

Approved

by the Board of Directors of “Lenenergo”, PJSC,
(Minutes No. 18 of December 03, 2019)

Signed off

by the Audit Committee of the Board of Directors
of “Lenenergo”, PJSC
(Minutes of No. 115 of November 05, 2019)

APPROVED BY

(Signed) A.V. Ryumin
Director General
“Lenenergo”, PJSC

December 12, 2019

**REGULATION
on the Internal Audit Department**

PP-LE-IA-15-001-2019 version

To replace PP-LE-IA-15-001- 2018 version

approved on March 01, 2019

“Lenenergo”, PJSC
Saint Petersburg

1 General Provisions

1.1. This Regulation outline the structure, goals, functions, rights, responsibilities, and interaction of the Internal Audit Department (the “Department”) with other units within the Company.

1.2. The Department is an executive division of the of “Lenenergo” Public Joint Stock Company (the "Company”).

1.3. The Department has a dotted-line reporting relationship to the Company’s Board of Directors (through the Audit Committee of the Company’s Board of Directors) and a solid-line reporting relationship to the Company’s Director General. The Department can be reorganized and closed by order of the Company’s Director General based on a resolution of the Company’s Board of Directors subject to prior review by the Audit Committee of the Company’s Board of Directors.

1.4. Regulations on units that form the Department and job descriptions of their employees are prepared based on these Regulations.

1.5. In their activities, employees of the Department are guided by the following documents:

- Applicable Russian laws, and the Saint Petersburg and the Leningrad Region municipal and local regulations;
- Presidential Orders;
- Decrees by the Government of the Russian Federation, and those by the Saint Petersburg municipal government and the Leningrad Region’s government;
- Organizational documents, guidelines and orders of Rosseti, PJSC;
- Company’s Articles of Association;
- Resolutions of the General Meeting of Shareholders, the Board of Directors, the Management Board of the Company, and the Audit Committee of the Board of Directors;
- Orders and Instructions issued by the Company;
- Orders and guidelines issued by the Russian Ministry of Energy and by the governmental, industry and agency-level oversight authorities;
- Strategy for Developing and Improving the Internal Control System of Rosseti, OJSC and Its Affiliates, as approved by the Board of Directors of Rosseti, OJSC;
- Regulations for the Audit Committee of the Board of Directors;
- Company’s Internal Audit Policy;
- Company’s Internal Control Policy;
- Company’s Risk Management Policy;
- Proprietary standards (STOs), Quality Guidelines (QG), Occupational Health and Safety Management (OHMS) Guidelines, Environmental Management System (EMS) Guidelines, and Operating Procedures and Practices (OP) of the Company, and other local regulations;
- International standards for internal audit and risk management and global best practices as far as they do not contradict the applicable laws of the Russian Federation, as well as Russian practices effectively used in internal audit, internal control, and risk management;
- these Regulations.

2 Management, structure and appointments

2.1. The Department leader is Head of Internal Audit.

2.2. The Department includes the following units:

2.2.1. Audit and Consulting Unit; and

2.2.2. Monitoring and Analysis Unit;

2.3. The Head of Internal Audit is appointed and dismissed by order of the Company’s

Director General based on a resolution of the Company's Board of Directors (subject to preliminary review by the Audit Committee of the Company's Board of Directors).

2.4. During the absence of the Head of Internal Audit (due to illness, holidays, a business trip, etc.), he or she is replaced by one of the Units Heads appointed pursuant to the applicable corporate procedure.

2.5. The Head of Internal Audit is to meet the following requirements:

- a university degree in economics (finance), economic engineering, or law;
- at least 10 years of experience in internal audit, internal control and/or risk management with major companies or audit firms, or with governmental or municipal financial control authorities, and with 3 or more years as an executive.

2.6 Internal Audit Department team members are appointed and dismissed in line with the procedure approved by the Company Director General based on the proposal by the Head of Internal Audit.

