

Text approved by the Board of Directors of  
OAO "LUKOIL" on 29 August 2003  
(Minutes No. 37), with amendments and  
addenda approved by decisions of the Board of  
Directors of OAO "LUKOIL" of 18 August  
2004 (Minutes No. 29), 12 December 2006  
(Minutes No. 30) and 5 February 2007  
(Minutes No.5)

**REGULATIONS**  
**ON THE AUDIT COMMITTEE**  
**OF THE BOARD OF DIRECTORS**  
**OF OAO "LUKOIL"**

**1. GENERAL PROVISIONS**

- 1.1. These Regulations on the Audit Committee of the Open Joint Stock Company "Oil company "LUKOIL" (hereinafter "**Regulations**") are prepared in accordance with the laws of the Russian Federation, the Corporate Governance Code approved at the Russian Federation Government meeting of 28 November 2001 and recommended by the Federal Commission for the Securities Market, the Charter of OAO "LUKOIL" (hereinafter "**Company**"), the Regulations on the Board of Directors of OAO "LUKOIL" and the listing rules of the Russian and foreign stock exchanges where the Company's shares are listed.
- 1.2. The Audit Committee of the Board of Directors of the Open Joint Stock Company "Oil company "LUKOIL" (hereinafter "Audit Committee", "Committee") is established with the purpose of analysing the efficiency of internal control and audit, and also of analysing the financial statements of the Company **and the LUKOIL Group**.  
*(Wording of point 1.2 as approved by the Board of Directors of OAO "LUKOIL" on 12 December 2006, Minutes No.30)*
- 1.3. The Audit Committee shall act in the interests of the shareholders of the Company, Company and its investors, contribute to establishing an efficient system of monitoring over the Company's business activities and ensuring the actual involvement of the Board of Directors in the implementation of monitoring over the Company's business activities.
- 1.4. The Audit Committee is fully accountable for its activities to the Company's Board of Directors.
- 1.5. The Audit Committee operates within the authority granted to it by the Company's Board of Directors in accordance with these Regulations.
- 1.6. The Audit Committee's activities are governed by the laws of the Russian Federation, the Company Charter, the Regulations on the Board of Directors of OAO "LUKOIL", decisions taken by the Company's Board of Directors, these Regulations and other internal documents of the Company that are approved by the Shareholders Meeting and the Board of Directors of the Company, as well as by decisions of the Audit Committee of the Company.
- 1.7. The terms that are used but are not defined in these Regulations shall have the meaning that they have in the Company Charter and the Regulations on the Board of Directors of OAO

“LUKOIL”, unless otherwise provided by these Regulations.

## 2. GOALS AND OBJECTIVES OF THE AUDIT COMMITTEE

- 2.1. The primary goal of establishing the Audit Committee is to draft and present recommendations to the Company’s Board of Directors on issues concerning:
  - 2.1.1. the annual independent external audit of the Company’s financial statements;
  - 2.1.2. professional skills and quality of services provided by the Auditor and its compliance with auditor’s independence requirements;
  - 2.1.3. the process of property valuation performed by an independent assessor in the cases provided for by Russian law.
- 2.2. The Committee is authorised and assigned with the duty of preparing recommendations to the Board of Directors on the selection, evaluation of performance and, if necessary, change of the Company’s Auditor with subsequent approval by shareholders of the Company;
- 2.3. The Committee, in conducting activity in accordance with its authority, and with the goals of implementing the functions of analysis of the financial statements of the Company and presenting the respective recommendations to the Company’s Board of Directors, shall work jointly with the Auditor, the Company’s Audit Commission and, if necessary, with subdivisions of the Company.

