

APPROVED  
by the sole stockholder of the  
WGC-1, JSC  
and RAO UES Russia, JSC

Supplement # \_\_\_\_ to the minutes  
of the RAO UES Russia Board of Directors  
\_\_\_\_\_ 2005 # \_\_\_\_\_

## PROVISION

Audit Committee

First Power-Generating Company  
on the Wholesale Energy Market

Tyumen  
2005

## **1. General provisions**

1.1. This provision on the Audit Committee of **First Power-Generating Company on the Wholesale Energy Market** (henceforth referred to as the Provision) has been drafted in accordance with the Federal Law Concerning Joint-Stock Companies and the Bylaws of **First Power-Generating Company on the Wholesale Energy Market** (henceforth referred to as the Company) and determines the purpose and activities of the Audit Committee, coordinates activity between the Company Management and defines the subdivision of Company executive staff.

1.2. The Audit Committee is a permanent division engaging in internal Company regulation and is responsible for oversight of the financial and economic activities of the Company, its subdivisions, officials of Company Management and subdivisions of Company executive management. The Audit Committee ensures compliance with federal Russian legislation, the Company Bylaws and internal Company regulations.

1.3. The Audit Committee acts in the interests of Company stockholders and answers to the Company's general stockholders.

1.4. In executing its functions, the Audit Committee is independent from officials in Company management, subdivisional heads and executive Company managers.

1.5. In executing its functions, the Audit Committee adheres to Russian federal legislation, the Bylaws of the Company, this provision and other internal Company regulations, as approved at meetings of the Company's General stockholders.

## **2. Function of the Audit Committee**

2.1. The main functions of the Company's Audit Committee are

- a) oversight of the Company's financial and economic activities;
- б) conformity of the Company's financial and economical operations to Russian federal legislation and the Bylaws of the Company;
- в) independent assessment of the data concerning the financial status of the Company.

## **3. Chairperson and the Secretary of the Audit Committee**

3.1. The Chairperson of the Audit Committee is elected from amongst the members of the Audit Committee by a majority of votes from elected members of the Audit Committee. The members of the Audit Committee have the right to reelect the Chairperson of the Audit Committee at any time by a majority of votes from the elected members of the Audit Committee.

3.2. The Secretary of the Audit Committee is elected from amongst the members of the Audit Committee by a majority of votes from the elected members of the Audit Committee. The members of the Audit Committee have the right to reelect the Secretary of the Audit Committee at any time by a majority of votes from the elected members of the Audit Committee.

## **4. Rights and duties of the Audit Committee**

4.1. In execution of its activities, the Audit Committee observes only required Russian federal legislation, the Company Bylaws and decisions issued at general stockholder meetings.

4.2. Rights of the Audit Committee include

- 1) unobstructed admission to all Company offices and service rooms;
- 2) sealing of vaults, material storage facilities, archives and other Company service rooms during audits of the commodities and documents stored in these

locations;

3) removal of documents upon discovery of forged documents, falsified documents or related abuses during the audit (removal notices and copies of the removed documents are to be supplied);

4) written explanations by officials of Company management, subdivisional heads and officers of executive management to inquiries arising during the audit;

5) advice to officials of Company management and to subdivisional heads of the executive management concerning immediate actions regarding exposed violations should the absence of such actions result in the loss of resources, documents or further abuses;

6) requests to call special meetings of the Company's general stockholders and meetings of the Board of Directors according to the procedure set by Russian federal legislation, Company Bylaws and this Provision;

7) requests for documents from officials of Company management and subdivisional heads of the Company's executive management as necessary for audits of the Company's financial and economic activities by the Audit Committee;

8) submittal of suggestions regarding employee discipline and liability to officials in Company management in case of violations of Company Bylaws and internal Company regulations;

#### 4.3. The Chairperson of the Audit Committee

1) Calls and holds meetings of the Audit Committee;

2) Approves the agenda of Audit Committee meetings and resolves all problems regarding the preparation and holding of Audit Committee meetings;

3) Manages the current tasks of the Audit Committee;

4) Represents the Audit Committee at general stockholder meetings and meetings of the Board of Directors; and

5) Signs the minutes of Audit Committee meetings and other documents on behalf of the Audit Committee.

