

Appendix No. 1
to Minutes of session of the Board of Directors
IDGC of the North-West, PJSC
dated 02.12.2019 No. 339/16

APPROVED
by the Board of Directors of
IDGC of the North-West, PJSC
dated 02.12.2019 (Minutes No. 339/16)

**INTERNAL AUDIT POLICY
of IDGC of the North-West, PJSC
(restated)**

Contents

1. General provisions.....	3
2. Terms and Definitions.....	6
3. Goals and objectives of Internal Audit.....	6
4. Internal Audit functions	7
5. Internal Audit function discharge principles Internal Audit accountability	10
6. Requirements to internal auditors	12
7. Internal Audit authorities and responsibilities.....	12
8. Internal Audit interaction with stakeholders	14
9. Quality control and evaluation of internal audit activities	17
10. Regulatory support of internal audit activities	17
Appendix "Ethics Code of internal auditors of Rosseti Group of Companies"	

1. General provisions

1.1. The Internal Audit Policy of IDGC of the North-West, PJSC (hereinafter – the Policy) has been elaborated for purposes of defining the core principles of organization and functioning of internal audit within IDGC of the North-West, PJSC (hereinafter – the Company) and assistance in shaping unified approaches to building, management and coordination of the internal audit function within Rosseti Group of Companies.

1.2. This Policy is an in-house regulatory document of the Company elaborated in accordance with the requirements of the legislation of the Russian Federation as well as with account for universally recognized practices and standards of internal audit activities. During elaboration of the Policy, the Company was guided by the following core documents:

- Federal Law No 208-FZ "On Joint-Stock Companies" dated 26.12.1995;
- Federal Law No 402-FZ "On Accounting" dated 06.12.2011;
- Federal Law No. 41-FZ "On the Accounts Chamber of the Russian Federation" dated 05.04.2013;
- Federal Law No. 273 "On fighting corruption" dated 25.12.2008;
- Order of the Ministry of Finance of the Russian Federation dated 09.01.2019 No. 2n "On the Enactment of International Auditing Standards in the Russian Federation and on the Recognition of Certain Orders of the Ministry of Finance of the Russian Federation";
- Corporate Governance Code recommended by Letter No. 06-52/2463 of the Bank of Russia "On the Corporate Governance Code" dated 10.04.2014;
- Regulation of the Central Bank of Russia dated 24.02.2016 No. 534-P "On the admission of securities to organized trading";
- Recommendations No. PZ-11/2013 of the Ministry of Finance of Russia "Economic actor organizing and carrying out internal control of facts of economic life as may be executes, maintaining accounting records and drawing accounting (financial) statements" (Letter No. 07-04-15/57289 of the Ministry of Finance of Russia dated 25.12.2013);
- Order No. 86 of the Federal Agency for State Property Management "On approval of the methodological recommendations on organization of work of Audit Committees under the Board of Directors within joint-stock companies with participation of the Russian Federation" dated 20.03.2014;
- Order No. 249 of the Federal Agency for State Property Management "On approval of the methodological recommendations on organization of internal audit work within joint-stock companies with participation of the Russian Federation" dated 04.07.2014;
- Order No. 330 of the Federal Agency for State Property Management dated 03.09.2014 "On approval of methodological recommendations on building the internal audit function within holding structures with participation of the Russian Federation";
- Methodological guidelines of the Federal Agency for State Property Management on preparation of regulatory documents governing the activities of state corporations and state-owned companies as well as open joint-stock companies as listed in Ordinance No. 91-r dated 23.01.2003 of the Government of the Russian Federation (endorsed by Instruction No. ISh-P13-4148 of the Government of the Russian Federation dated 24.06.2015);
- Listing rules approved by the management bodies of a stock exchange and registered by the Bank of Russia in accordance with the established procedure;
- International fundamentals of the professional practices of internal auditors adopted by the international Institute of Internal Auditors (inclusive of the International Professional Standards of Internal Audit);

- Risk Management Conceptual Framework: Integrating with Strategy and Performance of COSO ERM (2017);
- COSO concept and appendices "Internal control. Integrated Framework" (2013);
- COSO concept "Guidance on Monitoring Internal Control Systems" (2009);
- COSO concept "Enterprise risk management – integrated framework"(2004);
- National Standard GOST R ISO 31000:2010 "Risk management. Principles and regulations" (Order No. 883-ST of the State Committee for Standardization, Metrology and Certification dated 21.12.2010);
- National Standard GOST R ISO 31010:2011 "Risk management. Risk evaluation methods" (Order No. 680-st of the Federal Agency for Technical Regulation and Metrology dated 01.12.2011);
- Charter and in-house regulatory documents of the Company.

1.3. The Policy is based on best practices, the experience of front-rank global and Russian companies and has been elaborated for development and for the purposes of implementation of the provisions of:

- the Strategy for development of the electric power grid complex of the Russian Federation as approved by Ordinance No. 511-r of the Government of the Russian Federation dated 03.04.2013;
- the Internal Audit Policy of Rosseti, PJSC (restated) approved by decision of the Board of Directors of Rosseti, PJSC on 16.11.2015 (Minutes No. 208 dated 18.11.2015).

