

Appendix # 5
to the decision of the Board of Directors of IDGC of Centre, PJSC
Minutes from 01.03.2016 # 04/16

**Internal Control Policy of
IDGC of Centre, PJSC
(new edition)**

P BP 1/03-02/2016

Data on the document

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Developed by	Internal Audit and Control Department
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1. General provisions

1.1. The Internal Control Policy of IDGC of Centre, PJSC (hereinafter - the Policy) is a document of IDGC of Centre, PJSC (hereinafter - the Company), establishing general principles of construction of a system of internal control (hereinafter - the Internal Control System), its purposes and tasks, general approaches to organisation, responsibility distribution among participants of the Internal Control System and character of their interaction.

1.2. The Policy is based on the best practices, experience of the advanced world and Russian companies and is further developed and with a view of realisation of provisions of the Strategy of development and enhancement of the internal control system of PJSC "Rosseti" and affiliated and dependent companies of PJSC "Rosseti", approved by the decision of the Board of Directors PJSC "Rosseti" from 10.02.2014 (Minutes № 143), 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.

1.3. Terms and definitions

For the purpose of uniform understanding and use of terms in the field of internal control the terms and definitions are stated in Appendix 1 to this Policy.

Terms and definitions in the field of internal audit are fixed by the Policy of internal audit of the Company, approved by the Company's Board of Directors.

The terms and definitions in the field of management of risks are fixed by the Risk Management Policy of the Company, approved by the Company's Board of Directors.

1.4. The purposes of the Policy of internal control

This Policy is developed for the purpose of provision of implementation and maintenance of functioning of an effective system of internal control corresponding to conventional practices and standards of activity in the field of internal control, and also to requirements of regulators, and promoting achievement of the purposes of activity of the Company.

1.5. Scope of the Policy of internal control

This Policy extends on all participants of the internal control process, specified in section 4 of this Policy. The Policy is obligatory to application by all structural divisions and the Company's branches.

The internal documents of the Company regulating activity, influencing the system of internal control, should correspond to the Policy provisions.

1.6. Order of preparation and approval of the Policy of internal control

The Policy is approved by the Board of Directors of the Company with preliminary consideration by the Audit Committee of the Board of Directors of the Company.

1.7. Order of modification of the Policy of internal control

Changes are brought in the Policy at change of:

- purposes and tasks of the internal control system;
- functions of participants of the internal control process;

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- requirements of the legislation and instructions of regulating executive authorities;
- other internal and external factors influencing the activity and system of internal control of the Company.

At modification a new edition of the Policy is approved.

Initiators of modification of the Policy can be heads of structural divisions of the Company, executive powers, the Audit Committee of the Board of Directors of the Company, the Company’s Board of Directors, and the Company’s Audit Commission.

Preparation and consolidation of offers on modification of the Policy and development of a new edition of the Policy is assigned to the head of the internal control division.

1.8. The list of documents, statutory acts and accepted standards according to which the Policy is developed and which are applied at realisation of the internal control process in the Company:

- The Articles of Association and internal standard documents of the Company;
- 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 25.12.2008 № 273 «About corruption counteraction»;
- 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»;
- Order of the Russian Federation Governmental from 23.09.2002 № 696 «About approval of federal rules (standards) of auditor activity»;
- Order of the Federal Commission for Securities Market of Russia from 30.07.2013 № 13-62/pz-n «About the order of admission of securities to organised trades»;
- 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 N 07-04-15/57289);
- Order of Rosimushchestvo from 21.11.2013 № 357 «About the approval of Methodical recommendations about organisation of work of the Board of Directors in a joint stock company»;
- 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 16.09.2014 № 350 «About the approval of Methodical recommendations about forming the Provision about the Audit Commission of a joint stock company with participation of the Russian Federation»;

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- 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»;
- Methodical instructions of Rosimushchestvo on preparation of a provision about the internal audit, approved by Order of the Russian Federation Government from 24.06.2015 № ISH-P13-4148;
- Methodical instructions of Rosimushchestvo on preparation of a provision about a risk management system, approved by Order of the Russian Federation Government from 24.06.2015 № ISH-P13-4148;
- The national standard GOST R ISO 31000:2010 «Risk management. Principles and guidelines» (Order of Federal Agency on Technical Regulating and Metrology from 21.12.2010 № 883-st);
- The national standard of GOST R ISO 31010:2011 «Risk management. Methods of estimation of risk» (Order of Federal Agency on Technical Regulating and Metrology from 01.12.2011 № 680-st);
- Concept COSO «Guidance on Monitoring Internal Control Systems» (2009);
- Concept COSO «Internal Control – Integrated Framework» (2013);
- Concept COSO «Enterprise Risk Management - Integrated Framework» (2004);
- 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).

