

**REGULATIONS**  
**ON THE AUDIT COMMISSION**  
**of Central Telecommunications Company**  
**Open Joint-Stock Company**  
**(Third Edition)**

**2008**

Moscow Region, Khimki

\* Changes and amendments are marked **in bold**.

## **1. GENERAL**

1.1. This Statute was developed pursuant to the Federal Law “On Joint-Stock Companies” and the Company’s Charter.

1.2. This Statute sets the operating procedures of the Audit Commission, including the procedure of meetings of the Audit Commission, auditing procedures, authorities of the members of the Audit Commission, procedure of interaction with Company management bodies.

1.3. The Audit Commission shall be elected by the general Meeting of shareholders as established by the applicable legislation and the Company Charter.

1.4. Authorities of the Audit Commission or its members may be terminated as established by applicable legislation, the Company Charter and this Statute.

## **2. AUTHORITIES OF THE AUDIT COMMISSION**

2.1. The Audit Commission shall exercise control over financial and economic activities of the Company including its branches and representative offices.

2.2. The Audit Commission shall exercise control over financial and economic activities of the Company within the competence set by the Company Charter.

2.3. The Audit Commission shall exercise control by means of auditing of financial and economic documents of the Company including data of primary business and tax accounting.

## **3. RIGHTS OF THE MEMBERS OF THE AUDIT COMMISSION**

3.1. In the course of its activities the Audit Commission may demand and persons holding offices in Company management bodies shall provide documents related to financial and economic activities of the Company, including confidential ones, as follows:

3.1.1. The demand for documents related to financial and economic activities of the Company may be raised to the Director General of the Company both in verbal and written form, at that persons holding offices in the Company management bodies may require a written confirmation of such demand;

3.1.2. Documents related to the financial and economic activities of the Company shall be submitted upon demand of the Audit Commission within the term specified in such demand, and if no term is specified in the demand, the documents shall be submitted not later than 3 working days from the date of such demand;

3.1.3. Members of the Audit Commission shall have access to Company’s documents including confidential ones at any time of any working day set by the Company, and if necessary even after the end of business upon a written demand;

3.1.4. In order to document the results of auditing of Company’s activities, the Audit Commission may demand duly certified copies of financial and economic documents of the Company;

3.1.5. In case of submission of unreliable documents, refusal to submit, failure to meet the date, stipulated by Subparagraph 3.1.2 hereof, or impeding the activities of the Audit Commission in any other way, the Audit Commission may demand the executive bodies of the Company to take measures against guilty persons and to submit the required documents immediately;

3.1.6. All facts of violation of requirements of Subparagraph 3.1.5 hereof by the executive bodies of the Company, including those related to taking measures against guilty persons shall be notified to the Board of Directors of the Company and recorded in the Report of the Audit Commission;

3.1.7. Access to financial and economic documents of the Company that contain national security information shall be set according to the current legislation.

3.2. The Audit Commission has the right to require convening of meeting of the Management Board, the Board of Directors, extraordinary General Meetings of shareholders to resolve issues within their competence.

The Audit Commission may apply to the committees of the Board of Directors with a proposition to consider any issue within the competence of such committees.

The procedure of convening of meetings of the Management Board, the Board of Directors, extraordinary General Meetings of shareholders, Audit Committee of the Board of Directors upon demand or application of the Audit Commission shall be set under applicable legislation, the Company Charter and Statutes on respective bodies. If such procedure is not established, the meeting shall be held within a reasonable time from the date of the demand or application of the Audit Commission.

3.3. The Audit Commission has the right to demand personal explanations from a Company's officer regarding issues within the competence of the audit Commission. The Audit Commission shall enclose the provided explanations in the audit materials.

3.4. Explanations given upon demand of the Audit Commission shall be provided within the term specified in Subparagraph 3.1.2 hereof. If a person fails to give explanations or provides false facts, the Audit Commission shall act according the procedure similar to that stipulated in Subparagraphs 3.1.5 and 3.1.6 hereof.

3.5. The Audit Commission may engage third-party experts (individuals or legal entities) to perform audits as provided by Paragraph 5.4 hereof.

3.6. In case of revealing any violations regarding issues within its competence, the Audit Commission has the right to apply to the Company management bodies to bring the employee (officer) of the Company whose actions or omissions resulted in such violation, to responsibility.

