

APPROVED

by the Resolution of the Annual
General Meeting of Shareholders of
OJSC ALROSA
on June 25, 2015, Minutes No. 33

as amended by the Resolution of the
Extraordinary General Meeting of
Shareholders of PJSC ALROSA
_____, 2017
Minutes No. 36

REGULATIONS
on Remuneration and Compensations to Members
of Auditing Committee of PJSC ALROSA

2017

These Regulations On Remuneration and Compensations to Members of the Auditing Committee of PJSC ALROSA (hereinafter – the Regulations) have been developed in accordance with the Federal Law On Joint Stock Companies of December 26, 1995, No. 208-FZ, standard acts of the Russian Federation, Articles of Association of PJSC ALROSA (hereinafter – the Company), and recommendations of the Federal Agency for State Property Management of the Ministry of Economic Development of Russia (hereinafter – Rosimushchestvo).

These Regulations determine the size, terms and procedures of remuneration and compensations to members of the Auditing Committee of the Company.

1. General Provisions

1.1. The Auditing Committee members of the Company may be paid remuneration (hereinafter the Remuneration) for:

- involvement in the Auditing Committee activities,
- additional responsibilities related to the chairmanship of the Auditing Committee.

Members of the Auditing Committee shall be also compensated the expenses connected with the performance of their duties in accordance with the procedure stipulated by these Regulations.

No other remuneration or compensation connected with the execution of an Auditing Committee member's duties shall be payable.

1.2. No remuneration shall be payable to:

- the Chairman and members of the Auditing Committee under the applicable laws of the Russian Federation, when these persons are considered to be public officials or municipal servants;
- the Chairman and members of the Auditing Committee on whom any limitations or ban are imposed by the effective laws with respect to any remuneration from commercial entities;

1.3. Any remuneration shall be paid in compliance with a relevant resolution of the General Meeting of the Company's Shareholders. The amount of the remuneration to be paid shall be recommended by the Supervisory Board and determined by a resolution of the General Meeting of the Company's Shareholders.

The General Meeting of Shareholders shall consider the remuneration to be paid to the Auditing Committee members as a separate item of the agenda of an Annual General Meeting of the Company's Shareholders.

1.4. The total sum of the planned remuneration to the Auditing Committee members, which forecast amount is calculated by the Company's Department of Economics, HR Organization and Management in compliance with these Regulations, shall be included into the Company's Annual Work Plan and Budget in accordance with the Company's internal regulations.

1.5. Any remuneration under these Regulations shall be funded from the Company's net (distributable) profit.

Should no net (distributable) profit be available to the Company, no remuneration to the Auditing Committee members shall be calculated or paid.

1.6. Any information concerning the remuneration paid to the Auditing Committee members under these Regulations shall be disclosed by the Company when so stipulated by the laws of the Russian Federation.

2. Amount and Procedure of Payment of Remuneration to the Auditing Committee

2.1. The remuneration to the Auditing Committee members shall be payable based on the results of their work for the period from the moment of their election to the Auditing Committee to the moment of election of the next Auditing Committee (hereinafter the Corporate Year).

In case of early termination of the powers or re-election of the Auditing Committee members by the Extraordinary General Meeting of Shareholders, the amount of the remuneration payable to any newly elected (retired) member of the Auditing Committee shall be calculated in proportion to the time spent in office within the Corporate Year.

In the event of removal of ban or restrictions on receiving payments from commercial organizations on the grounds provided for by the laws of the Russian Federation, remuneration and compensations to a member of the Auditing Committee shall be calculated from the date of a written notification of the Company and Auditing Committee by a member of the Auditing Committee of the removal of ban or restrictions according to the procedure set forth in these Regulations.

2.2. Remuneration to a member of the Auditing Committee shall be determined from the base part of the remuneration, (B_{base}). The base remuneration shall amount to 20% of the average annual remuneration of a member of the Supervisory Board of the Company who is a professional director, (B_{average}).