#### 4.4. The Secretary of the Audit Committee

1) Records the minutes of the meetings of the Audit Committee;

2) Ensures prompt notification of Company management of performed audits and submits duplicates of Audit Committee findings;

3) Issues and signs the minutes of Audit Committee meetings;

4) Manages the office work, flow of documents and the filing of documents for the Audit Committee;

5) Informs members of the Audit Committee about scheduled meetings and routine and extraordinary inspections of Company activities; and

6) Performs other functions stipulated in this Provision.

#### 4.5. Members of the Audit Committee are obliged to:

1) Participate personally in Audit Committee meetings and in audits of the financial and economic activities of the Company;

2) Observe the confidentiality of information received during the audits and prevent its unauthorized disclosure;

3) Request extraordinary general stockholder meetings in case of imminent danger to Company interests (according to the procedure stated in Company Bylaws);

4) Report at general stockholder meetings on findings from routine and extraordinary audits of the financial and economic activities of the Company and on discovered violations of federal Russian legislation, the Bylaws and internal Company documents by members of the Board of Directors and other officials in Company management;

5) Submit an annual audit on the activity of the Company, including an assessment of the Company annual report, to the Board of Directors not later than 45 (forty-five) days before annual general stockholder meetings.

4.6. Members of the Audit Committee may not concurrently be members of the Board of Directors or officials in Company management.

4.7. In accordance with the audit procedure, the Audit Committee may engage experts from certain disciplines (law, economics, finance, accounting, management, economic safety, etc.), including specialized organizations.

## **5. Organization of Audit Committee activities**

5.1. Meetings of the Audit Committee and audits of Company activities are performed in accordance with the approved annual Working Plan of the Audit Committee.

5.2. The Working Plan of the Audit Committee is approved at the first administrative meeting of the Audit Committee, which must be held within 45 (forty-five) days after the election of new Audit Committee members at the annual general stockholder meeting.

5.3. The Working Plan of the Audit Committee includes:

1) Audit targets (types of Company financial and economic activity and individual areas of Company activity);

2) Determining the form of audit for each target (paperwork audit or onsite audit);

3) A timetable of the audits on Company activities and approximate dates for the audits (annual and quarterly);

4) A timetable of Audit Committee meetings devoted to preparing and conducting audits on Company activities;

5) A list of financial and/or economic documents necessary for executing the audit of each target;

6) Determining which members of the Audit Committee are responsible for preparing and conducting audit and for collecting information, the necessary paperwork and materials;

7) Other questions concerning the organization and execution of meetings and audits by the Audit Committee.

## **6. Meetings of the Audit Committee**

6.1. Meetings of the Audit Committee are held to decide administrative issues concerning the activity of the Audit Committee, as well as prior to and following each audit;

6.2. During the Audit Committee meetings held prior to each audit, the following issues regarding preparation and execution of the audit are considered:

1) Determination of the audit target (accounts, statistical reports, etc.);

2) The procedure, the date and the volume of the audit;

3) The list of information and materials necessary for conducting the audit and the way they are to be received;

4) The list of individuals to be summoned during the audit (for providing explanations on certain issues);

5) Scheduling of an Audit Committee meeting to review audit results;

6) Determination of which Audit Committee members are responsible for preparing drafts of the Audit Committee's findings for Audit Committee meetings concerning audit results;

7) Other questions.

Audit Committee meetings on issues regarding the preparation and execution of audits may be held without the total presence of Audit Committee members (in this case by absentee voting).

6.3. The following questions are considered during Audit Committee meetings called to discuss audit findings:

1) Discussion of the information received during the audit and its sources;

2) Audit summary;

3) Generalization of findings and the development of proposals based on audit findings;

4) Approval and signing of Audit Committee summaries on audit findings;

5) Determination and analysis of the reasons for violations of federal Russian legislation and Company Bylaws and discussion of possible ways to remedy and prevent such violations in future;

6) Decision to address Company Management, relevant officials and subdivisional heads of the executive staff concerning the necessity to remedy violations discovered during the audit and to assign responsibility to those found to have committed violations;

7) Other questions connected with concluding audits.

