

Approved by the decision of
The Board of PJSC Rosseti Yug 30.09.2021
(minutes No.451/2021)

**The internal audit policy
PJSC Rosseti Yug
(New revision)**

Rostov-on-Don, 2021

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1. General

1.1. The internal audit policy of PJSC Rosseti Yug (hereinafter referred to as the Policy) is developed to determine general organizational and functional principles of the internal audit at PJSC Rosseti Yug (hereinafter referred to as the Company), to assist to form common approaches to construct, manage and coordinate a function of the internal audit in the Rosseti Group.

1.2. This Policy is an internal regulatory document of the Company developed in accordance with the requirements of the legislation of the Russian Federation and with accepted practices and standards of the internal audit activities. When developing the Policy, the Company was guided by the following general documents:

- Federal Law dated 26.12.1995 No. 208-FZ “Joint-Stock Companies”;
- Federal Law dated 06.12.2011 No. 402-FZ “Accountancy”;
- Federal Law dated 05.04.2013 No. 41-FZ “Accounts Chamber of the Russian Federation”;
- Federal Law dated 25.12.2008 No. 273 “Corruption control”;
- By the law of the Ministry of Finance of the Russian Federation dated 09.01.2019 No. 2n Enforcement of international audit standards on a territory of the Russian Federation and admission of some orders null and void of the Ministry of Finance of the Russian Federation;
- By the Code of commercial management recommended by a letter of the Bank of Russia dated 10.04.2014 № 06-52/2463 Code of commercial management;
- By provision of the Central Bank of Russia dated 24.02.2016 No. 534-P Admission of securities to organized trades;
- By the recommendations of the Ministry of Finance of the Russian Federation No.P3-11/2013 Organization and realization by an economic entity of an internal control of business operation items, accountancy and preparation of (accounting) financial statements (letter of Ministry of Finance of the Russian Federation dated 25.12.2013 No. 07-04-15/57289);
- By the order of Rosimushchestvo dated 20.03.2014 No.86 Approval of Methodological recommendations on organization of Board Audit Committees work in Joint-Stock Companies with participation of the Russian Federation;
- By the order of Rosimushchestvo dated 04.07.2014 No. 249 Approval of Methodological recommendations on organization of Internal audit work in Joint-Stock Companies with participation of the Russian Federation;
- By the order of Rosimushchestvo dated 03.09.2014 No. 330 Approval of Methodological recommendations on development of Internal audit function in holding structures with participation of the Russian Federation;
- By the methodological guidelines of Rosimushchestvo on preparation of internal regulatory documents regulating the activities of governmental corporations and a state company, as well as Open Joint-Stock Companies, indicated in the instruction Letter of the Government of the Russian Federation dated 23.01.2003 No. 91-r (approved by the Government order of the Russian Federation dated 24.06.2015 No. ISH-P13-4148);

- By the rules of listing, approved by the authorities of stock exchange management and registered in the prescribed order of the Bank of Russia;
- By the international bases of the professional practice of Internal audit, accepted by the International Institute of Internal auditors (including International professional standards of Internal audit);
 - By the conceptual bases of risk management: integration with a strategy and efficiency of a COSO ERM (2017) activity;
 - By the conception and appendices COSO Internal audit. Integrated model (2013);
 - By the COSO conception Manual of the internal audit system control (2009)
 - By the COSO conception Risk management in companies. Integrated model (2004);
 - International standards GOST R ISO 31000:2010 Risk management. Principles and management (Rosstandard order dated 21.12.2010 No. 883-ST);
 - International standards GOST R ISO 31010:2011 Risk management. Methods of risk assessment (Order of the Federal agency on technical regulation and metrology dated 01.12. 2011 No. 680-st);
 - By the Charter and internal regulatory documents of the Company;
 - By the information letter of the Bank of Russia dated 01.10.2020 No. IN-06-28/143 Recommendations on organization of the risk management, internal supervision, internal audit, board audit committee work (inspection council) in Public Joint-Stock Companies.

1.3. The policy based on the best practices, background of advanced foreign and Russian companies, is developed in order to realize provisions:

- Development strategies of the power grid complex of the Russian Federation, approved by the instruction Letter of the Government of the Russian Federation dated 03.04.2013 No. 511-r;
- Internal audit policies of PJSC Rosseti.

1.4. This Policy determines:

- purposes and objectives of the internal audit;
- organization form of an internal audit function;
- internal audit functions;
- principles of the internal audit function realization;
- internal audit reporting;
- internal audit powers;
- principles, procedure and character of interaction of the internal audit with related parties;
- code of ethics and requirements to internal auditors of the Rosseti Group;
- responsibility of the internal audit;
- approaches to a quality control and assessment of the internal audit activities;

- other general approaches and principles applied by the Company when realizing the internal audit functions.