## 3. AUTHORITY OF THE AUDIT COMMITTEE

- 3.1. In order to ensure distribution of objective and independent information to the members of the Company’s Board of Directors and in accordance with the objectives established by Article 2 of these Regulations, the Audit Committee is vested with the following powers within the authority of the Company’s Board of Directors:
  - 3.1.1. prepare recommendations on the Company’s prospective Auditor, which is selected from among internationally recognised independent auditors of high professional standing, for its subsequent approval by the Shareholders Meeting;
  - 3.1.2. **preparation of recommendations on appointing the auditor of the consolidated financial statements of OAO “LUKOIL” prepared in accordance with US GAAP.**  
*(Sub-point 3.1.2 added by the decision of the Board of Directors of OAO "LUKOIL" of 12 December 2006, Minutes No.30)*
  - 3.1.3. monitor the competitive selection (tender) of the Company’s Auditor if such a selection (tender) is made;
  - 3.1.4. jointly with the Auditor, analyse and discuss material issues that come up in the course of the independent external audit of the Company. The Committee shall communicate its opinion on the matters under discussion (including its recommendations on such matters) to the Board of Directors;
  - 3.1.5. prepare recommendations to the Board of Directors on the limits of the Company’s Auditor’s fee, the form and scope of its services, including the audit-related services;
  - 3.1.6. conduct regular meetings with participation of the Auditor, the Head of the Main Division of Control and Internal Audit (hereinafter “The Main Division”) and the Chairman of the Audit Commission, with the possible participation of other

members of the Board of Directors, members of the Company's executive bodies, members of the Audit Commission and other individuals, at least 4 (four) times per year;

- 3.1.7. **assessment** of the opinion of the Company's Auditor **for its subsequent submission to the shareholders as materials for the Annual General Shareholders Meeting** of the Company;

*(Wording of sub-point 3.1.7 as approved by the Board of Directors of OAO "LUKOIL" on 12 December 2006, Minutes No.30)*

- 3.1.8. consider the list of the most significant corrections introduced into the Company's accounting practices on the basis of the audit results;

- 3.1.9. **assess the effectiveness of the Company's internal control procedures and prepare proposals on their improvement;** analyze the effectiveness of the work of the Company's Main Division for the purpose of informing the Board of Directors of the Company on the Company's financial and economic activity;

*(Wording as approved by the Board of Directors of OAO "LUKOIL" on 12 December 2006, Minutes No.30)*

- 3.1.10. evaluate the risk management system in the Company and present recommendations to the Company's Board of Directors with this respect;

- 3.1.11. prepare recommendations on possible preliminary approval of the Company's annual report by the Board of Directors;

- 3.1.12. discuss with the members of the Company's executive bodies as well as the appropriate subdivisions of the Company financial and tax accounting issues, and also legal issues that might negatively affect impact the Company's financial statements;

- 3.1.13. prepare, in oral or written form and within the scope of its authority, opinions (at the request of the Board of Directors) or recommendations (at its own initiative) on individual issues, and by the end of the year, submit a report on the activities of the Audit Committee for the year to the Board of Directors for its consideration;

- 3.1.14. supervise the scope and results of audit procedures as well as their financial efficiency and also evaluate the degree of the Company's Auditor's objectiveness and independence. In doing this, the Audit Committee shall not limit the freedom and independence of the opinion of the Company's Auditor and shall contribute to the communication of a complete and objective opinion of the identified issues to the Board of Directors;

- 3.1.15. consider written reports, memos, information and messages prepared by the Audit Commission on the violations identified during the respective period of the Company's activities and prepare recommendations to the Company's Board of Directors on the methods that will prevent such violations from recurring in the future;

*(Sub-point 3.1.16 deleted by the decision of the Board of Directors of OAO "LUKOIL" of 12 December 2006, Minutes No.30)*

- 3.2. To ensure the implementation of the granted authority the Board of Directors of the Company grants to the Audit Committee the following rights:

- 3.2.1. participate in the monitoring and examination of the implementation of the decisions and orders of the Company's Board of Directors on issues of its activity;

- 3.2.2. hear the report of the Head of the Main Division on the process of implementing decisions of the Board of Directors on matters of Committee's activities;
- 3.2.3. request and obtain in accordance with the existing procedure the information that is necessary for its activities from the members of the executive bodies, the Office of the Board of Directors of the Company, the members of the Audit Commission, the Head of the Main Division and the Company's Auditor, heads of the Company's subdivisions and other Company's employees. The Audit Committee also has the right to request information from the Company's subsidiaries. Subsidiaries are requested to provide information within the scope established by the effective legislation and the internal documents of the subsidiaries;
- 3.2.4. receive professional services from outside organisations (within the Committee's budget);
- 3.2.5. invite, if necessary, the persons indicated in p. 9.5. of these Regulations to the meetings of the Audit Committee;
- 3.2.6. propose changes and amendments to these Regulations;
- 3.2.7. if necessary, develop and submit for approval of the Company's Board of Directors draft of the documents that regulate the activity of the Audit Committee;
- 3.2.8. other rights that are necessary for the Committee to implement its authority.

