

Approved by the Resolution of  
The Board of Directors of  
PIK Group of Companies, OJSC  
March 10, 2006  
Minutes № 8

**BYLAW ON  
THE AUDIT COMMITTEE OF  
THE BOARD OF DIRECTORS OF PIK GROUP OF COMPANIES, OJSC**

Moscow

## **1. General provisions.**

1.1. The present Bylaw on the Audit Committee (hereinafter referred to as «the Bylaw») is a basic document regulating activity of the Audit Committee of the Board of Directors of PIK Group of Companies, OJSC, (hereinafter referred to as «the Committee) and defining issues within its competence, the order of forming a membership and its functioning.

1.2. The Committee is an auxiliary body of the Board of Directors set up for preliminary consideration of issues related to competence of the Board of Directors under the Charter of the Company. The Committee is not a body of the Company, the Company does not undertake civil rights and responsibilities through the Committee.

1.3. The Committee in its activity is governed by the current legislation of the Russian Federation, the Charter of the Company, the Bylaw on the Board of Directors and the present Bylaw. Issues of activity of the Committee not covered by the present Bylaw and other standard acts obligatory for the Company are to be settled in accordance with recommendations made in the Code of Corporate Conduct approved by the Government of the Russian Federation (minutes of the meeting of November 28, 2001, № 49) and recommended by the Federal Commission on Securities Market of the Russian Federation.

1.4. For the purposes of the present Bylaw, all references to the Company represent references to PIK Group of Companies, OJSC, all references to the Charter and the Bylaw on the Board of Directors of the Company represent references to the current version of the Charter of PIK Group of Companies, OJSC, and the current version of the Bylaw on the Board of Directors of PIK Group of Companies, OJSC, all references to the Board of Directors represent references to the Board of Directors of PIK Group of Companies, OJSC, all references to internal documents of the Company represent duly accepted and current bylaws obligatory for performance in PIK Group of Companies, OJSC.

## **2. Purposes of establishment of the Committee and its competence.**

2.1. The principle purpose of establishment of the Committee is to provide assistance in ensuring control of the Board of the Directors over:

2.1.1. quality and completeness of a financial reporting (accounting) of the Company;

2.1.2. qualification and independence of an auditor of the Company;

2.1.3. activity of a structural subdivision of the Company effecting functions of an internal audit (hereinafter referred to as «an internal auditor») and performance of its functions of an independent auditor;

2.1.4. process of property appraisal by an independent appraiser in cases stipulated by the current legislation.

2.2. The Committee assists in ensuring actual participation of the members of the Board of Directors in having a control and a familiarity with regards to activity of the Company, as for issues indicated in cl. 2.1 of the present Bylaw.

2.3. The Committee is authorized and responsible for making recommendations to the Board of Directors in the area of selecting an auditor of the Company, evaluation of its activity and replacement, if necessary.

2.4. The Committee while effecting activity in accordance with its competence, for the purposes of effecting functions of analysis of an outside and an internal audit and a financial reporting of the Company and making appropriate recommendations to the Board of Directors of the Company, operates jointly with an auditor, the Audit Commission of the Company and, if necessary, with structural subdivisions of the Company.

2.5. Competence of the Committee covers the following issues:

2.5.1. Interaction of the Company with an independent auditor:

a) making recommendations to the Board of Directors regarding a candidacy of an independent auditor of the Company and issues related to refusal from services of such an independent auditor;

b) control over a selection of an Auditor of the Company by way of a competence (a tender);

- c) making recommendations to the Board of Directors regarding a draft contract to be concluded with an independent auditor, including a size of its fees;
- d) approval of cost and terms and conditions of all audit, concurrent to audit and non-audit services rendered by an independent auditor to the Company and making appropriate recommendations to the Board of Directors;
- e) control over work of an independent auditor;
- f) solving disagreements between a leadership of the Company and an independent auditor regarding a financial reporting (accounting) of the Company;
- g) consideration and discussion of results of an audit and all information in an audit report with an independent auditor, prior to its consideration by the Board of Directors. Evaluation of a conclusion made by an auditor of the Company and making recommendations to the Board of Directors regarding a conclusion of an auditor. Control over taking recommendations of an independent auditor into account from the part of a leadership of the Company.