6.4. Audit Committee meetings are held as determined in the annual Working Plan of the Audit Committee, but no less than once per quarter.

6.5. Audit Committee meetings are called by the Chairperson of the Audit Committee upon his own initiative, upon the initiative of a member of the Audit Committee, by decision of at general stockholders' meeting, the Board of Directors or at the request Company stockholders (provided they possess not less than 10% of Company voting stock) to conduct audits of the financial and economic activities of the Company.

6.6. In preparation for Audit Committee meetings, the Chairperson of the Audit Committee performs the following duties:

1) Determines the date and location of the meeting (or absentee statement of audit findings);

2) Determines the form of the meeting (joint-session or absentee voting);

3) Determines the agenda of the meeting;

4) Compiles a list of materials and documents necessary for reviewing agenda issues at Audit Committee meetings;

5) Compiles a list of individuals invited to participate in Audit Committee meetings (for joint session);

6) Settles other issues regarding preparations for Audit Committee meetings.

6.7. Announcements of an Audit Committee meeting are sent to members of the Audit Committee by registered mail not later than 10 (ten) days before the date of the meeting.

In the case of absentee voting, as stipulated by this provision, announcements of the vote (accompanied by agenda materials and a voting list) are sent by registered mail not later than 15 (fifteen) days before conclusion of the voting.

6.8. The Chairperson of the Audit Committee is obliged to call an urgent meeting of the Audit Committee to consider an extraordinary audit upon having discovered violations of federal Russian legislation, Company Bylaws or internal Company regulations.

6.9. Upon having discovered a violation mentioned in paragraph 6.8 of this provision, the Audit Committee member is obliged to send the Chairperson of the Audit Committee a written notification identifying the violation and the person responsible for it. The application must be submitted 3 (three) days from the moment of the discovery.

6.10. In cases stipulated in paragraphs 6.8 and 6.9 of this provision, the Chairperson of the Audit Committee is obliged to call an urgent a joint-session meeting of the Audit Committee within 10 (ten) days of receiving information concerning violations.

6.11. A joint-session meeting of the Audit Committee consists of the following stages:

1) The opening of the meeting is conducted by the Chairperson of the Audit Committee;

2) Determination of quorum for the meeting;

3) Announcement of the meeting agenda by the Chairperson of the Audit Committee;

- 4) Presentations with reports and statements regarding the meeting agenda and discussion;
- 5) Drafting of decisions regarding the agenda by the Chairperson of the Audit Committee;
- 6) Voting on meeting agenda issues;
- 7) Concluding the voting process;
- 8) Announcement of Audit Committee decisions concerning the agenda.

6.12. An absentee vote meeting of the Audit Committee consists of the following stages:

- 1) Compilation of voting lists that have been received within the period defined in the absentee voting list;
- 2) Determination of quorum for the Audit Committee meeting;
- 3) Compilation of votes by voting list and counting of the vote;
- 4) Preparation of minutes for the Audit Committee meeting.

6.13. A meeting of the Audit Committee is valid (has quorum) if more than half of Audit Committee members participate. In absence of quorum, the meeting is postponed for no more than 10 (ten) days.

6.14. Voting on issues of the Audit Committee meeting agenda is approved by a majority of votes by members of the Audit Committee.

Each member of the Audit Committee possesses one vote for approving issues.

The Chairperson of the Audit Committee possesses the deciding vote in case of inconclusive voting.

6.15. The Secretary of the Audit Committee keeps minutes during Audit Committee meetings.

6.16. The minutes of Audit Committee meetings must contain:

- 1) The date, time and location of the meeting (or counting of the voting);
- 2) A list of Audit Committee members and other individuals present at the meeting (or take part in absentee voting);
- 3) Information on the quorum of the meeting;
- 4) Issues included in the meeting agenda;
- 5) The main provisions of presentations and reports regarding the agenda (only for joint-session meetings);
- 6) Results of the voting;
- 7) Decisions made by the Audit Committee.

6.17. Two copies of the minutes of Audit Committee meetings are compiled within 5 days after conclusion of the meeting (or counting of absentee voting) and are signed by the Chairperson and Secretary of the Audit Committee.