3. Goals

3.1. The main purpose of the Department is to provide the Board of Directors/Audit Committee of the Board of Directors and governing bodies of the Company with independent and objective assurance that the Company and its affiliates have in place adequate internal control, risk management, and corporate governance systems, as well as to provide consultations, guidance, and organizational support to implement preventive and ongoing monitoring at the Company and its affiliates to ensure:

- efficiency and effectiveness, including cost-effectiveness, of operations;
- compliance with legal requirements, decisions of the governing bodies, and with the Company guidelines, regulations and orders (organizational documents);
- prevention of unlawful actions by the Company's employees and third parties with regard to the Company's assets;
- reliability, completeness, and timeliness of reports of all types.

3.2. The above goals of the Department are to be achieved through accomplishing the following key tasks:

3.2.1 adopting and applying unified approaches to building, managing, and coordinating the internal audit function at the Company;

3.2.2 performing internal audits, participating in other audits across the Company and its affiliates;

3.2.3 providing independent and objective guarantees regarding the effectiveness of the internal control, risk management, and corporate governance systems, as well as assistance to the governing bodies and employees of the Company in developing and monitoring procedures and measures to improve the internal control, risk management, and corporate governance systems of the Company;

3.2.4 organizing effective interaction between the Company and the Company's external auditor, the Internal Audit Commission of the Company, and other stakeholders on matters within the remit of the internal audit function;

3.2.5 preparing internal audit reports and submitting them for review by the Board of Directors, Audit Committee, and governing bodies of the Company, including reports covering or presenting information on existing risks, weaknesses, results, and effectiveness of action taken to address the identified weaknesses, the internal audit performance report in terms of implementing the internal audit scheduled activities and policy, assessment of the actual state, reliability, and effectiveness of internal control, risk management, and corporate governance systems.

4. Functions

The Department has the following functions:

4.1. The Department's functions to enable adoption and application of common approaches to implementing, enabling, managing and coordinating the internal audit

function at the Company are to:

4.1.1 coordinate the Company's activities to implement common principles for building, managing, and assessing the performance of the internal audit function approved by Rosseti, PJSC;

4.1.2 updates the regulatory documents governing the activities of the internal audit function (policies, regulations, procedures, instructions, and other documents)

4.1.3 takes measures to automate the Company's internal audit function by using a common corporate software approved by Rosseti, PJSC.

4.2. In order to carry out internal audits and participate in other audits across the Company and its affiliates, the Department performs the following functions:

4.2.1 plans, organizes, and conducts internal audits of business processes (business activity areas), business functions, projects/plans/programs, Company divisions and standalone units and other Company divisions, processes and operations that need to be audited:

4.2.1.1 enables compliance with laws, industry regulations, internal regulations, standards, and other internal documents (except for operating technical regulations, standards, and rules for electrical grid facilities governing the operation of electric grid facilities), and contractual obligations;

4.2.1.2 enables compliance with the instructions of the state authorities of the Russian Federation regarding the operation and development of the electric grid industry;

4.2.1.3 ensures compliance with the decisions/orders (instructions) of governance bodies, organizational and administrative documents, and other internal documents;

4.2.1.4 enables efficiency and effectiveness, including cost-effectiveness, of operations;

4.2.1.5 ensures reliability, accuracy, completeness, and timeliness in preparing accounting (financial) statements and management reports;

4.2.1.6 ensures assets integrity;

4.2.2 conducts thematic audits focusing on specific aspects in line with the uniform audit policy approved by Rosseti, PJSC;

4.2.3 conducts audits and carries out other assignments as ordered by the Board of Directors (Audit Committee) and/or governing bodies of the Company on matters within the remit of the internal audit function;

4.2.4 engages in the activities of internal audit commissions of subsidiaries and dependent companies by employees of the internal audit function of the Company as elected members of such internal audit commissions or invited experts;

4.2.5 engages in specialized (internal) investigations of abuse (fraud), damage, to the Company and its affiliates, misuse or inefficient use of resources, and other facts of dishonest/unlawful behavior by employees and third parties;

4.2.6 reports to the Company's Board of Directors (Audit Committee) and governing bodies about the outcomes of the audits, submittal of recommendations to address breaches and drawbacks identified during audits, and issues proposals as to how to improve the efficiency and effectiveness of the internal control, risk management, and corporate governance framework, and/or as to how to improve the operations of the Company and its affiliates;

4.2.7 enables follow-up of remedial action plans aimed at addressing breaches and deficiencies identified during audits, and implementing recommendations and proposals to improve the Company's operations;

4.2.8 organizes and implements post-audits of business processes (business lines), business functions, projects / plans / programs, structural and standalone units, and other facilities that require audit.

