and copies of documents connected with operations of the inspected (audited) facility from other institutions, if necessary;
- Obtain written explanations regarding the issues that arise in the course of controls (audits) from officials and employees;
- Take measures in order to compensate the inflicted damage in compliance with current law. A separate (interim) report shall be prepared in the course of the control (audit), and the materials of the control (audit) shall be sent to the head who initiate the control (audit) in the cases when it is necessary to take urgent measures to eliminate the noncompliance or corrupt practices identified in the course of controls (audits) and bring the guilty persons to responsibility.

The Head of the Company, representative office, or unit shall take measures in order to eliminate the identified noncompliance before the end of the control (audit). A record to this effect shall be made in the report of the control (audit).

2. When carrying out comprehensive controls (audits), the auditors shall:

- Ensure strict compliance with laws of the Russian Federation, the Charter, these Regulations, decisions of the Board of Directors and the Management Board, orders, instructions, resolutions of the General Director of the Company in their work;
- Take part in preparation of proposals aimed at elimination of infringements identified in the course of controls (audits), at improvement of control over the production activities and financial and economic activities of the Company and units, branches, and representative offices of the Company, over adherence to the production discipline and financial discipline by the Company and units, branches, and representative offices of the Company, and over assurance of safe keeping of property of the Company by the Company and units, branches, and representative offices of the Company.

3. Instructions of the Head of the Audit Group regarding issues related to carrying out of the control (audit), and instructions of the Head of the Audit Group aimed at elimination of the shortcomings and noncompliance identified in the course of the control (audit) shall be mandatory for guidance and implementation by the heads and specialists of the units, branches, and representative offices of the Company.

4. All members of the Audit Group shall be brought to responsibility for voluntary distortion or concealing facts of theft or corrupt practices, malversation or jobbing in compliance with the established procedure.

#### **Article 11. Presentation of results of control (audit)**

1. In order to summarize the results of the comprehensive control (audit) of the production activities and financial and economic activities of the Company and units, branches, and representative offices of the Company, they shall make a statement (report), which shall reflect the identified deficiencies and non-compliance.

The statement (report) on results of the control (audit) shall be undersigned by the Head of the Audit Group, the head of the inspected (audited) unit, branch or representative office, the chief accounting officer of the inspected (audited) unit, branch or representative office, and, when necessary, by the head and the chief accounting officer who previously worked in the inspected (audited) unit, branch or representative office in the period for which the control (audit) was carried out.

The statement (report) of results of the control (audit) shall be a document intended for internal use. The information contained in the statement (report) shall be confidential. Officials and employees of the Company, units, branches, and representative offices of the Company, and the controllers (auditors) shall not be entitled to disclose the information contained in the statement (report) or hand over the information contained in the statement (report) to third persons, including state regulating authorities, except the cases stipulated in the current laws or these Regulations, and shall not be entitled to use such information to their personal advantage or for other personal purposes.

2. If there are objections or remarks regarding the statement (report) of the control (audit), the head of the unit and the chief accounting officer of the unit shall make the respective note with their signatures, and shall provide their explanations in writing within 5 days from the day of execution of the statement (report). Explanations of other officials and employees of the inspected (audited) facility who are responsible for the infringements identified in the course of the control (audit), shall be presented if necessary in connection with the statement (report) of the control (audit). The controllers (auditors) shall study the facts reported in the explanations. The Head of the Audit Group shall prepare a written conclusion regarding the given arguments or remarks and shall include it with the statement.

One copy of the statement (report) of the control (audit) shall be given to the head of the inspected (audited) facility.

3. In cases when the corrupt practices or infringements identified by the control (audit) may be concealed, or when urgent measures need to be taken in order to eliminate the infringements or bring the persons responsible for the infringements to account, a separate interim report shall be prepared in the course of the control (audit), and explanations shall be collected from the officials or materially responsible persons.

The interim reports shall be prepared also in order to document results of the control (audit) of individual sections of activities of the inspected (audited) facility, including results of control of the cash account, taking inventory of material values and fixed assets, control measurement, controlling quality of completed construction and repair work, etc.

The interim reports shall be attached to the main statement (report) of the control (audit). The members of the Audit Group, who participated in the control (audit) of this particular section of the activity of the facility, and the officials responsible for this section of the activity, or the materially responsible persons who are responsible for safe keeping of monetary funds and material values, shall sign these interim reports.

One copy of the interim report shall be given to the official (the materially responsible person) of the inspected (audited) facility who signed the interim report.

The facts described in the interim reports shall be included in the main (summary) statement (report) of the control or audit.

4. The results of the control (audit) shall be stated in the statement (report) based on the verified data or facts which follow from the documents and information available in the inspected (audited) facility, results of the carried out cross-checks, control of actual performance of the operations, control weighing and control measurement of raw materials and materials, carried out control measurement of completed work, control production launches with materials and raw materials, control analyses of raw materials, production materials and ready products, results of controlling quality of ready products, results of controlling compliance with technical specifications and process production modes, substantiation of prices, and other data that follow from conclusions of special expert examinations.

5. The description of identified facts of infringements and shortcomings in the statement (report) of the control (audit) shall be objective, clear, brief, and exact.

Essence of the fact shall be clearly described, and references to other respective documents and materials shall be given, and infringements of certain laws and other regulatory acts shall be indicated for each fact described in the statement (report).

The identified facts of similar mass infringements (for example, based on results of control of advance payment reports for the accountable persons, etc.) shall be grouped in the lists (bills) attached to the statement (report) of the control (audit). Only total values and a description of the infringements, and references to the corresponding attachment, shall be included in the statement (report). In such cases, the following information shall be specified in the list (bill) attached to the statement (report) of the control (audit): the period covered by the control, the date and number of the document, the title of the violated regulation or norm, the description of the infringement, the name and position of the responsible person, the value of damage. The controller (auditor) and the chief accounting officer of the inspected (audited) facility shall sign the bill.

Including any sorts of conclusions, proposals and other data not confirmed by documents in the statement (report) of the control (audit) shall not be permitted. Including information obtained from the investigation materials and references to statements of officials or materially responsible persons given to investigating authorities in the statement (report) of the control (audit) shall not be permitted as well.

The statement (report) of the control (audit) shall not contain any qualification or evaluation of actions of individual officials or materially responsible persons.

6. The following information shall be included in the statement (report) of the control (audit):

- General information on adherence to the production plans and financial plans at the inspected (audited) facility;

- Identified facts of infringements of laws, decrees, resolutions, regulatory acts;
- Facts of incorrect planning of production indicators and financial indicators, failure to perform tasks and fulfill obligations, incorrect spending of monetary funds, and other infringements of financial discipline;

- Facts of incorrect accounting and financial reporting;
- Identified facts of economic mismanagement, shortage of monetary funds or material values, theft of monetary funds or material values;

- Amount of inflicted material damage and other consequences of breaches and infringements, including names and positions of the officials who are responsible for the wrongdoing;

- Additional possibilities and reserves for increase of production and sales of products, decrease of primary cost of products, increase of profit, decrease of administration and management costs, elimination of losses and nonproductive expenses, increase of income, identified in the course of the control (audit).

7. One shall not include the description of the structure of the inspected (audited) facility, reporting data reflected in the periodical reports and annual reports, and other information or data, which are not directly related to the subject of the control (audit), into the statement (report) of the control (audit).

8. It is recommended to use the following sequence of presentation of results of the control (audit) when preparing the statement (report) of the comprehensive control (audit) of the production activities and financial and economic activities of the Company and units, branches, and representative offices of the Company:

- General information on the inspected facility (name of the inspected (audited) facility, subordination of the inspected (audited) facility, membership of the Audit Group, based on what document the control (audit) is carried out, for what period the control (audit) is carried out, the name and initials of heads of the inspected (audited) facility, their periods of service, etc.);

- Compliance with main technical and economical indicators;

- Financial status and paying capacity of the Company;

- Production sections;

- Contract discipline;

- Legality and efficiency of operations for purchase and transfer of assets;

- Efficiency and feasibility of financial investments;

- Cash operations, bank operations, credit operations;

- Condition of financial accounting and reporting;

- Condition of internal control and audit.

