



APPROVED  
by decision of Annual General Meeting of Shareholders  
29 June 2013 (Minutes No. 30)

**REGULATIONS**  
**on Supervisory Board**  
**of OJSC ALROSA**

**2013**

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## 1. GENERAL PROVISIONS

**1.1.** The Supervisory Board of Joint-Stock Company ALROSA (hereinafter referred to as the Company) is the Company's management body acting under and in compliance with the Federal Law On Joint-Stock Companies, the Company's Charter and these Regulations.

The Supervisory Board reports to the General Meeting of the Company's Shareholders.

**1.2.** The Supervisory Board executes overall management of the Company's operations apart from the issues included into the competence of the General Meeting of Shareholders by the Federal Law On Joint-Stock Companies and the Company's Charter.

**1.3.** The Supervisory Board shall ensure that the Company implements its aims and objectives stipulated by the Company's Charter and decisions of the General Meeting of Shareholders and the Supervisory Board.

**1.4.** The main tasks of the Supervisory Board are:

- determination of the Company's development strategy,
- determination of the principles of the Company's assets management,
- ensuring the efficient system of the Company's financial and operating performance monitoring.

**1.5.** The Supervisory Board shall be responsible for:

- implementation of decisions of the General Meeting of Shareholders within the competence of the Supervisory Board;
- consequences of its decisions taken within its competence.

**1.6.** The Supervisory Board consists of fifteen (15) members.

Only natural persons may be Members of the Supervisory Board.

Members of the Supervisory Board may not be the Company's shareholders.

Members of the Executive Committee of the Company may not constitute more than a quarter of the Supervisory Board members.

Members of the Supervisory Board may not be Members of the Auditing Committee.

The persons elected to the Supervisory Board may be re-elected for an unlimited number of terms.

The Supervisory Board shall be elected by the General Meeting of Shareholders by cumulative voting. In cumulative voting, the number of votes belonging to each shareholder of the Company shall be multiplied by the number of persons to be elected to the Supervisory Board, and such shareholder shall be entitled to cast the number of votes thus calculated for one candidate or distribute them between two or more candidates. Candidates who have received the most votes shall be considered elected to the Supervisory Board.

Members of the Supervisory Board shall be elected for the term ending on the date of the next Annual General Meeting of Shareholders. In case the General Meeting of Shareholders is not held within the term stipulated by Clause

1 Article 47 of the Federal Law On Joint-Stock Companies, the authority of the Supervisory Board shall be terminated, apart from its authority to prepare, convene and hold the Annual General Meeting of Shareholders.

In case of resignation of any Member of the Supervisory Board, the authority of other Members shall not be terminated unless the number of remaining Members is less than a half of the total number of elected Members of the Supervisory Board. In such case, the Supervisory Board shall resolve to hold an Extraordinary General Meeting of the Company's Shareholders to elect the Supervisory Board.

Early termination of the Supervisory Board Members' authority may only be resolved by the General Meeting of Shareholders with respect to all Members of the Supervisory Board simultaneously.

**1.7.** Chairman of the Supervisory Board, First Deputy Chairman and Deputy Chairman of the Supervisory Board shall be elected by the Members of the Supervisory Board from among themselves.

The Supervisory Board of the Company shall be entitled to re-elect its Chairman, First Deputy Chairman and Deputy Chairman at any time.

The Chairman of the Company's Executive Committee may not be the Chairman of the Supervisory Board at the same time.

**1.8.** Technical (information, documentary, protocol, secretarial) support to the on-going activities of the Company's Supervisory Board shall be provided by the Secretary of the Supervisory Board, acting under these Regulations and in accordance with the instructions from the Chairman of the Supervisory Board.

The Secretary of the Supervisory Board shall be elected (appointed) by the Company's Supervisory Board.

## **2. COMPETENCE OF THE SUPERVISORY BOARD**

**2.1.** Competence of the Supervisory Board is determined by the Federal Law On Joint-Stock Companies and the Company's Charter.

**2.2.** Competence of the Supervisory Board shall include dealing with the issues of general management of the Company's operations apart from the issues included into the competence of the General Meeting of Shareholders by the Company's Charter.

**2.3.** The issues included into the competence of the Supervisory Board may not be delegated to the Company's executive bodies.

## **3. RIGHTS, OBLIGATIONS AND RESPONSIBILITY OF THE SUPERVISORY BOARD MEMBERS**

**3.1.** The Supervisory Board Members shall be entitled to:

3.1.1. familiarize themselves with any constituent, regulatory, accounting, reporting, contractual and other documents of the Company, including minutes of the Executive Committee meetings, obtain copies thereof, attend the

Company's public events, and request and obtain from the Company's President (CEO) any information required to form their opinion on the items on the agenda of a Supervisory Board meeting, in the following manner:

- A respective Member of the Supervisory Board shall send an information request to the Company's President (CEO) who shall in turn transfer the same to the Secretary of the Supervisory Board with a relevant decision.

