



**COMPANY'S CODE**

**CORPORATE INTEGRATED MANAGEMENT SYSTEM OF IDGC OF URALS (OAO)**

**PL MRSK–DKUIVA–01–2016**

**The Regulations on the Board of Directors Audit Committee  
At IDGC of Urals (OAO)**

**REGULATIONS**

Version – 2

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APPROVED BY  
The Board of Directors of IDGC of Urals (OAO) on Mar. 14, 2016  
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### 1. Key notions and abbreviations used by the Regulations

The Company	- Open Joint-Stock Company “Interregional Distributive Grid Company of Urals”, IDGC of Urals (OAO)
SACs	- Subsidiary companies of IDGC of Urals (OAO)
The Board of Directors of the Company	- The Board of Directors of IDGC of Urals (OAO)
The Regulations on the Company’s Board of Directors	- The Regulations on the Convention and Conduct of Board of Directors meetings at IDGC of Urals (OAO)
The Regulations or The Regulations on the Audit Committee	- The Regulations on the Board of Directors Audit Committee at IDGC of Urals (OAO)
The Audit Committee or the Committee	- The Board of Directors Audit Committee at IDGC of Urals (OAO)
The Chair of the Audit Committee, the Chair	- The Chair of the Board of Directors Audit Committee at IDGC of Urals (OAO)
The Deputy Chair of the Audit Committee, the Deputy Chair	- The Deputy Chair of the Board of Directors Audit Committee at IDGC of Urals (OAO)
The Secretary of the Committee	- The Secretary of the Board of Directors Audit Committee at IDGC of Urals (OAO)
An Audit Committee member	- A member of the Board of Directors Audit Committee at IDGC of Urals (OAO)
An Audit Committee expert, Committee expert	- An expert of the Board of Directors Audit Committee at IDGC of Urals (OAO)
The Company’s executive body (SEB)	- The General Director of the Company.
C-level executives (top team)	- Senior managers of the Company, ranked to C-level executives by the Board of Directors.
Internal Audit (IA)	- Provision of independent and unbiased guarantees and counselling to improve

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Company's performance. Internal audit is to facilitate the Company in achieving its goals and objectives through the most efficient, economically feasible ways and systematic step-by-step approach towards evaluation and intensification of the systems, liable for risk management, internal control and corporate governance.

- Competence, expertise - Totality of de jure mandates, functions, rights and liabilities of a relevant body or official
- External auditor, Auditor - An entity, being a member of one of self-regulated auditor associations and conducting an independent audit of auditee's financial statements to express its opinion whether such statements are reliable or not
- IFRS - International Financial Reporting Standards
- RAS - Russian Accounting Standards

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## 2. General Provisions

2.1. The present Regulations on the Board of Directors Audit Committee of the IDGC of Urals are a bylaw stipulating Committee competence, election and operations, rights, duties and responsibilities of its members as well as communication procedures between the Committee and Company's management and supervision bodies.

2.2. The Regulations on the Audit Committee are prepared pursuant to Russian laws, Company's Charter and bylaws as well as requirements, set by the stock exchanges that registered the Company's securities, which are to confer the listing of shares.

2.3. The Regulations are prepared in line with:

- Federal Joint-Stock Companies' Law No.208-FZ dated as of 26.12.1995;
- Federal Accounting Law No.402-FZ dated as of 06.12.2011;
- Federal Auditor Law No.307-FZ dated as of 30.12.2008;
- Corporate Governance Code, adopted by the Bank of Russia's Board of Directors on 21.03.2014;
- The Board of Directors in a Joint-Stock Company Guidelines, approved by Russian Property Fund Decree No.357 dated as of 21.11.2013;
- The Board of Directors Audit Committee in a State-owned Joint-Stock Company Guidelines, approved by Russian Property Fund Decree No.86 dated as of 20.03.2014;
- Organized Trading Activity Regulations, approved by the Bank of Russia (No.437-P dated as of 17.10.2014);
- Internal Audit in a State-owned Joint-Stock Company Guidelines, approved by Russian Property Fund Decree No.249 dated as of 04.07.2014;
- Internal Audit in a State-owned Holdings Guidelines, approved by Russian Property Fund Decree No.330 dated as of 03.09.2014;
- Listing Rules, approved by the administration of a stock exchange and registered in line with requirements set by the Bank of Russia.