3.7. Management bodies of the Company shall inform the Audit Commission on measures taken upon its application.

#### **4. RESPONSIBILITIES OF THE MEMBERS OF THE AUDIT COMMISSION. LIABILITY OF THE MEMBERS OF THE AUDIT COMMISSION**

4.1. Members of the Audit Commission shall:

4.1.1. Not disclose any confidential information (keep trade secrets), that becomes known to members of the Audit Commission while exercising their rights.

4.1.2. Submit their auditing reports as established by the Charter and this Statute.

4.2. Members of the Audit Commission shall be liable for any violations in the course of performing their duties under the current RF legislation.

#### **5. OPERATING PROCEDURES OF THE AUDIT COMMISSION**

5.1. Election of the Chairman and the Secretary of the Audit Commission and their authorities.

5.1.1. Operations of the Audit Commission shall be managed by its Chairman, who is elected by a majority vote of the members of the Audit Commission who take part in voting at the first meeting thereof. The Chairman of the Audit Commission may be reelected at any time by a resolution taken by a majority of the members of the Audit Commission.

5.1.2. Any member of the Audit Commission may nominate a candidate to be elected as the Chairman of the Audit Commission. Any member of the Audit Commission may nominate himself.

5.1.3. The Chairman of the Audit Commission shall organize its work, convene its meetings, take the chair at the meetings, and organize taking minutes of such meetings.

5.1.4. The Secretary of the Audit Commission elected at the first meeting of the Audit Commission shall provide organizational support of its work. The procedure of election of the Secretary of the Audit Commission is similar to the procedure provided for election of the Chairman of the Audit Commission.

5.1.5. Immediately after election, the Secretary of the Audit Commission shall inform the Company on the mode of transfer to him/her of documents addressed to the Audit Commission under Paragraph 6.1 hereof.

5.1.6. The Secretary of the Audit Commission shall keep minutes, ensure custody of documents related to the Audit Commission under Clause 6 hereof.

## 5.2. Meetings of the Audit Commission.

5.2.1. Issues related to Audit commission activities that do not fall under supervision of the Chairman of the audit Commission hereunder, shall be resolved by meetings of the Audit Commission. Meetings of the Audit Commission shall be held as and when necessary, but at least once in a quarter.

5.2.2. The first meeting of the Audit Commission shall be held not later than 15 days from the date of election of the Audit Commission.

5.2.3. Meetings of the Audit Commission shall be held by the Chairman of the Audit Commission. In case he/she is absent, members of the Audit Commission shall appoint a person substituting the Chairman at such meeting by a majority vote of members present at the meeting.

5.2.4. Minutes are taken at each meeting of the Audit Commission. In case the Chairman and/or Secretary of the Audit Commission are not present at the meeting, members of the Audit Commission present at the meeting shall appoint persons to substitute the Chairman and the Secretary by a majority of votes. The minutes shall be signed by the person in the chair and the Secretary of the Audit Commission.

5.2.5. Mandatory meetings of the Audit Commission shall be held before and after Company auditing.

5.2.6. Meetings of the Audit Commission may be held both in-person and through voting in absentia.

5.2.7. In case a meeting is held through voting in absentia, members of the Audit Commission shall be submitted documents with the agenda and voting form that makes it possible to express their position regarding items on the agenda.

The Secretary of the Audit Commission on the instructions of the Chairman of the Audit Commission shall be responsible for preparation of documents to hold a meeting through voting in absentia and their distribution. The Chairman of the Audit Commission shall set a period for the members of the Audit Commission to offer their opinion on items on the agenda.

5.2.8. A meeting of the Audit Commission shall be deemed competent, if at least half of the elected members of the Audit Commission are present at the meeting.

If a meeting is held through voting in absentia, it shall be deemed duly constituted if at least half of the elected members of the Audit Commission took part in voting.

5.2.9. Resolutions of the Audit Commission shall be taken by a majority of votes of members of the Audit Commission participating in the meeting (or taking part in voting, if the meeting is held through voting in absentia).

Each member of the Audit Commission has one vote. If the vote is tied, the Chairman of the Audit Commission shall have the decisive vote.

