

Approved by the Board of Directors of
PIK Group
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Minutes No. 4

INTERNAL AUDIT DEPARTMENT

Bylaw on the Unit

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1. GENERAL PROVISIONS

- 1.1. The Internal Audit Department is a structural unit of PIK Group.
- 1.2. The Internal Audit Department is headed by the Director of the Internal Audit Department who is subordinated at the functional level to the Audit Committee of the Board of Directors of PIK Group, and at the administrative level to the President of PIK Group.
- 1.3. The Director of the Internal Audit Department shall be appointed from amongst specialists with higher education in economy and finance and the adequate employment experience of not less than 5 years, including executive positions of not less than 3 years.
- 1.4. The Board of Directors of PIK Group shall agree upon appointment and dismissal of the Director of the Internal Audit Department.

2. MAIN TERMS AND DEFINITIONS

- 2.1.1. **Internal control** means a process aimed at ensuring reasonable guarantee of achievement of the purposes of effective and successful use of the Company's resources, safety of assets, observance of legislative requirements and provision of trustworthy accounting.
- 2.1.2. **Internal control procedures** mean a documented system of actions for ensuring effective internal control over exercise of financial-economic activity of the Company, revelation and performance of substandard operations, prevention, limitation and avoidance of financial and operational risks and potential abuses from the part of the Company's officers, as well as interaction of internal control subjects in course of implementation of internal control procedures.
- 2.1.3. **Internal control subjects** mean structural units and employees of the Company, responsible for performance of internal control functions delegated to them (by internal documents of the Company).
- 2.1.4. **Risk** means an event having two characteristics: 1) possibility of occurrence (beginning) of an event; 2) damage as consequence of occurrence of such event.
- 2.1.5. **Inspection** means a control action or research of progress at a specific part of the Company's activity.

3. PURPOSE OF ACTIVITY OF THE UNIT

- 3.1. The activity of the Internal Audit Department covers rendering required assistance to the Board of Directors and executive management of PIK Group in performance of their obligations related to achievement of goals of PIK Group through provision of independent and impartial guarantees and advices aimed at perfection of the activity of PIK Group.
- 3.2. The Internal Audit Department, jointly with the Board of Directors, the Audit Committee of the Board of Directors, executive management and management of PIK Group, shall participate in perfection of the risk management, control and corporate governance systems in order to secure:
 - effectiveness of risk management process;

- reliability and effectiveness of the internal control system;
- credibility of financial statements and management accounting;
- ensuring compliance with the laws by PIK Group.

4. FUNCTIONS

- 4.1. Pursuant to the established goals and tasks, the Internal Audit Department shall exercise the following functions:
 - 4.1.1. impartial analysis of audit evidences for the purpose of independent evaluation and expression of opinions on reliability and effectiveness of systems, processes, transactions, implemented in and made by PIK Group, as well as rendering advisory opinions to the Board of Directors, executive management and management of PIK Group;
 - 4.1.2. planning of the activity and determination of the internal audit priorities based on the risk analysis and in conformity with the goals of PIK Group;
 - 4.1.3. implementation / performance of the activity plan, forming and submission of reports on the actual work results to the management of PIK Group;
 - 4.1.4. providing assistance to the Board of Directors, the Audit Committee of the Board of Directors, executive management and management of PIK Group in drafting measures (corrective measures) based on the audit results, as well as supervision of the measure performance results;
 - 4.1.5. rendering advisory opinions to management of PIK Group on risk management, control, corporate governance;
 - 4.1.6. interaction with units of PIK Group, i.e. providing assistance for the issues related to the internal audit;
 - 4.1.7. coordination of its activity with the activity of the external auditor for the purpose of avoidance of double efforts and audit costs minimization;
 - 4.1.8. providing assistance for investigation of frauds, keeping the Audit Committee of the Board of Directors and executive management of PIK Group informed about the activity results;
 - 4.1.9. periodic reporting to the Audit Committee of the Board of Directors and executive management of PIK Group on the audit results, drawbacks revealed, substantial risks, control and corporate governance problems, other information required for the Audit Committee and executive management in conformity with their areas of responsibility;
 - 4.1.10. keeping the Audit Committee of the Board of Directors, executive management and management of PIK Group informed about the results and the quality of measures (corrective measures) performance based on the audit results;
 - 4.1.11. fulfillment of other tasks, assignments and participation in other projects – on the instructions of the Audit Committee of the Board of Directors and executive management of PIK Group.