1.9. The Policy is a basis for development of internal methodological and administrative documents regulating the process of organisation of the internal control system and in details describing techniques and tools in the field of internal control.

2. Determination, purposes and tasks of the internal control system

2.1. The internal control system is a set of organizational measures, techniques and procedures created and used for effective realisation of the internal control.

The internal control is a process performed by the Board of Directors of the Company, the Company’s Audit Commission, joint and individual Company’s executive powers, heads and employees at all levels of management of the Company, directed on provision of reasonable guarantees of achievement of the purposes of the Company.

The internal control is a continuous and cyclic process as a part of a general control system of the Company. The internal control is a component of a risk management system of the Company.

The system of internal control covers all lines of activity of the Company, control procedures should be carried out constantly in all processes (lines of activity) of the Company at all levels of management.

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2.2. The purposes of the internal control system

The purpose of the internal control system in the Company is provision of reasonable confidence of achievement of the targets established for the Company:

- provision of efficiency and productivity of activity of the Company, safety of assets of the Company;
- observance of applicable to the Company requirements of the legislation and local regulations of the Company, including at fulfilment of economic activities and accounting record-keeping;
- provision of reliability and timeliness of accounting (financial) and other reporting.

Strategic targets are not a part of the internal control. Strategy approval is a necessary condition for realisation of the internal control.

The system of internal control should provide an objective, fair and clear idea of a current condition of the Company, integrity and transparency of the reporting of the Company.

2.3. Tasks of the internal control system

The tasks of the internal control system are:

- provision of reliable, qualitative and accessible power supply of consumers;
- provision of safety of environment and safety of personnel and third parties at realisation of the activity by the Company;
- provision of accomplishment of financial and economic plans of the Company by the most effective and economic way (by construction of effective processes (lines of activity));
- provision of development and implementation of effective control procedures, allowing to lower the risks connected with activity of the Company, to a level, not above a preferable risk (risk-appetite);
- provision of effective prevention, revealing and elimination of infringements at realisation by the Company of the activity and carrying out of financial and economic operations;
- provision of safety of assets of the Company, provision of effective use of resources of the Company, provision of protection of interests of the Company, counteraction to unfair actions of employees of the Company and third parties;
- provision of prevention or revealing of deviations from the established rules and procedures, and also distortions of accounting data, accounting (financial) and other reporting;
- provision of observance of requirements of the legislation, applicable to the Company's activity, observance of internal policies, regulations and procedures of the Company;
- provision of accuracy, completeness, reliability and timeliness of forming, communicating / representation of information and all kinds of reporting of the Company, established by the applicable legislation and standard documents of the Company.

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2.4. The purposes and tasks of the internal control system can change in process of development and enhancement of the internal control process. Revision of the purposes and tasks of the internal control system about their urgency and conformity to a current level of development is performed with periodicity at least 1 time in 5 years.

2.5. Subjects of the internal control system are participants of the internal control process, composition and functions of which are detailed in section 4 of this Policy.

Objects of the internal control are production, financial and economic and other activity of the Company, assets, obligations, accounting and other reporting.

2.6. Activity of the Company in the field of internal control and efficiency of achievement of purposes of the Internal Control System is influenced by the following restrictions:

- Environment restrictions. The internal control acts at various levels and is directed on achievement of various purposes. Some events and conditions, having considerable influence on achievement of the purposes, are beyond the Company’s control.

- Restriction of the internal environment, including efficiency of corporate governance, degree of adequacy of the purposes specified as initial conditions for realisation of the internal control, subjectivity of judgements at decision-making concerning a choice of control measures, action of the human factor, restriction of resources and necessity connected with it to consider costs for the internal control and benefits from development of actions within the limits of any of components of the internal control.

3. Components and principles of the internal control

3.1. The basic components (elements) of the internal control are:

- Control environment – a set of principles and standards of activity of the Company which determine general understanding of the internal control and the requirement to the internal control at the Company’s level as a whole and form a basis for realisation of the internal control.

- Estimation of risks – a process of revealing and analysis of risks.

- Control events (procedures of the internal control, control procedures) – actions and events directed on decrease of risks to a level, not above a preferable risk (risk-appetite), and also on prevention and revealing of deviations, errors and abusings, developed and established so that to provide a reasonable guarantee of that reaction to arising risk that is effective and in due time. Control procedures will be organised mainly taking into account possibility of preventive revealing of risks or infringements and are performed taking into account their expediency and cost efficiency.

