

APPROVED

by the Board of Directors  
of PJSC “Aeroflot”

Minutes No. 10 dated January 28, 2016

**REGULATIONS**  
**on the Audit Committee**  
**of the Board of Directors of PJSC “Aeroflot”**

**Moscow, 2016**

## **1. General**

1.1. The Audit Committee of the Board of Directors of PJSC “Aeroflot” (hereinafter referred to as the “Committee”) is an advisory body established by a decision of the Board of Directors of PJSC “Aeroflot” (hereinafter referred to as the “Company”) and is guided in its activities by current legislation of the Russian Federation, the Company’s Charter, the Code of Corporate Conduct, the Regulations on the Board of Directors, these Regulations and other internal documents of the Company.

These Regulations constitute the basic document defining the legal status, composition and functions of the Committee and the rights, duties and liability of its members.

1.2. The Committee carries out its activities in accordance with decisions of the Board of Directors and the work plan approved by the Committee.

1.3. The Committee’s work is aimed at promoting its participation in improvement of the system of control over financial and economic activity of the Company in order to optimize capital investments, protect the interests of the Company’s shareholders and ensure growth of its assets. The Committee, in cooperation with the executive bodies, the Audit Commission and the Internal Audit Service of the Company, designs and submits recommendations and proposals on the following matters for consideration by the Board of Directors:

(1) developing and ensuring execution of the Company’s financial and business plan;

(2) establishing and enforcing effective internal control procedures;

(3) ensuring that the Company has in place an effective and transparent management system, including the prevention and suppression of abuses by executive bodies and officers of the Company;

(4) preventing, detecting and mitigating conditions conducive to the emergence of financial and operational risks;

(5) ensuring the accuracy of the financial information used or disclosed by the Company;

(6) considering other matters in accordance with decisions of the Company’s Board of Directors.

## **2. Composition of the Committee**

2.1. The Committee shall consist of not less than three members.

2.2. The Committee shall consist of members of the Company’s Board of Directors who are independent directors. Independent directors are persons who meet the requirements for independent directors set out in the “Listing Rules” of PJSC “MICEX Stock Exchange”, each being sufficiently independent to form their own position and capable of making objective judgments free from the influence of the Company’s executive bodies, individual groups of shareholders or other stakeholders, and also having a sufficient level of professionalism and expertise.

A member of the Board of Directors may not be considered to be an independent director if he/she is:

- a) associated with the Company;
- b) associated with a substantial shareholder of the Company;
- c) associated with a significant counterparty of the Company;
- d) associated with a competitor of the Company;
- e) associated with the State (the Russian Federation, a constituent entity of the Russian Federation) or a municipal entity.

2.3. If, for objective reasons, the Committee cannot be formed exclusively from members of the Board of Directors who meet the requirements of paragraph 2.2 of these Regulations, the Committee shall be formed from members of the Board of Directors meeting the requirements of paragraph 2.2 hereof and members of the Board of Directors who do not serve as the Company’s sole executive body and/or as members of the Company’s collegial executive body. A majority of the Committee members shall be independent directors.

2.4. Members of the Committee shall be approved by the Company's Board of Directors. The term of office of Committee members may not exceed the term of office of the Board of Directors; however, they may be re-elected for a new term.

2.5. The Committee shall be chaired by the Head of the Committee approved by the Board of Directors from among the Committee members who meet the requirements of paragraph 2.2 hereof by a majority vote of the total number of Board members. The Head of the Committee directs the activities of the Committee and organizes its work, ensuring objectivity in the preparation of recommendations and proposals to the Board of Directors and collaborating with the executive bodies, the Internal Audit Department and the Audit Commission of the Company. The Head of the Committee presides at Committee meetings, organizes the taking of minutes and reports on the activities of the Committee to the Board of Directors. At the suggestion of the Company's General Director and subject to approval by the Head of the Committee, the Committee shall elect a Secretary who is an employee of the Company and is not a member of the Committee.

2.6. At the time the Board of Directors is making a decision on forming the Committee, information on the work of the Audit Committee of the previous Board of Directors shall be communicated to members of the Board of Directors.

2.7. By decision of the Board of Directors, powers of any member (or all members) of the Committee can be terminated early. The Head and members of the Committee may resign by giving notice to the Chairman of the Board of Directors at least 30 (thirty) days prior to the intended date of resignation.

2.8. To ensure completeness and quality of the materials prepared for meetings and their review, the Committee may engage qualified experts and set up working groups. Their procedures and objectives shall be determined by Committee decision.