1.5. The internal audit function in the Company is realized based on the common approaches to development, management and coordination of the internal audit function, incorporated in Rosseti Group.

1.6. In order to assist to raise efficiency in management, Rosseti Group carries out audit activities and actions are planned and performed taking into account risk influence, connected to the audit processes not only on the Company activities but on the Group activities as well.

1.7. To realize the internal audit function in Rosseti Group, the representatives of the subdivision of Internal audit of PJSC Rosseti on the sole basis, continuous control of realization of the function and supervision of its independence, have the right to participate in meetings of the Company Board and the Board Audit Committee of the Company when discussing issues related to the development and realization of the Internal audit function of the Company.

1.8. A realization form of the internal audit function in the Company is a creation of an internal audit subdivision (a separate structural subdivision) or involving of an independent organization (outsourcing) a choice and a drawing of contract of which is regulated by the Uniform Procurement Standard PJSC Rosseti (Provision of procurement), approved by the Company Board. It is the Company Board (hereinafter referred to as the Board) who makes a decision on an optimal form of the internal audit function realization.

Creation, reorganization and liquidation of the internal audit subdivision which is a separate structural subdivision of the Company, is performed by the order of a sole execution authority of the Company based on the Board decision with preliminary revision by the Board Audit Committee (hereinafter referred to as the Audit Committee).

The manager of the internal audit subdivision is appointed to office and dismissed by the sole execution authority of the Company based on the decision of the Board. Competences of the Board include an approval of appointment to office and dismissal decisions, as well as determination of a head's remuneration of the internal audit subdivision (considering preliminary revision by the Audit Committee).

When choosing an external organization for performing function of the internal audit, the Company shall be acknowledged in independence and objectivity, professionalism and competences of such an organization and its personnel involved in cooperation with the Company.

1.9. The policy is approved by the Board decision taking into account the preliminary revision of the Audit Committee. Amendments in the policy are performed in a similar order: based on the Board decision taking into account the preliminary revision of the Audit Committee.

Initiators of amendments to the Policy may be the Board, Audit Committee, sole executive authority, Government, manager of the subdivision of internal audit of the Company, as well as manager of the subdivision of internal audit of PJSC Rosseti.

The development and preparation of propositions for amendments to the Policy is performed by the manager of the subdivision of internal audit of the Company.

Amendments to the Policy are made in the following cases:

- amendments of the legislation of the Russian Federation;
- amendments of the international bases of the professional practice of Internal audit, accepted by the International Institute of Internal auditors (including International professional standards of internal audit);
- amendments of organization structure and/or powers of the Company's managers;
- amendments of purposes, objectives and functions of the internal audit;
- amendments of powers and significant restrictions in the internal audit activities;
- necessity of amendments to the Policy by the results of quality assessment of the internal audit activities;
- any conditions/events influencing heavily the internal audit activities.

1.10. Concerning Subsidiaries and Associates of the Company (hereinafter referred to as the SAC) the present Policy includes common (methodological) provisions.

The Policy (including separate provisions of the Policy) is recommended for use in SAC as the grounds for development of internal documents of SAC regulating the internal audit activities in SAC.

2. Terms and definitions

The internal audit is an activity on provision of independent and objective guarantees and advice directed to Company work improvement. The internal audit is devoted to assist to reach the purposes set by the Company through the most efficient and economically justified manner using a systematized and consistent approach to assessment and improvement of risk management systems, internal monitoring and corporate governance.

This Policy uses a term Internal audit to determine a structural subdivision that performs functions of the internal audit - the internal audit subdivision. The term Internal audit function is used to determine the internal audit as an activity (function).

Provision of guarantees is an objective analysis of existent audit proofs to provide independent assessment of the processes of corporate governance, risk management and monitoring in the Company.

The provision of advice is an activity of the internal audit on provision of advice, recommendations to provide assistance and improve processes of corporate governance, risk management and internal audit, excluding taking responsibility for management decisions by internal auditors.

Rosseti Group is the main shareholder of the Company - PJSC Rosseti and subsidiaries and associates of PJSC Rosseti.

The Company is PJSC Rosseti Yug.

SAC are subsidiaries and associates of PJSC Rosseti Yug - the legal entities the Company of the charter capital of which takes part.

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

IFAC - International Federation of Accountants.

3. Purposes and objectives of the internal audit

3.1. The purpose of internal audit is to assist the Board and executive authorities of the Company in improving the management efficiency of the Company, improving its financial and economic activities, including through a systematic and consistent approach to the analysis and assessment of systems of risk management, internal control and corporate governance as tools to provide reasonable assurance in achieving the goals set for the Company.

