

**Internal Audit Policy of
Rosseti Centre, PJSC
(new edition)**

P BP 1/02-04/2021

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1. General provisions

1.1. The Internal Audit Policy of Rosseti Centre, PJSC (hereinafter – the Policy) is developed with a view of determination of the main principles of the organisation and functioning of internal audit in Rosseti Centre, PJSC (hereinafter – the Company), assistance in forming of uniform approaches to construction, management and coordination of the internal audit function in the Group of Companies of Rosseti.

1.2. This Policy is an internal normative document of the Company developed according to requirements of the legislation of the Russian Federation, and also taking into account conventional practices and standards of activity of internal audit. At development of the Policy the Company was guided by the following basic documents:

- Federal law from 26.12.1995 № 208-FZ «About joint stock companies»;
- Federal law from 06.12.2011 № 402 «About business accounting»;
- Federal law from 05.04.2013 № 41-FZ «About the Chamber of Accounts of the Russian Federation»;
- Federal law from 25.12.2008 № 273 «About corruption counteraction»;
- Order of the Ministry of Finance of the Russian Federation from 09.01.2019 № 2n «On the enactment of international audit standards on the territory of the Russian Federation and on the invalidation of certain orders of the Ministry of Finance of the Russian Federation»;
- The Code of Corporate Governance recommended by Letter of the Bank of Russia from 10.04.2014 № 06-52/2463 «About the Code of corporate governance»;
- Regulation of the Bank of Russia from 24.02.2019 № 534-P «On admission of securities to on-exchange-trading»;
- Recommendations of the Ministry of Finance of Russia № PZ-11/2013 «Organization and realisation by an economic subject of internal control of made facts of economic activity, conducting the business accounting and drawing up of accounting (financial) statements» (Letter of the Ministry of Finance of the Russian Federation from 26.12.2013 № 07-04-15/57289);
- Order of Rosimushchestvo from 20.03.2014 № 86 «About the approval of Methodical recommendations about organisation of work of Audit Committees of the Board of Directors in a joint stock company with participation of the Russian Federation»;
- Order of Rosimushchestvo from 04.07.2014 № 249 «About the approval of Methodical recommendations about organisation of work of internal audit in joint stock companies with participation of the Russian Federation»;

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- Order of Rosimushchestvo from 03.09.2014 № 330 «About the approval of Methodical recommendations about internal audit function construction in holding structures with participation of the Russian Federation»;
- Methodical instructions of Rosimushchestvo on preparation of internal normative documents regulating activity of state corporations and state companies, and also open joint stock companies specified in Resolution of the Government of the Russian Federation from 23.01.2003 № 91-r (approved by Order of the Government of the Russian Federation from 24.06.2015 № ISH-P13-4148);
- The rules of listing of PJSC Moscow Exchange, approved by Supervisory Board of PJSC Moscow Exchange on 09.07.2019, Minutes № 6;
- The international bases of professional practice of internal auditors, accepted by the international Institute of Internal Auditors (including the International professional standards of internal audit);
- Enterprise Risk Management - Integrated Framework Executive Summary and Application Techniques COSO ERM (2017);
- Concept and appendices COSO «Internal Control – Integrated Framework» (2013);
- Concept COSO «Guidance on Monitoring Internal Control Systems» (2009)
- Concept COSO «Enterprise Risk Management - Integrated Framework» (2004);
- The international standard ISO 31000:2009 «Risk Management. Principles and guidance» (Order of Federal Agency on Technical Regulating and Metrology from 21.12.2010 № 883-ST);
- The international standard ISO/IEC 31010:2009 «Risk Management. Risk assessment methods» (Order of Federal Agency on Technical Regulating and Metrology from 01.12. 2011 № 680-st);
- The Articles of Association and internal normative documents of the Company;
- Information letter of the Bank of Russia from 01.10.2020 No. IN-06-25/143 «On recommendations for organizing risk management, internal control, internal audit, and the work of the audit committee of the board of directors (supervisory board) in public joint stock companies».

1.3. The Policy, which is based on the best practices, experience of advanced world and Russian companies, is developed with a view of realisation of provisions of:

- the Strategy of development of the electric grid complex of the Russian Federation approved by Order of the Government of the Russian Federation from 03.04.2013 № 511-r;
- the Internal Audit Policy of PJSC «Rosseti» (new edition), approved by the decision of the Board of Directors of PJSC "Rosseti".

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1.4. This Policy determines:

- the purposes and tasks of internal audit;
- the form of organisation of an internal audit function;
- internal audit functions;
- principles of realisation of an internal audit function;
- internal audit accountability;
- powers of internal audit;
- principles, order and character of interaction of internal audit with stakeholders;
- the code of conduct and requirements to internal auditors of the Group of Companies of Rosseti;
- responsibility of internal audit;
- approaches to provision of quality control and estimation of activity of internal audit;
- other basic approaches and principles applied by the Company at realisation of an internal audit function.

