

Approved  
By the Board of Directors of the Russian  
Public Corporation of Power Engineering  
and Electrification "UES of Russia"  
Minutes No. 1429pr/1 of March 30, 2006  
Executive Secretary of the Board of Directors  
\_\_\_\_\_ A.A. Zakharov

Regulations  
on the Auditing Commission of  
Interregional Distribution Grid Company of Center and North Caucasus, plc

Moscow  
2006

## **1. General Provisions**

- 1.1. The present Regulations on the Auditing Commission of Interregional Distribution Grid Company of Center and North Caucasus, plc (further – “Regulations”), drawn up in compliance with the Federal Law “On Joint-Stock Companies” and the Charter of Interregional Distribution Grid Company of Center and North Caucasus, plc (further – Company) determines the objectives and the procedures of the Auditing Commission, regulates its interaction with the Company management and structural subdivisions of the executive body of the Company.
- 1.2. The Auditing Commission shall be a permanent body of the Company internal control, handling on a regular basis financial and economic activity of the Company, its detached subdivisions, officials of the Company management and structural subdivisions of the executive body of the Company in order to confirm its compliance with the legislation of the Russian Federation, the Charter of the Company and the internal documents of the Company.
- 1.3. The Auditing Commission shall act on behalf of the Company shareholders, and in its activity shall be accountable to the General Meeting of the Company shareholders.
- 1.4. In its activity, the Auditing Commission shall be independent of the officials of the Company and the heads of the structural subdivisions of the executive body of the Company.
- 1.5. In its activity, the Auditing Commission shall be guided by the legislation of the Russian Federation, the Charter of the Company, the present Regulations and other internal documents of the Company, approved by the General Meeting of the Company Shareholders.

## **2. The Objectives of the Auditing Commission of the Company**

- 2.1. The major objectives of the Auditing Commission of the Company shall be the following:
  - a) implementing control over the financial and economic activity of the Company;
  - b) providing supervision over the compliance of the financial and economic operations conducted by the Company with the legislation of the Russian Federation and the Charter of the Company;
  - c) carrying out an independent assessment of the information about the financial standing of the Company.

## **3. The Chairperson and the Secretary of the Auditing Commission**

- 3.1. The Chairperson of the Auditing Commission shall be elected by the members of the Auditing Commission of the Company from amongst them by a majority vote of the total number of the elected members of the Auditing Commission of the Company. The members of the Auditing Commission of the Company shall be entitled at any time to re-elect the

Chairperson of the Auditing Commission by a majority vote of the total number of the elected members of the Auditing Commission of the Company.

- 3.2. The Secretary of the Auditing Commission of the Company shall be elected by the members of the Auditing Commission of the Company from amongst them by a majority vote of the total number of the elected members of the Auditing Commission of the Company. The members of the Auditing Commission of the Company shall be entitled at any time to re-elect the Secretary of the Auditing Commission by a majority vote of the total number of the elected members of the Auditing Commission of the Company.
- 3.3. The Chairperson and the Secretary of the newly elected Auditing Commission of the Company shall be elected within 15 (fifteen) days from the day of the election of the respective staff of the Auditing Commission of the Company.

#### **4. The Powers and Obligations of the Auditing Commission**

- 4.1. The Auditing Commission while exercising its powers shall be guided only by the requirements of the legislation of the Russian Federation, the Charter of the Company and the resolutions of the General Meeting of the Company shareholders.
- 4.2. The powers of the Auditing Commission of the Company shall include:
  - 1) free access to all the offices of the Company;
  - 2) sealing the monetary depositories, goods warehouses, archives and other offices of the Company for the period of checking the safety of all the valuables and documents stored in them;
  - 3) seizure of some documents (with drawing up an act of seizure and making copies of the seized documents) in case any forgery or other abuses are discovered during the check-up;
  - 4) receiving written explanations from the officials of the Company, the heads and employees of the structural subdivisions of the executive body of the Company concerning any questions arising during the check-up;
  - 5) issuing instructions to the officials of the Company and the heads of the structural subdivisions of the executive body of the Company on their immediate taking measures in view of the revealed infringements, if non-taking these measures can lead to a loss of the valuables, documents or can contribute to further abuses;
  - 6) calling for an emergency General Meeting of the Company shareholders and a meeting of the Board of Directors in the order determined by the legislation of the Russian Federation, the Charter of the Company and the present Regulations;
  - 7) requesting the officials of the Company, the heads of the detached subdivisions of the Company and structural subdivisions of the executive body of the Company about the documents and the data, necessary for