## 5.3. Auditing performed by the Audit Commission.

5.3.1. The Audit Commission shall audit financial and economic activities of the Company at year end. Audit reports on the results of the annual mandatory audit of financial and economic activities of the Company shall be submitted to the Board of Directors not later than 14 working days before the date of preliminary approval of the Company's annual report by the Board of Directors.

5.3.2. The Audit Commission has the right to perform unscheduled audits at any time according to this Statute in addition to audit specified in Subparagraph 5.3.1 hereof.

5.3.3. Unscheduled audits shall be performed if initiated by:

- General Meeting of shareholders
- Board of Directors of the Company
- Holder (holders) of not less than 10 % of the Company voting shares
- Audit Commission of the Company.

5.3.4. The basis for audit on the initiative of the General Meeting of shareholders or the Board of Directors shall be a respective resolution of the Company management body.

The Chairman of the Audit Commission shall organize the unscheduled audit not later than 30 days from the date of the respective resolution of the General Meeting of shareholders or the Board of Directors.

5.3.5. The basis for audit on the initiative of a shareholder shall be a respective written request submitted to the Audit Commission. The Chairman of the Audit Commission shall organize the unscheduled audit not later than 30 days from the date of the respective request.

5.3.6. If a member of the Audit Commission sees it appropriate to perform an unscheduled audit of Company's activities, he/she shall apply with a respective offer to the Chairman of the Audit Commission. The Chairman of the Audit Commission shall convene the meeting of the Audit Commission where the issue of such unscheduled audit expediency and terms shall be discussed. The unscheduled audit on the initiative of the Audit Commission shall be performed if it is voted for by a majority of members of the Audit Commission.

5.3.7. Before the beginning of audit, the Chairman of the Audit Commission shall notify the Board of Directors and the Director General of the Company (or a substituting person) in writing on the issues to be audited, audit initiator, estimated time of such audit, necessity to engage third-party experts and other material audit conditions.

5.3.8. The Director General of the Company (or a substituting person) shall appoint a group of Company employees responsible for interaction with the Audit Commission.

5.4. The procedure of engagement of third-party experts in separate audits performed by the Audit Commission.

5.4.1. At any time the Board of Directors or any member of the Audit Commission may apply to the Chairman of the Audit Commission with an offer to engage third-party experts (individuals or legal entities) not being members of the Audit Commission or Company employees to perform audits.

The decision on the expediency of engagement of third-party experts is taken at the meeting of the Audit Commission.

5.4.2. If such engagement is possible only for value, it shall be approved in advance by the Board of Directors of the Company. The Board of Directors shall also decide on the payment procedure and other material conditions of third-party expert participation in the audit performed by the Audit Commission.

The contract with a third-party expert shall be concluded by the Director General acting for and on behalf of the Company subject to terms and conditions set by the Board of Directors.

5.4.3. Third-party experts shall not disclose any confidential information (keep trade secrets), that becomes known to them during auditing.

In case any third-party experts are engaged, the Audit Commission shall ensure conclusion of confidentiality agreements between such experts and the Company before their participation in auditing.

5.5. Presentation of results of audits performed by the Audit Commission.

5.5.1. The Certificate of Audit shall be drawn up not later than 5 working days from the date of audit completion.

The Certificate of Audit shall be drawn up based on written reports of the members of the Audit Commission who took part in the audit submitted to the Secretary of the Audit Commission not later than 3 working days from the date of audit completion.

The Certificate of Audit shall include a systematized statement of documented facts of violation in the course of financial and economic activities of the Company revealed during audit, or statement of absence thereof, as well as conclusions and recommendations of the Audit Commission related to elimination of revealed violations.

The Certificate shall be signed by the Chairman of the Audit Commission and its members who participated in the auditing, and submitted to the sole executive body. The sole executive body has the right to file its objections and/or documents related to revealed violations within 3 working days.

5.5.2. The Audit Commission shall draw up its audit report based on the Certificate, where it shall state its opinion, including its opinion regarding reliability of data contained in reports and other financial documents of the Company.

5.5.3. The Audit Report shall include the following information:

- Brief information on the audited Company;
- Information on the members of the Audit Commission;
- Audited period;
- Auditing method;
- Conclusions of the Audit Commission regarding reliability of financial statements in general or in part or their unreliability.

