

APPROVED
by the Decision of the Board of
Directors
PJSC ROSSETI Moscow Region on
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Internal Audit Policy
PJSC Rosseti Moscow Region
(new edition)

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1. General Provisions

1.1. The Internal Audit Policy of PJSC Rosseti Moscow Region (hereinafter, the Policy) has been developed in order to define the fundamental principles of running the internal audit in PJSC Rosseti Moscow Region (hereinafter, the Company), to assist in the creation of unified approaches to elaboration, control and coordination of internal audit function in the Rosseti Group of Companies.

1.2. This Policy is an internal regulatory instrument of the Company drafted in accordance with the requirements of the legislation of the Russian Federation, as well as taking into account recognized practices and standards of internal audit activities. When drafting the Policy, the Company was guided by the following fundamental documents:

- Federal Law No. 208-FZ of 26.12.1995 ‘On joint stock companies’;
- Federal Law No. 35-FZ of 26.03.2003 ‘On Electric Power Industry’;
- Federal Law No. 273 of 25.12.2008 ‘On Combating Corruption’;
- Federal Law No. 402-FZ of 06.12.2011 ‘On Accounting’;
- Federal Law No. 41-FZ of 05.04.2013 ‘On Accounts Chamber of the Russian Federation’;
- Order of the Ministry of Finance of the Russian Federation No. 2n of 09.01.2019 ‘On Enacting of International Audit Standards in the Territory of the Russian Federation and Abolition of Certain Orders of the Ministry of Finance of the Russian Federation’;
- The Corporate Governance Code recommended by the Letter of the Bank of Russia No. 06-52/2463 of 10.04.2014 ‘On the Corporate Governance Code’;
- Regulation of the Bank of Russia No. 534-P of 24.02.2016 ‘On Admission of Securities to Organized Trading’;
- Recommendations of the Bank of Russia on the organization of risk management, internal control, internal audit, work of the Audit Committee of the Board of Directors (Supervisory Board) in public joint stock companies, sent to public joint stock companies by Information Letter No. IN-06-25/143 of 01.10.2020;
- Recommendations of the Ministry of Finance of Russia No. PZ-11/2013 ‘Organization and Implementation by an Economic Entity of Internal Control over the Facts of Economic Life, Accounting and Preparation of Accounting (Financial) Statements’ (Letter of the Ministry of Finance of Russia No. 07-04-15/57289 of 25.12.2013);
- Order of the Federal Agency for State Property Management No. 86 of 20.03.2014 ‘On Approval of Guidelines for Audit Committees of the Board of Directors of Joint Stock Companies with the Participation of the Russian Federation’;
- Order of the Federal Agency for State Property Management No. 249 of 04.07.2014 ‘On Approval of Guidelines for Internal Audit Activities of Joint Stock Companies with the Participation of the Russian Federation’;
- Order of the Federal Agency for State Property Management No. 330 of 03.09.2014 ‘On Approval of Guidelines for Internal Audit Functions in Holding Entities with the Participation of the Russian Federation’;
- Guidelines of the Federal Agency for State Property Management for the

preparation of internal regulatory documents governing the activities of state corporations and state-owned companies, as well as joint stock companies specified in the Order of the Government of the Russian Federation No. 91-r of 23.03.2003 (approved by the Instruction of the Government of the Russian Federation No. ISH-P13-4148 of 24.06.2015);

- PJSC Moscow Exchange Listing Rules approved by the Supervisory Board of PJSC Moscow Exchange;
- International Professional Practices Framework adopted by the Institute of Internal Auditors (including International Standards for the Professional Practice of Internal Auditing);
- Recommendations of international and national standards in the field of risk management and internal control;
- The Company's Articles of Association and other internal regulatory documents of the Company.

1.3. The policy, based on the best practices, the experience of leading world and Russian companies, was formulated to implement the following provisions:

- The development strategy of the power grid complex of the Russian Federation approved by Order of the Government of the Russian Federation No. 511-r of 03.04.2013;

- Internal Audit Policies of PJSC ROSSETI.

1.4. This Policy defines the following:

- internal audit objectives and tasks;
- format of running internal audit function;
- internal audit functions;
- guidelines for the implementation of internal audit function;
- internal audit accountability;
- internal audit powers;
- internal audit principles, procedure and interaction with stakeholders;
- code of ethics and requirements for internal auditors of Rosseti Group of Companies;
- internal audit responsibility;
- approaches to quality assurance and evaluation of internal audit activities;
- other fundamental approaches and principles used by the Company in the internal audit function.

1.5. Implementation of internal audit function in the Company is based on the common approaches to elaboration, management and coordination of internal audit function established in Rosseti Group of Companies.

1.6. In order to improve the management of Rosseti Group of Companies as a whole, the Company will carry out its activities taking into account the impact of risks associated with the audit processes, not only on the Company's activities, but also on the Group of Companies activities as a whole.

