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**Audit Committee
of the Board of Directors
of Mechel OAO Charter**

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1. General Provisions

- 1.1. This Audit Committee of the Board of Directors Charter (the “Charter”) is an internal procedure of Mechel OAO (the “Company”) describing formation, composition, status, scope of authority, rights and responsibilities, operation, interaction with the Company’s management bodies, and decision-making process for the Audit Committee of the Board of Directors (the “Committee”).
- 1.2. This Charter complies with applicable Russian law, the Company’s Charter, Bylaw on the Company’s Board of Directors, Code on Business Conduct and Ethics, and listing rules of Russian and international stock exchanges where the Company’s shares are traded.
- 1.3. The Committee is intended to ensure effective supervision of the accuracy and integrity of financial statements, reliability and effectiveness of internal controls, independence of the external and internal audit as well as compliance with the Russian law, listing rules of the Russian and international stock exchanges where the Company’s shares are traded, and the Company’s bylaws, policies and procedures.
- 1.4. The Audit Committee shall not be involved in the Company’s business operations and its duties shall not overlap with those of any of the Company’s departments and divisions.
- 1.5. The Committee shall act in the best interests of the Company’s shareholders and investors and shall ensure effective control over the Company’s financial and business operations as well as actual involvement of the Board of Directors in supervising the Company’s financial and business operations.
- 1.6. The Committee reports to and shall be fully accountable to the Board of Directors and shall act within the scope of authority granted to it by this Charter .
- 1.7. The Audit Committee is governed by applicable Russian law, the Company’s Charter, the Bylaw on the Board of Directors, the Board of Directors resolutions, effective rules of the New York Stock Exchange, the Securities and Exchange Commission (the “SEC”) and other exchanges where the Company’s securities are listed, the Code on Business Conduct and Ethics, this Bylaw, the Company’s other bylaws approved by the Company’s General Shareholders Meeting and the Board of Directors, and the Audit Committee resolutions.
- 1.8. Unless specifically defined herein, the terms used in this Bylaw shall have the same respective meanings as in the Company’s Charter and Bylaw on the Board of Directors.

2. Definitions and Interpretation

The “Auditor” shall mean an independent company that is (or was) in charge of external audit of Mechel OAO’s financial statements.

The “Audit Committee” or the “Committee” shall mean the Audit Committee of the Board of Directors of Mechel OAO.

The “Company” shall mean Mechel OAO.

The “SEC” shall mean the Securities and Exchange Commission of the United States of America.

The “Charter” shall mean the Audit Committee of the Board of Directors of Mechel OAO Charter.

The “Company’s Management” shall mean Mechel OAO’s Chief Executive Officer, Senior Vice Presidents and Vice Presidents, members of the Management Board.

The “Board of Directors” shall mean the Board of Directors of Mechel OAO.

The “ICAD” shall mean the Internal Control and Audit Division of Mechel OAO.

3. Purpose and Objectives of the Audit Committee

3.1. The main purpose of the Audit Committee is developing and presenting recommendations to the Company’s Board of Directors on issues relating to:

3.1.1. review of the Company’s financial statements;

3.1.2. annual independent external audit of the Company’s financial statements;

3.1.3. qualification of, and quality of services rendered by, the Auditor as well as its compliance with the relevant independence criteria;

3.1.4. assessment and improvement of the internal control and audit system;

3.1.5. performance evaluation of the Company’s Auditing Commission;

3.1.6. risk management system monitoring;

3.1.7. other aspects of the Company’s operations within the scope of authority as set out in section 4 hereof.

3.2. The Committee shall have authority and obligation to make recommendations to the Board of Directors on selection, performance evaluation and dismissal (as needed) of the Company’s Auditor subject to further approval by the Company’s shareholders.

3.3. The Committee shall operate in line with its scope of authority to ensure better analysis of external audit and the Company’s financial statements as well as to make relevant recommendations to the Board of Directors, shall cooperate with the Auditor, the Company’s Auditing Commission and (if necessary) with the Company’s Management and heads of the Company’s departments and divisions.

4. Audit Committee’s Scope of Authority

In order to provide the Board of Directors with objective and independent information, the Audit Committee shall be vested with the following authority in line with the tasks set out in section 2 hereof and within the scope of authority of the Company’s Board of Directors.

