



APPROVED  
by Annual General Shareholders' Meeting  
of PJSC Rostelecom held on June 18, 2018

Minutes No. 1 dated June 20, 2018

**REGULATIONS ON THE AUDIT COMMISSION OF  
PUBLIC JOINT-STOCK COMPANY "ROSTELECOM"**

(version No 5)

Moscow  
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**1. GENERAL PROVISIONS**

- 1.1. These Regulations on the Audit Commission of PJSC Rostelecom (the "Regulations") have been developed in accordance with the Federal Law On Joint Stock Companies No 208-FZ of December 26, 1995 and the Charter of PJSC Rostelecom.
- 1.2. The Audit Commission of PJSC Rostelecom (hereinafter the "Audit Commission") shall be an elected body supervising financial and business operations of PJSC Rostelecom (hereinafter the "Company").
- 1.3. Pursuing its activities the Audit Commission shall be guided by applicable Russian Law, the Company's Charter, these Regulations and provisions of other internal documents of the Company as well as by resolutions of general shareholders' meetings of the Company (hereinafter the "general shareholders' meeting").
- 1.4. Responsibilities and powers of the Audit Commission shall be determined according to the Russian Law and the Company's Charter. Operation rules of the Audit Commission shall be established by these Regulations.
- 1.5. The Company's Audit Commission shall be independent from officers/governing bodies of the Company and report to the general shareholders' meeting.

**2. ELECTION OF THE AUDIT COMMISSION**

- 2.1. The Audit Commission consisting of 7 persons shall be elected by general shareholders' meetings with its term in office until the next general shareholders' meeting and according to election rules prescribed by applicable Russian Law and the Company's Charter.
- 2.2. Shares held by members of the Company's Board of Directors (hereinafter the "Board of Directors") or by persons sitting on other governing bodies of the Company shall not be allowed for voting to elect members of the Audit Commission.
- 2.3. Members of the Audit Commission shall be allowed to be reelected indefinite number of times.
- 2.4. Members of the Audit Commission shall not be allowed to serve simultaneously as members of the Board of Directors, the Company's Management Board (hereinafter the "Management Board") or liquidation commission, and shall not be the Company's President.
- 2.5. Authority of individual members or entire Audit Commission may terminated before expiry according to a resolution passed by the general shareholders' meeting.
- 2.6. In the event of early termination of authority of any Audit Commission member or any discontinued member of the Audit Commission, the authority of the remaining members of the Audit Commission shall not be terminated. A member voluntarily relinquishing his/her authority, deceased member or unable to perform his/her duties for other reasons shall be deemed a discontinued member of the Audit Commission. A member shall be deemed discontinued from the Audit Commission as of the day immediately following the day when the Audit Commission received his/her retirement request, or as of the day of a member's death or the day on which the Company received documents confirming the relevant member's inability to exercise his/her powers.
- 2.7. If the number of the Audit Commission's members becomes less than half of its membership set forth in Par. 2.1 of these Regulations, the Audit Commission Chairperson within 5 days after an occurrence of this event shall give a relevant notice thereof to the Board of Directors. The Board of Directors shall be obliged to convene an extraordinary general shareholders' meeting to elect the Audit Commission. Remaining and newly elected members of the Audit Commission shall exercise their powers until a new Audit Commission is elected at the annual general shareholders' meeting.

**3. POWERS AND RIGHTS OF THE AUDIT COMMISSION; DUTIES OF THE AUDIT COMMISSION MEMBERS**

- 3.1. The subject matter of inspections undertaken by the Audit Commission shall be the Company's activities including identification and assessment of risks arising as a result and the course of the Company financial and business operations.

The Audit Commission shall:

- 3.1.1. undertake audits (inspections) of financial and business activities of the Company and issue a report on outcome of such inspection containing:
  - confirmation of true and accurate nature of information included in statements and other financial documents of the Company;
  - information on instances of breaches of the accounting rules and financial statement presentation rules stipulated in regulations of the Russian Federation, and about breaches of the Russian Law and statutory provisions committed in the course of financial and business operations;
- 3.1.2. confirm true and accurate nature of information included in the annual reports and annual financial (accounting) statements of the Company;
- 3.1.3. prepare proposals/recommendations aimed at improving efficiency of the Company's asset management, streamlining risk management and internal control framework;
- 3.1.4. exercise control over drawback elimination and implementation of recommendations presented in reports on outcome of previous reviews (inspections).
- 3.2. The Audit Commission subject to its terms of reference shall be entitled:
  - in the course of audits (inspections) to demand from the Company's governing bodies and officers submission of information (documents and materials) required for inspection;
  - to request from members of the Company's Board of Directors, officers and employees provision of oral and written explanations regarding issues raised during conducted inspection;
  - to advise the Company's Board of Directors and/or other governing bodies of any instances of failure of the Company's employees, including those with managing responsibilities, to comply with the Audit Commission requests regarding submission of requested documents, of refusals to provide explanations regarding questions raised by the Audit Commission;
  - to take into account in its operations results of audits conducted by the structural division discharging the functions of the Company's internal auditor (hereinafter the "structural division discharging the functions of the internal auditor");
  - to raise with the Company's governing bodies issues related to calling to account both in material and disciplinary terms the Company's employees, including officers, in the event of finding out any breaches by them of the Company' Charter, internal documents of the Company, job statements, or committed wrongdoings/fraud;
  - to demand as stipulated by the effective Russian Law, the Company's Charter and internal documents of the Company convening of meetings of the Board of Directors, or extraordinary general shareholders' meetings;
  - to raise with the Board of Directors and other governing bodies of the Company issues related to taking measures and timeline to remedy violations found by the Audit Commission.
- 3.3. Members of the Audit Commission shall:
  - take part in inspections (audits) in strict compliance with the Audit Commission's decision regarding inspection (audit) rules and procedure;
  - strictly conform to confidentiality requirements in respect of trade secrets, not to disclose any confidential information or insider information accessible to them in the course of fulfilling their functions by them;
  - note and correctly present in the Audit Commission documents any violations of regulations, the Company's Charter, internal documents of the Company committed by the Company's employees and officers and revealed in the course of an audit (inspection);
  - behave conscientiously and sensibly in the Company's best interests in exercising their powers and responsibilities;
  - in due time let the Board of Directors, the Management Board and its Chairperson know about results of completed audits and inspections of the Company operations, reports of the Audit Commission, proposals regarding elimination of circumstances and conditions conducive to breaches of financial and business discipline, and proposals aimed at streamlining the internal control system and improving efficiency of the Company operations.

**4. CHAIRPERSON AND SECRETARY OF THE AUDIT COMMISSION**

- 4.1. The Audit Commission Chairperson shall be in charge of the Audit Commission and be elected subject to his/her consent at the first meeting of the Audit Commission by members of the Audit Commission among them by an open vote by a majority voting of the total number of members.
- 4.2. The Audit Commission's Chairperson shall:
- formulate agenda of the Audit Commission meetings;
  - convene and conduct the Audit Commission meetings;
  - manage current operations of the Audit Commission;
  - represent the Audit Commission at general shareholders' meetings, meetings of the Board of Directors and other governing bodies of the Company;
  - sign documents issued by the Audit Commission.
- 4.3. The Audit Commission shall be entitled to relieve its Chairperson from his/her duties and elect a new Chairperson with a relevant resolution to be adopted by a majority of votes of the Audit Commission members taking part in the relevant meeting.
- 4.4. The Audit Commission Chairperson may voluntarily relinquish his/her powers while remaining the Audit Commission, member with effect as of the day of receipt by the Audit Commission of his/her notice of relinquishing powers.
- 4.5. For a period of absence of the Audit Commission Chairperson an acting Audit Commission chairperson shall be elected by a majority of votes of the Audit Commission members taking part in a relevant meeting.
- 4.6. Operations of the Audit Commission shall be supported by the Secretary of the Audit Commission who shall be elected at the first meeting of the Audit Commission. The Secretary of the Audit Commission shall be elected in accordance with the same procedure as used for the election of the Chairperson of the Audit Commission.
- 4.7. The Secretary of the Audit Commission shall, immediately upon his/her election, notify the Company of the methods for the service upon him/her of documents destined for the Audit Commission.
- 4.8. The Secretary of the Audit Commission shall keep the minutes and arrange for the storage of documents related to the operations of the Audit Commission in accordance with provisions of Section 6 of these Regulations, and at a request of the Audit Commission Chairperson shall prepare documents for holding in absentia meetings and distribute the documents.