#### **4. MEMBERSHIP AND ELECTION OF THE AUDIT COMMITTEE**

- 4.1. The Audit Committee **shall be elected from among the non-executive members of the Board of Directors and consist of at least three persons.** A "non-executive director" of the Company shall be a member of the Board of Directors who is not a member of the Company's Management Board. At least one member of the Committee shall be an independent director if such a director is elected to the Board of Directors of the Company.

*(Wording of the first sentence of point 4.1 as approved by the Board of Directors of OAO "LUKOIL" on 18 August 2004 (Minutes No. 29))*

For the purposes of these Regulations, an "independent director" is a member of the Board of Directors of the Company who:

- 4.1.1. is not presently, and has not been at any time in the three years immediately preceding the determination of their independence, an officer or employee in the Company;
- 4.1.2. is not an officer of another company in which any of the officers of the Company is a member of the human resources and compensation committee of the board of directors;
- 4.1.3. is not affiliated with an officer of the Company;
- 4.1.4. is not affiliated with the Company and is not affiliated with anyone affiliated with the Company;
- 4.1.5. is not owed any duty by the Company whereby the person could acquire property (or receive money), the value of which is ten or more percent of the person's total annual income, except for the receipt of compensation for participation in the activity of the Company's Board of Directors;
- 4.1.6. is not a major contracting party with the Company (i.e., a contracting party who has transactions with the Company that for the year total ten or more percent of

the value of the Company's assets;

4.1.7. is not a government official.

Once an independent director has served as a member of the Board of Directors of the Company for 7 years he/she may no longer be considered independent.

- 4.2. If a member of the Board of Directors who was elected as an independent director of the Committee ceases to meet the requirements of independent director, he/she shall announce his/her loss of such status to the Company's Board of Directors within 5 (five) business days from the moment when he/she loses the status of an independent director of the Audit Committee.
- 4.3. The Audit Committee members shall be elected at the meeting of the new membership of the Company's Board of Directors for a period lasting until the election of the next Board of Directors by the Shareholders Meeting of the Company. The decision on the election of the Audit Committee members is adopted by a simple majority of votes of the total number of members of the Company's Board of Directors.
- 4.4. The Audit Committee members can be re-elected unlimitedly.
- 4.5. The powers of all or any member of the Audit Committee can be terminated early at the decision of the Board of Directors.
- 4.6. The powers of a member of the Audit Committee are subject to early termination in the following cases:
  - 4.6.1. if an Audit Committee member divests himself/herself of his/her authorities. An Audit Committee member has the right to divest himself/herself of his/her authorities of the Audit Committee member after notifying the Chairman of the Board of Directors and the Chairman of the Audit Committee of his/her intention by giving them appropriate written notice 1 (one) month in advance of the date of the divestment of his/her authority;
  - 4.6.2. if the powers of a Committee member as a member of the Board of Directors expire or are terminated;
  - 4.6.3. if the Board of Directors of the Company relieves a member of the Committee of his/her duties.
- 4.7. If the powers of an Audit Committee member are terminated due to circumstances specified by p. 4.6.1. of these Regulations, then the Board of Directors of the Company shall elect a new Committee member at the soonest Board meeting but not later than 1 (one) month after the indicated member of the Committee submits a written notice on the divestment of his/her authority. Until that moment, the member of the Audit Committee shall continue to perform his/her duties in full scope.
- 4.8. If the powers of an Audit Committee member are terminated due to the circumstances specified by p.p. 4.6.2. and 4.6.3. of these Regulations, the Board of Directors of the Company shall elect a new Committee member within 2 (two) weeks after the termination of the powers.
- 4.9. Once a new member of the Audit Committee is elected in accordance with p.p. 4.7. and 4.8. of these Regulations, the Chairman of the Committee shall within 1 (one) week meet with the newly elected member of the Audit Committee and familiarise him/her with his/her authority and the Committee's activity.
- 4.10. During the election of the Audit Committee members preference should be given to those candidates who have a higher education in finance, law, economics or management and work experience in financial or managerial positions.

- 4.11. The Audit Committee members can receive remuneration and/or reimbursement of their expenses incurred in connection with the performance of their duties according to the procedure and in the amount recommended by the Board of Directors and approved by the Shareholders Meeting of the Company.
- 4.12. The specifics of the legal status of the Chairman and the Secretary of the Audit Committee are established by Articles 5 and 6 of these Regulations.