1.4. This Policy determines:

- goals and tasks of the Internal Audit;
- the Internal Audit function organization form;
- the Internal Audit functions;
- the Internal Audit function discharge principles;
- the Internal Audit accountability;
- the Internal Audit authorities;
- the principles, procedure and character of the Internal Audit interaction with stakeholders;
- the Ethics Code and requirements to internal auditors of Rosseti Group of Companies;
- the Internal Audit responsibilities;
- the approaches to quality control assurance and evaluation of Internal Audit activities;
- other core approaches and principles applied by the Company during the Internal Audit function discharge.

1.5. The Internal Audit function discharge within the Company is performed based on unified approaches to building, management and coordination of the Internal Audit function established within Rosseti Group of Companies.

1.6. For purpose of assisting in enhancement of efficiency of the Rosseti Companies Group management in general inspection activities and actions are planned and performed with due consideration of affect of risks associated with processes inspected not only for the Company activity but also for the Group activity in general.

1.7. For purposes of ensuring the Internal Audit function discharge within Rosseti Group of Companies on a unified basis, permanent monitoring of the function discharge quality and control of its independence, representatives of the Internal Audit Subdivision of Rosseti, PJSC have the right to participate in sessions of the Board of Directors of the Company and the Audit

Committee under the Board of Directors of the Company¹ during consideration of issues associated with building and discharge of the Company Internal Audit function.

1.8. The Internal Audit function discharge form within the Company is creation of an Internal Audit Subdivision (separate structural subdivision) or engagement of an independent external organization (outsourcing), the procedure for choosing which and concluding an agreement with which is regulated by the Unified Procurement Standard of Rosseti, PJSC (Provision on Procurement), approved by the Board of Directors of the Company. The decision on the most optimal form of the Internal Audit function discharge takes the Board of Directors of the Company (hereinafter referred to as the Board of Directors).

Creation, reorganization and liquidation of the Internal Audit Subdivision representing the Company's structural subdivision are performed by order of the Company's Sole Executive Body by virtue of a decision of the Board of Directors with preliminary consideration by the Audit Committee under the Board of Directors (hereinafter referred to as the Audit Committee).

The head of the Internal Audit Subdivision is appointed to the position or dismissed by the Company's Sole Executive Body by virtue of a decision of the Board of Directors. Approval of decisions on appointment or dismissal of the head of the Internal Audit Subdivision as well as determination of the remuneration due to them (with account for preliminary consideration by the Audit Committee) fall within the competence of the Board of Directors.

During selection of an external organization for discharge of the Company's Internal Audit function one must ensure independence and objectivity, professionalism and competence of such organization and such organization personnel involvement into interaction with the Company.

1.9. The Policy is approved by decision of the Board of Directors with account for preliminary consideration by the Audit Committee. Introduction of amendments to the Policy is performed according to the same procedure: by virtue of a decision of the Board of Directors with account for preliminary consideration by the Audit Committee.

Amendments to the Policy may be initiated by the Board of Directors, the Audit Committee, the Sole Executive Body, the Management Board, the head of the Company's Internal Audit Subdivision as well as the head of the Internal Audit Subdivision of Rosseti, PJSC.

The head of the Company's Internal Audit Subdivision performs elaboration and preparation of propositions on introduction of amendments to the Policy.

Amendments to the Policy are introduced in the following cases:

- amendments to the Russian Federation legislation;
- amendments to International fundamentals of the professional practices of internal auditors adopted by the international Institute of Internal Auditors (inclusive of the International Professional Standards of Internal Audit);
- changes in the organizational structure and/or authorities of the Company's managers;
- changes in the goals, objectives and functions of the Internal Audit;
- changes in authorities and occurrence of essential limitations of the Internal Audit activities;
- necessity of introduction of amendments to the Policy following the results of evaluation of the Internal Audit activities quality;
- occurrence of other conditions/events having an essential effect the Internal Audit activities.

¹Hereinafter – in the presence of the Audit Committee under the Board of Directors of the Company. If the Audit Committee has not been created by the Board of Directors of the Company, all issues of competence of the Audit Committee enshrined in this Policy are considered by the Board of Directors of the Company.

1.10. With regard to subsidiaries and affiliates of the Company (hereinafter referred to as SAs) ²this Policy contains provisions of general (methodological) character.

The Policy (including separate provisions hereof) is recommended for usage in SAs as a framework for elaboration of in-house documents of such SAs regulating the Internal Audit activities in the SAs³.

2. Terms and Definitions

Internal audit⁴ – activities related to provision of independent and objective guarantees and consultations aimed at improvement of the Company's activities. Internal audit is meant to assist in achievement of the Company's goals in the most efficient and economically feasible way, using a systemic and consistent approach to evaluation and improvement of the risk management, internal control and corporate governance systems efficiency.

In this Policy the term "Internal Audit" is used for definition of the structural subdivision fulfilling the function of the Internal Audit, – the Internal Audit Subdivision. For definition of Internal Audit as activities (function) the term "Internal Audit Function" is used.

Provision of guarantees – objective analysis of available audit evidence to provide independent evaluation of the processes of corporate governance, risk management and control within the Company.

Provision of consultations – the Internal Audit activities related to provision of consultations, advice, recommendations aimed at rendering assistance and improvement of the processes of corporate governance, risk management and internal control, excluding assumption of responsibility for managerial decisions by the internal auditors.

Rosseti Group of Companies – the core shareholder of the Company – Rosseti, PJSC and the subsidiary and dependent companies of Rosseti, PJSC.