1.7. To ensure implementation of the internal audit in the Rosseti Group of Companies on a uniform basis and continuous monitoring of audit function quality

and control of its independence, the representatives of the Internal Audit Department of PJSC Rosseti are authorized to participate in meetings of the Company's Board of Directors and the Audit Committee of the Company's Board of Directors when considering issues associated with the creation and implementation of the Company's internal audit function.

1.8. The Company will implement its internal audit function by establishing an internal audit department (a separate structural unit) or engaging an independent external organization (outsourcing), which is to be selected and contracted with using the procedure regulated by the Uniform Procurement Standard of PJSC Rosseti (Procurement Regulations) approved by the Company's Board of Directors. The Company's Board of Directors (hereinafter, Board of Directors) makes a decision regarding the most optimal format of carrying out the internal audit function.

Creation, restructure and dissolution of the Internal Audit Department, which is a separate structural unit of the Company, shall be implemented by the Order of the Sole Executive Body of the Company in accordance with the decision of the Board of Directors, once the matter is preliminarily considered by the Audit Committee of the Board of Directors (hereinafter, Audit Committee).

The Head of Internal Audit Department shall be appointed and dismissed (not at the employee's initiative) by the Sole Executive Body of the Company based on the resolution of the Board of Directors. The competence of the Board of Directors includes preliminary approval of the decision of the Sole Executive Body of the Company on appointment, dismissal (not at the employee's initiative) of the Head of Internal Audit Department, imposition of disciplinary penalties thereto, as well as approval of the terms of the employment contract with the Head of Internal Audit Department, including the amount of his/her remuneration (subject to preliminary review by the Audit Committee).

When selecting an external organization to perform the internal audit function, the Company shall ensure the independence and objectivity, professionalism and competence of such an outsourcer and its employees engaged by the Company.

1.9. The Policy shall be approved by the Board of Directors subject to preliminary review by the Audit Committee. Amendments to the Policy shall be made in the same manner: in accordance with the decision of the Board of Directors after preliminary review thereof 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 Internal Audit Department of the Company, as well as the Head of Internal Audit Department of PJSC Rosseti.

Elaboration of proposals for amendments to the Policy shall be carried out by the Head of internal Audit Department of the Company.

Amendments to the Policy shall be made in the following cases:

- changes in the legislation of the Russian Federation;
- changes in the International Professional Practices Framework adopted by the Institute of Internal Auditors (including International Standards for the Professional Practice of Internal Auditing).
- changes in the structure and/or authority of the Company managers;

- changes in objectives, tasks or functions of the internal auditing;
- changes in authority and significant limitations of the internal auditing;
- necessity of making changes to the Policy based on the results of the quality assessment of internal audit activity;
- other conditions/events that have a significant impact on the internal auditing.

1.10. With regard to subsidiaries and affiliates of the Company (hereinafter, SA), this Policy contains general (methodological) provisions.

The Policy (including individual provisions thereof) is recommended for use in SAs as a basis for the development of internal documents of these SAs regulating internal audit activities therein¹.

2. Terms and Definitions

Internal auditing² is an activity for the provision of independent and objective guarantees and consultations aimed at improvement of the performance of the Company. Internal audit is designed to help achieve the goals of the Company in the most efficient and economically feasible way, using a systematic and consistent approach to assessing and improving the efficiency of risk management, internal control and corporate governance systems.

In this Policy, the term ‘Internal Audit’ is used to define a structural unit that performs internal audit function, i.e. Internal Audit Department. The term ‘Internal audit function’ is used to define internal audit as an activity (function).

Assurance services include an objective review of available audit evidence in order to give an independent assessment of corporate governance, risk management and control processes in the Company.

Consulting services constitute a part of the internal audit activity for providing advice and recommendations aimed at assistance and improvement of corporate management, risk management and internal control processes, excluding internal auditors from accepting responsibility for management decisions.

PJSC Rosseti - Public Joint Stock Company Federal Grid Company - ROSSETI/Company/PJSC Rosseti.

ROSSETI Group is the Company’s principal shareholder, PJSC Rosseti, and subsidiaries and affiliates of PJSC Rosseti.

The **Company** - PJSC Rosseti Moscow Region.

Subsidiaries are subsidiaries and dependent companies of PJSC Rosseti Moscow Region - legal entities in whose authorized capital the Company participates.

CIA - Certified Internal Auditor is an international certification for internal audit professionals.

¹ In this case, in order to comply with applicable laws when developing and approving the Policy, a respective SA shall exclude any provisions of the Policy containing references to PJSC Rosseti Moscow Region as a shareholder of the SA (including references to any decisions of executive management bodies and internal documents of PJSC Rosseti Moscow Region), as well as references to any other SAs whose shareholder is PJSC Rosseti Moscow Region.