9. The Head or the Deputy Head of the Control and Auditing Department of the Company shall receive the materials of comprehensive control (audit) from the Head of the Audit Group. The fact of handing over of the materials shall be recorded on the last page of the statement (report) of the control (audit): "The control statement has been received" or the "Audit report has been received". The record shall specify the date and shall include the signature of the person who accepted the statement (report) of the control (audit).

#### **Article 12. Taking measures in order to eliminate infringements and deficiencies identified in course of the control (audit)**

1. The Head of the Audit Group shall take measures in course of control (audit) in order to eliminate the identified deficiencies and compensate the inflicted damage.

2. The Head of the Audit Group shall prepare an analytical note including information on the identified substantial noncompliance and risks, corporate supervision and management problems, and other information, based on the materials of the control (audit), and shall present it to the Audit Committee of the Board of Directors for consideration within maximum one week from signing of the statement (report) of the control (audit). The Head of the Audit Group shall prepare a draft resolution or letter with concrete proposals aimed at elimination of the identified infringements, compensation of the inflicted damage, determination and elimination of causes of unsatisfactory performance of the inspected unit and shall present it to the Audit Committee of the Board of Directors for consideration within maximum one week from signing of the statement (report) of the control (audit).

Measures aimed at improvement of production activities and financial and economic activities of the inspected facility shall be planned jointly with the officials of the inspected facility.

3. The Audit Committee of the Board of Directors shall consider the results of the control (audit) and shall take the necessary measures based on the results of the control (audit) within maximum 15 days upon completion of the control (audit).

The Head of the Control and Auditing Department and the Deputy Head of the Control and Auditing Department shall ensure proper follow-up supervision of implementation of the made decisions.

4. In the cases when there are reasons to bring the guilty persons to criminal account, the materials of the control (audit) shall be handed over to the investigating authority. At the same time the management staff of the inspected (audited) facility shall decide upon the issue of expulsion of the guilty officials and materially responsible persons from their positions.

The materials of the control (audit) shall be handed over to the investigating authority only by a decision of the head, which initiated the control (audit), when necessary.

The materials handed over to the investigating authority shall include: letter (application form), which shall describe the essence of the corrupt practices, shall specify, what laws were broken, the amount of inflicted damage, and the guilty persons; report of audit signed by appropriate persons; authentic documents or photocopies of the documents confirming facts of the identified corrupt practices; explanations of the inspected (audited) persons and other persons whose statements are important for investigation of the circumstances of the wrongdoing; conclusions of the controllers (auditors) regarding these explanations.

The following documents shall be left in the Control and Auditing Department files or in the files of the unit of the Company when handed over to the investigating authority: copy of the audit report; copies of explanatory notes of the officials responsible for infringements and corrupt practices identified by the control (audit); copies of the main documents confirming the infringements and corrupt practices specified in the report; document that confirms handing over of the materials to the investigating authority.

5. The necessity of taking measures in order to ensure civil proceedings shall be brought to the attention of the investigating authority, and the head of the inspected (audited) facility shall be instructed to initiate civil proceedings against the guilty persons in order to recover the inflicted damages, at the same time with handing over the materials to the investigating authority in order to bring the responsible persons to criminal responsibility.

6. In the events when material damage has been inflicted, however the responsible persons are not brought to criminal responsibility, or the criminal proceedings were closed, it is necessary to instruct the head of the inspected (audited) facility to initiate civil proceedings against the persons who are accused in inflicting the material damage. The employees who directly serve monetary funds or material values may be dismissed from their positions in compliance with the current laws if the management staff of the Company has lost confidence in them.

7. The Control and Auditing Department of the Company shall establish working contacts with the investigating authority in the course of investigation of cases based on materials of controls (audits).

A denial to initiate a criminal proceeding or a resolution of the investigating authority on closing the criminal case initiated based on materials of control (audit) may be appealed in compliance with the procedure established by the law.

8. Presence of the Control and Auditing Department in the organizational structure of the Company does not relieve the management of the Company and its units, branches, and representative offices from their responsibilities for management of the organizational units entrusted to them and does not diminish their financial and disciplinary responsibility for the respective management and controlling activities, including systematic controls at regular intervals.

9. The management of the Company and units, branches, and representative offices of the Company shall inform the Control and Auditing Department of all substantial facts connected with the economic interests and security of the Company, or the facts of noncompliance with the corporate regulations and standards without delay.

## **II. PECULIARITIES OF CONTROLS (AUDITS) OF PRODUCTION ACTIVITIES AND FINANCIAL AND ECONOMIC ACTIVITIES IN SOME AREAS OF COMPANY'S ACTIVITIES**

### **Article 13. Control (audit) of production activities and financial and economic activities in area of implementation of license agreements**

The control (audit) of the production activities and financial and economic activities in the area of implementation of license agreements shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Carrying out of the necessary quantities of geological prospecting work within the time frames specified in the license agreements;
- 2) Implementation of measures aimed at assurance of the level of production of oil and gas specified in the design documents and approved in compliance with the established procedure;
- 3) Performance of scheduled measures for utilization and maximum use of the associated petroleum gas;
- 4) Application of techniques and procedures for intensification of production of oil and increase of the oil extraction ratio;
- 5) Timely preparation of design documents for development of oil fields and for governmental expert examination of reserves;
- 6) Interaction between the holder of the license and the administration of the territory, timely performance of social obligations of the Company.

**Article 14. Control (audit) of production activities and financial and economic activities in area of geological prospecting work**

The control (audit) of the production activities and financial and economic activities in the area of performance of geological prospecting work shall be carried out, without limitation, in respect of the following operations:

- 1) Progress of performance of geological prospecting work, geological survey jobs and organizational and technical measures, approved by resolutions of the Company based on annual plans;
- 2) Performance of programs for preparation of structures for deep drilling, commencement of prospecting and exploratory drilling in designated areas and implementation of well construction schedules for designated areas;
- 3) Complete and timely performance and quality of geological and geophysical survey work, testing of prospective sections and facilities in the course of drilling and well testing works;
- 4) Reliability and efficiency of special works and technique testing works (including the work performed by subcontractors);
- 5) Technical, procedural and organizational level of performance of geophysical prospecting work, seismic exploration work, drilling and well testing work (including the work performed by subcontractors);
- 6) Efficiency of the carried out measures for prevention of emergencies and decrease of downtime;
- 7) Level of geological information obtained from the oil and gas prospect exploration drilling and from seismic survey work;
- 8) Efficiency of the designer's supervision over implementation of complex project;
- 9) Condition of the stock material base and implementation of measures aimed at new evaluation of hydrocarbon material reserves based on new initial parameters identified in the course of additional exploration of the field;
- 10) Adherence to the plan of increase of reserves of hydrocarbon materials.

**Article 15. Control (audit) of production activities and financial and economic activities in area of development of oil fields**

The control (audit) of the production activities and financial and economic activities in the area of development of oil fields shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Making sure that the oil fields have sufficient process design documentation for development of the oil fields;
- 2) Analysis of the current condition of development of the oil fields, designer's supervision of implementation of the design documents and carrying out measures for improvement of the condition of extraction of hydrocarbon material reserves from the development formations and development facilities;
- 3) Condition of hydrodynamic and geophysical field research in the area of extraction of hydrocarbon material reserves;
- 4) Used water flooding methods and water flooding systems, which affect carrying out of the planned production quantities, determining efficiency of these methods and systems based on geological and hydrodynamic continuous operation models;
- 5) Reliability of data in the process regime specifications and monthly operation reports;
- 6) Efficiency of geological prospecting work;
- 7) Efficiency of control of measures aimed at support of formation pressure.