**5. RULES OF CONDUCTING MEETINGS AND DECISION MAKING OF THE AUDIT COMMISSION**

- 5.1. Meetings of the Audit Commission shall be held prior to undertaking audits (inspections), upon results of audits (inspections) and in other cases where a consolidated decision of the Audit Commission is required.
- 5.2. Meetings of the Audit Commission can be held both in absentia, and in the form of personal presence.
- 5.3. A written notice of a forthcoming meeting of the Audit Commission shall be given to each member of the Audit Commission not later than 5 business days before the meeting date. The notice shall specify:
- time and venue of meeting;
  - issues to be discussed.
- All relevant documents pertaining to the meeting's agenda items shall be attached to the notice.
- 5.4. A quorum required for holding meetings of Audit Commission shall be deemed reached if at least half of the elected members of the Audit Commission are present (excluding those who left the Audit Commission).
- 5.5. Decisions of the Audit Commission shall be adopted and its reports and opinions approved by a majority of votes of the Audit Commission members attending the relevant meeting with each member having one vote. No transfer of voting rights from any member of the Audit Commission to another person including another member of the Audit Commission is allowed. In the event of a tie vote the vote of the Chairperson of the Audit Commission (or the person replacing him/her) shall be the casting vote.

- 5.6. For the purpose of determination of quorum and voting results any written opinion on any agenda item of a member of the Audit Commission who is unable to attend the meeting for good reason (business trip, vacations, illness) shall be taken into account if such opinion is received by the Audit Commission prior to the meeting. In his/her written opinion a member of the Audit Commission shall clearly state his/her view on the issue by specifying in the written opinion whether he/she votes "yes" or "no" on the proposed draft resolution, or abstains from voting.
- 5.7. The first meeting of the Audit Commission shall be held within one month after the date of the general shareholders' meeting whereat the members of the Audit Commission were elected, pursuant to the Company's prior notice of the meeting to be given at least 5 business days before the meeting with the meeting venue and time specified.
- 5.8. Members of the Audit Commission shall be entitled to have dissenting opinion on agenda items of a meeting of the Audit Commission, to demand that their dissenting opinion be reflected in the minutes of the relevant meeting of the Audit Commission and be made known to the Board of Directors and other governing bodies of the Company.
- 5.9. Following an invitation from the Audit Commission Chairperson other persons who are not members of the Audit Commission such as members of the Board of Directors, officers and heads of organizational units of the Company, staff of the structural division discharging the functions of the internal auditor, representatives of the Company's Auditor, experts and consultants, and others may be invited to a meeting of the Audit Commission.
- 5.10. At a request of the Audit Commission its Chairperson shall invite a representative of the Audit Commission to attend meetings of the Board of Directors on issues related to responsibilities of the Audit Commission.

## **6. DOCUMENTS OF THE AUDIT COMMISSION**

- 6.1. Minutes of a meeting of the Audit Commission shall be compiled within 5 business days after the meeting and signed by the Audit Commission's Chairperson and Secretary.
- 6.2. Minutes of a meeting of the Audit Commission shall contain the following information:
  - date, time and venue of the meeting;
  - list of attendees at the meeting;
  - the meeting agenda;
  - issues put to vote;
  - vote results (specifying the number of "yes" votes, "no" votes and number of abstaining votes);
  - adopted decisions.

Materials (reports, statements of inspections, dissenting opinions of members of the Audit Commission and other documents) which served as the basis for passed decision shall be annexed to the minutes.

- 6.3. Statements of inspections and reports of the Audit Commission shall be compiled upon results of audits (inspections) within 20 days after the relevant audit (inspection) was completed and shall be signed by all members of the Audit Commission who performed the relevant audit (inspection) and by the Audit Commission Chairperson.

A statement of inspection issued by the Audit Commission shall contain the following information:

- venue and time of the inspection (audit);
- list of the Audit Commission members who took part in the inspection (audit);
- grounds for undertaking the inspection (audit).

A statement of inspection shall contain a description of major risks revealed, violations and drawbacks in the Company operations with analysis of causes giving rise to them, assessment of the risk of similar violation occurrences in future and recommendations on mitigating such risks/eliminating revealed violations.