² According to the Definition of Internal Audit, which is the main element of the International Professional Practices Framework (IPPF) for internal auditing adopted by the Institute of Internal Auditors.

IFAC - International Federation of Accountants.

3. Internal Audit Objectives and Tasks

3.1. The objective of the internal audit is to assist the Board of Directors and executive bodies of the Company in increasing the efficiency of the Company's management, improving its financial and economic activities, including through a systematic and consistent approach to the analysis and evaluation of risk management systems, internal control and corporate governance as an instrument for ensuring the reasonable assurance in achieving the goals set for the Company.

3.2. In order to achieve the objective, internal auditing solves the following tasks:

3.2.1. Introduction and application of unified approaches, established in the Rosseti Group of Companies, to the construction, management and coordination of the internal audit function in the Company and SAs.

3.2.2. Conducting internal audits, participation in other audit activities in the Company and SAs.

3.2.3. Providing independent and objective guarantees regarding the reliability and efficiency of the risk management and internal control system and corporate governance, as well as assisting the Company's executive bodies and employees in developing and monitoring the implementation of procedures and measures to improve the risk management and internal control system and corporate governance of the Company.

3.2.4. Effective interaction between the Company and the external auditor of the Company, the Audit Commission of the Company, as well as with persons providing consulting services in the field of risk management, internal control and corporate governance.

3.2.5. Preparation and submission to the Board of Directors (Audit Committee) and the Company's executive bodies (Sole Executive Body/Management Board) of reports on the results of internal audit activities (including information on material risks, deficiencies, results and effectiveness of measures to eliminate identified deficiencies, results of implementation of the internal audit activity plan, results of assessment of the actual state, reliability and effectiveness of the risk management and internal control system, as well as corporate governance).

3.3. Within the framework of internal and external quality assessment of internal audit activities, the Company shall assess compliance of the objectives and tasks defined by the Policy, objectives and tasks set for the internal audit by the relevant management bodies of the Company. The assessment results shall be submitted to the Board of Directors (Audit Committee), including for consideration of the need to amend the Policy.

3.4. When organizing internal audit, the Company seeks to apply the basic principles and approaches reflected in the Corporate Governance Code (recommended by Letter of the Bank of Russia No. 06-52/2463 of 10.04.2014), in the Guidelines for Internal Audit in joint stock companies with the participation of the Russian Federation (approved by Order of the Federal Property Management Agency No. 249 of 04.07.2014), in the Methodological Recommendations for the

Construction of the Internal Audit Function in Holding Entities with the Participation of the Russian Federation (Order of the Federal Property Management Agency No. 330 of 03.09.2014), in the Bank of Russia Information Letter No. IN-06-25/143 of 01.10.2020 ‘On Recommendations for Organizing Risk Management, Internal Control, Internal Audit, and Operation of the Audit Committee of the Board of Directors (Supervisory Board) in Public Joint Stock Companies.’

4. Internal Audit Functions

To achieve the objectives and solve the assigned tasks, the internal audit shall perform the following functions:

4.1. With regard to the implementation and application of common approaches established in the Rosseti Group of Companies to the construction, management and coordination of internal audit function in the Company and its SAs:

4.1.1. Develop proposals on the most optimal form of implementation of the internal audit function in the Company and SAs.

4.1.2. Perform activities aimed at implementing uniform principles of internal audit function and evaluating the implementation of internal audit function established in Rosseti Group of Companies;

4.1.3. Elaborate and implement methodological documents regulating the activity of internal audit (policies, provisions, regulations, guidelines, instructions and other documents) according to the methodological documents drafted by PJSC Rosseti;

4.1.4. Make proposals for the development of documents defining unified approaches and principles in Rosseti Group of Companies with regard to elaboration, management and coordination of the internal audit function, participate in working groups to draft documents on legal support of internal audit activities.

4.1.5. Organize and implement measures to automate the Company’s internal audit activities and SAs.

4.2. As part of internal audit implementation and participation in other verification activities in the Company and SAs:

4.2.1. Planning, organizing and conducting internal audits of business processes (areas of activity), business functions, projects/plans/programs, structural and separate divisions and other objects of audit of the Company on the issues designed to ensure:

- compliance with the requirements of legislation, sectoral regulatory legal acts, internal regulations, standards and other internal documents (except for technical regulations, standards and rules governing the operation of electric grid facilities), contractual obligations;

- implementation of the instructions of the state bodies of the Russian Federation regarding functioning and development of the electric grid complex;

- implementation of decisions/instructions (orders) of governing bodies, requirements of organizational and administrative documents and other internal documents;

- performance, cost-effectiveness and efficiency;

- reliability, accuracy, completeness and timeliness of (financial) accounting

and management statements;

- asset protection.