**Article 16. Control (audit) of production activities and financial and economic activities in area of drilling for oil and gas**

The control (audit) of the production activities and financial and economic activities in the area of performance of drilling for oil and gas shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Quality of construction of wells (reliability of strengthening of the well shaft, quality of development of the production formations, etc.);
- 2) Completion of the quantities of drilling work specified in the business plans and performance of organizational and technical measures in the area of drilling approved by Company's orders;
- 3) Carrying out complex, prospective, organizational and technical measures approved by the Company;
- 4) Carrying out estimated indicators of business plans for financing of drilling works;
- 5) Availability of adequate design and cost estimate documentation for the planned amounts of work;
- 6) Condition of equipment in the areas where drilling works, works for preparation of new drilling sites, and performance of scheduled tasks for preparatory drilling work are carried out;
- 7) Organizational structure of management of drilling works in the Company, its units and branches;
- 8) Condition of the park/fleet of drilling equipment, plugging equipment and special equipment, carrying out of the plan of capital repair of the drilling equipment;
- 9) Level of production and technical service of drilling teams and assurance of continuity of construction of wells at all phases;
- 10) Carrying out the plan for construction and erection of drilling rigs;
- 11) Assurance of availability of main materials for drilling, availability of the necessary current stock stipulated by regulatory documents;
- 12) Condition of works for testing and starting wells;
- 13) Availability of process specifications and procedures for construction of drilling rigs, drilling and testing wells (when they are approved, and for what period they are approved), and compliance with them;
- 14) What measures are taken in order to speed up completion of construction of wells, condition of unfinished production;
- 15) Technological level of construction of wells;
- 16) Carrying out measures for decrease of specific cost of penetration per meter;
- 17) Analysis of the balance of calendar time spent for construction of drilling rigs, drilling work and well testing work; measures taken for decrease of nonproductive time in the course of construction of drilling rigs, drilling work and well testing work; analysis of reasons of breakdowns and emergencies in the course of drilling; determining main factors that cause breakage; analysis of downtime in the course of drilling work, finding out causes of downtime in the course of drilling work;
- 18) Time spending for supporting work, auxiliary work and repair work, and measures aimed at decrease of the time spent for supporting work, auxiliary work and repair work;
- 19) Indicators of operation of boring heads;
- 20) Existence of cases of deviations from the approved annual schedules of well drilling, including analysis of the reasons that affected these deviations and determining the consequences in the part of lost oil and the number of wells not handed over to the client;
- 21) Establishing reasons for considerable deviations in the excessive consumption or saving of the main cost items based on the report on primary cost of construction of production wells and prospecting wells (form No. 3-c);
- 22) Adherence to the time schedules of financing of drilling works and works connected with geological complications that appear in the course of construction of the wells and that are not stipulated in the project design;
- 23) Substantiated character of settlement of the service company which provides well construction services to the Company with the subcontractors for the performed works (possibility to confirm work quantities and prices);
- 24) Carrying out measures aimed at technical renovation of the drilling units based on advanced scientific and technological achievements.



**Article 17. Control (audit) of production activities and financial and economic activities in area of production of oil and gas**

The control (audit) of the production activities and financial and economic activities in the area of production of oil and gas shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Achievement of the set objectives for production of oil and gas, implementation of the planned organizational and technical measures, approved by orders of the Company, aimed at assurance of achievement of the objectives for production of oil and gas;
- 2) Stock of oil wells, gas wells and injection wells, the structure of the stock, compliance with the established norms regarding all types of downtime;
- 3) Quality indicators of operation of wells (the use coefficient of the operational stock of wells, the use coefficient of the running stock of wells, the MTBR period of well operation for various methods of operation), the calendar time balance of the running stock of oil and gas wells;
- 4) Condition of reservoir facilities (availability and actual use of vessels in the interim tank farms, oil collecting tank farms, product tank farms, and process vessels);
- 5) Running repair and capital repair of wells: quantity and quality of repairs, the balance of calendar time, expenses for the running repair and capital repair of wells, availability of equipment and tools, prevention of deterioration of reservoir features in the course of capital repair of wells;
- 6) Analysis of checking of mud rooms and solid particles content measurement facilities;
- 7) Performance of geological engineering measures, efficiency of performance of geological engineering measures, planning and spending of funds for performance of geological engineering measures;
- 8) Quality of preparation of sold oil, quantity of sold substandard oil;
- 9) Availability of production facilities for preparation of oil and gas, performance of plans for construction or reconstruction or oil and gas preparation facilities;
- 10) Existence of designed and approved measures aimed at increase of quality of preparation of oil and gas and progress of their performance;
- 11) Compliance with the established norms for process losses and consumption of oil and gas for auxiliary purposes, existence of approved measures aimed at decrease of oil and gas losses and rational use of oil and gas, and progress of performance of these measures;
- 12) Quality of accounting in the course of reception of oil from external institutions and sales of oil from the oil tank facilities.

**Article 18. Control (audit) of production activities and financial and economic activities in area of increase of reservoir recovery and introduction of chemical technologies in oil production processes**

The control (audit) of the production activities and financial and economic activities in the area of reservoir recovery and introduction of chemical technologies in oil production processes shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Carrying out of the planned annual oil production quantities by introducing new methods of increase of reservoir recovery;
- 2) Carrying out of the planned quantities of injections of agents into the formation in order to increase reservoir recovery;
- 3) Performance of measures aimed at construction and commissioning of facilities intended for increase of reservoir recovery;
- 4) Performance of measures aimed at introduction of chemical technologies in oil production processes (injection of corrosion inhibiting agents, salt sediment inhibiting agents, paraffin, bactericide agents, etc.);
- 5) Use of chemical agents approved by GOST standards (except chlorine, organic agents and other banned chemical agents);
- 6) Efficiency of reservoir recovery improvement methods.

**Article 19. Control (audit) of production activities and financial and economic activities in area of processing of oil**

The control (audit) of the production activities and financial and economic activities in the area of processing of oil shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Fulfillment of assignments for processing of oil and production of the required nomenclature of petroleum products, implementation of planned organizational and technical measures;

- 2) Compliance with repair schedules for repair of plant and equipment, reasons of downtime over the time stipulated in norms and schedules;
- 3) Quality indicators of processing of oil: bleeding light petroleum products, depth of processing, quality of produced products, existence of unsatisfactory product reports and claims;
- 4) Condition of tank farm facilities, adherence to cleaning schedules, turnaround, daily oil reserve;
- 5) Condition of movement of oil and petroleum products and technical facilities supporting movement of oil and petroleum products, availability of automated systems for accounting of commodity petroleum products, information collection intervals, availability of systems operating in the real time mode;
- 6) Account of losses, including irreparable losses; compliance with the approved norms;
- 7) Operation of treatment facilities, facts of discharge of petroleum products into water bodies, analysis for compliance with the approved norms, presence of drainless systems.

**Article 20. Control (audit) of production activities and financial and economic activities in area of petroleum products supply assurance**