4.1. Financial statements review.

- 4.1.1. Supervising the drafting of the Company's annual financial statements and informing the Board of Directors accordingly, reviewing the draft financial statements including statement of financial position and statement of comprehensive income, analyzing the relevance of the accounting policy, the relevance of significant estimations and provisions and the clarity of notes to financial statements.
- 4.1.2. Analyzing and discussing the draft annual and quarterly financial statements prior to disclosure thereof or filing thereof with the authorized agency in accordance with applicable law in the following aspects:
 - accounting policy principles and standards to be used while drafting financial statements;
 - options for presentation of financial statements in compliance with generally accepted accounting principles that have been discussed with the Company's Management as well as potential consequences of such options and the option preferred by the Auditor;
 - possible effect of statutory, regulatory, accounting, and off-balance sheet initiatives on the Company's financial statements;
 - other critical issues discussed with the Auditor and the Company's Management that appear in such documents as the letter to the management or the list of unsettled disagreements.
- 4.1.3. Reviewing quarterly and annual financial statements and the report on analysis and assessment by the management of the Company's financial position and performance.

4.2. Ensuring independent external audit.

- 4.2.1. Making recommendations to the Board of Directors on nominees for the Company's external auditor, including engagement, appointment and dismissal of external auditors, their remuneration and scope of work as well as supervising the external auditor's work, including settlement of disagreements between the Company's management and the auditors with regard to any and all aspects related to financial statements.
- 4.2.2. Holding meetings and negotiations with auditing companies to select nominees for the Company's external auditor, including requests for proposals and extra information.
- 4.2.3. Performing analysis and preparing opinions with regard to the Company's Auditor providing any permitted non-audit services while maintaining its independent status in accordance with applicable law and the rules of Russian and international stock exchanges where the Company's shares are traded.
- 4.2.4. Annual testing of the Auditor's independence and compliance with applicable law as well as assessing the quality of the external auditor's work, the experience and expertise of the Auditor's senior staff rendering auditing services to the Company. As part of this work, the Audit Committee shall:
 - receive and review the Auditor's opinion (report) following examination of the Company's financial and business performance; assess the Auditor's opinion (report). The Audit Committee's assessment of the Auditor's opinion (report) shall be included in the package for the Company's Annual General Meeting;
 - receive and analyse the Auditor's opinion following examination of the Company's financial and business performance and other documents provided by the Auditor

describing internal control procedures used by the auditing company as well as any and all essential issues raised after the most recent internal inspection of quality control, peer review of the Auditor by other auditing companies, inquiry or investigation by governmental authorities or local authorities or authorized agencies, over the recent five years, with regard to one or more independent audits conducted by the Auditor as well as any steps taken to address such issues;

- request and review the Auditor's report describing all aspects of interaction between the external auditor and the Company and analyzing the impact any relations or services may have on the external auditor's objectiveness and independence;
- request and verify a confirmation from the Auditor that the external auditor complies with the partner rotation requirements set by the stock exchanges (including SEC rules) where the Company's shares are traded.

4.2.5. Resolving on the necessity of rotation of external auditing companies providing annual audit services to the Company.

4.2.6. Reviewing the results of annual audit of financial statements in all aspects that are subject to communication to the Audit Committee by the external auditor in accordance with the generally accepted audit standards.

4.2.7. Meeting with the Auditor to discuss all problems and difficulties faced during the audit process and disagreements with the Company's management as well as other issues to be raised by the Auditor with the Audit Committee in accordance with the accounting standards/audit standards.

4.2.8. Reviewing the Auditor's interim opinions on the Company's financial statements (including relevant communication between the external auditor and the Company's management) and discussing the above with the external auditor and the Company's management.

4.3. Ensuring internal controls and audit.

4.3.1. Approving appointment, employment terms and conditions, incentives (disciplinary actions) and dismissal of the ICAD Director .

4.3.2. Approving the annual schedule of audits and reviewing the ICAD structure and budget.

4.3.3. Analyzing ICAD's regular reports summarizing the results and essential auditing comments.

4.3.4. Evaluating ICAD's performance on annual basis.

4.3.5. Reviewing the ICAD Charter.

4.3.6. Studying constraints that prevent the ICAD from operating effectively, and assisting to elimination of such constraints.

4.3.7. Meeting at least quarterly with the ICAD Director with no Company's Management attending.

4.3.8. Providing requests to the ICAD (as needed) to conduct ad-hoc audits, inspections and other control arrangements and analyzing the results.