5.5.4. The Report shall be signed by the Chairman of the Audit Commission and its members who took part in the audit. All controversies arising while drawing up the report shall be settled by a majority of vote. Any member of the Audit Commission who does not agree with the report conclusions has the right to state his opinion in writing.

5.5.5. The report shall be drawn up not later than 10 working days upon audit completion.

The report of the Audit Commission shall be brought to the notice of the Board of Directors, the Director General of the Company and the audit initiator, if it was a Company shareholder, within five days from the date of such report.

## **6. CUSTODY OF DOCUMENTS OF THE AUDIT COMMISSION AND THEIR DELIVERY TO INTERESTED PARTIES**

6.1. All documents addressed to the Audit Commission (in particular, requests for auditing) shall be sent with a registered letter to the Company with delivery confirmation or delivered to the secretariat (clerical office) of the Company. Executive bodies of the Company shall ensure transfer of the received documents to the Chairman of the Audit Commission or the Secretary of the Audit Commission.

6.2. Reports of the Audit Commission shall be filed at the place of executive body location.

6.3. Reports of the Audit Commission shall be provided to persons having the right of access to such documents under the current legislation and as established by the current law and the Company's Charter.

6.4. Minutes of meetings of the Audit Commission and other documents related to the activities of the Audit Commission (except for reports) shall be kept by the Secretary of the Audit Commission. In case the Secretary is reelected, he/she shall deliver such documents to the new Secretary of the Audit Commission.

## **7. MATERIAL SUPPORT OF AUDIT COMMISSION'S ACTIVITIES. REMUNERATIONS AND COMPENSATIONS TO MEMBERS OF THE AUDIT COMMISSION**

7.1. The Company shall provide rooms with office equipment (telephones, faxes, computers, printers and other office equipment upon reasonable request of the Chairman of the Audit Commission) for the work of the Audit Commission (including meetings of the Audit Commission and during audits). The provided rooms shall be located not to impede the activities of the Audit Commission.

7.2. The Company shall provide the Audit Commission with office supplies and other consumables to the extent required to ensure activities of the Audit Commission.

7.3. Members of the Audit Commission shall be compensated for all documented costs related to performance of their duties as members of the Audit Commission.

7.4. Within the period of execution of their duties each member of the Audit Commission shall be paid a quarterly remuneration of **250.000 RUR**.

The ratio to calculate the quarterly remuneration to be paid to the Chairman of the Audit Commission is 1.3.

In case of any reelections of the Audit Commission or withdrawal of separate members from the Audit Commission during a quarter as established by Clause 8 hereof, the remuneration to such member of the Audit Commission shall be paid in proportion to the time worked during such quarter.

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

8.1. Authorities of definite members or the whole Audit Commission may be terminated early by resolution of the General Meeting of shareholders.

8.2. A member of the Audit Commission may withdraw at any time upon a written notice to the Chairman of the Audit Commission and the Company. Subject to the above, authorities of such member of the Audit Commission shall be terminated at the date of such notice.

8.3. The procedure of withdrawal of the Chairman from the Audit Commission shall be set as follows:

- The Chairman of the Audit Commission shall notify the Company on his/her decision to withdraw from the Audit Commission;
- The Chairman shall convene the meeting of the Audit Commission;
- A new Chairman shall be elected at the meeting of the Audit Commission.

8.4. All authorities and duties of the Chairman of the Audit Commission shall be preserved till a new Chairman of the Audit Commission is elected.

8.5. If the actual number of members of the Audit Commission is less than quantitative composition set by the Company Charter, the Chairman of the Audit Commission shall inform the Board of Directors to that effect within 5 days from the occurrence of the above event. The Board of Directors shall convene the extraordinary General Meeting of shareholders to elect a new Audit Commission.

## **9. FINAL PROVISIONS**

9.1. This Statute shall be approved by the General Meeting of shareholders by a majority vote of holders of voting shares taking part in the General Meeting of shareholders.

9.2. Any changes or amendments to this Statute shall be introduced by General Meeting of shareholders by a majority vote of holders of voting shares taking part in the General Meeting of shareholders.

9.3. If as a result of any changes in the Russian Federation legislation or the Company's Charter any provisions of this Statute are in contraction to such laws or the Charter, such provisions shall lose their effect, and the members of the Audit Commission shall follow the provisions of the current legislation till changes and amendments are introduced to this Statute.