4.3. Since the Department is responsible for providing independent and objective assurance of the effectiveness of internal control, risk management, and corporate governance systems, and assisting the Company's governing bodies and employees in developing and monitoring the implementation of procedures and measures to improve the internal control, risk management, and corporate governance systems of the Company, the Department performs the following functions:

4.3.1 assesses the effectiveness of the internal control system, including to:

4.3.1.1 assess the internal (control) environment at the Company, including assessment of

elements of the control environment (the internal control system philosophy, local background and ethical values, organizational structure, distribution of powers and responsibilities, and personnel management);

4.3.1.2 assess how effectively the internal control policy is implemented;

4.3.1.3 assess the process of goal-setting at the Company, including the adequacy of the criteria applied to analyze the extent to which goals are being achieved (attained)'

4.3.1.4 identify weaknesses in the internal control system that prevented (prevent) the achievement of such goals;

4.3.1.5 assess the risk management process;

4.3.1.6 assess the organization, building, and implementation of internal controls (control procedures) embedded into the processes;

4.3.1.7 assess the organization of information-based interaction (information exchange process) at the Company;

4.3.1.8 assesses the monitoring process at the Company, including the results of adopting (implementing) measures to address violations and deficiencies, as well as the results of improvements to the internal control system;

4.3.2 assesses the effectiveness of the risk management system to:

4.3.2.1 verify the sufficiency and maturity of elements of the internal control system at the Company so as to ensure effective risk management, including the organization of processes, setting of goals and objectives, implementation of the risk management policy, automation, regulatory and methodological support, interaction between structural units within the risk management system, reporting, infrastructure, including organizational structure, etc.;

4.3.2.2 verify risk assessment at all management levels of the Company for completeness and correctness;

4.3.2.3 review the effectiveness of the Company's controls and other risk management measures, including how effectively the resources allocated for this purpose are used;

4.3.2.4 analyze information on risks realized at the Company (including violations detected through inspections, non-achievement of goals set, legal proceedings initiated, etc.);

4.3.3 assesses corporate governance to:

4.3.3.1 verify compliance with ethical principles and corporate values of the Company;

4.3.3.2 review the procedure for setting goals at the Company and monitoring/ following up their achievement;

4.3.3.3 review the level of regulatory support and information exchange procedures (including those related to risk management and internal control) at all management levels of the Company, including stakeholder engagement;

4.3.3.4 review how shareholder rights are observed, including those of controlled companies, and effectiveness of stakeholder relations;

4.3.3.5 review the procedures for disclosure of information on Company's operations;

4.3.4 advise the Company's governing bodies on matters related to internal control, risk management, and corporate governance (while keeping internal audit independent and objective).

4.4 Being responsible for enabling effective interaction between the Company and the external (statutory) auditor of the Company, the Internal Audit Commission of the Company, and other stakeholders on matters within the remit of the internal audit function, the Department performs the following functions:

4.4.1 engages with the external auditor of the Company on the following key areas:

4.4.1.1 assesses the quality of the external auditor's work, prepares an assessment report, presents the report to the Audit Committee of the Company's Board of Directors for review, and ensures its communication to other stakeholders;

4.4.1.2 contributes to determining the selection and qualification criteria, reviewing tender documentation, determining the material terms of the contract, and conducting the procurement procedure to select the external auditor of the Company;

4.4.1.3 assists the external auditor in providing information on the state of the internal control system at the Company;

4.4.1.4 participates in the discussion of the external auditor's opinion on the state of the

internal control system;