## **5. THE CHAIRMAN OF THE AUDIT COMMITTEE AND ELECTION OF THE CHAIRMAN**

- 5.1. The Chairman of the Audit Committee shall be elected from among the Committee members at the meeting of the new membership of the Company's Board of Directors. The decision on the election of the Chairman of the Audit Committee shall be adopted by a simple majority of votes of the total number of members of the Company's Board of Directors. The Company's Board of Directors has the right to re-elect the Chairman at any time by a majority of votes of the total number of members of the Board of Directors.
- 5.2. The Chairman of the Audit Committee shall be elected from among independent directors if any such directors have been elected to the Audit Committee.
- 5.3. The Chairman of the Audit Committee shall organise the activities of the Committee. In particular, it shall:
  - 5.3.1. hold meetings of the Committee and preside over these meetings;
  - 5.3.2. based on its discussion with members of the Committee, approve the agenda of the Committee meetings, including the list of issues for the report of the Head of the Main Division in accordance with the p. 3.2.2. of these Regulations;
  - 5.3.3. organise discussions of various matters during Committee meetings and consider the opinion of the persons invited to participate in the meetings, in particular, the opinion of the Head of the Main Division;
  - 5.3.4. stay in regular contact with the Company's executive bodies, Company's Board of Directors and its Office, the Auditor, the Audit Commission, the Main Division = and other Company's subdivisions, and also with the Company's employees, in order to obtain the most comprehensive and reliable information, that is necessary for the Committee's decision-making and to ensure their efficient interaction with the Company's Board of Directors;
  - 5.3.5. distribute duties among the Audit Committee members;
  - 5.3.6. prepare the schedule of meetings for the current year taking into consideration the schedule of meetings of the Company's Board of Directors;
  - 5.3.7. perform other functions required by law, the Company Charter, these Regulations and other internal documents of the Company.

## **6. THE SECRETARY OF THE AUDIT COMMITTEE**

- 6.1. The Secretary of the Company's Board of Directors who heads the Office of the Board of Directors, and in the absence of such person, the Deputy Head of the Office of the Board of Directors, shall perform the functions of the Secretary of the Audit Committee.
- 6.2. The Secretary of the Audit Committee shall ensure preparation for and holding of Committee meetings, collection and systematising of materials required for such meetings, timely forwarding of notifications on the Committee meetings, the agenda and materials related to the agenda to the Committee members and the invitees, keeping the minutes of

the meetings, preparation of drafts of the Audit Committee's decisions as well as subsequent storage of all relevant materials. The Secretary shall ensure that the Committee members obtain the necessary information.

## **7. TIMELINE AND PROCEDURE FOR REGULAR AUDIT COMMITTEE MEETINGS**

- 7.1. Each first meeting of the new membership of the Audit Committee shall be held not later than 30 (thirty) business days from the date of the first meeting of the new membership of the Company's Board of Directors, at which the Audit Committee members were elected.
- 7.2. The Audit Committee meetings shall be held in accordance with the schedule approved by the Audit Committee, but no fewer than 4 (four) times per year, and also at the request of the persons indicated in p. 8.1. of these Regulations.

*(Point 7.3 deleted by the decision of the Board of Directors of OAO "LUKOIL" on 12 December 2006, Minutes No.30. Points 7.4–7.7 became points 7.3–7.6.)*

- 7.3. The decision to hold a regular meeting of the Audit Committee, its date, time and location, agenda items and also the decision of the list of persons to be invited to participate in the meeting shall be taken by the Audit Committee Chairman in accordance with the schedule of regular Committee meetings.

The decision to hold an extraordinary meeting of the Audit Committee, on its date, time and location, agenda items and also the decision of the list of persons to be invited to participate in the meeting shall be taken by the Audit Committee Chairman on the basis of proposals made by the persons indicated in p. 8.1. of these Regulations.

- 7.4. The Secretary of the Committee shall prepare the notification about the Audit Committee meetings that follow the first meeting of the new membership of the Audit Committee, as well as the agenda of such meetings, and forward these to the persons who participate in the meeting in accordance with the requirements for such notifications provided by the Regulations on the Board of Directors of OAO "LUKOIL" not later than 10 (ten) business days before the date of the Committee meeting.
- 7.5. The Committee meetings shall be prepared by the Secretary of the Committee under the supervision of the Chairman of the Committee.
- 7.6. The specifics on holding an extraordinary Audit Committee meeting are established by Article 8 of these Regulations.