3.2. To achieve the goal, the internal audit accomplishes tasks on the following directions:

3.2.1. Implementation and application of common approaches established by the Rosseti Group to the development, management, and coordination of the internal audit function in the Company and SAC.

3.2.2. Carrying out the internal audit and participation in other audits of the Company and SAC.

3.2.3. Provision of independent and objective guarantees regarding the reliability and efficiency of systems of internal monitoring, risk management and corporate governance, as well as assistance to the Company's executive authorities and employees in development and monitoring the execution of procedures and measures to improve the Company's systems of internal monitoring, risk management and corporate governance.

3.2.4. Organization of efficient interaction of the Company with the external auditor of the Company, the Revision Commission of the Company, as well as with entities providing advice in risk management, internal control and corporate governance.

3.2.5. Preparation and provision to the Board (Audit Committees) and executive authorities of the Company (Sole executive authority/Government) of reports on the results of internal audit activities (including information on significant risks, disadvantages, results and efficiency of measures to eliminate identified disadvantages, results of implementation of the internal audit plan, results of assessment of the actual state, reliability and efficiency of systems of internal control, risk management and corporate governance).

3.3. As part of internal and external assessments of the quality of internal audit activities, the Company evaluates whether the purposes and objectives determined by the Policy comply with the purposes and objectives set for internal audit by the relevant management authorities of the Company. The results of the assessment are provide to the Board (Audit Committee), including for consideration of the issue of the necessity to make amendments to the Policy.

3.4. When organizing internal audit, the Company strives to apply its basic principles and approaches reflected in the Code of corporate governance (recommended by the letter of the Bank of Russia dated 10.04.2014 No. 06-52/2463),

in the Methodological recommendations on the organization of internal audit in Joint-Stock Companies with participation of the Russian Federation (approved by order of Rosimushchestvo dated 04.07.2014 No. 249), in the Methodological recommendations on the construction of internal audit function in holding structures with participation of the Russian Federation (order of the Rosimushchestvo dated 03.09.2014 No. 330), in the information letter of the Bank of Russia dated 01.10.2020 No. IN-06-28/143 Recommendations on organization of the risk management, internal supervision, internal audit, board audit committee work (inspection council) in Public Joint-Stock Companies.

4. Internal audit functions

To achieve the goals and objectives, the internal audit performs the following functions:

4.1. Considering implementation and application of common approaches established by the Rosseti Group to the development, management, and coordination of the internal audit function in the Company and SAC:

4.1.1. Development of proposals on the most optimal form of the internal audit function realization in the Company and SAC.

4.1.2. Carrying out activities to implement common principles for development of the internal audit function in the Company and assessment of the internal audit function realization set in the Rosseti Group.

4.1.3. Elaboration and implementation of methodological documents governing internal audit activities (policies, provisions, regulations, procedures, instructions, and other documents) in accordance with methodological documents developed by PJSC Rosseti.

4.1.4. Development of proposals to elaborate documents defining uniform approaches and principles in the Rosseti Group in development, management, and coordination of the internal audit function; participation in working groups to elaborate documents to provide regulatory support for internal audit activities.

4.1.5. Organization and implementation of measures to automate the internal audit activities of the Company and SAC.

4.2. Concerning the execution of the internal audit and participation in other audits of the Company and SAC:

4.2.1. Planning, organization and performance of internal audits of business processes (activity areas), business functions, projects/plans/programs, structural and separate subdivisions and other objects of audit of the Company on arrangements for:

- compliance with legislation, industry statutory instruments, internal regulations, standards and other internal documents (except for technical regulations, standards and rules governing the operation of power grid facilities), and contractual obligations;
- execution of instructions from state authorities of the Russian Federation concerning the functioning and development of the power grid complex;
- implementation of decisions/orders (instructions) of management authorities, requirements of regulatory orders and other internal documents;

- efficiency, cost-effectiveness and performance;
- reliability, fairness, completeness and timeliness of the preparation of accounting (financial) and management reporting;
- safeguard of assets.

4.2.2. Realization of the practice of focused audits conducted by all power grid companies in the Rosseti Group on a specific theme in accordance with a common audit program.

4.2.3. Performance of audits, realization of other tasks by order of the Board (Audit Committee), and/or executive authorities of the Company on problems in relation to the competence of internal audit.

4.2.4. Organization, planning, ensuring the conduct of audits of SAC.

4.2.5. Participation in the activities of the audit commissions of SAC of employees of the Company's internal audit subdivision as elected members of the audit commissions or as invited experts.

4.2.6. Participation in specialized (internal) investigations of abuse (fraud) facts, damage to the Company and SAC, improper, inefficient use of resources and other unfair / illegal actions of employees and third parties.

4.2.7. Informing the Board (Audit Committee) and the Sole executive authority/Government of the results of audits, provision of recommendations to eliminate violations and disadvantages identified during audits, and propositions to improve the efficiency and effectiveness of systems of internal monitoring, risk management and corporate governance, and to improve the Company and SAC.

