

AUDIT COMMITTEE

Protocol # КА - 37 An Audit Committee session IDGC of Urals, OAO

August 15, 2014

Session form:

Ekaterinburg

absentee voting (by questionnaires)

The following Committee members took part in the session: Y.V. Yascheritsyna, D.A. Malkov, S.A. Petrov, K.M. Yushkov.

Quorum for decision-taking on all agenda issues reached.

Agenda:

1. Approval of the Committee working plan for 2014-2015 corporate year.
2. Review of the Committee budget for 2H 2014.
3. The Company's priorities: Perfection of the Internal Control and Risk Management System, internal audit evolution.
4. Preliminary review of the Company's internal regulatory documents: Approval of the Risk Management Policy of IDGC of Urals in a new version.
5. Preliminary review of the Company's internal regulatory documents: Approval of the Internal Audit Policy of IDGC of Urals.

Issue 1: Approval of the Committee working plan for 2014-2015 corporate year.

Resolution:

To approve the Committee working plan for 2014-2015 corporate year according to Appendix #1 hereof.

Voting results:

“FOR” – 4 (Four) votes: Y.V. Yascheritsyna, D.A. Malkov, S.A. Petrov, K.M. Yushkov.

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 0 (Zero) votes.

The resolution is adopted unanimously.

Issue 2: Review of the Committee budget for 2H 2014.

Resolution:

To recommend the BoD members to approve the Committee budget for 2H 2014 according to Appendix #2 hereof.

Voting results:

“FOR” – 4 (Four) votes: Y.V. Yascheritsyna, D.A. Malkov, S.A. Petrov, K.M. Yushkov.

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 0 (Zero) votes.

The resolution is adopted unanimously.

Issue 3: The Company's priorities: Perfection of the Internal Control and Risk Management System, internal audit evolution.

Resolution:

To recommend the Company's BoD to adopt the following resolutions:

1. To determine the perfection of the Internal Control and Risk Management System, internal audit evolution as the Company's priority.
2. To approve the Internal Control Policy of IDGC of Urals in a new edition according to Appendix #3 hereof.
3. To entrust the Company's General Director:
 - To ensure the execution of the requirements of the Internal Control Policy.
 - To ensure the submission for BoD review of the issue "Review of a report on the ICS efficiency in 2014".
Deadline: 31.03.2015.
 - To ensure the submission for BoD review of the issue "Review of a report on the IC&RMS efficiency".
Deadline: every March 31 starting with 2015 report.

Voting results:

"FOR" – 4 (Four) votes: Y.V. Yascheritsyna, D.A. Malkov, S.A. Petrov, K.M. Yushkov.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

The resolution is adopted unanimously.

Issue 4: Preliminary review of the Company's internal regulatory documents: Approval of the Risk Management Policy of IDGC of Urals in a new version.

Resolution:

To recommend the Company's BoD to adopt the following resolutions:

1. To approve the Risk Management Policy of IDGC of Urals in a new version according to Appendix #4 hereof.
2. To entrust the Company's General Director:
 - 2.1. To ensure the execution of the requirements stipulated by the Risk Management Policy of IDGC of Urals.
 - 2.2. To ensure the inclusion of the following functions into the job descriptions of the employees and/or regulatory documents of the Company stipulating the authorities of Deputy General Directors and heads of structural units with a direct subordination to the Company's General Director:
 - Arrangement of efficient control environment of the processes under supervision (business lines of the Company);
 - Provision of the efficiency in the achievement of operating goals of the processes under supervision (business lines of the Company);
 - Provision of regular monitoring of risks in the processes under supervision (business lines of the Company);
 - Provision of regular update of risks in the processes under supervision (business lines of the Company);
 - Provision of a quarterly analysis and ranking of risk factors in the processes under supervision (business lines of the Company);
 - Design management and action-taking related to risk management in the processes under supervision (business lines of the Company).
 - 2.3. To ensure the submission for BoD review of the issue "Approval of the key operational risk register", with the stipulation of risk owners (with a preliminary review and approval of the register by an Audit Committee).
Deadline: 30.09.2014.
 - 2.4. To ensure the approval of the register of the operating risks of key business processes, with risk owners occupying positions of Deputy General Directors and/or heads of structural units with a

direct subordination to the Company's General Director (with a preliminary review and approval of risk owners by an Audit Committee).

Deadline: 30.09.2014.

2.5. To ensure the approval of the register of the operating risks of other business processes, with risk owners occupying positions of Deputy General Directors and/or heads of structural units with a direct subordination to the Company's General Director (with a preliminary review and approval of the register by an Audit Committee).

Deadline: 31.12.2014.

2.6. To arrange the preparation and quarterly submission for MB review of the issue "Review of a report on the operating risk management prepared by risk owners".

Deadline: on a quarterly basis, until 30th day of the month following the reported quarter.

2.7. To arrange the preparation and submission for Audit Committee review of the issue "Review of a report on key operating risk management prepared by the sole executive body as of the 6M of the reported period".

Deadline: on an annual basis, till August 31.

2.8. To arrange the preparation and submission for BoD review of the issue "Approval of an annual report on key operating risk management prepared by the sole executive body" (with a preliminary review of the report by the Audit Committee).

Deadline: on an annual basis, till March 31.

Voting results:

"FOR" – 4 (Four) votes: Y.V. Yascheritsyna, D.A. Malkov, S.A. Petrov, K.M. Yushkov.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

The resolution is adopted unanimously.

Issue 5: Preliminary review of the Company's internal regulatory documents: Approval of the Internal Audit Policy of IDGC of Urals.

Resolution:

To recommend the BoD to adopt the following resolutions:

1. To approve the Internal Audit Policy of IDGC of Urals according to Appendix #5 hereof.

2. To entrust the General Director:

2.1. To ensure the execution of the requirements of the Internal Audit Policy.

2.2. To arrange the preparation and submission for BoD review of internal audit appraisal results as a part of a report on the efficiency of the Company's IC&RM system.

Deadline: on an annual basis, till March 31, starting with 2015 report.

Voting results:

"FOR" – 4 (Four) votes: Y.V. Yascheritsyna, D.A. Malkov, S.A. Petrov, K.M. Yushkov.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

The resolution is adopted unanimously.

Appendix #1: The Committee working plan for 2014-2015 corporate year.

Appendix #2: 2H 2014 Committee budget.

Appendix #3: The Internal Control Policy of IDGC of Urals in a new version.

Appendix #4: The Risk Management Policy of IDGC of Urals in a new version.

Appendix #5: The Internal Audit Policy of IDGC of Urals.

Appendices #6-9: Questionnaires of the Committee members.

The Committee Chairperson

Y.V. Yascheritsyna

The Committee Secretary

D.V. Tikhanov

Protocol was compiled on 19.08.2014.