4.2.2. Implementation of thematic audits conducted by all electric grid companies which are part of Rosseti Group of Companies regarding a certain subject in accordance with a unified audit program.

4.2.3. Carrying out inspections, performing other tasks on behalf of the Board of Directors (Audit Committee), and/or executive bodies of the Company on issues within the competence of internal audit;

4.2.4. Organization, planning, provision of audit inspections of SAs.

4.2.5. Participation of employees from Internal Audit Department of the Company as elected members of the audit commissions or invited experts in the activities of SA's audit commissions.

4.2.6. Initiating, organizing, participating in specialized (official) inspections on the facts of abuse (fraud), causing damage to the Company and subsidiaries, inappropriate, inefficient use of resources and other facts of unfair/unlawful actions of employees and third parties.

4.2.7. Informing the Board of Directors (Audit Committee), the Sole Executive Body/Board of Directors on the results of audits, submitting recommendations on elimination of violations and deficiencies identified during audits and proposals to improve the efficiency and effectiveness of the risk management and internal control systems, corporate governance and business operations of the Company and SAs.

4.2.8. Monitoring the implementation of corrective action plans aimed at elimination of violations and deficiencies identified during inspections, and implementation of recommendations and proposals for improvement of business operations of the Company and SAs;

4.2.9. Organizing and conducting post-audits of structural units, separate divisions and other auditees in relation to business processes (areas of activity), business functions, projects/plans/programs.

4.3. In terms of providing independent and objective guarantees regarding reliability and efficiency of the risk management and internal control system and corporate governance, as well as assisting the Company's executive bodies and employees in developing and monitoring the implementation of procedures and measures to improve the risk management and internal control system and corporate governance:

4.3.1. The Company shall assess the reliability and effectiveness of the risk management and internal control system including, but not limited to:

- assessment of the maturity of the risk management and internal control system components in the Company for effective risk management, including the organization of processes, setting goals and objectives, implementation of the provisions of the risk management and internal control policy, automation tools, regulatory and methodological support, interaction of structural units within the risk management and internal control system, reporting, infrastructure, including organizational structure, etc;

- assessment of the control environment in the Company;

- evaluation of the process of setting objectives in the Company, including the determination of criteria adequacy used in order to analyze the fulfillment (implementation) degree of the set objectives;
- identification of deficiencies in the risk management and internal control system that did not (do not) allow achieving the set objectives;
- assessment of the risk management process, including assessment of the completeness of risk identification and correctness of risk assessment at all levels of the Company's management, assessment of the timeliness and sufficiency of risk response measures and their retention within the Company's risk appetite, assessment of the issues of organization, construction and implementation of internal controls (control procedures) of their effectiveness built into the processes, as well as other risk management measures, including the efficiency of the use of resources allocated for these purposes;
- assessment of the process of organizing monitoring of the risk management and internal control system in the Company, including the results of introduction (implementation) of measures to eliminate violations and deficiencies, as well as the results of improving the risk management and internal control system;
- review of information on realized risks in the Company (including violations identified on the basis of the results of inspections, facts of failure to achieve the set objectives, facts of court proceedings, etc.);
- assessment of issues related to organization of information interaction (information exchange process) in the Company, including issues related to collection and exchange of information on risks within the Company;

4.3.2. Corporate governance evaluation, including, but not limited to:

- evaluating the compliance with ethical principles and corporate values of the Company;
- checking the procedure for setting the Company's objectives and monitoring/controlling their achievement;
- verifying the regulatory support level and information interaction procedures (including risk management and internal control) at all levels of the Company's management, including interaction with stakeholders;
- verifying shareholders' rights, including controlled companies, and the effectiveness of relations with stakeholders;
- verifying the disclosure procedures regarding the Company activities.

4.3.3. Consulting the executive bodies of the Company regarding internal control procedure, risk management and corporate governance issues (while preserving the independence and objectivity of internal audit system).

4.4. Internal audit functions with regard to effective interaction between the Company and its external auditor, the Audit Commission, as well as persons providing consulting services in the field of risk management, internal control and corporate governance are shown in Section 8 'Interaction between internal audit with interested parties' of this Policy.

4.5. Internal audit functions with regard to preparation and provision to the Board of Directors (Audit Committee) and executive bodies of the Company (Sole Executive Body/Management Board) of reports on the results of internal audit

activities are shown in Section 8 'Interaction between Internal Audit and Stakeholders' of this Policy.

4.6. The Internal Audit performs other functions aimed at the implementation of objectives and tasks defined in this Policy.

5. Guidelines for the Implementation of Internal Audit Function. Internal Audit Accountability

5.1. Implementation of the internal audit function in the Company shall be based on the following basic principles:

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

These principles are disclosed in the Code of Ethics of internal auditors of Rosseti Group of Companies (see Annex to this Policy).

5.2. During the implementation of the internal audit function, independence is achieved due to distinguishing the functional and administrative subordination of the internal audit.

