

APPROVED by  
Annual general meeting of  
OJSC VolgaTelecom stockholders

June 24, 2008.

Minutes № 8 of June 26, 2008.

Chairman of annual general meeting of  
stockholders

*signature*

S.V. Omelchenko

REGULATION ON AUDITING COMMITTEE of  
Open Joint Stock Company VolgaTelecom  
(OJSC VolgaTelecom)  
Restated version

Nizhny Novgorod city,  
2008

## **GENERAL PROVISIONS.**

1.1. The present Regulation is elaborated in compliance with Federal law “On joint- stock companies” and the Articles of association of Open Joint Stock Company VolgaTelecom (hereinafter the Company).

1.2. The present Regulation defines operating procedures of Auditing committee, including the procedure of holding Auditing committee meetings, audit procedure, the authority of Auditing committee members, and the procedure of cooperation with the Company’s management bodies.

1.3. Auditing committee is elected by general meeting of stockholders in manner required by current legislation and the Company’s Articles of association.

1.4. The authority of Auditing committee or its individual members may be terminated in manner required by current legislation, the Company’s Articles of association and by the present Provision.

## **2. AUDITING COMMITTEE COMPETENCIES.**

2.1. Auditing committee effects control of the Company’s financial and economic activities, including its regional subsidiaries and representation offices.

2.2. Auditing committee within its competencies defined by the Company’s Articles of association effects control of the Company’s financial and economic activities.

2.3. Auditing committee effects control through audit of the Company's financial and economic records, including primary accounting records and tax accounting.

## **3. RIGHTS OF AUDITING COMMITTEE MEMBERS.**

3.1. In the course of its activities Auditing committee has the right to require, and the persons holding posts in the Company’s management bodies are obliged to provide documents of the Company’s financial and economic activities, including confidential documents, using the following procedure:

3.1.1. demand of providing documents of the Company’s financial and economic activities may be made to the Company’s General Director both orally and in written form, however the persons holding posts in the Company’s management bodies have the right to require written confirmation of the demand;

3.1.2. documents of the Company's financial and economic activities are provided upon demand of Auditing committee within the time specified in the demand, and if the time is not specified – on or before 3 business days following the date of the demand making;

3.1.3. Auditing committee members have access to the Company's documents, including confidential documents at any time within the limits of business hours established in the Company, and if it is necessary upon written demand after working day is over;

3.1.4. for the purpose of documenting the results of audits of the Company's activities, Auditing committee has the right to require to provide duly authenticated copies of the Company's financial and economic documents;

3.1.5. in case of providing unreliable documents, denial to provide them, failure to meet the dates provided by item 3.1.2 of the present Provision, and other obstructions of activities, Auditing committee has the right to demand from the Company's executive bodies to provide against offending persons and to provide the required documents in short order;

3.1.6. the cases of violation of requirements of sub-item 3.1.5 of the present Regulation by the Company's executive bodies, including as related to providing against offending persons, are brought to the Company's Board of directors notice and are stated in Auditing committee findings;

3.1.7. access to the Company's financial and economic documents containing state secret is defined by current legislation.

3.2. Auditing committee has the right to require convocation of meetings of Management board, the Board of directors and extraordinary general meeting of shareholders to resolve the issues of these bodies' competencies.

The Company's Auditing committee may approach the Board of directors' committees with proposal to consider any issue referred to the committee competencies.

The procedure of convening meetings of Management board, the Board of directors, extraordinary general meeting of shareholders, the Board of directors' committees upon the Auditing committee demand or appeal is defined by current legislation, the Company's Articles of association and Provisions on appropriate bodies. If the procedure is not defined, the meeting is to be held within reasonable time since the date of Auditing committee demand or appeal.

3.3. Auditing committee has the right to demand from the Company's executive officers their personal explanations on the issues within the Auditing committee competencies. Auditing committee files provided explanations to audit materials.

3.4. Explanations furnished upon Auditing committee demand should be provided within the time specified in item 3.1.2 of the present Provision. In case of failure to provide the explanations or provision of known incorrect explanations, Auditing committee is acting in the procedure similar to the one provided by items 3.1.5. and 3.1.6. of the present Provision.