1.5. The internal audit function realisation in the Company is performed on the basis of uniform approaches to construction, management and coordination of the internal audit function, established in the Group of Companies of Rosseti.

1.6. With a view of rendering of assistance in increase of management efficiency by the Group of Companies of Rosseti as a whole verifying events and actions are planned and conducted taking into account influence of risks connected with checked processes, not only on the Company's activity, but also on activity of the Group as a whole.

1.7. For provision of realisation of the internal audit function in the Group of Companies of Rosseti on a unified basis, constant monitoring of quality of realisation of the function and control over its independence representatives of the internal audit division of PJSC «Rosseti» have the right to participate in sessions of the Board of Directors of the Company and Audit Committee of the Board of Directors of the Company by consideration of questions connected with construction and realisation of the internal audit function of the Company.

1.8. The form of realisation of the internal audit function in the Company is creation of the internal audit division (a separate structural division) or attraction of an independent external organisation (outsourcing), the selection order and a contract with which is regulated by the Unified Procurement Standard of PJSC Rosseti (Regulation on Procurement), enacted by the Board of Directors of the Company by way of joining it. The decision on the optimal form of realisation of the internal audit function is accepted by the Company's Board of Directors (hereinafter - the Board of Directors).

Creation, reorganisation and liquidation of the internal audit division, which is a separate structural division of the Company, is performed by an order of Chief

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Executive Officer of the Company on the basis of a decision of the Board of Directors with preliminary consideration by the Audit Committee of the Board of Directors (hereinafter - the Audit Committee).

Head of the internal audit division is appointed to the post and dismissed by Chief Executive Officer of the Company on the basis of a decision of the Board of Directors. The Board of Directors is competent to approve decisions on appointment, dismissal from the post, and also determination of compensation of Head of the internal audit division (taking into account preliminary consideration by the Audit Committee).

While choosing an external organisation for accomplishment of the internal audit function the Company should be convinced of independence and objectivity, professionalism and competence of such an organisation and staff of the organisation involved in interaction with the Company.

1.9. The Policy is approved by a decision of the Board of Directors taking into account preliminary consideration by the Audit Committee. Modification of the Policy is performed in a similar order: on the basis of a decision of the Board of Directors taking into account preliminary consideration by the Audit Committee.

Initiators of modification of the Policy can be the Board of Directors, the Audit Committee, Chief Executive Officer, the Management Board, Head of the internal audit division of the Company, and also Head of the internal audit division of PJSC «Rosseti».

Development and preparation of offers on modification of the Policy are performed by Head of the internal audit division of the Company.

Changes are brought in the Policy in case of:

- changes of the legislation of the Russian Federation;
- changes of the International Principles of Professional Practice of Internal Auditing adopted by the International Institute of Internal Auditors (including the International Professional Standards of Internal Auditing);
- changes of organizational structure and/or powers of heads of the Company;
- changes of purposes, tasks and functions of internal audit;
- changes of powers and origin of essential restrictions in internal audit activity;
- necessities of modification of the Policy by results of quality evaluation of activity of internal audit;
- origin of other conditions/events, making essential impact on internal audit activity.

1.10. Concerning affiliated and dependent companies of the Company (hereinafter - SDCs) this Policy contains provisions of general (methodological) character.

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The Policy (including separate provisions of the Policy) is recommended for use in SDCs as a basis for development of internal documents of SDCs regulating activity of internal audit in SDCs.

2. Terms and definitions

Internal audit¹ - activity on granting of independent and objective guarantees and consultations, directed on enhancement of work of the Company. Internal audit is intended to promote achievement of targets in view of the Company by the most effective and economically reasonable method, using systematised and consecutive approach to estimation and increase of efficiency of risk management, internal control and corporate governance systems.

In this Policy the term "Internal audit" is used for determination of the structural division, which performs an internal audit function, - the internal audit division. The term "Internal audit function" is applied to determination of internal audit as an activity (a function).

Provision of guarantees - objective analysis of available auditor proofs with a view of representation of independent estimation of processes of corporate governance, risk management and control in the Company.

Provision of consultations - internal audit activity on granting of consultations, advice, recommendations, aimed at rendering assistance and enhancement of processes of corporate governance, risk management and internal control, excluding accepting by internal auditors of responsibility for management decisions.

Group of Companies of Rosseti - the major shareholder of the Company - PJSC «Rosseti» and affiliated and dependent companies and PJSC «Rosseti».

Company – Rosseti Centre, PJSC.

SDCs - affiliated and dependent companies of Rosseti Centre, PJSC - legal entities in which the Company has authorised capital.

CIA - Certified Internal Auditor - an international certificate for specialists in the field of internal audit.

IFAC - International Federation of Accountants.

3. The purposes and tasks of internal audit

3.1. The internal audit purpose is assistance to the Company's Board of Directors and executive powers to increase management efficiency of the Company, enhancement of its financial and economic activity, including by the system and consecutive approach to analysis and estimation of risk management, internal

¹ According to the Determination of internal audit, being the basic element of the International bases of professional practice of internal audit (IPPF), accepted by the International Institute of Internal Auditors.

