

PUBLIC JOINT STOCK COMPANY “ROSSETI LENENERGO”

CORPORATE POLICY

PK-13.01-005-2023

PJSC “Rosseti Lenenergo”

Internal Audit Policy
(restated)

Revision 6

Saint Petersburg

2023

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1. General

1.1. The purpose of the Internal Audit Policy of PJSC “Rosseti Lenenergo” (the “Policy”) is to set out the main principles for managing and operating the corporate internal audit system of PJSC “Rosseti Lenenergo” (the “Company”) and to facilitate the creating of common corporate approaches to building, management, and coordination of the internal audit in the Rosseti Group.

1.2. This Policy is the Company’s internal regulation developed in compliance with the Russian law and pursuant to the regulations below, that reflects the best internal audit practices and standards:

- Russian Federal Law No. 208-FZ *On Joint Stock Companies* of December 26, 1995;
- Russian Federal Law No. 35-FZ *On Electric Power Industry* of March 26, 2003;
- Russian Federal Law No. 273 *On Combating Corruption* of December 25, 2008;
- Russian Federal Law No. 402-FZ *On Accounting* of December 6, 2011;
- Russian Federal Law No. 41-FZ *On the Accounts Chamber of the Russian Federation* of April 5, 2013;
- Order No. 2n of the Ministry of Finance of the Russian Federation *On Introduction of the International Audit Standards in Russia, and On Repeal of Certain Orders of the Ministry of Finance of the Russian Federation* of January 9, 2019;
- Corporate Governance Code recommended by the Bank of Russia (Letter No. 06-52/2463 *On the Corporate Governance Code* of April 10, 2014);
- Regulations No. 534-P of the Bank of Russia *On Listing of Securities for Exchange Trading* of February 24, 2016;
- *Recommendations of the Bank of Russia for the Organization of Risk Management, Internal Control, Internal Audit, Audit Committee of the Board of Directors (Supervisory Board) in Public Joint Stock Companies* (sent to public joint stock companies by Letter of Information No. IN-06-25/143 of October 01, 2020);
- Recommendations No. PZ-11/2013 of the Ministry of Finance of the Russian Federation *Organization and Conducting by an Entity of Internal Control of the Business Actions, Accounting, and Accounting (Financial) Reporting* (Letter No. 07-04-15/57289 by the Ministry of Finance of the Russian Federation of December 25, 2013);
- *The Guidelines for the Organization of Audit Committees of the Board of Directors in Joint Stock Companies with State Participation* (approved by Order No. 86 of the Federal Agency for State Property Management (Rosimushchestvo) of March 20, 2014);
- *The Guidelines for the Organization of Internal Audit in Joint Stock Companies with State Participation* (approved by Order No. 249 of the Federal Agency for State Property Management (Rosimushchestvo) of July 4, 2014);
- *The Guidelines for the Organization of the Internal Audit System in Holding Structures with State Participation* (approved by Order No. 330 of the Federal Agency for State Property Management (Rosimushchestvo) of September 3, 2014);
- *The Guidelines of Rosimushchestvo for Preparation of the Bylaws Governing the Operation of State Corporations and Companies, and Open Joint Stock Companies Specified in the Russian Government Instruction No. 91-r of March 23, 2003* (approved by the Russian Government Decree No. ISh-P13-4148 of June 24, 2015);
- Listing Rules of PJSC “Moscow Exchange” adopted by the Supervisory Board of PJSC “Moscow Exchange”;

- The International Professional Practices Framework by the Institute of Internal Auditors (including the International Standards for the Professional Practice of Internal Auditing);
- Recommendations set out in international and national standards for risk management and internal control;
- Company's Articles of Association and other internal regulations.

1.3. The Policy is based on the best practices and expertise of the leading global and Russian Companies, and is made in order to implement the provisions of the following:

- the Power Sector Development Strategy of Russia adopted by the Russian Government (Decree No. 511-r of April 3, 2013);
- the Internal Audit Policy of PJSC "Rosseti".

1.4. This Policy sets out:

- internal audit goals and objectives;
- internal audit organization;
- internal audit functions;
- internal auditors' operating principles;
- internal audit accountability;
- internal auditors' scope of authority;
- principles, procedures, and scope of the internal auditors' interaction with stakeholders;
- code of ethics and requirements for the internal auditors of the Rosseti Group;
- internal audit liability;
- internal audit quality control and assessment approaches;
- other main principles and approaches used by the Company in implementing the internal audit functions.

1.5. The Company implements the internal audit functions using common corporate approaches to organizing, managing, and coordinating internal audit activities within the Rosseti Group.

1.6. In order to contribute to the overall Rosseti Group management efficiency improvement, the audit measures and actions are planned and carried out in view of the impact the risks related to the audited processes have not only on the business of the Company, but on the group operations in general.

