

Approved  
on November 12, 2015  
by resolution of  
the Board of Directors  
Public Joint Stock Company  
«Cherkizovo Group»  
(Minutes No.12/115д dated November 13, 2015)

**REGULATIONS  
FOR THE BOARD OF DIRECTORS AUDIT  
COMMITTEE**

**of Public Joint Stock Company  
«Cherkizovo Group»  
(version No. 3)**

**Moscow,  
2015**

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## **CLAUSE 1. GENERAL**

1.1. These Regulations for the Board of Directors Audit Committee (the “*Regulations*”) were developed in accordance with the effective laws of the Russian Federation, Public Joint Stock Company «Cherkizovo Group» (the “*Company*”) Charter, other in-house documents of the Company, and basic recommendations of Corporate Governance Code, and regulate the activities of the Company’s Board of Directors Audit Committee (the “*Audit Committee*”).

1.2. Audit Committee shall be set up by the Board of Directors resolution and shall be accountable to the Board of Directors.

1.3. These Regulations stipulate the purposes, functions, and tasks of the Audit Committee, the procedure of its formation and termination of its powers, as well as regulate other issues related to Audit Committee activities.

## **CLAUSE 2. AUDIT COMMITTEE PURPOSES AND FUNCTIONS**

2.1 Audit Committee shall be set up for the purposes of facilitating efficient fulfillment by the Company’s Board of Directors of its functions in terms of control of the Company’s financial and economic activities.

2.2 The main functions of Audit Committee include:

1) control of ensuring completeness, accuracy, and truthfulness of the Company’s financial reporting;

2) control of reliability and efficiency of the functioning of the Company’s risk management and internal control system;

3) ensuring independence and fairness of performing the functions of the Company’s internal and external audit;

4) control of functioning efficiency of the Company’s system of alerting of potential unethical practices on the part of the Company’s employees (including dishonest use of insider or confidential information) and third parties and of other violations in the Company’s activities, as well as control of realization of measures implemented by the Company’s management within the framework of such system.

## **CLAUSE 3. AUDIT COMMITTEE TASKS**

3.1 The basic tasks of Audit Committee shall be:

1) In the sphere of accounting (financial) reporting:

a) control of ensuring completeness, accuracy, and truthfulness of the Company’s accounting (financial) reporting;

b) analysis of material aspects of the Company’s accounting policies;

c) participation in reviewing material issues and judgements with regard to the Company’s accounting (financial) reporting;

2) In the sphere of risk management, internal control, and corporate governance:

a) control of reliability and efficiency of risk management and internal control system and corporate governance system including assessment of efficiency of the Company’s risk management and internal control procedures and corporate governance practices, as well as preparation of proposals for enhancement thereof;

b) analysis and assessment of implementation of the Company’s in-house documents regulating relationships in the sphere of risk management and internal control, reviewal of the regulations on the Company’s risks;

c) control of procedures ensuring compliance by the Company with legal requirements, with the Company’s norms, rules, and procedures, as well as with requirements of stock exchanges;

3) In the sphere of conducting internal and external audit:

a) ensuring independence and fairness of exercising internal audit functions;

b) reviewal of regulations for internal audit;

c) reviewal of the Company’s Internal Audit Service plan of activities;

- d) reviewal of issues pertaining to appointment (dismissal) of Head of internal audit service and the amount of his/her remuneration;
- e) reviewal of existing restrictions to the powers or budget for internal audit function realization, which restrictions may adversely affect efficient exercising of internal audit function;
- f) assessment of efficiency of internal audit function realization;
- g) assessment of independence, fairness, and absence of conflict of interests of the Company's external auditors, including assessment of nominees to the position of the Company's auditor, developing proposals with regard to appointment, re-election and dismissal of the Company's external auditors, amount of remuneration for their services and terms of outsourcing them;
- h) monitoring external audit procedure and assessment of the quality of audit execution and auditors' opinions;
- i) ensuring efficient interaction between the Company's Internal Audit Service and the Company's external auditors;
- j) development and control of implementation of the Company's policy stipulating the principles of providing and combining by auditor of audit and non-audit services for the Company;
- 4) In the sphere of suppressing unethical practices on the part of the Company's employees and third parties:
  - a) control of functioning efficiency of the system of alerting of potential unethical practices on the part of the Company's employees and third parties, as well as of other violations in the Company;
  - b) monitoring the conducting of investigations in respect of cases of fraud, dishonest use of insider or confidential information;
  - c) control of realization of measures implemented by the Company's management following the facts of alerting of potential cases of unethical practices on the part of employees and of other violations.

#### **CLAUSE 4. AUDIT COMMITTEE COMPOSITION AND FORMATION PROCEDURE**

4.1 Audit Committee shall consist of minimum three (3) members of the Company's Board of Directors. Audit Committee numerical composition and membership shall be approved by resolution of the Company's Board of Directors by a simple majority vote.

4.2 Members of the Audit Committee shall be exclusively independent members of the Company's Board of Directors, or, should this be impossible due to objective reasons, the majority of Audit Committee members shall be independent Directors, while the other Audit Committee members may be members of the Company's Board of Directors not being the Company's sole executive body and/or members of the Company's collegiate executive body.