- The Secretary of the Supervisory Board shall secure access to the requested documents and information for the Supervisory Board Members and provide them with copies of required documents and materials upon their request within five (5) calendar days from the date of receipt of the relevant request;

3.1.2. demand convening of a Supervisory Board meeting;

3.1.3. demand that his or her special opinion on an item on the agenda be included into the minutes of a Supervisory Board meeting;

3.1.4. receive remuneration for the execution of his or her duties in the order and amount determined by the General Meeting of Shareholders, provided a decision to remunerate the Supervisory Board Members has been adopted by the General Meeting of Shareholders.

Any Supervisory Board Member shall have other rights stipulated by the Company's Charter and effective laws of the Russian Federation.

**3.2.** Any Supervisory Board Member shall be obliged to:

3.2.1. adhere to the requirements imposed by the Federal Law On Joint-Stock Companies and the Company's Charter with respect to Members of the Board of Directors (Supervisory Board) of a joint-stock company;

3.2.2. personally attend the Supervisory Board meetings at which personal attendance is required and participate in decision making by voting on the items on the agenda of the Supervisory Board meetings, whether or not personal attendance is required;

3.2.3. make grounded decisions, and for that purpose examine the necessary information (materials), consider potential risks and unfavourable consequences for the Company;

3.2.4. adhere to the decisions made by the General Meeting of Shareholders and the Supervisory Board;

3.2.5. inform the Secretary of the Supervisory Board about any changes of his or her principal employment (office, private business, etc.);

3.2.6. inform the Supervisory Board, Auditing Committee and the Company's Auditor about:

- legal entities, in which he or she owns, individually or together with an affiliated person(s), 20 % or more of voting shares;

- legal entities, in management bodies of which he or she holds a position;

- any executed or planned transactions, in which he or she can be considered an interested party, that are known to him or her, as well as any other cases of a conflict of interests between a Supervisory Board Member and the Company with respect to effective or planned transaction;

3.2.7. inform the Supervisory Board about:

- any Company's securities owned by him or her or any plans to enter into any transactions with securities issued by the Company, its subsidiaries or affiliates or any closed transactions with such securities;

- any actual or planned participation in foundation, capital or business of entities, enterprises or companies competing with the Company;

3.2.8. provide the Secretary of the Supervisory Board with all the necessary contact details, including the postal address, contact telephone number, fax, e-mail address;

3.2.9. not to disclose any confidential information about the Company that becomes known to him or her.

**3.3.** Supervisory Board Members shall be responsible to the Company for any losses caused to the Company by their wilful misconduct (omission), unless any other grounds or amount of liability are stipulated by federal laws. Supervisory Board Members shall not be held liable provided they voted against the decision that has caused such losses to the Company or did not participate in the voting.

**3.4.** Supervisory Board Members acting in breach of their responsibilities under these Regulations and the Company's Charter shall be liable in the amount of losses caused to the Company by such breach of responsibilities by the Supervisory Board Members, including loss of profit of the Company at their market value, unless different grounds for, and amount of, liability are stipulated by effective laws of the Russian Federation.

#### **4. RIGHTS, OBLIGATIONS AND RESPONSIBILITY OF THE CHAIRMAN OF THE SUPERVISORY BOARD**

**4.1.** The Chairman of the Supervisory Board shall:

1) arrange for the general activities of the Supervisory Board, plan such activities and oversee implementation of approved work plan of the Supervisory Board;

2) convene scheduled and extraordinary meetings of the Supervisory Board, which includes notification of the Supervisory Board Members about the next meeting (absentee voting) in the order stipulated by these Regulations, determine the agenda and the manner in which such meeting is to be held (personal attendance or absentee voting), and oversee the proceedings of such meeting (absentee voting);

3) chair the Supervisory Board meetings;

- formally announce quorum at a Supervisory Board meeting or its absence in accordance with relevant information received from the Secretary of the Supervisory Board, and inform the Supervisory Board Members on availability of the quorum required for making decisions on relevant items,

- inform about the possibility to change the order of considering items on the agenda or to change the agenda entirely; if necessary, initiate discussion of changes in the order of considering items on the intended agenda,

- provide for the final approval of the agenda of a Supervisory Board meeting and notify the Supervisory Board Members respectively,

- formally open a meeting or inform the attending Supervisory Board Members about ineligibility of such Supervisory Board meeting,

- in absence of quorum, arrange to postpone the meeting with the approved agenda to a later date and notify the absent Members respectively,

- introduce the persons invited to a meeting to the Supervisory Board Members and oversee participation of such persons summoned for considering individual items exclusively in considering such items,

- oversee adherence to the requirements to the proceedings of a meeting stipulated by these Regulations,

