 <p>АКЦИОНЕРНАЯ ФИНАНСОВАЯ КОМПАНИЯ СИСТЕМА</p>	<p>Statute on the Complex of Internal Control and Audit</p>	<p>For internal use only</p>
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APPROVED


By order of the President,  
Sistema, JSFC

No. U-072/09 dated 04.06.2009

**STATUTE  
ON THE COMPLEX OF INTERNAL  
CONTROL AND AUDIT  
OF SISTEMA, JFSC**

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## 1. ABOUT THIS DOCUMENT

### 1.1. Purpose of the Document

This Statute shall set out the status, structure, areas of responsibility, goals, objectives and duties as well as the rights and powers of the Complex of Internal Control and Audit of Sistema, JSFC, and shall also describe its interaction with external organizations, subsidiary and dependent companies as well as with other subdivisions of Sistema, JSFC.

### 1.2. Circulation and Review Periodicity

<b>Document type:</b>	Statute on a subdivision		
<b>Annotation:</b>	Statute on the Complex of Internal Control and Audit of Sistema, JSFC.		
<b>Maximum review periodicity:</b>	2 years	<b>Maximum review periodicity:</b>	6 months
<b>Circulation:</b>	For internal use		

### 1.3. Document version supervision

Version No.	Date created	Document developed by, position	Name of officer in charge of document development	Brief description of document changes
0.1	22.05.2009	Directorate head	Mamonov, M. A.	Creation of the document

## 2. GENERAL PROVISIONS

### 2.1. Structure and management

The Complex of Internal Control and Audit (hereinafter: the “Complex”) shall be a structural subdivision unit of Sistema, JSFC (hereinafter: the “Corporation”).

The immediate direction of the Complex shall be effectuated by the head of the Complex appointed by order of the President of the Corporation and reporting directly to the President. A candidate to hold the position of head of the Complex must be approved by the Board of Directors of the Corporation.


The head of the Complex may use official letterheads of the Corporation and, within his or her competence, shall be entitled to act in the name of the Corporation and to represent its interests.

The Statute on the Complex, the structure and staff numbers of the Complex shall be approved by order of the President of the Corporation.

### 2.2. Objects

The Complex shall have the following objects:

- to assist the management in the development of an effective system of internal control;
- to assist the Corporation in the attainment of its goals in the most effective way possible;

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- to appraise the efficiency of the internal control systems in the Corporation and in its subsidiary and dependent companies;
- to provide the management and shareholders of the Corporation with information on the presence and probability of internal risks.

### **2.3. Normative Base and Limitations**

In its activity the Complex shall be guided by the laws of the Russian Federation, the Charter of the Corporation, decisions and/or resolutions of the Board of Directors, the Management Board and the President of the Corporation and other guideline and normative documents and rules and procedures established in the Company as well as by this Statute.

### **3. KEY TASKS**

To assist the management of the Corporation in implementing and modernizing systems for risk management, control and corporate governance, to appraise them periodically, to develop recommendations on improving their effectiveness and to provide the President and the Board of Directors of the Corporation with required information in order to ensure the following:

- timely identification and analysis of risks facing the Corporation;
- completeness and reliability of financial and managerial information;
- compliance by employees with the Corporation's policies, procedures and standards and also with applicable laws;
- safety of the Corporation's assets;
- implementation of plans and attainment of set goals both by the Corporation as a whole and by individual subdivisions / services;
- effective and economic use of available resources.


### **4. ORGANIZATIONAL STRUCTURE**

The organizational structure of the Corporation shall include the following subdivisions:

- Internal Audit Department, including:
  - Directorate for internal control quality auditing and business process efficiency;
  - Directorate for audits and external auditors;
- Internal Control Department, including:
  - Directorate for operational activity control;
  - Directorate for control over compliance with procedures and procurement activity.
- A plan of the organizational structure is provided in the Appendix (see APPENDIX. ORGANIZATIONAL STRUCTURE ).