3.5. Auditing committee has the right to involve outside specialists (natural persons and legal entities) to conducted audits in the procedure provided by item 5.4 of the present Provision.

3.6. Auditing committee if it elicits facts of violations of issues of its competencies has the right to raise the question to the Company's management bodies of bringing to responsibility of the Company's employee (executive officer) whose action or failure to act resulted in this violation.

3.7. The Company's management bodies inform Auditing committee about actions taken following the committee appeals.

#### **4. DUTIES OF AUDITING COMMITTEE MEMBERS. RESPONSIBILITY OF AUDINING COMMITTEE MEMBERS.**

4.1. Auditing committee members are obliged:

4.1.1. not to disclose confidential information (to keep commercial secrets), which has become known to Auditing committee members while exercising their authority.

4.1.2. to provide their findings based on the results of the Company's audit in the procedure provided by the Articles of association and the present Provision.

4.2. Auditing committee members are responsible for committed breach of their duties in accordance with current legislation of the Russian Federation.

#### **5. PROCEDURE OF AUDITING COMMITTEE ACTIVITIES.**

5.1. Election of the Auditing committee Chairman and the secretary, and their authority.

5.1.1. The Auditing committee Chairman runs its activities, he/she is elected by a majority of votes of Auditing committee members participating in voting in the first meeting of Auditing committee. The Auditing committee Chairman may be re-elected at any time by majority decision of Auditing committee members.

5.1.2. Any member of Auditing committee may nominate the Auditing committee Chairman. A member of Auditing committee may nominate himself/herself.

5.1.3. The Company's Auditing committee Chairman organizes its activities, convenes the meetings of the Company's Auditing committee and presides over them, organizes taking of minutes at the meetings.

5.1.4. Organizational support of the Auditing committee activities is ensured by the Auditing committee secretary who is elected in the first meeting of Auditing committee. The Auditing committee secretary is elected in accordance with the procedure similar to the one established for election of the Auditing committee Chairman.

5.1.5. The Auditing committee secretary immediately after his/her election notifies the Company of the way in which the documents submitted to Auditing committee in accordance with item 6.1 of the present Regulation are to be surrendered to him/her.

5.1.6. The Auditing committee secretary takes the minutes, ensures custody of documents relating to the Auditing committee activities in accordance with section 6 of the present Provision.

## 5.2. Holding of Auditing committee meetings.

5.2.1. All the issues of Auditing committee activities not referred by the present Regulation to the Auditing committee Chairman supervision are resolved in Auditing committee meetings. Auditing committee meetings are held as and when necessary, at least once in a quarter.

5.2.2. The first meeting of Auditing committee is held on or before 15 days since the date of its election.

5.2.3. The Auditing committee meetings are conducted by the Auditing committee Chairman. If the Auditing committee Chairman and/or secretary are absent, the persons substituting them are appointed by a majority of votes of Auditing committee members present in the meeting.

5.2.4. The minutes are taken in Auditing committee meeting. The minutes are signed by the Chairman and the secretary of Auditing committee or by the persons substituting them.

5.2.5. The Auditing committee meetings are compulsorily held before and after the Company's audit.

5.2.6. The Auditing committee meetings may be held both in the form of compresence and in the form of absentee voting.

5.2.7. If Auditing committee meetings are held in the form of absentee voting, the Auditing committee members are sent documents with agenda and voting ballot which allows them to express precisely their point of view on the agenda issues. The Auditing committee secretary on the instruction of the Auditing committee Chairman ensures preparation and distribution of documents for meetings to be held in the form of absentee voting. The Auditing committee Chairman sets the term during which the Auditing committee members should express their point of view on the agenda issues.

5.2.8. The Auditing committee meeting is legally competent if at least half of the elected members of Auditing committee are present in it.

If the meeting is held in the form of absentee voting, it is legally competent provided that at least half of the elected members of Auditing committee participated in the voting.

5.2.9. Auditing committee decisions are adopted by a majority of votes of the Auditing committee members participated in the meeting (who participated in voting in the meeting held in the form of absentee voting).

Each member of Auditing committee has one vote. In case of tied vote, the Auditing committee Chairman has a casting vote.