1.7. In order to ensure the internal audit is implemented in a harmonized way consistent way within the Rosseti Group, the quality of the internal audit is monitored continuously, and its independence is controlled, the representatives of the Internal Audit of PJSC "Rosseti" are entitled to attend the meetings of the Board of Directors and the Audit Committee of the Company, on which issues are discussed related to building and implementation of the internal audit functions at the Company.

1.8. The internal audit is implemented at the Company by way of establishing of an Internal Audit division (a dedicated division) and engaging third parties (outsourcing) selected and contracted subject to the Common Procurement Standard of PJSC "Rosseti" (Procurement Regulations) adopted by the Company Board of Directors (the "Board") that decides on the best way to implement the internal audit functions.

The establishment, reorganization, and liquidation of the Internal Audit division, which is a separate structural division of the Company, are subject to the order of the Company's CEO based on the Board's decision and the preliminary review by the Audit Committee of the Board of Directors (hereinafter referred to as the Audit Committee).

The Company's CEO appoints or terminates (other than at the employee's request) the Head of the Internal Audit based on the Board's decision. The Board also preliminarily approves the decisions of the Company's CEO on appointment or termination (other than at the employee's request) of the Head of the Internal Audit, subjecting such person to disciplinary action, and approval of the terms of the employment contract and the remuneration of the Head of the Internal Audit (subject to the preliminary review by the Audit Committee).

In selecting an independent outsource entity to perform the internal audit, the Company must verify such an entity and its employees involved in the interaction with the Company are indeed independent, objective, professional, and competent.

1.9. The Board approves of the Policy subject to the preliminary review by the Audit Committee. The Policy is amended in the similar manner: based on the Board's decision subject to the preliminary review by the Audit Committee.

The Board, the Audit Committee, the CEO, the Management Board, the Head of the Internal Audit, and the Head of the Internal Audit of PJSC "Rosseti" are entitled to initiate amendments to the Policy.

The Head of the Internal Audit drafts and prepares the proposed amendments to the Policy.

The Policy is amended if:

- the Russian laws change;
- the International Professional Practices Framework by the Institute of Internal Auditors (including the International Standards for the Professional Practice of Internal Auditing) is amended;
- change in the organizational structure of the Company and/or the powers of its officers;
- the internal audit goals, objectives, or functions change;
- the internal audit powers change, or the internal audit operations become substantially limited;
- it needs to be amended based on an internal audit quality control check findings;
- any other conditions/events occur that significantly affect the internal audit processes.

1.10. The Company affiliates shall use this Policy as general guidelines.

The affiliates are recommended to use this Policy, including its specific provisions, as framework for developing their internal audit regulations¹.

2. Terms and Definitions

Internal Audit² means the provision of independent and objective assurances, advice and consultations aimed at improvement of the Company's business. The Internal Audit's purpose is to facilitate the fulfillment of the Company's goals and objectives in the most efficient and feasible manner through the use of a systematic and consistent approach to assessment and efficiency improvement of the risk management, internal control, and corporate governance systems.

In this Policy, the term 'Internal Audit' also means the division responsible for carrying out the internal audit function, i.e., the Internal Audit division and its team, while the term 'internal audit functions' means the Internal Audit operations (functions).

¹ In order to comply with the applicable laws, in drafting and adopting the Policy for a specific subsidiary, all provisions are to be removed mentioning PJSC "Rosseti Lenenergo" as a shareholder (including references to decisions and resolutions of governing bodies, regulations of PJSC "Rosseti Lenenergo"), and to other Affiliates, where PJSC "Rosseti Lenenergo" is a shareholder, are to be omitted.

² In accordance with the definition that is the key element of the International Professional Practices Framework (the IPPF) by the Institute of Internal Auditors.

Provision of assurances means the objective analysis of the available audit evidence in order to present an independent assessment of the corporate governance, risk management, and control processes at the Company.

Provision of advice and consultations means the Internal Audit's consultations, advice, and recommendations aimed at facilitating and improving the corporate governance, risk management, and internal control processes, excluding the internal auditors' liability for the managerial decisions.

PJSC "Rosseti" means Public Joint Stock Company "Federal Grid Company – Rosseti" / Company / PJSC "Rosseti".

Rosseti Group means the Company's principal shareholder, PJSC "Rosseti", and the subsidiaries and affiliates of PJSC "Rosseti".

The **Company** means PJSC "Rosseti Lenenergo".

Affiliates means the subsidiaries and affiliates of PJSC "Rosseti Lenenergo", i.e., the entities, where the Company holds interests.

CIA, or the Certified Internal Auditor, means an international internal auditor certificate.

IFAC means the International Federation of Accountants.

3. Internal Audit Goals and Objectives

3.1. The objective of the Internal Audit is to help the Board of Directors and the Company's executive bodies make the Company's management practices more efficient and improve the quality of its business and financial operations, including by using a comprehensive, consistent approach to analyzing and assessing of the risk management and internal control system, and corporate governance as tools to be reasonably assured that the Company is able to meet its goals and objectives.