- Information and communication – systems of information and communication help perform search, collection and information interchange in volume, a format and terms allowing the management and other employees to carry

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out their obligations. Trustworthy information is communicated to employees of the Company and all interested parties in due time, in necessary volume and in a clear format for perception. Communication represents distribution of information necessary for accepting of administrative decisions and realisation of the internal control. Communication is performed both inside, and outside the Company.

– Monitoring – constant check, supervision, critical examination, inspection and determination of a condition of control procedures, separate components (elements) of the internal control and system of internal control to reveal changes concerning a required or expectational level.

It is necessary that all components (elements) function in a jointly integrated way. Joint functioning means that all five components are interdependent and jointly reduce risks of non-achievement of a specific goal to an acceptable level.

3.2. The basic concepts connected with components (elements) of the internal control are principles of the internal control, applicable to the Company purposes, reasonable confidence of achievement of which the Internal Control System is intended to provide.

3.3. Principles of the internal control:

3.3.1. The Company acts honesty and adheres to ethical values.

3.3.2. The Company’s Board of Directors is independent of the management and performs the control over development and functioning of the internal control system.

3.3.3. The Board of Directors determines organizational structure of the Company, including subordination lines, and Chief Executive Officer allocates corresponding powers, obligations and responsibility in the course of achievement of the purposes.

3.3.4. The Company aspires to attraction, development and preservation of competent employees according to targets in view.

3.3.5. The Company establishes responsibility of controls and employees for accomplishment of their obligations in sphere of the internal control in the course of achievement of the purposes.

3.3.6. The Company determines accurate purposes, which allows to identify and estimate risks interfering their achievement.

3.3.7. The Company identifies risks interfering achievement of a complete spectrum of the purposes, performs analysis and estimation of risks for decision-making on necessity of influence on risk, establishment of a priority of influence on risk, and also decision-making on methods of reaction to risk.

3.3.8. The Company considers swindle possibility at estimation of risks interfering achievement of targets in view.

3.3.9. The Company determines and estimates changes which can have considerable influence on the system of internal control.

3.3.10. The Company chooses and develops control procedures, which allow to lower risks interfering achievement of the purposes to an acceptable level.

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3.3.11. The Company chooses and develops general procedures of control over corporate and technological automated systems for achievement of targets in view.

3.3.12. The Company implements control procedures by means of development of standard documents, which determine expectational results, and procedures by means of which requirements of standard documents are implemented.

3.3.13. The Company receives or forms and uses significant and qualitative information for maintenance of functioning of the internal control.

3.3.14. The Company performs internal information interchange, including information on the purposes and obligations in the field of internal control which is necessary for its functioning.

3.3.15. The Company performs information interchange with outer parties on questions influencing functioning of the internal control.

3.3.16. The Company organises and conducts continuous and/or periodic estimation of components (elements) of the internal control to make sure that they are available and work.

3.3.17. The Company estimates lacks of the internal control and in due time informs about them of the parties responsible for realisation of correcting actions, including executive powers and the Board of Directors.

3.4. At the organisation, functioning and development of the internal control system the Company aspires to follow the main principles and approaches reflected in the Concept COSO «Internal Control – Integrated Framework» (2013), 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 N 07-04-15/57289).

3.5. The components specified in this section and the principles, underlying construction and functioning of the Internal Control System, are uniform and should be observed at all levels of the Company.

4. Participants of the internal control process and their function

4.1. Participants of the internal control process are:

- the Company’s Audit Commission;
- the Company’s Board of Directors;
- the Audit Committee of the Board of Directors of the Company;
- other committees of the Board of Directors of the Company;
- executive powers (the Company’s Management Board, General Director of the Company);
- joint working bodies created by executive powers of the Company for accomplishment of concrete functions (commissions, working groups, etc.);
- heads of units and structural divisions of the Company;

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- employees of structural divisions of the Company, who perform control procedures because of their job duties;
- internal control division;
- internal audit division.

Roles of participants of the internal control process are differentiated depending on their participation in corresponding stages of the internal control process.

Enhancement of the Internal Control System and accomplishment of control procedures is based on the effective and co-ordinated interaction of all participants of the internal control process at all levels of management.

Thus responsibility should be differentiated, each control function should be fixed to one participant of the internal control process.

4.2. The Company’s Audit Commission performs the control over financial and economic activity of the Company by which results performs preparation of offers / recommendations about enhancement of the internal control system, and also performs an independent estimation of reliability of the data contained in the annual report of the Company and in annual accounting statements of the Company.