6.18. The Company must retain the minutes of the meetings and present them upon request of Company stockholders.

## **7. Order of conducting audits**

7.1. Routine audits of the Company's financial and economic activities are conducted in accordance with the annual Working Plan of the Audit Committee.

7.2. Extraordinary audits of the Company's financial and economic activity are conducted for the following reasons:

- 1) As decided by the Audit Committee;
- 2) As decided at general stockholder meetings and by the Board of Directors;
- 3) Upon request by Company stockholder(s) who collectively possess not less than 10 (ten) percent of Company voting stocks.

7.3. Audits of the Company's financial and economic activity include:

- 1) Determination of a standard legal basis upon which to regulate the audited area of the Company's activities;
- 2) Collection and analysis of financial and economic documents, accounting records, statistical reports and other Company documents, as well as oral and written explanations concerning the audited department;

- 3) Inspection of storage facilities, archives and other service rooms;
- 4) Discovery of nonconformity in the Company's financial and economic activities to current federal Russian legislation or of falsification or peculiar representation of Company activity in accounts, statistical reports and other Company documents;
- 5) Other activities providing for a complex and objective audit of the Company's financial and economic activity within the limits of authority of the Audit Committee as set by this Provision.

7.4. During the audit, members of the Audit Committee request the necessary documents and materials from Company Management, subdivisional heads and other individuals possessing the necessary documents and materials.

The requested documents and materials must be submitted to members of the Audit Committee within 2 (two) working days after receiving the request.

7.5. Members of the Audit Committee must have free access to documents, account records, official mail and other information associated with the audited department.

7.6. During the audit, members of the Audit Committee must examine all received documents and materials associated with the audited department.

7.7. Company management and subdivisional heads are obliged to:

- 1) Create favorable conditions for efficient audits by providing all necessary information, documents and explanations upon oral or written request by the members of the Audit Committee;
- 2) Actively work to eliminate violations discovered by the Audit Committee, including those regarding accounting and other forms of financial reporting;
- 3) Prevent any actions that might limit hamper satisfactory resolution of inquiries issued during the audit.

## **8. Final Statement by the Audit Committee**

8.1. The Audit Committee issues a final statement, an internal Company document, based on audit findings of the Company's financial and economic activity.

8.2. The Audit Committee statement consists of three parts: introduction, analysis and conclusion.

8.3. The introduction of an Audit Committee statement includes:

- 1) A title for the document "Statement of the Audit Committee of **First Power Generating Company on the Wholesale Energy Market.**"
- 2) The date and location of the completed statement;
- 3) The date, period and the target of the audit;
- 4) The reasons of the audit (decision by the Audit Committee, general stockholder meeting, Board of Directors, or stockholder(s) of the Company);
- 5) The purpose of the audit (to ascertain the legality of Company activities, to verify the validity of accounting records and other documents, to check for adherence to the federal Russian legislation, etc.);
- 6) The audited area (a certain activity of the Company; financial and economic documents, such as accounts, statistical reports; etc.);
- 7) A list of the legal standards and other documents that regulate the Company's activities and have been used during the audit.

8.4. The analysis must contain an objective assessment of the condition of the audited object and include:

- 1) General findings resulting from an audit of accounting documents and reports and other documents relevant to the Company's financial and economic activities;
- 2) General findings resulting from an audit relating to conformity of financial and economic operations to federal Russian legislation;

8.5. The conclusion of the Audit Committee consists of the substantiated findings of the Audit Committee and contains:

- 1) Substantiation of the validity of data contained in reports and other

Company financial documents;

2) Information regarding violations of the established procedure of account management and financial reporting and of federal Russian regulations incurred while managing financial and economic activities;

3) Recommendations on resolving the causes and consequences of violations regarding federal Russian legislation, Company Bylaws and internal Company regulations.

8.6. Three (3) copies of the Audit Committee's statement are to be produced within 10 (ten) days of having completed the audit and the statement is to be signed by all members of the Audit Committee during its meeting to address audit findings.

One copy of the statement is left with the Audit Committee and the other two are sent to the Board of Directors and the General Director of the Company.

8.7. The Company must retain statement by the Audit Committee and provide Company stockholders access to them upon request.