

Approved
on August 25, 2015
by the Board of Directors
of Public Joint Stock Company «Cherkizovo Group»
(Minutes No. 25/085d dated August 26, 2015)

**REGULATIONS ON INTERNAL AUDIT OF
Public Joint Stock Company
«Cherkizovo Group»**

(version No. 1)

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ARTICLE 1. GENERAL PROVISIONS

1.1. These Regulations have been developed in conformity with the applicable legislation of the Russian Federation, the Articles of Association of Public Joint Stock Company «Cherkizovo Group» (hereinafter referred to as “Company”), other internal documents of the Company and Corporate Code of Governance, approved by the Board of Directors of the Bank of Russia on March 21, 2014.

1.2. The Regulations define the purposes and aims of the Company's Internal Audit Service ("the IAS"), duties and powers of its employees and subordination of the IAS.

1.3. The Company organizes internal audit for regular independent evaluation of reliability and efficiency of risk management, internal control systems and corporate governance practices.

1.4. The IAS is intended to enhance the efficiency of internal control and risk management in the Company and its subsidiaries.

1.5. The IAS is a structural division of the Company.

1.6. The IAS is entitled to form its subdivisions in the branches of the Company and its subsidiaries. In this case, the subdivisions of the IAS in the branches of the Company and its subsidiaries are functionally accountable to the Director of the IAS of the Company.

1.7. The Board of Directors shall approve the budget and business plan of the IAS upon its prior review by the Audit Committee of the Board of Directors ("the Audit Committee").

1.8. In the course of operation the IAS applies the principles of independence, objectivity, competence and professional approach to work and applies common standards, concepts and practices of internal audit.

1.9. The purpose of the IAS is the independent assessment of reliability and efficiency of risk management, internal control and corporate governance practices in the Company.

1.10. Goals of the IAS are:

- 1) assistance to the Company's executive bodies and employees in development and monitoring of performance of the procedures and measures for improvement of risk management and internal control system, corporate governance of the Company;
- 2) coordination of activities with the external auditor of the Company and the persons rendering counselling services in risk management, internal control and corporate governance;
- 3) internal audit of subsidiaries under the prescribed practices;
- 4) preparation and submission to the Board of Directors and executive bodies of the reports on the performance results of the IAS (including information on material risks, defaults, results and efficiency of implementation of procedures for elimination of identified defaults, the results of implementation of the internal audit performance plan, the results of actual status assessment, reliability and efficiency of risk management system, internal control and corporate governance);
- 5) control of observance by the members of executive bodies of the Company and its employees of the legal provisions and the Company's internal policies related to insider information and the fight against corruption, compliance with the Company's Code of Ethics.

ARTICLE 2. FUNCTIONS OF THE INTERNAL AUDIT SERVICE

2.1. In the course of internal audit the IAS makes assessment of the efficiency of internal control and risk management systems of the Company and its subsidiaries, assessment of corporate governance, develops the related recommendations based on the evaluation results.

2.2. Assessment refers to the following areas:

- 1) effectiveness and efficiency of business and financial performance;
- 2) asset protection;
- 3) authenticity of accounts (internal and external);
- 4) compliance of business with the statutory regulations, internal organizational and administrative documents and standards.

2.3. Assessment of conformity and efficiency of internal control system includes:

- 1) analysis of compliance of the purposes of business processes, projects and structural subdivisions with the Company's goals, control of reliability and integrity of business processes (business) and information systems, including reliability of counteraction against illegal actions, misuse and corruption;
- 2) control of authenticity of the accounting (financial), statistical, administrative and other reports, assessment of compliance of performance results of business processes and divisions of the Company with the related goals;
- 3) determination of adequacy of the criteria set down by the executive bodies for analysis of the degree of performance (achievement) of the goals in view;
- 4) identification of defaults in internal control system which prevented (prevent) achievement of the Company's goals;
- 5) assessment of the results of implementation (performance) of measures for elimination of violations, deficiencies and for improvement of internal control system implemented by the Company at all the management levels;
- 6) assessment of efficiency and suitability of the resource use;
- 7) assessment of asset protection;
- 8) control of compliance with the legislative requirements, the Articles and internal documents of the Company.

2.4. Assessment of efficiency of risk management system includes:

- 1) control of sufficiency and maturity of elements of risk management system for effective risk management (goals and purposes, infrastructure, process structuring, regulatory and methodological support, interaction of structural units within the system of risk management, reporting);
- 2) control of completeness and correctness of risk assessment by the Company's management at all the management levels;
- 3) control of efficiency of control procedures and other risk management measures, including efficiency of use of resources allocated for these purposes;
- 4) analysis of information on occurred risks (violations, failures to achieve the desired goals, court proceedings, revealed by internal audit).

2.5. Assessment of corporate governance includes control of:

- 1) compliance with ethical principles and corporate values of the Company;
- 2) goal setting procedures, monitoring and control of their achievement;
- 3) the level of regulatory support, and procedures for information exchange (including the issues of internal control and risk management) at all the management levels of the Company, including interaction with the interested parties;
- 4) enforcement of rights of the shareholders, including controlled companies, and efficiency of interaction with the interested parties;
- 5) procedures of information disclosure on business of the Company and its controlled companies.