The Supervisory Board of the Company shall, at least once every three years, consider the necessity to review the amount of the base remuneration of a member of the Auditing Committee, and, where appropriate, submit the new version of the Regulations for consideration and approval to the General Meeting of Shareholders of the Company.

The average annual remuneration of a member of the Supervisory Board of the Company, who is a professional director (B_{average}), shall be calculated as the ratio of the total amount of the remuneration paid to the Supervisory Board members, who are professional directors for the last 3 (three) years, to their number over the said period, using the following formula:

$$B_{\text{средн}} = \frac{B_1^{(1)} + \dots + B_{N_1}^{(1)} + B_1^{(2)} + \dots + B_{N_2}^{(2)} + B_1^{(3)} + \dots + B_{N_3}^{(3)}}{N_1 + N_2 + N_3},$$

where:

- in the first year, N_1 professional directors received annual remuneration $B_1^{(1)}, \dots, B_{N_1}^{(1)}$;
- in the second year, N_2 professional directors received annual remuneration $B_1^{(2)}, \dots, B_{N_2}^{(2)}$;
- in the third year, N_3 professional directors received annual remuneration $B_1^{(3)}, \dots, B_{N_3}^{(3)}$.

The calculation result shall be subject to rounding to integer values ending in “0” or “5” according to the general arithmetic rounding rules.

2.3. The actual amount of the year-end remuneration to a member of the Auditing Committee shall be calculated as follows:

$$B_{\text{факт}} = B_{\text{баз}} * (m_i / m) * K_y,$$

where:

$B_{\text{факт}}$ is the actual amount of the remuneration calculated based upon the base remuneration;

$B_{\text{баз}}$ is the base amount of the remuneration set forth in Clause 2.2;

m_i is the number of days in the Corporate Year when the Auditing Committee members performed their duties;

m is the total number of days in the Corporate Year;

K_y is the personal participation coefficient of a member of the Auditing Committee.

2.3.1. The personal participation coefficient shall reflect participation of a member of the Auditing Committee in the meetings of the Auditing Committee, and performance of additional duties as a chairman of the Auditing Committee.

2.3.2. The personal participation coefficient shall be determined for each member of the Auditing Committee separately as follows:

$$K_y = (1 + K_3 + K_{\text{доп}}) * K_{\text{пров}},$$

where:

K_y is the personal participation coefficient;

$K_{\text{пров}}$ – the coefficient of participation in inspection activities of the Auditing Committee shall be determined by the decision of the Auditing Committee, based on the degree of participation of a member of the Auditing Committee in the inspection process and quality of work ranging from 0.000 to 1,000.

For the Chairman of the Auditing Committee, the coefficient of participation in inspection activities shall be fixed as $K_{\text{пров}} = 1,000$.

When determining the amount of individual coefficients $K_{\text{пров}}$ at the meeting of the Auditing Committee, the degree of participation of each member of the Auditing Committee at all stages of the inspection process shall be taken into account:

- preparing/planning inspections;
- carrying out inspections;
- preparing inspection certificates;
- interacting with the Company based on the inspection results (including corrective actions monitoring).

$K_3 = 0,1 * (n_i / n)$ is the coefficient of participation in the meetings of the Auditing Committee (a member of the Auditing Committee participated in n_i meetings from n meetings held by the Auditing Committee in the Corporate Year, including absentee voting);

$K_{\text{доп}}$ is the coefficient taking into account the work as the chairman of the Auditing Committee:

$K_{\text{доп}}^{(\Pi)} = 0,3 * (f_i / m)$ – for the chairman of the Auditing Committee, where f_i is the number of days in the Corporate Year (from the total number m) when a member of the Auditing Committee acted as a chairman.

The personal participation coefficient K_y and its components (K_3 , $K_{\text{доп}}$, $K_{\text{пров}}$) shall be determined in decimal fraction format, accurate to the third decimal place.

