

APPROVED BY  
the decision of the Board of Directors  
of JSC IDGC Holding  
of \_\_\_\_\_ (Minutes No. \_)

**REGULATIONS**  
**for Internal Control Procedures**  
**of JSC IDGC Holding**

## 1. General

**1.1.** These Regulations are formulated in accordance with the applicable laws of the Russian Federation, the Code of Corporate Conduct recommended for use by Order No. 421/r of April 04, 2002 of the Federal Commission for the Securities Market of Russia, the Articles of Association of JSC IDGC Holding (hereinafter, the “Company”), and other internal documents of the Company.

**1.2.** These Regulations are an internal document of the Company defining the internal control goals and objectives, internal control procedures, the subjects responsible for performance of the internal control procedures and the subjects responsible for control over performance of the internal control procedures.

## 2. Principal Terms and Definitions

**Internal control** is a process aimed at ensuring a reasonable guarantee for achievement of the purposes of efficient and profitable use of the Company’s resources, safety of assets, compliance with the requirements of the applicable laws and provision of reliable statements.

**Internal control procedures** are a documented system of events to ensure efficient internal control over performance of the financial and economic plan of the Company, revealing and performance of non-standard operations and prevention, restriction and avoidance of financial and operating risks and potential unfair acts of the Company’s officers.

**Internal control subjects** are the Board of Directors, the Audit Committee of the Board of Directors, the Director General, the authorized division of the Company in charge of internal control/audit and other divisions and employees of the Company responsible for performance of the internal control functions imposed on them (by internal documents of the Company).

**A risk** is an event having two characteristics: 1) potential occurrence (beginning) of the event; 2) damage resulting from such event.

## 3. Internal Control Goals and Objectives

**3.1.** The key internal control purpose is to prevent risks in the financial and economic activities of the Company, take measures to eliminate them in due time, reveal and mobilize internal economic opportunities and reserves of deriving profit and providing assistance to the management of the Company in efficient performance of management functions.

- 3.2.** Internal control shall ensure performance of the following objectives:
- ensure investors' trust in the Company and its management bodies, protect capital investments of shareholders and assets of the Company;
  - - ensure fullness, reliability and accuracy of financial, accounting, statistic and management information and accounting of the Company;
  - - ensure the compliance with regulations of the Russian Federation, decisions of management bodies of the Company and internal documents of the Company;
  - ensure safety of assets and efficient use of the Company's resources;
  - ensure performance of the set strategic development goals in the most efficient way;
  - ensure timely revealing and analysis of financial and operating risks that may negatively affect the achievement of the Company's goals related to the financial and economic activities.

#### **4. Management Bodies and Divisions of the Company in Charge of Internal Control**

**4.1.** The Board of Directors of the Company shall define the internal control policy and evaluate the efficiency of the internal control procedures.

**4.2.** The Audit Committee of the Board of Directors of the Company shall evaluate the efficiency of the internal control procedures in the Company on a regular basis (including based on statements and reports of the authorized division of the Company in charge of internal control/audit).

**4.3.** The Director General of the Company shall be liable for functioning of the internal control procedures of the Company.

**4.4.** Internal control shall be performed by the relevant (key) directions of the financial and economic activities of the Company, including:

- financial activities;
- economic activities;
- investment activities;
- other directions of the Company's activities.

**4.5.** The relevant division of the executive body of the Company shall evaluate the adequacy, sufficiency and efficiency of the internal control procedures and control over the compliance with the internal control procedures.

**4.6.** Functions, rights and obligations, responsibility of the authorized division of the Company in charge of internal control/audit are provided by internal documents of the Company. Such documents, likewise other documents directly or indirectly affecting the internal control issues, may not contradict these Regulations.

**4.7.** For the purpose of ensuring a system-based nature of control over the financial and economic activities of the Company, the internal control procedures shall be performed by the authorized division of the Company in charge of internal control/audit in interaction with other bodies and divisions of the Company.

## **5. Functions of the Internal Control Subjects**

**5.1.** The authorized division of the Company in charge of internal control/audit in accordance with the competence thereof shall perform the following functions related to internal control:

- audit accounting and operating information provided by divisions of the executive arm, branches and representative offices of the Company, including holding an expertise of means and methods used for identification, evaluation, classification of such information and execution of statements based on such information, and special study of the relevant accounting items, including detailed audit of operations and balances on accounts;

- check the compliance with the applicable laws and internal regulations of the Company and the implementation of the decisions adopted by management bodies and of the instructions issued by management of the Company;

- check availability, condition and ensure safety of the Company's assets;

- make special investigations of the relevant cases, e.g. suspicions of misuse;

- develop and submit conclusions on audit results and proposals to remedy any breach or defect revealed during the audit and recommendations how to increase the efficiency of management in accordance with the established procedure to the management bodies of the Company;

- perform other functions provided by the internal documents of the Company.