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control and corporate governance systems as tools of provision of reasonable confidence of achievement of the purposes set to the Company.

3.2. For goal achievement the internal audit solves tasks in the following directions:

3.2.1. implementation and application of the uniform approaches, established in the Group of Companies of Rosseti, to construction, management and coordination of internal audit function in the Company and SDCs;

3.2.2. internal audit performance, participation in other verifying events in the Company and SDCs;

3.2.3. granting of independent and objective guarantees concerning efficiency of internal control, risk management and corporate governance systems, and also assistance to executive powers and employees of the Company in development and monitoring of execution of procedures and events for enhancement of internal control, risk management and corporate governance systems by the Company;

3.2.4. organisation of effective interaction of the Company with the external auditor of the Company, the Company's Audit Commission, and also with persons rendering consulting services in the area of risk management, internal control and corporate governance;

3.2.5. preparation and granting to the Board of Directors (to the Audit Committee) and to the Company's executive powers (Chief Executive Officer/Management Board) of reports by results of internal audit activity (including information on substantial risks, lacks, results and efficiency of accomplishment of events for elimination of the revealed lacks, results of accomplishment of the plan of activity of internal audit, results of estimation of actual state, reliability and efficiency of internal control, risk management and corporate governance systems).

3.3. Within the limits of internal and external evaluation of quality of activity of internal audit in the Company conformity assessment of the purposes and tasks specified by the Policy to the purposes and tasks set to internal audit by relevant management bodies of the Company is conducted. Results of the estimation are given to the Board of Directors (to the Audit Committee), including for consideration of a question on necessity of modification of the Policy.

3.4. At the organisation of internal audit the Company aspires to apply the main principles and approaches reflected in the Code of corporate governance (recommended by Letter of the Bank of Russia from 10.04.2014 № 06-52/2463), in the Methodical recommendations about the organisation of work of internal audit in joint stock companies with participation of the Russian Federation (approved by Order of Rosimushchestvo from 04.07.2014 № 249), in the Methodical recommendations about internal audit function construction in holding structures with participation of the Russian Federation (Order of Rosimushchestvo from 03.09.2014 № 330), in information letter of the Bank of Russia from 01.10.2020

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No. IN-06-25/143 «On recommendations for organizing risk management, internal control, internal audit, and the work of the audit committee of the board of directors (supervisory board) in public joint stock companies».

4. Internal audit functions

For goal achievement and solution of tasks in view the internal audit performs the following functions:

4.1. Regarding implementation and application of the uniform approaches, established in the Group of Companies of Rosseti, to construction, management and coordination of internal audit function in the Company and SDCs:

4.1.1. development of offers under the optimal form of realisation of the internal audit function in the Company and SDCs;

4.1.2. activity realisation on implementation in the Company of uniform principles of construction of the internal audit function and estimation of realisation of the internal audit function, established in the Group of Companies of Rosseti;

4.1.3. development and implementation of methodological documents regulating activity of internal audit (policies, provisions, regulations, guidance, instructions and other documents) according to the methodological documents developed by PJSC "Rosseti";

4.1.4. forming of offers on development of documents determining uniform approaches and principles in the Group of Companies of Rosseti to construction, management and coordination of the internal audit function, participation in working groups on development of documents on standard provision of activity of internal audit.

4.1.5. organisation and carrying out of events for automation of activity of internal audit of the Company and SDCs.

4.2. Regarding carrying out of internal audit, participation in other verifying events in the Company and SDCs:

4.2.1. planning, organisation and carrying out of internal audits of business processes (lines of business), business functions, projects/plans/programs, structural and isolated divisions and other auditees of the Company concerning provision of:

– observance of requirements of the legislation, branch standard legal acts, internal regulations, standards and other internal documents (except for technical regulations, standards and rules regulating activity on operation of electric grid facilities), agreement obligations;

– accomplishment of orders of state structures of the Russian Federation concerning functioning and development of the electric grid complex;

– accomplishment of decisions/instructions (orders) of management bodies, requirements of organizational-administrative documents and other internal documents;

– efficiency, profitability and productivity of activity;

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- reliability, accuracy, completeness and timeliness of preparation of accounting (financial) and management reporting;

- safety of assets.

4.2.2. realisation of practice of carrying out of thematic audits, which are conducted by all electric grid companies, entering into the Group of Rosseti, on a concrete theme according to the uniform program of audit;

4.2.3. carrying out of checks, accomplishment of other tasks under instructions of the Board of Directors (Audit Committee), and/or the Company's executive powers on questions, which are within the competence of internal audit;

4.2.4. organisation, planning, provision of carrying out of audits of SDCs;

4.2.5. participation in activity of audit commissions of SDCs of employees of the internal audit division of the Company as elected members of the audit commissions or invited experts;

4.2.6. participation in specialised (office) investigations on facts of abusings (swindle), causing to the Company and SDCs some damage, no-purpose, inefficient resource use and on other facts of unfair/illegal actions of employees and third parties;

4.2.7. informing of the Board of Directors (Audit Committee), Chief Executive Officer/Management Board about results of checks, representation of recommendations about elimination of infringements and lacks revealed during audits, and offers to increase efficiency and productivity of internal control, risk management and corporate governance systems, to enhance activity of the Company and SDCs;

4.2.8. monitoring of accomplishment of plans of correcting events directed on elimination of infringements and lacks, revealed during checks, and realisation of recommendations and offers on enhancement of activity of the Company and SDCs;

4.2.9. organisation and carrying out of post-audits concerning business processes (lines of business), business functions, projects/plans/programs, structural and isolated divisions and other auditees.

