

APPROVED
by the resolution of the Board of Directors
of MMC Norilsk Nickel
Protocol # ___ of _____ 2004

**REGULATIONS ON THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF MMC NORILSK NICKEL**

1. General provisions

- 1.1 The present Regulations on the Audit Committee of the Board of Directors (hereinafter referred to as the Regulations) of MMC Norilsk Nickel (hereinafter referred to as the Company) is a basic document governing the performance of the Audit Committee of the Company's Board of Directors (hereinafter referred to as the Committee) and defining the authority of this Committee, its membership and activities.
- 1.2 The Committee is a subordinate body of the Board of Directors created with purpose to conduct a preliminary review of issues related to financial and economic performance of the Company.
- 1.3 Activities of the Committee shall be governed by the Russian legislation currently in force, the Corporate Charter, Regulations on the Board of Directors and the present Regulations. In matters not covered by these Regulations or other regulatory documents of the Company, the Committee shall follow the recommendations of the Code of Corporate Conduct of the FCSM of Russia (hereinafter referred to as the Code of Corporate Conduct), as approved by the government of the Russian Federation (protocol # 49 of 28.11.2001).

2. Committee purpose and authority

- 2.1 The primary mission of the Committee is to provide assistance to the Board of Directors in its oversight of the Company financial and economic performance. To this end the Committee shall conduct preliminary review of issues specified in section 2.3 below and prepare recommendations to the Board of Directors.
- 2.2 The Committee shall further promote the actual participation of the Board members in the control over the Company performance and their awareness about the Company activities.
- 2.3 The authority of the Committee shall cover the following issues:
 - 2.3.1 *Relations with the Company's auditors and review of financial statements:*
 - a) Preparation of recommendations to the Board of Directors with regard to independent auditor appointment;
 - b) Preparation of recommendations regarding the auditors' fees;

- c) Monitor the scope and results of audit procedures, evaluate their efficiency, and make assessment of the auditors' neutrality;
- d) Oversee the Company management following the auditor's recommendations;
- e) Discuss with management and independent auditors the Company's financial statements and audit results prior to their review by the Board of Directors;
- f) Review all critical issues of accounting and audit practices, adjustments and modifications in the accounting policy affecting the Company's financial results.

2.3.2 Promoting the efficiency of the Company's internal audit; relations between independent auditors and internal audit system:

- a) Co-operation with audit commission of the Company;
- b) Oversee the Company management following the recommendations of the audit commission;
- c) Preparation of recommendations to the Board of directors with regard to areas of examinations to be conducted by internal audit department under the Board's request;
- d) Preparation of recommendations regarding modifications and amendments to the Company's internal documents governing the performance of internal audit department;
- e) Review of proposals and preparation of recommendations regarding risk management system operation in the Company;
- f) Oversight of the internal audit department through reviewing their performance reports.

3. Committee composition

3.1 The Committee shall be comprised of three (or more) members.

3.2 Only non-executive (that is not being a single executive and/or a member of the Company's collegiate executive body) members of the Board of Directors shall be elected to the Audit Committee. The Committee may retain experts who are not members of the Committee but have necessary qualifications and skills.

3.3 A Chairperson shall be designated who shall guide the work of the Committee and communicate with the full Board. The Chairperson's basic mission is to ensure objectiveness in preparing recommendations for the Company's Board of directors.

3.4 Only an independent member of the Board of directors may be elected to chair the Committee. The Chairperson may be a member of other committees of the Board but not their chairperson.

3.5 The Committee shall meet, when it deems it appropriate, with General Director of the Company, members of the Board of directors or Management Board, audit commission members and independent auditors, manager of internal audit department and other officers or employees of the Company.

3.6 Secretary of the Board of directors (or another person appointed by the Committee) shall act as the Committee Secretary.

4. Formation of the Committee

4.1 Any member of the Board of directors may nominate one of independent and non-executive directors to be elected as member or chairperson of the Committee. Election to the Committee shall take place at the first Board meeting following the election of a new Board. Being elected, the Committee members and Chairperson shall discharge their responsibilities until a new Board re-election. Any changes in the Committee membership may be introduced at any time according to the decision of the Board of directors.