2.3.3. If a member of the Auditing Committee of the Company within a Corporate Year took an active part in additional inspections of the Auditing Committee carried out by the resolution of the General Meeting of Shareholders, the Supervisory Board of the Company or on request of a Shareholder (Shareholders) of the Company holding jointly at least 10 percent of voting shares in the Company, the chairman of the Auditing Committee shall have the right to request the General Meeting of Shareholders to increase the personal participation coefficient calculated in accordance with Clause 2.3.2., but the increase should not exceed 20%.

2.3.4. No remuneration shall be paid to a member of the Auditing Committee ($K_y=0$) who failed to attend more than half of the meetings held during the period of his membership in the Auditing Committee.

2.3.5. The actual amount of remuneration for each member of the Auditing Committee shall be calculated by the chairman of the Auditing Committee in the form of Annex 1 hereto and shall be preliminarily considered at the meeting of the Supervisory Board of the Company.

2.3.6. To calculate the actual remuneration to members of the Auditing Committee of the Company, the Corporate Secretary of the Company shall send to the Chairman of the Auditing Committee on his preliminary request a briefing note containing:

- information about the number of the meetings (absentee voting) held by the Auditing Committee and attendance of each Auditing Committee member thereto, as of March 31 of the current year;

- information about the amount of the base remuneration of a member of the Auditing Committee of the Company.

A briefing note shall be signed by the Corporate Secretary and submitted to the Chairman of the Auditing Committee of the Company no later than 30 work days before the Annual General Meeting of Shareholders, which agenda contains the item concerning the remuneration to members of the Auditing Committee.

2.3.7. The Company shall independently calculate, withhold and pay taxes and fees arising out of the payment of remuneration and compensations to members of the Auditing Committee.

2.4. Control over the calculation of the remuneration to members of the Auditing Committee of the Company shall be imposed on the chairman of the Supervisory Board of the Company, and control over the payment thereof – on the sole executive body of the Company.

2.5. The remuneration shall be paid no later than 3 months after the General Meeting of Shareholders of the Company that makes a resolution on the remuneration to the Auditing Committee members.

2.6. If, upon the expiration of the period established by the Company for payment of the remuneration to a member of the Auditing Committee, no application of a member of the Auditing Committee for the payment of remuneration was submitted, the part of the net profit stipulated by the General Meeting of Shareholders for the payment of the remuneration to a member of the Auditing Committee shall form the undistributed profit of the Company, whereupon the Company shall notify the Supervisory Board.

3. Amount and Procedure of Payment of Compensations to Members of the Auditing Committee

3.1. The Company shall not compensate travel and accommodation costs to members of the Auditing Committee who are public or municipal officers.

3.2. The Company shall compensate documented travel and accommodation costs to members of the Auditing Committee who are not public or municipal officers, if they need to visit the Company's facilities, participate in the meetings of the Auditing Committee of the Company, and perform other tasks of the Auditing Committee.

3.2.1. The possibility to compensate to members of the Auditing Committee the costs related to the participation in the Auditing Committee meetings and inspections shall be subject to approval at the Auditing Committee meeting.

3.2.2. The amount of compensation of the costs related to the participation in the Auditing Committee meetings and inspections shall be determined according to internal organizational and administrative documents of the Company regulating corporate standards of compensation

of travel and accommodation costs based on the standards established for the Chief Accountant of the Company.

3.2.3. Should the amount of actual costs incurred by a member of the Auditing Committee who is not a public or municipal officer, exceed the amount calculated under Clause 3.2.2 hereof, the exceeding amount shall not be subject to compensation.

3.2.4. In order to compensate the costs incurred, a member of the Auditing Committee shall send to the Company a written application in the form of Annex 3 hereto attaching original documents to confirm such expenses and documents required for the payment.

The documents confirming the incurred expenses subject to compensation shall be submitted by a member of the Auditing Committee in accordance with the procedure established by the laws of the Russian Federation to take account of business trip expenses.

3.2.5. Compensations shall be paid by the Company within 30 work days from the date when the Company receives the documents stipulated by Clause 3.2.4 hereof.

3.2.6. No separate resolution of the General Meeting of Shareholders on payment of compensations to members of the Auditing Committee calculated in accordance with the provisions of this Section shall be required.