3.2. In order to do so, the Internal Audit addresses tasks in the following areas:

3.2.1. introduction and application of uniform approaches to building, management, and coordination of the internal audit functions adopted by the Rosseti Group at the Company and its Subsidiaries and Affiliates;

3.2.2. conducting of the internal audit and participation in the other inspections and audits carried out at the Company and its Subsidiaries and Affiliates;

3.2.3. provision of independent and objective assurance regarding the efficiency of the risk management and internal control system and corporate governance, as well as assistance to the Company's executive bodies and employees in drafting and monitoring the risk management and internal control system and corporate governance improvement procedures and actions;

3.2.4. arrangement of the efficient interaction between the Company and its External Auditor, the Internal Audit Board, and the persons consulting the Company with respect to risk management, internal control, and corporate governance;

3.2.5. preparation and presentation to the Board (the Audit Committee) and the Company's executive bodies (the CEO/ the Management Board) of reports on the Internal Audit performance (including the information on the significant risks, deficiencies, performance results and efficiency of the actions to eliminate such deficiencies, progress of the Internal Audit according to the operating plan, results of the actual status, reliability, and efficiency assessment of the risk management and internal control system and corporate governance).

3.3. In order to implement the internal and external quality assessment of the Internal Audit activities, the Company assesses the compliance of the goals and objectives under the Policy with the goals and objectives set for the Internal Audit by the relevant governing bodies of the Company. The results of such an assessment are presented to the Board (the Audit Committee), including for the purpose of considering the need to amend the Policy.

3.4. In managing and conducting the Internal Audit activities, the Company uses best efforts to apply the main principles and approaches reflected in the Corporate Governance Code (recommended by the Bank of Russia, Letter No. 06-52/2463 of April 10, 2014), the Guidelines for the Organization of Internal Audit in the Joint Stock Companies with State Participation (approved by Rosimushchestvo, Order No. 249 of July 4, 2014), the Guidelines for the Organization of the Internal Audit System in the Holding Structures with State Participation (approved by Rosimushchestvo, Order No. 330 of September 3, 2014), and Information letter No. IN-06-25/143 of the Bank of Russia On Recommendations for the Organization of Risk Management, Internal Control, Internal Audit, Audit Committee of the Board of Directors (Supervisory Board) in Public Joint-Stock Companies of October 1, 2020.

4. Internal Audit Functions

In order to achieve the goals and objectives set, the Internal Audit team out the following functions and activities:

4.1. Introduction and application of uniform approaches to building, management, and coordination of the internal audit functions adopted by the Rosseti Group at the Company and its Subsidiaries and Affiliates:

4.1.1. proposing the most appropriate form of implementation of the internal audit functions at the Company and its Subsidiaries and Affiliates;

4.1.2. introducing the uniform principles of the internal audit functions building and implementation assessment adopted by the Rosseti Group;

4.1.3. drafting and introducing the guidelines governing the Internal Audit operations (policies, regulations, rules, methodologies, instructions, etc.) subject to the guidelines prepared by PJSC “Rosseti”;

4.1.4. making suggestions with respect to the documents setting out the uniform approaches to, and principles of, building, management, and coordination of the internal audit functions adopted by the Rosseti Group; and participating in the work groups for drafting documents regulating the Internal Audit’s operations;

4.1.5. organizing and carrying out actions to automate the operations of the Internal Audit of the Company and its Subsidiaries and Affiliates.

4.2. Conducting of the internal audit and participation in other inspections or audits carried out at the Company and its Subsidiaries and Affiliates:

4.2.1. planning, organizing, and carrying out internal audits of business process (operational areas), business functions, projects/plans/programs, structural and separate divisions, and other items of the Company to be inspected and audited with respect to the following:

- to ensure compliance with laws, industry regulations, internal regulations, standards, and other regulations (except for technical regulations, standards, and rules that govern the operation of the power grid facilities and assets), as well as contractual obligations;
- to ensure fulfillment of instructions and orders of the Russian government agencies with respect to the functioning and development of the power sector;
- to ensure fulfillment of decisions/instructions (orders) of the governing bodies, and requirements set out in administrative and organizational documents and other regulations;
- to ensure the efficiency, cost effectiveness, and productivity of the operations;
- to ensure the reliability, accuracy, completeness, and timeliness of preparation of the accounting reports, financial statements, and managerial reports;
- to ensure the soundness of assets;

4.2.2. conducting thematic audits at all Rosseti Group under the uniform audit program;

4.2.3. conducting audits and inspections, and carrying out other tasks as instructed by the Board of Directors/the Audit Committee, and/or the executive bodies of the Company regarding matters that fall within the Internal Audit’s competence;

4.2.4. organizing, planning, arranging for and causing to be conducted audits of the Subsidiaries and Affiliates;

4.2.5. appointing the Company’s Internal Audit team members to internal audit boards at Subsidiaries and Affiliates as selected members or invited experts;