### 5.3. Auditing by Auditing committee.

5.3.1. Auditing committee audits the Company's financial and economic activities at year-end. Findings of mandatory audit of the Company's financial and economic activities at year-end are furnished to the Board of directors on or before 14 business days prior to the date of preliminary approval of the Company's annual report by the Board of directors.

5.3.2. In addition to the audit specified in item 5.3.1 of the present Regulation Auditing committee has the right to conduct unscheduled audits at any time in accordance with the present Provision.

5.3.3. Unscheduled audit is conducted if it is initiated by:

- general meeting of the Company's shareholders;
- the Company's Board of directors;
- shareholder (shareholders) holding at least 10% of the Company's voting shares;
- the Company's Auditing committee.

5.3.4. The ground for audit initiated by general meeting of shareholders or the Board of directors is the appropriate resolution/decision of the Company's management body.

The Auditing committee Chairman should organize unscheduled audit on or before 30 days since the date when the appropriate resolution/decision was passed/made by general meeting of shareholders or by the Board of directors.

5.3.5. The ground for audit initiated by shareholder is the appropriate written request served to Auditing committee. The Auditing committee Chairman should organize unscheduled audit on or before 30 days since the date of the request receipt.

5.3.6. If the Auditing committee member considers unscheduled audit of the Company's activities to be indispensable, he/she applies to the Auditing committee Chairman with the appropriate proposal. The Auditing committee Chairman convenes Auditing committee meeting where the issue of the necessity and the dates of unscheduled audit are discussed. Unscheduled audit initiated by Auditing committee should be conducted if the majority of the Auditing committee members vote for it.

5.3.7. Prior to the audit beginning the Auditing committee Chairman notifies in writing the Board of directors and the General Director of the Company (his/her deputy) of the issues to be audited, the audit initiator, audit tentative dates, the necessity of involving outside specialists in audit, and other essential conditions of audit.

5.3.8. To support the Auditing committee activities the Company's General Director (his/her deputy) appoints a group of the Company's employees responsible for interaction with Auditing committee.

5.4. The procedure of involving outside specialists in individual audits conducted by Auditing committee.

5.4.1. The Board of directors as well as any member of Auditing committee has the right at any time to apply to the Auditing committee Chairman with the proposal to involve outside specialists (natural persons and legal entities) who are not Auditing committee members or the Company's employees in audit.

The decision of the necessity of involving outside specialists is made in the Auditing committee meeting.

5.4.2. If the involvement of outside specialists is possible only for value received, then the specialists are involved on the advance approval of the Company's Board of directors. The Board of directors in its decision defines manner of payment and other essential conditions of outside specialists' participation in audit conducted by Auditing committee.

The contract with involved specialist on terms and conditions defined by the Board of directors is concluded by the Company's General Director on behalf of the Company.

5.4.3. Involved specialists are obliged not to disclose confidential information (keep commercial secrets) that became known to them when conducting the audit.

In case of involving outside specialists Auditing committee is obliged to secure signing of confidentiality agreement by and between these specialists and the Company prior to the time of their involvement in audit.

5.5. Presentation of results of audits conducted by Auditing committee.

5.5.1. The certificate of audit in accordance with any findings of the audit is drawn up not later than 5 business days since the time of audit completion.

The certificate of audit is drawn up on the basis of written opinions of Auditing committee members participated in the audit and the opinions are forwarded to Auditing committee secretary on or before 3 business days since the time of audit completion.

The certificate of audit should contain classified statement of document supported facts of violations in the Company's financial and economic activities identified in the course of audit, or note of lack of these, and also Auditing committee conclusions and proposals to rectify identified violations.

The certificate of audit is signed by the Auditing committee Chairman and its members participated in audit and is forwarded to the Company's General Director. General Director within 3 business days has the right to provide objections and/or documents concerning identified violations to Auditing committee.

5.5.2. Basing on the certificate of audit Auditing committee draws up findings where it expresses its opinion, including on the issues of reliability of data in the Company's reports, statements and other financial documents.

5.5.3. Findings should comprise the following information:

- brief summary about audited Company;
- information about Auditing committee structure;
- period under audit;
- audit approach;
- Auditing committee conclusions about reliability of accounting statement in whole, in its part or its unreliability.