4.3. Regarding granting of independent and objective guarantees concerning efficiency of internal control, risk management and corporate governance systems, and also assistance to executive powers and employees of the Company in development and monitoring of execution of procedures and events for enhancement of internal control, risk management and corporate governance systems by the Company:

4.3.1. the internal control system performance evaluation, including:

- estimation of a condition of the internal (control) environment in the Company (including estimation of such elements of the control environment, as internal control system philosophy, honesty and ethical values, organizational structure, distribution of powers and responsibility, staff management);

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- evaluation of performance of realisation of the policy in the field of internal control;
- estimation of a process of a goal setting in the Company, including determination of adequacy of criteria applied to analysis of degree of execution (achievement) of targets in view;
 - revealing of lacks of the internal control system, which have not allowed (do not allow) to achieve goals in view;
 - risk management process estimation;
 - estimation of questions of organisation, construction and accomplishment of internal controls (control procedures) built in processes;
 - estimation of questions of organisation of information interaction (information exchange process) in the Company;
 - estimation of the process of organisation of monitoring in the Company, including results of implementation (realisation) of events for elimination of infringements and lacks, and also results of enhancement of the internal control system;

4.3.2. the risk management system performance evaluation, including:

- check of sufficiency and maturity of elements of the internal control system in the Company for efficient management of risks, including concerning organisation of processes, goals and tasks setting, realisation of provisions of the risk management policy, means of automation, standard-methodological provision, interaction of structural divisions within the risk management system, reporting, infrastructure, including organizational structure, etc.;
- check of completeness of revealing and correctness of assessment of risks at all levels of management of the Company;
- check of efficiency of control procedures of the Company and other events for risk management, including efficiency of use of resources allocated for these purposes;
- information analysis carrying out about the implemented risks in the Company (including infringements revealed by results of checks, facts of non-achievement of targets in view, facts of legal proceedings, etc.);

4.3.3. the corporate governance estimation, including:

- check of observance of ethical principles and corporate values of the Company;
- check of an order of goals setting of the Company and monitoring/control over their achievement;
- check of a level of standard provision and procedures of information interaction (including, concerning risk management and internal control) at all levels of management of the Company, including interaction with stakeholders;
- check of provision of shareholders’ rights, including affiliated companies, and efficiency of mutual relations with stakeholders;

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– check of procedures of information disclosure on the Company’s activity;
4.3.4. granting of consultations to executive powers of the Company concerning the internal control, risk management and corporate governance (while preserving independence and objectivity of internal audit).

4.4. Internal audit functions regarding the organisation of effective interaction of the Company with the external auditor of the Company, the Company’s Audit Commission, and also with persons rendering consulting services in risk management, internal control and corporate governance are reflected in section 8 «Interaction of internal audit with stakeholders» of this Policy.

4.5. Internal audit functions regarding preparation and granting to the Board of Directors (to the Audit Committee) and to the Company’s executive powers (Chief Executive Officer/Management Board) of reports by results of internal audit activity are reflected in section 8 «Interaction of internal audit with stakeholders» of this Policy.

4.6. Internal audit performs other functions directed on goal achievement and solution of tasks, specified by this Policy.

5. Principles of realisation of the internal audit function. The internal audit accountability

5.1. Internal audit function realisation in the Company is performed on the basis of observance of the following main principles:

- independence;
- honesty;
- objectivity;
- confidentiality;
- professional competence.

The specified principles are detailed in the Code of ethics of internal auditors of the Group of Companies of Rosseti (the appendix to this Policy).

5.2. At realisation of the internal audit function independence is reached by differentiation of functional and administrative subordination of internal audit.

Internal audit is functionally subordinated to the Board of Directors, and administratively - to Chief Executive Officer of the Company.

5.2.1. The Board of Directors within the competence, specified by the Articles of Association of the Company, performs the control and organisation of activity of the internal audit division, including:

- approves this Policy and changes to the Policy;
- annually approves the plan of activity of internal audit, the report on accomplishment of the plan of activity of internal audit and the budget of the internal audit division;

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- approves decisions on appointment, exemption from a post, and also determines compensation of Head of the internal audit division;
- considers essential restrictions of powers of internal audit or other restrictions capable negatively to affect realisation of activity of internal audit.

5.2.2. The information on a course of accomplishment of the plan of activity of internal audit and results of realisation of the internal audit function, and also on other aspects influencing the activity of internal audit, is given to the Audit Committee at least once a quarter.