4.3. The Company’s Board of Directors:

- determines principles and approaches to the organisation of the internal control system of the Company, including approves the internal documents of the Company determining the organisation and strategy of development and enhancement of the Internal Control System, approves the Policy of internal control of the Company;
- performs the control over activity of executive powers of the Company in the main (priority) directions;
- considers the report of the Management Board on the organisation and functioning of the internal control system of the Company;
- annually considers reports of the internal auditor on effectiveness of the internal control system;
- considers results of an external independent estimation of effectiveness of the internal control system.

4.4. The Audit Committee of the Board of Directors:

- performs preliminary consideration, before the approval by the Board of Directors, of the internal documents of the Company determining the organisation and strategy of development and enhancement of the internal control system of the Company, Policy of internal control and subsequent changes to them;
- performs preliminary consideration, before consideration by the Board of Directors, of results of estimation of effectiveness of the internal control system according to the report of the internal auditor on effectiveness of the internal control system, and also the information on results of carrying out of an external independent estimation of effectiveness of the internal control system, prepares offers / recommendation about enhancement of the internal control system of the Company;
- performs the control over the internal control system regarding consideration of the questions connected with the control over reliability of the

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accounting (financial) reporting of the Company, the choice of the external auditor and external audit carrying out, the provision of observance of standard legal requirements, regarding consideration of the report of the Management Board on the organisation and functioning of the internal control system, and also regarding consideration of the questions connected with analysis and estimation of execution of this Policy.

4.5. Other committees of the Board of Directors of the Company within the limits of their competence, established by the Board of Directors, perform the control over accomplishment of the established financial and operational indicators, supervision of observance of the applicable legislation, the rules established by local regulations and procedures, and also supervision of reliability and timeliness of the reporting formed by the Company.

4.6. Executive powers (the Company's Management Board, General Director of the Company):

4.6.1. The Company's executive powers perform the following functions in the field of internal control:

- provide creation and effective functioning of the Internal Control System;
- are responsible for accomplishment of decisions of the Board of Directors in the field of organisation of the Internal Control System.

4.6.2. The Company's Management Board:

- forms directions and plans for development and enhancement of the Internal Control System;
- performs reporting preparation about financial and economic activity of the Company, about organisation and functioning of the internal control system of the Company;
- considers results of an external independent estimation of efficiency of the Internal Control System, develops measures on development and enhancement of the Internal Control System.

4.6.3. General Director of the Company:

- approves regulating and methodological documents of the Company concerning the organisation and functioning of the Internal Control System, except for the documents which approval is carried to the competence of the Board of Directors of the Company;
- provides accomplishment of plans of activity of the Company, necessary to solve tasks;
- organises conducting business accounting and management accounting, preparation of accounting (financial) and other reporting;
- submits to consideration of the Board of Directors of the Company the reporting about financial and economic activity of the Company, about the organisation and functioning of the internal control system of the Company.

4.7. The joint working bodies created by executive powers of the Company for accomplishment of concrete functions (commissions, working groups, etc.), within the limits of their powers perform control procedures and/or develop

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recommendations about enhancement of the control procedures, separate components (elements) of the internal control and the system of internal control.

4.8. Heads of units and structural divisions of the Company perform functions on development, documenting, implementation, monitoring and development of the internal control system in functional spheres of activity of the Company, responsibility for the organisation and coordination / realisation of which is assigned to them by standard documents of the Company / provisions about structural divisions, including:

- provide realisation of principles of the internal control;
- organise construction of effective processes (lines of activity), including development and implementation taking into account of revealed risks of new or change of existing control procedures;
- provide regulation of supervised processes (lines of activity);
- organise execution of control procedures;
- perform estimation (monitoring) of accomplishment of control procedures;
- conduct estimation of supervised processes (lines of activity) about necessity of their optimisation for increase of efficiency and conformity to changing conditions of the external and internal environment, organise development of offers on enhancement of control procedures;
- provide elimination of revealed lacks of control procedures and processes (lines of activity).

4.9. Employees of structural divisions the Company who perform control procedures because of their functions:

- perform control procedures;
- provide timely informing of direct heads on cases when execution of control procedures for any reasons became impossible and/or change of design of control procedures in connection with change of internal and /or external operating conditions of the Company is required;
- submit to consideration to their direct management of an offer on implementation of control procedures in corresponding spheres of activity.