4.2.8. Monitoring the implementation of corrective action plans aimed at eliminating violations and disadvantages identified during inspections and the implementation of recommendations and proposals to improve the activities of the Company and SAC.

4.2.9. Organization and performance of post-audits regarding business processes (activity areas), business functions, projects/plans/programs, structural and separate subdivisions and other objects of audit.

4.3. Concerning provision of independent and objective guarantees regarding the reliability and efficiency of systems of internal monitoring, risk management and corporate governance, as well as assistance to the Company's executive authorities and employees in development and monitoring the execution of procedures and measures to improve the Company's systems of internal monitoring, risk management and corporate governance:

4.3.1. Assessment of the reliability and efficiency of the internal control system, including:

- assessment of the internal (monitoring) environment in the Company (including assessment of such elements of the control environment as the philosophy of the internal control system, honesty and ethical values, organizational structure, distribution of authority and responsibility, and personnel management);

- assessment of the effectiveness of the implementation of the internal control policy;

- assessment of the process of goal setting in the Company, including determination of the adequacy of the criteria used to analyze the degree of fulfillment (achievement) of the goals set;
- identification of disadvantages in the internal control system that did not allow (do not allow) to achieve the goals set;
- assessment of the risk management process;
- assessment of issues of organization, construction and execution of internal controls (control procedures) incorporated into the processes;
- assessment of the organization of information interaction (information exchange process) in the Company;
- assessment of the process of monitoring organization in the Company, including the results of the implementation (realization) of activities to eliminate violations and disadvantages, as well as the results of improving the internal control system;

4.3.2. Assessment of the reliability and efficiency of the risk management system, including:

- verification of the adequacy and maturity of the elements of the Company's internal control system for effective risk management, including the organization of processes, setting goals and objectives, implementation of risk management policy provisions, automation tools, regulatory and methodological support, interaction of structural subdivisions in the framework of the risk management system, reporting, infrastructure, including the organizational structure, etc;
- verification of the completeness of risk identification and correctness of risk assessment at all management levels of the Company;
- verification of the efficiency of the Company's monitoring procedures and other risk management activities, including the efficiency of the use of the resources allocated for these purposes;
- analysis of information on realized risks in the Company (including violations detected as a result of verifications, facts of non-achievement of goals, facts of legal proceedings, etc.);

4.3.3. Assessment of corporate governance, including:

- verification of compliance with the Company's ethical principles and corporate values;
- verification of the procedure for setting Company goals and monitoring/controlling their achievement;
- verification of the level of regulatory support and information interaction procedures (including those related to risk management and internal control) at all management levels of the Company, including interaction with related parties;
- verification of shareholders' rights, including those of controlled companies, and the efficiency of relations with related parties;
- verification of the procedures for disclosing information about the Company's activities;

4.3.4. Provision of advice to the Company's executive authorities on internal control, risk management and corporate governance problems (when maintaining the independence and objectivity of internal audit).

4.4. The functions of internal audit concerning organization of efficient interaction of the Company with the external auditor of the Company, the Revision Commission of the Company, as well as with entities providing advice in risk management, internal control and corporate governance are reflected in Section 8 "Interaction of internal audit with related parties" of this Policy.

4.5. The functions of internal audit concerning preparation and submission to the Board (Audit Committee) and executive authorities of the Company (the Sole executive authority/Government) of reports on the results of internal audit activities are reflected in Section 8 "Interaction of internal audit with related parties" of this Policy.

4.6. Internal audit performs other functions aimed at achieving the goals and objectives determined in this Policy.

5. Principles of the internal audit function realization.

Internal audit reporting

5.1. The realization of the internal audit function in the Company is based on compliance with the following basic principles:

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

These principles are disclosed in the Code of ethics for Internal auditors of the Rosseti Group (annex to this Policy).

5.2. When realizing the internal audit function, independence is achieved by separating the functional and administrative subordination of internal audit.

The internal audit functionally reports to the Board and administratively reports to the Sole executive authority of the Company.

5.2.1. The Board, in the framework of its competence as defined by the Company's Charter, monitors and organizes the activities of the internal audit unit, including:

- approves this Policy and amendments to the Policy;
- annually approves the internal audit activity plan, the report on the implementation of the internal audit activity plan and the budget of the internal audit subdivision;
- approves decisions on the appointment, dismissal, as well as defines a head's remuneration of the internal audit subdivision;
- considers significant limitations on the authority of internal audit or other restrictions that can adversely affect the performance of internal audit activities.

5.2.2. Information on the realization of the internal audit plan and the results of the internal audit function, as well as other aspects affecting internal audit activities, are provided to the audit Committee at least once a quarter.