- 4.3.9. Analyzing the reports on the status of internal controls prepared by the internal and external auditors.
- 4.3.10. Analyzing the results and quality of arrangements (corrective actions) worked out by the management to improve internal controls.
- 4.3.11. Reviewing information on fraud, embezzlement and misconduct; evaluation of effectiveness of measures taken by the Company's Management as well as evaluating the effectiveness of the fraud, embezzlement and misconduct prevention system.
- 4.4. Performance evaluation of the Auditing Commission.
 - 4.4.1. Reviewing the Auditing Commission's opinions on the Company's financial and business performance.
 - 4.4.2. Participating in joint meetings to address matters falling within the scope of authority of the Committee and Auditing Commission.
 - 4.4.3. Developing recommendations on amendments to the Company's bylaws governing operation of the Auditing Commission.
 - 4.4.4. Reviewing the Auditing Commission's reports and other materials with regard to violations detected, and making recommendations to the Company's Board of Directors on how to prevent future violations.
- 4.5. Independent appraiser's valuation of assets.
 - 4.5.1. Making recommendations to the Company's Board of Directors on nominees for the independent appraiser, analyzing on request of the Board of Directors the independent appraiser's valuation of assets in cases stipulated by the Russian law as well as analyzing on request of the Board of Directors valuations of certain assets and property for the purpose of financial statements prepared under international financial reporting standards and potential pledge valuations.
- 4.6. Risk management system monitoring.
 - 4.6.1. Reviewing regularly the Company's Management's reports on the status of the risk management efforts, including information on measures aimed at elimination, mitigation of risks and/or reduction of relevant consequences.
 - 4.6.2. Holding discussions with the Company's management and Auditor with regard to the risk assessment and management policy, risk assessment and monitoring rules and procedures, the Company's exposure to significant risks, and actions taken by the Company's management to limit, monitor and control such exposure.
- 4.7. Other authority.
 - 4.7.1. Discussing press releases concerning the Company's income as well as financial information provided to analysts and rating agencies.
 - 4.7.2. Holding discussions with the Company's management with regard to any correspondence received from, or sent to, governmental executive authorities, the employees' complaints or published reports involving essential aspects of the Company's financial reports,

drafting of the Company's financial statements, the Company's accounting policy or the Company's ICAD.

- 4.7.3. Holding discussions with the Legal Director or external legal counsel with regard to any and all legal matters communicated to the Audit Committee that are reasonably expected to materially affect the Company's financial statements.
- 4.7.4. Establishing a clear policy for employment of people currently or formerly employed by the Auditor.
- 4.7.5. Establishing a procedure for receiving, storing, and handling complaints received by the Company in relation to accounting, internal controls and audits as well a procedure for the employees to file their confidential and anonymous messages relating to doubtful accounting or audits.
- 4.7.6. Reporting regularly (via the Chairman of the Committee) to the Board of Directors on the Committee's results and providing information on any other matters arising in connection with the accuracy and integrity of the Company's financial statements, the Company's compliance with statutory and regulatory requirements, effectiveness and independence of the Company's Auditor, effectiveness of the Company's ICAD or any other issues that the Audit Committee thinks may be relevant.
- 4.7.7. Controlling execution of the Auditor's recommendations and the Board of Directors' resolutions on issues within the Committee's scope of authority.
- 4.7.8. Conducting preliminary review of the agenda items of the Company's Board of Directors meetings falling within the scope of authority of the Audit Committee, and making relevant recommendations to the Board of Directors.
- 4.7.9. Covering issues relating to the Company's compliance with the standards of ethics as set out in the Code on Business Conduct and Ethics, including discussion of the Company's Management's procedures intended to ensure compliance with this code.
- 4.7.10. Encouraging free and open communication between the Auditor, internal auditors, the Company's management and the Committee itself.
- 4.7.11. Initiating audits and inspections (with both internal and external resources attracted) on matters within its scope of authority as well as matters relating to analysis of the operating and investment decision-making process, environmental issues, reserve evaluation and other issues.

5. Rights and Obligations of the Audit Committee and its Members

- 5.1. In order to exercise its authority, the following rights shall be vested in the Audit Committee by the Board of Directors.
 - 5.1.1. Participating in control of execution of recommendations and resolutions of the Company's Board of Directors within the scope of its authority.
 - 5.1.2. Requesting and receiving any necessary information, documents, reports, explanations (including confidential information) from the Company's executive bodies, Board of Directors' front office, Auditing Commission, ICAD, heads of the Company's departments and divisions. The Audit Committee shall also be entitled to request

information from the Company's subsidiaries and affiliates. Information from the Company's subsidiaries and affiliates shall be requested in accordance with the law and the bylaws of such subsidiaries and affiliates.