The Company – IDGC of the North-West, PJSC.

SAs – subsidiaries and affiliates of IDGC of the North-West, PJSC are legal persons in authorized capital whereof the Company participates.

CIA – Certified Internal Auditor – international certificate for specialists in the field of Internal Audit.

IFAC – International Federation of Accountants.

3. Goals and objectives of Internal Audit

3.1. The goal of Internal Audit is assisting the Board of Directors and Executive Bodies of the Company in enhancement of efficiency of the Company management, improvement of their financial and economic activities, inter alia – by way of a systemic and consistent approach to analysis and evaluation of the systems of risk management, internal control and corporate governance as instruments for ensuring reasonable assuredness of achievement of the goals set to the Company.

3.2. For the goals achievement, the Internal Audit completes objectives in the following areas:

² Hereinafter – in the presence of SAs at the Company.

³ In this case, in order to comply with current legislation, all provisions of the Policy shall be excluded, containing references to IDGC of the North-West, PJSC as an shareholder of the SA (including to decisions of the Management executive authorities and internal documents of IDGC of the North-West, PJSC), as well as references to other SAs, whose shareholder is IDGC of the North-West PJSC, when developing and approving the Policy in a relevant SA.

⁴ In accordance with the Definition of Internal Audit, which is the main element of the International Fundamentals of Professional Practice of Internal Audit (IPPF), adopted by the International Institute of Internal Auditors

3.2.1. adoption and application of unified approaches set within Rosseti Group of Companies to building, management and coordination of the Internal Audit function within the Company and SAs;

3.2.2. conductance of Internal Audit, participation in other reviewing measures within the Company and SAs;

3.2.3. provision of independent and objective guarantees in relation to efficiency of the systems of internal control, risk management and corporate governance as well as assisting the Executive Bodies and workers of the Company in elaboration and monitoring of execution of procedures and measures for improvement of the systems of internal control, risk management and corporate governance of the Company;

3.2.4. organization of efficient interaction of the Company with the internal auditor of the Company, the Auditing Commission of the Company as well as the persons rendering services for consulting in the field of risk management, internal control and corporate governance;

3.2.5. preparation of reports on the results of Internal Audit activities (including inter alia information on essential risks, deficiencies, the results and efficiency of execution of measures for elimination of the detected deficiencies, the results of execution of the plan of Internal Audit activities, the results of evaluation of the actual status, reliability and efficiency of the systems of internal control, risk management and corporate governance) and their provision to the Board of Directors (Audit Committee) and the Executive Bodies of the Company (Sole Executive Bodies/ Management Board).

3.3. Within the framework of internal and external evaluations of the quality of Internal Audit activities within the Company one performs evaluation of conformity of the goals and objectives set by the Policy to the goals and objectives established for Internal Audit by the corresponding Management Bodies of the Company. The results of evaluation are provided to the Board of Directors (Audit Committee), inter alia – for examination of the issue of the necessity to introduce amendments to the Policy.

3.4. During the Internal Audit organization the Company strives to apply the core principles and approaches reflected in the Corporate Governance Code (recommended by Letter No. 06-52/2463 of the Bank of Russia dated 10.04.2014), in the Methodological recommendations on organization of internal audit work within joint-stock companies with participation of the Russian Federation approved by Order No. 249 of the Federal Agency for State Property Management dated 04.07.2014, in the Methodological recommendations on building the internal audit function within holding structures with participation of the Russian Federation (Order No. 330 of the Federal Agency for State Property Management dated 03.09.2014).

4. Internal Audit functions

For the goals achievement and the set objectives completion, the Internal Audit discharges the following functions:

4.1. to the extent of adoption and application of unified approaches established within Rosseti Group of Companies to building, management and coordination of the Internal Audit function within the Company and SAs:

4.1.1. Elaboration of proposals on the most optimal form of discharge of the Internal Audit function within the Company and SAs;

4.1.2. Carrying out activities for adoption of the unified principles of building of the Internal Audit functions within the Company and evaluation of implementation of the Internal Audit function which are established within Rosseti Group of Companies;

4.1.3. Elaboration and adoption of methodological documents regulating Internal Audit activities (policies, regulations, procedural rules, methodologies, guidelines and other documents) in accordance with the methodological documents elaborated by Rosseti, PJSC;

4.1.4. Generation of proposals on elaboration of documents determining the unified approaches and principles within Rosseti Group of Companies with regard to building, management and coordination of the Internal Audit function, participation in working groups for elaboration of documents concerning provision for Internal Audit activities;

4.1.5. Organization and conductance of measures for automation of the Internal Audit activities of the Company and SAs.

4.2. To the extent of conductance of Internal Audit, participation in other reviewing measures within the Company and SAs:

4.2.1. Planning, organization and execution of Internal Audits of business processes (branches of activities), business functions, projects/plans/programms, structural and autonomous subdivisions and other review objects within the Company concerning the issues of ensuring:

- compliance with the requirements of the legislation, branch-specific regulatory legal instruments, in-house procedural rules, standards and other in-house documents (except for technical regulations, standards and rules governing activities related to operation of electric power grid facilities), contractual obligations;

- execution of instructions of state bodies of the Russian Federation concerning the issues of functioning and development of the electric power grid complex;

- execution of decisions/directions (instructions) of control bodies, requirements of organizational and administrative documents and other in-house documents;

- effectiveness, cost efficiency and effectiveness of activities;

- reliability, consistency, completeness and timeliness of preparation of accounting (financial) and managerial statements;

- preservation of assets.

