

APPROVED BY:
Resolution of the Annual General
Shareholders' Meeting
of IDGC of the South, PJSC
Minutes No. 17 dated June 16, 2017

Chairman at the Annual General
Shareholders' Meeting of IDGC of the South,
PJSC

_____ S. A. Arkhipov

REGULATION on IDGC of the South, PJSC Internal Audit Commission

1. General Provisions

1.1. This Regulation on IDGC of the South, PJSC Internal Audit Commission (hereinafter the “Regulation”) is the internal document of IDGC of the South, PJSC (hereinafter the “Company”) and was developed according to the Federal Joint Stock Companies Law and the Company’s Articles of Association, defines the objectives and operating procedure of the Company’s Internal Audit Commission, governs the liaising with the Company’s management bodies and heads of the Company’s business units and separate units.

1.2. The Company’s Internal Audit Commission is the Company’s standing elective internal control body in charge of periodic monitoring of financial and business performance of the Company, its separate business units, officials of the Company’s management bodies and business units of the Company’s executive branch, by documentary and physical audits of:

- 1) legitimacy, economic substantiation and efficiency (appropriateness) of the economic and financial transactions the Company entered into in the audited period;
- 2) complete and correct recording of economic and financial transactions in the Company’s documents.

1.3. The Company’s Internal Audit Commission shall act in the interests of the Company’s shareholders and reports to the General Meeting of the Company’s Shareholders in its activities.

1.4. The Company’s Internal Audit Commission is independent of the officials of the Company’s management bodies in its operations.

1.5. The Company’s Internal Audit Commission shall be liable for the reliable and unbiased findings of the conducted audits to the General Shareholders’ Meeting.

1.6. The Company’s Internal Audit Commission is governed by Russian law, the Company’s Articles of Association and this Regulation as well as the Company’s other internal documents approved by the General Meeting of the Company’s Shareholders in its activities.

2. Objectives of the Company’s Internal Audit Commission

2.1. The objectives of the Company’s Internal Audit Commission are as follows:

- 1) monitoring of the Company’s financial and economic operations;
- 2) independent confidence estimation of data contained in the Company’s annual report and annual financial statements.

3. Company’s Internal Audit Commission Election Procedure, Composition and Term

3.1. The Company’s Internal Audit Commission shall be elected by the General Shareholders’ Meeting up to the next annual General Meeting of the Company’s

Shareholders in such manner as envisaged in the Federal Joint Stock Companies Law and the Company's Articles of Association.

If the Company's Internal Audit Commission is elected at an extraordinary General Meeting of the Company's Shareholders, the members of the Company's Internal Audit Commission shall be deemed elected up to the date of the annual General Meeting of the Company's Shareholders.

3.2. The Company's Internal Audit Commission consists of Five (5) members (the Internal Audit Commission members), according to the Company's Articles of Association.

3.3. The Company's shareholders shall, in drafting their proposals as to nomination of candidates for the Internal Audit Commission, take into account that the candidates proposed by them as the Company's Internal Audit Commission members could be elected for not more than Three (3) consecutive periods, unless other election limitations are established in Russian law, the Company's Articles of Association and this Regulation.

3.4. A member of the Company's Internal Audit Commission shall be at any time entitled to voluntarily leave the elected office, with a written notice to the Chairman of the Company's Internal Audit Commission thereof.

3.5. Powers of all or some members of the Company's Internal Audit Commission may be early terminated by resolution of the General Shareholders' Meeting.

3.6. The Chairman of the Internal Audit Commission must initiate the termination of powers of a member of the Company's Internal Audit Commission if such member is engaged in unethical practices or causes harm to the Company in the form of:

- 1) destruction, deliberate damage or counterfeiting of documents and materials;
- 2) concealing of information on the discovered abuses on the part of the Company's officials or other employees;
- 3) deliberate misleading of the Company's officials or other employees or shareholders on the Company's operations;
- 4) disclosure of state secret and confidential information on the Company's business;
- 5) other actions prejudicial to the Company.

3.7. If the powers of a member of the Company's Internal Audit Commission early terminate, the powers of the rest of members of the Company's Internal Audit Commission shall remain effective.