- give floor to speakers, contributors and those willing to express their opinion, or open a free discussion on a relevant item, if necessary,
  - record proposals made by the Supervisory Board members with respect to relevant draft decision(s) of the same,
  - call for vote on draft decisions proposed by the Supervisory Board Members at a meeting or in the course of preparation thereof, in the order of their submission,
  - arrange for voting on proposed draft decisions of the Supervisory Board,
  - formally announce approved Supervisory Board decisions (made by voting) or arrange for notification of the Supervisory Board Members on the Supervisory Board decisions made by absentee voting,
  - formally close Supervisory Board meetings upon exhausting of the agenda or in compliance with the Supervisory Board decision to terminate a meeting,
  - arrange for keeping of the Supervisory Board minutes,
  - sign the Supervisory Board minutes;
- 4) chair the General Meeting of Shareholders;
  - 5) oversee preparation of Annual and Extraordinary Meetings of the Company's Shareholders;
  - 6) arrange for, and oversee obtaining of information on the Company's business by the Supervisory Board Members in compliance with these Regulations;
  - 7) represent the Supervisory Board in its relations with the Company's executive bodies;
  - 8) organise and arrange for control over implementation of the decisions made by the Company's General Meeting of Shareholders and the Supervisory Board;
  - 9) oversee any correspondence between the Supervisory Board and any shareholders, executive bodies or employees of the Company, sign letters or any other documents on behalf of the Supervisory Board;
  - 10) comment on any decisions made by the Supervisory Board and express the Supervisory Board's opinion on the issues that have been considered at the Supervisory Board meetings but have not been resolved thereby;
  - 11) arrange for informing the shareholders on the decisions made by the Supervisory Board to the extent, in the order, within the terms, and by the means stipulated by effective regulatory documents of the Russian Federation (through headline news of authorised news agencies, publication in mass media, placement on the Company's official Internet site, etc.);
  - 12) arrange for activities of the Supervisory Board's commissions, committees and workgroups;
  - 13) oversee adherence to the provisions of these Regulations by the Supervisory Board Members and Secretary, and other Company's officials and bodies;
  - 14) in coordination with the Auditing Committee, oversee the activities of the Company's executive bodies on behalf of the Supervisory Board;
  - 15) perform any other functions stipulated by the effective laws and the Company's Charter.

**4.2.** In absence of the Chairman of the Supervisory Board at the Supervisory Board meetings, or in between such meetings, from his principal office for forty-five (45) calendar days, or in any other case of inability to perform his duties, such duties shall be performed by the First Deputy Chairman of the Supervisory Board; in case both the

Chairman and the First Deputy Chairman of the Supervisory Board are absent, such duties shall be performed by the Deputy Chairman of the Supervisory Board.

**4.3.** In absence of the Chairman of the Supervisory Board and his Deputies, a Member of the Supervisory Board shall perform their functions upon a relevant decision of the Supervisory Board.

## **5. RIGHTS AND OBLIGATIONS OF THE SECRETARY OF THE SUPERVISORY BOARD**

**5.1.** The Secretary of the Supervisory Board shall be elected (appointed) by the Company's Supervisory Board.

In absence of the Secretary of the Supervisory Board, his duties shall be performed by any other person appointed by the majority of votes of attending Supervisory Board Members.

**5.2.** The Secretary of the Supervisory Board shall:

1) carry out organisational, information and documentary support of activities of the Supervisory Board, both in view of preparation of the Supervisory Board meetings and in between such meetings, including:

- informing the Supervisory Board Members on forthcoming extraordinary and scheduled Supervisory Board meetings (absentee voting);
- sending documents and materials for the Supervisory Board meetings (absentee voting), to the Supervisory Board members;
- keeping records of any correspondence (including inquiries, requests, appeals) addressed to the Supervisory Board, its Chairman and/or his deputies and preparation of relevant responses, clarifications, press releases, etc.;
- sending to the Supervisory Board Members any correspondence addressed to them, and if necessary, providing support to the Supervisory Board Members in preparation of relevant responses, requests, pleas, etc.;
- keeping records (minutes, audio records) of any issues, presentations, proposals and decisions at the Supervisory Board meetings;
- providing technical and organisational support to the Supervisory Board Members responsible for preparation of a relevant issue for a Supervisory Board meeting;
- arranging for printout, editing, copying, translation and mailing of the Supervisory Board's documents and materials to relevant persons;
- upon request (demand) from a Supervisory Board Member(s), arranging for informing the Supervisory Board Chairman, and if necessary, other Supervisory Board members, on any proposals made by a Supervisory Board Member(s) with respect to draft decisions of the Supervisory Board submitted prior to a Supervisory Board meeting;
- in coordination with the President (CEO) of the Company, arranging for the arrival of invited persons to the Supervisory Board meetings, and overseeing whether an invited person actually participates in considering the relevant item on the agenda;
- in coordination with the President (CEO) of the Company, arranging for the preparation of a scheduled Supervisory Board meeting (venue, materials, access for the Supervisory Board Members and invited persons, provision of newly received materials, etc.);