4.4.1.5 participates in the resolving differences that arise in the course of external audits;

4.4.1.6 holds meetings with the external auditor of the Company at least once a year, in particular when assessing the external auditor's opinion on the Company's accounting (financial) statements;

4.4.2 engages with the Company's Internal Audit Commission on the following key areas:

4.4.2.1 organizes and coordinates engagements between the Company's structural units and the Internal Audit Commission of the Company;

4.4.2.2 prepares and submits information and opinions within the remit of the internal audit function;

4.4.2.3 provides organizational support for the activities of the Internal Audit Commission;

4.4.2.4 organizes the development of corrective measures following audits in order to remedy the identified breaches / deficiencies and implement the recommendations of the Company's Internal Audit Commission;

4.4.2.5 follows up the implementation of corrective measures to remedy the identified breaches / deficiencies and the recommendations of the Company's Internal Audit Commission;

4.4.3 engages with the unit(s) responsible for providing guidance and coordination of internal control and risk management, including exchanging information on risks, building controls, and implementing the requirements and procedures existing at the Company;

4.4.4 engages with other participants within the Company's internal control system and with other stakeholders on matters within the remit of the internal audit function.

4.5 To prepare and submit responses/information on performance of the internal audit function, the Department performs the following functions

4.5.1 interacts with the Company's Board of Directors (the Audit Committee of the Company's Board of Directors) in the following key areas:

4.5.1.1 performing internal audits based on the internal audit plan approved by the Board of Directors;

4.5.1.2 performing other audits and other assignments in line with the resolutions/instructions of the Board of Directors (Audit Committee of the Board of Directors) within the remit of the internal audit function;

4.5.1.3 exercising the right of the head of the internal audit function to participate in meetings of the Board of directors (Committees of the Board of Directors) and directly access to the Board of Directors (Audit Committee of the Board of Directors);

4.5.1.4 ensuring preliminary review by the Audit Committee of the Board of Directors of the internal audit plan, budget of the internal audit function, the Company's internal audit policy and amendments thereto, assessment of the state and effectiveness of the internal control, risk management, and corporate governance systems;

4.5.1.5 submitting regular progress reports to the Board of Directors (Audit Committee of the Board of Directors) on implementation of the internal audit plan, performance of the internal audit function, information on key trends in the operations of the Company and its affiliates as identified by internal audits, practices of the internal audit function at the Company, including information on presence/absence of related constraints, independence of internal audit, and sufficiency of resources;

4.5.1.6 ensuring that the results of the annual assessment of the state and effectiveness of the internal control, risk management, and corporate governance systems are submitted to the Company's Board of Directors for review;

4.5.1.7 ensuring that at least once a quarter the head of the internal audit function meets with the Audit Committee of the Board of Directors or its chairman to discuss matters within the remit of the internal audit function;

4.5.1.8 providing the Board of Directors (Audit Committee) with the results of internal and external quality assessments of the internal audit function;

4.5.1.9 supporting the Audit Committee's activities, including preliminary review of materials to be submitted to meetings of the Audit Committee;

4.5.2.1 engaging with the governing bodies of the Company on the following key areas (while maintaining the balance of independence and objectivity of internal audit and non-involvement in the Company's operations):

4.5.2.2 conducting audits, carrying out other assignments in line with the internal audit plan and instructions issued by the Company's governing bodies within the remit of the internal audit function (subject to the priority of the internal audit plan);

4.5.2.3 exercising the right of the head of the internal audit function to participate in meetings of the Company's governing bodies, as well as to have direct access to the Director General / Chairman of the Management Board of the Company;

4.5.2.4 informing on the results of audits, submitting recommendations to remedy breaches and deficiencies identified by audits as well as proposals to improve the efficiency and effectiveness of the internal control, risk management, and corporate governance systems, and to improve the operations of the Company and its affiliates.

4.6 comply with the local regulations and organizational documents that govern the Company's processes in which the Department is involved.

4.7 preparing opinions on draft regulatory acts of the Russian Federation and local regulatory acts, orders, instructions, and other regulatory documents of the Company on matters within the remit of the Department.