4.2.6. causing to be conducted/organizing/participating in dedicated internal fraud and abuse audits, and audits to investigate damage to the Company and its Subsidiaries and Affiliates, inappropriate or inefficient use of resources, or other instances of unethical or unlawful/improper acts by employees or third parties;

4.2.7. informing the Board (the Audit Committee) and the CEO/ the Management Board on the results of audits and inspections, recommending on the remedy of breaches and deficiencies uncovered during such audits and inspections, and making suggestions as to the increase of efficiency and productivity of the risk management and internal control system and corporate governance, and the improvement of the business of the Company and its Subsidiaries and Affiliates;

4.2.8. monitoring the implementation of the corrective plans aimed at elimination of breaches and deficiencies uncovered during audits and inspections, and implementing the recommendations, suggestions, and proposals with respect to the improvement of the business of the Company and its Subsidiaries and Affiliates;

4.2.9. organizing and carrying out post-audits of business processes (operational areas), business functions, projects/plans/programs, structural and separate divisions, and other items of the Company to be inspected and audited.

4.3. Provision of independent and objective assurances with respect to the efficiency of the risk management and internal control system and corporate governance, as well as assistance to the Company's executive bodies and employees in drafting and monitoring the risk management and internal control system and corporate governance improvement procedures and actions:

4.3.1. assessing the reliability and efficiency of the risk management and internal control system, including:

- assessment of the maturity of the risk management and internal control system components at the Company for the purpose of efficient risk management, including with respect to the organization of procedures, goal and task setting, implementation of the risk management and internal control policy provisions, automation processes, regulatory and standard support, interaction between the structural divisions within the risk management and internal control system, reporting, infrastructure (including the organizational structure), etc.;

- assessment of the control environment of the Company;

- assessment of goal setting process at the Company, including determination of adequacy of the criteria used for the analysis of progress and performance under the goals set;

- detecting the drawbacks of the risk management and internal control system due to which the goals set cannot be met;

- assessment of the risk management process, including the audit of comprehensiveness of risk identification and accuracy of risk assessment at all levels of management of the Company, verification of timeliness and sufficiency of risk treatment measures taken to maintain the risks within the Company's risk appetite, assessment of the organization, building, and implementation of internal controls (control procedures) embedded in processes, audit of the efficiency of control procedures and other risk management actions, including the efficiency of use of the allocated resources;

- assessment of the organization of monitoring of the risk management and internal control system at the Company, including the results of the action taken to eliminate the violations and drawbacks as well as of the outcomes of improving the risk management and internal control system;

- analysis of information about the risks realized at the Company (including the breaches, failure to achieve the set goals, court proceedings, etc., identified during the audits);

- assessment of the organization of information interaction (exchange) at the Company, including collection and exchange of information concerning risks within the Company;

4.3.2. assessing the corporate governance performance, including:

- checking if the corporate ethical principles and values are met;

- checking the goal setting procedure and performance monitoring/control procedures at the Company;
- checking the scope of the regulatory support and information exchange practices (including risk management and internal control procedures) at all levels of the Company management, including interaction with stakeholders;
- checking if shareholder rights are protected, including those of the controlled entities, and the efficiency of interaction with stakeholders;
- audit of the disclosure procedures at the Company;

4.3.3. consulting the executive bodies of the Company with respect to the internal control, risk management, and corporate governance (provided that the Internal Audit retains its independence and objectivity).

4.4. The internal audit functions with respect to the arrangement of efficient interaction between the Company and its External Auditor, the Internal Audit Board, and the persons consulting the Company with respect to risk management, internal control, and corporate governance are set out in Section 8 (*Internal Audit's Interaction with Stakeholders*) hereof.

4.5. The internal audit functions with respect to preparation and presentation to the Board (the Audit Committee) and the Company's executive bodies (the CEO/ the Management Board) of reports on the Internal Audit performance are set out in Section 8 (*Internal Audit's Interaction with Stakeholders*) hereof.

4.6. The Internal Audit carries out other functions as well aimed at achieving the goals and addressing the tasks set out herein.

5. Internal Audit Operating Principles and Accountability

5.1. The Company implements the internal audit functions in compliance with the following principles:

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

These principles are explained in the Internal Auditors' Code of Ethics of the Rosseti Group (annexed hereto).

5.2. In the internal audit functions, independence is achieved through a distinction between the functional and administrative subordination of the Internal Audit.

The Internal Audit is functionally subordinate to the Board, while being administratively subordinate to the Company's CEO.

5.2.1. The Board controls and organizes the operations of the Internal Audit within its competence set out in the Articles of Association, including:

- approval of this Policy and amendments hereto;
- annual approval of the Internal Audit plan, report on the performance thereunder, and the Internal Audit budget;
- preliminary approval of the decisions of the Company's CEO on appointment or termination (other than at the employee's request) of the Head of the Internal Audit, subjecting such

person to disciplinary action, and approval of the terms of the employment contract and the amount of remuneration of the Head of the Internal Audit;

- consideration of significant restrictions of the Internal Audit powers and other limitations that may negatively affect the Internal Audit operations.