- 2) compiling and mailing questionnaires to the Supervisory Board Members in case of absentee voting;
- 3) arranging for voting at the Supervisory Board meetings, counting of votes cast;
- 4) keeping the Supervisory Board minutes and sending copies thereof upon request to a respective Supervisory Board Member within up to three (3) days after they are signed, with attached special opinions of the Supervisory Board Members sent to the Supervisory Board Secretary in writing;
- 5) cooperating with different units of the Company management;
- 6) archiving and retaining any documents and materials concerning the activities of the Supervisory Board;
- 7) collecting, retaining and updating the Supervisory Board members' personal data forms;
- 8) keeping the Supervisory Board's correspondence journal (incoming and outgoing documents);
- 9) retaining office equipment, expendables and other material assets, assigned or transferred to the Supervisory Board;
- 10) supporting activities of the Supervisory Board committees and commissions and safe keeping their documents;
- 11) transferring to the Supervisory Board (to given addressees) any correspondence or the Company's executive bodies' information addressed to the Supervisory Board;
- 12) providing organisational support in preparation and holding the Supervisory Board's public events (press conferences, official statements and memoranda for the mass media, Supervisory Board members' press interviews, Supervisory Board members' participation in the Company's employees' meetings, meetings with the general public, etc.);
- 13) under the guidance by the Chairman of the Supervisory Board, overseeing adherence to the provisions of these Regulations;
- 14) acting on commission from the Chairman of the Supervisory Board;
- 15) performing other functions in compliance with effective laws, the Company's Charter and the Company's regulatory documents.

**5.3.** Any expenses associated with the activities of the Supervisory Board Secretary and relevant remuneration shall be covered by the Company.

## **6. SUPERVISORY BOARD COMMITTEES, COMMISSIONS AND WORK GROUPS**

**6.1.** The Supervisory Board committees and commissions shall be established by decision of the Supervisory Board.

**6.2.** The Supervisory Board committees and commissions shall be established with the aim to analyse and prepare decisions on the issues within the Supervisory Board's competence or the issues studied by the Board with the aim to control the activities of the Company's executive body and management and to develop necessary recommendations to the Company's executive body.

**6.3.** The Supervisory Board committees shall be established to analyse the Company's long-term business issues and to implement effectively the most important management and control functions of the Supervisory Board. Members of the Supervisory Board and experts may be elected to the Supervisory Board committees. The committees' principal functions include the preliminary comprehensive analysis of the issues within the Supervisory Board competence in their areas of activities and development of recommendations for the Supervisory Board.

**6.4.** The Supervisory Board commissions are established with the aim to analyse current issues of business development and on-going projects implemented by the Company. The Supervisory Board commissions may include the Supervisory Board members, employees of the Company management and experts, including those simultaneously employed by other entities. The head of a Supervisory Board commission shall be appointed by the Supervisory Board.

**6.5.** On agreement with the Company's executive bodies, the Supervisory Board may establish joint work groups of the Supervisory Board and the Company's executive bodies (for finalising draft decisions and assessment of proposals and remarks made at a meeting).

Heads of such groups appointed by the Supervisory Board shall organise their work and arrange for submission of finalised draft decisions within an established term. Should no specific term be established for finalising such decisions, the standard term shall be ten (10) days.

**6.6.** The Supervisory Board committees shall act in compliance with the Regulations on committees approved by the Supervisory Board.

**6.7.** The Supervisory Board commissions and work groups' proceedings, competence and terms shall be regulated by separate decisions of the Supervisory Board.

## **7. CONVENING AND PREPARING THE SUPERVISORY BOARD MEETINGS (ABSENTEE VOTING)**

**7.1.** The Supervisory Board meetings (absentee voting) may be convened by the Chairman of the Supervisory Board:

- at his or her own initiative (which includes actions under an approved work plan of the Supervisory Board or in compliance with the date (term) and agenda thereof approved by the Supervisory Board at a previous meeting);
- upon request from a Supervisory Board member, President (CEO) of the Company, Executive Committee, Auditing Committee, or the Auditor (hereinafter referred to as the Initiators).

**7.2.** The request to convene a meeting shall be made by the Initiators in writing by sending a registered mail to the address of the Supervisory Board or by delivery to the Secretary of the Supervisory Board. The date of request to convene the Supervisory Board meeting shall be determined by the mail delivery note or the date of transfer thereof to the Secretary of the Supervisory Board.

**7.3.** The request to convene the Supervisory Board meeting (or to carry out an absentee voting) shall contain the following information:

- the name of the Initiator or the body or legal entity making the request;
- signature of the person (head of the body or legal entity) requesting to convene the meeting;
- type of the meeting (by personal attendance or absentee voting);
- proposed agenda;
- information (list of materials) necessary to consider the items on the proposed agenda;
- draft decisions on the items on the proposed agenda.