The control (audit) of the production activities and financial and economic activities in the area of petroleum products supply assurance shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Presence of regulatory and technical documentation in the petroleum storage depots (the passport of the petroleum storage depot and its timely renewal, the general layout of the petroleum storage depot, the diagram of process pipelines of the petroleum storage depot, passports for reservoirs and pipelines, reservoir process charts, reservoir calibration tables, pipelines, etc.);
- 2) Presence of reservoir cleaning time schedules and adherence to the reservoir cleaning time schedules;
- 3) Presence of time schedules for reservoir defect detection and adherence to the reservoir defect detection time schedules, presence of reservoir defect detection certificates;
- 4) Good repair condition of tanks (presence of misting spots, cracks, sagging areas, integrity of heat insulation, etc.), presence of necessary equipment on the tanks (safety valves, breather valves, lightning protection equipment, etc.), good repair of stairs and ladders;
- 5) Integrity of tank farms diking;
- 6) Correct application of height marks on tanks, presence of bottom correction certificates;
- 7) Good repair condition of tank foundations;
- 8) Good repair condition of passageway ladders over dikes of tank farms and process pipelines;
- 9) Presence and good repair condition of lighting of tank farms, trestles, mooring berths;
- 10) Good repair condition of shutoff fittings in the petroleum storage depot;
- 11) Existence of pre-planned measures aimed at prevention of loss due to leaking in the course of storage of petroleum products in the tanks (good repair condition and tightness of tanks, good repair condition of internal check valves, shutoff fittings, level gages, manholes, tightness of stuffing boxes, valves, flange connections, socket joint connections) and performance of these measures;
- 12) Arrangement of carrying out of hot work;
- 13) External visual examination of process pipelines: good repair condition of welds, flange connections, including fastening pieces, tightness of all connections, condition of supporting structures, condition of foundations and suspensions of supporting structures, condition and operation of compensating devices, condition of drainages, pipeline fittings, presence of grounding devices, existence of pipeline examination certificates;
- 14) Adherence to testing intervals for testing of strength of process pipelines (once per three years);
- 15) Correct design and correct operation of pump stations (existence of piping diagrams of pump units and other documentation, correct placement of pumps and electric motors, safety barriers around pumps, control of piping in order to prevent mixing different sorts of petroleum products, tightness of pumps and pipelines, presence and good repair condition of the gas analyzer);
- 16) Good repair condition of railway and motorway trestles (stairs and ladders, walkway bridges, filling and discharge equipment, grounding of filling and discharge equipment, possibility of layered filling), good repair condition of automatic and semiautomatic petroleum products filling systems;
- 17) Adherence to the regulations of operation of mooring berths (both stationary type and floating type), equipment of mooring berths (both stationary type and floating type) and its good repair condition (hose devices, pipelines, shutoff valves, etc.), presence of floating guard booms, fenders, etc.;
- 18) Good repair condition of the ventilation, water supply and sewerage systems, adherence to regulations regarding operation of the ventilation, water supply and sewerage systems;
- 19) Operation of boiler houses, mechanical repair workshops, garages;

20) Existence of container storage areas and presence of necessary equipment in the container storage areas, adherence to the regulations regarding storage of petroleum products in containers;

21) Good repair condition of the electric equipment, electric installations, and lightning protection equipment, adherence to regulations regarding operation of the electric equipment, electric installations, and lightning protection equipment;

22) Laboratories in the petroleum storage depots, presence of necessary equipment and instruments in the laboratories of the petroleum storage depots;

23) Metrological support of operation of the petroleum storage depot (presence and good repair condition of measurement facilities, availability of marking stamps and seals, presence of the state verification agency, time schedules for verification of measurement facilities and adherence to them);

24) Presence and good repair condition of firefighting facilities;

25) Condition of the territory of the petroleum storage depot (grass mowing, mazoot contamination, etc.);

26) Good repair condition of tanks of motor vehicle filling stations and equipment of the tanks;

27) Checking accuracy of filling pumps in the motor vehicle filling stations, presence of seals of the state verification agency, correct sealing methods, good repair condition of hoses and filling taps;

28) Condition of measurement facilities in the petroleum storage depots and motor vehicle filling stations, their good repair condition, adherence to time schedules for state verification of measurement facilities in the petroleum storage depots and motor vehicle filling stations, presence of seals of the state verification agency, checking tightness of connections, presence and good repair condition of grounding devices, good repair condition of the loud intercom system;

29) Types of services, including auxiliary services, offered to owners of motor vehicles at the motor vehicle filling stations;

30) Control of anti-criminal protection of motor vehicle filling stations, arrangement of cash collection procedures;

31) Substantiated character of writing off losses;

32) Control of fuel quality at the motor vehicle filling stations by sampling.

#### **Article 21. Control (audit) of production activities and financial and economic activities in area of sales of petroleum products in the domestic market**

The control (audit) of the production activities and financial and economic activities in the area of sales of petroleum products in the domestic market shall be carried out, without limitation, in respect of the following facilities and operations:

1) Pricing policy of the Company in the region in the part of sales of petroleum products, condition of price level for petroleum products sold by the Company compared to main competitors;

2) Arrangement of work of pricing committees (commissions), existence of minutes of meetings;

3) Adherence to decisions of the pricing committees (commissions) in course of conclusion of contracts and sales of petroleum products in small wholesale batches or through motor vehicle filling stations;

4) Existence of price discounts and substantiated use of price discounts and deferred payment terms when selling petroleum products to commercial enterprises;

5) Presence of the provision on making contracts for sales of petroleum products and adherence to it, presence and use of the approved standard form for contract for sales (purchase) and storage of petroleum products;

6) Contract management (accounting) system, presence of original copies of contracts for sales of petroleum products, petroleum products acceptance acts, mutual settlement verification reports;

7) Condition of mutual settlement with counterparts for supplied petroleum products, existence of overdue debts in settlement for supplied petroleum products, measures taken by the Company in order to recover overdue debts in settlement for supplied petroleum products if they exist;

8) Condition of mutual settlement for petroleum products supplied by the Company, existence of overdue debts, dynamics of change of the overdue debt, existence of time schedules for repayment of the overdue debt and adherence to these time schedules;

9) Profitability of wholesale (transit) sales of petroleum products, small batch wholesale of petroleum products (from the petroleum storage depots), and retail sales of petroleum products through the network of motor vehicle filling stations;

10) Evaluation of efficiency of sales of petroleum products through different channels;

11) Lines of use of oil and petroleum products supplied by the Company for own needs, and for other special purposes determined by the Company (franchising, state requirements, etc.);

12) Analysis of performance of the refineries' obligations in the framework of contracts with the Company for processing of tolling oil, correct preparation of documentation based on the made contracts.

**Article 22. Control (audit) of production activities and financial and economic activities in area of export of petroleum products**

The control (audit) of the production activities and financial and economic activities in the area of export of petroleum products shall be carried out, without limitation, in respect of the following facilities and operations:

1) Existence and correct form of contracts for transit transport of petroleum products supplied to the petroleum products storage and supply enterprise for further transport for export;

2) Reception of petroleum products to the tanks of petroleum products storage and supply enterprises in compliance with requirements of: Instruction on the procedure for acceptance of industrial-technical products and consumer goods by quantity (approved by Resolution No. P-6 dated June 15, 1965 of the State Arbitrage (Gosarbitrazh) of the USSR), Instruction on the procedure for acceptance of industrial-technical products and consumer goods by quality (approved by Resolution No. P-7 dated April 25, 1966 of the State Arbitrage (Gosarbitrazh) of the USSR), Instruction of the Governmental Committee on Petroleum Products (Goskomnefteprodukt) of the USSR dated August 15, 1985 No. 06/21-8-446 on the procedure of supply, storage, release and account of oil and petroleum products in the petroleum storage depots, filling points and motor vehicle filling stations of the system of Goskomnefteprodukt of the USSR, and Instruction on supervision and quality assurance of petroleum products in the petroleum products storage and supply enterprises (approved by resolution of the Ministry of Energy of the Russian Federation dated June 19, 2003 No. 231);

3) Adherence of the enterprise to requirements of GOST R. 8.595 "State system for ensuring uniform measurement. Mass of oil and petroleum products. General requirements to methods of measurement" regarding errors of measurement in the course of commercial operations (registration of differences between results of measurement of the quantity of petroleum products loaded into the tank ship from the ship tanks and land reservoirs, in the journal);

4) In the event of shortage of petroleum products, control of correct making of respective reports and documents confirming the fact of shortage;

5) Existence of reports for discharge of petroleum products when receiving freight from the railway enterprise into tanks of the terminal;

6) Existence of petroleum products acceptance acts for petroleum products supplied from refineries via the product pipeline;

7) Control of correct indication of export quantities of the petroleum products in the reports of the Company for the reported period;

8) Control of correct calculation of accounts receivable for the provided service within the scope of agreed export tariff;

9) Reconciliation of financial results for settlements for the provided transit transport services (existence of accounts payable and accounts receivable);

10) Existence of overdue accounts receivable.