**5.1.1.** The authorized division of the Company in charge of internal control/audit, shall carry out audits in accordance with the annual audit schedule to be agreed upon with the Audit Committee of the Board of Directors of the Company and to be approved by the Director General of the Company (any other person by the order of the Director General of the Company) as advised by the division, and unscheduled audits by the decision of the Director General of the Company (or the persons duly authorized by him/her).

If necessary, employees of the relevant divisions of the Company and independent experts shall be engaged in such audits.

**5.1.2.** In accordance with the annual schedule, five (5) days prior to the beginning of the scheduled audit the Director General of the Company (or the person duly authorized by him/her) shall execute an order on carrying out the audit by the authorized division of the Company in charge of internal control/audit.

The authorized division of the Company in charge of internal control/audit shall formulate and approve the audit program for each audit.

Heads of the divisions of the executive arm of the Company shall ensure organizational support and provision of required documents for carrying out audits within three (3) days, upon request of the authorized division of the Company in charge of internal control/audit.

**5.1.3.** Results of the audits carried out by the authorized division of the Company in charge of internal control/audit shall be executed by an audit certificate to be signed by employees of the authorized division of the Company in charge of internal control/audit and heads of the divisions of the Company whose activities are audited. The certificate shall be accompanied by explanations on the facts stated therein and copies of the required documents signed by the head of the audited division of the Company.

**5.1.4.** The authorized division of the Company in charge of internal control/audit shall inform the Audit Committee of the Board of Directors of the Company on an annual basis of any breach of the financial and economic activities revealed during the audit, including any fact of failure to comply with or improper (inefficient) performance of the internal documents approved in the Company.

The authorized division of the Company in charge of internal control/audit shall control over the remedy of any breach revealed during the audit.

**5.2.** The Board of Directors of the Company shall:

- give an order to the Director General of the Company to carry out an audit within the scope of the internal control procedures;
- consider and make decisions on the reports on the performed internal control procedures submitted by the Director General of the Company and/or the Audit Committee of the Board of Directors of the Company;
- consider internal control results (reports and other materials of the authorized division of the Company in charge of internal control/audit);
- evaluate the efficiency of and improve the internal control procedures on a regular basis.

**5.3.** The Audit Committee of the Board of Directors of the Company shall supervise:

- the internal control procedures of the Company as related to accounting and finance;
- timely preparation of statements of the Company by the executive bodies of the Company and objectivity of such statements;
- the control procedures of the Company and compliance with the applicable laws and regulations;
- perform other functions provided by the Regulations on the Audit Committee of the Board of Directors of the Company.

Within the scope of its functions the Audit Committee of the Board of Directors of the Company shall:

- consider the information on the results of the audits carried out during the year provided by the authorized division of the Company in charge of internal control/audit;

- analyze annual financial (accounting) statements before submission thereof for consideration by the Board of Directors of the Company and intermediate (quarterly) financial (accounting) statements before the disclosure thereof.

**5.4.** The Director General of the Company shall:

- provide organizational support for exercising the internal control procedures;

- approve the schedule of audits to be carried out by the authorized division of the Company in charge of internal control/audit (instruct any other person to approve such schedule);

- consider the information on the audit results provided by the authorized division of the Company in charge of internal control/audit;

- account to the Board of Directors of the Company for remedy of any breach revealed when carrying out the internal control procedures;

- submit proposals to improve the internal control procedures for consideration by the Board of Directors of the Company.

## **6. Final Provisions**

**6.1.** These Regulations and any amendments and supplements hereto shall be approved by the Board of Directors of the Company.

**6.2.** Any issue not covered by these Regulations shall be governed by the applicable laws, decisions of the Board of Directors of the Company and other internal documents of the Company.

**6.3.** If, as a result of any change in the laws and regulations of the Russian Federation, any provisions of these Regulations come into conflict therewith, such provisions shall become null and void, and the activities of the Committee shall, until these Regulations are amended, be governed by the laws and regulations of the Russian Federation.