**7.4.** The request to convene the Supervisory Board meeting (or to carry out an absentee voting) shall contain the information as follows:

- date of the meeting or deadline for submission of filled out questionnaires by the Supervisory Board Members in case of the absentee voting;
- time and venue of the meeting;
- any other information at the discretion of the Initiator of a meeting (absentee voting).

The request to convene the Supervisory Board meeting containing the proposed date of the same shall be delivered to the Supervisory Board not later than twenty-five (25) business days before the proposed date, apart from the requests concerning the items demanding prompt decisions, provided a written justification thereof is submitted by the Initiator of the Supervisory Board meeting. Such justification shall be submitted to the Supervisory Board Members together with the materials for the meeting.

**7.5.** Any item may be added to the draft agenda on the initiative of the persons as follows:

- the shareholders commonly owning not less than one per cent of common shares,
- the Supervisory Board,
- the Supervisory Board Members,
- the President (CEO) of the Company,
- the Executive Committee,
- the Auditing Committee,
- the Auditor.

Procedure of preparing draft decisions on the items proposed for consideration by the Supervisory Board at the initiative of the President (CEO) and the Executive Committee and accompanying materials shall be determined by an internal document approved by the President (CEO) of the Company.

**7.6.** The draft agenda of the Supervisory Board meeting shall be compiled by the Secretary of the Supervisory Board, signed by the President (CEO) of the Company and approved by the Chairman of the Supervisory Board afterwards.

**7.7.** A decision to include an item into the agenda or refusal to do so shall be made by the Chairman of the Supervisory Board within five (5) business days.

The Chairman of the Supervisory Board shall be entitled to refuse convening of a Supervisory Board meeting (absentee voting), provided the item is proposed by an unauthorised person or is outside the competence of the Supervisory Board, or the request to convene the Supervisory Board meeting does not contain the information indicated in Clause 7.3. hereof.

**7.8. Notification on the Supervisory Board Meeting or absentee voting:**

7.8.1. Notification on the Supervisory Board Meeting shall be sent to each Supervisory Board Member in writing, by fax or e-mail not later than fifteen (15) days before the scheduled meeting.

Such notification shall contain:

- the date, time and venue of the meeting;
- the address to which written opinions shall be sent accompanied by votes on the items on the agenda (to be accounted for in determining the quorum and voting results in case a Supervisory Board Member cannot attend the meeting personally);
- the agenda of the meeting;
- the list of information materials provided to the Supervisory Board Members for the meeting.

The notification shall be accompanied by draft decisions on the items included into the agenda, a justification of the proposed decision, and information materials. The notification may be accompanied by a list of persons invited to attend the meeting.

A draft Supervisory Board decision and relevant materials containing information that comprises a state, commercial or business secret shall be submitted for consideration of the Supervisory Board in compliance with relevant rules.

7.8.2. Notification on absentee voting of the Supervisory Board shall be sent to each Supervisory Board Member in writing, by fax or e-mail not later than seven (7) days before the scheduled voting deadline. Should any urgent issues arise the Chairman of the Supervisory Board may resolve to set a different deadline for sending notification on the absentee voting.

Such notification shall contain:

- the deadline for acceptance of filled out questionnaires from the Supervisory Board Members on the items on the agenda;
- the address to which the filled out questionnaires should be sent;
- the list of issues to be voted on;
- the list of information materials provided to the Supervisory Board Members for absentee voting.

The notification shall be accompanied by a questionnaire containing draft decisions on the items on the agenda, justifications of the proposed decision, and information materials.

A draft Supervisory Board decision and relevant materials containing information that comprises a state, commercial or business secret shall be submitted for consideration of the Supervisory Board in compliance with relevant rules.

**7.9.** If necessary, a Supervisory Board meeting may be adjourned upon approval by all attending Supervisory Board Members without any decisions made on the items on the agenda.

Should any circumstances arise that make impossible or hinder the Supervisory Board meeting at the venue and/or time on which the Supervisory Board Members were notified, a meeting with the same agenda may be held at a different venue or time.

All the Supervisory Board Members shall be notified on the change of venue and/or time of the meeting with proper account taken of reasonable time needed for them to arrive at the Supervisory Board meeting. Notification about such changes shall be sent to the Supervisory Board Members in any form guaranteeing that such notice can be received by them at their relevant locations or postal addresses.

Opening of the Supervisory Board meetings may not be planned for the night time (from 10:00 p.m. – 6:00 a.m. local time).

A meeting may not be held at a venue or time causing material hindrances for attendance by the majority of the Supervisory Board Members or making such attendance impossible, such as industrial premises or other venues where normal performance of the Supervisory Board appears impossible.

**7.10.** The Supervisory Board Members may, not later than two (2) days prior to a meeting (absentee voting) submit their remarks or proposals in the items to be considered, to the Secretary of the Supervisory Board.