**Article 23. Control (audit) of production activities and financial and economic activities in area of capital construction**

The control (audit) of the production activities and financial and economic activities in the area of capital construction shall be carried out, without limitation, in respect of the following facilities and operations:

1) Existence of approved organizational and technical measures and time schedules for construction and commissioning for operation of the production and non-production facilities included in the capital investment plan in compliance with the approved indicators of the business plan;

2) Carrying out of planned organizational and technical measures and time schedules for construction of facilities;

3) Formation of the capital development plan;

4) Carrying out the plant for capital investment, construction and erection works and commissioning of fixed assets for operation. Condition and progress of construction work and readiness of production and non-production facilities;

5) Arrangement of supervision of construction progress and the degree of client's participation in construction of facilities;

- 6) Existence of facts of non-planned construction or construction of facilities without approved design and cost estimate documentation;
- 7) Timely performance of contractual obligations;
- 8) Current work with subcontractor's institutions in all phases of design and construction. Carrying out of technical supervision over the progress and quality of construction;
- 9) Provision of material resources, labor resources, construction equipment and motor vehicle transport for the most important construction projects;
- 10) Condition of supervision of targeted use of material resources of the client by subcontract institutions;
- 11) Adherence to the planned dates for construction, reconstruction, technical renovation and commissioning for operation of production facilities and objects;
- 12) Adherence to the established procedure for acceptance of facilities for operation;
- 13) Adherence to the plan of subcontractors' work carried out by own construction enterprises, performance of quantities of construction and erection works and commissioning of production and non-production facilities. Provision of small mechanization facilities, process transport and process mechanisms for the construction and erection works projects;
- 14) Compliance of actual spent values for the carried out work quantities to the cost estimate values;
- 15) Adherence to the established procedure for provision and correct preparation of reports and as built documentation for the carried out works;
- 16) Adherence to the established procedure for selection of subcontractors based on tenders;
- 17) Adherence to the established procedure for financing capital investments.

**Article 24. Control (audit) of production activities and financial and economic activities in area of logistical support of production tasks and capital construction tasks, condition of accounting, economy, storage and rational use of material and technical resources**

Control (audit) of production activities and financial and economic activities in the area of logistical support of production tasks and capital construction tasks, condition of accounting, economy, storage and rational use of material and technical resources shall be carried out, without limitation, in respect of the following operations and facilities:

- 1) Arrangement of acceptance of materials and equipment in compliance with current legislation and corporate norms;
- 2) Condition of storage facilities, including compliance with the established requirements in respect of handling and storage of materials, equipment and spare parts in storage facilities of production storage depots, components depots, enterprises and institutions; availability of weighing and measuring equipment, instruments, measurement containers, etc., at the storage facilities;
- 3) Existence of outdoor and indoor areas for storage of material assets, outdoor areas with hard pavement for storage of equipment, reservoirs for storage of bulk materials and liquid materials, flammable materials, chemical agents, containers and trays;
- 4) Condition of fire safety, fencing of territories, site access ways and passageways, presence of guards and burglar alarm signaling;
- 5) Availability of equipment and necessary load lifting machines at the component storage depots, and production and technical support depots;
- 6) Arrangement of storage of preserved facilities and equipment. Presence and systematic character of control inspections of equipment stored for long time, technical condition, completeness and condition of preservation of equipment stored for long time;
- 7) Existence of facts of damage to material and technical resources due to incorrect storage. Measures taken in order to compensate the inflicted damage, bring the responsible persons to disciplinary responsibility and material responsibility, planned measures aimed at elimination and further prevention of the identified deficiencies;
- 8) Arrangement of repair of the equipment damaged in the course of transportation and load handling works;
- 9) Carrying out of controls of the condition of storage and use of equipment and materials, measures taken based on results of internal controls;
- 10) Existence of planned measures aimed at improvement of storage of material and technical resources and implementation of these measures;

11) Condition of production stock, existence of surplus stock and non-liquidated stock of materials. Measures taken in order to involve the surplus stock of materials in the economical turnaround and dispose of non-liquidated stock;

12) Existence of facts of shortage or excess of material assets. Measures taken by the Company (or organizational units of the Company) based on the established facts;

13) Assurance of the conditions for economy and rational use of raw materials resources, fuel and energy resource, and other material resource, and for discovery, account and use of secondary raw materials;

14) Existence of planned measures aimed at rational use of raw materials resources, fuel and energy resources, and other material resources, and implementation of these measures;

15) Condition of work aimed at rationing of input of raw materials, consumption of materials, fuel, end electric energy. Measures taken for introduction of improved norms of consumption of materials and raw materials. Correct writing off raw materials and materials for production, compliance of the current norms to the modern level of technology and organization of production. Existence of cases where unaccounted excessive material assets are formed due to overrated norms of input of raw materials and materials, and facts of writing off material assets in the quantities, which exceed the actual consumption;

16) Existence of operational systems of economic incentives for rational use of raw materials resources, fuel and energy resources, and other material resources;

17) Condition of claims management (claims, penalties, fines, etc.);

18) Control of execution of resolutions and instructions of the Company regarding arrangement of logistical support (times of presentation of applications for centralized provision of material and technical resources, compliance of purchased items to the current effective regulatory documents, comparison of prices of the purchased material resources with the central supply prices);

19) Analysis of work aimed at decrease of accounts payable and accounts receivable in connection with procurement of material and technical resources (existence of time schedules and other measures, adherence to the time schedules, implementation of the measures for setting off accounts payable and accounts receivable);

20) Analysis of arrangements for determining prices for purchase of material and technical resources. Existence of tender commissions and existence of a regulation on carrying out of tenders, and adherence to the regulation on carrying out of tenders in the course of practical work.

#### **Article 25. Control (audit) of production activities and financial and economic activities in area of occupational, industrial and environmental safety**

The control (audit) of the production activities and financial and economic activities in the area of occupational, industrial and environmental safety shall be carried out, without limitation, in respect of the following facilities and operations:

1) Existence of the environmental management unit;

2) Existence of the annual plan for environment protection measures, existence of permission documents for use of natural resource. Performance of the annual plan for environment protection measures;

3) Existence of the necessary legal and regulatory frameworks in the area of protection of environment;

4) Existence of instructions of environment protection authorities and the work carried out in order to eliminate the indicated shortcomings;

5) Existence of the internal environmental monitoring system;

6) Reasons and amounts of penalties and claims imposed or raised by the environment protection authorities. Measures taken in order to compensate the inflicted damage, bring the responsible persons to disciplinary responsibility and material responsibility, planned measures aimed at elimination of the identified deficiencies;

7) Existence of the occupational safety and industrial safety department and organizational structure of the department. Existence of the occupational safety committee (commission);

8) Existence of the order on appointment of persons responsible for compliance with the occupational safety and industrial safety requirements;

9) Adherence to time schedules for training and knowledge examination of employees, including the management staff, in the occupational safety and industrial safety matters. Whether employees have certificates of the established form, which permit performance of special works;

10) Maintaining logs for recording of all sorts of occupational safety orientation meetings, instructions on occupational safety for special professions and types of work, list of issues (program) for carrying out of the introductory safety orientation meeting;

11) Carrying out medical examinations of employees, which are stipulated in resolution No. 90 dated March 14, 1996 of the Ministry of Health and Medical Industry of Russia;

12) Whether the employees are adequately equipped with special clothes, footwear and other individual protection equipment, and whether there are sanitary rooms and facilities in compliance with the established norms;

13) Results of inspections of the working conditions, occupational safety, and industrial safety by state supervision and control authorities, and compliance with their instructions;

14) Results of internal inspections of the working conditions, occupational safety, and industrial safety, and indication of the results of the inspections in respective logs;

15) Existence of a list of hard works and work connected with hazardous or dangerous working conditions. Provision of adequate compensations for the work connected with hazardous or dangerous working conditions;

16) Presence of employer's obligations towards the employees of the Company in the area of ensuring proper working conditions and occupational safety, in the collective contract;

17) Efficiency of operation of existing regular environment protection plants and facilities and special environment protection equipment, plant and facilities;

18) Existence of penalties and fees for contamination of environment above the established norms. Finding out the environment contamination factors and reasons of their formation, measures aimed at elimination of the identified shortcomings. Taken measures for compensation of the inflicted damage, taking disciplinary actions against the responsible persons, bringing the responsible persons to material responsibility.