4.2.2. Implementation of the practice of conductance of topical audits by all the electric power grid companies forming part of Rosseti Group of Companies on a specific topic in accordance with the unified audit program.

4.2.3. Conductance of reviews, completion of other missions by instruction of the Board of Directors (Audit Committee) and/or the executive bodies of the Company with regard to issues related to the Internal Audit competence.

4.2.4. Organization, planning and support of conductance of auditor reviews in SAs.

4.2.5. Participation of the workers of the Internal Audit Subdivision of the Company as elected members of auditing commissions or invited experts in the activities of the Auditing Commissions of SAs.

4.2.6. Participation in specialized (official) investigations into facts of abuses (fraud), infliction of damage to the Company and SAs, improper, inefficient usage of resources and into other facts of mala fide/unlawful actions of workers and third parties.

4.2.7. Informing the Board of Directors (the Audit Committee), the Sole Executive Body/the Management Board of the results of reviews, presentation of recommendations on elimination of violations and deficiencies detected in the course of reviews and proposals on enhancing the efficiency and effectiveness of the internal control, risk management and corporate governance systems, on improvement of the activities of the Company and SAs.

4.2.8. Monitoring of execution of plans of corrective measures aimed at elimination of violations and deficiencies detected in the course of reviews, implementation of recommendations and propositions on improvement of activities of the Company and SAs.

4.2.9. Organization and performance of post-audits in relation to business processes (branches of activities), business functions, projects/plans/programms, structural and autonomous subdivisions and other review objects.

4.3. To the extent of provision of independent and objective guarantees in relation to efficiency of the systems of internal control, risk management and corporate governance as well as assisting the Executive Bodies and workers of the Company in elaboration and monitoring of execution of procedures and measures for improvement of the systems of internal control, risk management and corporate governance of the Company:

4.3.1. Evaluation of efficiency of the internal control system including:

- evaluation of the status of the internal (control) environment within the Company (inter alia – evaluation of such elements of the control environment as philosophy of the internal control system, honesty and ethical values, organizational structure, distribution of authorities and responsibilities, HR management);

- evaluation of efficiency of implementation of the policy in the field of the internal control;

- evaluation of the process of goal-setting within the Company, inter alia – determination of the adequacy of the criteria applied for analysis of the degree of completion (achievement) of the set goals;

- detection of the internal control system deficiencies that did not allow (do not allow) to achieve the set goals;

- evaluation of the risk management process;

- evaluation of issues related to organization, building and execution of internal controls (control procedures) embedded in the processes;

- evaluation of issues related to organization of information interaction (information exchange process) within the Company;

- evaluation of the monitoring organization process within the Company, inter alia – of the results of adoption (implementation) of measures aimed at elimination of violations and deficiencies as well as the results of improvement of the internal control system;

4.3.2. Evaluation of the risks management system efficiency including:

- review for sufficiency and maturity of the elements of the internal control system within the Company for efficient risk management, inter alia – with regard to issues related to process organization, goal and objective setting, implementation of the provisions of the policy in the field of risk management, automation means, regulatory and methodological support, interaction of structural subdivisions within the framework of the risk management system, accounting, infrastructure inclusive of organizational structure etc.;

- review for completeness of detection and correctness of evaluation of risks at all the management levels of the Company;

- review for efficiency of the control procedures of the Company and other risk management measures inclusive of efficiency of usage of the resources allocated for the purposes concerned;

- conductance of analysis of information on the risks having actualized within the Company (inclusive of violations, facts of failure to achieve the goals set, facts of legal proceedings etc. as may be detected following the review results);

4.3.3. Evaluation of corporate governance including:

- review for compliance with the ethical principles and corporate value of the Company;

- review of the procedure of the Company setting goals and monitoring/controlling their achievement;

- review of the level of regulatory support on information interaction procedures (inter alia – in connection with risk management and internal control issues) at all the management levels of the Company including interaction with stakeholders;

- review for ensuring the rights of shareholders inclusive of controlled companies and efficiency of interaction with stakeholders;

- review of the procedure for disclosure of information on the activities of the Company;

4.3.4. Provision of consultations to the executive bodies of the Company of the Company with regard to issues related to internal control, risk management and corporate governance (subject to preservation of independence and objectivity of internal audit).

4.4. The internal audit functions to the extent of organization of efficient interaction of the Company with the internal auditor of the Company, the Auditing Commission of the Company as well as the persons rendering services for consulting in the field of risk management, internal control and corporate governance are reflected in Section 8 "Internal Audit interaction with stakeholders" hereof.

4.5. The internal audit functions to the extent of preparation of reports on internal audit activities results and their provision to the Board of Directors (Audit Committee) and the executive bodies of the Company (Sole Executive Body/Management Board) are reflected in Section 8 "Internal Audit interaction with stakeholders" hereof.

4.6. The internal audit also discharges other functions aimed at achievement of the goals and completion of the objectives specified hereby.

5. Internal Audit function discharge principles. Internal Audit accountability

5.1. The Internal Audit function within the Company is discharged based on compliance with the following functions:

- Independence;
- Honesty;
- Objectivity;
- Confidentiality;
- Professional competence.