3.8. Where the membership of the Company's Internal Audit Commission becomes less than the half of its total membership established in the Company's Articles of Association, the Chairman of the Company's Internal Audit Commission shall be free to approach the Company's Board of Directors for convention of an

extraordinary General Meeting of the Company's Shareholders, at the resolution of the Board of Directors, to elect members of the Company's Internal Audit Commission.

3.9. The following criteria of the candidates' professional background and knowledge shall be met when nominating candidates for the Company's Internal Audit Commission:

- 1) higher economic, financial or legal education;
- 2) experience with internal audit business units and control and audit bodies;
- 3) knowledge in Economics, Finance, Accounting, Business Law, specific features of the Company's line of business.

3.10. The Company's shareholders shall seek to take the following principles of drafting the candidates' lists into account when compiling their proposals as to the candidates to be elected to the Company's Internal Audit Commission:

- 1) the candidates whose powers have been early terminated for reasons specified in Clause 3.6 hereof, in particular, in performance of duties in the internal audit commissions of other legal entities, should not be incorporated into the list;
- 2) the candidates being the Company's employees should not be incorporated into the list.

3.11. The candidates for the Company's Internal Audit Commission shall confirm their consent to election to the Company's Internal Audit Commission in writing.

3.12. Members of the Company's Internal Audit Commission may not simultaneously be members of the Company's Board of Directors or hold other positions in the Company's management bodies.

4. Chairman and Secretary of Company's Internal Audit Commission

4.1. The Chairman of the Company's Internal Audit Commission shall be elected by members of the Company's Internal Audit Commission from among them by a majority of votes of the total members of the Company's Internal Audit Commission. Members of the Company's Internal Audit Commission shall be entitled at any time to re-elect the Chairman of the Company's Internal Audit by a majority of votes of the total members of the Company's Internal Audit Commission.

4.2. The Secretary of the Company's Internal Audit Commission shall be elected by members of the Company's Internal Audit Commission from among them by a majority of votes of the total members of the Company's Internal Audit Commission. Members of the Internal Audit Commission shall be entitled at any time to re-elect the Secretary of the Company's Internal Audit by a majority of votes of the total members of the Company's Internal Audit Commission.

4.3. The Chairman and the Secretary of the Company's Internal Audit Commission elected in a new composition shall be elected within Fifteen (15) business days from election of the appropriate composition of the Company's Internal Audit Commission.

- 4.4. The Chairman of the Company's Internal Audit Commission shall:
- 1) convene and hold meetings of the Company's Internal Audit Commission;
 - 2) approve of the agenda of the Company's Internal Audit Commission meeting and resolve all necessary issues in connection with preparation for and holding of the Company's Internal Audit Commission meeting;
 - 3) arrange for the daily operations of the Company's Internal Audit Commission;
 - 4) represent the Company's Internal Audit Commission at the General Shareholders' Meeting and BoD meetings;
 - 5) sign the minutes of the Company's Internal Audit Commission meeting and other documents originating from the Company's Internal Audit Commission.

- 4.5. The Secretary of the Company's Internal Audit Commission shall:
- 1) arrange for keeping of minutes of the Company's Internal Audit Commission meetings;
 - 2) make sure the Company's management bodies are timely notified of the findings of conducted audits, by providing the Certificate, the Opinion of the Company's Internal Audit Commission in line with this Regulation;
 - 3) draft and sign minutes of the Company's Internal Audit Commission meetings;
 - 4) arrange for the Company's Internal Audit Commission's document management, processing and keeping
 - 5) arrange for sending a notice of the Company's Internal Audit Commission meetings, scheduled and extraordinary audits of the Company's business to the Company's Internal Audit Commission members;
 - 6) perform any other functions envisaged in this Regulation.