The head of internal audit holds meetings with the Audit Committee or its chairmen at least once a quarter on matters of the competence of internal audit.

5.2.3. Administrative subordination of internal audit to the Sole executive authority of the Company provides, including:

- allocation of the necessary funds in the framework of the approved budget for the realization of internal audit;
- receiving reports on internal audit activities;
- administration of policies and procedures for the activities of the internal audit subdivision;
- provision of support for interaction between the internal audit subdivision and the Company's subdivisions and SAC.

5.3. The independence and objectivity of the Company's internal audit is ensured by means of:

5.3.1. Direct access of the head of internal audit to the Board (Audit Committee), to the Sole executive authority.

5.3.2. Distinction of the powers and duties of internal audit from the activities of other structural subdivisions of the Company, including the following:

- the head of the internal audit subdivision may not be assigned duties not related to the realization of internal audit;
- a structural subdivision of internal audit may not include subdivisions and employees whose activities are not related to the implementation of internal audit;

5.3.3. No restrictions on the powers of the internal audit, including the definition of the internal audit plan and scope of audits, access rights to documents, employees and assets of the Company, resource limitations on the realization of internal audit.

5.3.4. Ensuring the individual objectivity and independence of internal auditors by means of measures aimed to prevent potential and existing conflicts of interest and bias, including prohibition of the audit of those areas for which the auditor was responsible during the year prior to the audit, an internal audit assessment.

5.4. Internal audit does not override or duplicate functions of other employees and subdivisions of the Company and SCA, including their realization of current and preventive control functions. Internal audit may not participate in the approval and making decisions in the realization of financial and economic activities of the Company and SAC.

5.5. The Company is implementing a risk-oriented approach to the realization of the internal audit function, which provides for planning and carrying out audits based on risk assessment - to focus on the most vulnerable objects and activity areas (transition from "periodic" audits to audits on key problems and issues).

5.6. During the audit, approaches, providing for an optimal ratio of methods and resources used, as well as reasonable sufficiency of the scope and nature of the audit procedures used to achieve the objectives of the audit, shall be followed.

5.7. The Company strives to ensure that the costs of internal audit do not exceed the benefits derived from audit activities.

6. Requirements to the internal auditors

Employees of the internal audit subdivision - internal auditors shall follow requirements:

6.1. Requirement to a qualification

Internal auditors, preferably, shall have:

- higher economic (financial) or legal education obtained in Russian institutions of higher education with state accreditation, commonly recognized foreign institutions of higher education;
- auditor certificate/certificate of professional accountant issued in accordance with the requirements of the legislation of the Russian Federation, or CIA certificate of the International Institute of internal auditors/internal auditor qualification confirmed by the International Federation of Accountants - IFAC, or other similar certificates/diplomas;
- knowledge and skills necessary to achieve the goals and objectives of the internal audit, including key risks and control procedures, industry specifics, to the extent sufficient to perform the assigned tasks;
- membership in the professional association of internal auditors.

6.2. Requirements to the personal qualities

Internal auditors shall possess a combination of the following personal qualities:

- clean business (professional) reputation;
- decency means to be truthful, sincere, honest, composed, and prudent;
- openness - accepting alternative ideas or points of view;
- diplomacy - the ability to interact tactfully with people;
- attention and observation - to notice characteristic and essential details;
- perseverance - being persistent, oriented to achieve the goals;
- decisiveness - to make timely decisions based on logical considerations and analysis;
- self-sufficiency - to act and perform one's functions independently, while cooperating effectively with others.

6.3. Requirements to compliance with the Code of ethics for internal auditors.

When carrying out the professional duties, the internal auditor shall be guided by the Code of ethics for internal auditors of the Rosseti Group (annex to this Policy). Internal auditors' compliance with the requirements of the Code of ethics is assessed in accordance with the Program of the internal audit assessment (Assurance) and quality improvement developed and applied in the Company.

7. Powers and responsibility of the internal audit

7.1. When carrying out the activities, the head and employees of the internal audit subdivision have the following powers:

7.1.1. To have unimpeded access to any assets, documents, accounting records, information systems and resources and other information about the activities of the Company and SAC (including in electronic form) as part of the job duties, and to copy relevant documents and information.

7.1.2. Use information resources and software for internal audit purposes.

7.1.3. Request documents, materials, explanations and other information from the Company and SAC and receive them in writing (in hard copy or electronically) in time in accordance with the objectives of the audits.¹

7.1.4. To have access to all buildings, structures, rooms, offices, and areas of production, business, and household purposes of the Company and SAC in order to perform internal audit procedures.

7.1.5. Take photographs and video and make sound recordings during the audit.

7.1.6. Conduct interviews with employees of the Company and SAC (with prior informing the employee's head) on issues related to the implementation of internal audit procedures and functions.