## **8. EXTRAORDINARY MEETING OF THE AUDIT COMMITTEE**

- 8.1. Extraordinary meeting of the Audit Committee shall be held at the decision of the Chairman of the Committee, at the request of any Committee member, as well as at the request of the Company's Board of Directors, President, Management Board, Audit Commission and the Company's Auditor.
- 8.2. Those persons who in accordance with p. 8.1. of these Regulations have the right to demand that an extraordinary Committee meeting be held shall forward their request to hold a Committee meeting to the Secretary of the Committee not later than 20 (twenty) business days prior to the expected date of the extraordinary Committee meeting. Such request shall be prepared and forwarded to the Secretary of the Committee in accordance with the requirements established by the Regulations on the Board of Directors of OAO "LUKOIL" to the procedure for demanding that the meetings of the Board of Directors be held. The Secretary of the Committee shall notify the Chairman of the Committee about the above requests not later than the day following the day when such request was received.
- 8.3. Within 5 (five) business days from the date of the demand to hold an extraordinary

meeting, the Chairman of the Committee shall take a decision to hold an extraordinary meeting, set the date, time and location of the meeting or the date of the absentee vote, or take a decision to refuse to hold an extraordinary Committee meeting. A substantiated decision on the refusal to hold an extraordinary Committee meeting shall be forwarded to the person or the body of the Company who demanded that such meeting be held within 2 (two) business days from the moment when the Chairman took the decision to refuse holding such meeting.

- 8.4. The Audit Committee Chairman may take a decision to refuse to hold an extraordinary Committee meeting in the following cases:
  - 8.4.1. if these Regulations do not provide for adding the item (items) suggested for the agenda of the Committee meeting to the Committee's authority;
  - 8.4.2. if an agenda item that is suggested by the demand to hold an extraordinary Committee meeting is already included into the agenda of the soonest regular meeting that is held in accordance with the decision of the Chairman of the Audit Committee that had been taken before the above demand was received;
  - 8.4.3. if the procedure for presenting demands to hold a meeting that is established by these Regulations is not observed.
- 8.5. If the Board of Directors of the Company demands to hold an extraordinary meeting of the Audit Committee, the Chairman of the Committee shall hold an extraordinary meeting within 5 (five) business days.

## **9. THE PROCEDURE FOR MEETINGS OF THE AUDIT COMMITTEE**

- 9.1. The Chairman of the Committee shall act as the chairman of the Audit Committee meetings. In case of his/her absence from the meeting, the Committee members shall elect the chairman of the meeting from among the Committee members present at the meeting.
- 9.2. The Audit Committee meeting shall be considered legally authorized (have a quorum) if it is attended by at least 2 (two) Committee members. The presence of the quorum shall be determined by the Chairman of the Committee at the opening of the meeting. If there is no quorum, a repeated Committee meeting with the same agenda shall be held within 5 (five) business days.
- 9.3. The Committee's meetings may be held in the form of physical attendance of the Committee members or in the form of absentee voting in accordance with the procedure provided for by the Regulations on the Board of Directors of OAO "LUKOIL".
- 9.4. The following matters shall be considered only at the meetings held in the form of physical attendance:
  - 9.4.1. candidates for the position of Auditor of the Company;
  - 9.4.2. recommendations to the Company's Board of Directors on their preliminary approval of the Company's annual report;

Other matters that are not indicated in this paragraph can be considered by the Committee by absentee voting.

- 9.5. The Committee's meetings can be attended by the Company's employees as well as third parties at the invitation of the Chairman of the Committee. The invited persons have no voting rights with regard to the agenda items.

## 10. DECISION-MAKING PROCEDURE OF THE AUDIT COMMITTEE

- 10.1. Each Committee member has one vote per issue.
- 10.2. A Committee member cannot transfer his/her voting right to other persons, including other Committee members.
- 10.3. In the event of a tied vote, the Committee member who acting as the chairman of the Audit Committee meeting shall have the deciding vote.
- 10.4. Decisions of the Committee shall be passed by a simple majority of votes of the total number of the Committee members.