### **5. KEY DUTIES**

For the purposes of implementation of the above tasks, the Complex shall have the following duties:

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## 5.1. Internal Audit Department

The key duties of the Department:

- Verification and appraisal of the effectiveness of risks management based on generally accepted methodologies (COSO ERM, ISO 17799 and others);
- Diagnostics of the condition of internal control based on generally accepted methodologies; Analysis of the organization of business processes, distributions of duties, the use of resources;
- Appraisal of the effectiveness of the management's work in the area of combating the risks of fraud and misconduct;
- Verifying and appraising the reliability of accounting and tax reports, compliance with bookkeeping and tax accounting;
- In conducting verifications and appraisal on the above-specified matters, contribute to the maximum extent possible to raising the efficiency of the Corporation's activity by providing required modifications and examples of best practices.

The directorates within the Department shall have the following functions:

### 5.1.1. Directorate for internal control quality auditing and business process efficiency

Key functions:

- Methodological, consulting and coordination work with the internal control services of subsidiary and dependent companies of the Corporation to organize the activity of internal audit services, to improve internal control systems, to hold internal audits, to develop internal procedures for holding internal audits, to exchange information on holding internal audits etc.;
- Development of recommendations for the management of the Corporation: to increase the reliability and effectiveness of internal control systems, corporate management, the use of resources and the safety of assets based on the results of internal and external audits.

### 5.1.2. Directorate for audits and external auditors


Key functions:

- Verification of compliance with the requirements of laws, standards, instructions, licenses, guideline documents of the Corporation, enactments and commissions of the management, provisions of codes, policies and other important mandatory requirements;
- Auditing the removal of defects / deficiencies in the activity of subsidiary and dependent companies identified during external audits and internal control events (post control follow-up);
- Monitoring and coordinating the activity of external auditors, audit commissions and the audit committees of subsidiary and dependent companies.

## 5.2. Internal Control Department

Key functions:

- Control over legitimacy of activity, the quality of document accounting and the completeness of reflection of financial and economic transactions in accounting and

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reporting documents as well as control over the quality of managerial and mandatory reporting in the Corporation and in its subsidiary and dependent companies;


- Control over the operation in the Corporation and in its subsidiary and dependent companies of fraud management systems, control over the behavior of employees, over the complete payment and accounting of incomes, the safety and effective use of assets/ property;
- Conducting integrating and topical verifications of financial and economic activity;
- Control over the expediency and adequacy of proposed expenses (procurements) and also compliance with procurement procedures in the Corporation and in its subsidiary and dependent companies;
- Control over key performance indicators (“KPI”) in the Corporation, including control over plan realization, over implementation of decisions or resolutions adopted by collegiate bodies, over the efficiency of employees, over compliance with internal procedures and over identification of any hidden operational or managerial drawbacks.
- Unification of reporting and the implementation of unified standards of activity of the internal control subdivisions of subsidiary and dependent companies;
- Preparation of summary reports and conclusions based on the results of the activity of the Department;
- Coordination of the activity of the internal control subdivisions of subsidiary and dependent companies.

The directorates within the Department shall have the following functions:

**5.2.1. Directorate for operational activity control**

Key functions:

- Control over key performance indicators in the Corporation, including control over plan realization, over the performance of employees, over compliance with internal procedures and over identification and eradication of any hidden operational or managerial drawbacks;
- Control over implementation of commissions given by the management bodies of the Corporation;
- Conducting integrating and topical verifications of financial and economic activity;
- Control over legitimacy of business activity, the quality of document accounting and the completeness of reflection of financial and economic transactions in accounting and reporting documents as well as control over the quality of managerial and mandatory reporting in the Corporation and in its subsidiary and dependent companies;
- Control over the operation in the Corporation and in its subsidiary and dependent companies of fraud management systems, control over the behavior of employees, over the complete payment and accounting of incomes, the safety and effective use of assets/ property.