7.1.7. Receive necessary assistance from employees of the Company and SAC as part of audits, including unscheduled audits, and other internal audit activities.

7.1.8. Request from the Company and SAC any information necessary to monitor the implementation of the corrective action plan to eliminate violations and disadvantages identified as a result of inspections, and analyze the effectiveness of corrective actions.

7.1.9. Participate in meetings and sessions of working authorities of the Company (committees, commissions, working groups, etc.) upon maintaining a balance of independence and objectivity of internal audit and not being involved in the Company's operating activities.

7.1.10. Develop and make suggestions on professional training, retraining and advanced training of internal auditors.

7.1.11. Require that the persons responsible for eliminating detected violations and disadvantages:

- timely development, approval and execution of action plans to eliminate the identified violations and disadvantages;
- timely reporting on the status of activities;
- providing clarifying or supporting information and documents on the status of implementation of action plans;

7.1.12. Perform other actions necessary to achieve the goals and objectives of internal audit.

7.2. The head of internal audit subdivision has the right to:

7.2.1. Participate in meetings/meetings of the Board, Board Committees, and executive authorities of the Company.

¹ These documents and information shall be submitted within two (2) business days of receipt of the request, unless a different term is specified in the request.

7.2.2. Become familiar with current and future plans/programs of activities, reports on the implementation of plans and programs, draft decisions and resolutions of the Board, Board Committees and executive authorities of the Company.

7.2.3. Engage employees of the Company's structural subdivisions and SAC as experts and outside experts to perform certain tasks within the scope of internal audit activities in the manner prescribed by the Company's internal documents.

7.3. In order to avoid conflicts of interest, the head and employees of the internal audit subdivision shall refrain from:

7.3.1. Conducting an audit of those areas of activity for which they were responsible during the year prior to the audit.

7.3.2. Participation in audits and other tasks in the case of financial, property, family or any other interest in the activities of the objects of verification.

7.3.3. Participation in any activity that may impair their impartiality or be perceived to do so.

7.3.4. Heads of employees of other subdivisions, unless these employees are assigned to participate in an audit or other assignment as part of the internal audit activity.

7.4. The head and employees of the internal audit subdivision in the framework of realization of plans shall apply the International fundamentals of professional practice of internal audit adopted by the International Institute of internal auditors, including the basic principles for the professional practice of internal audit, Code of ethics, Standards and Definition of internal audit.

7.5. The head and employees of internal audit subdivision have the right to:

7.5.1. Not to disclose all material facts known to them that, if concealed, might distort the auditor's report.

7.5.2. Use or disclose confidential information without proper authority, except where the disclosure of such information is required by law.

7.6. In case of material restrictions on the powers of the internal audit subdivision or other restrictions that may adversely affect the internal audit activities, as well as conflicts of interest, employees of the internal audit subdivision shall inform the head of the internal audit subdivision, who in turn shall inform the Board (Audit Committee), the Sole executive authority of the Company, and the head of Rosseti's internal audit subdivision of the above mentioned facts.

7.7. In case of transfer to the outsourcing company of the right to perform separate audits or separate tasks of the internal audit of the Company, the responsibility for their performance and results shall be imposed on the head of the internal audit subdivision of the Company;

7.8. The head of the internal audit subdivision is responsible for making a conclusion of reliability and efficiency of risk management and internal control, efficiency of corporate governance in the Company.

7.9. The responsibility of the head and employees of internal audit subdivision is determined by the terms of labor contracts, job descriptions, provision of the internal audit subdivision and other regulatory orders, internal regulatory documents of the Company and includes (but not limited to) responsibility for unsatisfactory and

late performance of assigned tasks and functions, non-fulfillment requirements of the labor discipline, loss and/or damage material values and documents, disclosure of confidential information under the legislation of the Russian Federation and internal documents of the Company.

8. Interaction of the internal audit with related parties

8.1. The internal audit in the framework of its activities interact with the Board (Audit Committee) on the following directions:

8.1.1. Performance of internal audits based on the activities plan of the internal audit approved by the Board (preliminary revised by the Audit Committee).

8.1.2. Performance of other audits, performance of other assignments in accordance with the decisions/mandates of the Board (Audit Committee) within the competence of internal audit.

8.1.3. Application of the right of the head of internal audit subdivision for participation in meetings of the Board (the Board's Committees) as well as for a direct access to the Board (Audit Committees).

8.1.4. Ensuring preliminary review by the Audit Committee (for further endorsement by the Board) of the internal audit plan, report on the realization of the internal audit plan and budget of the internal audit subdivision, as well as policies/amendments to the Company's internal audit policy.