4.8 ensuring the development and update of local regulations and organizational and administrative documents of the Company, which govern the Department's activities within its remit.

4.9 drawing up proposals to calculate key performance indicators for subsidiaries and dependent companies with regard to matters within the remit of the Department.

4.10 preparing the budget for the Department for the planned period in a timely and high-quality manner, preparing substantiating materials (explanatory notes, calculations, cost estimates, etc.) for the Department's expenses stated in the budget.

4.11 interacting with the judicial, executive, and legislative authorities of the Russian Federation and other organizations and institutions of the Russian Federation on matters within the remit of the Department.

4.12 analyzing the corporate, domestic, and foreign experience with regard to matters within the remit of the Department, including participating in workshops, conferences, meetings, and other events.

4.13 preparing information and analytical materials on matters within the remit of the Department.

4.14 reviewing proposals, applications, and complaints on matters within the remit of the Department.

4.15 performing other types of managerial activities and instructions from the Company's governing bodies that arising from the tasks and functions of the Department (without the Department's employees assuming the decision-making duties of the Company's management).

4.16 following up compliance by the Company with the requirements of Russian laws and international standards on quality management.

5 Internal Audit team's rights

To enable effective performance of the Department's functions, the Head and employees of the Department may:

5.1. in line with the Internal Audit Policy of "Lenenergo", PJSC, request and obtain, in line with the established procedure, documents and information required to perform the tasks and functions of the Department from the Company's units, subsidiaries, and dependent companies, and

5.2. request and receive in a timely manner, orally or in writing (in hard or soft copy) from officials and units of the Executive Arm, the Company's branches, subsidiaries, and dependent

companies any information in line with the objectives of the audits, as well as explanations of facts identified by the audits.

5.3. get access to all information systems, organizational, production, financial, and economic documents of the Company and its affiliates in order to achieve the audits' objectives.

5.4. copy any documents, both in hard and soft copy, related to the audit.

5.5. get access to all buildings, facilities, rooms, offices, production, business, and amenity sites of the Company and its affiliates to perform the audit.

5.6. take photos and make video and audio recordings during the audit after informing the relevant employees of the Company and its affiliates about it.

5.7. conduct interviews with employees of the Company and its affiliates (as agreed with the head of the relevant structural unit) on matters related to the audit.

5.8. obtain the necessary assistance from the personnel of the Company and its affiliates at which the audit is conducted, engage employees of structural units of the Company and its affiliates as experts.

5.9. engage specialists from units, departments, services and branches of the Company in audits.

5.10. use expert and consulting services when conducting internal audits.

5.11. request the Company and its affiliates to provide any information necessary to follow up the work plan to address breaches and deficiencies identified by audits, and to assess the results of its implementation.

5.12. require that persons responsible for addressing such deficiencies should:

- timely develop, approve, and implement remedial action plans;
- timely submit progress reports on measures taken;
- submit updates or evidence in the form of information and documents on progress on such action plans.

5.13. in case of failure to provide information, inform senior management, including the Director General and the Audit Committee of the Board of Directors, of the failure to provide or inadequate provision of such information.

5.14. submit reasonable suggestions to the management on disciplinary measures against employees who are in breach of applicable laws, industry standards, and decisions of the Company's management.

5.15. participate in briefings and other meetings held by the Company's officers on matters within the remit of the Department.

5.16. develop guidance and recommendations within the remit of the Department.

5.17. provide explanations and recommendations to the Company's units on matters within the remit of the Department with regard to the implementation of decisions made by the Company's governance bodies.

5.18. prepare and submit, in line with the established procedure, draft orders and instructions on matters within the remit of the Department.

5.19. submit materials on matters within the remit of the Department to the Company's units for review and sign-off.