#### 2.5.2. Interaction with the Audit Commission:

- a) consideration of a conclusion made by the Audit Commission proceeding from the results of examination of financial-economic activity of the Company, an annual accounting of the Company and adequacy of data in an annual report of the Company and an annual accounting reporting;
- b) participation in joint meetings related to competence of the Audit Committee and the Audit Commission;
- c) making recommendations regarding introducing modifications and addenda into internal documents of the Company regulating activity of the Audit Commission.

#### 2.5.3. Interaction with a structural subdivision effecting functions of internal control:

- a) making recommendations regarding a candidacy of a head of a structural subdivision effecting functions of internal control according to a staff list and the Bylaw on this subdivision;
- b) consideration of a plan of annual examinations to be held by the stated structural subdivision;
- c) consideration of a report under results of work of a subdivision for a year period;
- d) making recommendations regarding introducing modifications and addenda into internal documents of the Company regulating activity of the stated subdivision.

#### 2.5.4. Consideration of standards and procedures of internal control in the Company:

- a) jointly with a subdivision effecting functions of internal control and governance of the Company, consideration of proposals and making recommendations regarding arranging a process of evaluation and management of risks arising in course of financial-economic activity of the Company;
- b) jointly with a subdivision effecting functions of internal control, consideration of proposals and making recommendations regarding crisis situations management;
- c) evaluation of major transactions which the Company has plans to conclude and transactions in which the Company is interested, as for information disclosure;
- d) making recommendations regarding establishment of an order for:
  - receipt, storage and consideration of messages addressed to the Company with regards to a financial reporting (accounting), internal control and issues related to conducting an audit;
  - delivery of confidential and anonymous messages by employees of the Company with regards to preparation and audit of a financial reporting (accounting) giving rise to their doubts;
- e) making recommendations regarding a market value of property, price for placement and redemption of issued securities of the Company when the stated terms and conditions are to be defined by a decision of the Board of Directors under the current legislation and the Charter of the Company;
- f) jointly with a leadership of the Company and a structural subdivision effecting functions of internal control of the Company, drafting internal control procedures;
- g) jointly with a subdivision effecting functions of internal control, consideration of proposals and making recommendations aimed at perfection of internal control systems in the Company;
- h) control over application of internal control procedures, evaluation of effectiveness of a system of internal control and risk management.

2.5.5. Consideration of a financial reporting (accounting) of the Company:

- a) efficient control over a financial reporting (accounting) of the Company;
- b) discussion and consideration of a financial reporting (accounting) and results of an audit with outside auditors and a leadership of the Company prior to its submitting for consideration of the Board of Directors of the Company;
- c) consideration of significant accounting and audit issues, corrections, modifications in accounting policy which may effect influence on financial results of the Company.

Should the Board of Directors decides, other issues may also be submitted for consideration of the Committee.

### **3. Membership of the Committee.**

3.1. The Committee consists of not less than two members.

3.2. Members of the Board of Directors of the Company only may become members of the Committee.

3.3. To effect management of the Committee, the Board of Directors shall elect the Chairman of the Committee. The principal task of the Chairman of the Committee is to ensure objectivity in making recommendations by the Committee to the Board of Directors of the Company.

3.4. The Committee is to be chaired by a non-executive director. The Chairman of the Committee is to be elected out of independent directors, if they have been elected into a membership of the Committee. The Chairman of the Board of Directors shall not serve as the Chairman of the Committee. The Chairman of the Committee shall not be elected the Chairman of another Committee.

3.5. Any member of the Committee (including the Chairman) shall not be elected into a membership of more than two Committees of the Company.

3.6. Persons not being members of the Committee and having necessary professional knowledge and skills may be used as experts in work of the Committee.

The Chairman and any member of the Committee is entitled to request to bring in a specialist (an organization) as an expert, on behalf of the Committee, within a framework of an estimate for payment for services of outside experts approved by the Board of Directors, with regards to issues of a public (not confidential) nature. Personal interest in attracting a specific specialist (an organization) is inadmissible.

3.7. The President of the Company, members of the Board of Directors of the Company, members of the Board of the Company, members of the Audit Commission of the Company, other officials and employees of the Company may be invited to attend meetings of the Committee.

3.8. The Corporate Secretary or some other person (a member of the Committee or an employee of the Company) may be appointed the Secretary of the Committee.

### **4. Forming of the Committee.**

4.1. The decision about establishment of the Committee, its personal membership and election of the Chairman of the Committee shall be taken by the Board of Directors and is valid till election of a new membership of the Board of Directors.