8.1.5. Submission of progress reports to the Audit Committee on the realization of the internal audit plan (including information on the results of individual audits and revisionary inspections, identified material risks, disadvantages, results and efficiency of performance of activities on elimination of detected disadvantages, results of the internal audit function, as well as other aspects affecting the activities of the internal audit).

8.1.6. Ensuring the submission for revision by the Board (Audit Committee) of results of the annual assessment of the condition and efficiency of internal control, risk management and corporate governance systems, the main trends in the activities of the Company and SAC; the practice of internal audit functions in the Company, including information on the presence/absence of restrictions on activities and on ensuring the independence of internal audit and sufficiency of resources.

8.1.7. Realization, at least once a quarter, of meetings between the head of the internal audit subdivision and Audit Committee or its chairman on matters related to competence of the internal audit;

8.1.8. Submission to the Board (Audit Committee) of results of internal and external quality assessments of the internal audit activities.

8.2. Internal audit interacts (at least once a year) with the Company's executive authorities in the following main directions (while maintaining a balance between the independence and objectivity of internal audit and non-involvement in the operating activities of the Company and SAC):

8.2.1. Conducting audits, other assignments in accordance with the plan of the internal audit activities and mandates of contractors of the Company (within competences of the internal audit).

8.2.2. Realization of the right of the head of the internal audit subdivision to participation in meetings of contractors of the Company as well as direct access to the Sole executive authority of the Company.

8.2.3. Informing on the results of audits, submission of recommendations to eliminate violations and disadvantages detected during audits and suggestions to improve the efficiency and effectiveness of internal control systems, risk management and corporate governance, to improve the activities of the Company and SAC.

8.3. The internal audit interacts with an external auditor of the Company on the following directions:

8.3.1. Assessment of the quality of the external auditor work, preparation of a conclusion based on the results of this assessment, provision of the results for revision by the Audit Committee, notification of related parties.

8.3.2. Participation in determination of the selection and qualification criteria, revision of the tender documentation, determination of material terms of the contract and holding an open tender for the selection of the Company's external auditor.

8.3.3. Assistance to the external auditor in providing information about the system state of the internal monitoring in the Company.

8.3.4. Participation in discussion of conclusions of the external auditor about the system state of the internal monitoring.

8.3.5. Participation in settlement of disputes arisen during external audits.

8.3.6. Conducting meetings at least once a year with an external auditor of the Company, in particular, during assessment of the external auditor conclusion on accounting (financial) reporting of the Company.

8.4. The internal audit interacts with the Revision Commission of the Company on the following directions:

8.4.1. Organization and coordination of interaction of structural subdivisions of the Company with the Revision Commission of the Company.

8.4.2. Preparation and providing information and conclusions in the framework of the competences of the internal audit.

8.4.3. Organizational support for the Revision Commission activities;

8.4.4. Organization of development of remedial actions based on the results of audits aimed at eliminating detected violations/disadvantages and realizing of recommendations of the Revision Commission.

8.4.5. Monitoring for realization of remedial actions aimed at eliminating detected violations/disadvantages and realizing of recommendations of the Revision Commission.

8.5. Internal audit interacts with the subdivision (subdivisions) responsible for methodological support and coordination of internal control and risk management activities, including the exchange of information on risks, the construction of control procedures, the implementation of requirements and procedures established in the Company.

8.6. Internal audit interacts with other participants of the internal control system of the Company on matters concerning the competence of Internal audit, as

well as with other related parties who monitor and evaluate the internal control system in certain activity areas.

8.7. In order to form and apply common approaches to the construction, management, and coordination of the internal audit function in Rosseti Group, the Company's internal audit subdivision interacts with the internal audit subdivision of PJSC Rosseti, the company's shareholder responsible for the realization of Development strategies of the power grid complex of the Russian Federation, approved by the instruction Letter of the Government of the Russian Federation dated 03.04.2013 No. 511-r pursuant to Decree No. 1567 of the President of the Russian Federation dated 22.11.2012 No. 1567 Open Joint-Stock Company Russian Power Networks, in the following main areas (taking into account the compliance with the laws on Joint-Stock Companies, corporate requirements, and restrictions)

8.7.1. Participation in development of common requirements to approaches on realization of the internal audit function in Rosseti Group.

8.7.2. Initiating the development and timely updating of the Company's Charter, Regulations on the Audit Committee of the Company's Board, Internal audit Policy and other regulatory documents of the Company regarding the control, organization and functioning of internal audit.

8.7.3. Participation in the development of common methodological documents (methods, instructions, regulations, standards and other documents), defining the approaches and principles of the internal audit function and regulating internal audit activities.

8.7.4. Realization of the practice of focused audits by all power network companies of Rosseti Group on a specific topic in accordance with a common audit program.