Head of the internal audit division at least once a quarter holds meetings with the Audit Committee or its Chair on the questions which are within the competence of internal audit.

5.2.3. Administrative subordination of internal audit to Chief Executive Officer of the Company provides for, including:

- allocation of necessary funds within the approved budget on internal audit realisation;
- receipt of reports on internal audit activities;
- administration of policies and procedures of activity of the internal audit division;
- rendering of support in interaction of the internal audit division with divisions of the Company and SDCs.

5.3. Provision of independence and objectivity of internal audit in the Company is performed by means of:

5.3.1. direct access of Head of the internal audit division to the Board of Directors (to the Audit Committee), to Chief Executive Officer;

5.3.2. differentiation of powers and obligations of internal audit from activity of other structural divisions of the Company, including, as follows:

- obligations which have been not connected with realisation of internal audit cannot be assigned to Head of the internal audit division;
- the composition of the structural internal audit division cannot include divisions and employees whose activity is not connected with internal audit realisation;

5.3.3. absence of restriction of powers of internal audit, including at determination of the plan of activity of internal audit and volume of conducted audit inspections, access rights to the documentation, employees and assets of the Company, resource restriction to realise internal audit;

5.3.4. provision of individual objectivity and independence of internal auditors by means of carrying out of events directed on prevention of potential and existing conflicts of interests and biased attitude, including prohibition on carrying out of check of those areas for which the auditor bore responsibility for a year prior to the audit, internal audit estimation.

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5.4. Internal audit does not cancel and does not duplicate functions of other employees and divisions of the Company and SDCs, including regarding realisation of functions of the current and preventive control by them. Internal audit has no right to participate in the coordination and decision making within the realisation of financial and economic activity of the Company and SDCs.

5.5. The Company implements a risk-focused approach to the internal audit function realisation, providing planning and carrying out of verifying events on the basis of risk assessment – for concentration of attention on the most vulnerable objects and lines of business (transition from "periodic" checks to checks on key problems and questions).

5.6. At audit inspection carrying out the approaches providing an optimum ratio of applied methods and resources should be observed, and also reasonable sufficiency of volume and character of used audit procedures for audit inspection goal achievement.

5.7. The Company aspires so that costs for internal audit not to exceed the advantages received as a result of realisation of audit activity.

6. Requirements to internal auditors

The following requirements are made to employees of the internal audit division - internal auditors:

6.1. Requirements to qualification

Internal auditors, preferably, should have:

- higher economic (financial) or juridical education received in the Russian organisations of higher education, having the state accreditation, generally accepted foreign organisations of higher education;
- a certificate of the auditor/certificate of the professional accountant, issued according to requirements of the legislation of the Russian Federation, or a CIA certificate of the International Institute of internal auditors/qualification of the internal auditor, confirmed with the International federation of accountants - IFAC, or other similar certificates/diplomas;
- necessary for goal achievement and accomplishment of tasks of internal audit of knowledge and skills, including about key risks and control procedures, about branch specificity in volume, sufficient for accomplishment of tasks in view;
- membership in a professional association of internal auditors.

6.2. Requirements to personal qualities

Internal auditors should possess a set of the following personal qualities:

- faultless business (professional) reputation;
- decency – to be truthful, sincere, fair, constrained and reasonable;
- openness – to perceive alternative ideas or points of view;
- diplomacy – to be able to co-operate tactfully with people;

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- attentiveness and observation – to notice characteristic and essential details;
- persistence – to be persevering, focused on goal achievement;
- resoluteness – in due time to make decisions on the basis of logic reasons and analysis;
- independence – to act and carry out their functions independently, at the same time productively to co-operate with others.

6.3. Requirements on observance of the Code of ethics of internal auditors

At accomplishment of the professional obligations the internal auditor should be guided by the Code of ethics of internal auditors of the Group of Companies of Rosseti (the appendix to this Policy). Conformity assessment of activity of internal auditors to requirements of the Code of ethics is conducted according to the Program of estimation (guarantee) and improvement of quality of activity of the internal audit developed and applied in the Company.

7. Powers and responsibility of internal audit

7.1. At realisation of the activity the head and employees of the internal audit division possess the following powers:

7.1.1. to receive an unimpeded access to any assets, documents, accounting statements, information systems and resources and other information on activity of the Company and SDCs (including in electronic form) within the limits of accomplishment of the job responsibilities and also to copy corresponding documents and information;

7.1.2. to use information resources and software for internal audit;

7.1.3. to enquire in the Company and SDCs and in due time to receive in writing (on the paper or electronic carrier) documents, materials, explanations and other information according to tasks of checks²;

7.1.4. to get access to all buildings, constructions, premises, offices, areas of production, economic and household purpose of the Company and SDCs for accomplishment of tasks of internal audit;

7.1.5. to perform photo- and video shooting and to produce a sound recording during audit carrying out;

7.1.6. to conduct interview with employees of the Company and SDCs (with preliminary informing of the head of the employee) on the questions connected with realisation of tasks and functions of internal audit;

7.1.7. to receive necessary assistance from employees of the Company and SDCs within the limits of carrying out of checks, including off-schedule, and realisation of other activity of internal audit;

² The specified documents and information should be presented in time not later than 2 (two) working days from the moment of inquiry receipt unless the inquiry sets another term.