#### **Article 26. Control (audit) of production activities and financial and economic activities in area of provision of motor vehicles, tractors and special vehicles**

The control (audit) of the production activities and financial and economic activities in the area of provision of motor vehicles, tractors and special vehicles shall be carried out, without limitation, in respect of the following facilities and operations:

1) Achieving main technical and economical indicators of use of motor vehicles and special machines (motor vehicle fleet use ratio, mileage use ratio, load carrying capacity use ratio, use of specialized motor vehicles and trailers, shift operation of motor vehicles, tractors, special machines, use of public transport facilities for freight transport and crew transport). Presence and condition of control over departure and return of motor vehicles. Downtime and empty running of motor vehicles and special machines;

2) Compliance of actual existing motor vehicles to accounting data, presence of technical passports for transport facilities. Existence of orders on assignment of drivers to motor vehicles, on operational fleet of motor vehicles, on transfer of motor vehicles from the operational stock to the repair stock. Existence of motor vehicles that are not operated due to technical reasons. Establishment of reasons and responsible persons when incomplete motor vehicles are identified, control of the established procedure for writing off incomplete motor vehicles;

3) Compliance and adherence to the plan and time schedule for technical maintenance and repair of motor vehicles and special machines; whether actual cost of repair matches the approved cost estimates and norms; whether the procedure of issue of assembly units and spare parts for repair is followed;

4) Number of breakdowns and road accidents, condition of work for assurance of occupational safety and traffic safety, use of penalty measures for persons who do not adhere to labor discipline, traffic regulations and regulations of operation of motor vehicles;

5) Arrangement and condition of settlement for motor vehicle transport service, the procedure of issue of way bills, correct preparation and filling-in of way bills, compliance with the procedure of preparation and issue of consignment notes, existence of approved distance tables between the populated locations and production facilities in the frequently used load transportation routes;

6) Condition of accounting of motor vehicle tires in the storage facilities, tires in repair workshops, tires in operation, and worn tires;

7) Correct storage and account of fuel and lubrication materials and spare parts. Arrangement of control over spending of fuel and lubrication materials for each piece of transport and special machines;

8) Arrangement of the process of technical maintenance and repair. Availability of production areas, equipment, repair workers, load lifting equipment, inspection pits, use of the sectional repair method. Availability of repair slots in the motor vehicle repair works, quantity of capital repairs carried out in the

enterprise. Existence of annual plans for technical maintenance and repair of motor vehicle fleet, existence of monthly time schedules, and compliance with them. Methods of technical maintenance and service, arrangement of work of technical maintenance stations, existence of process charts. Existence of turnaround stock of components and aggregates.

**Article 27. Control (audit) of production activities and financial and economic activities in area of scientific research work**

The control (audit) of the production activities and financial and economic activities in the area of scientific research work shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Existence of established requirements and compliance with requirements of the documentation that regulates scientific and research activities;
- 2) Analysis of plans for research and development work (R&D) by types of work, purpose and objectives, importance and by scientific and technical areas;
- 3) Existence of work that did not bring positive results. Analysis of reasons of negative results and the level of substantiation of their development;
- 4) Performance of plans of research and development work in compliance with approved contracts for the audited period. Existence of work items that do not meet main lines of activities of the Company, grounds for their carrying out (letters, orders, instructions, verbal instructions). Existence and proportion of non-planned work in the total amount of the scientific research and development work;
- 5) Facts of duplication of scientific and research works, or similar works carried out in previous years. Analysis of reasons of the identified facts and substantiation of carried out works;
- 6) Distribution of the work according to lines of activities of the Company. Degree of load of scientific and research units, which are parts of the Company, analysis of use of funds for the most important and promising areas of research;
- 7) Compliance with the planned cost estimate for scientific and research units which are parts of the Company for various sources of financing (the budget, the scientific research and development work fund, capital investments, other sources). Existence of changes and substantiation of changes of the preliminary estimated cost of completed works, which shall be paid;
- 8) Results of research and development work. Efficiency of scientific research, experimental work, and pilot development work, carried out by external scientific research institutions based on contracts with subsidiaries, branches and units of the Company;
- 9) Substantiation of efficiency estimates of use of results of the research and development work, confirmation of the completed work by subsidiaries, representative offices and units of the Company, in which the results of the work were used;
- 10) Use of the research and development potential of units of the Company. Efficiency of work and amount of financing (production) per one employee, number of patents and innovation proposals per 100 employees.

**Article 28. Control (audit) of production activities and financial and economic activities in area of fire safety, radiation safety and emergency response**

The control (audit) of the production activities and financial and economic activities in the area of fire safety, radiation safety and emergency response shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Existence of the order on establishment of the commission for emergency situations, provision on the commission for emergency situations, minutes of meetings of the commission for emergency situations and compliance with these documents, annual plan of main measures in the area of prevention of emergencies and liquidation of consequences of emergencies, and adherence to the plan;
- 2) Existence of the annual time schedule for training in response to emergency situations and adherence to it;
- 3) Existence of a data bank containing information on occurred emergency situations and accidents;
- 4) Existence of a system for preparation and assurance of readiness of forces and facilities for liquidation of emergency situations;
- 5) Existence of an annual plan of main measures in the area of fire safety assurance, and adherence to the plan;
- 6) Instructions of the fire safety supervision authorities and authorized persons of the Ministry of Emergencies of Russia; carried out work for elimination of identified shortcomings;



- 7) Existence of lists of persons responsible for fire safety and authorized to make decisions on issues of emergency situations, in the organizational units of the Company;
- 8) Existence of a radiation-monitoring unit (if the Company operates facilities connected with radiation hazard).

**Article 29. Control (audit) of production activities and financial and economic activities in area of use of labor resources, funds for labor remuneration and bonuses**

The control (audit) of the production activities and financial and economic activities in the area of use of labor resources, funds for labor remuneration and bonuses shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Adherence to the Labor Code of the Russian Federation and other regulatory documents regarding labor remuneration, social benefits, guarantees and compensations;
- 2) Compliance with the current laws and corporate norms when employing women's and young persons' labor;
- 3) Existence of a collective contract made between the Company and the working collective. Adherence to provisions of the collective contract and the tariff agreement;
- 4) Existence of a commission for labor disputes established in the Company. Arrangement of consideration and resolution of labor disputes;
- 5) Condition of rationing of work. Specific weight of technically substantiated norms for production and service. Specific weight of manual work and measures taken in order to substantially reduce manual work;
- 6) Organizational work with human resources. Analysis of quality composition of the human resources, use of specialists, formation of prospective promotion candidates and work with prospective promotion candidates, work with young specialists. Arrangement of work for improvement of skills of workers, engineering staff and other employees;
- 7) Labor discipline. Measures taken against violators of labor discipline. Use of disciplinary penalty measures;
- 8) Work for finding and introduction of advance production techniques and experience. Material and moral incentives for employees who achieved high indicators in work;
- 9) Presence of non-production related loss of working time due to downtime, absence at the workplace, failure to attend. Measures taken in order to ensure more complete and more rational use of working time, elimination of downtime and inefficient work;
- 10) Planning of use and use of the labor remuneration fund, reasons of relative overspending (taking into account completion of product quantity objectives) and measures taken in order to compensate the labor remuneration fund. Existence of facts of payment of wages for the time when no work was done (payment for downtime, additional payment of deviation from normal working conditions, etc.) and reasons for such payment;
- 11) Adherence to the staffing schedule and tariff discipline, adherence to current employee salary plans;
- 12) Correspondence between the actual quantities of carried out works and quantities of work shown in the work orders used for calculation of wages and salaries. Existence of cases of writing up quantities of carried out work, charging of salary to nonexistent persons, or other illegal payments. Correct payment for work of temporarily employed persons, secondary employment, substitution or combination of professions;
- 13) Compliance with current provisions on bonus payment to employees based on results of economic activities.