8.8. The head of the internal audit subdivision develops a scheme (map) of interaction between internal control subjects and other related parties that monitor and evaluate the internal control system in certain activity areas (assurance map) - a document defining the areas of responsibility of internal control subjects and other related parties in relation to individual risks of the company.

8.9. Internal audit interacts with governmental supervisory authorities, as well as with other related parties in the manner prescribed by the laws of the Russian Federation and the relevant internal regulatory documents of the Company, on matters concerning the competence of internal audit.

9. Quality control and assessment of the internal audit work

9.1. In order to ensure proper control and assessment of internal audit activities, as well as to identify areas for improvement, the head of internal audit shall ensure the development, approval and implementation of the internal audit assessment (assurance) and quality improvement program, which shall implement the following:

9.1.1. Continuous quality control of the internal audit activities.

9.1.2. Periodic internal and external quality assessments of the internal audit activities.

9.2. When conducting continuous (current) quality control, the head of internal audit performs:

9.2.1. Supervision of audits and other activities of the internal audit.

9.2.2. A selective expert assessment of working papers generated during the performance of the audit, including verification of the completeness of the reflection of necessary audit evidences on the observations and conclusions made during the performance of audit procedures.

9.2.3. Interaction with audited subdivisions and other related parties on matters concerning the internal audit competences.

9.2.4. Other actions necessary for continuous (current) analysis and assessment of the internal audit activities.

9.3. Periodic internal work quality assessments of the internal audit are performed by the internal audit by means of self-assessment at least once a year.

9.4. External quality assessments of the internal audit activities is performed by an independent external specialist at least once in five years.

9.5. Results of internal and external assessments are submitted to the Board (Audit Committee).

10. Regulatory support of the internal audit activities

10.1. The regulation of the internal audit activities is performed in the Company by means of development, approval and implementation of the following main documents based on the typical documents approved by PJSC Rosseti:

10.1.1. The Policy.

10.1.2. The Code of ethics of internal auditors of Rosseti Group, establishing principles and expectations, defining the conduct of internal auditors during performance of their duties;

10.1.3. Provisions of the internal audit subdivision that is an organizational and HR document of the Company defining organizational issues of the internal audit activities.

10.1.4. Job descriptions of employees of the internal audit subdivision.

10.1.5. Manuals for planning internal audit activities.

10.1.6. Manuals for performance of internal audits.

10.1.7. Programs of assessment (assurance) and improvement of the quality of internal audit work.

10.1.8. Schemes (maps) of interaction of internal audit with the subjects of the internal control system and other related parties that monitor and evaluate the internal control system in certain activity areas (assurance maps);

10.1.9. Methods, instructions, regulations, standards and other documents, defining the approaches and principles of the internal audit function and regulating internal audit activities.

Code of ethics of internal auditors of Rosseti Group

PRINCIPLES

The internal auditors shall abide by the following principles.

1. Integrity.

The integrity of an internal auditor is a basis upon which the credence to the auditor's opinion stands.

2. Objectivity.

Internal auditors show the highest level of professional objectivity in collection, assessment and transmission of information of the audit object. Internal auditors assess judiciously all circumstances related to the work and their judgments are not influenced by their own interests or interests of third parties.

3. Confidentiality.

Internal auditors shall respect the ownership of information they receive during their work and shall not disclose information without proper authority, except where disclosure of such information is obliged by legal or professional duties.

4. Professional competence.

Internal auditors use knowledge, skills and experience necessary for rendering services in the internal audit field.

RULES OF CONDUCT

1. Integrity.

Internal auditors:

1.1. Shall do their job in a fair manner, good faith and with responsibility.

1.2. Shall operate within the confines of the law and if required by the law or professional standards, disclose this information.

1.3. Shall not deliberately participate in campaigns or actions discrediting the profession of the internal auditor or its own organization.

1.4. Shall respect legally and ethically justified purposes of their organization and contribute to their achievement.

2. Objectivity.

Internal auditors:

2.1. Shall not participate in any activity that may impair their impartiality or be perceived to do so. This also applies to the activities and relations, which may contradict interests of the Company.

2.2. Shall not accept nothing as a gift that may impair their professional opinion and be perceived to do so.

2.3. Shall disclose all the known them material facts that, being undisclosed, may distort reports about the audit object.

3. Confidentiality.

Internal auditors:

3.1. Shall be prudent and cautious in using and preserving information obtained during its own duties.

3.2. Shall not use the information for personal gain or in any other manner contrary to the law or able to impair legally or ethically the achievement of justified purposes of the organization.

4. Professional competence.

Internal auditors:

4.1. Shall participate only in the assignments to make which they have necessary knowledge, skills and experience.

4.2. Shall render services of the internal audit in accordance with the International professional standards of internal audit.

4.3. Shall continuously improve their professionalism as well as efficiency and quality of rendered services.