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7.1.8. to enquire in the Company and SDCs any information necessary for control over a course of accomplishment of the plan of correcting events for elimination of infringements and lacks revealed by results of audits, and analysis of productivity of correcting events;

7.1.9. to participate in meetings and sessions of working bodies of the Company (committees, commissions, working groups, etc.) under condition of preserving of the balance of independence and objectivity of internal audit and non-involvement into the Company's operational activity;

7.1.10. to develop and make offers concerning vocational training, retraining and advanced training of internal auditors;

7.1.11. to demand from persons responsible for elimination of the revealed infringements and lacks:

- timely development, approval and execution of actions plans on elimination of the revealed infringements and lacks;
- timely granting of status reports on accomplishment of events;
- provision of specifying or confirming information and documents under the status of accomplishment of actions plans;

7.1.12. to perform other actions necessary for goal achievement and solution of tasks of internal audit.

7.2. Head of the internal audit division has the right:

7.2.1. to participate in sessions/meetings of the Board of Directors, Committees of the Board of Directors, the Company's executive powers;

7.2.2. to get acquainted with current and perspective plans/programs of activity, reports on accomplishment of plans and programs, drafts of decisions and resolutions of the Board of Directors, Committees of the Board of Directors and the Company's executive powers;

7.2.3. to involve in an order, established by internal documents of the Company, employees of structural divisions of the Company and SDCs as experts, third party experts to solve separate tasks within the limits of internal audit activity.

7.3. With a view to exclude origin of the conflict of interests the head and employees of the internal audit division should abstain from:

7.3.1. carrying out of check of those spheres of activity for which they bore responsibility within a year prior to the check;

7.3.2. participation in checks and other tasks in case of availability of financial, property, related or any other interest in activity of auditees;

7.3.3. participation in any activity which could cause a damage of their impartiality or perceived as causing such damage;

7.3.4. managements of employees of other divisions except as specified when these employees are appointed to participate in accomplishment of check or other tasks within the limits of internal audit activity.

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7.4. The head and employees of the internal audit division, as part of the implementation of action plans, must apply the International Principles of Professional Practice of Internal Auditing adopted by the International Institute of Internal Auditors, including the basic principles of professional practice of internal auditing, the Code of Ethics, Standards and the Definition of Internal Audit.

7.5. The head and employees of the internal audit division have no right:

7.5.1. not to disclose all material facts known for them which in case of concealment can deform the audit report data;

7.5.2. to use or disclose confidential information without corresponding powers for that unless disclosure of such information is provided by legislation requirements.

7.6. In case of origin of essential restrictions of powers of the internal audit division or other restrictions capable negatively to affect activity of internal audit, and also the conflict of interests, employees of the internal audit division inform Head of the internal audit division on the specified facts, who in turn informs the Board of Directors (Audit Committee), Chief Executive Officer of the Company, and also Head of the internal audit division of PJSC «Rosseti».

7.7. In the event that the right to carry out certain inspections or certain tasks of the Company's internal audit is transferred to an outsourcing company, the responsibility for their implementation and results is assigned to the Company's Head of the internal audit division.

7.8. Head of the internal audit division is responsible for the formation of an opinion on the reliability and efficiency of risk management and internal control, the efficiency of corporate governance in the Company.

7.9. Responsibility of the head and employees of the internal audit division is determined by conditions of employment contracts, job descriptions, position about internal audit division, other organizational-administrative, internal normative documents of the Company and includes (but not limited) responsibility for poor-quality and untimely accomplishment of the tasks assigned to them and functions, failure to meet labour discipline requirements, loss and/or damage to material assets and documents, disclosure of the data constituting secret, protected by laws of the Russian Federation and internal documents of the Company.

8. Interaction of internal audit with stakeholders

8.1. Internal audit within the limits of the activity performs interaction with the Board of Directors (Audit Committee) in the following main directions:

8.1.1. carrying out of internal audits on the basis of the plan of activity of the internal audit approved by the Board of Directors (tentatively considered by the Audit Committee);

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8.1.2. carrying out of other checks, accomplishment of other tasks according to decisions/instructions of the Board of Directors (Audit Committee) within the internal audit competence;

8.1.3. realisation of the right of Head of the internal audit division on participation in sessions of the Board of Directors (Committees under the Board of Directors), and also direct access to the Board of Directors (to the Audit Committee);

8.1.4. provision of preliminary consideration by the Audit Committee (for further submission for approval by the Board of Directors) of the plan of activity of internal audit, the report on accomplishment of the plan of activity of internal audit and the budget of the internal audit division, and also policies/changes in the Company's policy in the field of internal audit;

