

**APPROVED by the  
Resolution of the General Meeting of Shareholders of  
PSC “VSMPO-AVISMA Corporation”  
dated \_\_\_\_\_, 2007  
Minutes No.\_\_\_\_ dated \_\_\_\_\_2007**

**Chairman of the General Meeting of Shareholders**  
\_\_\_\_\_

**REGULATIONS  
FOR THE AUDITING COMMITTEE  
OF THE PUBLIC STOCK COMPANY  
“VSMPO – AVISMA CORPORATION”  
(new revision)**

**Verkhnaya Salda**

**2007**

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## 1. GENERAL PROVISIONS

1.1. The present Regulations are accepted and have effect in accordance with the current legislation, including RF Civil Code, the Federal Law on Joint Stock Companies, and the Bylaws of the PSC “VSMPO-AVISMA Corporation” (hereinafter “Company”).

1.2. The present Regulations determine the operating procedures and competence of the Auditing Committee, procedures for election and rights and duties of the members of the Auditing Committee of the Company.

1.3. The Auditing Committee is the body that controls over financial and economic activities of the Company, its control bodies, officials, divisions, departments, affiliates, and representative offices.

1.4. The Auditing Committee acts under the laws of the Russian Federation, in accordance with the Company’s Bylaws and the present Regulations.

1.5. The competence of the Auditing Committee is stipulated by the Federal Law on Joint Stock Companies. In case the Federal Law on Joint Stock Companies does not stipulate for some issues, the competence of the Auditing Committee shall be established by the Company’s Bylaws and the present Regulations.

The following falls within the competence of the Auditing Committee:

- audit of financial documents of the Company, accounting records, reports on inventory of property, comparison of the above documents with the primary accounting data;
- review of adequacy and completeness of keeping accounting, tax accounting, management and statistical accounting records;
- review of financial status of the Company, its financial solvency, liquidity of assets, correlation of own and borrowed assets, net assets and authorized capital, revealing resources for improvement of the financial status of the Company, development of recommendations for the Company’s control bodies;
- audit of on-time and accurate payments to Product and Service Suppliers, payments to the budget and off-budget funds, accrual and payment of dividends, interest on bonds, payment of other obligations;
- confirmation of adequacy of the data included into the Company’s annual reports and annual accounting records, profit and loss reports (profit and loss accounts), reports on distribution of profits, reporting documents for Tax and Statistical Bodies and State Authorities;
- audit of competence of the Director General activity regarding conclusion of contracts on behalf of the Company;
- audit of competence of the decisions made by the Board of Directors, the Director General and compliance of these decisions to the Company By-Laws and resolutions of the General Meeting of Shareholders;
- review of compliance of resolutions of the General Meeting of Shareholders to legislation and the Company Bylaws..

1.6. The member of the Auditing Committee does not have to be the Company’s shareholder. Members of the Auditing Committee can not simultaneously be the members of the Board of Directors of the Company or held any other position in the control bodies of the Company.

Up to 4 members of the Auditing Committee elected out of the company’s staff may be released from their direct jobs for the period while they act as members of the Auditing Committee with their jobs reserved for them.

## 2. ELECTION OF THE AUDITING COMMITTEE

2.1. The Auditing Committee shall be elected by the General Meeting of Shareholders for the period till the next Annual General Meeting of Shareholders.

The Auditing Committee shall consist of 7 members.

2.2. The shares owned by the members of the Board of Directors of the Company or by the persons holding positions in the control bodies of the Company can not take part in the voting for election of the members of the Auditing Committee.

2.3. Shareholders (a shareholder) owning in the aggregate not less than 2 percent of the Company's voting shares are entitled to nominate candidates for the Auditing Committee of the Company, the number of which may not exceed the membership of such body.

The Company should receive such proposals not later than 30 days after the end of the fiscal year.