Internal audit is functionally subordinated to the Board of Directors and administratively subordinated to the Sole Executive Body of the Company.

5.2.1. The Board of Directors, within the limits of competence defined by the Company's Articles of Association, shall control and organize the activities of the Internal Audit Department, including, but not limited to:

- approve this Policy and any amendments thereto;
- on an annual basis, approve the internal audit activity plan, the report on the implementation of the internal audit activity plan and the budget for the Internal Audit Department;
- preliminarily approve decisions of the Sole Executive Body of the Company on appointment, dismissal (not at the initiative of an employee) of the Head of Internal Audit Department, imposition of disciplinary penalties, as well as approve the terms of the labor contract with the Head of Internal Audit Department, including the amount of his/her remuneration;
- consider any significant limitations of internal audit authorities or other restrictions that may adversely affect the performance of the internal audit activities.

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

The Head of Internal Audit Department holds meetings at least once a quarter with the Audit Committee or its Chairman on matters regarding the internal audit competence.

5.2.3. Administrative subordination of internal audit to the Sole Executive Body of the Company provides, among other things:

- allocation of the necessary funds within the approved budget for internal audit;

- receipt of reports on internal audit activities;
- administration of Internal Audit Department's policies and procedures;
- providing support in the interaction of the Internal Audit Department with the Company's divisions and SAs.

5.3. Internal audit independence and objectivity in the Company shall be ensured by:

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

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

- responsibilities not related to Internal Audit cannot be assigned to the Head of Internal Audit Department;
- Internal Audit Department may not include any units or employees whose activities are not related to the implementation of the internal audit.

5.3.3. Absence of restrictions of internal audit powers, including in particular upon determination of the internal audit activity plan and the scope of auditing, access rights to documentation, employees and assets of the Company, resource restrictions on internal audit.

5.3.4. Ensuring individual objectivity and independence of internal auditors through activities aimed at the prevention of potential and existing conflicts of interest and bias, including the prohibition of inspections of those areas for which the auditor was responsible during the year preceding the audit, internal audit assessment.

5.4. Internal audit does not cancel or duplicate functions of other employees and departments of the Company and SA, in particular in terms of their performance of current and preventive control functions. The internal audit shall not be entitled to participate in the coordination and decision-making within the framework of the financial and economic activities of the Company and SAs.

5.5. The Company is implementing a risk-oriented approach for the implementation of internal audit function, which involves planning and conducting risk-based audit activities - in order to focus attention on the most vulnerable sites and activities (moving from 'periodic' audits to audits regarding key problems and issues).

5.6. The audit process shall utilize approaches that allow the best balance of the methods and resources applied, as well as the reasonable adequacy of the scope and nature of the audit procedures used to achieve the audit objectives.

5.7. The Company is committed to ensure that the cost of internal audit does not exceed the benefits derived from inspection activities.

6. Requirements for Internal Auditors

Internal Audit Department's employees - internal auditors - are subject to the following requirements:

6.1. Qualification requirements

Internal auditors should preferably have:

- higher economic (financial) or legal education obtained in Russian institutions of higher education with state accreditation or generally recognized foreign institutions of higher education;

- auditor/professional accountant diploma issued in accordance with the requirements of the legislation of the Russian Federation or the CIA certificate of the Institute of Internal Auditors / internal auditor qualification confirmed with the International Federation of Accountants - IFAC, or other similar diploma/certificates/warrant certificates/diplomas;
- knowledge and skills necessary to achieve the objectives and tasks of the internal audit, including key risks and control procedures, and industry specifics to the extent sufficient to meet the objectives;
- membership in the professional association of internal auditors.

6.2. Requirements for personal qualities

Internal auditors should have the following personal qualities:

- impeccable business (professional) reputation;
- integrity - to be truthful, sincere, honest, discreet and prudent;
- openness - to perceive alternative ideas or views;
- diplomacy - to be able to tactfully interact with people;
- attention and observation - to notice characteristic and essential details;
- perseverance - to be persistent and oriented to achieve the objectives;
- determination - to make decisions in a timely manner based on logical considerations and analysis;
- independence - to act and carry out its functions independently, at the same time to cooperate effectively with other people.

6.3. Internal Auditors Code of Ethics compliance requirements.

The internal auditor shall be guided by the Code of Ethics of the internal auditors of the Rosseti Group of Companies (see Annex to this Policy) when performing the professional duties. Assessment of compliance of internal auditors with the requirements of the Code of Ethics shall be implemented in accordance with the Assurance Services Program (guarantees) and improvement of internal auditing quality drafted and applied in the Company.