The said principles are disclosed in the Ethics Code of internal auditors of Rosseti Group of Companies (appendix hereto).

5.2. During discharge of the Internal Audit function, independence is achieved through demarkation of the functional and administrative accountability of internal audit.

The Internal Audit is functionally report to the Board of Directors and administratively – to the Sole Executive Body of the Company.

5.2.1. The Board of Directors, within the framework of their competence determined by the Charter of the Company, carries out control and organization of activities of the Internal Audit Subdivision including:

- Approval hereof and of amendments hereto;
- Annual approval of the internal audit activities plan, a report on execution of such internal audit activities plan and the budget of the Internal Audit Subdivision;
- Approval of decisions on appointment or dismissal of the head of the Internal Audit Subdivision as well as determination of the amount of remuneration due to them;
- Consideration of substantial restrictions of the internal audit authorities and other restrictions that may negatively affect performance of internal audit activities.

5.2.2. Information on the progress in execution of the internal audit activities plan and on the results of the Internal Audit function discharge and other aspects affecting internal audit activities is provided to the Audit Committee at least on a quarterly basis.

The head of the Internal Audit Subdivision conducts meetings with the Audit Committee or Chairman of the latter dedicated to issues pertaining to the internal audit competence at least on a quarterly basis.

5.2.3. The administrative accountability of the Internal Audit to the Sole executive Body of the Company, in particular, stipulates:

- allocation of the funds as may be required for carrying out internal audit within the approved budget;
- obtainment of reports on internal audit activities;
- administration of the policy and activity procedures of the Internal Audit Subdivision;
- provision of support in interaction of the Internal Audit Subdivision with subdivisions of the Company and SAs.

5.3. Independence and objectivity of internal audit within the Company are ensured through:

5.3.1. Direct access of the head of the Internal Audit Subdivision to the Board of Directors (Audit Committee) and to the Sole Executive Body.

5.3.2. Demarkation of internal audit authorities and duties from the activities of other structural subdivisions of the Company including the following:

- the head of the Internal Audit Subdivision can not be entrusted with duties unrelated to carrying out internal audit;
- the Internal Audit Subdivision can not include subdivisions and workers those activities is unrelated to carrying out internal audit;

5.3.3. No limitations of internal audit authorities, inter alia – during determination of the internal audit activities plan and of the scope of auditor reviews to be conducted, rights of access to documentation, employees and assets of the Company, resource restrictions of internal audit performance.

5.3.4. Ensuring individual objectivity and independence of internal auditors through conductance of measures aimed at prevention of potential and existing conflicts of interests and biased attitudes inclusive of prohibition to conduct reviews in the areas the auditor has been responsible for during the year that preceded the review as well as internal audit evaluation.

5.4. Internal audit neither cancels or duplicates the functions of other workers and subdivisions of the Company and SAs, inter alia – to the extent of their discharging current and preventive control functions. The internal audit is not entitled to participate in agreement and taking of decisions within the framework of financial and business activities of the Company and SAs.

5.5. The Company adopts a risk-oriented approach to discharge of the internal audit function stipulating planning and conductance of review measures based on evaluation of risks for concentration of attention on the most vulnerable objects and branches of activity (transition from "periodical" reviews to reviews focused on key problems and issues).

5.6. During conductance of an auditor review the approaches must be complied with stipulating an optimal ratio of the methods and resources applied as well as reasonable sufficiency of the scope and character of the auditor procedures used for achievement of the auditor review goals.

5.7. The Company strives to see to it that internal audit expenditures are not in excess of the advantages obtained as a result of the review activities.

6. Requirements to internal auditors

The following requirements are applicable to workers of the Internal Audit Subdivision – internal auditors:

6.1. Requirements to qualification

The internal auditors must preferably have:

- a higher economic (financial) or legal education got at Russian higher education institutions having a state accreditation and universally recognized foreign higher education institutions;

- auditor/professional accountant qualification certificate issued in accordance with the requirements of the legislation of the Russian Federation or a CIA certificate of the International Institute of Internal Auditors/internal auditor qualification attested by the International Federation of Accountants – IFAC, or other similar certificates/diplomas;

- knowledge and skills required for achievement and completion of the internal audit goals and objectives inclusive of knowledge the key risks and control procedures and of the industry sector specificity to an extent sufficient for completion of the objectives as may be set;

- membership in a professional association of internal auditors.

6.2. Requirements to personal qualities

The internal auditors must possess a totality of the following personal qualities:

- immaculate business (professional) reputation;

- integrity (being truthful, sincere, honest, discreet and prudent);

- openness (perception of alternative ideas or points of view);

- diplomacy (capability to interact with people in a tactful way);

- attentiveness and power of observation (taking notice of characteristic and substantial details);

- persistence (persevering an orientation at the goal achievement);

- resolution (timely decision-taking based on logical considerations and analysis);

- self-sufficiency (independent action and function discharge simultaneous with effective cooperation with the others).

6.3. Requirements to compliance with the Ethics Code of internal auditors

When discharging their professional duties, the internal auditor must be guided by the Ethics Code of internal auditors of Rosseti Group of Companies (appendix hereto). Evaluation of the external auditors' activities conformity to the Ethics Code requirements is conducted in accordance with the Program for internal audit activities evaluation (guarantee) and quality enhancement elaborated and applied within the Company.