A report of the Audit Commission shall contain the following information in addition to the information listed in Par. 3.1.1 of these Regulations:

- list of members and date of election of the Audit Commission, regulatory basis for its activities;

- the inspected period;
- date and venue of finalizing the Audit Commission report;
- conclusions made on the basis of results of the completed inspection (audit);
- requests for information (documents and materials) filed in the course of the audit (inspection);
- received refusals to provide information (documents and materials);
- details about written explanations received from members of the Board of Directors, officers and employees of the Company;
- details about the Audit Commission requests to convene a meeting of the Board of Directors and extraordinary general shareholders' meeting.

- 6.4. Any other documents of the Audit Commission shall be compiled in an arbitrary form and signed by the Chairperson of the Audit Commission.
- 6.5. Documents related to activities of the Audit Commission including original minutes and reports of the Audit Commission, and materials of audits, shall be retained by the Secretary of the Audit Commission.

Not later than within one month after holding a regular general shareholders' meeting all documents of the Audit Commission pertaining to audits of the Company undertaken over the past fiscal year shall be handed over to the Corporate Secretary for custody with execution of a relevant receipt confirmation.

- 6.6. The Company shall ensure access of shareholders to reports of the Audit Commission to the extent and in a manner stipulated by applicable Russian law. If the Company does not possess the specific report requested by a shareholder, the Company shall request and the Secretary of the Audit Commission within 3 business days shall provide the requested document to the Company.

At a written shareholder's request the Company shall provide to the shareholder for a fee, copies of the Audit Commission's reports. The fee amount shall be determined by the Company, but is shall not exceed the costs of making copies and related mailing costs.

## **7. PROCEDURE OF AUDITS UNDERTAKEN BY THE AUDIT COMMISSION**

- 7.1. In the course of an audit the Audit Commission can verify the Company compliance with statutes and other legal documents regulating the Company's activities, legality of transactions of the Company, the framework of the internal control system implemented in the Company, execution by the Company of directives issued by the President and Government of the Russian Federation.
- 7.2. At the Audit Commission's requests, officers sitting on the Company's governing bodies must provide documents related to the Company financial and business operations.
- Upon the Audit Commission's inquiries and requests it shall be provided with minutes of the Board of Directors' meetings, meetings of committees of the Board of Directors, and those of other governing bodies of the Company.
- 7.3. The Audit Commission of the Company shall pursue activities according to its independently approved schedule of work detailing arrangements and timeline of audits (inspections) of the Company operations.
- 7.4. A request for information to be filed with the Company shall be finalized based on proposals from members of the Audit Commission taking part in the audit (inspection) in respect of requested information. Any request for information shall be signed by the Audit Commission Chairperson and submitted to officers of the Company.
- 7.5. Based on results of any audit (inspection) the Audit Commission shall compile a statement of inspection to be signed by the Chairperson and members of Audit Commission, involved in the audit (inspection). The statement of inspection shall be reviewed at a meeting of the Audit Commission and delivered to the Company, the Board of Directors and Audit Committee of the Board of Directors within 5 business days after the audit (inspection) was completed.
- 7.6. In the event of their disagreement on a report/statement of inspection the disagreeing members of the Audit Commission shall be entitled to state their dissenting opinions and request their inclusion on record to the relevant report/statement of inspection of the Audit Commission.
- 7.7. To support operations of the Audit Commission the Company shall make available to the Audit Commission all the required office space and ensure access to it, as well as office facilities,

equipment and materials.

- 7.8. The Audit Commission schedule of work shall include a mandatory audit of financial and business operations of the Company over the year.

The Audit Commission shall submit to the Board of Directors a report on results of a scheduled audit (inspection) of financial and business activities of the Company over a year, including a statement on the true and accurate nature of information to be included in the annual report of the Company and containing in the annual accounting statements of the Company, not later than 14 business days prior to the date of planned provisional approval of the Company's annual report by the Board of Directors.

- 7.9. An exceptional audit (inspection) of financial and business operations of the Company shall be undertaken at any time and initiated by the Audit Commission, following a decision of a general shareholders' meeting or the Board of Directors, at a request of a shareholder(s) of the Company owning on aggregate at least 10 percent of the Company voting shares, within 30 days after a relevant request was received by the Chairperson of the Audit Commission:

- a general shareholders' meeting or the Board of Directors requesting an audit (inspection) of financial and business operations shall submit to the Audit Commission a decision to initiate an audit (inspection) of financial and business operations in a form of the relevant minutes (minutes copy, extract from the minutes) of the relevant governing body of the Company. The minutes (minutes copy, extract from the minutes) shall be forwarded to the Chairperson of the Audit Commission;

- a shareholder (shareholders) initiating an audit (inspection) of financial and business operations shall submit to the Audit Commission a written request to undertake the audit, to contain the following:

- 1) personal name (organization name) of the shareholder (shareholders) submitting the request;
- 2) information on shares (quantities, types, classes) owned by the shareholder (shareholders);
- 3) rationale behind the audit request.