## 11. PROCEDURE FOR CHOOSING THE COMPANY'S AUDITOR

- 11.1. Not later than 2 (two) months prior to the date of the meeting of the Company's Board of Directors where the decision with regard to submitting the candidacy of the Company's Auditor for approval to the Shareholders Meeting is to be taken, the Audit Committee shall submit for the Board's consideration its recommendations on the candidacy of the Company's Auditor, which is selected from among internationally recognized independent auditors of high professional standing, and also the recommendations on the amount of the fee of the Company's Auditor.
- 11.2. The recommendations indicated in p. 11.1. of these Regulations shall be forwarded by the Audit Committee to the Company's Board of Directors in writing. **In the event of a tender**, the number of recommended candidates for Auditor of the Company may not be less than 2 (two) or more than 4 (four).

*(Wording of point 11.2 as approved by the Board of Directors of OAO "LUKOIL" on 12 December 2006, Minutes No.30)*

- 11.3. In selecting candidates for the position of the Company's Auditor, the Audit Committee shall take into consideration the following:
  - 11.3.1. compliance with the requirements to the independence of audit organisations established by Russian law and the law of the country of location of the stock exchange where the Company's shares are listed.
  - 11.3.2. the amount of the fee for the audit services provided to the Company;
  - 11.3.3. the professional competence and reputation of the audit organisation;
  - 11.3.4. legal requirements for audit activities established by Russian law and law of the country of location of the stock exchange where the Company's shares are listed;
  - 11.3.5. the possibility of the audit organisation's provision of audit-related services;
  - 11.3.6. other requirements that are deemed necessary by the Audit Committee.
- 11.4. The Audit Committee has the right to hold meetings and discussions with audit organisations from among the candidates for the position of the Company's Auditor, including the right to request additional material from them.

## 12. MINUTES OF THE AUDIT COMMITTEE MEETING

- 12.1. Not later than 3 (three) business days after a Committee meeting that was held in the form of physical attendance by Committee members or by absentee voting, the Secretary of the Committee shall prepare minutes of the meeting.
- 12.2. The minutes of an Audit Committee meeting shall be signed by the Committee member who acting as the chairman of the Committee meeting and who is responsible for the accuracy of the minutes. The minutes shall be stamped with the Company's seal, which is

intended for certifying documents by the Committee. The minutes shall be made in two original copies, one of which with an attachment of the materials and recommendations shall be provided to the Company's Board of Directors within 3 (three) business days after signing, and the other of which shall be kept in the Committee's archive. All the Committee members shall be provided with copies of the minutes and the prepared materials and recommendations.

- 12.3. The minutes of the Audit Committee meetings shall contain:
- 12.3.1. the date, location and time of the meeting (or the date of absentee vote);
  - 12.3.2. the list of the Committee members who participated in the discussion of the agenda items (and shall indicate the form of the meeting), as well as the list of other persons who attended the Committee meeting;
  - 12.3.3. the agenda;
  - 12.3.4. proposals on the agenda made by the Committee members;
  - 12.3.5. matters that were put to vote and the results of the voting;
  - 12.3.6. adopted decisions.

### **13. SUBORDINATION OF THE AUDIT COMMITTEE TO THE COMPANY'S BOARD OF DIRECTORS**

- 13.1. The Audit Committee shall provide to the Company's Board of Directors an annual report on the results of its activities not later than 2 (two) months prior to the date of the Annual Shareholders Meeting of the Company.
- 13.2. The Committee's report shall contain information on the Committee's activities during the year, in particular, on the following:
- 13.2.1. recommendations that were prepared with regard to the candidacy of the Company's Auditor;
  - 13.2.2. the results of the Committee meetings held with participation of the Auditor, the Head of the Main Division and the Chairman of the Audit Commission in accordance with p. 3.1.5. of these Regulations;
  - 13.2.3. opinions and recommendations provided to the Board of Directors on various matters in accordance with Article 3 of these Regulations;
  - 13.2.4. identified violations of Article 14 of these Regulations;
  - 13.2.5. proposals for improving the Company's risk management system;
  - 13.2.6. legal or other professional services received from outside organisations and observance of the Committee's budget;
  - 13.2.7. observance of the Committee meeting schedule approved by the Committee.
- The Committee's report may contains other material information at the discretion of the Audit Committee.
- 13.3. The Company's Board of Directors shall consider the Audit Committee report at the soonest meeting of the Company's Board of Directors, but not later than 1 (one) month prior to the date of the Annual Shareholders Meeting.
- 13.4. The Chairman of the Committee shall present the Audit Committee report to the Company's Board of Directors.
- 13.5. The Audit Committee shall present to the Board of Directors of the Company its

recommendations on the content of the report prepared by the Company's Auditor. These recommendations of the Audit Committee shall be presented to the Board of Directors within 15 (fifteen) business days from the date when the report was provided to the Committee.