**7.11.** Including additional items into the agenda, amending the agenda, or excluding certain items from the agenda of the Supervisory Board meeting may be made during such meeting by a decision made by a three quarters (3/4) majority of the attending Supervisory Board members.

**7.12.** In the cases stipulated by the law, procedures and terms established by the law shall apply, including the deadlines for sending notification on the meeting and accompanying materials on the issue on the agenda.

## **8. SUPERVISORY BOARD MEETING (ABSENTEE VOTING)**

**8.1.** The first (planning) meeting of the Supervisory Board upon election thereof shall be convened by any Supervisory Board Member.

**8.2.** Supervisory Board meetings shall be held in accordance with its work plan and as otherwise required, but not less often than once in a quarter.

The Supervisory Board shall approve its work plan for the period ending at the date of the next Annual General Meeting of the Company's Shareholders. The Supervisory Board work plan shall be based on relevant proposals from the shareholders commonly owning not less than one per cent of common shares, the Supervisory Board Members, the Company's President (CEO), the Company's Executive Committee, the Auditing Committee, or the Company's Auditor.

**8.3.** A proposal to include an item into the Supervisory Board work plan shall contain:

- information about the person (body) making the proposal;
- wording of the items proposed for consideration;
- justification for raising such items;
- proposed term of consideration of such an item;
- signature of the person (head of the body) making the proposal.

**8.4.** Inclusion of additional issues into an approved schedule of meetings may only be made by decision of the Supervisory Board.

If necessary, the Supervisory Board may consider items that are not included into its work plan.

**8.5.** Resolutions by the Supervisory Board shall be deemed lawful (the quorum shall be deemed present) when considered by at least a half of the total number of the Supervisory Board members.

The quorum and procedures for making the Supervisory Board decisions are determined by the Federal Law On Joint-Stock Companies and the Company's Charter. In cases when under the Federal Law On Joint-Stock Companies or the Company's Charter, a decision shall be made by a qualified majority of the Supervisory Board Members or unanimously without account of resigned Supervisory Board members, the dead, missing or legally incapable members are understood as resigned Supervisory Board Members.

**8.6.** Each Supervisory Board Member shall have one vote. A Supervisory Board Member's vote may not be transferred to any other Supervisory Board Member. Should an equal number of votes be cast for and against a decision, the vote of the Chairman of the Supervisory Board shall be considered decisive.

**8.7.** Representatives of the state or municipal bodies, Members of the Executive Committee, Auditing Committee, the Company's employees or any other persons may be invited to the Supervisory Board meetings in compliance with the list approved by the Chairman of the Supervisory Board.

**8.8.** Upon decision by the Chairman of the Supervisory Board, a Supervisory Board meeting may be held in video conference (i.e. a meeting may be held when the Supervisory Board Members are in different locations but can, through video conference communication, see and hear a presenter, ask questions to him, and make proposals concerning the draft decision on the item under consideration). A Supervisory Board meeting held by video conference shall be considered a meeting by personal attendance. The venue of the meeting by video conference shall be the place of location of the Chairman of a Supervisory Board Meeting.

**8.9.** Resolution on absentee voting shall be taken by the Chairman of the Supervisory Board.

In case of absentee voting, relevant questionnaires shall be sent to the Supervisory Board Members. Questionnaires to be sent to the Supervisory Board Members in such case shall be compiled by the Secretary of the Supervisory Board.

The questionnaires shall contain:

- 1) a reference to the relevant decision of the Supervisory Board or Chairman of the Supervisory Board or an item of the Supervisory Board work plan, under which the absentee voting is held, or a reference to its Initiators if such vote is held on the initiative of other persons or bodies;
- 2) wording of the item to be voted on (agenda);
- 3) wording of the draft decision on each item on the agenda;
- 4) voting options (FOR, AGAINST or ABSTAINED);
- 5) instructions to mark in a proper way one of the voting options for each item;
- 6) description of the manner in which the questionnaire should be filled out (underline, cross out);
- 7) instructions to have the questionnaire signed by a Supervisory Board Member;
- 8) instructions on the term within which the filled out questionnaire should be sent;
- 9) indication of the postal address, e-mail address and fax number to which the filled out questionnaire should be sent.

The date of actual delivery of the questionnaires shall be determined by the date on which the same are sent by a Supervisory Board Member to the e-mail address and fax number indicated in the questionnaires or by the date of their direct delivery to the Secretary of the Supervisory Board.

Questionnaires received from the Supervisory Board Members shall be processed by the Secretary of the Supervisory Board.

The Supervisory Board Members, whose questionnaires are delivered within the deadline set for them, shall be considered to have taken part in the vote.

A questionnaire may be considered invalid completely or partially for separate items if any marks are made in more than one box of voting options for one issue, or the Supervisory Board Member's signature is absent, or if the questionnaire contains amendments and/or remarks to the proposed draft decision.