5.2.2. The information on the progress under the Internal Audit plan and the performance of the internal audit functions, as well as on other aspects of the Internal Audit activity is provided to the Audit Committee at least once a quarter.

The Head of the Internal Audit meets with the Audit Committee or its Chairperson at least once a quarter to discuss the issues that fall within the Internal Audit's competence.

5.2.3. The administrative subordination of the Internal Audit to the Company's CEO includes, among other issues, the following:

- allocation of the required funds within the approved budget to the performance of the internal audit functions;
- reporting on the Internal Audit activities;
- management of the policies and procedures of the Internal Audit;
- support of the interaction between the Internal Audit and other divisions of the Company and its Subsidiaries and Affiliates.

5.3. The independence and objectivity of the Internal Audit are achieved through:

5.3.1. direct line of communication with the Board (the Audit Committee) and the CEO for the Head of Internal Audit;

5.3.2. division of the powers and responsibilities of the Internal Audit from the operations of other structural divisions of the Company, including the following:

- the Head of Internal Audit may not be assigned responsibilities not related to the internal audit functions;
- the Internal Audit may not include divisions and employees not engaged in the internal audit performance;

5.3.3. Internal Audit's unlimited authority, including in setting out the Internal Audit plan and the scope of the audits to be conducted; and unlimited access to the documents, employees, and assets of the Company, and unlimited resources for the purpose of internal audit;

5.3.4. individual objectivity and independence of the internal auditors through actions aimed at preventing the potential and existing conflicts of interest and prejudice, including a restriction on the audit of the areas, for which the relevant auditor had been responsible throughout the year that precedes the audit, and an assessment of the Internal Audit.

5.4. The Internal Audit does not replace or overlap the functions performed by other employees and divisions of the Company and its Subsidiaries and Affiliates, including with respect to the operative and preventive control. The Internal Audit is not entitled to participate in the approval and adoption of decisions with respect to the financial and business operations of the Company and its Subsidiaries and Affiliates.

5.5. The Company implements a risk-oriented approach to the performance of the internal audit functions that provides for the planning and conducting of audits based on the risk assessment in order to focus on the most vulnerable assets and operating areas (a switch from the 'periodic' audits to the audits of the key issues and matters).

5.6. The audit must follow the approaches that provide for the most efficient ratio of the methods and resources used, and for the reasonable sufficiency of the scope and nature of the audit procedures for the audit goals.

5.7. The Company intends to keep the internal audit costs not exceeding the benefits from the audit operations.

6. Internal Auditors Requirements

The following requirements apply to the Internal Audit team members, i.e., the internal auditors:

6.1. Competence requirements

The internal auditors shall be expected to:

- have a university(-level) degree in economics, finance or law and be professionally trained at a state-accredited Russian institution of higher education or at a globally recognized higher education institution abroad;
- have an auditor's or a professional accountant's certificate issued under the Russian laws, or a CIA from the Institute of Internal Auditors, or internal auditor qualifications from the IFAC, or other similar certificates, qualifications, or diplomas;
- have skills and knowledge required to achieve the goals and address the tasks of the Internal Audit, including the knowledge of the key risks and control procedures, and the industry specifics to the extent that is sufficient to perform under the tasks set; and
- be a member of a professional association of internal auditors.

6.2. Personal requirements

The internal auditors shall have the following personal qualities:

- impeccable business (professional) reputation;
- integrity: honesty, sincerity, honesty, reserve, prudence;
- open to alternative ideas or points of view;
- flexibility and tact: the ability to communicate with others in a tactful manner;
- attentive, with strong observation skills: the ability to notice the specifics and important details;
- perseverant: persistent and goal-oriented;
- determination: the ability to make timely decisions based on the logical reasoning and analysis;
- able to work without supervision: has the ability to act and carry out his/her duties without supervisions, and to interact with others in an efficient manner.

6.3. Compliance with the Internal Auditors' Code of Ethics

In carrying out their personal duties, the internal auditors shall follow and observe the Internal Auditors' Code of Ethics of the Rosseti Group (annexed hereto). The Company assesses the internal auditors' compliance with the Code of Ethics under the Internal Audit Quality Assessment (Assurance) and Improvement Program designed and applied by the Company.