- 5.1.3. Inviting officers and employees of the Company, its subsidiaries and affiliates to attend Audit Committee meetings.
- 5.1.4. Inviting external experts and advisers to attend Audit Committee meetings and using their services within the Committee budget.
- 5.1.5. Meeting with the Auditor and ICAD staff with no executive management of the Company attending.
- 5.1.6. Initiating and holding (as needed) special investigations, audits or assessments with both internal and external resources attracted (including independent experts and advisers) in order to obtain independent opinion on matters that arise in accordance with Audit Committee budget or above this budget if approved by the Chairman of the Board of Directors.
- 5.1.7. Proposing amendments to this Charter, developing draft documents governing operation of the Audit Committee and submitting them to the Board of Directors for approval.
- 5.1.8. Exercising other rights that may be necessary for the Audit Committee to discharge its duties.
- 5.2. In accordance with its purpose, the Audit Committee shall have the following duties.
 - 5.2.1. Making conclusions and recommendations to the Board of Directors on the Board's request or on its own discretion on any matter within its scope of authority.
 - 5.2.2. Notifying the Board of Directors of any risks faced by the Company in a timely manner.
 - 5.2.3. Providing the Board of Directors with Committee's performance reports on its request.
 - 5.2.4. Providing the Board of Directors with annual reports of execution of assigned tasks. The Committee's annual report (except for confidential information) shall be subject to inclusion into the Company's annual accounts to be approved by the Annual General Meeting. The Audit Committee report shall contain information on the Committee's work during the year, including:
 - conclusions and recommendations made to the Board of Directors on various matters within the Audit Committee's scope of authority;
 - identified violations of Chapter 11 hereof;
 - professional services rendered by external organizations;
 - performance of the Audit Committee budget;
 - other essential things as the Chairman of the Audit Committee may find relevant.
 - 5.2.5. Assessing effectiveness of the Audit Committee and its members on an annual basis, including compliance with this Charter.
- 5.3. The members of the Audit Committee shall be entitled to:

- 5.3.1. Receive any and all information on the Company's operations, review the Company's constituent, accounting, reporting, administrative, regulatory and other documents (including confidential ones) within the scope of authority of the Audit Committee.
- 5.3.2. Require in writing that a Committee meeting is called.
- 5.3.3. Make proposals, contribute to discussions and vote on Committee agenda items.
- 5.3.4. Provide their written opinions and communicate their disagreement with the Committee resolutions to the Chairman of the Audit Committee.
- 5.3.5. Exercise other authority vested by the Board of Directors within the scope of their authority and in the manner set out herein.
- 5.4. The members of the Audit Committee shall be obliged to:
 - 5.4.1. Act in the best interests of the Company, exercise their rights and discharge their duties reasonably and in good faith, and be loyal to the Company.
 - 5.4.2. Comply with applicable Russian law, the Company's Charter, Bylaw on the Board of Directors, this Charter and the Company's other bylaws approved by the Company's Board of Directors or General Shareholders Meeting.
 - 5.4.3. Be actively involved in operation of the Audit Committee, participate in, and vote at, Audit Committee meetings; spend as much time as may be reasonably necessary to effectively discharge their duties as Committee members, including preparation for, and participation in, Committee meetings.
 - 5.4.4. Promptly advise the Audit Committee in writing on any personal interest or conflict of interests in relation to each particular agenda item or resolution.
 - 5.4.5. Refrain from use or transfer of any information in their possession on the Company's operations, shares and other securities as well as transactions therewith that may affect the Company, its business reputation, market value of the Company's shares and other securities.
 - 5.4.6. Refrain from any actions that may give rise to a conflict of interests between a member of the Audit Committee and the Company, notify the Company of any conflict of interests in connection with any issues discussed by the Committee.
 - 5.4.7. Notify the Board of Directors of those legal entities where they own 20 or more per cent of voting stock (stakes, shares) and those legal entities where they sit on management bodies.
 - 5.4.8. Notify the Board of Directors in writing of the events resulting in a member's failure to comply with the independence criteria set out in Clauses 6.2 & 6.3 hereof within Five (5) business days of such an event but no later than the day proceeding the date of the nearest Committee meeting.
- 5.5. Members of the Audit Committee shall be liable in accordance with applicable Russian law.