7. Internal Audit Powers and Responsibility

7.1. The Head of Internal Audit Department and its employees have the following powers in the course of their activities:

7.1.1. Have an unimpeded access to any assets, documents, accounting records, information systems and resources and other information regarding activities of the Company and its SAs (including in electronic form) when performing their official duties, and copy relevant 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 timely receive in writing (in paper or electronic form) documents, materials, explanations and other information in accordance with the objectives of audits³.

7.1.4. Gain access to all buildings, structures, premises, offices, industrial, economic and domestic areas of the Company and its SAs in order to complete

³ The specified information and materials shall be submitted no later than 2 (two) business days from the date of receipt of the request, unless the request specifies a longer period.

internal audit tasks;

7.1.5. Make photos, videos and sound records during the inspection.

7.1.6. Interview employees from the Company and its SAs (with advance notification of the employee's manager) on issues relating to the implementation of internal audit objectives and functions.

7.1.7. Get assistance from employees of the Company and its SAs during inspections, including unscheduled ones, and carry out any other internal audit activities.

7.1.8. Request from the Company and its SAs any information necessary to monitor the progress of the corrective action plan to eliminate violations and deficiencies identified as a result of inspections, and to analyze the effectiveness of corrective actions.

7.1.9. Participate in meetings and sessions of working bodies of the Company (committees, commissions, working groups etc.), provided that the balance of independence and objectivity of internal audit and non-involvement in the Company's operational activities is duly maintained.

7.1.10. Draft and present proposals related to training, retraining and advanced training of internal auditors.

7.1.11. Demand from persons responsible for rectification of detected violations, deficiencies and shortcomings to:

- timely draft, approve and implement action plans in order to eliminate identified violations, deficiencies and shortcomings;
- timely report on the status of implementation of action plans;
- provide any clarifying or confirming information and documents on the status of implementation of action plans;

7.1.12. Perform other activities necessary to achieve the objectives and tasks of internal audit.

7.2. The Head of Internal Audit Department is authorized to:

7.2.1. Participate in meetings/sessions of the Board of Directors, Committees of the Board of Directors, executive bodies of the Company.

7.2.2. Get acquainted with current and future activity plans/programs, reports on the implementation of plans and programs, draft decisions and resolutions of the Board of Directors, Committees of the Board of Directors and executive bodies of the Company.

7.2.3. In accordance with the procedure established by internal documents of the Company, engage employees of other structural units of the Company and SA as experts and third-party experts to solve certain tasks within internal audit activities.

7.3. In order to avoid any conflict of interest, the Head of Internal Audit Department and its employees shall refrain from:

7.3.1. Performing audit in the areas for which they were responsible during the year preceding the actual auditing.

7.3.2. Participating in inspections and other tasks in case of financial, property, akin or any other interest in the activities of the inspected objects.

7.3.3. Participating in any activities that might be detrimental to their impartiality or perceived as causing such harm.

7.3.4. Controlling employees from other departments, except when these employees are assigned to participate in the audit or other tasks within internal audit activities.

7.4. The Head of Internal Audit Department and its employees shall apply the International framework for professional internal audit practice adopted by the Institute of Internal Auditors, including the basic principles of professional internal audit practice, the Code of Ethics, Standards and Definition of Internal Audit, as part of the implementation of business plans.

7.5. The Head of Internal Audit Department and its employees have no right to:

7.5.1. suppress any material facts known to them which, in case of concealment, may distort the audit report data;

7.5.2. Use or disclose confidential information without the powers to do so, except the situations where such disclosure is required by law.

7.6. In case of any significant limitations on the powers of the Internal Audit Department or any other restrictions that may negatively affect the internal audit activities, as well as conflicts of interest, the employees from the Internal Audit Department shall inform of these facts the Head of Internal Audit Department, who in turn must inform the Board of Directors (Audit Committee), the Sole Executive Body of the Company, as well as the Head of Internal Audit Department of PJSC Rosseti.

7.7. In the event that an outsourcing company acquires the right to carry out individual inspections or individual tasks of the internal audit of the Company, responsibility for their implementation and results is assigned to the Head of Internal Audit Department of the Company.

7.8. The Head of Internal Audit Department is responsible for drawing up an opinion on the reliability and efficiency of risk management and internal control system, the efficiency of corporate governance in the Company.

7.9. The responsibility of the Head of Internal Audit Department and its employees is determined by the terms of employment contracts, job descriptions, regulations on the internal audit department, other administrative and internal regulatory documents of the Company. It includes, but not limited to, accountability for poor and late performance of tasks and functions assigned thereto, failure to comply with the labor discipline requirements, loss and/or damage of material assets and documents, disclosure of secret information protected by the legislation of the Russian Federation and internal documents of the Company.

8. Interaction between Internal Audit and Stakeholders

8.1. In the course of its activities, the internal audit shall interact with the Board of Directors (Audit Committee) in the following main areas:

8.1.1. Implementation of internal audit based on the internal audit activity plan approved by the Board of Directors (previously reviewed by the Audit Committee).