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**5.2.2. Directorate for control over compliance with procedures and procurement activity**

Key functions:

- Control over the expediency and adequacy of proposed expenses (procurements) and also compliance with procurement procedures in the Corporation and in its subsidiary and dependent companies;
- Assisting the implementation in subsidiary and dependent companies of security procedures and regimes.

**6. MAIN AND AUXILIARY PROCESSES**

As part of its activity the Complex shall coordinate (shall be responsible for end results) the following processes of the Corporation (key processes of the Complex):

1. Control over activity.

As part of its activity the Complex shall participate in the following processes of the Corporation (auxiliary processes of the Complex):

1. Strategic planning
2. Functional planning
3. Budgeting.


## 7. INTERACTION

As part of its duties, the Complex represented by its authorized employees may interact at different levels with different subdivisions of the Corporation, subsidiary and dependent companies (“SDCs”) and other companies or organizations of interest to the Corporation as regards the implementation of its strategy and the goals of the Complex.

The Complex shall interact with the following counteragents:

PROCESS	COUNTERAGENT				DOCUMENT / INFORMATION	
	Complex / Business unit (BU)	Department	SDC	External Counteragent	Receives	Transfers
<b>KEY PROCESSES</b>						
Control over activity (see Process regimens ПИ-БК-01-2, ПИ-БК-02-1, ПИ-БК-03-2, ПИ-БК-04-1 and ПИ-БК-05-1)	All complexes and BUs of the Corporation		All SDCs		Documents and information required to conduct audits and verifications	Reports on verifications, plans of measures to remove drawbacks
<b>AUXILIARY PROCESSES</b>						
Functional planning (see Process regimen ПИ-СР-02-1)	All complexes and BUs of the Corporation				Functional plans as per functional planning regimens for coordination with subsequent implementation control	
Budgeting	Finance and Investments Complex	Financial Department			Budget	Budget
Strategic planning	All complexes and BUs of the Corporation				Functional strategies for approval	Coordinated strategies
						Functional strategy in internal control



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## 8. RESPONSIBILITY

The head of the Complex shall be responsible for:

- Performance of key tasks and functions entrusted to the Complex with required quality and speed;
- Reliability of information provided by the Complex to the management of the Corporation and timeliness;
- Distribution of duties, the use of subordinate employees in accordance with their professional training and qualification;
- Organization of effective interaction between the Complex and other structural subdivisions of the Corporation;
- The timely actualization and approval of the Statute on the Complex in accordance with a procedure established by the Corporation.

## 9. RIGHTS


In the performance of their tasks, employee of the Complex shall be entitled to:

- in accordance with applicable laws, internal documents of the Corporation and of subsidiary and dependent companies, request and obtain from the structural subdivisions of the Corporation and of subsidiary and dependent companies all information which they may need to fulfill their duties, including confidential information (in accordance with applicable regimens and procedures);
- to obtain sufficient and exhaustive explanations, documents and clarifications from all employees and managers of the structural subdivisions of the Corporation and subsidiary and dependent companies concerning objects of verifications and audits;
- in accordance with applicable laws and internal documents of the Corporation and at the request of the management, represent the Corporation before all organizations on questions relegated to the competence of the Complex (by agreement with the management of the Corporation);
- in accordance with applicable laws and internal documents of the Corporation, retain on a contractual basis consulting and other firms and specialists to fulfill its duties (in accordance with applicable regimens and procedures);
- obtain access to the informational resources of the Corporation which they may need to fulfill their duties;
- interact with other structural subdivisions of the Corporation in accordance with the internal normative documents setting forth the interaction procedure or by direction of the head of the Complex;

The rights of the Complex shall be implemented by the Head of the Complex and also by the authorized employees of the Complex.

The Head of the Complex shall have the right:-

- to initiate the formation of working groups and standing committees to resolve problems facing the Complex;

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- to distribute work duties among subordinates as per their qualification and positions held by them and also to involve them in the performance of additional tasks if necessary to meet the objectives of the Complex.
- The rights of the employees of the Complex shall -- in addition to this Statute -- be governed by their job descriptions.