4.10. The internal control division performs:

- development and provision of implementation of the basic and methodological documents on construction and enhancement of the internal control system;
- assistance to the management in construction of the control environment, development of recommendations by description and implementation in processes (lines of activity) of control procedures and assigning responsibility to officials;
- activity coordination on maintenance and monitoring of a target condition of the internal control system;
- preparation of the information on a condition of the internal control system for interested parties;
- interaction with the state control-supervising bodies concerning the internal control.

4.11. The internal audit division performs:

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- development, by results of carrying out of internal audit, of recommendations about enhancement of the control procedures, separate components (elements) of the internal control and the system of internal control;
- internal independent estimation of effectiveness of the internal control system and issue of recommendations about increase of efficiency and productivity of the internal control system.

4.12. The system of internal control of the Company functions according to the model of "three lines of defense".

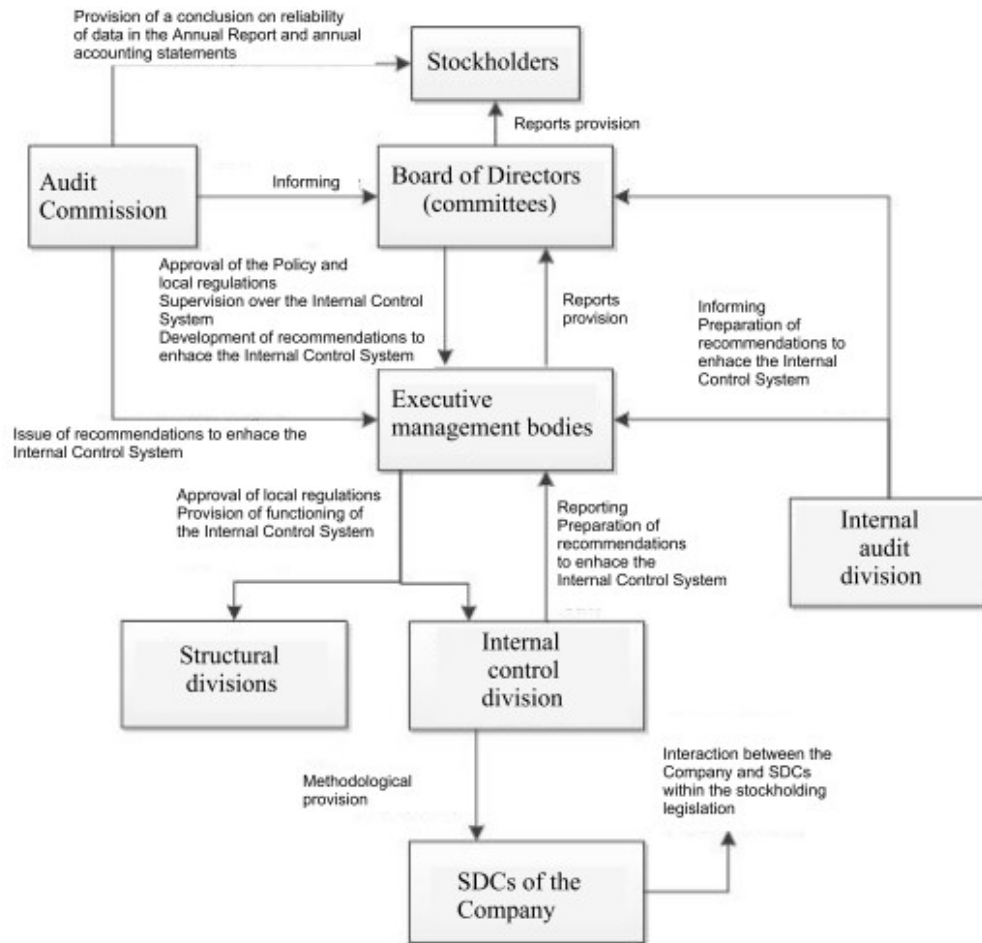
The given model means realisation of the internal control in the Company at three levels:

- at the level of controls (individual and joint executive powers), units and divisions of the Company which perform control procedures because of their functions and job duties - the first line of defense;
- at the level of control divisions of the Company - the second line of defense;
- at the level of the internal audit division - the third line of defense.

4.13. All participants of the Internal Control System bear responsibility for proper organisation and execution of control procedures within the limits of the powers fixed in the Articles of Association of the Company, in this Policy, local regulations of the Company, provisions about structural divisions and duty regulations.

