

**APPROVED BY**  
**the Board of Directors**  
**of PJSC SIBUR Holding**  
**Minutes No. 176 of December 16, 2014**

**REGULATIONS**  
**REGARDING INTERNAL CONTROL OVER**  
**FINANCIAL AND ECONOMIC ACTIVITIES**  
**OF PJSC SIBUR HOLDING**

**(Revision No. 4)**

**Tobolsk**  
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## **1. GENERAL PROVISIONS**

- 1.1. These Regulations Regarding the Internal Control over the Financial and Operational Activities (hereinafter referred to as the Regulations) of PJSC SIBUR Holding (hereinafter referred to as the Company) are established in accordance with the applicable law, the Articles of Association of the Company (hereinafter referred to as the Articles), the Regulations regarding the Board of Directors, and the Regulations regarding the Audit Committee of the Board of Directors of the Company (hereinafter referred to as the Audit Committee).
- 1.2. These Regulations lay out the concept, goals and objectives of internal control and the functions of the Company's business units which perform internal control.

## **2. CONCEPT AND PRINCIPLES OF INTERNAL CONTROL**

- 2.1. Internal control means control over the financial and economic activities of the Company performed by the Board of Directors, the Management Board, the Sole Executive Body, the Internal Audit Department, the Investment Department, the Corporate Controlling Department, other business units and employees of the Company in order to achieve the goals identified in paragraph 3 of these Regulations.
- 2.2. The basic principles of internal control:
  - 2.2.1. the optimal segregation of duties for the creation, acquisition, use, storage, sale of and, accounting for tangible assets;
  - 2.2.2. effective procedures for the authorization of operations and transactions are documented;
  - 2.2.3. operations and transactions are documented in the prescribed form and in a timely manner;
  - 2.2.4. a working control over property and documentation using technical means and procedures to prevent the loss, unlawful taking or unlawful alteration of accounting records;
  - 2.2.5. regular audits of the financial and economic activities of the Company.

## **3. GOALS AND OBJECTIVES OF INTERNAL CONTROL**

- 3.1. The goals of internal control actions:
  - 3.1.1. timely identification and analysis of risks of the activities of the Company;
  - 3.1.2. Assurance of the reliability of the financial and management information and reports of the Company;
  - 3.1.3. implementation of the Company's long-term plans, major programs, budget, and investment programs prepared in accordance with forms approved by the Board of Directors;
  - 3.1.4. Safeguarding of the Company's assets and ensuring the effective use of the Company's resources;
  - 3.1.5. assistance in construction of the optimal organizational structure of the Company;
  - 3.1.6. compliance with the applicable legislation and internal documents of the Company.
- 3.2. The objectives of Internal Control:
  - 3.2.1. to organize permanent and periodic control of compliance of the financial and economic operations performed by the Company, its affiliates, subsidiaries, and business units with the interests of the Company and to secure the assets of the Company;

- 3.2.2. to control the main areas of the Company's financial and economic activities and analyse of the results of said activities;
- 3.2.3. to assess and analyze the financial standing of the Company as a whole, its affiliates, subsidiaries, and business units;
- 3.2.4. to provide reasonable assurance regarding the reliability of the financial, management, tax, and accounting statements of the Company and to ensure compliance with the relevant procedures for the preparation of said statements and compliance with the Company's accounting, tax, cost and management accounting regulations;
- 3.2.5. to control the implementation of the Company's long-term plans, major programs, budget, and investment programs prepared in accordance to the forms approved by the Board of Directors;
- 3.2.6. to monitor the Company's compliance with applicable laws and the governing documents of the Company, as well as the resolutions of the General Meeting, Board of Directors, Sole Executive Body, and Management Board of the Company;
- 3.2.7. to implement maintain an analysis that allows identifying significant aspects affecting the reliability of internal control;
- 3.2.8. to create and implement review control procedures to mitigate or eliminate risks in business processes, taking into account the economic efficiency of such procedures;
- 3.2.9. to develop and implement a risk monitoring system;
- 3.2.10. to assess the effectiveness of the Company's organizational structure;
- 3.2.11. to control compliance of the Company's transactions with the financial and economic interests of the Company.

#### **4. INTERNAL CONTROL ACTIONS**

- 4.1. Internal control actions:
  - 4.1.1. determination of the goals and objectives of the internal control over the financial and economic activities of the Company;
  - 4.1.2. distribution and delegation of authority and responsibilities to the business units of the Company, within their respective areas of competence and in accordance with applicable law, the Articles and internal documents of the Company;
  - 4.1.3. providing effective collaboration between the business units and employees of the Company within their respective areas of competence;
  - 4.1.4. identification and analysis of potential risks that can adversely affect the financial and economic performance of the Company;
  - 4.1.5. organization of a system for the collection, processing and transmission of data, including the generating of reports and communications containing operating, financial and other information on the Company's activities;
  - 4.1.6. establishment of reliable communicative means to ensure effective interaction between the bodies, business units and employees of the Company;
  - 4.1.7. dissemination to all Company employees their internal control responsibilities;
  - 4.1.8. Criteria definition and assessment of the performance of business units, managers and other employees of the Company;
  - 4.1.9. using effective event and transaction management methods;
  - 4.1.10. testing the safety of property and documentation;
  - 4.1.11. approval and implementation of financial and economic operations by duly authorized persons;

- 4.1.12. ensure proper documentation of internal control procedures;
- 4.1.13. segregate key duties of the Company's employees (including the duties to endorse and approve transactions, post ledger entries, issue, keep and accept resources, analyze and verify transactions);
- 4.1.14. implement access control security for certain content and data used by managers and other employees of the Company and establish liability for unauthorized access;
- 4.1.15. systematic quality assessment of internal control.