Working groups must be headed by members of the Committee. Nominations for experts to serve on the Committee and the composition of working groups shall be approved by a majority vote of the Committee members.

### **3. Rights, Duties and Liability of Committee Members**

3.1. Members of the Committee shall be entitled to act on behalf of the Committee only based on a Committee decision recorded in the minutes of the relevant Committee meeting.

3.2. In exercising their powers, the Committee members shall act in the interests of the Company, exercise their rights and fulfill their duties towards the Company in good faith and reasonably.

3.3. Committee members shall be liable for disclosure of information constituting a state or commercial secret and for disclosure of confidential information which has become known to them in the performance of their duties as members of the Committee. Committee members shall be subject to the requirements for confidentiality of information that has become known to them in the course of their work, which are similar to the requirements that apply to members of the Board of Directors.

3.4. Committee members may have access to documents and information of the Company in the manner prescribed by the legislation of the Russian Federation. Executive bodies (the General Director) are obliged to provide a response to a request of the Head of the Committee within seven days.

3.5. The Head of the Committee shall inform the Board of Directors of changes in the status of Committee members due to non-conformity with the requirements of paragraph 2.2 hereof and the appearance of a conflict of interest in Committee decision making.

3.6. If necessary, the Head of the Committee may invite members of the Board of Directors, members of the Company’s executive bodies, managers and specialists of the Company’s structural divisions, representatives of the Company’s auditor and other persons to attend Committee meetings.

#### **4. Committee Procedures**

4.1. The Committee carries out its activities under instructions from the Board of Directors and in accordance with its work plan. A draft work plan of the Committee shall be prepared at its first meeting on the basis of written proposals from members of the Board of Directors and the Committee. Members of the Committee shall be accountable and report on the results of their work to the Head of the Committee.

4.2. Committee meetings shall be held by personal attendance (joint presence of Committee members). In order to promptly resolve issues facing the Committee, absentee voting on agenda items conducted by polling members of the Committee in writing shall be permitted.

4.3. A decision to convene a meeting shall be taken by the Head of the Committee on the basis of its work plan.

4.4. The Committee may hold joint meetings with other committees of the Board of Directors.

4.5. The Head of the Committee shall give notice specifying the date and agenda and provide materials for the Committee meeting not later than seven days before the meeting.

4.6. Committee members shall have equal rights in making decisions on matters considered at a meeting. Each member shall have one vote. The transfer of a vote by a Committee member to another person (including another Committee member) is not allowed.

4.7. A decision shall be deemed adopted if a majority of the Committee members who took part in the meeting voted for the decision. In case of a tie, the Head of the Committee shall have a casting vote. If a Committee member is absent from the meeting for a valid reason (illness, business trip, etc.), he/she shall have the right to submit to the Committee his/her proposal for draft decisions on the agenda items in writing. A Committee meeting shall be competent (have a

quorum) if it is attended by at least half of the total number of members of the Committee.

4.8. In case of disagreement with the adopted decision, a Committee member shall be entitled to express his/her dissenting opinion in writing, which shall be attached to the minutes of the Committee meeting.

4.9. Minutes shall be kept of Committee meetings, and the minutes shall include the time and venue of the meeting, persons present at the meeting, the agenda, issues put to the vote, materials prepared on the agenda items, proposals from Committee members on items considered, voting results and decisions adopted. Minutes of meetings shall be signed by the Head of the Committee, who shall be responsible for their accuracy, and the Secretary of the Committee. Minutes shall be assigned consecutive numbers counted from the beginning of each calendar year. Original minutes of meetings and materials of the Committee shall be registered and kept in the administrative office of the Board of Directors.

4.10. The Committee shall submit to the Board of Directors in writing its recommendations and proposals on matters considered at meetings of the Committee. Copies of minutes of Committee meetings shall be sent to members of the Board of Directors within seven business days after the Committee meeting at the latest.

4.11. Representatives of the Company’s auditor and officers of the Company whose presence is necessary for the performance of the Committee’s duties may be invited to Committee meetings.

4.12. Organizational and technical support for the activity of the Committee shall be provided by the Secretary of the Committee together with the administrative office of the Board of Directors.

## **5. Functions of the Committee**

The Committee shall perform the following functions:

5.1. Develop proposals and recommendations to the Board of Directors on the preparation and execution of a draft financial and business plan of the Company before its approval by the Company’s Board of Directors as well as proposals to improve the system of control by the Board of Directors over the precise execution of the said plan; if necessary, hear reports from the Head of the Company’s Internal Audit Department.