In case of absence of proposals on the candidates for the Auditing Committee or insufficient number of candidates proposed by the shareholders to form the Auditing Committee, the Board of Directors is authorized to enroll candidates into the candidacy list at its own discretion.

2.4. Proposals on nomination of candidates shall be made in writing indicating the name (designation) of the shareholders (shareholder) who submitted the proposals, number and category (type) of shares owned by them and shall be signed by the shareholders (shareholder).

Proposals on nomination of candidates shall contain name and information from the personal identity document of each candidate (series, number, date and place of issue, issuing authority) and the name of the body for which the candidate is nominated.

2.5. The Board of Directors shall consider the received proposals within 5 days after expiration of the time-frame for submittal of proposals and include the nominated candidates into the candidacy list for election for the Auditing Committee, except for the following cases:

- shareholders (a shareholder) fail to observe the time-frame for submittal of proposals on nomination of candidates for the Auditing Committee;
- shareholders (a shareholder) do not own the required number of the Company's voting shares;
- proposals do not meet the requirements stipulated in Item 2.4. of these regulation.

2.6.. A motivated decision of the Board of Directors on refusal to include the candidate into the candidacy list for election for the Auditing Committee shall be sent to the shareholders (shareholder) who has submitted the proposal not later than 3 days of the date of decision making..

2.7. Elected to the Auditing Committee shall be considered those candidates who received the greater number of votes (within a membership of the Auditing Committee) of the participants of the General Meeting of Shareholders, but not less than 50% of voting shares present at the General Meeting of Shareholders..

If two or more candidates with the fewer number of votes have equal number of votes, elected shall be considered the candidate who received the fewer number of "Nay" votes.

If during election of members of the Auditing Committee the voting slip contains more "Aye" votes than the membership of the Auditing Committee, such voting slip shall be considered invalid.

The term of powers of the Auditing Committee shall start at the time of its election by the General Meeting of Shareholders and shall expire after election of the new members of the Auditing Committee by the Annual General Meeting of Shareholders..

If the Annual General Meeting of Shareholders was not held within the time period stipulated by the Federal Law on Joint Stock Companies and the Company Bylaws, or in case the number of members of the Auditing Committee has become less than 50% of the membership of the Auditing Committee as required by the present Regulations, or in case the Auditing Commit-

tee was not elected by the Annual General Meeting of Shareholders for any reason, the term of powers of the Auditing Committee shall be terminated. In this case the Company shall call the Special General Meeting of Shareholders for election of the new members of the Auditing Committee.

### **3. RESPONSIBILITIES OF THE AUDITING COMMITTEE**

3.1. The Auditing Committee shall:

- Inform the General Meeting of Shareholders, the Board of Directors and the Director General of the Company about the audit results in the form of a resolution or report in a timely manner;
- Assess reliability of the data included into the Company's Annual Report and contained in the Company's annual accounting statements;
- Keep the commercial secrets and not disclose any confidential information to which they have access in the course of their work;
- Request information (documents and materials) required during the audit from the Company's bodies, heads of divisions and departments, affiliates and representative offices, and the Company's officials in accordance with authorities of the Auditing Committee;
- Request calling the Board of Directors meeting and Special General Meeting of Shareholders in case the observed violations in the financial and economic activity of the Company or a real threat to the Company's interests require resolutions on the items falling within the competence of such bodies;
- Record failures of the Company's employees and officials to comply with the statutory acts, Company Bylaws, regulations and rules of the Company;
- Audit financial and economic activity of the Company as at the year end, as well as at any time when initiated by the persons stated in the Federal Law on Joint Stock Companies, Company Bylaws and the present Regulations.

3.2. Members of the Auditing Committee shall take part in the General Meeting of Shareholders and respond to the questions of the meeting participants.

### **4. AUDIT PROCEDURE**

4.1. Audit of financial and economic activity of the Company shall be performed as at the year end.

Also, audit of financial and economic activity of the Company may be performed at any time based on:

- initiative of the Auditing Committee;
- resolution of the General Meeting of Shareholders;
- resolution of the Board of Directors;
- request from a shareholder (shareholders) owning in the aggregate not less than 10 percent of the Company's voting shares.