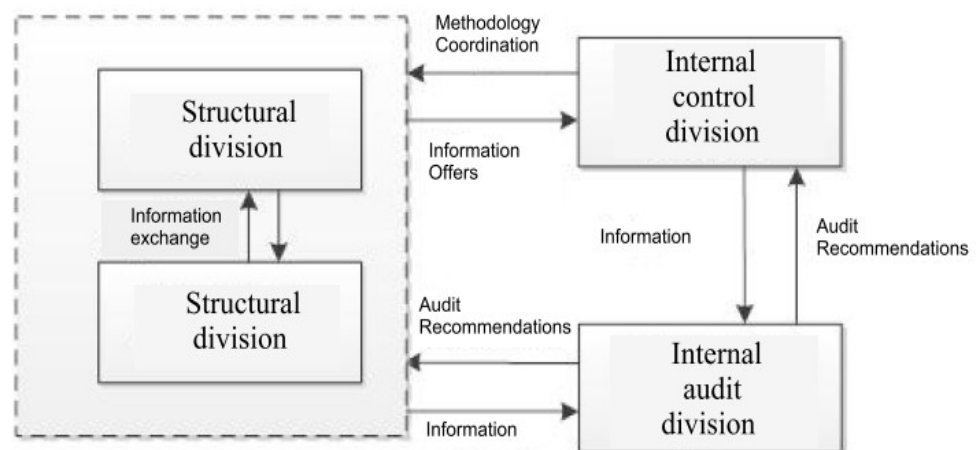
5. Interaction within the Internal Control System

5.1. Interaction between participants of the Internal Control System at various levels of hierarchy (vertical interaction within the Internal Control System):



Vertical interaction within the Internal Control System is performed taking into account the rates fixed in this Policy and in internal documents, regulating activity of participants of the Internal Control System.

5.2. Interaction between structural divisions of the Company within the Internal Control System (horizontal interaction within the Internal Control System):



Horizontal interaction within the Internal Control System is performed taking into account the rates fixed in this Policy and in internal documents of the Company,

regulating an order of interaction of structural divisions of the Company in the internal control process.

5.3. Interaction with external interested parties concerning the internal control

The Company co-operates with external bodies of the control (supervision), external auditors, and also with other external interested parties concerning the internal control in an order provided by the legislation of the Russian Federation and corresponding standard documents of the Company.

6. The main stages of the internal control process

The internal control is a continuous and cyclic process as a part of a general control system of the Company, including the following main stages:

6.1. Construction of the control environment of processes (lines of activity), development and implementation of control procedures

6.1.1. Construction of the control environment of processes (lines of activity), development and implementation of control procedures, including:

- estimation of efficiency of existing processes (check of sufficiency of standard documents and control procedures to avoid and prevent risks, decrease in risks to a level, not above a preferable risk (risk-appetite), or decrease in consequences of realisation of risks;

- development and implementation taking into account the revealed risks of new or change of the existing control procedures performed at various levels of management, including development of general procedures of the control over corporate and technological automated systems. At development of control procedures the conditions of the external and internal environment influencing activity of the Company are considered. Control procedures should be improved and adapted continuously for changes of the internal and external environment;

- formalisation of control procedures in standard documents of the Company. Control procedures at all levels of management and in all processes (lines of activity) should be formalized in standard documents of the Company. Thus formulations of control procedures included in the standard document should, whenever possible, include information on the performer of a control procedure (his or her post), actions made by him or her within the realisation of the control procedure, frequency of accomplishment of the control procedure, sources of the information, documents or objects, subject to the control, and also about documents confirming the fact of accomplishment of the control procedure. The information on control procedures should be reflected in control matrixes the order of forming which is established by a separate methodological document.

6.1.2. Within the Internal Control System preventive, current and subsequent control are performed.

6.1.3. Kinds of the control procedures applied by the Company:

- on realisation time: preventing and revealing;
- on automation degree: automated, semi-automatic (IT dependent manual) and manual;

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- on a significance value: key and not key;
- on a realisation method: authorisation (approval, confirmation), verification, check, differentiation of powers (division of obligations), measures to safeguard assets (physical control), the procedures connected with computer handling of the information and information systems, etc.

6.1.4. The internal control is directed on non-admission of assignment to one person of powers on fulfilment of a control procedure and control over its execution, and also on differentiation of powers on realisation of functions: initiation, authorisation, execution, recording and control over operations.

In a case if differentiation of incompatible powers (division of incompatible obligations) is almost impossible, development of alternative control procedures is required.

6.1.5. Control procedures in the field of information handling should provide completeness, correctness, reliability and timeliness of this information.