6. Requirements for the Audit Committee Composition and Formation

- 6.1. The Committee shall consist of at least three members.
- 6.2. As required by the Company's Charter, only independent directors can be members of the Audit Committee.
- 6.3. The Audit Committee shall not be made up of directors who (or whose immediate family members) are (or have been during the recent three years) partners or employees of the Company's external or internal auditor.
- 6.4. The Audit Committee shall be elected by the majority of votes of the Board of Directors after consultations with nominees. The Board of Directors may resolve on early termination of authority of all members of the Audit Committee or any of them. The composition of the Audit Committee may be changed as proposed by any member of the Board of Directors.
- 6.5. Members of the Audit Committee may be elected as many times as possible.
- 6.6. Members of the Audit Committee shall discharge their duties on a voluntary basis and personally. Members of the Audit Committee may not appoint any proxies to act on their behalf.
- 6.7. When electing the Chairman and members of the Committee, account shall be taken of their education, expertise, professional experience, special knowledge required for sitting on the Audit Committee. Each Committee members shall have basic knowledge in finance or acquire this knowledge within the first year after election to the Audit Committee; furthermore, at least one member of the Audit Committee shall have necessary expertise in accounting and/or financial management (the "Financial Expert") as required by the New York Stock Exchange and SEC.
- 6.8. When selecting candidates for election to the Audit Committee and while the Audit Committee operates, members of the Audit Committee shall have no personal interest or conflict of interest with the Company. Any information on any actual or potential conflict of interest shall be disclosed by the members of the Audit Committee and shall be immediately communicated to the Audit Committee and the Board of Directors.
- 6.9. A member of the Audit Committee can resign subject to two weeks' prior written notice provided to the Chairman of the Audit Committee.
- 6.10. On receipt of a notice of resignation from a member of the Audit Committee, the Chairman of the Audit Committee shall ensure that the agenda of the nearest Board of Directors meeting includes election of a new Audit Committee member or approval of the reduced size of the Audit Committee but not smaller than it is set out herein.
- 6.11. Members of the Audit Committee shall be paid a remuneration and/or compensation of costs and expenses resulting from their duties as members of the Audit Committee in the manner approved by the Shareholders' meeting.
- 6.12. The Chairman of the Audit Committee shall be appointed by the Board of Directors.
- 6.13. The Board of Directors can at any time terminate the office of the Chairman of the Audit Committee and appoint a new one.

6.14. The Chairman of the Audit Committee shall manage the work of the Audit Committee, namely:

- call and chair Audit Committee meetings;
- provide for a discussion Audit Committee agendas and the list of issues to be covered by the ICAD Director's report;
- manage discussions at the Audit Committee meetings and encourage those invited to contribute to Audit Committee meetings;
- have a casting vote in case the votes of the members of the Audit Committee split in equal parts;
- shape the Audit Committee topics and schedule relying on the working plans of the Company's management bodies, proposals received from the members of the Audit Committee and the topics and schedule of the Company's Board of Directors;
- distribute duties among the members of the Audit Committee
- advise to the Board of Directors on any Committee member's personal interest or actual or potential conflict of interests with the Company with regard to any agenda item under discussion or any resolution or any duty discharged;
- present the results of the Audit Committee's performance at the meetings of the Board of Directors;
- represent the Audit Committee when communicating with the Chief Executive Officer, the Company's Auditing Commission, the Company's departments and divisions, the Company's external auditor and organizations engaged by the Audit Committee or the Company on matters within the scope of authority of the Audit Committee;
- ensure that full and accurate information is received by the Committee for its proper operation;
- establish the procedure for operation of the Audit Committee with regard to any issues not governed by this Charter;
- develop the format and set deadlines for information and materials to be provided to the Company's Board of Directors;
- discharge other duties set out by applicable law, the Company's Charter, this Charter and the Company's other bylaws approved by the General Shareholders Meeting and the Board of Directors;

6.15. Should the Chairman of the Audit Committee be temporarily absent, one of the members of the Audit Committee shall discharge his duties as appointed by the Chairman of the Audit Committee or the Board of Directors.

6.16. The Secretary of the Committee shall be appointed by the Audit Committee. An employee of the Board of Director's front office, one of the members of the Audit Committee, a person employed by the Company or a person attracted from the outside can be appointed as the Secretary of the Audit Committee.