7. Internal Audit Powers and Responsibility

7.1. In carrying out their duties, the Internal Audit Head and employees have the following powers:

7.1.1. to have unlimited access to any assets, documents, accounting records, information systems and resources, and any other information on the Company's and the Subsidiaries and Affiliates' operations (including in electronic form) for the performance of their duties, and to copy the relevant documents and information;

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

7.1.3. to request from the Company and its Subsidiaries and Affiliates and promptly receive in writing (in hard copy or in electronic form) all relevant the documents, materials, clarifications, and other information in accordance with the goals of the audit³;

7.1.4. to gain access to all the buildings, facilities, premises, rooms, production, business, and utility areas of the Company and its Subsidiaries and Affiliates for the purpose of internal audit;

7.1.5. to take photos, to make video and audio recordings during the audit;

7.1.6. to hold interviews with the Company's and the Subsidiaries and Affiliates' employees (provided that managers to whom such employees report are notified about such interviews) about matters related to the internal audit tasks and functions;

7.1.7. to obtain the required assistance from the Company's and the Subsidiaries and Affiliates' employees during the audit, including the surprise audits, and other Internal Audit operations;

7.1.8. to request from the Company and its Subsidiaries and Affiliates any information required to control the progress of the action to eliminate the violations and drawbacks detected during audits, and of the analysis of efficiency of the action taken;

7.1.9. to attend the meetings of the work bodies of the Company (committees, work groups, etc.), provided the balance of independence and objectivity of the Internal Audit is kept, and the Internal Audit employees are not engaged in the operations of the Company;

7.1.10. to draft and make suggestions with respect to internal auditors' professional training, retraining, and further training;

7.1.11. to demand that the persons responsible for elimination of the violations or drawbacks:

- prompt drafting and approval of and acting on the remedial plans;
- prompt presentation of reports on the remedy progress;
- submission of clarifications and confirmations as to the remedy progress;

7.1.12. to perform other actions required to achieve the goals and address the tasks of the Internal Audit.

7.2. The Internal Audit Head is entitled to:

7.2.1. attend the meetings of the Board, its Committees, and executive bodies of the Company;

7.2.2. get acquainted with the current and future business plans and programs, performance reports, drafts of the decisions and decisions of the Board, its Committees, and the executive bodies of the Company;

7.2.3. subject to the Company's regulations, engage people from Company divisions or from Affiliates as experts or external experts to address certain tasks carried out as part of the Internal Audit activities.

7.3. In order to avoid conflict of interest, the Head of Internal Audit and Internal Audit team members shall abstain from:

³ The said documents and information shall be provided within two (2) business days from the date the request is received, unless otherwise required by the request.

7.3.1. auditing the operating areas they had been responsible for throughout the year preceding the audit;

7.3.2. participating in audits or other tasks, if there is any financial, pecuniary, familial, or other interest in the audited operations;

7.3.3. participating in any activity that may affect their impartiality or be seen as affecting such impartiality;

7.3.4. managing and directing the activities of other divisions' teams other than when such teams' members are appointed to participate in an audit or other activities within the scope of the Internal Audit operations.

7.4. The Head of Internal Audit and the Internal Audit team shall apply the International Professional Practices Framework by the Institute of Internal Auditors in their operations, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, and the Standards and Definition of Internal Auditing.

7.5. The Head of Internal Audit and the Internal Audit team shall not:

7.5.1. fail to disclose all the facts known to them that may corrupt the auditor report if not disclosed;

7.5.2. use or disclose any confidential information without having proper authority to do so, except for the cases when such a disclosure is required under the applicable laws.

7.6. If any significant restrictions are placed on the powers of the Internal Audit, or other limitations occur that may negatively affect the Internal Audit's operations, and if there is any conflict of interest, the Internal Audit employees shall inform the Head of Internal Audit of such facts, who, in turn, shall inform the Board (the Audit Committee), the Company's CEO, and the Head of the Internal Audit of PJSC "Rosseti".

7.7. If the right to perform certain audits or tasks of the Company's Internal Audit is delegated to an outsourced company, the Head of Internal Audit shall be responsible for the performance and results thereof.

7.8. The Head of Internal Audit shall be responsible for drawing up an opinion concerning reliability and efficiency of risk management and internal control as well as efficiency of corporate governance at the Company.

7.9. The duties and liability of the head of Internal Audit Head and the Internal Audit team are as set out in the applicable employment contracts, job descriptions, the Internal Audit Regulations, and Company's other administrative and organizational documents and regulations, and includes (but is not limited to) the liability for improper or untimely performance of the functions and tasks, failure to observe the workplace discipline requirements, loss of and/or damage to the tangible assets or documents, and the disclosure of secrets protected by the Russian laws and the Company's bylaws.

8. Engaging with Stakeholders

8.1. The Internal Audit interacts with the Board (the Audit Committee) with respect to the following main areas of activity:

8.1.1. internal audits based on the Internal Audit plan approved by the Board (subject to preliminary review by the Audit Committee);

8.1.2. other audits and inspections, and other tasks under the decisions of or instructions from the Board (the Audit Committee) within the Internal Audit's competence;

8.1.3. the Head of Internal Audit exercising the right to attend the meetings of the Board (its Committees) and the direct line of communication with the Board (the Audit Committee);

8.1.4. the Audit Committee's preliminary review (to present for the further approval by the Board) of the Internal Audit plan, performance report, and budget, as well as the Company's Internal Audit Policy or amendments thereto;