5. Rights and Duties of the Company's Internal Audit Commission

- 5.1. The Company's Internal Audit Commission shall be entitled to:
- 1) independently determine the audit methods and forms, being guided by Russian applicable law and this Regulation;
 - 2) audit the Company's financial and economic documents, documents on availability of the Company's money and securities in full;
 - 3) gain free access to all of the Company's office premises when conducting audits;
 - 4) require, to the extent of its competence, that the officials of the Company's management bodies, heads of the Company's business units and separate units provide all necessary information (documents and materials) for the audit;
 - 5) obtain, at the written request, the necessary information from third parties, in particular, with assistance of the Company's management bodies and the shareholders who authorized to conduct the audit;
 - 6) require that the officials of the Company's management bodies, heads and

employees of the Company's business units and separate units provide written explanations on the issues arising out of the audits;

7) seal the Company's monetary safe deposit boxes, material warehouses, archives and other office premises for the period of audit of the valuables and documents kept there;

8) if documents bear any erasures and other counterfeit signs and if there are reasonable doubts as to the authenticity of the documents, make copies of such documents for the purpose of additional examination and review and require that the Company's officials certify true copies of the documents, by the signature of the Company's official and the Company's seal;

9) give instructions to the Company's sole executive body for taking urgent efforts to eliminate the detected violations, if failure to take such efforts may entail the loss of valuables, documents or contribute to further abuses;

10) require that the extraordinary General Meeting of the Company's Shareholders or meeting of the Company's Board of Directors be convened in the manner established in Russian law, the Company's Articles of Association and this Regulation;

11) approach the competent persons with the proposal as to application of the penalties envisaged in Russian law, if the Company's Internal Audit Commission discovers any instances when Russian law and the Company's internal documents were violated;

12) if necessary, engage professionals in the respective fields (Law, Economics, Finance, Accounting, Management, Economic Security, other knowledge fields) not employed with the Company as well as specialized agencies in its work; apply to the Company for entering into civil law contracts with these professionals and agencies.

5.2. The Company's Internal Audit Commission shall:

1) conduct audits of the Company's financial and economic operations based on the annual performance and also at any time, at its own initiative, by resolution of the General Meeting of the Company's Shareholders, the Company's Board of Directors or at the request of the Company's shareholder(s) jointly holding at least 10 percent voting shares;

2) timely notify the Company's Sole Executive Body of the audit commencement;

3) timely notify the Company's management bodies of the conducted audit findings;

4) require that the General Meeting of the Company's Shareholders be convened, in the manner prescribed in the Company's Articles of Association, if there is real threat to the Company's interests;

5) submit the Opinion on the Annual Audit of the Company's Business, including the appraisal of the Company's annual report, to the Board of Directors at

least Forty Five (45) days prior to the date of the annual General Meeting of the Company's Shareholders.

5.3. The Chairman of the Company's Internal Audit Commission shall be obliged to attend the General Meeting of the Company's Shareholders, meetings of the Company's Board of Directors when the findings of audits (inspections) of the Company's business are reviewed, jointly with the member(s) of the Company's Internal Audit Commission at the invitation of the General Meeting of the Company's Shareholders or the Company's Board of Directors.

5.4. Members of the Company's Internal Audit Commission may not delegate their powers to other persons, in particular, on the basis of a power of attorney.

5.5. Members of the Company's Internal Audit Commission shall:

- 1) personally attend the meetings of the Company's Internal Audit Commission, take part in audits of the Company's financial and economic performance;
- 2) make sure the received information is kept confidential and prohibit the unauthorized disclosure of the information that became known to them during the audits.

5.6. Members of the Company's Internal Audit Commission shall be liable in such manner as envisaged in Russian law:

- 1) for failure to perform or to duly perform their duties;
- 2) for non-preservation of the information that became known to them in performing their duties and that constitutes state, official and/or business secret, personal data, other confidential information, according to the requirements of Russian applicable law;
- 3) in other cases stipulated in Russian law and herein.