8.1.5. presentation to the Audit Committee of reports on a course of accomplishment of the plan of activity of internal audit (including with the information on results of separate auditor and auditing checks, revealed substantial risks, lacks, results and efficiency of accomplishment of events for elimination of the revealed lacks, about results of realisation of the internal audit function, and also about other aspects mentioning the activity of internal audit);

8.1.6. provision of submission for consideration of the Board of Directors (Audit Committee) of results of an annual estimation of a condition and efficiency of internal control, risk management and corporate governance systems, the basic tendencies in activity of the Company and SDCs; practice of realisation of the internal audit function in the Company, including the information on availability/absence of restrictions of activity and on provision of independence of internal audit and sufficiency of resource provision;

8.1.7. carrying out at least once a quarter of a meeting of Head of the internal audit division with the Audit Committee or its Chair on the questions which are within the competence of internal audit;

8.1.8. provision to the Board of Directors (to the Audit Committee) of results of internal and external quality evaluations of activity of internal audit.

8.2. Internal audit performs interaction (at least once a year) with the Company's executive powers in the following basic directions (at preserving of the balance of independence and objectivity of internal audit and non-involvement in operational activity of the Company):

8.2.1. carrying out of checks, accomplishment of other tasks according to the plan of activity of internal audit and orders of executive powers of the Company (within the internal audit competence);

8.2.2. realisation of the right of Head of the internal audit division on participation in meetings/sessions of executive powers of the Company, and also direct access to Chief Executive Officer of the Company;

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8.2.3. informing on results of checks, representation of recommendations about elimination of infringements and lacks revealed during checks, and offers on increase of efficiency and productivity of internal control, risk management and corporate governance systems, on enhancement of activity of the Company and SDCs.

8.3. Internal audit performs interaction with the external auditor of the Company in the following basic directions:

8.3.1. quality evaluation of work of the external auditor, preparation of the conclusion by results of the given estimation, representation of results of an estimation for consideration by the Audit Committee, provision of informing of interested persons;

8.3.2. participation in determination of selection and qualifying criteria, consideration of the tender documentation, determination of essential agreement provisions and carrying out of an open tender to choose the external auditor of the Company;

8.3.3. rendering of assistance to the external auditor in granting of the information on an internal control system condition in the Company;

8.3.4. participation in discussion of conclusions of the external auditor about an internal control system condition;

8.3.5. participation in settlement of disagreements arising during external audit inspections;

8.3.6. carrying out at least once a year of meetings with the external auditor of the Company, in particular at carrying out of an estimation of the conclusion of the external auditor under the accounting (financial) statements of the Company.

8.4. Internal audit performs interaction with the Company's Audit Commission in the following basic directions:

8.4.1. organisation and coordination of interaction of structural divisions of the Company with the Company's Audit Commission;

8.4.2. preparation and granting of information and conclusions within the limits of the internal audit competence;

8.4.3. organizational support of activity of the Audit Commission;

8.4.4. organisation of development of correcting events for results of auditing checks directed on elimination of revealed infringements/lacks and realisation of recommendations of the Audit Commission;

8.4.5. control over execution of correcting events directed on elimination of revealed infringements/lacks and realisation of recommendations of the Audit Commission.

8.5. Internal audit interacts with the division (divisions) performing methodological provision and coordination of activity under the internal control and risk management, including on information exchange on risks, construction of

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control procedures, accomplishment of requirements and procedures established in the Company.

8.6. Internal audit interacts with other participants of an internal control system of the Company on the questions which are within the competence of internal audit, and also with other stakeholders performing monitoring and estimation of the internal control system on separate lines of business.

8.7. With a view of forming and application of uniform approaches to construction, management and coordination of the internal audit function in the Group of Companies of Rosseti the internal audit division of the Company performs interaction with the internal audit division of PJSC «Rosseti» - the shareholder of the Company responsible for implementation of the Strategy of development of the electric grid complex of the Russian Federation, approved by Order of the Government of the Russian Federation from 03.04. 2013 №511-r to execute Decree of the President of the Russian Federation from 22.11.2012 № 1567 «About Open Joint Stock Company «Russian Grids», in the following basic directions (taking into account compliance with the law about joint stock companies, corporate requirements and restrictions):

8.7.1. participation in development of uniform requirements to approaches on internal audit function realisation in the Group of Companies of Rosseti;

8.7.2. initiation of development and timely update of the Articles of Association of the Company, the Regulation about the Audit Committee of the Board of Directors of the Company, the Internal Audit Policy of the Company and other normative documents of the Company regarding questions of control, internal audit organisation and functioning;

8.7.3. participation in development of uniform documents of methodological character (guidelines, instructions, provisions, standards and other documents), determining approaches and principles of realisation of the internal audit function and regulating the internal audit activity;

8.7.4. realisation of practice of carrying out of thematic audits by all electric grid companies entering into the Group of Rosseti, on a concrete theme according to the uniform program of audit.