5.2. Analyze significant accounting policies of the Company.

5.3. Participate in reviewing significant issues and judgments relating the Company’s accounting (financial) statements.

5.4. Control the reliability and effectiveness of the risk management, internal control and corporate governance systems, including the assessment of the effectiveness of the Company’s risk management and internal control procedures, corporate governance practices, and prepare proposals for their improvement.

5.5. Conduct analysis and assessment of implementation of the Company’s risk management and internal control policies.

5.6. Monitor procedures intended to ensure the Company’s compliance with statutory requirements of the Russian Federation, as well as ethical standards, regulations and procedures of the Company and requirements of stock exchanges.

5.7. Conduct analysis and assessment of implementation of the Company’s conflict of interest management policy.

5.8. Review the internal audit policy (regulations on internal audit).

5.9. Review the activity plan of the Company’s Internal Audit Department.

5.10. Consider the appointment (dismissal) and remuneration of the Head of the Internal Audit Department.

5.11. Review existing restrictions on the powers or budget of the internal audit function that can adversely affect the effective performance of the internal audit function in the Company.

5.12. Assess the performance of the internal audit function in the Company.

5.13. Ensure effective communication between the Internal Audit Department and external auditors of the Company.



5.14. Develop and control implementation of the Company’s policy that defines the principles governing the rendering and the combination of audit and non-audit services for the Company by the auditor.

5.15. Control the completeness, accuracy, and reliability of the Company’s financial statements.

5.16. Make recommendations to the Board of Directors to improve internal control procedures in the Company, including operating procedures for implementation of the plan, as well as recommendations relating to non-standard transactions. Summarize proposals on improvement of internal control procedures developed by the Company’s executive bodies, and prepare recommendations on their basis for the Board of Directors to improve internal control procedures in the Company. Analyze the effectiveness of internal control procedures in the Company together with the executive bodies and make appropriate recommendations to the Board of Directors.

5.17. Analyze information about identified violations in business transactions, causes of such violations, and develop, together with the Company’s executive bodies, recommendations for the Board of Directors to remedy violations.

5.18. In collaboration with the executive bodies, the Audit Commission and the auditor of the Company, submit to the Board of Directors information and recommendations on how to address deficiencies found in the Company’s operations during the relevant period.

5.19. In collaboration with the Company’s executive bodies, prepare and submit to the Board of Directors recommendations on matters related to commercial and other risks associated with specific transactions and operations of the Company.

5.20. Prepare recommendations to the Board of Directors regarding the advisability, feasibility and efficiency of making transactions that fall outside the established financial and business plan of the Company (non-standard transactions) in the course of the Company’s financial and economic activities.

5.21. Assess independence and objectivity of the external auditors of the Company and whether they have a conflict of interest, including evaluation of candidate auditors, develop proposals on appointment, re-election and replacement of the external auditors, payment for their services and the terms of their engagement.

5.22. Interact with the Company’s auditor and, where necessary, provide assistance thereto.

5.23. Ensure the independence and objectivity of the internal and external audit functions.

5.24. Oversee the external audit process and evaluate the opinion of the Company’s auditor which forms part of the information (materials) that must be provided to the persons entitled to participate in the Company’s annual general meeting of shareholders.

5.25. Monitor the effectiveness of the system for reporting potential instances of fraud on the part of Company employees (including the misuse of insider or confidential information) and third parties, as well as other violations in the Company’s operations, and control implementation of measures adopted by the Company’s executive bodies of as part of this system.

5.26. Supervise special investigations into potential instances of fraud and misuse of insider or confidential information.

5.27. If necessary, make recommendations to amend these Regulations and prepare draft amendments for approval by the Board of Directors.

5.28. Perform other duties within its competence in accordance with decisions of the Board of Directors.

## **6. Confidentiality**

6.1. During the period of the performance of their duties as the Head or a member of the Committee, as well as after the end of their term of office on the Committee, persons who are or were members of the Committee shall comply with the requirements regarding the confidentiality of non-public information they

receive in connection with their work in the Committee. The concept of non-public information in relation to the Company’s activities and its composition shall be established by a decision of the Board of Directors.

6.2. Insider information is material information about the Company’s activities, shares and other securities and transactions involving them which is not public and which, if disclosed, can have a material effect on the market value of the Company’s shares and other securities.

Committee members and third parties that participate in Committee meetings may not use for personal benefit or disclose insider and other confidential information.