- conducting the check-up of the financial and economic activity of the Company by the Auditing Commission;
- 8) bringing up a question before the officials of the Company about imposing measures of disciplinary and material liability on the employees of the Company, including the officials of the Company, in case they have violated the Charter of the Company and the internal documents of the Company.
- 4.3. The Chairperson of the Auditing Commission shall:
- 1) call and hold meetings of the Auditing Commission;
  - 2) approve the agenda of a meeting of the Auditing Commission, as well as tackle all the issues of preparing and holding a meeting of the Auditing Commission of the Company;
  - 3) organize everyday work of the Auditing Commission;
  - 4) represent the Auditing Commission at the General Meeting of the Company shareholders and meetings of the Board of Directors;
  - 5) sign the minutes of the meetings of the Auditing Commission and other documents issued by the Auditing Commission of the Company;
- 4.4. The Secretary of the Auditing Commission of the Company shall:
- 1) organize record-keeping of meetings of the Auditing Commission;
  - 2) provide the management of the Company with the timely information on the results of recent check-ups, furnish copies of reports of the Auditing Commission;
  - 3) draw up and sign minutes of the meetings of the Auditing Commission of the Company;
  - 4) handle business correspondence, flow of documents and the storing of documents of the Auditing Commission of the Company;
  - 5) advise the members of the Auditing Commission of the Company on holding the meetings of the Auditing Commission, planned and emergency check-ups of the activity of the Company;
  - 6) carry out other functions provided for by the present Regulations.
- 4.5. The members of the Auditing Commission shall be obliged:
- 1) to participate in person in the meetings of the Auditing Commission, in conducting check-ups of the financial and economic activity of the Company;
  - 2) to secure maintaining a confidentiality regime for the data received and to prevent an unauthorized disclosure of the information, which they have learnt while conducting the auditing;
  - 3) to call for an emergency General Meeting of the Company shareholders in accordance with the procedure established by the Charter of the Company in case of the emergence of a justifiable threat to the interests of the Company;
  - 4) to report to the General Meeting of the Company shareholders on the results of planned and emergency check-ups of the financial and economic activity of the Company, on the revealed facts of infringements of the legislation of the Russian Federation, the Charter and the internal documents of the Company by the members of the Board of Directors and other officials of the Company;

- 5) to submit to the Board of Directors a report on the results of an annual check-up of the activity of the Company, including an estimate of the annual report of the Company, not later than 45 (forty five) days prior to the date of the Annual General Meeting of the Company shareholders.
- 4.6. The members of the Auditing Commission cannot at the same time be members of the Board of Directors and hold any position in the management of the Company.
- 4.7. The Auditing Commission in compliance with the resolution on conducting a check-up shall be entitled to attract specialists in respective fields (Law, Economics, Finance, Accounting, Management, Economic Security, etc.), including specialized organizations, to conduct the check-up.

### **5. Organization of Work of the Auditing Commission**

- 5.1. Holding of meetings of the Auditing Commission of the Company and conducting check-ups of the activity of the Company shall be carried out in compliance with the approved Working schedule of the Auditing Commission, if not stated otherwise by the present Regulations.
- 5.2. The Working schedule of the Auditing Commission shall be approved not later than 45 (forty five) days after the date of election of new staff of the Auditing Commission at the General Meeting of the Company shareholders. The person in charge of making up a draft of the Working schedule of the Auditing Commission of the Company and submitting for the approval by the Auditing Commission shall be the Chairperson of the Auditing Commission.
- 5.3. The Working schedule of the Auditing Commission of the Company shall include:
  - 1) objects of check-ups (kinds of the financial and economic activity of the Company, particular areas of the Company activity);
  - 2) defining type of a check-up for each object (documentary check-up, check-up in the whereabouts of the object (an away check-up));
  - 3) time schedule of carrying out check-ups of the activity of the Company, approximate dates of check-ups (annual, quarterly);
  - 4) time schedule of holding the Auditing Commission meetings on tackling the questions of preparing and conducting check-ups of the Company activity;
  - 5) list of financial and economic documentation necessary for conducting a check-up of each of the check-up objects;
  - 6) designating the members of the Auditing Commission responsible for preparation of check-ups, gathering information and necessary documents and data;
  - 7) other issues connected with organization of meetings and conducting check-ups by the Auditing Commission of the Company.