6.17. The Secretary of the Committee shall be responsible for:

- preparation and holding of Audit Committee meetings as well as collection and systematization of materials for the meetings;
- timely circulation of notices of Audit Committee meetings, Audit Committee agendas and relevant papers and documents to all members of the Audit Committee and those invited;
- keeping minutes of Committee meetings;
- managing the Audit Committee's records;

- ensuring compliance with this Charter under the supervision of the Chairman of the Audit Committee;
- ensuring that written nondisclosure obligations are received from third parties participating in Committee meetings;
- keeping record of correspondence (including requests and inquiries) addressed to the Audit Committee and/or Chairman of the Audit Committee and/or members of the Audit Committee; ensuring preparation of appropriate responses, explanations and Audit Committee resolutions;
- furnishing relevant correspondence to the Audit Committee members if this correspondence features no request or proposal to table an issue for consideration by the Audit Committee; providing assistance (as needed) to the Audit Committee members in responding to letters, inquiries etc.;
- ensuring that the deadlines set for the Audit Committee by the Board of Directors' resolutions or other resolutions are met and informing the Chairman of the Audit Committee on any failed deadlines.

7. Operation of the Audit Committee

- 7.1. The Audit Committee shall operate in line with its annual schedule duly approved by the Board of Directors.
- 7.2. To ensure operation of the Audit Committee, the Audit Committee shall be financed from the Company's budget (the "Audit Committee Budget").
- 7.3. Audit Committee Budget amount proposals shall be filed with the Board of Directors for inclusion to the Company's annual and quarterly financial plans. The Audit Committee shall be entitled to make proposals to the Board of Directors with regard to changing the Audit Committee Budget.
- 7.4. The Chief Executive Officer, the Board of Directors, members of the Auditing Commission, the Company's external auditor, heads of the Company's departments and divisions as well as the Company's other employees shall timely provide complete and true information and documents as requested by the Audit Committee within the scope of its authority or a written reasoned refusal.
- 7.5. Requests for information and documents specified in Clause 7.4 above shall be in writing and shall be signed by the Chairman of the Audit Committee.
- 7.6. Information and documents specified in the Audit Committee's request shall be submitted to the Committee via the Secretary of the Committee.
- 7.7. The Audit Committee or the Chairman of the Audit Committee may opt to engage experts and advisors for assistance. People employed by the Company, independent specialists or external companies may be engaged as experts. They can participate in Audit Committee meetings with no right to vote.
- 7.8. External organizations and independent specialists engaged by the Audit Committee shall be paid at the Company's expense.

- 7.9. The Company's Board of Directors can at any time during the year request a performance report from the Audit Committee. The terms of preparation and submission of such a report shall be determined by the relevant resolution of the Company's Board of Directors.
- 7.10. The Audit Committee report shall be presented to the Company's Board of Directors by the Chairman of the Audit Committee.
- 7.11. The terms of execution by the Audit Committee of the Board of Directors' resolutions shall be fixed by the Board of Directors. The Committee should bear in mind that minutes and conclusions (recommendations) on matters requiring approval by the Board of Directors should reach the Board of Directors at least Three (3) days prior to Board of Directors meetings.
- 7.12. The Audit Committee can at its own discretion make recommendations to the Board of Directors on any matter within its scope of authority.
- 7.13. Any and all conclusions and recommendations shall be made by the Audit Committee in writing.

8. Audit Committee Meetings

- 8.1. Audit Committee meetings shall be held in line with the approved Audit Committee schedule and can be called by the Company's Board of Directors, Chairman of the Audit Committee, members of the Audit Committee, the Company's Chief Executive Officer, Auditing Commission, ICAD Director and the Company's external auditor with at least one meeting per reporting quarter.
- 8.2. Audit Committee meeting can be held either in person (including conference calls) or via absent voting.
- 8.3. The Chairman of the Audit Committee shall fix the venue, date and timing of each Audit Committee meeting (or the final date when voting ballots can be accepted), the form of the meeting, propose for discussion its agenda and the list of persons to be invited to attend the meeting.
- 8.4. Audit Committee agendas and the lists of those invited to attend Audit Committee meetings shall be shaped by the Chairman of the Audit Committee on the basis of the Audit Committee schedule and topics as well as proposals received from those initiating Audit Committee meetings. Audit Committee agendas shall be circulated to all members of the Board of Directors well in advance. Each independent director and the Chairman of the Board of Directors shall be able to attend any Audit Committee meeting no matter whether or not he/she is a member of the Audit Committee.
- 8.5. Persons entitled to initiate Audit Committee meetings as set out in Clause 8.1 hereof shall file a request for calling of an Audit Committee meeting with the Secretary of the Audit Committee (addressed to the Chairman of the Audit Committee) at least Five (5) business days prior to the expected date of the meeting. The Secretary of the Audit Committee shall inform the Chairman of the Audit Committee accordingly within the next business day of receipt of such a request.