5.5.4. Findings are signed by the Auditing committee Chairman and its members participated in audit. All disagreements arising in findings drawing up are resolved by majority voting. A member of Auditing committee who does not agree with the conclusions stated in findings has the right to set forth his/her opinion in writing.

5.5.5. Findings are drawn up not later than in 10 business days since the date of audit completion.

Within five-day period since the date of its drawing up the Auditing committee findings are brought to notice of the Board of directors, the Company's General Director and also to the audit initiator if it was the Company's shareholder.

## **6. CUSTODY OF AUDITING COMMITTEE DOCUMENTS AND THEIR FURNISHING TO INTERESTED PERSONS.**

6.1. All the documents addressed to Auditing committee (in particular, request for audits) are to be sent by registered mail return receipt requested to the Company's address or to be delivered to the Company's front office (executive office). The Company's executive bodies ensure the surrender of received documents to the Auditing committee Chairman or to the Auditing committee secretary.

6.2. Auditing committee findings are held in custody at location of the executive body.

6.3. Auditing committee findings are furnished to the persons having the right of access to these documents in accordance with current legislation and in manner required by current legislation and the Company's Articles of association.

6.4. The minutes of the Auditing committee meetings and other documents related to the Auditing committee activities (except for the findings) are kept by the Auditing committee secretary. If the Auditing committee secretary is reelected, he/she should surrender these documents to the newly elected secretary of Auditing committee.

## **7. MATERIAL SUPPORT OF AUDITING COMMITTEE ACTIVITIES. REMUNERATION AND COMPENSATIONS TO AUDITING COMMITTEE MEMBERS.**

7.1. To ensure the Auditing committee activities (including for holding the Auditing committee meetings and for the time of audits), the Company provides premises equipped with office appliances (phones, fax machines, computers, printers, and other office equipment at reasonable demand of the Auditing committee Chairman). The location of the premises should not hamper the Auditing committee activities.

7.2. The Company at its expense provides the Auditing committee with stationary and with other expendable materials in the amount necessary to ensure the Auditing committee activities.

7.3. The Auditing committee members are compensated for all proven costs related to the exercise of their functions of Auditing committee members.

7.4. The Auditing committee members in the period of their functions exercising are paid quarterly remuneration in the amount of RUR 150 000 to each of them.

The quarterly remuneration for the Auditing committee Chairman is established with coefficient 1,3.

The remuneration of the Auditing committee member for the quarter, in which Auditing committee was reelected or some of its members left it as per the procedure provided by item 8 of the present Regulation, is paid proportionally to the time worked in the quarter.

## **8. EARLY TERMINATION OF OFFICE.**

8.1. The authority of several members of Auditing committee or of the entire structure of Auditing committee may be early terminated by resolution of general meeting of shareholders.

8.2. A member of Auditing committee has the right to retire from Auditing committee membership at any time on his/her initiative by notifying in writing the Auditing committee Chairman and the Company. In this case, the authority of the Auditing committee member is terminated on the date of sending this notification.

8.3. The following procedure is to be complied with if the Auditing committee Chairman retires from it:

- The Auditing committee Chairman notifies the Company of his/her decision to retire from Auditing committee;
- The Chairman convenes Auditing committee meeting;
- A new Chairman is elected at Auditing committee meeting.

8.4. The authority and duties of the Auditing committee Chairman are effective until a new Chairman of Auditing committee is elected.

8.5. In case if actual headcount of Auditing committee is less than half of numerical strength of Auditing committee as defined by the Company's Articles of association, the Auditing committee Chairman is to inform the Company's Board of directors within 5 days since the time of this event occurrence. The Board of directors is obliged to convoke extraordinary general meeting of shareholders to elect a new Auditing committee.

## **9. FINAL PROVISIONS**

9.1. The present Regulation is approved by general meeting of shareholders by a majority of votes of shareholders – owners of the Company's voting shares participating in the meeting.

9.2. The resolution of introducing amendments or modifications to the Regulation is passed by general meeting of shareholders by a majority of votes of shareholders – owners of the Company's voting shares participating in the meeting.

9.3. If as a result of changes in legislation of the Russian Federation or the Company's Articles of association, some articles of the present Regulation run counter to legislation or the Articles of association, these articles become inoperative, and Auditing committee members are guided by current legislation until the Regulation is modified.