## **6. Meetings of the Auditing Commission of the Company**

- 6.1. Meetings of the Auditing Commission of the Company shall be held to solve organizational questions of the Auditing Commission activity, as well as every time before launching a check-up and on its results.
- 6.2. At a meeting of the Auditing Commission of the Company, held before launching each check-up, the following issues of preparing and conducting the forthcoming check-up shall be considered:
  - 1) defining a check-up object (bookkeeping or statistical data and others);
  - 2) procedure, dates and scope of a check-up;
  - 3) defining a list of information and data necessary for conducting a check-up, methods and sources of their obtaining;
  - 4) defining a list of officials to be attracted to conduct a check-up (to provide explanations or clarifications of certain questions);
  - 5) setting a date of holding a meeting of the Auditing Commission on making-up of the check-up;
  - 6) designating the members of the Auditing Commission responsible for preparation of a draft report of the Auditing Commission which is to be ready by the meeting of the Auditing Commission on making-up of the check-up;
  - 7) solving other questions.

A meeting of the Auditing Commission on the questions of preparing and conducting a check-up can be held without joint attendance of the members of the Auditing Commission via absentee voting (via questionnaires).

- 6.3. At a meeting of the Auditing Commission held on making-up of the check-up, the following questions shall be considered:
  - 1) discussing the information obtained during the check-up and the sources of getting it;
  - 2) making-up of the check-up;
  - 3) summarizing the results and forming propositions on the basis of the check-up results;
  - 4) approving and signing a report of the Auditing Commission on the results of the check-up;
  - 5) defining and analyzing the reasons of the infringements of the legislation of the Russian Federation and the Charter of the Company, and discussing possible ways of their elimination and preventing them in future;
  - 6) passing a resolution on appealing to the Company management, its officials and the heads of structural subdivisions of the executive body of the Company for eliminating the infringements revealed by the check-up; for imposing measures of liability on the employees who have committed the infringements;
  - 7) other questions connected with the make-up of the check-up.

6.4. Regular meetings of the Auditing Commission of the Company shall be held within the time limits, established by the Working schedule of the Auditing Commission.

6.5. Emergency meetings of the Auditing Commission of the Company shall be called by the Chairperson of the Auditing Commission on his/her personal initiative or on the initiative of a member of the Auditing Commission, as well as on the basis of the resolution of the General Meeting of the Company shareholders, the Board of Directors or a demand of the Company shareholders (holding not less than 10 % of the voting shares of the Company) on conducting a check-up of the financial and economic activity of the Company.

6.6. The Chairperson of the Auditing Commission while preparing for a meeting of the Auditing Commission shall:

- 1) set a date, time and venue of a meeting (summing up the absentee voting);
- 2) define a form of a meeting (joint attendance, absentee voting);
- 3) approve the agenda of the meeting;
- 4) define a list of data and documents (information) necessary for considering the points on the agenda of the meeting of the Auditing Commission;
- 5) define a list of persons to be invited to take part in the meeting of the Auditing Commission (given joint attendance);
- 6) solve other questions connected with preparation for a meeting of the Auditing Commission of the Company.

6.7. A notification on the meeting of the Auditing Commission of the Company shall be sent out to the members of the Auditing Commission by registered letter not later than 10 (ten) days prior to the date of the meeting; in case of holding a meeting on the make-up of the check-up, a notification shall be sent out not later than 2 (two) days prior to the date of the meeting. When conducting absentee voting, in cases envisaged by the present Regulations, a notification on conducting absentee voting along with the materials on the agenda and the questionnaire shall be sent out by registered letter not later than 15 (fifteen) days prior to the date of summing up the absentee voting.

6.8. The Chairperson of the Auditing Commission, when any infringements of the legislation of the Russian Federation, the Charter of the Company or other internal Company documents while performing the Company activity are revealed, shall be call an emergency meeting of the Auditing Commission to decide on conducting an emergency check-up.

6.9. A member of the Auditing Commission, when revealing any infringements specified in Article 6.8. of the present Regulations, shall send the Chairperson of the Auditing Commission a written claim with a description of the infringements and the persons who have committed them, within 3 (three) days after their revealing.

6.10. In the cases envisaged by Articles 6.8. and 6.9. of the present Regulations, the Chairperson of the Auditing Commission shall call an emergency meeting of the Auditing Commission in form of joint attendance within 10 (ten) days after the receipt of the information about the infringements.