2.4. The Audit Committee shall be appointed by the Board of Directors to scrutinize issues of primary importance and draw up recommendations to assist the Board in decision-taking with regard to issues of Committee competence as well as other issues assigned to the Committee by the Board.

2.5. If the Committee works over Board-assigned issues without onward examination by the Board, the Committee shall be entitled to decide and give recommendations to the Company's executives and IA unit. The Audit Committee shall be liable directly to the Company's Board of Directors, its evaluations remaining unaffected by the Company's executives.

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2.6. The Committee shall be an auxiliary advisory body of the Company's Board. The Committee shall not be Company's management and supervision instrumentality and shall have no mandate to act on behalf of the Company.

2.7. In its operations the Committee shall be guided by Russian laws, Company's Charter and bylaws, Board's resolutions and present Regulations.

### **3. Goals and Key Objectives of the Committee**

3.1. The Committee's goal shall be to assist the Board of Directors in efficient performance of the functions by previewing issues related to oversight of Company's operations.

3.2. Key objectives of the Committee shall be:

- To review Company's financial statements and oversee statements preparation process;
- To oversee reliability and efficiency of risk management, internal control and corporate governance systems;
- To oversee external audit and process of auditor selection;
- To arrange and assure IA independence and objectivity;
- To oversee whether the system combating unfair practices of Company's employees and third parties is efficient.

The Committee shall operate not to assure the integrity of financial statements, efficiency of risk management (RM) and internal control (IC) systems and corporate governance practices (CG practices), IA independence and objectivity as well as compliance with laws, but to supervise how executive bodies of the Company perform their duties to achieve the Company's goals.

Most of the Committee functions, stated herein, use notions "supervision", "oversight", "evaluation", "analysis", "arrangement" and "formulation /preparation" with respect to business functions. At the same time the Committee's duty shall not imply the execution of the functions or actions with respect to "supervision", "oversight", "evaluation", "analysis", "arrangement" and "formulation/preparation". The Committee shall not perform the functions directly. Once supervising, the Committee members shall rely on the integrity of Company's executives and employees who provide the Committee with information. Should doubts on the reliability of information arise, the Committee shall report that to the Board.

### **4. Competence of the Committee**

4.1. Competence of the Committee shall cover issues related to financial statements of the Company, oversight of: i) reliability and efficiency of IC&RM systems and CG practices; ii) external audit and auditor selection; iii) IA independence and objectivity; iv) whether the system combating unfair practices

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of Company's employees and third parties is efficient; as well as other issues assigned by the Board. As a part of its remit, the Committee shall perform the following functions:

4.1.1. With regard to Company's financial statements:

4.1.1.1. Oversight (supervision) of completeness, accuracy and integrity of annual and interim financial statements:

a) Analysis of special aspects arising with respect to reporting preparation, established by the Company, and significant changes of principles and procedures in this regard;

b) Analysis whether financial statements comply with the legal and regulatory requirements as to disclosure of financial information;

c) Review whether accounting and report generation systems comply with requirements stipulating processing of financial information, business profile, scope and complexity of processed information;

d) Review of external audit, post-audit significant adjustments, notes from auditor opinion and written report in close cooperation with the Company's SEB and external auditor;

e) Discussion with the external auditor and IA unit of feasibility and eligibility of Company's methods of recording for spheres with a high falsification and fraud exposure as well as their coherent use in accounting and reporting generation;

f) Analysis of level and cause of errors, exposed during external and internal audits, receipt of feedback from the top team with regard to the errors, including Company's post-audit measures and/or implementation of auditor's recommendations;

g) Analysis of significant YoY performance fluctuations, performance or trend irregularities, deviations from targets set by business plans (as stated in Appendix 3 herein).

4.1.1.2. Analysis of significant aspects of the Company's accounting principles:

a) Oversight of accounting principles' compliance with legal requirements, accounting rules (standards), recommendations of external auditor, review of feasibility and eligibility of accounting methodology;

b) Analysis of late and upcoming changes of accounting principles, discussion of causes and impact on Company's financial statements during the reported and upcoming periods with the Company's SEB and external auditor.