8.1.5. presentation to the Audit Committee of performance reports (including the information about the results of certain audits and inspections, material risks identified, drawbacks detected, the results and efficiency of the action taken, outcomes of implementing the main internal audit functions, and other aspects relating to the Internal Audit's operations);

8.1.6. submittal for review by the Board/Audit Committee of the results of the annual assessment of the status and efficiency of the risk management, internal controls and corporate governance system, and of the core tendencies of the Company's operations and operations of its Subsidiaries and Affiliates, the internal audit practices at the Company (including the information on the existence/absence of restrictions, and on the independence of and sufficient resource provision to the Internal Audit);

8.1.7. meetings between the Head of Internal Audit and the Audit Committee or its Chairperson at least once a quarter to discuss the issues that fall within the Internal Audit competence;

8.1.8. presentation of the results of the internal and external quality assessments of the Internal Audit to the Board (the Audit Committee).

8.2. The Internal Audit interacts with the executive bodies of the Company with respect to the following main areas of activity (provided the balance of independence and objectivity of the Internal Audit is kept, and the Internal Audit employees are not engaged in the operations of the Company and the Subsidiaries and Affiliates):

8.2.1. audits and other tasks under the Internal Audit plan and instructions from the executive bodies of the Company (within the Internal Audit's competence);

8.2.2. the Head of Internal Audit exercising the right to attend the meetings of the executive bodies of the Company, and the direct line of communication with the Company's CEO;

8.2.3. informing on the results of the audits and inspections, recommending on the remedy of breaches and deficiencies uncovered during such audits and inspections, and making suggestions as to the increase of efficiency and productivity of the risk management and internal control system and corporate governance, and the improvement of the business of the Company and its Subsidiaries and Affiliates.

8.3. The Internal Audit interacts with the outsource Independent Auditor of the Company with respect to the following main areas of activity:

8.3.1. assessment of the independent auditor's work, preparation of an opinion on the results of such an assessment, presentation of the assessment results to the Audit Committee for review, informing the stakeholders;

8.3.2. participation in determination of the selection and qualification criteria, review of the tender documents, determination of the material terms and conditions of a contract, and holding of a public tender to select the independent auditor of the Company;

8.3.3. assisting the independent auditor in providing the information on the state of the Company's risk management and internal control system;

8.3.4. participation in the discussion of the independent auditor's conclusions on the state of the risk management and internal control system;

8.3.5. participation in the resolution of disputes arising during the external independent audits;

8.3.6. holding meetings with the independent (external) auditor at least once a year, specifically when assessing the independent auditor's report concerning the Company's accounts and financial statements.

8.4. The Internal Audit interacts with the Internal Audit Board of the Company across such main areas of activity as:

8.4.1. organization and coordination of interaction between the structural divisions of the Company and the Internal Audit Board;

8.4.2. preparation and provision of information and opinions within the Internal Audit's competence;

8.4.3. organizational support of the Internal Audit Board;

8.4.4. organization of the remedy actions based on the results of the audits and inspections aimed at eliminating the violations and drawbacks detected and implementing the recommendations of the Internal Audit Board;

8.4.5. control over the remedy actions aimed at eliminating the violations and drawbacks detected and implementing the recommendations of the Internal Audit Board;

8.5. The Internal Audit interacts with the division(s) carrying out the methodological support and coordination of internal control and risk management operations, including the information exchange with respect to the risks, control procedures, and compliance with the Company's requirements and procedures.

8.6. The Internal Audit interacts with other participants of the risk management and internal control system of the Company with respect to the issues that fall within the Internal Audit's competence, as well as with other stakeholders carrying out the monitoring and assessment of the risk management and internal control system in certain operating areas.

8.7. In order to design and apply the uniform approaches to building, management, and coordination of the internal audit functions in the Rosseti Group, the Internal Audit of the Company interacts with the Internal Audit of PJSC "Rosseti", being the Company's shareholder responsible for the implementation of the Russian Power Sector Development Strategy adopted by Russian Government (Instruction No. 511-r of April 3, 2013), with respect to the following main areas of activity (in compliance with the laws on joint stock companies, as well as corporate requirements and restrictions):

8.7.1. participation in creating consistent common approaches regarding (operating framework for) the internal audit within the Rosseti Group;

8.7.2. initiation of drafting and prompt updating of the Company's Articles of Association, Regulations for the Audit Committee of the Board of Directors, the Internal Audit Policy, and other bylaws of the Company with respect to control, organization, and functioning of the Internal Audit;

8.7.3. participation in drafting the common methodologies (guidelines, instructions, regulations, standards, etc.) that set out the approaches and principles of the internal audit functions and govern the Internal Audit operations;

8.7.4. conducting specifically addressed audits by the companies of the Rosseti Group under the common audit program.

8.8. The Head of Internal Audit designs the interaction schedule (map) for the internal control subjects and other stakeholders carrying out the monitoring and assessment of the internal control system in certain operating areas (the assurance map), i.e. a document setting out the areas of responsibility of the risk management and internal control subjects and other stakeholders with respect to certain risks of the Company.