7. Internal Audit authorities and responsibilities

7.1. When carrying out their activities, the head and workers of the Internal Audit Subdivision have the following authorities:

7.1.1. Without hindrance access any assets, documents, accounting records, IT systems and resources and other information on the activities of the Company and SAs (including that in electronic form) within the framework of discharging their official duties as well as copy such documents and information;

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

7.1.3. Request from the Company and SAs and obtain in written form (hardcopy or an electronic medium) documents, material, explanations and other information in accordance with review objectives⁵.

7.1.4. Access all buildings, facilities, premises, offices and production, household and utility sites of the Company and SAs for completion of internal audit objectives.

7.1.5. Carry out photo and video shooting as well as sound recording in the course of the review conductance.

7.1.6. Conduct interviews with workers of the Company and SAs (having previously informed the worker's line manager) in connection with issues related to implementation of internal audit objectives and functions.

7.1.7. Obtain assistance as may be required from workers of the Company and SAs within the framework of conductance of reviews inclusive of unscheduled ones as well as performance of other internal audit activities.

7.1.8. Request from the Company and SAs any information as may be required for controlling the course execution of the plan of corrective measures for elimination of violations and deficiencies detected following the results of reviews and analysis of corrective measures effectiveness.

7.1.9. Participate in conferences and sessions of the working bodies of the Company (committees, commissions, work groups etc.) subject to preservation of the balance of independence and objectivity of internal audit and non-involvement in the operational activities of the Company.

7.1.10. Elaborate and submit proposals on issues related to internal auditors professional training, retraining and qualification upgrade.

7.1.11. Demand from the persons in charge for elimination of detected violations and deficiencies:

- timely elaboration, approval and execution of plans of measures for elimination of detected violations and deficiencies;
- timely provision of reports on the execution status of measures;
- provision of specifying of supporting information and documents on the execution status of plans of measures;

7.1.12. Carry out other actions required for achievement of goals and completion of objectives of internal audit.

7.2. The head of the Internal Audit Subdivision has the right to:

7.2.1. Participate in sessions/conferences of the Board of Directors, committees under the Board of Directors and executive bodies of the Company.

7.2.2. Familiarize themselves with the current and perspective plans activity plans/programs, reports on execution of plans and programs, draft decisions and decisions of the Board of Directors, committees under the Board of Directors and executive bodies of the Company.

7.2.3. Engage workers of structural subdivisions of the Company and SAs as experts or third party experts for completion of individual objectives within the framework of internal audit activities following the procedure as established by in-house documents of the Company.

7.3. For purposes of excluding occurrence of a conflict of interests, the head and workers of the Internal Audit Subdivision must abstain from:

⁵ The said documents and information shall be furnished within 2 (Two) business days from the request receipt moment unless a longer term specified in the request.

7.3.1. Conductance of reviews in the fields of activities that they were responsible for during a year before the review.

7.3.2. Participation in reviews and other missions in case of financial, property-related, kinship-conditioned or other concernment in the activities of the review objects.

7.3.3. Participation in other activities that could impair their impartiality or be perceived as thus impairing.

7.3.4. Management of workers of other subdivisions except for cases when such workers have been appointed to participate in performance of the review and other missions within the framework of internal audit activities.

7.4. The head and workers of the Internal Audit Subdivision shall apply International fundamentals of the professional practices of internal auditors adopted by the international Institute of Internal Auditors (inclusive of the International Professional Standards of Internal Audit), the Ethics Code, Standards and Definitions of the Internal Audit within the framework of Activity Plans Implementation.

7.5. The head and workers of the Internal Audit Subdivision have no right to:

7.5.1. Disclose all the substantial facts as may be known to them when such disclosure may entail misrepresentation of the auditor report data.

7.5.2. Use or disclose any confidential information without the corresponding authorities to do so except for cases where such information disclosure is stipulated by the requirements of the legislation.

7.6. In case of occurrence of any substantial restrictions of the authorities of the Internal Audit Subdivision or other restrictions that can negatively affect the internal audit activities or of a conflict of interests, the workers of the Internal Audit Subdivision communicate the facts to the head of the Internal Audit Subdivision with the latter further informing the Board of Directors of the Company (Audit Committee), the Sole Executive Body of the Company as well as the head of the Internal Audit Subdivision of Rosseti, PJSC.

7.7. The liability of the head and workers of the Internal Audit Subdivision is determined by the conditions of their employment contracts, position descriptions, the regulations on the Internal Audit Subdivision and other organizational and administrative in-house regulatory documents of the Company and is inclusive of (but not limited to) liability for substandard completion or non-completion of the objectives and functions entrusted to them, failure to execute workplace discipline requirements, loss of and/or damage to material valuables and documents, disclosure of details representing a secret protected by the laws of the Russian Federation and in-house documents of the Company.

8. Internal Audit interaction with stakeholders

8.1. Within the framework of their activities, the internal audit carries out interaction with the Board of Directors (Audit Committee) in the following core aspects:

8.1.1. Conductance of internal audits based on the plan of internal audit activities approved by the Board of Directors (and preliminarily considered by the Audit Committee).