5.20. The Head of Internal Audit may:

5.19.1 directly and without hindrance inform the Company's CEO and the Audit Committee of the Company's Board of Directors;

5.19.2. in line with the procedure established at the Company, sign documents related to the Department's duties and rights;

5.19.3. in line with these Regulations, set the duties, rights, and responsibilities of the Department's employees, delegate such rights and responsibilities to heads and employees of the Units as necessary, approve regulations on units of the Department and job descriptions of the Department's employees, and amend them in line with the procedure established at the Company;

5.19.4. issue instructions on the organization of the Department's activities.

5.19.5. represent the Company by proxy before the state and local authorities, commercial, public, and other organizations of the Russian Federation on matters within the remit of the Department;

5.19.6. maintain correspondence with the Company's units, subsidiaries, and dependent companies on matters within the remit of the Department;

5.19.7. in line with Russian laws, respond to proposals, applications, and complaints from shareholders, state authorities, and other institutions and organizations of the Russian Federation on matters within the remit of the Department in line with the procedure established at the Company;

5.19.8. require the employees of the Department to perform their job duties and carefully treat the property of the Company and other employees, comply with the internal labor regulations, labor safety, and fire safety requirements;

5.19.9. make proposals to appoint and dismiss the Department's employees, set their salaries and allowances, reward the Department's employees, and impose disciplinary liability on the Department's employees.

6 Internal Audit team's liability

The Department's team are liable in line with applicable law for:

6.1. causing the Company's losses through their action or inaction.

6.2. failing to perform their duties properly or timely.

6.3. breach of applicable laws, organizational legal documents, local regulations, and other documents.

6.4. providing inaccurate data to the Company's management.

6.5. disclosing information or data that constitute a state or commercial secret.

6.6. performing actions that may result in financial damage for the Company or have a negative impact on the Company's image.

6.7. Pursuant to the laws of the Russian Federation and the Regulations for the Internal Audit Department, the Head of Internal Audit is responsible for the Department's overall activities and is liable for failing to perform, improper or untimely performance of the tasks and functions of the Department, damage incurred by the Company as a result of failure to perform, improper or untimely performance of the tasks and functions of the Department, and failure to exercise his or her rights, including inadequate and ineffective budget planning of the Department.

7 Interaction with other teams

7.1 Internal Audit Department's interaction with executive divisions and with third-party entities is governed by applicable rules and other local regulations of the Company.

(Signed)

E.N. Kotova

Head of Internal Audit

October 18, 2019

Read and accepted as valid regulations.

(Signed)

L.A. Sigiykina

December 12, 2019

Read and accepted as valid regulations.

(Signed)

V.V. Fomin

December 12, 2019

Read and accepted as valid regulations.

(Signed)

Yu.N. Borshcheva

December 12, 2019

Read and accepted as valid regulations.

(Signed)

S.N. Panteleyeva

December 12, 2019

Read and accepted as valid regulations.

(Signed)

A.O. Vozhina

December 12, 2019

Read and accepted as valid regulations.

(Signature)

(Name)

Date: _____20__

Read and accepted as valid regulations.

(Signature)

(Name)

Date: _____20__

**Regulations for the Internal Audit Department
Sign-off Form**

No.	Title	Full name	Responsible for	Agreed
1	Director for Personnel Management and Organizational Design, Head of Personnel Management and Organizational Design	Z.P. Ivleva	Quality and completeness in identifying business activities areas; correct assignment of all relevant functions; correct reflection of overall provisions, rights, and responsibilities	<i>(Signed off)</i>
2	Director for Personnel Management and Organizational Design, Head of Personnel Management and Organizational Design	Z.P. Ivleva	Checking that the unit's name meets the approved organizational structure documents and the Company's staff/unit schedule; compliance with standard requirements	<i>(Signed off)</i>
3	Deputy CEO, Legal, Deputy Legal Department Head	V.A. Leontyevsky	Compliance with applicable regulations and laws in order to remove wording that may be ambiguous or contradictory in case of an employment dispute	<i>(Signed off)</i>
4	Head of Motivation and Organization Design, Head of HR and Employee Compensations	I.V. Andreeva	Compliance with regulatory requirements; quality and completeness of the Operating Procedure/Practices document/item number/ID	<i>(Signed off)</i>