A request for calling of an Audit Committee meeting shall specify:

- the name of the person or the body initiating the meeting;

- the agenda of the meeting;
 - draft resolutions on agenda items;
 - the date of the meeting;
 - the list of documents (materials) to be provided for review by the members of the Audit Committee.
- 8.6. Should calling of an Audit Committee meeting be requested by a person who is not mentioned in Clause 8.1 hereof, the Chairman of the Audit Committee shall either call an Audit Committee meeting or provide a reasoned refusal. Such a reasoned refusal shall be communicated to the relevant person within Two (2) business days of receipt of the relevant request by the Chairman of the Audit Committee. All Audit Committee members shall be informed of such refusals.
- 8.7. The Chairman of the Audit Committee may refuse to call an Audit Committee meeting in the following cases:
- matters proposed for consideration by the Audit Committee are not within the scope of authority of the Audit Committee as set out herein;
 - matters proposed for consideration by the Audit Committee have already been scheduled and will be addressed in due time;
 - the procedure for filing request for calling of Audit Committee meetings (as set out herein) have not been complied with;
 - no or not all supporting documents and materials have been provided for the Audit Committee to discuss the issue and take a relevant resolution.
- 8.8. Notice of an Audit Committee meeting as well as the relevant agenda and supporting documents shall be circulated by the Secretary of the Audit Committee to all intended to participate in the meeting at least Three (3) business days prior to the meeting. Where absent voting is in place, the Secretary of the Audit Committee shall at least Three (3) business days prior to absent voting provide the Audit Committee members with a relevant notice and voting ballots for each agenda item as well as any and all supporting documents. If any item appears to be extremely urgent, the above terms may be reduced provided that all Committee members have been duly notified of the meeting and have no objections.
- 8.9. In case a member (members) of the Audit Committee cannot attend an in person Audit Committee meeting, he/she (they) shall be entitled to provide his/her (their) written opinion(s) with regard to proposed resolutions on agenda items.
- 8.10. Written opinions shall be furnished to the Chairman of the Audit Committee before the date of the relevant Audit Committee meeting. Before the start of the meeting, the Chairman shall communicate written opinions of the members who are absent to the rest members of the Audit Committee who attend. Written opinions shall be incorporated in the Committee minutes.
- 8.11. Audit Committee meetings shall be chaired by the Chairman of the Audit Committee.
- 8.12. An Audit Committee meeting shall be valid (the quorum shall be deemed in place) if it is participated by more than a half of the total number of Committee members or, in case of absent voting, if voting ballots have been received from more than a half of the total number of Committee members as at the final date when voting ballots can be accepted.

- 8.13. Where there is no quorum in place, the Chairman of the Audit Committee shall postpone the meeting, and a new notice shall be circulated to the Audit Committee members.
- 8.14. All resolutions shall be passed by the Audit Committee by simple majority of votes of the members of the Audit Committee who attend the meeting (or have provided their voting ballots – in case of absent voting).
- 8.15. When voting, each member of the Audit Committee shall have one vote. A member of the Audit Committee may not assign his/her vote in favour of any other member of the Audit Committee or any other person.
- 8.16. People invited to attend an Audit Committee meeting shall be entitled to contribute to discussions, make proposals and remarks with regard to materials under discussion, share information on agenda items. People invited shall have no right to vote on Audit Committee agenda items. If invited experts are absent, this shall not be the reason for postponing the meeting; however, when it is impossible to address the item without invited persons, the Audit Committee may resolve to move said items to the next meeting.
- 8.17. In the course of a meeting, the Audit Committee may instruct a member (members) of the Audit Committee to study any issue in greater detail and report the conclusions to the Audit Committee.
- 8.18. If a member of the Audit Committee has been found interested in any particular issue under consideration, such a member of the Committee shall not vote on that particular item. If the number of disinterested Committee members is insufficient for taking a decision, the matter shall be tabled for consideration by the Board of Directors with no Audit Committee recommendation made.
- 8.19. The Audit Committee shall submit its recommendations to the Board of Directors within Three (3) business days of the relevant Audit Committee meeting but not later than the deadline for the documents and materials to be circulated to the members of the Board of Directors. If this appears to be reasonably impossible, the Chairman of the Audit Committee shall communicate the Audit Committee's position on relevant issues to all members of the Board of Directors at the Board of Directors meeting.