6.11. A meeting of the Auditing Commission in the form of joint attendance shall include the following stages:

- 1) opening the meeting by the Chairperson of the Auditing Commission;
- 2) defining the quorum of the meeting;
- 3) announcing the agenda;
- 4) delivering speeches, reports and accounts on the points of the agenda, their discussion;
- 5) formulating by the Chairperson of the Auditing Commission of the Company of a draft resolution on the points of the agenda;
- 6) voting on the points of the agenda;
- 7) summarizing the voting;
- 8) announcing the resolutions of the Auditing Commission on the points of the agenda.

6.12. A meeting of the Auditing Commission conducted through questionnaires shall include the following stages:

- 1) receiving and counting the questionnaires from the members of the Auditing Commission by the date specified in a questionnaire for absentee voting;
- 2) defining the quorum of a meeting of the Auditing Commission;
- 3) counting votes presented by the questionnaires and summarizing the voting;
- 4) drawing up the minutes of the meeting of the Auditing Commission.

6.13. A meeting of the Auditing Commission shall be legal (has the quorum) if more than half of all the members of the Auditing Commission of the Company take part in it. In case there is no quorum, the meeting of the Auditing Commission shall be postponed, but for not more than 10 (ten) days.

6.14. Voting on the points of the agenda of the meeting of the Auditing Commission shall be adopted by a majority of the members of the Auditing Commission of the Company.

When solving the questions at a meeting of the Auditing Commission, each member of the Auditing Commission shall have one vote.

In case of a tie vote, the vote of the Chairperson of the Auditing Commission shall be decisive.

6.15. At a meeting of the Auditing Commission, the Secretary of the Auditing Commission shall keep the minutes.

6.16. The minutes of a meeting of the Auditing Commission shall include:

- 1) date, time and venue of the meeting (summarizing the voting);
- 2) a list of the members of the Auditing Commission and the persons present at the meeting (participating in an absentee voting);
- 3) information on the quorum of the meeting;
- 4) points of the agenda of the meeting;
- 5) general clauses of the speeches and reports on the points of the agenda (only for the meetings in the form of joint attendance);
- 6) summarizing the voting;

7) resolutions taken by the Auditing Commission.

6.17. The minutes of a meeting of the Auditing Commission shall be made up in two copies within 5 days after the meeting (summarizing the absentee voting) and signed by the Chairperson and the Secretary of the Auditing Commission.

6.18. The Company shall keep the minutes of the meetings of the Auditing Commission and provide them on request of the Company shareholders.

## **7. The Procedure of Conducting Auditing**

7.1. A planned check-up of the financial and economic activity of the Company shall be conducted in accordance with the approved Working schedule of the Auditing Commission.

7.2. An emergency check-up of the financial and economic activity of the Company shall be conducted:

- 1) on the basis of a resolution of the Auditing Commission;
- 2) on the basis of a resolution of the General Meeting of the Company shareholders, the Board of Directors;
- 3) on demand of the Company shareholders (shareholder) holding in total not less than 10 (ten) % of the Company voting shares.

7.3. If not stated by the resolution of the Auditing Commission, the General meeting of the Company shareholders, the Board of Directors about conducting an emergency check-up, a meeting of the Auditing Commission subject to be held under Article 6.2. of the present Regulations shall be held within 15 (fifteen) working days from the moment of:

- 1) adopting by the Auditing Commission of a resolution on conducting an emergency check-up;
- 2) receiving by the Chairperson of the Auditing Commission of the resolution of the General Meeting of the Company shareholders and the Board of Directors on conducting an emergency check-up.

A meeting of the Auditing Commission of the Company, subject shall be held under Article 7.2. of the present Regulations on demand of the Company shareholders (shareholder) holding in total not less than 10 (ten) % of the Company voting shares, is to be held not later than within 20 (twenty) working days from the moment of receiving of the above demand of the Company shareholders (shareholder).

7.4. A check-up of the financial and economic activity of the Company shall include:

- 1) defining a legal base regulating the area of the Company activity under check-up;
- 2) collecting and analyzing the financial and economic documents of the Company, indices of bookkeeping and statistical accounts and other documents of the Company; receiving oral or written explanations related to the object under check-up;
- 3) inspection of warehouses, archives and other offices of the Company;

4) revealing any signs of non-compliance of the financial and economic activity of the Company with the current legislation of the Russian Federation, of distortions and inauthenticity in recording the activity of the Company in bookkeeping, statistical or other accounts and documentation of the Company;

5) carrying out other actions providing for a comprehensive and objective check-up of the financial and economic activity of the Company within the limits of the powers of the Auditing Commission, secured by the present Regulations.