5. INTERNAL CONTROL PROCEDURES

- 5.1.1. The Company's internal control covers the following procedures:
 - exercise of control over forming and performance of a business plan approved by the Board of Directors;

- revelation of violations by means of examinations, monitoring and analysis of results of examinations of activity of branches, representative offices and structural units;
- preventive actions aimed at prevention of violations by means of delivery of information on essential violations and drawbacks revealed to the Company's structures;
- control over elimination of violations revealed;
- revelation and analysis of risks of financial-economic activity of the Company;
- monitoring and elaboration of actions aimed at minimization of risks of financial-economic activity;
- arrangement of collection, processing and delivery of operational, financial and other information, including forming of reports comprising operational, financial and other information on the Company's activity, and establishment of effective channels and communication means ensuring vertical and horizontal connections inside the Company;
- determination of duties of the Company's employees in the area of internal control and informing the respective employees about it;
- ensuring fulfillment of internal control procedures adopted in the Company;
- drafting of proper documentation related to internal control procedures.

6. STRUCTURE OF THE UNIT

6.1. The Internal Audit Department consists of the following divisions:

6.1.1. Risk Management Division;

6.1.2. Construction Audit Division.

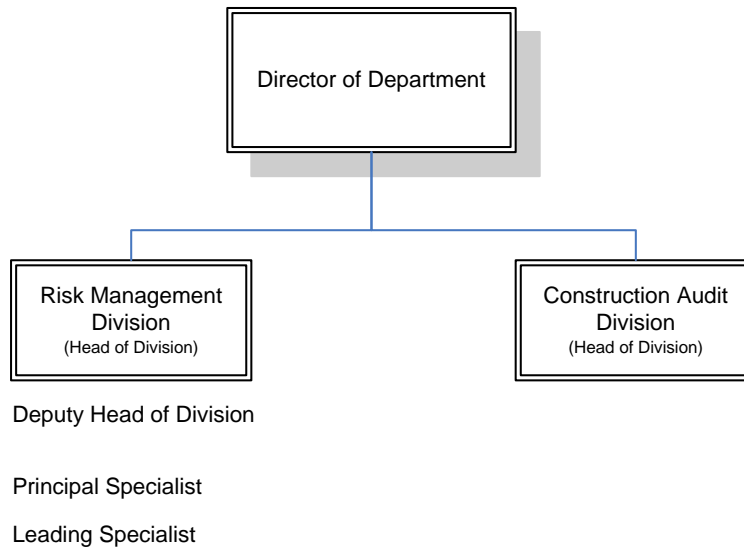
6.2. The structural scheme of the Internal Audit Department is given in the picture below.

6.3. Main functions of Risk Management Division:

- revelation and evaluation of risks related to the business area "Development";
- drafting measures for risk management;
- audit of individual business processes;
- perfection of control over performance of the resolutions of the Board of Directors, the Management Board;
- audits as per assignments from the management.

Main functions of Construction Audit Division:

- revelation and evaluation of risks related to business area "Production and construction and servicing enterprises";
- drafting measures for risk management;
- periodic evaluation of effectiveness of control functioning;
- audit of individual business processes;
- audits as per assignments from the management.



7. RESPONSIBILITY

- 7.1. Director of the Internal Audit Department shall be responsible before the Audit Committee of the Board of Directors and executive management of PIK Group for:
 - 7.1.1. Timely submission of the annual activity plan of the Internal Audit Department for approval of the Audit Committee of the Board of Directors and executive management of PIK Group, as well as regular provision of information about its performance;
 - 7.1.2. Timely submission to the Audit Committee and executive management of PIK Group and completeness of annual reports on evaluation of reliability and effectiveness of the risk management, control and corporate governance systems of PIK Group;
 - 7.1.3. Timely and completeness of information related to essential drawbacks of the risk management, control and corporate governance systems, as well as recommendations for perfection of existing systems, provided to the Audit Committee and executive management of PIK Group.
- 7.2. Director of the Internal Audit Department shall arrange the work of the Internal Audit Department and be completely responsible for achievement of goals, quality of performance of the unit's functions, as well as for non-exercise of rights granted to him pursuant to section 6 of this Bylaw, before the Board of Directors, the Audit Committee of the Board of Directors and executive management of PIK Group.
- 7.3. Director of the Internal Audit Department shall specify the responsibility of employees of the unit within the limits of individual functions.