8.1.2. Conducting any other inspections, implementation of other tasks in accordance with the decisions/instructions of the Board of Directors (Audit Committee) within the competence of the internal audit.

8.1.3. Exercising the right of the Head of Internal Audit Department to

participate in meetings of the Board of Directors (Committees under the Board of Directors), as well as direct access to the Board of Directors (Audit Committee).

8.1.4. Provision of the internal audit activity plan, the report on the implementation of the internal audit activity plan and the internal audit department budget, as well as the policies/amendments to the internal audit policy of the Company for preliminary consideration by the Audit Committee (and further submission for approval to the Board of Directors).

8.1.5. Provision of reports to the Audit Committee on the status of implementation of the internal audit plan (including information on the results of particular audit inspections, identified significant risks, shortcomings, results, and effectiveness of actions to address identified deficiencies, results of the internal audit function, as well as other aspects affecting internal audit activities).

8.1.6. Ensuring that the results of the annual assessment of the status and efficiency of the risk management and internal control system, corporate governance, main trends in the operations of the Company and SAs; internal audit function implementation in the Company, including, but not limited to, information on the presence/absence of activity limitations and on ensuring independence of internal audit and sufficiency of resource support, be duly submitted to the Board of Directors (Audit Committee) for further review and consideration.

8.1.7. At least once a quarter, holding a meeting between the Head of Internal Audit Department and the Audit Committee or its Chairman on issues falling within the competence of the internal audit.

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

8.2.

Internal Audit interacts (at least once a year) with the Company's executive bodies in the following key areas (while maintaining the balance of independence and objectivity of Internal Audit and non-involvement in the Company's operational activities):

8.2.1. Conducting inspections, performing other tasks in accordance with the internal audit activity plan and instructions of the Company's executive bodies (within the internal audit competence).

8.2.2. Exercising the right of the Head of Internal Audit Department to participate in meetings/sessions of executive bodies of the Company, as well as direct access to the Sole Executive Body of the Company.

8.2.3. Informing about the results of audits, submitting recommendations on elimination of violations and deficiencies identified during audits and proposals to improve the efficiency and effectiveness of the risk management and internal control systems, corporate governance and business operations of the Company and SAs.

8.3. The interaction between internal audit and external auditor of the Company shall be carried out in the following main areas:

8.3.1. Quality assessment of the external auditor operations, preparation of an opinion on the results of this assessment, submission of the results for consideration to the Audit Committee, and informing the stakeholders.

8.3.2. Participation in qualifying criteria specification, review of tender

documentation, determining essential contract terms and conditions and open tendering for selection of the external auditor of the Company.

8.3.3. Assisting the external auditor in providing information on the state of the risk management and internal control system in the Company.

8.3.4. Participation in the discussion of the external auditor's conclusions on the state of the risk management and internal control system.

8.3.5. Participation in resolving disputes arising during implementation of external audits.

8.3.6. Holding meetings with the external auditor of the Company at least once a year, especially when assessing the external auditor opinion regarding accounting (financial) statements of the Company.

8.4. The interaction between the Internal Audit and the Audit Commission of the Company is carried out in the following main areas:

8.4.1. Coordination of interaction between departments of the Company and the Audit Commission of the Company.

8.4.2. Preparation and provision of information and opinions within the competence of the Internal Audit.

8.4.3. Administrative support for the Audit Commission activities.

8.4.4. Elaboration of corrective measures in accordance with the audit results aimed at the elimination of identified violations/deficiencies and implementation of Audit Commission recommendations.

8.4.5. Control over the implementation of corrective measures aimed at the elimination of identified violations/deficiencies and implementation of the Audit Commission recommendations.

8.5. Internal audit interacts with the department(s) that carry out methodological support and coordination of activities on internal control and risk management, including information exchange on risks, implementation of control procedures, the fulfillment of requirements and procedures set forth in the Company.

8.6. Internal Audit interacts with other participants of the risk management and internal control system of the Company on issues within the competence of Internal Audit, as well as with other stakeholders monitoring and evaluating the risk management and internal control system in certain areas of activity.

8.7. In order to form and apply unified approaches to building, managing and coordinating the internal audit function in the Rosseti Group of Companies, the internal audit division of the Company cooperates with the internal audit division of PJSC Rosseti - the Company's shareholder - responsible for implementing the Strategy for the Development of the Electric Grid Sector of the Russian Federation approved by Order No. 511-r of the Government of the Russian Federation dated 03.04.2013, in the following key areas (subject to compliance with laws on joint stock companies, corporate requirements and restrictions):

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

8.7.2. Initiation of development and timely updating of the Company's Articles, Provision on Audit Committee of the Company's Board of Directors,

Internal Audit Policy of the Company and other regulatory documents of the Company regarding control over the internal audit function.