8.1.2. Conductance of other reviews and fulfilment of other missions in accordance with decisions/instructions of the Board of Directors (Audit Committee) to the extent of the internal audit competence;

8.1.3. Exercise of the right of the head of the Internal Audit Subdivision to participate in sessions of the Board of Directors of the Company (committees under the Board of Directors) as well as directly access the Board of Directors of the Company (Audit Committee).

8.1.4. Ensuring preliminary consideration of the plan of internal audit activities, a report on execution of the plan of internal audit activities and of the budget of the Internal Audit Subdivision as well as of the Policy of the Company in the field of internal audit/amendments thereto by the Audit Committee (for further submittal for approval to the Board of Directors).

8.1.5. Presentation of reports on progress in execution of the plan of internal audit activities (including those incorporating information on the results of individual auditor and auditing reviews, substantial risks detected, the results and efficiency of execution of measures aimed at elimination of deficiencies detected, on the results of discharge of the internal audit function as well as on other aspects affecting the internal audit activities) to the Audit Committee.

8.1.6. Ensuring submittal of the results of an annual evaluation of the condition and efficiency of internal control, risk management and corporate governance systems, the core trends in the activities of the Company and SAs, of the practice of discharge of the internal audit function within the Company including information on the existence/nonexistence of restrictions on the activities and on ensuring independence of internal audit and sufficiency of resource provision for consideration to the Board of Directors (Audit Committee).

8.1.7. Conductance of a meeting of the head of the Internal Audit Subdivision with the Audit Committee or Chairman of the latter dedicated to issues pertaining to the internal audit competence at least on a quarterly basis;

8.1.8. Provision of the results of internal and external evaluation of the internal audit activities quality to the Board of Directors (Audit Committee).

8.2. The internal audit carries out with the executive bodies of the Company in the following core aspects (with preservation of the balance of independence and objectivity of internal audit and non-involvement in the operational activities of the Company and SAs):

8.2.1. Conductance of other reviews and fulfilment of other missions in accordance with the plan of internal audit activities and instructions of the executive bodies of the Company (to the extent of the internal audit competence).

8.2.2. Exercise of the right of the head of the Internal Audit Subdivision to participate in conferences/sessions of the executive bodies of the Company as well as directly access the Sole Executive Body of the Company.

8.2.3. Informing of the results of reviews, presentation of recommendations on elimination of violations and deficiencies detected in the course of reviews and proposals on enhancing the efficiency and effectiveness of the internal control, risk management and corporate governance systems, on improvement of the activities of the Company and SAs.

8.3. The internal audit carries out interaction with the external auditor of the Company in the following core aspects:

8.3.1. Evaluation of the internal auditor operation quality, preparation of a conclusion following the results of such evaluation, presentation of the evaluation results for consideration to the Audit Committee, ensuring stakeholders' informing.

8.3.2. Participation in determination of selection and qualification criteria, consideration of tender documentation, determination of the essential conditions of a contract and conductance of an open tender for selection of the external auditor of the Company.

8.3.3. Assisting the external auditor in provision of information on the condition of the internal control system with the Company.

8.3.4. Participation in discussion of the external auditor's conclusion on the condition of the internal control system.

8.3.5. Participation in settlement of disagreements arising in the course of external auditor reviews.

8.3.6. Conductance of meetings with the external auditor of the Company at least on an annual basis, in particular – during evaluation of the external auditor's conclusions concerning the accounting (financial) statements of the Company.

8.4. The internal audit carries out interaction with the Auditing Commission of the Company in the following core aspects:

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

8.4.2. Preparation and provision of information and conclusion within the framework of the internal audit competence.

8.4.3. Organizational support of the activities of the Auditing Commission of the Company.

8.4.4. Organization of elaboration of corrective measures following the results of auditor reviews aimed at elimination of the detected violations/deficiencies and implementation of recommendations of the Auditing Commission.

8.4.5. Control over performance of corrective measures aimed at elimination of the detected violations/deficiencies and implementation of recommendations of the Auditing Commission.

8.5. The internal audit interacts with the subdivision(s) carrying out methodological support and coordination of internal control and risk management activities inclusive of exchange of information on risks, building of control procedures, execution of the requirements and procedures established within the Company.

8.6. The internal audit interacts with other participants of the internal control system of the Company in connection with issues related to the internal audit competence as well as with other stakeholders carrying out monitoring and evaluation of the internal control system in individual branches of activity.

8.7. For purposes of generation and application of unified approaches to building, management and coordination of the internal audit functions within Rosseti Group of Companies, the Internal Audit Subdivision of the Company carries out interaction with the Internal Audit Subdivision of Rosseti, PJSC – the shareholder of the Company responsible for implementation of the Strategy for development of the electric power grid complex of the Russian Federation as approved by Ordinance No. 511-r of the Government of the Russian Federation dated 03.04.2013 in pursuance of Order No. 1567 of President of the Russian Federation "On Open Joint-Stock Company "Rosseti" dated 22.11.2012 in the following core aspects (with account for compliance with the legislation on joint-stock companies, corporate requirements and restrictions):

8.7.1. Participation in elaboration of unified requirements to the approaches to discharge of the internal audit function within Rosseti Group of Companies.

8.7.2. Initiation of elaboration and timely update of the Charter of the Company, the Regulations on the Audit Committee under the Board of Directors of the Company, the Internal Audit Policy of the Company and other regulatory documents of the Company to the extent of issues related to internal audit control, organization and functioning.