9. Minutes of Audit Committee Meetings

- 9.1. The Secretary of the Audit Committee shall prepare the minutes within Three (3) business days of the relevant Audit Committee meeting. Minutes shall be kept both in English and in Russian.
- 9.2. The Audit Committee minutes shall specify the venue, date, timing of the relevant meeting, attending Audit Committee members, persons invited, agenda of the meeting, motions put to vote and voting results as well as resolutions adopted. Where a resolution is not unanimous, individual voting results shall be specified. In case of absent voting, the Minutes shall specify the final date for the voting ballots to be accepted, Audit Committee members who have provided completed voting ballots, agenda, motions put to vote and voting results as well as resolutions adopted. The Minutes shall also include the Audit Committee members' special opinions (if any).
- 9.3. The Audit Committee minutes shall be signed by the Chairman of the Audit Committee and the Secretary of the Audit Committee.

- 9.4. Audit Committee minutes shall be kept in two original copies one of which to be furnished to the Company's Board of Directors within Three (3) business days of signing coupled with relevant recommendations and conclusions, and the other to be kept as part of the Audit Committee records.
- 9.5. Copies of the Audit Committee minutes as well as conclusions and recommendations shall be circulated to all members of the Audit Committee.
- 9.6. Audit Committee resolutions shall be communicated to persons concerned by way of an abstract of Audit Committee minutes within Three (3) business days of the relevant meeting.

10. Requirements for Retention and Use of Audit Committee Documents

- 10.1. In the course of operation of the Audit Committee, records of the Audit Committee shall be formed.
- 10.2. The records of the Audit Committee shall comprise:
- Audit Committee minutes;
 - requests for calling of Audit Committee meetings with appendices;
 - supporting documents to the Audit Committee minutes;
 - other information for the Audit Committee meetings;
 - Audit Committee resolutions and recommendations;
 - incoming and outgoing correspondence of the Audit Committee.
- 10.3. Documents included in the records of the Audit Committee shall be stored at least Seven (7) years at the offices of the Company's sole executive body. Records shall be stored at the Company's expense.
- 10.4. The confidential nature of information contained in the Audit Committee documents shall be determined by the Audit Committee with an appropriate record made in the minutes of the relevant meeting.
- 10.5. The records of the Audit Committee shall be available for review by the members of the Board of Directors and members of the Audit Committee.
- 10.6. Members of the Auditing Commission, ICAD, the Company's external auditor, other people employed by the Company as well as third parties shall be granted access to the records of the Audit Committee subject to prior permission obtained from the Chairman of the Audit Committee.

11. Confidential Information

- 11.1. Members of the Audit Committee and the Secretary of the Audit Committee shall not use the following for personal advantage or disclose the following: confidential information and information on the Company's operations, shares and other securities and relevant transactions that may affect the Company, its business reputation market value of the Company's shares or other securities.
- 11.2. Members of the Audit Committee shall keep confidential all information received or produced by them while working for the Company.
- 11.3. For reasons of compliance with non-disclosure requirements:

- documents submitted to the Audit Committee that contain confidential information shall be marked as “Confidential” by the decision of the originator;
- documents containing confidential information that are provided by the Audit Committee shall be marked as “Confidential” by the decision of the Chairman of the Audit Committee;
- each person receiving documents marked as “Confidential” shall use and store them with due care and shall take measures to secure confidential information.

11.4. Third parties participating in the Audit Committee meetings or engaged in operation of the Audit Committee or having access to the Audit Committee records shall first sign a Non-disclosure agreement with the Company.

12. Final Provisions

12.1. Any amendments made to this Charter shall be subject to approval by the Company’s Board of Directors.

12.2. The Audit Committee shall at least annually review this Charter and make necessary amendments to be further approved by the Board of Directors.

12.3. Any matters not governed by this Charter shall be governed by applicable Russian law, the Board of Directors’ resolutions and the Company’s bylaws.

12.4. Where individual provisions of this Charter are in conflict with applicable Russian law, such provisions shall be null and void and applicable Russian law shall govern.

12.5. Invalidation of any provision hereof shall not cause invalidation of other provisions hereof.

12.6. Where this Charter is in conflict with the Company’s Charter or Bylaw on the Board of Directors, the Company’s Charter and Bylaw on the Board of Directors shall prevail.

12.7. The Chairman of the Audit Committee shall be responsible for ensuring compliance of this Charter with applicable Russian law, the Company’s Charter, and Bylaw on the Board of Directors.