8.9. The Internal Audit interacts with the government oversight bodies and other stakeholders in accordance with the Russian laws and Company's applicable regulations, with respect to the matters that fall within the Internal Audit's scope of competence.

9. Internal Audit Quality Control and Performance Assessment

9.1. In order to ensure the proper control and assessment of the Internal Audit operations, as well as to identify the areas for improvement, the Head of Internal Audit ensures the design, approval and introduction of the Internal Audit Quality Assessment (Assurance) and Improvement Program, under which the following are implemented:

9.1.1. continuous monitoring of the Internal Audit quality;

9.1.2. periodic internal and external independent quality control of the Internal Audit.

9.2. The Head of Internal Audit carries out the following when continuously monitoring the internal audit quality:

9.2.1. supervision over the audits and other actions by the Internal Audit;

9.2.2. select expert review of the work documents formed during the audits, including the review of the completeness of the required audit evidence with respect to the observations and conclusions drawn within the audit procedures;

9.2.3. interaction with the audited divisions and other stakeholders with respect to the issues that fall within the Internal Audit competence;

9.2.4. other actions required for the continuous (operative) analysis and assessment of the Internal Audit.

9.3. The Internal Audit conducts the periodic internal quality assessment through self-evaluation at least once a year.

9.4. An independent outsource expert conducts the external quality assessment of the Internal Audit at least once every five years.

9.5. The results of the internal and independent external assessments are presented to the Board (the Audit Committee).

10. Regulatory References

10.1. The Internal Audit's operations are regulated by the Company's design, approval and introduction of the following core documents based on the standard documents approved by PJSC "Rosseti":

10.1.1. this Policy;

10.1.2. the Internal Auditors' Code of Ethics of the Rosseti Group that sets out the principles and expectations determining the actions of the internal auditors when performing their duties;

10.1.3. the Regulations for the Internal Audit that constitute an organizational and HR document of the Company and set out organizational aspects of the Internal Audit activities;

10.1.4. job descriptions for the Internal Audit team members;

10.1.5. Guidelines for Internal Audit Planning;

10.1.6. Guidelines for Internal Audits;

10.1.7. Internal Audit Quality Assessment (Assurance) and Improvement Program;

10.1.8. interaction schedules/diagrams/maps describing interaction of the Internal Audit with the controlled persons/divisions within the Company, and with other stakeholders carrying out the monitoring and assessment of the internal control system in certain operating areas ("assurance maps");

10.1.9. the guidelines, instructions, regulations, standards, and other documents setting out the internal audit approaches and principles, that regulate the Internal Audit operations.

Rosseti Group**Internal Audit Code of Ethics****PRINCIPLES**

The internal auditors shall comply with the following principles:

1. Integrity.

The integrity of an internal auditor is the foundation, on which the trust to the opinion of such an auditor is based.

2. Objectivity.

The internal auditors demonstrate the highest level of professional objectivity when collecting, assessing, and transmitting the information on the audited item. The internal auditors prudently assess all the circumstances related to the case, and are not affected in their judgments by their personal interests and the interests of third parties.

3. Confidentiality.

The internal auditors respect the title to the information they obtain during their operations, and do not disclose such information without relevant authority, except for the cases when such disclosure is required subject to the legal and professional duties and obligations.

4. Professional competence.

The internal auditors apply the knowledge, skills, and expertise required to carry out the internal audit.

RULES OF CONDUCT

1. Integrity.

The internal auditors shall:

1.1. carry out their activities honestly, responsibly, and in good faith;

1.2. act within the parameters of law, and shall disclose the relevant information if so required under the laws or professional standards;

1.3. not knowingly participate in actions or campaigns discrediting the profession of an internal auditor, or their company;

1.4. observe the legal and ethically justified goals and objectives of their company and contribute to the achievement thereof.

2. Objectivity.

The internal auditors shall:

2.1. not engage in any activity that may affect their impartiality or be seen as affecting such impartiality. This also applies to the actions and relationships that may be harmful to the company's interests;

2.2. not accept any gifts that cause their professional opinion to be compromised or be seen as compromising such professional opinion;

2.3. disclose all the material facts known to them that may corrupt the auditor report if not disclosed.

3. Confidentiality.

The internal auditors shall:

3.1. be reasonable and careful in using and keeping the information that is obtained in performing their duties;

3.2. not use the information for personal gain or otherwise in violation of the laws, or in a way that may hinder the achievement of the legal and ethically justified goals and objectives of their company.

4. Professional competence.

The internal auditors shall:

4.1. only engage in tasks, if they have the sufficient professional knowledge, skills, and expertise for the fulfillment of those tasks;

4.2. conduct internal audits under the International Standards for the Professional Practice of Internal Auditing;

4.3. continuously improve their skills and further their professional training, as well as increase the efficiency and quality of the services they render.