7.5. When conducting a check-up, the members of the Auditing Commission shall request the necessary documents and data from the Company management, the heads of the detached subdivisions, structural subdivisions of the executive body of the Company and other persons who are in possession of the necessary documents and data.

The documents and data requested shall be submitted to the members of the Auditing Commission of the Company within 2 (two) working days from the date of receiving the request.

7.6. A member of the Auditing Commission of the Company must have access to the books, records, business correspondence and other information related to the respective check-up object.

7.7. When conducting check-ups, the members of the Auditing Commission shall study properly all the received documents and data related to the check-up object.

7.8. The Company management officials, the heads of the detached subdivisions and structural subdivisions of the executive body of the Company must:

- 1) provide the auditors with the conditions securing an effective conducting of a check-up; furnish the members of the Auditing Commission with all the necessary information and documentation, as well as provide them on their demand (oral or written) with explanations and clarification in oral or written form;
- 2) efficiently eliminate all the infringements revealed by the Auditing Commission, including the ones in book-keeping and making-up accounts of other financial reports;
- 3) avoid any actions during a check-up aimed at limiting a frame of issues to be cleared during a check-up.

## **8. The Report (Opinion) of the Auditing Commission**

- 8.1. On the results of the check-up of the financial and economic activity of the Company, the Auditing Commission shall draw up a report (opinion), which is a document of internal control of the Company.
- 8.2. A report (opinion) of the Auditing Commission shall be comprised of three parts: introductory, analytical and final.
- 8.3. The Introductory part of the report (opinion) of the Auditing Commission shall include:

- 1) complete title of the document – “The Report (opinion) of the Auditing Commission of Interregional Distribution Grid Company of Center and North Caucasus, plc”.
  - 2) date and venue of drawing up a report (opinion);
  - 3) date (period) and venue of conducting a check-up;
  - 4) grounds for a check-up (a resolution of the Auditing Commission, the General Meeting of the Company shareholders, the Board of Directors, Company shareholders (shareholder));
  - 5) purpose of a check-up (to determine legality of the Company activity, to determine authenticity of book-keeping and other documentation, its compliance with the legislation of the Russian Federation and others);
  - 6) an object of a check-up (a particular activity of the Company, financial and economic documentation, including book-keeping and statistical accounts and others);
  - 7) a list of legal and other documents regulating the Company activity used in the check-up;
- 8.4. The analytical part must contain an objective estimate of the condition of the object under check-up and thus must include:
- 1) general results of checking the book-keeping accounts and other records on the financial and economic activity of the Company;
  - 2) general results of checking the compliance with the requirements of the legislation of the Russian Federation while performing the financial and economic operations;
- 8.5. The final part of the report (opinion) of the Auditing Commission of the Company shall be a reasoned summary of the Auditing Commission and thus it must contain:
- 1) confirmation of the authenticity of the data in the reports and other financial documents of the Company;
  - 2) information on the infringements of the procedure secured by the legislation of the Russian Federation of book-keeping and rendering of financial accounts, as well as legal acts of the Russian Federation when performing the financial and economic activity;
  - 3) recommendations and propositions on the elimination of causes and consequences of the infringements of the legislation of the Russian Federation, the Charter and internal documents of the Company.
- 8.6. The report (opinion) of the Auditing Commission of the Company shall be made up in 3 (three) copies within 2 (two) days from the moment of completing the check-up and is signed at a meeting of the Auditing Commission on the results of the check-up by all the members of the Auditing Commission and the specialist-experts attracted to conduct the check-up. The report (opinion) must contain a note that Executive Director and Chief Accountant are informed on it.
- In case of disagreement between the members of the Auditing Commission on any question, the report (opinion) of the Auditing Commission shall be as qualified, the disagreements shall be stated in an

individual opinion of a member of the Auditing Commission. The individual opinion signed by the member of the Auditing Commission or a specialist-expert shall be attached to the report (opinion) of the Auditing Commission.

One copy of the report (opinion) shall be kept in the files of the Secretary of the Auditing Commission, a second copy shall be forwarded to the Chairperson of the Board of Directors, a third copy shall be forwarded to Executive Director of the Company.

8.7. The Company shall keep the reports (opinions) of the Auditing Commission and provide access to them on demand of the Company shareholders.