2.6. The IAS advises the management of the Company and its subsidiaries on the development of action plans (corrective actions) based on the results of audits and monitors the implementation of the action plans.

2.7. The IAS advises the management of the Company and its subsidiaries on the issues within the competence of the IAS, as defined in these Regulations (including the organization of internal control and risk management systems).

2.8. The IAS fulfills the tasks and participates in the projects as instructed by the Audit Committee and upon demand of the executive bodies of the Company, its subsidiaries, and upon approval of the Audit Committee.

ARTICLE 3. SUBORDINATION AND GUARANTEE OF INDEPENDENCE

3.1. Independence of the IAS is achieved by distinction of functional and administrative subordination.

3.2. The IAS is headed by Director, reporting to the Board of Directors, appointed and dismissed by General Director of the Company on the basis of the resolution of the Board of Directors.

3.3. The IAS is functionally subordinate to the Board of Directors which implies:

- 1) approval by the Board of Directors of the Regulations on internal audit, defining its goals, purposes and functions of internal audit;
- 2) approval by the Board of Directors (upon preliminary review by the Audit Committee) of the internal audit plan and budget of the IAS;
- 3) receipt by the Board of Directors (Audit Committee) of the information on the progress of the performance plan and implementation of internal audit;
- 4) approval by the Board of Directors (upon preliminary review by the Audit Committee) of the appointment resolutions, termination of appointment and determination of remuneration of Director of the IAS;
- 5) consideration by the Board of Directors of the significant limitations of powers of the IAS or other restrictions that could adversely affect the implementation of internal audit.

3.4. The IAS is administratively subordinate to General Director of the Company which implies:

- 1) allocation of the necessary funds within the approved budget of the IAS;
- 2) receipt of reports on activities of the IAS;
- 3) support in cooperation with divisions of the Company;
- 4) management of policies and procedures of the IAS;
- 5) approval of the organizational structure of the IAS;
- 6) appointment and dismissal of Director of the IAS.

3.5. Director of the IAS is responsible before the Board of Directors for management of work of the IAS and achievement of set targets.

3.6. The Audit Committee shall develop recommendations to the Board of Directors on appointment / dismissal of Director of the IAS, the terms of the employment agreement with him/her, including the amounts of salary and bonuses.

3.7. Annually Director of the IAS shall submit to the Board of Directors (Audit Committee) for consideration the budget proposals of the IAS and the performance plan of the IAS.

3.8. Director of the IAS submits to the Board of Directors (Audit Committee) and General Director the quarterly and annual reports on the results of its operation, containing the following information:

- 1) fulfillment of the approved performance plan of the IAS;
- 2) material risks and defaults of the internal control and risk management systems and the corresponding plans of the management for their elimination;
- 3) the results of procedures (corrective actions), made by the management on the basis of audit results;
- 4) significant limitations preventing the efficient achievement of goals of the IAS.

ARTICLE 4. POWERS OF THE INTERNAL AUDIT SERVICE

4.1. Director of the IAS is authorized:

- 1) to cooperate directly with the Chairman of the Audit Committee;
- 2) to ask the officials of the Company, its subsidiaries for any information and materials necessary for performance of their duties;
- 3) to study the current and future performance plans, draft resolutions and resolutions of the executive bodies of the Company and its subsidiaries;
- 4) to inform the Board of Directors and General Director of the Company on the proposals to improve the existing systems, processes, standards, methods of business, and make comments on any issues within the competence of the IAS, as defined herein;
- 5) upon approval of General Director of the Company or his/her deputies to engage employees of the divisions of the Company in the audits;

- 6) upon approval of the directors of branches and subsidiaries or their deputies to engage the employees in the audits;
 - 7) upon approval of the Board of Directors to engage the outside experts in performance of audits.
- 4.2. The employees of the IAS are authorized:
- 1) to ask the officials of the Company, its subsidiaries for the documents, accounting records and other information on business of the Company, its subsidiaries, to make copies of the abovementioned documents;
 - 2) in the course of audit assignments to interview the officials and employees of the Company and its subsidiaries;
 - 3) to study and assess any documents requested during performance of audit engagements and send copies of these documents and / or the relevant information to Director of the IAS;
 - 4) to monitor the implementation of measures (corrective actions), taken by the management following the results of audits;
 - 5) to inform Director of the IAS on the proposals to improve the existing systems, processes, standards, methods of business and to make comments on any issues within the competence of the IAS, as defined herein.

ARTICLE 5. QUALITY ASSURANCE AND PERFORMANCE ASSESSMENT

5.1. The Board of Directors conducts an annual assessment of performance of the IAS on the basis of evaluation criteria agreed upon with Director of the IAS and approved by the Audit Committee.

ARTICLE 6. FINAL PROVISIONS

6.1. These Regulations shall enter into force upon its approval by the Board of Directors and are valid until the resolution on its termination by the Board of Directors.

6.2. Amendments and additions hereto or approval of a revised version of the Regulations shall be effected by the resolution of the Board of Directors adopted by a majority vote of its members participating in the meeting (absentee voting).

6.3. If individual articles of these Regulations conflict the current legislation of the Russian Federation and (or) the Articles of Association, the Regulations shall apply to the extent they do not contradict the current legislation of the Russian Federation and (or) the Articles of Association of the Company.