## **5. ASSESSMENT OF INTERNAL CONTROL STATUS AND EFFICIENCY**

- 5.1. The Board of Directors assesses and takes measures to improve the efficiency of internal control. For the purpose of assessing the status and efficiency of internal control, the Board of Directors shall perform the following actions:
  - 5.1.1. coordinate the schedule of financial and economic audits (including the subject matter and time limits of audits); the schedule is prepared by the Internal Audit Department and approved by the Sole Executive Body of the Company;
  - 5.1.2. charges the Company's business unit, which is authorized to conduct internal control of the financial and economic activities, with individual auditing tasks that have a higher priority than the tasks of the executive bodies and establishes the time frames;
  - 5.1.3. reviews (approves) reports on the individual tasks of the Board of Directors to conduct financial and economic audits of the Company;
  - 5.1.4. approves on the use of confidential information obtained during the audits requested by the Board of Directors of the Company (the Audit Committee of the Board of Directors).
- 5.2. In accordance with the Regulations regarding the Audit Committee of the Board of Directors, the Audit Committee assesses the efficiency of the Company's internal control, prepares proposals for the improvement of the Company's internal control procedures and has the authority to:
  - 5.2.1. charge the Company's business unit, which is authorized to conduct internal control of the financial and economic activities, with individual auditing tasks that have a higher priority than the tasks of the executive bodies, establish the time frames, and review (approve) the reports on the implementation of the tasks.
- 5.3. provide direct assessment of the adequacy and efficiency of internal control. The execution of the internal control procedures is monitored by a separate business unit of Company — the Internal Audit Department.
- 5.4. For the above purposes, the Internal Audit Department shall perform the following internal control monitoring activities:
  - 5.4.1. perform an integrated audit (inspections) of the financial and economic activities of the Company;
  - 5.4.2. analyze and summarize the findings in the main areas of the Company's financial and economic activities;
  - 5.4.3. coordinate internal auditing in the business units of the Company;
  - 5.4.4. record any violations found during internal audits and report such violations at the request of the Board of Directors, the Audit Committee of the Board of Directors, the Management Board, and the Sole Executive Body of the Company in the prescribed manner;
  - 5.4.5. supervise remedying of any violations found through audits and oversee internal investigations;

- 5.4.6. analyze the results of the Company audits, oversee the development and implementation of corrective action plans to address the violations identified by audits;
- 5.4.7. prepare proposals to improve internal control procedures;
- 5.4.8. in accordance with the applicable procedure, submit reports on the results of the work of the Internal Audit Department to the Board of Directors, the Audit Committee of the Board of Directors, the Management Board, and the Sole Executive Body of the Company;
- 5.4.9. The Internal Audit Department will collaborate with the governing bodies and business units of the Company to obtain essential clarifications, information and documents in due course when auditing compliance with internal control procedures.
- 5.5. In order to improve the Company's investment activity, provide day-to-day control and assessment of progress on investment projects and investment programs, the respective business unit of the Company, the Investment Department, shall perform the following functions:
  - 5.5.1. provide quality control for the preparation of the projects and programs to be submitted to the Investment Committee of the Company;
  - 5.5.2. monitor the implementation of investment projects and investment programs of the Company;
  - 5.5.3. provide post-investment monitoring of investment projects.
- 5.6. In order to improve the financial discipline of the Company and to ensure timely control and assessment of financial planning, resource utilization, the condition of the accounts receivable and payable, and the preparation of management reports within the Company, the respective business unit of the Company, the Corporate Controlling Department, shall perform the following functions
  - 5.6.1. coordinate the collection of input data for the preparation of consolidated budgets, cost estimates and projections;
  - 5.6.2. control the execution of budgets and cost estimates by the Company, its subsidiaries and affiliates;
  - 5.6.3. identify the main reasons for discrepancies between the actuals and the budget figures;
  - 5.6.4. assess the economic efficiency of administrative services contracts;
  - 5.6.5. prepare, and oversee progress on the implementation of, proposals for a bad debt allowance;
  - 5.6.6. analyze the financial and economic activities of the Company's businesses and departments.

## **6. MANAGEMENT ORGANIZATION**

- 6.1. Should the powers vested in the Sole Executive Body be transferred to a management organization by resolution of the General Meeting and should such management organization assume the functions of the Company's business units referred to in these Regulations, the respective business units of this management organization shall also exercise control over the financial and economic activities of the Company in accordance with the Articles, these Regulations and other internal documents of the Company, as well as the Articles and internal documents of the management organization to the extent not inconsistent with these Regulations and the other internal documents of the Company.

## **7. RESPONSIBILITY**

- 7.1. The responsibility for the internal control of the Company is vested in the Sole Executive Body and the Board of Directors of the Company.
- 7.2. The heads of the business units and other employees of the Company, as prescribed by their duties and responsibilities, shall be responsible for the preparation, documentation, implementation, monitoring, and development of internal control in their respective areas of the Company's activities.
- 7.3. In certain areas of the Company's activities, special employees may be appointed and special business units may be created to perform internal control functions.

## **8. CLOSING PROVISIONS**

- 8.1. These Regulations are approved by the Board of Directors.
- 8.2. The Board of Directors may supplement or modify these Regulations.
- 8.3. Should changes in the laws of the Russian Federation or in the Articles of Association of the Company cause conflicts with individual terms hereof, the other terms hereof which are not inconsistent with the applicable law will apply.