4.1.1.3. Participation in the examination of vital issues and judgments regarding Company's financial statements:

a) Analysis of information from the Company's SEB with regard to operations or events, subject to evaluative judgments reflected in financial statements and



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supplements or being significant and irregular with respect to comments of the external auditor;

b) Discussion with the C-level executives and external auditor of significant assumptions used by the Company to prepare financial statements, compliance of assumptions and evaluations with accounting rules (standards);

c) Discussion with the external auditor and IA unit of an issue regarding any Company's significant assumptions and evaluations that may be aimed to achieve target performance of the Company or increase remunerations paid to the Company's SEB and top team.

4.1.1.4. Analysis of Company's financial press releases, any public statements regarding external and internal audit, RM&IC systems as well as any disclosed financial information.

4.1.1.5. Review of interim financial statements of the Company, preview of annual financial statements prior to the Board.

4.1.1.6. Review of any other issues that, in Committee's opinion, may influence completeness and reliability of Company's financial statements.

4.1.2. With regard to oversight of RM&IC systems as well as CG practices:

4.1.2.1. Review, prior to the Board, of approaches towards arrangement of IC system, analysis and evaluation of how the Company implemented IC policies:

a) Preview, prior to the Board, of Company's bylaws outlining strategy, arrangement and evolution of IC system and subsequent modifications;

b) Discussion how the Company implemented IC policies with the SEB and IA unit.

4.1.2.2. Oversight of reliability and efficiency of RM&IC systems as well as CG practices of the Company:

a) Conduct, at least quarterly, of C-level meetings to discuss existence or molding of relevant environment for oversight, efficient performance of IC procedures and review of significant disadvantages of IC system and adjustment plans;

b) Analysis, at least on annual basis, of measures, developed by Company's executives, to improve IC system as well as performance, including self-evaluation of heads of Company's structural units and evaluation performed by IA unit;

c) Review, discussion with executive body and IA unit of "Internal Control System" annual report section prior to its filing with the Board for preapproval;

d) Analysis of reliability and efficiency of IC system according to data from reports of the Executive Board regarding IC system arrangement and activity, post-audit materials of IA unit as well as opinions of the external auditor;

e) Preview, at least on annual basis, of a report of IA unit with regard to efficiency of RM&IC systems and CG practices as well as preview of reports regarding external unbiased evaluation of RM&IC systems and CG practices;

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f) Generation of proposals to improve RM&IC systems and CG practices.

4.1.2.3. Oversight of the Company's compliance with legal and regulatory requirements:

a) Review of issues with respect to procedures of compliance with Russian laws, requirements of the Bank of Russia and stock exchanges as well as ethical norms set by the Company's bylaws;

b) Analysis of response actions taken by the Company to eliminate infringements, exposed by the Company's Board of Internal Auditors, IA unit and outside watchdogs.

4.1.3. Oversight of the external audit and auditor selection:

4.1.3.1. Review and preparation of recommendations to the Board regarding external auditor re-election and dismissal, to be presented to stockholders for ratification during the Annual General Meeting of Stockholders.

4.1.3.2. Preparation of recommendations to the Board regarding rotation terms for external auditor.

4.1.3.3. Comprehensive oversight of external auditor selection:

a) Co-working with regard to auditor selection procurement terms, including determination of the list and importance of evaluation criteria and bid assessment;

b) Oversight whether the selection complies with the laws and bylaws by delegating its representative into the selection commission as a member or independent supervisor;

c) Evaluation whether external auditor is independent, impartial and has no conflicts of interests, including analysis of all relationships (non-audit service, remuneration for audit and non-audit services, etc.) to expose circumstances that may impact independence;

d) Drawing up of recommendations to the Board regarding an external auditor nominee.

4.1.3.4. Oversight of external audit and evaluation of audit and auditor opinion quality:

a) Evaluation of audit scope and methods proposed by the external auditor;

b) Discussion with the external auditor and SEB of significant accounting policy aspects, major or unusual transactions recording methods, provided that several approaches are admitted;

c) Discussion with the external auditor and SEB of statement preparation, oversight of statement disclosure accuracy and completeness as well as whether information disclosure is accurate;

d) Discussion with an external auditor of any difficulties encountered in the course of the audit, including any restrictions on the scope of activities and/or access to requested information;

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e) Review of external auditor opinions and written reports presented to the Company's SEB with respect to the list of key solved and unsolved issues, examination of key accounting and auditor assertions, analysis of exposed error levels.