6. Company's Rights and Duties

6.1. The Company's employees shall, as part of their competence:

- 1) create conditions for efficient audit to members of the Company's Internal Audit Commission and professionals (experts) engaged in operations of the Internal Audit Commission, provide all necessary information and documents and give oral and written explanations at their oral or written request. The requested documents and materials shall be made available to members of the Company's Internal Audit Commission within Two (2) business days from receipt of the request;
- 2) promptly eliminate all violations detected by the Company's Internal Audit Commission, in particular, in financial accounting and reporting;
- 3) prohibit any actions aimed at limiting the range of issues to be found out during the audit when conducting the audit;
- 4) promote compliance with the rights of the Company's Internal Audit Commission;
- 5) timely elaborate and implement compensatory and preventive efforts aimed at elimination and prevention of the violations and drawbacks discovered by the Internal

Audit Commission. The elaborated activity plans shall contain the planned effect from implementation of each event;

6) provide the Internal Audit Commission with the report on implementation of the activity plans aimed at eliminating and preventing the violations and defects discovered by the Internal Audit Commission, with assessment of the effect from implementation of the efforts taken by the Company.

6.2. The Company's sole executive body shall:

- 1) timely obtain information on the audit commencement;
- 2) examine the results of audits held by the Company's Internal Audit Commission;
- 3) examine the resolutions of the Company's Internal Audit Commission.

7. Administration of the Company's Internal Audit Commission Operations

7.1. The Company's Internal Audit Commission shall make the decisions at its meetings.

7.2. The first meeting of the Company's Internal Audit Commission after election of its members shall be held within 15 business days from adoption of the resolution by the General Meeting of the Company's Shareholders, at the initiative of any member of the Company's Internal Audit Commission. The first meeting of the Company's Internal Audit Commission shall review the election of the Chairman and the Secretary of the Company's Internal Audit Commission.

7.3. The meeting of the Company's Internal Audit Commission to be held within Forty Five (45) days from the date when a new composition of the Company's Internal Audit Commission was elected at the annual General Shareholders' Meeting shall approve the activity plan of the Company's Internal Audit Commission.

7.4. Further meetings of the Company's Internal Audit Commission and audits of the Company's business shall be carried out according to the approved annual activity plan of the Company's Internal Audit Commission.

7.5. The activity plan of the Company's Internal Audit Commission shall include:

- 1) audit items (types of the Company's financial and economic operations, individual areas of the Company's activities);
- 2) determination of the audit format for each of the items (documentary; audit at the location of the audit facility (field audit));
- 3) period of audits of the Company's activities (annual, quarterly), estimated audit periods;
- 4) the schedule of Company's Internal Audit Commission meetings intended to settle the issues of preparation for and holding of audits of the Company's business, of summarizing the audit findings of the Company's performance;
- 5) the list of financial and/or economic documents required for the audit of each of the audit items;

6) determination of members of the Company's Internal Audit Commission in charge of preparation for the audits, collection of information and the necessary documents and materials;

7) other issues related to arranging for meetings and audits by the Company's Internal Audit Commission

7.6. Unscheduled meetings of the Company's Internal Audit Commission convened by the Chairman of the Company's Internal Audit Commission may be held at the initiative of the Chairman of the Company's Internal Audit Commission or at the proposal of members of the Company's Internal Audit Commission.

8. Procedure for Arranging for and Holding of the Company's Internal Audit Commission Meetings

8.1. The Company's Internal Audit Commission meetings shall be held to resolve any organizational issues arising in operations of the Company's Internal Audit Commission and each time before the audit and based on the audit findings.

8.2. The Chairman of the Company's Internal Audit Commission shall convene a meeting of the Company's Internal Audit Commission according to the approved activity plan of the Company's Internal Audit Commission, either at its own initiative or at the initiative of a member of the Company's Internal Audit Commission and on the basis of the resolution of the General Shareholders' Meeting, the Company's Board of Directors or at the request of the Company's shareholders (holding not less than Ten (10) percent of the Company's voting shares) as to the audit of the Company's financial and economic operations.

8.3. The Chairman of the Company's Internal Audit Commission shall, in preparation for a meeting of the Company's Internal Audit Commission:

1) determine the date, time and venue of the meeting (summarizing the absentee voting results);

2) determine the meeting format (joint presence, absentee voting);

3) approve (sign) the meeting agenda;

4) determine the list of the necessary materials and documents (information) for review of the agenda items of the Company's Internal Audit Commission meeting;

5) determine the list of invitees to the meeting of the Company's Internal Audit Commission (in case of a joint presence);

6) resolve any other issues related to preparation for the meeting of the Company's Internal Audit Commission.