If facts of illegal payment are identified, necessary measures shall be taken in order to eliminate the existing shortcomings and compensate the inflicted damage in compliance with the established procedure.

**Article 30. Control (audit) of production activities and financial and economic activities in area of safe keeping of material assets**

The control (audit) of the production activities and financial and economic activities in the area of safe keeping of material assets shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Making contracts on material responsibility in writing with the materially responsible persons. Existence of contracts for material responsibility and reports for documentary handing over of material val-

ues from one materially responsible person to another materially responsible person when the materially responsible person goes on leave and in other cases stipulated by the current legislation;

2) Adherence to the procedure of storing and accounting of materials and control over use of materials in compliance with requirements of the current laws in the area of accounting of material stock;

3) Timely and complete inventory of material assets, correct evaluation of results of inventory and reflecting them in the financial accounting, substantiated character of writing off missing materials and losses of material assets in the course of their storage and transportation;

4) Actual existence of remaining material assets, which are reflected in the accounting as being transported. Existence of operational accounting and control over arrival of freight and over issued powers of attorney for reception of valuable materials;

5) Adherence to the established norms for issue of special clothes, special footwear, and special food.

**Article 31. Control (audit) of production activities and financial and economic activities in area of use and safe keeping of fixed assets**

The control (audit) of the production activities and financial and economic activities in the area of use and safe keeping of fixed assets shall be carried out, without limitation, in respect of the following facilities and operations:

1) Use of currently operative production facilities;

2) Adherence to the regulatory times of commissioning for operation of new production facilities, identifying cases of breach of regulatory times of commissioning for operation of production facilities, and losses resulting from this;

3) Performance of tasks for introduction of new equipment, mechanization of labor-intensive processes. Reasons of existence of equipment, which was not installed and not put into operation, in the storage facilities;

4) Existence of planned measures aimed at increase of economic efficiency of fixed assets (increase of shift work ratio, decrease of downtime and losses);

5) Existence of a time schedule for preventive repair, adherence to the preventive repair time schedule, use of financing for capital repair and running repair assigned in compliance with the cost estimates;

6) Carrying out of selective inventory of fixed assets in order to determine actual existence of fixed asset objects and compliance with accounting data;

7) Discovery of facts of non-documentary transfer of fixed asset objects to external institutions or individuals for private use. Measures taken against the wrongdoers in order to compensate the inflicted damage;

8) Adherence to requirements of the current laws in the area of accounting of fixed assets;

9) Existence of permanently working commission for decommissioning (liquidation) of fixed assets. Legality and substantiation of operations for liquidation of fixed assets. Correct evaluation of the materials received from disassembly of liquidated fixed asset items in the course of their registration in the accounts. Correct indication of results of liquidation of fixed assets in the financial accounting;

10) Substantiated character of leasing of fixed assets, safe keeping of leased fixed assets, complete and timely reception of lease payments.

**Article 32. Control (audit) of production activities and financial and economic activities in area of condition of financial accounting and internal control**

The control (audit) of the production activities and financial and economic activities in the area of condition of financial accounting and internal control shall be carried out, without limitation, in respect of the following facilities and operations:

1) System for internal control of cash discipline and advance payment discipline:

- control (audit) shall be started from unexpected inventory (audit) of cash, securities and registered high security forms located in the cash account;

- Existence of a constantly operating system of supervision over adherence to the cash discipline, including carrying out unexpected controls (inventory) of the cash account at regular intervals;

- Assurance of safe keeping of monetary funds in compliance with the unified requirements to technical equipment and signaling facilities of the cash offices of enterprises (Schedule No. 3 to the Procedure of carrying out of cash transactions in the Russian Federation, approved by Resolution No. 40 of the Board of Directors of the Bank of Russia, dated September 22, 1993);

- Compliance with the established limit amount of kept monetary funds, adherence to the established limit of cash settlement with legal entities;
- Adherence to the cash discipline, advance payment discipline, and other requirements stipulated by the Procedure of carrying out of cash transactions in the Russian Federation, approved by Resolution No. 40 of the Board of Directors of the Bank of Russia, dated September 22, 1993;
- 2) Arrangement of accounting and internal control of fixed assets and intangible assets:
  - Existence of documents confirming the right of ownership for objects of fixed assets and intangible assets. Correct evaluation of fixed assets and intangible assets;
  - Reliable inventory of fixed assets and intangible assets;
  - Legality of the chosen and applied principles of accounting of objects of fixed assets and intangible assets:
    - Legality and economic substantiation of transactions for procurement or disposition of objects of fixed assets and intangible assets;
    - Correct estimates of depreciation and cost of repair and renovation of fixed assets;
- 3) Arrangement of accounting and internal control of settlement accounts, current accounts and foreign currency accounts in banks:
  - List of settlement accounts, current accounts, foreign currency accounts, loan accounts, transit accounts, and other accounts opened in banking institutions;
  - Compliance of the carried out transactions with regulatory documents and legislation, which are currently in force in the territory of the Russian Federation;
  - Completeness and correctness of operations shown in the settlement account, current account, and other accounts;
  - Completeness and correctness of operations shown in the foreign currency account;
  - Completeness and correctness of operations for accounting of monetary funds in other bank accounts;
  - Compliance of records in the bank's statements of account and the financial accounting registers, the financial accounting registers and the Main Ledger, the Main Ledger balance and individual items of the balance;
- 4) Arrangement of accounting and internal control of material assets:
  - Existence of material responsibility contracts with the materially responsible persons;
  - Existence of an approved internal document workflow for accounting of material assets and analysis of flow of material assets and production stock;
  - Composition of material production stock on the reported date, existence of non-liquidated stock, and measures taken in order to use or dispose of non-liquidated stock;
  - Actual existence of material production stock, whether the Company owns all material production stock, i.e. whether ownership rights for the material production stock exist, and whether the sums reflected as accounts payable are obligations;
  - Correct evaluation of material production stock;
  - Legality of the chosen and applied principles of accounting of material production stock;
  - Legality and economic substantiation of transactions for procurement or disposition of material assets;
- 5) Arrangement of accounting and internal control of financial investments:
  - Correct accounting of assets of the Company as financial investments;
  - Timely and reliable documentary registration of operations for accounting and taxation of transactions involving financial investment;
  - Correct evaluation of financial investment;
  - Carrying out of inventory of financial investments in the Company in a timely manner at regular intervals, reliability of inventory of financial investments;
  - Compliance of financial accounting indicators with data of synthetic and analytical accounting;
  - Legality and economic substantiation of transactions for procurement or disposition of financial investment objects;
- 6) Arrangement of accounting and internal control of borrowed funds:
  - Efficiency of use of loans and credits, timely repayment of loans and credits, security coverage of loans and credits;
  - Existence of technical and economical substantiation (feasibility studies) for the attracted borrowed funds;
  - Targeted use of attracted borrowed funds;
- 7) Arrangement of accounting and internal control of settlements with debtors and creditors:

- Condition of settlement with debtors and creditors, adherence to the established limits, existence of overdue debts;
  - Actual existence of debts in settlement with suppliers, buyers, various debtors and creditors;
  - Analysis of contracts and agreements, including the price terms and conditions, timely performance of contracts and agreements;
  - Specific weight of contracts with advance payment and advance financing terms, substantiation of provision of commercial credits or commodity credits to suppliers or buyers;
  - Specific weight of monetary funds, mutual offset of accounts, promissory notes, etc. in settlement;
  - Analysis of contracts for economic security of the counterparts;
- 8) Condition of settlement for compensation of material damages. Whether complete compliance with the Labor Code of the Russian Federation is maintained in the part of compensation of the damage inflicted to the Company by the employee. Substantiation of writing off losses formed as a result of shortage, theft and damage of material values;
- 9) Timely and correct carrying out of inventory of material values, financial investments and settlements. Correct presentation of results of inventory, registration of surplus quantities and substantiated writing off missing quantities. Carrying out of selective inventory of material values;
- 10) Condition of settlement with the state budget and non-budgetary funds. Timely payment of due tax sums, existence of overpayment or underpayment for taxes, reasons of their formation. Penalties applied by fiscal authorities to the Company, punitive measures taken in respect of the responsible persons, and measures aimed at prevention of infringements;
- 11) Carrying out measures aimed at improvement of organization of primary accounting, introduction of advanced forms and methods of accounting, centralization and automation of financial accounting, reliability of accounting and reporting data, arrangement of preliminary and current internal economic control by the accounting department and other departments of the Company.