The Secretary of the Supervisory Board shall make a voting protocol based on the results of absentee voting. Upon a separate request from a Supervisory Board Member, protocol of the absentee voting shall be sent to such Member by registered mail, by e-mail or fax, or delivered in person within three (3) days from the date of request.

## **9. PROCEEDINGS OF THE SUPERVISORY BOARD MEETINGS AND DRAWING OF RESOLUTIONS**

**9.1.** Quorum at a Supervisory Board meeting shall be registered by the Secretary of the Supervisory Board in draft minutes of such meeting.

If a Supervisory Board Member is unable to attend the meeting, he or may express his or her opinion on the items on the agenda in writing.

In case such written opinion contains his or her vote on proposed draft decision(s), the relevant Supervisory Board Member shall be considered to have attended the meeting and his or her opinion shall be taken into account in determining the quorum for considering the item on the agenda and the results of voting.

A written opinion shall be presented to the Supervisory Board Members prior to the Supervisory Board meeting.

**9.2.** In absence of the quorum, the meeting shall be declared ineligible. In such case, the chair of the Supervisory Board shall take one of the following decisions:

- 1) determine the opening time for a new meeting to be held instead of the ineligible meeting with the previously determined agenda, and take steps to arrange for attendance thereof by the Supervisory Board Members;
- 2) inform the Supervisory Board Members when they shall be notified about a new meeting to be held instead of the ineligible one in the order stipulated by these Regulations;
- 3) include the agenda of the ineligible meeting into the agenda of the next scheduled Supervisory Board meeting;
- 4) on agreement with attending Supervisory Board Members, completely or partially exclude the items (agenda) of the ineligible meeting from the items to be considered by the Supervisory Board meetings (apart from the cases stipulated by the effective law).

A new meeting may be held instead of the ineligible one not earlier than in one hour and not later than twenty (20) days after a relevant decision is made by the chair of the Supervisory Board at the Supervisory Board meeting.

Quorum at a Supervisory Board meeting with a given agenda registered in the order indicated above, shall be determined once for the entire Supervisory Board meeting with such agenda irrespective of the actual duration of such meeting.

Should the number of attending Supervisory Board Members turn out to be less than a half of their total number in the course of the Supervisory Board meeting as a result of departure of any Supervisory Board Member(s), the chair of the meeting may make any of the decisions as follows:

- 1) terminate the Supervisory Board meeting due to its inability to adopt any decisions caused by the absence of quorum stipulated by these Regulations (in relevant cases),
- 2) due to the absence of quorum required by these Regulations for the adoption of any decisions by the Supervisory Board, continue the Supervisory Board meeting without taking any decisions with the aim to determine the positions of the remaining Supervisory Board Members and develop recommendations for the Supervisory Board to be considered at the next Supervisory Board meeting.

Quorum registration is included by these Regulations into the preliminary procedures preceding the Supervisory Board meeting as such. No vote on approval of available quorum (of the Supervisory Board Secretary's information on quorum) shall be held.

**9.3.** Chair of the Supervisory Board meeting shall be entitled to exclude any items on the agenda on the following grounds:

- absence of the Initiator of the item being considered from the Supervisory Board meeting;
- verbal or written statement of the Initiator requesting to exclude the issue from the agenda.

**9.4.** Time limit for reports at the Supervisory Board meetings shall be 10 minutes, for co-reports and contributions to disputes – 5 minutes, and for information contributions – 3 minutes. Chair of a Supervisory Board meeting may change the time limits for reports and contributions.

Participants of a meeting and invited persons may take part in any disputes, make proposals or remarks, and provide information relevant to the considered items. Disputes shall be terminated on proposal from the chair or Supervisory Board Members.



**9.5.** When necessary, a Supervisory Board meeting may be held outside its office.

**9.6.** Decisions at a Supervisory Board meeting shall be made by the open vote.

**9.7.** Voting at a Supervisory Board meeting may be held with the use of an electronic voting system or without it.

An electronic voting system may be used for registration of attending Supervisory Board Members, determination of quorum, counting of votes and determination of the voting results, registration of the Supervisory Board Members for delivery of reports, and information support of the Supervisory Board meetings.

**9.8.** Voting may be made for one of the following options: "for", "against" or "abstained". Votes count and presentation of the results thereof shall be made in absolute terms for each vote.

**9.9.** Procedural issues shall be resolved by a simple majority of votes cast by the Supervisory Board Members who have taken part in the voting.

Procedural issues include:

- a) intervals or adjournment of a meeting;
- b) approval of additional time for a report;
- c) postponement or termination of an item;
- d) referral of an issue to a relevant Supervisory Board committee or commission;
- e) voting without discussing;
- f) closed meeting;
- g) repeated voting.

**9.10.** The Secretary of the Supervisory Board shall keep the minutes of a Supervisory Board meeting. Audio recording of a Supervisory Board meeting may be used as an auxiliary material for preparation of the minutes of such meeting. Minutes shall be prepared within three (3) days after the meeting.