8.4. Members of the Company's Internal Audit Commission shall be notified of a meeting of the Company's Internal Audit Commission in writing at least Ten (10) business days prior to the meeting.

When absentee voting is conducted in cases envisaged in this Regulation, the materials on the agenda items and a checklist shall be sent to members of the Company's Internal Audit Commission, together with the absentee voting notice, at

least Fifteen (15) business days prior to the date when voting results are summarized.

8.5. Members of the Company's Internal Audit Commission shall be notified at the address specified by a member of the Company's Internal Audit Commission, in particular, at email address.

8.6. A member of the Company's Internal Audit Commission shall be deemed notified from the date when the notice was received at the address specified in Clause 8.5 hereof.

8.7. By resolution of the Company's Internal Audit Commission, invitees and engaged professionals (experts) may attend the meetings.

8.8. A meeting of the Company's Internal Audit Commission shall be deemed competent, if at least a half of total members of the Company's Internal Audit Commission attends the meeting or sent written opinions on agenda items of the meeting of the Company's Internal Audit Commission before the start of the meeting.

8.9. To accelerate the decision-making, draft resolutions of the Company's Internal Audit Commission can be agreed upon before a meeting of the Company's Internal Audit Commission, by data exchange by facsimile, email or other communications channels agreed upon by the Internal Audit Commission members.

8.10. The resolution on agenda items of a meeting of the Company's Internal Audit Commission shall be adopted by a simple majority of votes of total members of the Company's Internal Audit Commission.

Each member of the Company's Internal Audit Commission shall have one vote in the decision-making at the Company's Internal Audit Commission meeting.

The Chairman of the Company's Internal Audit Commission shall have a casting vote in case of a tie-vote.

8.11. A meeting of the Company's Internal Audit Commission shall be held as joint presence of members of the Company's Internal Audit Commission. A meeting may be held as absentee voting.

8.12. If a member of the Company's Internal Audit Commission is unable to attend the meeting in person, such member is free to express his or her opinion by sending a written opinion on all agenda items of the meeting to the Chairman of the Company's Internal Audit Commission. A written opinion shall be received by the Chairman of the Company's Internal Audit Commission on or before the date and time of the in-person meeting of the Internal Audit Commission.

8.13. The opinion of absent members of the Company's Internal Audit Commission, which is expressed by sending written opinions, shall be announced by the Chairman of the Company's Internal Audit Commission in the meeting and recorded in the minutes.

8.14. A meeting of the Company's Internal Audit Commission shall be held as joint presence and includes the following stages:

- 1) the Chairman of the Company's Internal Audit Commission calls the meeting to order;

- 2) the meeting quorum is determined;
- 3) the meeting agenda items are announced;
- 4) reports and messages on the meeting agenda items are made and discussed;
- 5) the Chairman of the Company's Internal Audit Commission compiles the draft resolution on the agenda items;
- 6) voting on the meeting agenda items;
- 7) summarizing the voting results;
- 8) announcement of the resolutions taken by the Company's Internal Audit Commission on agenda items.

8.15. A meeting of the Company's Internal Audit Commission held by poll shall include the following stages:

- 1) receipt and counting of the checklists sent by members of the Company's Internal Audit Commission within the period of time specified in the checklist for absentee voting;
- 2) determination of quorum at the meeting of the Company's Internal Audit Commission;
- 3) counting of votes represented in checklists and summarizing the voting results;
- 4) issue of the minutes of the Company's Internal Audit Commission meeting.

8.16. The following issues of preparation for and holding of the audit shall be reviewed at the meeting of the Company's Internal Audit Commission held before the start of each audit:

- 1) determination of the audit subject (financial and statistical statements, etc.)
- 2) audit procedure, timing and scope;
- 3) audit program approval;
- 4) determination of the list of the necessary information and materials for the audit, the methods and sources of obtaining them;
- 5) determination of the list of persons to be engaged in the audit (for giving explanations on some issues);
- 6) appointment of the meeting of the Company's Internal Audit Commission for summarizing the audit findings;
- 7) determination of a member of the Company's Internal Audit Commission, who is responsible for drafting the Certificate, the Opinion of the Company's Internal Audit Commission for the meeting of the Company's Internal Audit Commission for summarizing the audit findings;
- 8) resolution of other issues.