8.7.3. Participation in elaboration of unified documents of methodological character (methodologies, instructions, regulations, standards and other documents) determining the approaches and principles of the internal audit function discharge and regulating internal audit activities.

8.7.4. Implementation of the practice of conductance of topical audits by all the electric power grid companies forming part of Rosseti Group of Companies on a specific topic in accordance with the unified audit program.

8.8. The head of the Internal Audit Subdivision elaborates the scheme (map) for interaction of internal control actors and other stakeholders carrying out monitoring and evaluation of the internal control system in individual branches of activity ("guarantee map") – the document determining the responsibility spheres of the internal control system actors and other stakeholders with regard to individual risks of the Company.

8.9. The internal audit interacts with state supervision bodies as well as other stakeholders following the procedure as stipulated by the legislation of the Russian Federation and the corresponding in-house regulatory documents of the Company in connection with issues related to the internal audit competence.

9. Quality control and evaluation of internal audit activities

9.1. For purposes of ensuring proper control and evaluation of internal audit activities as well as for detection of the directions for its improvement, the internal audit manager provides elaboration, approval and implementation a program for internal audit evaluation (guarantee) and quality enhancement within the framework whereof one carries out:

9.1.1. Continuous monitoring of internal audit activities quality.

9.1.2. Periodical internal and external evaluations of internal audit activities quality.

9.2. During conductance of continuous (current) quality monitoring, the internal audit manager carries out:

9.2.1. Supervision over conductance of reviews and other internal audit activities.

9.2.2. Sampling expert review of working documents generated in the course of the review conductance inclusive of review for completeness of reflection of the required audit evidence on the observations and conclusions made in the course of audit procedures execution.

9.2.3. Interaction with the reviewed subdivisions and other stakeholders in connection with issues related to the internal audit competence.

9.2.4. Other actions as may be required for continuous (current) audit and evaluation of internal audit activities.

9.3. Periodical internal evaluation of internal audit operation quality are conducted by the internal auditor by way of self-evaluation at least once a year.

9.4. An external evaluation of internal audit activities quality is conducted by an independent external expert at least every five years.

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

10. Regulatory support of internal audit activities

10.1. Internal audit activities within the Company are regulated through elaboration, approval and adoption of the following core documents based on the standard documents as approved by Rosseti, PJSC:

10.1.1. This Policy.

10.1.2. Ethics Code of internal auditors of Rosseti Group of Companies establishing the principles and expectations determining the behavior of internal auditors during discharge of their official duties.

10.1.3. Regulations on the Internal Audit Subdivision representing an organizational and personnel document of the Company and determining the organizational issues related to internal audit activities.

10.1.4. Position descriptions of workers of the Internal Audit Subdivision.

10.1.5. Guidelines for internal audit activities planning.

10.1.6. Guidelines for conductance of internal audit reviews.

10.1.7. Programs for evaluation (guarantee) of internal audit activities quality enhancement.

10.1.8. Schemes (maps) of internal audit interaction with the actors of the internal control system and other stakeholders carrying out monitoring and evaluation of the internal control system in individual branches of activity ("guarantee maps");

10.1.9. Methodologies, instructions, regulations, standards and other documents determining the approaches and principles of the internal audit function discharge and regulating internal audit activities.

Appendix
to the Internal Audit Policy of
IDGC of the North-West, PJSC

**Ethics Code of Internal Auditors
of Rosseti Group of Companies**

PRINCIPLES

Internal auditors should adhere to the following principles.

1. Honesty.

The internal auditor's honesty is the foundation underlying trust in the auditor's opinions.

2. Objectivity

The internal auditors demonstrate a topmost level of professional objectivity in the process of collection, evaluation and transfer of information on the audit object. The internal auditors conduct a weighted evaluation of all relevant circumstances and are not susceptible to the influence of their own interests and those of other persons in their judgements.

3. Confidentiality.

The internal auditors respectfully handle the title to information that they may receive in the process of their activities and do not disclose information other than having the corresponding authorities to do so except for cases where such information disclosure is dictated by legal or professional duties.

4. Professional competence.

The internal auditors apply the knowledge, skills and experience required for provision of services in the internal audit field.

RULES OF CONDUCT

1. Honesty.

The internal auditors:

1.1. Must fulfil their work in an honest, bona fide and responsible way.

1.2. Must act within the law and, if required by law or professional standards, disclose relevant information.

1.3. Must abstain from knowing participation in campaigns and actions discrediting the internal audit profession or their organization.

1.4. Must respect legally and ethically justified goals of their organization and contribute to their achievement.

2. Objectivity.

The internal auditors:

2.1. Must not participate in other activities that could impair their impartiality or be perceived as thus impairing. This also applies to activities and relationships that may conflict with the interests of the organization.

2.2. Must not accept as a gift anything that could harm their professional opinion or be perceived as causing such damage.

2.3. Must disclose any substantial facts as any be known to them if such facts nondisclosure may misrepresent reports on the audit object.

3. Confidentiality.

The internal auditors:

3.1. Must be reasonable and prudent in the use and storage of information obtained in the course of the performance of their duties.

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

4. Professional competence.

The internal auditors:

4.1. Must participate only in missions for completion whereof they have sufficient professional knowledge, skills and experience.

4.2. Must provide internal audit services in accordance with the International Professional Standards for Internal Auditing.

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