The final resolution on the remuneration to each member of the Auditing Committee shall be made by the General Meeting of Shareholders (taking into account recommendations of the Supervisory Board of the Company).

4. Restrictions to the Amount and Procedure of Payment of Remuneration and Compensations to the Auditing Committee

4.1. Restrictions to the amount and procedure of payment of the remuneration to the Auditing Committee:

4.1.1. The General Meeting of Shareholders shall have the right to make a resolution on non-payment of the remuneration to members of the Auditing Committee or changing the amount of payments.

4.1.2. If, as a result of the fiscal year there are negative factors related to worsening of financial standing of the Company, the sum of all types of remuneration to members of the Auditing Committee may be reduced or completely cancelled by the General Meeting of Shareholders. The sole executive body/board of directors of the Company shall have the right to request to reduce or cancel completely remuneration to members of the Auditing Committee due to revealing the said factors.

4.1.3. The amount of the actual remuneration to a member of the Auditing Committee, who is not chairman of the Auditing Committee, should not exceed 20% of the average remuneration of the professional director of the Company at year-end.

4.1.4. The aggregate annual remuneration of all members of the Auditing Committee should not exceed 5% of the calculated base for the payment of dividends of the Company.

4.1.5. If in accordance herewith a decision was made to reduce the remuneration to members of the Auditing Committee against to that calculated under Section 2 hereof, the remuneration of each member of the Auditing Committee shall be reduced on a pro rata basis.

4.1.6. Should the General Meeting of Shareholders make a resolution not to pay the remuneration to members of the Supervisory Board of the Company, no remuneration to the Auditing Committee shall be paid.

4.2. All types of remuneration and compensations shall be paid in Russian rubles based on the application filed by a member of the Auditing Committee of the Company, in the form as set out in Annexes 2, 3 hereto.

A member of the Auditing Committee of the Company shall have the right to refuse any remuneration and compensations hereunder or a part thereof, by sending a relevant notice to the

sole executive body of the Company.

4.3. The Company shall pay the remuneration and compensations by a transfer of the relevant amounts as specified by a member of the Auditing Committee in the application/applications:

- to the bank account (deposit) of a member of the Auditing Committee with a Russian credit organization (in this case, a member of the Auditing Committee shall specify the bank account (deposit) number and banking details),
- by paying cash via a cash desk.

5. Operation of the Regulations, Procedure for Amending and Supplementing the Regulations

5.1. These Regulations shall come into force on the date of the approval by the General Meeting of Shareholders of the Company.

5.2. These Regulations may be amended and supplemented by the decision of the General Meeting of Shareholders of the Company.

5.3. General Meeting of Shareholders of the Company may terminate these Regulations and approve a new version of the Regulations on Remuneration and Compensations paid to members of the Auditing Committee of the Company.

5.4. Should the laws of the Russian Federation come into a conflict with these Regulations, the laws of the Russian Federation shall apply.

Annex 1
To the Regulations
on Remuneration and Compensations
to Members of the Auditing Committee
of PJSC ALROSA