A meeting of the Company's Internal Audit Commission devoted to preparation for and holding of an audit may be held without joint presence of members of the Company's Internal Audit Commission, by absentee voting (by poll).

8.17. The following issues shall be reviewed at the meeting of the Company's Internal Audit Commission based on each audit findings:

- 1) discussion of the information derived from the audit and its sources;
- 2) summarizing the audit findings;
- 3) generalization of conclusions and drafting the proposals based on the audit findings;
- 4) approval and signing of the Certificate, the Opinion of the Company's Internal Audit Commission based on the audit findings;
- 5) resolution on the issue of the Internal Audit Commission's order;
- 6) establishment and analysis of the reasons for violation of Russian law and the Company's Articles of Association, and discussion of possible options of their elimination and prevention in the future;
- 7) making a decision to apply to the Company's management bodies, their officials and heads of business units of the executive administration in connection with the need to eliminate the violations discovered by the audit; recommendations as to imposing penalties on the offenders;
- 8) other issues related to summarizing the audit findings.

8.18. Members of the Company's Internal Audit Commission who took part in the meeting and had an opinion that differs from the one adopted at the meeting held based on the audit findings shall be free to compile his or her special opinion. A special opinion shall make integral part of the Minutes of the Company's Internal Audit Commission meeting.

8.19. A member of the Company's Internal Audit Commission shall, when violations of Russian law, the Company's Articles of Association and other internal documents of the Company are discovered in the course of the Company's business, send a written application describing the nature of violations and the offenders within Three (3) business days from their discovery to the Chairman of the Company's Internal Audit Commission.

The Chairman of the Company's Internal Audit Commission shall convene an urgent meeting of the Company's Internal Audit Commission in the form of joint presence within Ten (10) business days from receipt of information on detected violations.

8.20. The Secretary of the Company's Internal Audit Commission shall keep minutes at a meeting of the Company's Internal Audit Commission.

8.21. The minutes of the Company's Internal Audit Commission meeting shall contain:

- 1) date, time and venue of the meeting (summarizing the voting results);
- 2) list of members of the Company's Internal Audit Commission and persons attending the meeting;
- 3) list of members of the Company's Internal Audit Commission who voted by sending written opinions;
- 4) information on the meeting quorum;
- 5) items incorporated into the meeting agenda;

- 6) main provisions of speeches and reports on agenda items (for a meeting in the form of joint presence only);
- 7) information on existence of any special opinions of members of the Company's Audit Commission;
- 8) issues put to vote and voting results on them;
- 9) resolutions adopted by the Company's Internal Audit Commission.

8.22. The minutes of the meeting of the Company's Internal Audit Commission shall be made in duplicate within Five (5) business days from the meeting (summarizing the absentee voting results) and signed by the Chairman and Secretary of the Company's Internal Audit Commission.

8.23. The minutes of the meeting shall be accompanied with materials (opinions, certificates and other documents) that substantiated the decision-making.

8.24. If the items under discussion were agreed upon by poll, the minutes shall be accompanied with the checklists received from members of the Company's Internal Audit Commission.

8.25. Copies of minutes of the Company's Internal Audit Commission meetings shall be provided (sent) to all members of the Company's Internal Audit Commission.

8.26. The first copy of the minutes shall be kept by the Secretary of the Company's Internal Audit Commission.

The second copy of the minutes shall be submitted to the Company for safe custody. The Company shall be obliged to keep the minutes of the Company's Internal Audit Commission meetings and make sure they are provided to the Company's shareholders upon request.

9. Audit Procedure

9.1. The audit (inspection) of the Company's financial and economic operations shall be carried out based on the Company's annual performance and also at any time at the initiative of the Company's Internal Audit Commission, by resolution of the General Shareholders' Meeting, the Company's Board of Directors or at the request of the Company's shareholder(s) jointly holding at least 10 percent of the Company's voting shares.

9.2. The scheduled audit of the Company's financial and economic operations shall be held according to the approved annual activity plan of the Company's Internal Audit Commission.