Minutes of a meeting (minutes of absentee voting) shall indicate:

- time and venue of the meeting, or in case of the absentee voting, the place of preparing the minutes and the deadline for the submission of filled-out questionnaires;
- persons attending the meeting or submitting written opinions on the items on the agenda (in an absentee voting, persons having delivered their filled out questionnaires in due time);
- agenda of the meeting (list of items for absentee voting);
- issues voted on and results of voting thereon;
- decisions made.

Minutes of the meetings (minutes of absentee voting) of the Supervisory Board shall be numbered consecutively.

Minutes of a Supervisory Board meeting shall be signed by the chair of the respective Supervisory Board meeting.

Extracts from the minutes of the Supervisory Board may be certified by the Chairman and/or Secretary of the Supervisory Board on behalf of the Company (Supervisory Board).

**9.11.** In case a Supervisory Board decision is made by absentee voting, written opinions of the Supervisory Board Members and questionnaires signed by them shall be attached to the minutes.

**9.12.** Decisions of the Supervisory Board shall be binding for the President (CEO) and the Executive Committee of the Company.

**9.13.** A copy of the minutes shall be sent by the Secretary of the Supervisory Board to the Supervisory Board Members within three days after signing, upon their relevant requests.

Extracts from the Supervisory Board minutes shall be made by the Secretary of the Supervisory Board and delivered to the Initiators of including of an item into the agenda, reporter on the item, and persons responsible for implementation of a decision within three (3) days after signing of the minutes of a meeting (protocol of an absentee voting), which shall be confirmed by the latter's signatures.

**9.14.** Implementation of the Supervisory Board decisions shall be controlled by the Chairman of the Supervisory Board and on his commission, by the Secretary of the Supervisory Board. Implementation of the Supervisory Board decisions by the Company officials and divisions shall be controlled by the President (CEO) and Executive Committee of the Company.

**9.15.** When the Supervisory Board meetings are closed, preparation of relevant materials, access to the meetings, preparation of minutes and decisions shall be arranged in compliance with requirements to the protection of business, commercial, state or other secrets secured by the law.

## **10. SAFE KEEPING AND USE OF THE SUPERVISORY BOARD DOCUMENTS**

**10.1.** Minutes of the Supervisory Board meetings shall be made accessible for reference to the Company's shareholders, the Supervisory Board Members, the Auditing Committee members, the Auditor, the President (CEO) of the Company, and representatives of supervising authorities at the Company's location or any other place selected by the Chairman of the Supervisory Board.

**10.2.** Minutes of the Supervisory Board meetings and accompanying documents shall be made accessible to the representatives of supervising authorities for inspection in the archive premises in the presence of the Secretary of the Supervisory Board, which fact shall be confirmed by their signatures.

**10.3.** Documents of the Supervisory Board shall be kept in the Supervisory Board archive comprising:

- 1) minutes of the Supervisory Board meetings (minutes of absentee voting),
- 2) addenda to minutes of the Supervisory Board meetings (minutes of absentee voting),
- 3) information materials for the Supervisory Board meetings (absentee voting),
- 4) minutes of the General Meetings of the Company's Shareholders,
- 5) correspondence journals of the Supervisory Board,

- 6) documents and materials of the Supervisory Board commissions, committees and workgroups;
- 7) Personal Data Forms of the Supervisory Board Members,
- 8) journals of extracts from the minutes of Supervisory Board meetings.

Documents included into the Supervisory Board archives shall be kept in limitless storage in the Company's premises (at the location of the Company's executive body).

Keeping costs shall be covered by the Company.

The documents and materials of the Supervisory Board shall be categorized and archived by the Supervisory Board Secretary. The Supervisory Board Secretary shall compile and update a list of all documents and materials of the Supervisory Board in hard and soft copies.

**10.4.** The Company employees having access to the Supervisory Board documents shall be responsible for any disclosure of confidential information. Confidentiality of the information shall be determined by the Supervisory Board and fixed in the minutes of a relevant meeting.

## **11. APPROVAL AND AMENDMENT OF THESE REGULATIONS**

**11.1.** If any provisions of these Regulations turn to contradict the requirements of the effective law as a result of amendments thereto, such provisions shall become invalid and the law shall apply. Any provisions of the Regulations contradicting the effective law shall not invalidate other parts of these Regulations, and the Company shall take all the required steps to bring these Regulations into compliance with the requirements of effective laws.

**11.2.** Should there be any discrepancies between these Regulations and the Company's Charter, the latter shall prevail.

**11.3.** From the moment of approval of these Regulations, the Regulations on the Supervisory Board of OJSC ALROSA approved by decision of the Extraordinary General Meeting of the Company's Shareholders dated 05 April 2011 (Minutes No. 26) shall become invalid.