Calculation form for remuneration to Auditing Committee members <1>

Member of the Auditing Committee _____

Computed coefficient	Substantiation
$m_i =$ _____	Duties of a member of the Auditing Committee were exercised from _____ to _____, ____ days <2> of $m =$ _____ days in the Corporate Year
$B_{\text{баз}} =$ _____	Under Clause 2.2 of the approved Regulations
$K_3 =$ _____	$K_3 = 0,1 * (n_i / n)$, where $n_i =$ _____ is the number of the meetings where a member of the Auditing Committee participated (from $n =$ _____ meetings held by the Auditing Committee in the Corporate Year, including absentee voting)
$K_{\text{доп}} =$ _____	$K_{\text{доп}}^{\text{II}} = 0,3 * (f_i / m)$ – for the chairman of the Auditing Committee, where $f_i =$ _____ is the number of days in the Corporate Year (from the total number $m =$ _____) when a member of the Auditing Committee acted as a chairman
$K_{\text{пров}} =$ _____	<p>$K_{\text{пров}}$ – the coefficient of participation in inspection activities of the Auditing Committee shall be determined by the decision of the Auditing Committee based on the degree of participation of a member of the Auditing Committee in the inspection process and quality of work ranging from 0,000 to 1,000.</p> <p>For the Chairman of the Auditing Committee, the coefficient of participation in inspection activities shall be fixed as $K_{\text{пров}} = 1,000$</p>
$K_y =$ _____	<p>$K_y = (1 + K_3 + K_{\text{доп}}) * K_{\text{пров}}$</p> <p>No remuneration shall be paid to a member of the Auditing Committee who failed to attend more than half of the meetings held during the period of his membership in the Auditing Committee, $K_y = 0,000$</p>
Request to increase K_y due to additional inspections up to _____	If a member of the Auditing Committee of the Company within a Corporate Year took an active part in additional inspections of the Auditing Committee carried out by the resolution of the General Meeting of Shareholders, the Supervisory Board of the Company or on request of a Shareholder (Shareholders) of the Company holding jointly at least 10 percent of voting shares in the Company, the chairman of the Auditing Committee shall have the right to request the General Meeting of Shareholders to increase the personal participation coefficient calculated in accordance with Clause 2.3.2., but the increase should not exceed 20%
$K_y =$ _____ (by _____ %)	

$B_{\text{факт}} = \underline{\hspace{2cm}}$	$B_{\text{факт}} = B_{\text{баз}} * (m_i / m) * K_y$
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Chairman of the Auditing Committee

/Full name/

Notes:

<1> To be filled in by the chairman of the Auditing Committee for each member of the Auditing Committee (including the chairman of the Auditing Committee).

<2> When calculating the index m_i , the period when limitations or ban for an Auditing Committee member to receive any remuneration from commercial entities was in force is not taken into account.

Annex 2
To the Regulations
on Remuneration and Compensations
to Members of the Auditing Committee
of PJSC ALROSA

To the General Director – Chairman of the
Executive Committee of PJSC ALROSA

Full name

from the member of the Auditing Committee
of PJSC ALROSA

(full name of the member of the Auditing

Committee)

Application for Remuneration

I hereby request to arrange for the payment to me of the monetary remuneration related to the execution of the duties of a member of the Auditing Committee of PJSC ALROSA during the Corporate Year _____.

The amount of remuneration related to the execution of the duties of a member of the Auditing Committee of PJSC ALROSA in the said period is approved by the resolution of the General Meeting of Shareholders of PJSC ALROSA of _____, Minutes No. _____ in the amount of RUB _____.

I confirm that in the said period I was not among the persons in relation to whom federal laws provide for the limitations or ban on any remuneration from commercial entities.

I request to pay the remuneration:

by paying cash via a cash desk;

by a transfer to the bank account (deposit), to the bank details as follows:

Encl. *(to be submitted at any one time)*:

Passport of the citizen of the Russian Federation pages 1-2, copy;

Individual insurance account number (SNILS), copy;

Taxpayer Identification Number certificate (INN), copy

Date _____/Full name/

Annex 3
To the Regulations
on Remuneration and Compensations
to Members of the Auditing Committee
of PJSC ALROSA

To the General Director – Chairman of the
Executive Committee of PJSC ALROSA

Full name

from the member of the Auditing Committee
PJSC ALROSA
(*full name of the member of the Auditing
Committee*)

Application for Compensation

I hereby request to arrange for the compensation of my expenses in the amount of RUB _____, related to the business trip and accommodation as part of the following events of the Auditing Committee of PJSC ALROSA:

– travel costs – _____

(*bank details and class of tickets purchased, amount of expenses.*)

– accommodation expenses - _____

(*number of days, room and hotel category, amount of expenses*)

I hereby request to pay the compensation by a transfer to the bank account (deposit), to the bank details as follows:

Encl.:

- 1) minutes of the Auditing Committee with the approval of the compensation of relevant costs, copy;
- 2) documents confirming the expenses subject to compensation.

Date _____/Full name/