4.2. The Auditing Committee shall submit to the Board of Directors the report on the audit of the Company's financial and economic activity for the year and make a resolution to confirm or deny validity of the data included into the Annual Report and contained in the annual accounting statements.. The report and the resolution shall be submitted to the Board of Directors not later than 40 days prior to the date of the Annual General Meeting of Shareholders.

4.3. In case of any findings, the member of the Auditing Committee shall submit to the Chairman of the Auditing Committee a written description of the finding which requires decision of the Auditing Committee.

Within 3 business days upon receipt of such a requirement the Chairman of the Auditing Committee shall call the meeting of the Auditing Committee.

When the Auditing Committee makes a decision to perform an audit, the Chairman of the Auditing Committee shall make the arrangements for the audit and then start the audit.

4.4. During the audit the members of the Auditing Committee shall review all the available documents and materials related to the audit scope.

4.5. Based on the results of the audit of the Company's financial and economic activity, the Auditing Committee shall develop a report containing:

- confirmation of validity of the data included into the Annual Report and other financial documents of the Company;
- information on any violations of the accounting procedures or procedures for submission of financial statements stipulated by the RF legislation or any violations of the RF legislation when conducting financial and economic activity.

4.6. At any time before the Auditing Committee made a decision to perform an audit, the persons who initiated the audit of the financial and economic activity of the Company shall have the right to call back their requirement with written notification to the Auditing Committee.

## **5. SHAREHOLDER'S REQUEST TO CONDUCT AN AUDIT**

5.1. Audit of the financial and economic activity of the Company may be conducted at any time upon request of the Company's shareholder (shareholders) owning in the aggregate not less than 10 percent of the Company's voting shares.

5.2. The shareholders — initiators of the audit shall submit their written requests to the Auditing Committee. The requests shall contain:

- name (designation) of the shareholder;
- information on the shares owned by them (quantity, category, type);
- reasonable justification of the request.

The request shall be signed by the shareholder or his/her authorized representative. If the request is signed by the authorized representative, it shall be accompanied with the duly certified power of attorney.

In case the audit is initiated by the shareholders - legal entities, the signature of the representative of such legal entity acting in accordance with the Bylaws without a power of attorney shall be certified with a stamp of such legal entity. If the request is signed by the representative of the legal entity acting on behalf of such legal entity based on the power of attorney, the request shall be accompanied with the duly certified power of attorney.

5.3. The request to initiate an audit shall be sent to the Company's address to the attention of the Chairman of the Auditing Committee or submitted to the Company personally.

The date of the request is determined based on the date of its receipt by the Company.

5.4. Within 5 business days of the date of the request, the Auditing Committee shall either decide to conduct the audit of the Company's financial and economic activity or give the justified refusal to do that.

5.5. The Auditing Committee may refuse to conduct an audit in the following cases:

- shareholders who requested to conduct an audit do not own the required quantity of the voting shares;
- the facts stated as the reasons for conducting an audit have been previously audited and the Auditing Committee has already made the relevant resolution;

- the request does not comply with the RF legislation and statutory acts or provisions of the Company Bylaws.

## **6. REQUEST TO CALL A SPECIAL GENERAL MEETING OF SHAREHOLDERS**

6.1. The request to call a Special General Meeting of Shareholders shall be accepted by the majority of votes of the members of the Auditing Committee participating in the meeting of the Auditing Committee.

The request shall be signed by the Chairman of the Auditing Committee.

6.2. The written request of the Auditing Committee to call the Special General Meeting of Shareholders shall be sent to the Company via registered mail with acknowledgement of receipt or submitted to the Company personally.

The date of the request call a Special General Meeting of Shareholders is determined based on the date of its receipt by the Company.