8. RIGHTS

- 8.1. To achieve the goals of the unit, fulfill the tasks and functions imposed, Director of the Internal Audit Department shall be granted with all the necessary rights, i.e.:

- 8.1.1. to advise the Audit Committee of the Board of Directors and executive management of PIK Group of existing limitations preventing the Internal Audit Department from effective fulfillment of the tasks;
- 8.1.2. to draw up activity plans of the Internal Audit Department, to identify items and scope of the audit, to make decisions with respect to frequency of the audits;
- 8.1.3. to receive information, including confidential one, which is necessary for achievement of the goals and performance of functions of the Internal Audit Department:
 - to request and receive unhampered access to any assets, documents, accounting records and other information with respect to the activity of PIK Group, make copies of documents;
 - to study and evaluate any documents requested in course of fulfillment of audit assignments and deliver such documents and/or relative information to the Audit Committee of the Board of Directors and executive management of PIK Group;
- 8.1.4. to have direct and unhampered access to the Audit Committee of the Board of Directors of PIK Group; on a regular basis and when necessary, to meet confidentially with executive management, the members of the Board of Directors of PIK Group and its committees;
- 8.1.5. to advise the Audit Committee of the Board of Directors and executive management of PIK Group of any proposals related to perfection of existing systems, processes, policies, procedures, methods of business conduct of PIK Group, as well as comments on any issues within the competence of the Internal Audit Department – pursuant to this Bylaw;
- 8.1.6. to represent PIK Group in superior and external bodies in conformity with the unit functions;
- 8.1.7. to participate in preparation and implementation of projects and making decisions aimed at achievement of goals of the activity of the Internal Audit Department;
- 8.1.8. to introduce proposals aimed at perfection, increase in effectiveness of the activity of the Internal Audit Department;
- 8.1.9. to request and receive necessary assistance of employees of the audited units, to interact with other units of PIK Group and subsidiaries of the Group (in accordance with section 7) for the Internal Audit Department;
- 8.1.10. If necessary, to engage external experts for fulfillment of audit assignments;
- 8.1.11. To participate (without the right to make decisions) in any meetings, working groups and project groups of PIK Group – within the limits of the functions of the Internal Audit Department;
- 8.1.12. To propose for discussion and initiate meetings, trainings, meetings with management of PIK Group for discussion of issues within the competence of the Internal Audit Department.
- 8.2. Director of the Internal Audit Department shall vest employees of the unit with the rights in conformity with their activity.

9. INTERACTIONS

- 9.1. For the purpose of implementation of its functions, the Internal Audit Department shall interact with other units of PIK Group and enterprises of the Group, the list of which is given in the Table (see Table 1).

Table 1. Interaction with units of PIK Group

No	Name of a unit / an enterprise	Interaction content
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1	All units of PIK Group	Receipt of information, data, reports. Interviewing employees. Audits.
2	All enterprises of PIK Group	Receipt of information, data, reports. Interviewing employees. Audits.

9.2. Within the framework of performance of functions and obligations specified in this Bylaw, the Internal Audit Department shall also interact with companies being external with respect to PIK Group. The list of companies and interaction content is given in Table 2 (see Table 2).

Table 2. Interaction with companies being external with respect to PIK Group

No	Name of a unit	Interaction content
1	Auditors	Receipt of information, data. Holding meetings, discussions for the purpose of risk revelation, receipt of evaluation of an external auditor with respect to status of the internal control system.
2.	External counselors, valuers	Performance of works as per assignments of the Internal Audit Department. Communications within the framework of project implementation as per order of other units and enterprises of PIK Group.

10. DOCUMENTATION

- 10.1. The activity of the Internal Audit Department shall be governed by the followings documents:
- 10.1.1. Ethics Code of the International Institute of Internal Auditors;
 - 10.1.2. international professional standards of internal audit;
 - 10.1.3. the present Bylaw on the unit;
 - 10.1.4. Position descriptions of employees of the Internal Audit Department and the Bylaws on divisions of the Internal Audit Department;
 - 10.1.5. staffing table of the Internal Audit Department;
 - 10.1.6. budget of the Internal Audit Department;
 - 10.1.7. Bylaw “On the Board of Directors of PIK Group”;
 - 10.1.8. Bylaw “On the Audit Committee of the Board of Directors of PIK Group”;
 - 10.1.9. Bylaw “On the Management Board of PIK Group”;
 - 10.1.10. Bylaw “On Commercial Secret Regime in PIK Group”;
 - 10.1.11. Bylaw “On Insider Information of PIK Group”;
 - 10.1.12. Bylaw “On Organizational Structure of PIK Group”;
 - 10.1.13. Other internal regulatory and organizational-administrative documentation specifying requirements for and the procedure of performance of the activity by the Internal Audit Department.
- 10.2. The list of documentary data and notes to be kept by the unit shall be specified in the document named “File Register” to be drafted by a person responsible for records management in the Internal Audit Department.