

AUDIT COMMITTEE**Protocol # КА - 41
An Audit Committee session
IDGC of Urals, OAO**

December 22, 2014

Ekaterinburg

Session form:

absentee voting (by questionnaires)

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

Number of the Committee members that participated in the session is 5 out of 5. Quorum for decision-taking on all agenda issues reached.

Agenda:

1. Approval of the working plan of Internal Audit and Control unit for 2015.
2. Review of the list of operating risks of other business processes (risk owners stipulated).
3. Review of significant aspects of the Company's accounting policy and planned changes for 2015.
4. Approval of procurement documentation related to the selection of an external auditor and conclusion of auditor service contract.
5. Information on the execution of the Committee's instructions during 2014.
6. Review of the Committee budget for 1H 2015.
7. Review of the audit of Company's operations in 2013 and measures taken by the senior managers to eliminate violations and mistakes and prevent them in the future.

Issue 1: Approval of the working plan of Internal Audit and Control unit for 2015.**Resolution:**

1. To approve the working plan of Internal Audit and Control Department for 2015.
 2. To recommend the General Director:
 - 2.1. To approve the working plan of Internal Audit and Control Department for 2015 according to Appendix #1 hereof.
 - 2.2. To ensure staffing of Internal Audit and Control Department according to the organizational structure recommended by the Committee's resolution on Issue #4 (Protocol #КА-39 dd. 26.09.2014).
- Deadline: 31.01.2015

Voting results:

“FOR” – 5 (Five) votes: M.V. Azovtsev, D.A. Malkov, K.M. Yushkov, Y.V. Yascheritsyna, S.A. Petrov.
“AGAINST” - 0 (Zero) votes.
“ABSTAIN” - 0 (Zero) votes.

The resolution is adopted unanimously.

Issue 2: Review of the list of operating risks of other business processes (risk owners stipulated).**Resolution:**

1. To approve the list of operating risks of other business processes (risk owners stipulated) according to Appendix #2 hereof.
2. To recommend the sole executive body to approve the list of operating risks of other business processes (risk owners stipulated) according to Appendix #2 hereof.

Voting results:

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

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 1 (One) vote: K.M. Yushkov.

The resolution is adopted by the majority of votes.

Issue 3: Review of significant aspects of the Company’s accounting policy and planned changes for 2015.

Resolution:

To take into account information on significant aspects of the Company’s accounting policy and planned changes for 2015.

Voting results:

“FOR” – 5 (Five) votes: M.V. Azovtsev, D.A. Malkov, K.M. Yushkov, Y.V. Yascheritsyna, S.A. Petrov.

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 0 (Zero) votes.

The resolution is adopted unanimously.

Issue 4: Approval of procurement documentation related to the selection of an external auditor and conclusion of auditor service contract.

Resolution:

1. To approve the key conditions fixed for procurement procedures related to the selection of an external auditor and conclusion of a contract on 2015-2017 financials obligatory annual audit according to Appendix #3 hereof, including initial (ultimate) price equaling RUR 12,980 thous., including VAT.
2. To recommend the Company to perform procurement procedures on the selection of an external auditor and conclusion of a contract on 2015-2017 financials obligatory annual audit via participation in a centralized tender arranged by Rosseti.

Voting results:

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

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 1 (One) vote: K.M. Yushkov.

The resolution is adopted by the majority of votes.

Issue 5: Information on the execution of the Committee’s instructions during 2014.

Resolution:

1. To note the failure of the sole executive body to perform the Committee’s recommendations on the preparation and submission for Committee’s review of a report prepared by the senior managers on measures and results of activities aimed at elimination of violations revealed during inspections performed by Internal Audit and Control Department (formerly Internal Audit and Risk Management Department) in 2013 and 1Q 2014 established by Committee resolutions (Protocol #31 dd. 25.02.2014 and Protocol #34 dd. 14.05.2014).
2. To take into account the failure of the sole executive body to execute the Committee’s recommendations while reviewing an evaluation report on the efficiency of internal control system as of 2014.

Voting results:

“FOR” – 5 (Five) votes: M.V. Azovtsev, D.A. Malkov, K.M. Yushkov, Y.V. Yascheritsyna, S.A. Petrov.

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 0 (Zero) votes.

The resolution is adopted unanimously.

Issue 6: Review of the Committee budget for 1H 2015.

Resolution:

To recommend the Board of Directors to approve the Committee budget for 1H 2015 according to Appendix #4 hereof.

Voting results:

“FOR” – 5 (Five) votes: M.V. Azovtsev, D.A. Malkov, K.M. Yushkov, Y.V. Yascheritsyna, S.A. Petrov.

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 0 (Zero) votes.

The resolution is adopted unanimously.

Issue 7: Review of the audit of Company’s operations in 2013 and measures taken by the senior managers to eliminate violations and mistakes and prevent them in the future.

Resolution:

To take into account information on the audit of Company’s operations in 2013 and measures taken by the senior managers to eliminate violations and mistakes and prevent them in the future.

Voting results:

“FOR” – 3 (Three) votes: D.A. Malkov, Y.V. Yascheritsyna, S.A. Petrov.

“AGAINST” - 1 (One) vote: K.M. Yushkov.

“ABSTAIN” - 1 (One) vote: M.V. Azovtsev.

The resolution is adopted by the majority of votes.

Appendix #1: The working plan of Internal Audit and Control Department for 2015.

Appendix #2: The list of operating risks of other business processes (risk owners stipulated).

Appendix #3: Key conditions fixed for procurement procedures related to the selection of an external auditor and conclusion of a contract on 2015-2017 financials obligatory annual audit.

Appendix #4: The Committee budget for 1H 2015.

The Committee Chairperson

Y.V. Yascheritsyna

The Committee Secretary

D.V. Tikhanov

Protocol was compiled on: 24.12.2014.