**Article 33. Control (audit) of production activities and financial and economic activities in area of compliance with annual business plan and monthly income and expenses plans, use of profits and financial condition**

The control (audit) of the production activities and financial and economic activities in the area of compliance with the annual business plan and monthly income and expenses plans, use of profits and financial condition shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Achievement of main indicators of the annual business plan approved by the Board of Directors. Reasons of deviations from the adopted plan indicators and measures taken by the Company in order to improve the existing situation;
- 2) Targeted use of own sources of financing of the investment program;
- 3) Reliability and timely presentation of internal corporate reports on results of activities of the Company;
- 4) Efficiency of investment (return on investment) for previous periods;
- 5) Financial condition and payment ability of the Company, availability of own current assets, timely replenishment of own current assets, sources of replenishment of own current assets, turn-round of current assets (based on the index calculation method). Existence of nonproductive expenses and losses (penalties, fines, loss of material values, contingent loss);
- 6) Analysis of condition of accounts payable and accounts receivable;
- 7) Control of target use of borrowed funds and bank loans, economic effect of using borrowed funds and bank loans, control of timely repayment of loans and credits in compliance with made agreements.

**Article 34. Control (audit) of production activities and financial and economic activities in area of costs of production**

The control (audit) of the production activities and financial and economic activities in the area of production costs shall be carried out, without limitation, in respect of the following facilities and operations:

- 1) Reliability of accounting and reporting data on actual primary cost of products (carried out work, provided services), complete and correct presentation of actual production costs in the accounting, actuality of the expenses for future periods, reserves, future expenses and payments in the financial accounting;

2) Existence and implementation of a program for improvement of efficiency of production activities (carried out works, provided services). Taking measures for decrease of costs;

3) Reasons of nonproductive expenses and losses, measures taken for the purpose of their decrease and compensation by responsible persons;

4) Timely and high quality of inventory of unfinished production items. In so doing, one shall establish, whether expenses for canceled orders, or losses due to hidden production defects or incomplete process stock are included in the unfinished production items;

5) Correct distribution of expenses for maintenance and operation of equipment, common workshop expenses and common works expenses between the products and unfinished production items, and between individual types of products.

**Article 35. Control (audit) of production activities and financial and economic activities in area of long term financial investment in shares, stock, joint ventures, registration of title in real property**

The control (audit) of the production activities and financial and economic activities in the area of long-term financial investment in shares, stock, joint ventures, registration of title in real property shall be carried out, without limitation, in respect of the following facilities and operations:

1) Verification of the register of institutions, in which long term financial investments have been made, evaluation of efficiency of the investments;

2) Inventory of long-term financial investments, existence of verification reports on long-term financial investments. Control of compliance of accounting data with actual amounts of shares according to extracts from the registers;

3) Dividend policy of the Company;

4) Manageability level of long-term financial investments. Existence of accounting information and financial reports presented by subsidiaries and affiliated companies;

5) Control of joint activity contracts;

6) Confirmation of input to joint activities (primary documents), including monetary input and property input;

7) Disclosure of the subject of joint activities, results of joint activities;

8) Participation of the Company in joint projects;

9) Participation in financing of activities of subsidiaries and reflection of this participation in the share of property of the subsidiary;

10) Work carried out by the Company for separation from other companies if participation in these companies is of low efficiency or is not efficient. The procedure of return of invested funds and property;

11) Existence of shares and stocks corresponding to investments into joint activities of enterprises and companies belonging to the non-production sector (banks, retail stores, educational institutions, construction of residential facilities, customer service centers, etc.), substantiation of these investments;

12) Registration of property rights for complete construction facilities and procured real estate objects;

13) Work for cadastre accounting of plots of land and formalization of ownership (lease) rights for the plots of land;

14) Work for planning of land use and obtaining permissions for land use for capital construction facilities, land improvement, etc.;

15) Performance of terms of lease contracts with the Company by subsidiaries;

16) Information on affiliated persons as of the day of control.

**Article 36. Control (audit) of production activities and financial and economic activities in area of legal support work**

The control (audit) of the production activities and financial and economic activities in the area of legal support work shall be carried out, without limitation, in respect of the following facilities and operations:

1) Participation in preparation of draft commercial contracts, working out terms of contracts which are legal and acceptable for the Company, approval of draft contracts, preparation of legal comments to draft contracts.

Participation of legal support department specialists during the preliminary work phase in the course of preparation of contract schemes for strategically important investment projects;

2) Supervision of the accounts receivable accepted for execution and emerging as a result of counterparts' failure to meet their obligations under contracts, taking comprehensive legal measures in order to recover these debts by using enforcement measures;

3) Supervision of legitimacy of the made decisions connected with acquisition of property, alienation of property, mortgage of property, creating other encumbrance over property, and supervision of measures aimed at assurance of safe keeping of corporate property, by the legal department;

4) Existence of indications of insolvency and measures taken by the legal department in the course of initiation of bankruptcy proceedings;

5) Use of property-based sanctions to the Company by the counterparts in connection with improper performance of contractual obligations. Carrying out of official investigations, making official investigation reports and draft resolutions on bringing of the officials responsible for inflicting various damages to the Company, including damages caused by failure to pay penalties, to material and disciplinary responsibility;

6) Existence of legal measures aimed at liquidation of the formed overdue accounts receivable, theft, shortages, damage of material resources, nonproductive expenses and losses, timely documenting of issues connected with recovery of overdue accounts receivable;

7) Arrangement of work with accounts receivable.

**Article 37. Control (audit) of production activities and financial and economic activities in area of settlement with state budget and payments to non-budgetary funds**

Control (audit) of the production activities and financial and economic activities in the area of settlement with the state budget and payments to non-budgetary funds shall:

1) Help the Company to avoid financial losses connected with penalties and sanctions imposed by tax authorities because of incorrect calculation of payments to the state budget and non-budgetary funds, or failure to make payments to the state budget and non-budgetary funds in due time;

2) Establish and confirm correctness of calculation of the sum of payment for all types of payments, timely payment of the due sums, find out reasons of delay of payments, to whose account the penalty for delay was charged;

3) Find out, what measures were taken against persons responsible for non-timely payment of sums, and what measures were taken in order to eliminate the breaches.

**Article 38. Control (audit) of production activities and financial and economic activities in area of social development**

The control (audit) of the production activities and financial and economic activities in the area of social development shall be carried out, without limitation, in respect of the following facilities and operations:

1) Grounds for provision of charity assistance, financial assistance, and sponsor assistance;

2) Targeted use of monetary funds directed to construction of residential, social and cultural facilities, based on agreements with regional authorities;

3) Timely performance of the time schedule for handing over (transfer) of residential, social, and cultural facilities and removal of them from subsidiaries of the Company;

4) Reliability and practicability of expenses aimed at maintenance of social, and cultural facilities;

5) Condition of work for involvement of young specialists in mortgage credit lending;

6) Work aimed at involvement of employees in the program of mortgage credit lending;

7) Procedure of consideration of applications for assignment of non-governmental pensions and procedure of assignment of non-governmental pensions for employees of the Company (to retired persons and retired veterans).