4.1.3.5. Evaluation, at least annually, of the external audit efficiency, including:

- Analysis whether external audit schedule is observed as well as reasons of deviations, including auditor's measures taken in response to auditor risk changes;
- Review of opinions on external auditor expressed by the Company's personnel engaged in external audit, including chief accountant, Deputy General Director for Economics and Finance, head of IA unit, etc.;
- Analysis whether the auditor understands the Company's business and adequacy of auditor recommendations;
- Evaluation of response and qualification regarding filing of information with the Audit Committee, recommendations with regard to IC system;
- Evaluation of the auditor opinion, attesting the integrity of Company's annual financial statements, preparation of opinion on external audit efficiency and quality to be included into AGSM materials (Appendix No.9 hereof).

4.1.3.6. Preparation and filing with the Board for approval of a policy with respect to non-audit services of the external auditor, including determination of:

- The character of possible non-audit services;
- Correlation of remuneration for audit and non-audit services (in propata and overall remuneration);
- Independence assurance when audit and non-audit services are combined, including the determination of services non-eligible for the external auditor;
- List of services, subject to Audit Committee's preview and approval.

4.1.3.7. Assurance regarding efficient coordination between the Company's external and internal auditors.

4.1.4. Arrangement and assurance as to internal audit independence and impartiality:

4.1.4.1. Internal audit arrangement:

- a) Preparation of recommendations to the Board regarding optimal IA administration (establishment of IA unit/outsourcing/co-sourcing);
- b) Review, prior to filing with the Board for approval, of the IA Policy, contract with an outsider engaged to internal audit, other Company's bylaws describing IA goals, objectives and functions;
- c) Approval, prior to the approval by the Board of Directors and adoption by the SEB, of the Regulations on the IA unit.

4.1.4.2. Assurance as to IA independence and impartiality:

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a) Approval, prior to the Board, of resolutions regarding appointment, dismissal as well as approval, prior to the Board, of remunerations paid to the head of IA unit;

b) In case an external entity is engaged into internal audit:

– Preview of such entity to get assurance that the entity and its personnel is independent, impartial, professional and competent;

– Preview of significant contract conditions with the entity, including remunerations, audit schedule, reporting frequency;

– Preview of drafted additional agreements to an IA contract concluded with such entity;

c) Review, at least annually, of the structure and staffing of IA unit, preview and approval of relevant changes;

d) Review, prior to the Board, of unit's annual action plan and its revisions;

e) Review, at least quarterly, of a report of IA unit on the execution of the annual action plan and performance as well as approval, prior to the Board, of a report on the execution of the annual action plan by IA unit;

f) Regular analysis, at least annually, how action plan regarding elimination of violations and material weaknesses, exposed by the Board of Internal Auditors and IA unit, is executed by the Company.

4.1.4.3. Review of restrictions able to negatively affect the performance of IA function:

a) Approval, prior to Board's approval, of IA annual budget and its revisions, value of a contract with an external entity engaged into internal audit and changes to it;

b) Review of significant restrictions regarding IA authorities, discussion with IA unit of any serious problems exposed during the audit, including any restrictions with respect to the scope of work and/or access to information required by internal auditors.

4.1.4.4. Evaluation of IA efficiency:

a) Conduct, at least annually, of a meeting with the head of IA unit / mandated representative of an external entity performing IA functions on IA-related issues;

b) Discussion with the head of IA unit/ mandated representative of an external entity performing IA functions of improvement plan;

c) Review, at least annually, of IA quality self-evaluation performed in line with IA internal codes, informing the Board on evaluation;

d) Arrangement, at least once every 5 years, of independent IA quality evaluation, including approval of technical specifications, significant conditions of a contract and nominees to evaluate IA functions, preview of evaluation reports, informing the Board on such evaluations.

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4.1.5. Regarding oversight of efficiency of the system combating unfair practices of Company's employees and third parties:

4.1.5.1. Oversight of measures implemented by the Company in response to personnel unfair practices, detected violations and investigation outcomes.