4.3 One of independent directors being members of Audit Committee must have experience and knowledge in the sphere of preparation, analysis, assessment, and audit of accounting (financial) reporting.

4.4 Audit Committee shall be headed by Audit Committee Chairperson being an independent Director.

4.5 Audit Committee Chairperson and other members shall be elected by the Company's Board of Directors by a simple majority vote of its members attending the meeting or participating in absentee vote.

4.6 Audit Committee members shall be elected for the period until the election of the next composition of the Company's Board of Directors. By decision of the Company's Board of Directors made by a majority of votes of its members participating in the vote, the powers of all or some of Audit Committee members may be subject to early termination.

4.7 Audit Committee Chairperson shall manage the work of the Audit Committee, in particular:

- 1) shall call Audit Committee meetings and shall chair them;
- 2) shall orchestrate discussion of issues at Audit Committee meetings and hearing the opinions of persons invited for participation in the meeting;
- 3) shall arrange for keeping minutes of Audit Committee meeting and shall sign such minutes;
- 4) shall allocate duties among Audit Committee members;
- 5) shall sign documents developed and approved by Audit Committee in the course of performing the functions which it is charged with;
- 6) shall present to the Company's Board of Directors written accounts of Audit Committee activities and shall give the necessary explanations relating to the contents of such accounts;
- 7) shall perform other functions stipulated by the effective laws, the Company's Charter, these Regulations, and other in-house documents of the Company.

4.8 Audit Committee members shall have free access to any documents and information of the Company, unless otherwise provided for by law or other normative or non-normative acts mandatory for the Company.

## **CLAUSE 5. AUDIT COMMITTEE MEETINGS AND DECISION MAKING PROCEDURE**

5.1 Audit Committee meetings shall be held on a regular basis minimum four (4) times a year, in accordance with the schedule of meetings approved by the Company's Board of Directors.

5.2 Audit Committee shall minimum once per quarter have meetings of the Audit Committee or of its Chairperson with the Head of the Company's Internal Audit Service concerning issues pertaining to the competence of the Company's Internal Audit Service.

5.3 Decision on calling an Audit Committee meeting shall be made by Audit Committee Chairperson on his/her own initiative or on the grounds of proposals by Audit Committee members, the Company's Board of Directors members, the Company's independent auditor, the Company's Internal Audit Commission, the person exercising the functions of the Company's sole executive body (including management company or manager), the Company's Internal Audit Service.

5.4 Audit Committee decisions may be taken by absentee vote (by poll). Written opinions of Audit Committee members may be forwarded by mail, facsimile, or e-mail using digital signature, as well as by other means of communication ensuring authenticity of the transmitted written opinions of Audit Committee members and documentary evidence thereof.

5.5 Audit Committee meeting shall be considered duly constituted (have quorum) if a majority of Audit Committee members are present at it (written opinions have been received by the moment of opening the meeting).

5.6 Information on interest of an Audit Committee member in the reviewal of a certain issue must be disclosed by such member at Audit Committee meeting and brought to the attention of the Company's Board of Directors.

5.7 At voting each Audit Committee member shall have one vote. Decisions of Audit Committee shall be taken by a majority of votes of Audit Committee members and shall be recorded in the Minutes.

5.8 Minutes of Audit Committee meeting shall indicate:

- 1) date, place and time of holding the meeting (or date of holding absentee vote);
- 2) list of Audit Committee members who participated in the meeting (absentee vote);
- 3) issues put to vote and results of voting thereon (indicating the voting result of each Audit Committee member who participated in the meeting);
- 4) decisions made.

5.9 Attached to the Minutes shall be materials, conclusions, proposals, and recommendations prepared by Audit Committee, as well as special opinions of Audit Committee members.

5.10 Invited to Audit Committee meetings may be officers of the Company, Head of the Company's Internal Audit Service, representatives of the Company's external auditors, and

independent consultants (experts) may be outsourced on a permanent or temporary basis for the purposes of preparation of materials and recommendations on agenda issues.

**CLAUSE 6. AUDIT COMMITTEE INTERACTION WITH THE COMPANY'S MANAGEMENT BODIES**

6.1 Audit Committee Chairperson shall ensure technical and procedural interaction of Audit Committee with the Company's bodies.

6.2 Audit Committee Chairperson must provide the Company's Board of Directors with report on Audit Committee activities, in accordance with the procedure established by the Company's Board of Directors.

**CLAUSE 7. FINAL PROVISIONS**

7.1 All amendments to these Regulations shall be approved by the Company's Board of Directors by a majority of votes of the Company's Board of Directors members who participated in the meeting and/or expressed their opinions in written form.

7.2 Should due to changes in effective laws individual clauses of these Regulations come into collision with them, such clauses shall cease to be in force and effect and the provisions of law shall prevail. Clauses of these Regulations in conflict with the effective laws shall not affect the legal validity of other clauses of these Provisions and the Company shall take all steps in order to promptly substitute new clauses not in conflict with the laws for the clauses which have ceased to be in force.

7.3 In case of any discrepancy of these Regulations with the Company's Charter, the Company's Charter shall prevail.