The request shall be signed by the shareholder or by proxy. In the event of proxy signing a relevant power of attorney shall be annexed. If the initiating shareholders are legal entities, the signature of the person authorized by the relevant entity's charter to act without a power of attorney shall be certified by the entity's seal. If the request is signed by a representative of a legal entity acting on the entity's behalf according to the power of attorney, the same shall be attached to the request;

- the Audit Commission shall be entitled on its own initiative (including that of a member of the Audit Commission) to take a decision to undertake an exception audit (inspection) of financial and business operations.

- 7.10. Persons initiating an exception audit (inspection) of financial and business operations of the Company shall be entitled at any time before the Audit Commission took a decision to undertake the relevant audit (inspection) to revoke their request for an exception audit (inspection) by giving a written notice of withdrawal to the Audit Commission.

- 7.11. The Audit Commission shall have the right to refuse to undertake an audit (inspection) in the following cases:

- where persons requesting an audit (inspection) of financial and business operations have no right to initiate such audit (inspection);

- where the Audit Commission already completed an audit (inspection) and approved a relevant report in connection with facts giving rise to the request for undertaking an audit (inspection);

- the request is not in compliance with Russian law.

- 7.12. The Audit Commission shall notify the shareholder (shareholders) requesting an audit (inspection) be undertaken about a refusal within 5 business days after the relevant decision of refusal was taken, by sending a relevant letter signed by the Chairperson of the Audit Commission or a person exercising his/her powers.

## **8. LOGISTIC SUPPORT OF THE AUDIT COMMISSION OPERATIONS; REMUNERATION AND COMPENSATION OF THE AUDIT COMMISSION MEMBERS.**

- 8.1. The Company shall provide premises equipped with all required office equipment (telephones, fax machines, computers, printers and other equipment as reasonably requested by the Chairperson of the Audit Commission) to support operations of the Audit Commission (including provision for the

periods of the Audit Commission meetings and audits (inspections)). The premises so provided shall be located so as not to hamper operations of the Audit Commission.

- 8.2. The Audit Commission shall be provided, at the expense of the Company, with stationary/office supplies and other consumable materials to the extent required for operations of the Audit Commission.
- 8.3. Members of the Audit Commission shall be reimbursed for all confirmed expenses incurred by them in connection with performance by them of their duties as members of the Audit Commission.
- 8.4. An annual fee of RUB800,000 shall be payable to each member of the Audit Commission in the period of performing by him/her of his/her duties.

The annual fee payable to the Chairperson of the Audit Commission shall be equal to this amount multiplied by a factor of 1.3; the annual fee payable to the Secretary of the Audit Commission shall be multiplied by 1.1.

A fee payable for a year in which elections of new members of the Audit Commission took place, or some members of the Audit Commission left it, shall be pro rata to the actual time the relevant member of the Audit Commission performed his/her duties in that year.

The annual fee shall be due and payable to a member of the Audit Commission within one (1) month after the general shareholders' meeting on results of the year in which the relevant person was elected a member of the Audit Commission.

- 8.5. No annual fee shall be payable to a member of the Audit Commission who is an employee (officer) of the Company.
- 8.6. Remunerations and compensations shall not be payable to members of the Audit Commission who are public officials.

## **9. FINAL PROVISIONS**

- 9.1. These Regulations shall be approved at a general shareholders' meeting by a simple majority of votes cast by holders of voting shares of the Company taking part in the meeting.
- 9.2. These Regulations shall be amended or modified at a general shareholders' meeting by a simple majority of votes cast by holders of voting shares of the Company taking part in the meeting.
- 9.3. If, following any changes in applicable Russian Law, any provisions of these Regulations become inconsistent therewith, such provisions shall be deemed null and void, and activities of the Audit Commission shall be regulated by relevant provisions of applicable Russian Law and the Company's Charter.
- 9.4. In the event of any differences between these Regulations and the Company's Charter the latter shall prevail and control.