8.8. Head of the internal audit division develops the scheme (card) of interaction of subjects of the internal control and other stakeholders performing monitoring and estimation of the internal control system on separate lines of business («the card of guarantees») - the document determining spheres of responsibility of subjects of the internal control system and other stakeholders concerning separate risks of the company.

8.9. Internal audit interacts with the state supervising bodies, and also with other stakeholders in an order provided by the legislation of the Russian Federation and corresponding internal normative documents of the Company, on the questions which are within the competence of internal audit.

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9. Quality control and estimation of activity of internal audit

9.1. With a view of provision of reasonable monitoring and estimation of activity of internal audit, and also revealing of directions of its enhancement the head of internal audit develops and implements the program of estimation (guarantee) and improvement of internal audit quality within which the following is performed:

9.1.1. continuous monitoring of quality of activity of internal audit;

9.1.2. periodic internal and external quality evaluations of activity of internal audit.

9.2. At carrying out of continuous (current) monitoring of quality the head of internal audit performs:

9.2.1. supervision over accomplishment of checks and other activity of internal audit;

9.2.2. selective expert evaluation of working documents generated during the course of performance of check, including check of completeness of reflection of necessary auditor proofs on observations and conclusions made during the course of performance of audit procedures;

9.2.3. interaction with checked divisions and other stakeholders on the questions which are within the competence of internal audit;

9.2.4. other actions necessary for the continuous (current) analysis and estimation of activity of internal audit.

9.3. Periodic internal quality evaluations of work of internal audit are conducted by internal audit by means of self-estimation at least once a year.

9.4. External quality evaluation of activity of internal audit is produced by the independent external expert at least once every five years.

9.5. Results of internal and external estimations are given to the Board of Directors (to the Audit Committee).

10. Standard provision of activity of internal audit

10.1. The regulation of activity of internal audit is performed in the Company by means of development and implementation of the following main documents which are based on sample documents, approved by PJSC «Rosseti»:

10.1.1. this Policy;

10.1.2. the Code of ethics of internal auditors of the Group of Companies of Rosseti establishing principles and expectations, determining behaviour of internal auditors at accomplishment of their job responsibilities;

10.1.3. Regulations about the internal audit division being an organizational and personnel document of the Company and determining organizational matters of activity of internal audit;

10.1.4. job descriptions of employees of the internal audit division;

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- 10.1.5. Guidelines on planning of activity of internal audit;
- 10.1.6. Guidelines on carrying out of internal audit inspections;
- 10.1.7. Programs of estimation (guarantee) and improvement of quality of activity of internal audit;
- 10.1.8. Schemes (cards) of interaction of internal audit with subjects of the internal control system and other stakeholders performing monitoring and estimation of the internal control system on separate lines of business («cards of guarantees»);
- 10.1.9. Guidelines, instructions, provisions, standards and other documents determining approaches and principles of realisation of the internal audit function and regulating activity of internal audit.

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The Code of ethics of internal auditors of the Group of Companies of Rosseti

PRINCIPLES

Internal auditors should adhere to the following principles.

1. Integrity.

The integrity of the internal auditor is the foundation on which the credibility of the auditor's opinion is based.

2. Objectivity.

Internal auditors demonstrate the highest level of professional objectivity in the process of collecting, evaluating and transmitting information about the auditee. Internal auditors make a balanced assessment of all relevant circumstances and in their judgments are not affected by their own interests or those of others.

3. Confidentiality.

Internal auditors respect the ownership of the information they receive in the course of their activities and do not disclose the information without the appropriate authority, unless disclosure of such information is dictated by legal or professional obligations.

4. Professional competence.

Internal auditors apply the knowledge, skills and experience necessary to provide services in the field of internal audit.

BEHAVIOUR RULES

1. Integrity.

Internal auditors:

1.1) must carry out their work honestly, in good faith and responsibly;

1.2) must act within the framework of the law and, if required by law or professional standards, disclose relevant information;

1.3) must not knowingly participate in events or actions that discredit the profession of an internal auditor or their organization;

1.4) must respect the legally and ethically justified goals of their organization and contribute to their achievement.

2. Objectivity.

Internal auditors:

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2.1) must not participate in any activity that could prejudice their impartiality or be perceived as causing such damage. This also applies to activities and relationships that may conflict with the interests of the organization;

2.2) must not accept as a gift anything that could harm their professional opinion or be perceived as causing such damage;

2.3) must disclose all material facts known to them which, if not disclosed, may distort reports on the auditee.

3. Confidentiality.

Internal auditors:

3.1) must be reasonable and prudent in the use and storage of information received in the course of performance of their duties;

3.2) must not use the information for personal interests or in any other way that is contrary to the law or that could be detrimental to the achievement of the organization's legally and ethically justified goals.

4. Professional competence.

Internal auditors:

4.1) should participate only in those tasks for which they have sufficient professional knowledge, skills and experience;

4.2) must provide internal audit services in accordance with the International Professional Standards for Internal Auditing;

4.3) must continuously improve their professionalism, as well as the efficiency and quality of the services provided.

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