4.1.6. Formulation and filing with the Board of documents regulating the Committee for their adoption.

4.2. Other issues under the Committee's competence shall be subject to review by the Committee upon a Board resolution.

## **5. Membership and Build-up**

5.1. The Committee shall be comprised of at least 3 (Three) persons. The members shall be elected by the Board among Board nominees. The Committee shall be built up within 45 (Forty five) calendar days since the reshuffling of the Board.

Committee members shall be re-elected to the Committee for an unlimited number of terms.

When a candidate is renominated, candidate's previous performance shall be factored in. A Committee member with previous attendance less than 75% shall not be recommended onto the nominee list.

5.2. For the Company's shares to be listed and maintained in Level 2 Quotation List the membership shall include independent Board members. In case it is impossible due to intrinsic reasons, it shall contain Board members who are not the SEB and/or CEB members as well as the Company's employees.

5.3. For the Company's shares to be listed and maintained in Level 1 Quotation List the membership shall solely consist of independent Board members. In case it is impossible due to intrinsic reasons, the majority of Committee members shall be independent directors, the rest of the Committee may be Board members who are not the SEB and/or CEB members as well as Company's employees.

5.4. Criteria of independence shall be determined in compliance with Company's bylaws, in case bylaws have no criteria – in compliance with the listing rules of the stock exchange where the Company' shares are traded.

5.5. At nomination preference shall be given to the following candidates:

- Persons with a university degree in finances, law, economy and management;

- Persons with expertise in internal audit, internal control and risk management, financial statements, financial management (candidates should have accounting expertise and comparison and analysis skills);

- Persons with basic knowledge of internal audit and control;

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– Persons with the knowledge of the Company’s business (industry, produce description, market share, competitive advantages, etc.) and general business principles.

Committee members shall possess reputation casting no doubts with respect to their fair practices and actions in the interests of the Company.

5.6. Proposals from Board members on nominees shall be addressed to the Board Chair in writing and be signed by such Board members.

5.7. Such proposal shall contain the following nominee information:

- Surname, name and patronymic;
- Company and position as of the proposal filing date;
- Job history (qualification) for the last 5 years;
- Nomination consent;
- Statement of compliance with all requirements stated in Section 5

herein;

- Contact information (including preferable means of communication).

5.8. A Board member, elected to the Committee as an independent director, in cases when any event occurs and s/he ceases to meet independence requirements, shall inform the Board on this within 3 (Three) business days since s/he comes to know about it.

5.9. Committee members shall be elected and serve till the new members are elected.

5.10. Committee members shall be removed:

5.10.1. If a Committee member filed a voluntary withdrawal notice with the Board Chair.

5.10.2. If a Committee member is removed from the Board.

5.10.3. If the Board decides to relieve a Committee member of his/her duties.

5.11. In cases when Committee member is removed due to clauses 5.10.1 and 5.10.3, the Company’s Board shall elect a new Committee member within 30 calendar days since the receipt of a notice from a Committee member stipulated in clause 5.10.1 or decision stipulated in clause 5.10.3. Prior to the moment, a Committee member shall perform his/her duties in full.

## **6. Rights and Duties**

6.1. To perform assigned duties the Audit Committee shall be entitled:

6.1.1. To oversight the Company’s execution of Board resolutions (upon Board’s assignment).

6.1.2. To give recommendations to the Company’s executive bodies and Board within its competence.

6.1.3. To research issues within assigned objectives and duties.

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6.1.4. To request and obtain documents, reports, explanations, conclusions and other information, including confidential, from the Company's executive body, executives and IA unit. The information and materials shall be filed within 5 (Five) business days since the request unless such request stipulates a longer term.

6.1.5. To form, upon approval with the executive body, working groups consisting of the Company's employees and engaged experts (specialists) to analyze issues within the Committee's competence within the Committee budget. Heads of such groups shall arrange the activities and assure analysis of issues determined by the Committee within the terms stipulated by the Committee.

6.1.6. To invite executives and employees of the Company and its SACs, members from other Committees, Board of Internal Auditors' Chair/members as well as other persons to meetings to discuss issues under the Committee competence (no voting rights granted).

6.1.7. To conduct meetings with the external auditor and head of IA unit /mandated representative of an external entity performing internal audit.

6.1.8. As required, to initiate and arrange special inspections, researches, expertizes, reviews, including engaged outside specialists in corresponding field of studies (law, economy, finance, accounting, management, corporate security, etc.) as well as special entities within the Committee's competence and budget, to request to conclude civil contracts with such specialists and entities.