6.2. Accomplishment of control procedures

6.2.1. On the basis of standard documents of the Company determining expectational results and a procedure of realization of processes (lines of activity), the control procedures are implemented, which have been built in processes (lines of activity) and current activity of employees.

Thus Responsibility and accountability of the head (or another appointed employee) of the unit / division, in which revealed risks take place, should be established for realisation of control procedures.

6.2.2. Control procedures should be timely, be carried out carefully and consistently by competent employees.

6.2.3. Results of accomplishment of financial and economic operations and control procedures in the Company should be documented and stored properly.

6.2.4. By results of accomplishment of control procedures questions on necessity for correcting or other actions, including directed on elimination of the revealed deviations, errors and abusings, are considered.

6.3. Estimation (monitoring) of efficiency of control procedures

6.3.1. The estimation (monitoring) of efficiency of control procedures includes:

- check of efficiency of design of control procedures;
- check of actual accomplishment of control procedures.

6.3.2. The estimation (monitoring) of efficiency of control procedures can be performed by means of continuous estimation and periodic estimation or their combination.

6.3.3. Continuous estimation of efficiency of control procedures represents certain routine built in a process (line of activity) procedures, performed in a real time mode for reaction to changing conditions.

6.3.4. Periodic estimation of efficiency of control procedures (estimation after certain time intervals) can be conducted by heads of units / structural divisions on processes (lines of activity) supervised by them, and also internal auditors within the limits of carrying out of internal audits.

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6.4. Reaction

6.4.1. In case of revealing of lacks by results of carrying out of estimation (monitoring) of efficiency of control procedures the following main actions should be performed:

- analysis of character and reasons of the revealed lacks;
- carrying out, at necessity, of additional check or testing;
- determination of priorities and making a plan of elimination of the revealed lacks.

6.4.2. The control over completeness and timeliness of elimination of the revealed lacks is performed by heads of units / structural divisions of the Company.

6.4.3. By results of carrying out of estimation (monitoring) of efficiency of control procedures questions on necessity of enhancement of control procedures are considered.

7. Estimation of efficiency of the Internal Control System

7.1. To guarantee that the system of internal control is effective and conforms to objectively changing requirements and conditions, the Company periodically conducts estimation of effectiveness of the internal control system about conformity to a target condition and maturity level. The maturity shows, how much the system of internal control is defined, managed, supervised and effective. Higher level of a maturity testifies to a more effective condition of the internal control system.

7.2. For a condition estimation (maturity level) of the internal control system the criteria are used, which are established by the Strategy of development and enhancement of the internal control system of PJSC "Rosseti" and SDCs, approved by the decision of the Board of Directors of PJSC "Rosseti" from 10.02.2014 (Minutes № 143).

7.3. Forms of estimation of efficiency of the Internal Control System:

- self-estimation;
- internal independent estimation;
- external independent estimation.

7.4. The self-estimation of effectiveness of the internal control system of a concrete process (line of activity) is performed by the head of the unit / structural division, supervising a corresponding process (line of activity).

During the self-estimation availability and work of components (elements) of the internal control within the supervised process (line of activity) are estimated.

The decision on periodicity of self-estimation (but at least once a year) is accepted by the head of the unit / structural division, supervising a corresponding process (line of activity), taking into account speed of changes in the supervised process and in the Company's activity, and also taking into account the balance between continuous (routine, built in a process (a line of activity), the procedures performed in a real time mode for reaction to changing conditions) and periodic estimations.

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7.5. The internal independent estimation of effectiveness of the internal control system is performed annually by the internal audit division. The report of the internal auditor on effectiveness of the internal control system is communicated to the Board of Directors of the Company (with preliminary consideration by the Audit Committee of the Board of Directors of the Company).

7.6. The external independent estimation of effectiveness of the internal control system is performed by the external independent adviser at least once in three years depending on changes in organizational activity and a general level of development, reliability and efficiency of the Internal Control System. The information on results of an external independent estimation is given to the internal control division and internal audit division.

7.7. The internal control division provides bringing the results of external independent estimation of efficiency of the Internal Control System for consideration by the Management Board of the Company and the Board of Directors of the Company (with preliminary consideration by the Audit Committee of the Board of Directors of the Company).

8. Standard provision of activity of the Company in the field of internal control

8.1. The regulation and methodological support of the internal control process is performed in the Company by means of development and approval of:

- this Policy;
- a standard document regulating an order of application of the Internal Control Policy;
- methodological documents under the internal control, including documents determining a format and an order of filling and application of control matrixes.