Should the Board of Directors takes a decision to set up the Committee, members of the Board of Directors are to be advised of activity of committees set up by a previous membership of the Board of Directors.

Changes in a membership of the Committee may be effected by the Board of Directors of the Company at any time at the suggestion of any member of the Board of Directors.

4.2. As for candidacies of the Chairman and members of the Committee, their education, professional background, experience in areas similar to spheres of activity of the Committee, skills of work with documentation and other special knowledge required for exercise of authorities of members of the Committee are to be taken into consideration. Members of the Committee may have the opportunity to receive and improve knowledge necessary for effecting functions imposed on them, by way of training (trainings, seminars).

## **5. Meetings of the Committee.**

5.1. Meetings of the Committee are to be held in accordance with a work schedule approved at a meeting of the Committee and in case of necessity but not less than once per a quarter.

A work schedule of the Committee is formed on the basis of an approved work schedule of the Board of Directors of the Company, proposals of members of the Committee and is to be enclosed to a work schedule of the Board of Directors.

5.2. An agenda of a meeting is defined by the Chairman of the Committee. Whereas any member of the Committee is entitled to initiate introducing an additional issue related to competence of the Committee into an agenda. On mutual agreement of members of the Committee, an agenda may be modified and expanded. If necessary, the Committee may decide not to discuss issues defined in an agenda of a current meeting, for the benefit of another issues having the priority, in opinion of members of the Committee.

Members of the Board of Directors not being members of the Committee, the President of the Company, members of the Audit Commission of the Company and retained experts of the Committee may apply to the Chairman of the Committee with a suggestion to consider any issue related to competence of the Committee. Such an issue may be considered whether at a next scheduled meeting of the Committee or, in case of a special significance of an issue and urgency, at a specially convoked meeting of the Committee.

5.3. The decisions to convoke a meeting of the Committee, on a date, timing, venue of a meeting and issues on an agenda and the decision on a list of persons invited to participate in a meeting are to be taken by the Chairman of the Committee on his (her) own initiative or upon a request of a member of the Committee.

5.4. The Secretary of the Committee shall notify members of the Committee about a forthcoming meeting of the Committee and deliver appropriate materials to them in a reasonable and adequate term prior to the beginning of a meeting by a way agreed upon between members of the Committee. The President of the Company, members of the Board of the Company, members of the Audit Commission of the Company, other officials and employees of the Company, shall be invited to attend a meeting of the Committee and experts shall be retained in an order providing for a reasonable and adequate term for invited persons to get ready to a meeting of the Committee.

5.5. Meetings of the Committee are to be held whether in a form of joint attendance or by a written interrogation of members of the Committee. Communication means may be used for carrying out meetings of the Committee (telephone conferences). Persons invited to participate in a meeting including members of the Committee may submit their opinions regarding an agenda in a written form.

5.6. A meeting is considered to be competent (having a quorum) when a majority of members of the Committee is in attendance (written opinions have been received before the beginning of a meeting). Lack of quorum causes postponement of a meeting of the Committee.

5.7. All decisions of the Committee are to be taken by a majority of votes of members of the Committee participating in a meeting, whereas each member of the Committee has one vote. Transfer of a vote by a member of the Committee to other persons, including other members of the Committee, is inadmissible. In case of votes equality of members of the Committee, a vote of the chair of a meeting is decisive.

5.8. Any information about personal interest of a member of the Committee in consideration of any issue is to be disclosed at a meeting of the Committee.

5.9. The Committee may instruct a member (members) of the Committee to review a certain issue of competence of the Committee and advise the Committee of results received in course of such a review.

5.10. A meeting of the Committee is to be guided by the Chairman of the Committee. In case of his (her) absence at a meeting, members of the Committee shall elect the chair of a meeting out of present members of the Committee.

The minutes of a meeting is to be kept by the Secretary of the Committee and signed by the Chairman of the Committee responsible for correctness of the minutes. Opinions expressed by members of the Committee and invited persons at a meeting of the Committee are to be heard and reflected in the minutes (enclosed to the minutes).

5.11. The minutes of a meeting of the Committee is to be made by the Secretary of the Committee in two copies, not later than in 3 business days after a meeting of the Committee.

One copy of the minutes is to be kept by the Secretary of the Committee who is to ensure access of all members of the Committee to the minutes of the Committee and materials considered at meetings of the Committee.