6.1.9. As required, to engage outside experts to obtain independent, unbiased, professional opinion on issues within the Committee competence, including materials and recommendations on agenda issues.

6.1.10. To draw up and file drafted documents regulating the Audit Committee with the Board for approval.

6.1.11. To perform other duties determined by the Board within the competence and as stated herein.

6.2. The Committee shall:

6.2.1. Perform assigned functions consistent with Russian laws, Charter, present Regulations, other Company's bylaws and regulatory documents as well as Board resolutions.

6.2.2. File reasoned recommendations (conclusions) with the Board within the Committee competence.

6.2.3. Inform the Board on Company's operation-related risks within the Committee competence on time.

6.2.4. Comply with confidentiality requirements and keep trade secrets and/or insider information confidential.

6.3. The members shall be entitled:

6.3.1. To obtain required information on Company's and its SACs' operations, to get acquainted with founding, accounting, reporting, regulatory,

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administrative and other documents of the Company and its SACs, including confidential information on issues within the Committee's competence.

6.3.2. To call for a Committee meeting in writing.

6.3.3. To introduce proposals regarding Committee's action plan as well as filing of issues, not included into the annual action plan, for the Committee's review (with resolution draft and explanatory note to be mandatorily provided by initiator), to discuss and vote on Committee agenda issues.

6.3.4. To express own opinion in writing, including disagreements with Committee resolutions, to inform the Committee Chair about it and record it in a Committee protocol.

6.3.5. Within the competence and as stated herein, to perform other functions determined by the Company's Board.

6.4. The Committee members shall:

6.4.1. Serve in the interests of the Company, enjoy the rights and discharge the duties with due diligence and prudently while on service.

6.4.2. Take an active part in Committee meetings.

6.4.3. Inform other Committee members on conflicts of interests with regard to a reviewed issue when such conflicts occur.

6.4.4. Avoid using and transferring to a third party information on Company's operations (including confidential), known to them, that may significantly affect the Company and its reputation when obtained by a third party.

6.4.5. Comply with legal requirements, Company's Charter, Regulations on the Board Convention and Conduct, present Regulations and other bylaws while on service.

6.4.6. Avoid activities that may:

- Lead to a conflict of interests of a Committee member and Company;
- Impact their reputation in such a way that doubts regarding prudent performance and ability to serve the interests of the Company may arise.

## **7. Committee Chair: Election, Rights and Duties**

7.1. The Committee shall be administrated by the Chair elected by the Board among the newly-elected Committee members. A resolution on the Chair shall be adopted by the majority of votes of the attending Board members. The Board shall be entitled to re-elect the Chair by the majority of attending Board members at any time.

7.2. The Committee Chair shall, as best as s/he can, comply with Committee membership requirements, stated in Section 6 herein.

7.3. When the Committee Chair is absent, the Deputy Chair shall perform the duties. The Deputy shall be elected among the Committee members by the majority of votes of the attending members. Such meeting shall be conducted



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within 30 (Thirty) calendar days after the Board affirms the Committee and its Chair.

7.4. The Chair of the Audit Committee shall:

7.4.1. Outline Committee's priorities, prepare Committee's action plan consistent with Board's action plan and assignments, file the plan with the Committee for approval as well as oversight whether the plan and resolutions are executed.

7.4.2. Convene Committee meetings and preside during them.

7.4.3. Determine date, time, location, form of meetings and confirm agendas.

7.4.4. Determine the list of invitees.

7.4.5. Administer i) discussions during Committee meetings, ii) examination of opinions aired by all Committee members and invited persons as well as iii) preparation and signing of Committee protocols.

7.4.6. Maintain regular communication with the Company's executive body, top team, Board, external auditor, Board of Internal Auditors and IA unit, represent the Committee in communication with the above-mentioned entities and officials as well as other entities.

7.4.7. Distribute duties among the Committee members.

7.4.8. Report to the Board on Committee's activities with frequency stated herein.

7.4.9. Carry Committee's official correspondence, sign Committee queries, letters and documents.

7.4.10. Assure the Committee's compliance with Russian laws, Company's Charter, present Regulations and other bylaws.

7.4.11. Perform other functions outlined by Russian laws, Company's Charter, present Regulations and other bylaws.

## **8. Secretary**

8.1. Committee technical support regarding meeting arrangement and adjournal activities (with regard to information, documents, protocols and secretarial activities) shall be performed by the Committee secretary.