9.3. An unscheduled audit of the Company's financial and economic operations shall be held:

- 1) based on resolutions of the Company's Internal Audit Commission;
- 2) based on the resolution of the General Shareholders' Meeting and the Board of Directors;
- 3) at the request of the Company's shareholder(s) jointly holding at least Ten (10) percent of the Company's voting shares.

9.4. A meeting of the Company's Internal Audit Commission to be held according to Clause 8.16 hereof shall be held within Thirty (30) business days from receipt of a written request or the resolution indicated in Clause 9.3 hereof, unless otherwise envisaged in the resolution of the Company's Internal Audit Commission and the General Meeting of the Company's Shareholders at to holding an unscheduled audit.

9.5. The audit of the Company's financial and economic operations shall be held according to the audit program and the resolutions adopted at the meetings of the Company's Internal Audit Commission.

9.6. When holding the audit, the Company's Internal Audit Commission shall:

1) audit the Company's financial, accounting, payment and settlement and other documents related to the Company's financial and economic operations, for their compliance with Russian law, these Articles of Association, the Company's internal and other documents;

2) audit and review of the Company's financial standing, solvency, the internal control and risk management system operation, asset liquidity, debt-to-equity ratio, correct and timely interest accrual and payment on bonds and yield on other securities;

3) monitoring of spending the Company's money according to the Company's approved activity plan and budget;

4) monitoring over creation and use of the Company's surplus and other special provisions;

5) audit of timely and correct entering into settlement transactions with counterparties and the budget as well as settlement transactions for salary, social insurance, dividend accrual and payment and other settlement transactions;

6) monitoring of compliance with the established procedure for writing off bad debts to the Company's losses;

7) audit of the Company's economic transactions entered into according to the concluded contracts;

8) audit of compliance with applicable contracts, regulations and standards, approved estimates and other documents governing the Company's business when using materials, labor and financial resources in financial and economic operations;

9) monitoring of preservation and use of fixed assets;

10) audit of the Company's cash and assets, the efficient use of the Company's assets and other resources, identification of reasons for non-productive losses and costs, identifications of the reserves of improvement of the Company's financial standing;

11) audit of compliance with the orders for elimination of violations and deficiencies earlier identified by the Company's Internal Audit Commission;

12) elaboration of the recommendations for the Company's management bodies;

13) other steps (efforts) related to the audit of the Company's financial and economic operations.

10. Engaging Experts in Audits

10.1. The Company's Internal Audit Commission shall be free to engage professionals (experts) in its operations based on the contracts concluded between them and the Company. Conditions of the contracts with the engaged professionals (experts) other than members of the Internal Audit Commission shall be approved by the resolution of the Company's Board of Directors.

10.2. Both individuals and legal entities (specialized companies) may act as professionals (experts). Specialized entities shall be engaged in such manner as envisaged in applicable law and the Company's internal documents that govern procurement.

10.3. The resolution as to the need for engaging the professionals (experts) shall be adopted by members of the Company's Internal Audit Commission at the meetings of the Company's Internal Audit Commission.

10.4. The resolution shall be executed in the minutes of the Company's Internal Audit Commission meeting, which should indicate the reasons for engaging the professionals (experts).

10.5. The Chairman of the Internal Audit Commission shall make sure the respective issue is included into the agenda of the Company's Board of Directors meeting based on the decision made.

11. Documents Drafted Based on Audit Held by the Company's Internal Audit Commission

11.1. The final Internal Audit Commission documents issued based on the audits shall be the Internal Audit Commission certificate, the Internal Audit Commission Opinion, and the Internal Audit Commission Order.

11.2. The Company's Internal Audit Service shall issue the Certificate based on each audit of the Company's financial and economic operations. The Certificate of the Company's Internal Audit Commission shall comprise the introduction, analytical part and conclusion.