The request to call a Special General Meeting of Shareholders shall contain wordings of the items to be included into agenda of the General Meeting. The request may also contain wordings of resolutions on each agenda item and the suggested form of the General Meeting.

## **7. RESOLUTIONS OF THE AUDITING COMMITTEE**

7.1. The Auditing Committee shall take resolutions on the issues referred to its competence by the Federal Law on Joint Stock Companies and the Company Bylaws during its meetings.

The minutes of the meetings of the Auditing Committee shall be developed and signed by all the members of the Auditing Committee participating in the meeting..

The Auditing Committee shall hold its meetings prior to and after the audit. A member of the Auditing Committee has the right to call the Committee's meeting in case there are findings that require an immediate action.

The meeting of the Auditing Committee held prior to the audit shall consider the following items:

- all issues related to arrangement of the audit;
- persons in charge of the audit.

The meetings of the Auditing Committee can be attended by the specially invited persons who are not the members of the Auditing Committee: members of the Board of Directors, the Director General, officials and managers of the Company's divisions, including officials from the auditing department, representatives of the Company's Auditor, experts and advisers, and any other persons invited by the Chairman of the Auditing Committee.

The joint meeting of the Company's Auditing Committee and the Audit Committee of the Board of Directors may be held to consider the following:

- report of the Auditing Committee (Auditor) on the results of the audit of the Company's financial and economic activity for the year;
- report of the Auditing Committee (Auditor) on the results of the audit of the annual accounting statements;
- report of the Auditing Committee on validity of the data included into the Annual Report of the Company.

7.2. The meetings of the Auditing Committee shall be held in the form of joint presence of the Committee members for the purpose of discussing the agenda items and taking resolutions on the items put to the vote.

7.3. The quorum of the Auditing Committee meeting is secured by presence of at least half of the elected members of the Auditing Committee.

Resolutions at the meetings of the Auditing Committee shall be passed by the majority of votes of the members of the Auditing Committee participating in the meeting.

7.4. In case some members of the Auditing Committee do not agree with the resolution passed by the Committee, they have the right to require recording their individual opinions in the meeting minutes and bring it to the notice of the control bodies and/or shareholders of the Company.

A member of the Auditing Committee who expressed his disagreement with the report of the Auditing Committee shall be entitled to develop his individual opinion in writing which shall be attached to the Auditing Committee report and shall form the integral part thereof.

In case a member of the Auditing Committee didn't sign the Auditing Committee report and didn't develop his individual opinion, the report shall explain the reasons for it.

7.5. The report of the Auditing Committee approved based on the results of the audit of the Company's financial and economic activity for the year that was initiated by a shareholder (shareholders) shall be sent to such shareholder (shareholders) within 3 days of the date of approval.

## **8. CHAIRMAN AND SECRETARY OF THE AUDITING COMMITTEE**

8.1. The Auditing Committee shall elect its Chairman out of its members. The Chairman of the Auditing Committee shall be elected at the Committee's meeting by the majority of votes of the elected members of the Auditing Committee.

The Auditing Committee has the right to re-elect its Chairman at any time by the majority of votes of the elected members of the Auditing Committee, except for the votes of the former members of the Auditing Committee.

8.2. The Chairman of the Auditing Committee shall:

- call and hold the meeting of the Auditing Committee;
- arrange work of the Auditing Committee;
- represents the Auditing Committee at the meetings of the Board of Directors and General Meetings of Shareholders;
- sign the documents on behalf of the Auditing Committee.

8.3. In case of absence of the Chairman, his/her functions shall be performed by one of the members of the Auditing Committee based on the decision of the majority of the Auditing Committee members participating in the meeting.

8.4. The Auditing Committee shall elect its Secretary out of its members. The Secretary of the Auditing Committee shall be elected at the Committee's meeting by the majority of votes of the elected members of the Auditing Committee.