4.2 In electing Committee members and Chairperson, the Board of directors shall take into consideration educational background and professional experience of the nominees, their ability to work with financial and economic documentation, and other special skills necessary in the Committee's activities.

5. Meetings

5.1 Working meetings of the Committee shall be held as the need arises, according to the approved schedule of the Committee's action.

5.2 Agenda of the Committee meeting shall be prepared by the Chairperson on the basis of proposals that any member of the Committee may move. The agenda may be modified or amended upon the mutual consent of the Committee members.

5.3 A meeting may be called either by the decision of the Chairperson or by the request from any member of the Committee. The Chairperson and members of the Committee may request to convene a meeting at any time, even beyond the agreed schedule of the Committee action. Members of the Company's Board of directors, General Director, members of Audit Commission, independents auditors and experts engaged in the Committee's activities may move to discuss any issue covered by the authority of the Committee, and such issue shall be discussed either at the next regular meeting of the Committee, or, if it is a question of major importance that cannot be delayed, at a special extraordinary meeting.

5.4 All interested parties shall be notified of a meeting in reasonable time before its beginning through means of communication agreed by the members.

5.5 All essential information covering the agenda items shall be provided to the Committee members in advance, so that they could prepare themselves for the discussion.

5.6 Meetings of the Committee may be held either in the form of an in-person meeting or in the form of written questioning. Technical means of

communications (conference call, Internet) may be used for conducting a meeting. Persons invited to the meeting, including the Committee members, may state their opinions on the items of the agenda in writing.

- 5.7 Any regular meeting shall be deemed quorate when all Committee members are present. In extraordinary circumstances and when there is a reasonable cause, a meeting may be deemed competent even if not all members are present, but in no circumstances the number of participants may be less than one half of the elected membership.
- 5.8 Any member of the Committee shall inform the meeting of any personal interest that this member may have in issues being discussed by the Committee.
- 5.9 The Committee may entrust one of its members to examine in detail any of the questions covered by the Committee's authority, and to report his/her conclusions to the Committee.
- 5.10 All meetings of the Committee shall be chaired by the elected Chairperson. Upon the results of the meeting a recommendation of the Committee shall be formulated (hereinafter, the "Recommendation"). This recommendation shall be presented to the Board of directors either at the meeting where the relevant issue is being discussed, or at the next nearest meeting of the Board. The recommendation shall reflect the general opinion of the Committee. When there is any disagreement in the opinions of the Committee members, this shall be noted in the recommendation. Decisions of the Committee shall be made in writing and signed by the Chairperson.
- 5.11 The recommendation shall be signed by the Chairperson. Enclosed to the recommendation may be the documents reviewed by the Committee at its meeting. The Chairperson shall bear responsibility for bringing this recommendation to the notice of the Board of directors in reasonable time and in full detail.
- 5.12 The Secretary of the Committee shall provide for keeping the Committee's protocols and recommendations in compliance with regular procedures for documentation keeping, established in the Company. Access to the Committee's protocols, reviewed documents and recommendations shall be provided both to members of the Committee, and to other directors on the Company's Board.

6. Rights and duties of the Committee members

6.1 Duties of the Committee members shall include the following:

- Participate in all Committee's activities with good faith and full effort;
- Attend regular meetings and take part in discussions upon the issues on the agenda;
- Review all documents presented at the meeting or relevant to the meeting;
- Immediately inform the Committee if a decision being discussed is of any personal interest to one of the members;

- Avoid actions which can compromise the Committee's competence or call in question the qualification of its members.

6.2 Rights of the Committee members:

- Request the Board of directors, Management Board, General Director, Audit Commission and independent auditors to provide all information and documents relevant to the Committee performance.

7. Relations with other bodies of the Company

- 7.1 The Secretary of the Committee shall resolve all technical and procedural matters in providing the Committee's inter-relations with other bodies and structural units of the Company.
- 7.2 Executive bodies of the Company shall inform the Committee of all significant changes in matters of the Committee's competence.

8. Closing provisions

- 8.1 The present Regulations shall be approved by the resolution of the Board of directors. Any amendment and modification shall be valid only when made in writing and approved by the Board of directors.
- 8.2 All information regarding the Committee's activities and decisions shall be kept in the office of the Secretary of the Board of Directors.