- 13.6. The Company's Board of Directors has the right to order the Audit Committee to present its opinion on individual matters. In such a case, the Board of Directors shall set reasonable deadlines for fulfillment of such order by the Audit Committee.
- 13.7. The Audit Committee has the right at its own discretion to forward to the Company's Board of Directors its recommendations on any matter related to the subject of its activities, and in the cases provided for by these Regulations shall prepare an opinion for the Board of Directors.
- 13.8. The reasonableness of the Board's consideration of the Audit Committee's recommendations in accordance with p. 13.7. of these Regulations shall be determined at the meeting of the Company's Board of Directors.
- 13.9. The Company's Board of Directors has the right at any time during the year to request that the Audit Committee provide a report on the current activities of the Audit Committee. The deadlines for preparation and presentation of such report are established by the Board of Directors.

#### **14. INTERACTION WITH THE COMPANY'S BODIES AND OTHER ENTITIES OR PERSONS**

- 14.1. Since, the Committee's members need to have access to necessary information to ensure efficient operation of the Committee, the members of the Company's executive bodies, the Office of the Board of Directors, the members of the Audit Commission, the Company's Auditor, the heads of the Company's subdivisions, as well as other Company's employees, shall, at the request of the Committee, provide the Committee with comprehensive and reliable information and documents on matters related the subject of the Audit Committee's activities within reasonable deadlines established by the Committee and in accordance with existing procedure. The request on the provision of information and documents shall be made in writing and signed by the Chairman of the Audit Committee.
- 14.2. The information and documents specified by p. 14.1. of these Regulation shall be provided to the Audit Committee via the Secretary of the Committee.
- 14.3. If necessary, experts and specialists having the necessary professional expertise can be involved in the activities of the Committee for the purpose of considering specific matters related to the subject of the Audit Committee's activities. The procedure for, and the conditions of involvement of experts and specialists in the activity of the Committee shall be determined by the contract between the Company and such persons.

#### **15. INSIDER INFORMATION**

- 15.1. Insider information is material information on the Company's activities, shares and other securities as well as on the transactions with them that is not available to the public and the disclosure of which may have a material effect on the market value of the Company's shares and other securities.
- 15.2. The Audit Committee members as well as the Secretary of the Committee have no right to use insider or other confidential information for their personal goals or to disclose insider and other confidential information.
- 15.3. Third parties that participate in the Committee's meetings shall sign an agreement on non-

disclosure of insider and other confidential information in advance of the meeting.

#### **16. LIABILITY OF THE AUDIT COMMITTEE MEMBERS**

- 16.1. The Audit Committee members shall bear liability in accordance with the provisions of the Law “On Joint Stock Companies” that regulate liability of the members of the Board of Directors.

#### **17. FUNDING THE ACTIVITY OF THE AUDIT COMMITTEE**

- 17.1. In order to ensure that the Audit Committee’s activities are funded, the Company’s budget shall provide for financing of the Committee’s activities within the limits of the budget of the Company’s Board of Directors.
- 17.2. Proposals on the amount of the Committee’s budget shall be established at the Committee’s first meeting and forwarded to the Board of Directors.

#### **18. APPROVAL OF AND CHANGES TO THESE REGULATIONS**

- 18.1. These Regulations, as well as all changes and amendments thereto, shall be approved by the Company’s Board of Directors by a simple majority of votes of the total number of members of the Company’s Board of Directors.
- 18.2. All issues that are not resolved by these Regulations shall be regulated by the Company Charter, the Regulations on the Board of Directors of OAO “LUKOIL” and other internal documents of the Company, and by effective law.
- 18.3. If any changes in Russian Federation law and regulations result in articles of these Regulations contradicting with these changes, these articles shall become ineffective and the Audit Committee members shall be governed by Russian law and by-laws until appropriate changes are introduced into these Regulations.
- 18.4. The annual report of the Audit Committee that shall be submitted to the Company’s Board of Directors in accordance with Article 13 of these Regulations may contain recommendations to the Board of Directors on the necessity of making changes and amendments into these Regulations.