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

8.7.4. Implementation of the practice of thematic audits by Rosseti Group of Companies on a specific topic in accordance with a unified audit program.

8.8. The Head of Internal Audit Department shall develop a scheme (map) of interaction between internal control subjects and other stakeholders monitoring and evaluating the risk management and internal control system for certain lines of business ('assurance map'), i.e. a document defining the areas of responsibility of the subjects of the risk management and internal control system and other stakeholders in relation to certain risks of the Company.

8.9. Internal Audit shall interact with the state supervisory bodies, as well as with other stakeholders in the manner stipulated by the legislation of the Russian Federation and the relevant internal regulatory documents of the Company, on issues within the competence of the Internal Audit.

9. Quality Control and Assessment of Internal Audit Activities

9.1. In order to ensure proper control and evaluation of internal audit activities, as well as to identify areas for improvement, the Head of Internal Audit Department shall ensure the development, approval and implementation of the internal audit evaluation (assurance) and quality improvement program, which shall include:

9.1.1. Continuous monitoring of the quality of internal audit activities.

9.1.2. Periodic internal and external quality assessment of internal audit activities.

9.2. During continuous (ongoing) quality monitoring, the Head of Internal Audit Department shall perform:

9.2.1. Supervision of inspections and other internal audit activities.

9.2.2. Selective expert assessment of the working documents created during the implementation of audit, including the review of the completeness of the audit evidence on observations and opinions made during the audit procedures.

9.2.3. Interaction with audit departments and other stakeholders on issues falling within the competence of Internal Audit.

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

9.3. Periodic internal assessment of internal audit performance shall be carried out by internal audit through self-assessment at least once a year.

9.4. External assessment of the quality of internal audit activities shall be carried out by an independent external expert at least once every five years.

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

10. Legal Support for Internal Audit Activities

10.1. The internal audit activity in the Company shall be regulated by means of drafting and implementation of the following major documents based on template documents approved by PJSC Rosseti, namely:

10.1.1. This Policy.

10.1.2. The Code of Ethics for Internal Auditors of the Rosseti Group of Companies, which establishes principles and expectations for the conduct of internal auditors in performing their duties.

10.1.3. Regulations on the Internal Audit Department, which is the administrative and personnel document of the Company and defines administrative matters regarding internal audit activity.

10.1.4. Job descriptions for employees of the Internal Audit Department;

10.1.5. Internal audit planning guidelines.

10.1.6. Internal audit implementation guidelines.

10.1.7. Programs for assurance services (guarantees) and improvement of internal auditing quality.

10.1.8. Schemes (maps) of interaction between internal audit and subjects of the risk management and internal control system and other stakeholders monitoring and evaluating the risk management and internal control system in certain areas of activity ('assurance maps').

10.1.9. Methodological documents (guidelines, instructions, regulations, standards and other documents) defining approaches and principles for the implementation of the internal audit function and regulating internal audit activities.

Code of Ethics for Internal Auditors of the Rosseti Group of Companies

PRINCIPLES

Internal auditors should adhere to the following principles.

1. Integrity

The integrity of the internal auditor is the foundation upon which the credibility of the auditor's opinion is based.

2. Objectivity

Internal auditors shall demonstrate the highest level of professional objectivity when collecting, evaluating and transmitting information about the audited entity. Internal auditors make a balanced assessment of all relevant circumstances and are not influenced in their judgment by their own interests or those of others.

3. Confidentiality

Internal auditors respect the proprietary rights of information they obtain in the course of their work and do not disclose information without proper authorization, unless disclosure is dictated by legal or professional obligations.

4. Professional competence

Internal auditors apply the knowledge, skills and experience necessary to provide internal audit services.

RULES OF CONDUCT

1. Integrity

Internal auditors shall:

1.1 Perform their work honestly, diligently and responsibly.

1.2 Act within the law and, where required by law or professional standards, disclose relevant information.

1.3 Not knowingly engage in actions or activities that discredit the profession of internal auditor or their organization.

1.4 Respect and contribute to the legally and ethically defensible goals of their organization.

2. Objectivity

Internal auditors shall:

2.1. Not participate in any activities that might be detrimental to their impartiality or perceived as causing such harm. This also extends to activities and relationships that may be contrary to the interests of the organization.

2.2. Not accept as a gift anything that would be detrimental to their professional opinion or perceived as causing such harm.

2.3. Disclose all material facts known to them that, if not disclosed, could distort reports about the audited entity.

3. Confidentiality

Internal auditors shall:

3.1 Be reasonable and prudent in the use and preservation of information obtained during performance of their duties.

3.2 Not use the information for personal benefit or in any other way that is contrary to the law or that may prejudice the achievement of legally and ethically defensible goals of the organization.

4. Professional competence

Internal auditors shall:

4.1 Participate only in assignments for which they have sufficient professional knowledge, skills and experience.

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

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