## **9. REMUNERATIONS AND COMPENSATIONS TO THE MEMBERS OF THE AUDITING COMMITTEE**

9.1. In accordance with the decision of the General Meeting of Shareholders the members of the Auditing Committee may receive remuneration and (or) compensation for expenses incurred by them when fulfilling their duties at the time of such fulfillment. The amount of such remunerations and compensations shall be determined by the General Meeting of Shareholders.

9.2. The General Meeting of Shareholders may consider payment of remuneration and (or) compensation to the members of the Auditing Committee as a separate agenda item or as part of the item regarding profit distribution as at the end of the fiscal year.

9.3. Remunerations shall be paid based on the decision of the General Meeting of Shareholders according to the results of the Company performance for the year.



## 10. DOCUMENTS OF THE AUDITING COMMITTEE

10.1. The documents of the Auditing Committee include:

- meeting minutes;
- audit reports;
- resolutions.

10.2. The minutes of the Auditing Committee meeting shall be made not later than 3 days after the meeting date.

The minutes shall contain the following:

- place and time of the meeting;
- names of participants;
- persons who had individual opinions regarding the resolutions made;
- meeting agenda;
- issues put to the vote and the voting results;
- resolutions passed.

10.3. The audit reports of the Auditing Committee shall contain the following information:

- place and time of the audit;
- members of the Auditing Committee who took part in the audit;
- reason for the audit;
- description of the detected violations of legislation, statutory acts, Company By-laws and other internal Company documents;
- names of the persons who violated legislation, statutory acts, Company Bylaws and other internal Company documents;
- references to provisions of legislation, statutory acts, Company Bylaws and other internal Company documents which were violated.

10.4. The resolutions of the Auditing Committee shall contain the following information:

- conclusions on observance or violation of the legislation, statutory acts, Company Bylaws and other internal Company documents;
- assessment of validity of the data included into the Company's Annual Report or contained in the annual accounting statements;
- requests for information (documents and materials) made during the audit to the Company's bodies, heads of divisions and departments, affiliates and representative offices, and Company officials;
- refusals to submit the information (documents and materials);
- requests of the Auditing Committee to call meetings of the Board of Directors and a Special General Meeting of Shareholders;
- description of the detected violations of legislation, statutory acts, the Company Bylaws, Regulations, rules and instructions by the Company employees and officials.

10.5. The documents of the Auditing Committee shall be signed by the members of the Auditing Committee and shall not be certified with the Company stamp.

10.6. The Chairman of the Auditing Committee shall submit originals of the Committee documents to the Director General of the Company for retention and they sign the relevant act.

10.7. The Chairman of the Auditing Committee shall keep on file the following documents:

- requests to conduct an audit;
- refusals of the Auditing Committee to conduct an audit;
- written refusals of the Company's officials to submit the requested information.

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10..8. The Company in the person of the Director General shall provide to the shareholders access to the documents of the Auditing Committee.

Upon the shareholder's request the Company shall provide the copies of the Auditing Committee documents for the charge. The charge shall be determined by the Company and shall not exceed the cost of copying and posting the documents.

## **11. PROCEDURE FOR APPROVAL AND INTRODUCTION OF CHANGES TO THE PRESENT REGULATIONS**

11.1. The Regulations for the Auditing Committee shall be approved by the General Meeting of Shareholders of the Company.

11.2. Decision on introduction of changes or amendments to the present Regulations or approval of the new revision thereof shall be taken by the General Meeting of Shareholders in accordance with the procedure stipulated by the Federal Law on Joint-Stock Companies and the Company's Bylaws.

11.3. If due to any changes in the RF legislation some clauses of the present Regulations come into conflict with the RF legislative rules, such clauses shall become invalid while the Regulations shall still be valid as related to clauses not contradicting the RF legislation.

11.4. If due to any changes in the Company's Bylaws some clauses of the present Regulations come into conflict with the Company's Bylaws, such clauses shall become invalid and the Company's Bylaws shall be the governing document till introduction of changes to the present Regulations.