11.2.1 The introduction of the certificate issued by the Company's Internal Audit Commission shall contain:

- 1) the entire document name: Certificate of IRGC of the South, OJSC Internal Audit Commission;
- 2) the certificate date and place
- 3) the audit date (period) and place;
- 4) the reason for the audit (resolution of the Internal Audit Commission, the General Shareholders' Meeting, the Board of Directors, the Company's shareholder(s));
- 5) the audit goal (determination if the Company's business is legitimate, establishment of the reliability of financial and other documents, their conformity to Russian law, etc.);

6) audit subject (the Company's certain activities, financial and economic documents, including financial and statistical statements, etc.);

7) list of the requests for information made in the course of audit to the Company's management bodies, heads of business units and separate units, branches and representative offices;

8) received denials to provide and reasons for non-provision of the information;

9) information on written explanations from the sole executive body, BoD members and the Company's employees;

10) information on engagement of experts in certain financial and economic areas, not holding positions in the Company, in operations of the Company's Internal Audit Commission, and information on entering into contracts with them and their fulfillment of contracts;

11) list of regulations and other documents that govern the Company's operations and were used in the course of the audit.

11.2.2 The analytical part of the certificate of the Company's Internal Audit Commission shall contain the unbiased assessment of the audited subject state and comprise:

1) overall findings of the audit of accounting records and financial statements and any other documents on the Company's financial and economic operations;

2) description of the Company's violation of the local regulations, conditions of concluded contracts and implemented transactions, non-fulfillment of the management bodies' resolutions;

3) information on actual violations of the financial accounting and reporting procedure and the procedure for the Company's financial and economic operations.

11.2.3 The final part of the Certificate issued by the Company's Internal Audit Commission represents well-substantiated conclusions made by the Company's Internal Audit Commission based on the audit.

11.3. Based on the reliability assessment of the data in the Company's annual report and financial statements, the Opinion of the Company's Internal Audit Commission is drafted and consists of the two parts: introduction and final.

11.3.1 The introduction of the Opinion issued by the Company's Internal Audit Commission shall contain:

1) the entire document name: Opinion of IRGC of the South, OJSC Internal Audit Commission;

2) the Opinion date and place

3) the audit date (period) and place;

4) based on the audit (resolution of the Internal Audit Commission);

5) the audit goal (establishment of the reliability of financial and other documents, their conformity to Russian law, etc.);

6) audit subject (financial and economic documents, including financial and

statistical statements, etc.);

11.3.2 The final part of the Opinion issued by the Company's Internal Audit Commission shall contain:

- 1) confirmation of the reliability of the data contained in the annual report of the Company, the annual accounting (financial) statements;
- 2) information on the facts of violation of the order of accounting and presentation of financial statements, as well as implementation of financial and economic activity.

11.4. If any violations and deficiencies are discovered, the Company's Internal Audit Commission shall issue the Instruction to the Company's Sole Executive Body containing recommendations and proposals as to elimination of the reasons discovered by the audit for and consequences of breaches of Russian applicable law, the Company's Articles of Association and internal documents, the conditions of concluded contracts and entered into transactions, entering into not economically substantiated and inefficient (unfeasible) business and financial transactions, failure to fulfill the resolutions taken by the Company's management bodies.

11.5. The Certificate and the Opinion of the Company's Internal Audit Commission shall be issued in Three (3) counterparts within Ten (10) business days from the audit and signed by all members of the Company's Internal Audit Commission taking part in the audit, at the meeting of the Company's Internal Audit Commission based on the audit findings.

11.6. The experts engaged in the audit shall not sign the Certificate and the Opinion, and the available expert materials shall be attached to the Certificate and the Opinion.

11.7. One copy of the Certificate and the Opinion shall be kept by the Secretary of the Company's Internal Audit Commission, one shall be sent to the Chairman of the Company's Board of Directors, and one, to the Company's Sole Executive Body.

11.8. The Instruction by the Company's Internal Audit Commission shall be drafted in Two (2) counterparts within the periods of time envisaged in the resolution adopted by the Internal Audit Commission at the meeting of the Company's Internal Audit Commission based on the audit findings and shall be signed by the Chairman of the Internal Audit Commission.

11.9. One copy of the Instruction shall be kept by the Secretary of the Company's Internal Audit Commission, one shall be sent to the Company's Sole Executive Body.

11.10. The Company shall keep Certificates, Opinions, and Instructions of the Company's Internal Audit Commission and provide access to them in such manner as envisaged in law and the Company's internal documents.