Appendix 1
to the Internal Control Policy of
IDGC of Centre, PJSC

Terms and definitions

The internal control – a process performed by the Board of Directors of the Company, the Company’s Audit Commission, joint and individual executive powers of the Company, heads and employees at all levels of management of the Company, directed on provision of reasonable guarantees of achievement of the purposes of the Company.

Reasonable guarantees (reasonable confidence) – the concept according to which irrespective of how much well the internal control is developed and functions, it cannot guarantee achievement of the purposes of the Company. It is caused by the restrictions inherent in the internal control system.

System of internal control (the Internal Control System) – a set of organizational measures, techniques and procedures created and used for effective realisation of the internal control.

Effective internal control – a process providing reasonable confidence of achievement of the purposes of the Company. For this purpose it is necessary that each of five components of the internal control and corresponding principles are available and work, and also that the five components of the internal control function jointly.

Available and work – the conclusion that the components and corresponding principles of the internal control were used at development of design and implementation of the internal control system for achievement of targets in view. "Work" means the conclusion that the components and corresponding principles still exist and are used to manage the internal control system for achievement of targets in view.

Joint functioning – the conclusion that all five components of the internal control are interdependent and jointly reduce to an acceptable level risks of non-achievement of a specific goal.

Environment – external conditions in which the Company works and achieves the purposes, connected with cultural, social, political, legislative, regulating, economic, natural, competitive and other spheres at the international, national, regional or local level, key criteria and tendencies, which can influence achievement of the purposes of the Company, and also with mutual relations with external interested parties, their perception of risk and importance for the Company of these external interested persons.

Internal environment – internal conditions in which the Company works and achieves the purposes, including management, organizational structure, obligations and accountability, key policies, goals and tasks, and also strategy of their achievement, resource possibilities of the Company and knowledge, information processes, information flows and decision-making processes, mutual relations with

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internal interested parties, their perception of risk and importance for the Company of these internal interested persons, culture of organisation, standards, administering principles and other documents regulating activity of the Company on various aspects.

Control environment – a set of principles and standards of activity of the Company, which determine general understanding of the internal control and the requirement to the internal control at the Company's level as a whole and form a basis for realisation of the internal control.

Estimation of risks – a process of revealing and analysis of risks.

Control events (procedures of the internal control, control procedures) – actions and events directed on decrease of risks to a level, not above a preferable risk (risk-appetite), and also on prevention and revealing of deviations, errors and abusings, developed and established so that to provide a reasonable guarantee of reaction to arising risk effectively and in due time.

Information and communication – systems of information and communication help to perform search, collection and interchange of information in volume, a format and terms allowing the management and other employees to carry out their obligations.

Monitoring – constant check, supervision, critical examination, inspection and determination of a condition of control procedures, separate components (elements) of the internal control and system of internal control to reveal changes concerning a required or expectational level.

Subjects of the internal control system – participants of the internal control process.

Objects of the internal control – production, financial and economic and other activity of the Company, assets, obligations, accounting and other reporting.

Interested party – a person or an organisation which can influence or which can be influenced or which consider that any decision or activity influences them.

Internal control division – the Company's division, which is assigned with the function of coordination and methodological provision in the field of internal control.

Supervised process (line of activity) – the functional sphere of activity of the Company, responsibility for the organisation and coordination / realisation of which is assigned to the head of the unit / the head of the structural division by standard documents of the Company / provision about the structural division.

Preventive (preliminary) control – the control intended for prevention of deviations, errors and abusings, carried out prior to the actual beginning of a process (operation).

Current control – the control intended for timely revealing and immediate prevention or elimination of deviations, errors and abusings, carried out in a real time mode during realisation of the routine procedures built in a process (line of activity).

Subsequent control – the control intended for revealing and elimination of deviations, errors and abusings.

Design of a control procedure – a planned procedure of performance of a control procedure (unlike actual accomplishment of a control procedure).

Automated control procedures – control procedures, performed in an automated way, without participation of the performer (choice of values from the fixed list, automated check of categories of an account number, use of control sums for the control over completeness of data transmission between systems, etc.).

Semi-automatic (IT dependent manual) control procedures – control procedures, performed in an automated way, but with participation of the performer.

Manual control procedures – control procedures performed by the performer without use of IT systems.

Revealing control procedures – procedures which task is revealing deviations, errors and abusings.

Preventing (precautionary) control procedures – control procedures which task is prevention of deviations, errors and abusings which can arise.

Key control procedures – procedures at which absence errors and infringements would not be identified through other control means.

Not key control procedures – procedures at which absence errors would be identified by other control means.

Control matrix – a form of data recording about control procedures established in the Company.