The second copy of the minutes is to be kept by the Corporate Secretary who is to ensure access of members of the Board of Directors not being members of the Committee to the minutes of the Committee and materials considered at meetings of the Committee.

The minutes of a meeting of the Committee shall include:

- a date and a venue of a meeting or a date of an absentee voting;
- a list of members of the Committee who participated in consideration of issues on an agenda of a meeting of the Committee, with a participation form and a list of persons invited to attend a meeting of the Committee;
- an agenda;
- proposals of members of the Committee regarding issues on an agenda;
- issues put to the vote and voting results;
- approved decisions.

5.12. Resulting from a meeting of the Committee, the Committee may issue a recommendation (hereinafter referred to as «the Recommendation»). The Recommendation is to be presented to a meeting of the Board of Directors at which an appropriate issue is being considered. The Recommendation reflects opinion of the Committee as a whole. Should opinions of members of the Committee do not coincide, specific opinions are to be indicated in the Recommendation separately.

5.13. The Recommendation is to be signed by the Chairman of the Committee. Materials considered at a meeting of the Committee may be enclosed to the Recommendation. The Chairman of the Committee is responsible to keep the Corporate Secretary duly and completely informed of the Recommendation. The Recommendation considered at a meeting of the Board of Directors shall be enclosed to the minutes of appropriate meetings of the Committee and the Board of Directors.

5.14. If possible, the Recommendation to the Board of Directors is to be made by the Committee before delivery of materials related to a meeting of the Board of Directors to members of the Board of Directors.

Should it appears to be impossible, the Chairman of the Committee, having received information about an agenda of a forthcoming meeting of the Board of Directors, if necessary, shall notify the Corporate Secretary that the Recommendation will be made related to a specific issue on an agenda.

The Corporate Secretary, on his (her) turn, is to deliver the stated information to all members of the Board of Directors, in order to let members of the Board of Directors intending to use absentee voting to consider Recommendations of the Committee.

## **6. Rights and responsibilities of members of the Committee.**

6.1 Members of the Committee are obliged:

- 6.1.1 to thoroughly and completely participate in work of the Committee;
- 6.1.2 to review documents submitted before a meeting and at a meeting of the Committee;
- 6.1.3 without delay, to inform the Committee about personal interest in approval of any decision;
- 6.1.4 to avoid actions which may compromise the Committee or question proficiency of its members;
- 6.1.5 not to disclose confidential information about activity of the Company which becomes known to them.

6.2 Members of the Committee are entitled:

6.2.1. to request the Board of Directors, the Board, the President of the Company, the Audit Commission of the Company to provide them with information and documents related to competence of the Committee;

6.2.2. to participate at meetings with representatives of the investment community, audit and consulting companies, in order to discuss competence of the Committee.

**7. Fee to members of the Committee.**

7.1. Members of the Committee, in a period of performance of their duties, may have fee paid and expenses related to performance of functions of members of the Committee recovered.

7.2. An order of fee payment to members of the Committee being members of the Board of Directors is regulated by the Bylaw on the Board of Directors of the Company.

7.3. Size of fee to members of the Committee not being members of the Board of Directors is fixed by a decision of the Board of Directors.

**8. Interaction of the Committee with bodies of the Company.**

8.1. Members of executive bodies of the Company, heads of structural subdivisions of the Company, as well as other employees of the Company, shall in reasonable terms and in accordance with an existing procedure provide complete and reliable information and documents related to competence of the Committee. The Chairman of the Committee is to sign a written request to provide information and documents. Delivery of inquiries of the Committee and information and documents requested by the Committee shall be effected through the Secretary of the Committee.

8.2. Executive bodies of the Company shall advise the Committee of all significant modifications related to competence of the Committee.

8.3 The Committee is to submit an annual report of the Committee on results of its activity to the Board of Directors of the Company and to the Corporate Secretary, in order to include it into an annual report of the Company, not later than 2 days before delivery of materials regarding a meeting of the Board of Directors at which an annual report of the Company will be considered to members of the Board of Directors. This report of the Committee is to be included into an annual report of the Company, in a section devoted to work of Committees of the Board of Directors.

**9. Concluding provisions.**

9.1. The present Bylaw is to be approved by the Board of Directors. Any modifications and addenda to the present Bylaw are to be introduced by the Board of Directors.