## **10. CONTROL OVER ACTIVITY**

Immediate control over the activity of the Complex shall be effectuated by the President of the Corporation.

The Administration Complex shall effectuate control over access rights in information systems used by employees of the Complex and shall also effectuate control over compliance with labor laws of the Russian Federation, approved regimens and procedures governing employee relations.

## **11. WORK ASSESSMENT**

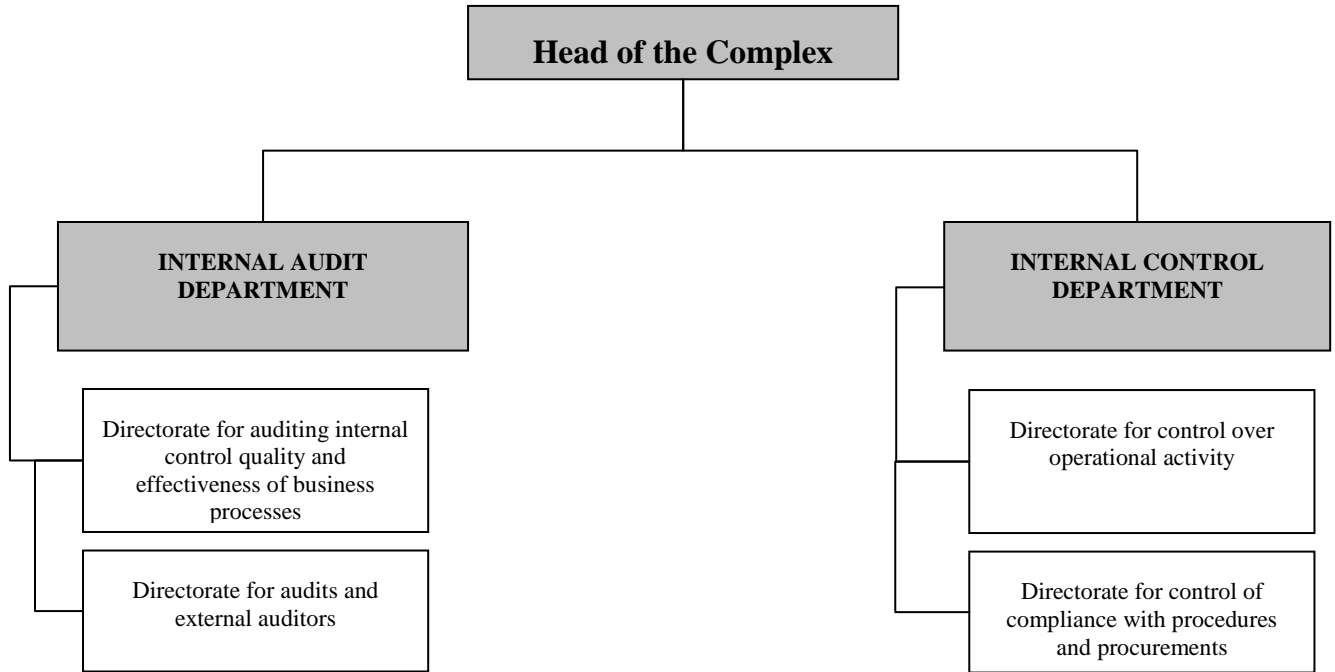
The work of the Complex shall be assessed based on an approved set of key performance indicators in accordance with established procedures.

The work of the Complex shall be assessed by the President of the Corporation based on the results of the activity of the Complex during the reporting period.

The performance of the directors of the Department shall be assessed by the Head of the Complex based on their earlier approved individual plans.

The directors of the Departments shall assess the performance of employees of the departments and directorates based on their earlier approved individual plans.

**12. APPENDIX. ORGANIZATIONAL STRUCTURE**



**Fig. 1. Organizational structure of the Complex of Internal Control and Audit**