8.2. Written nominee proposals may be presented by a Board member and/or the Company's executive body. The secretary shall be elected by the majority of attending Committee members. The secretary, as a rule, is a member of a Company's structural unit, liable for corporate secretary functions or other unit with relevant functions. The secretary may not be a Company's employee; in this case the sole executive body shall conclude a contract with such person. The tenure shall come to an end on the first meeting of the newly-elected Committee. The secretary may be removed by a Committee resolution.

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8.3. The secretary shall not be an Audit Committee member and shall perform its duties as stated herein.

8.4. The secretary shall:

8.4.1. Arrange and conduct Committee meetings.

8.4.2. Collect and classify Committee materials.

8.4.3. Coordinate with a Committee expert pursuant to the Agenda Preparation Rules (Appendix No.3 hereof).

8.4.4. Assure the filing of meeting notices, agendas, materials and ballots, drafts for preview, etc. with Committee members and invited persons on time.

8.4.5. Support, both organizationally and technically, voting during meetings, qualify whether a quorum is duly constituted.

8.4.6. Arrange communication with the Board, other Committees, Company's executive bodies and top team, external auditor, Board of Internal Auditors and other entities.

8.4.7. Draw up Committee's protocols and prepare resolution drafts.

8.4.8. Disseminate queries, information and materials upon Committee's assignments.

8.4.9. Keep records of correspondence filed with the Committee and/or its members (including queries, requests and claims), oversee whether Committee members receive required information.

8.4.10. Assure storage of Committee protocols in original with all appendices, special opinions (if any), ballots and other documents and materials in line with the Company's storage policy.

8.4.11. Oversee the progress in execution of Committee resolutions.

8.4.12. Execute Committee Chair's assignments within Chair's authorities.

8.4.13. Perform other functions as stated herein.

8.5. The secretary shall have a mandate to request and obtain information required for Committee's activities, including Committee members' requests, from the Company's officials.

8.6. The secretary shall be liable for:

- Dissemination of meeting notices and materials among the Committee in due time;

- Quality and authenticity of information contained in Committee protocols;

- Filing protocols with the Board and copies with the Committee members, expert and Company's sole executive body in due time.

## **9. Engagement of Experts**

9.1. The Audit Committee shall be entitled to engage, if required, an expert (experts), who are not the Company's employees, to facilitate Committee members

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in their activities, to obtain an independent, objective, professional opinion on issues under the Committee's competence, including preparation of materials and recommendations on agenda issues.

9.2. Recommended quantity of Committee experts shall not exceed 2 (Two).

9.3. The Committee shall decide to engage an expert (experts) on the first constitutive meeting and record it in the protocol. An expert (experts) shall be elected by the majority of attending Committee members.

9.4. Written nominee proposals may be filed by a Board member and/or the Company's sole executive body.

9.5. Experts may only be individuals consistent with the requirements stated below:

- A degree in economy (finances), law or other science, obtained at Russian state-accredited or foreign generally accepted higher education institutions;

- At least 5 years of experience in internal audit, internal control, risk management or accounting and financial management;

- A profound knowledge of the Company (industry, types of produce, market share, competitive advantages, etc.).

9.6. An expert shall prepare written opinions and agenda resolution drafts, participate in in-presentia Committee meetings in person, be entitled to air his/her opinion on agenda issues, participate in meetings with internal and external auditors as well as Company's executives within the Committee's competence upon Chair's invitation.

A Committee expert shall not be a Committee member and shall perform the functions as stated herein.

9.7. The tenure of a Committee expert shall end when the newly-elected Committee conducts its first meeting. A Committee expert can be removed by a Committee resolution.

## **10. Rules of Procedure.**

10.1. Drafting of the action plan.

10.1.1. The action plan shall be drafted by the Chair pursuant to Committee's goals, objectives and competence as stated in Appendix No.1 hereof.

10.1.2. The action plan shall be drafted in furtherance of the approved Board action plan, Board and Committee resolutions, proposals from the Committee, IA unit and SEB of the Company using typical agenda issues to be put onto the action plan and recommended terms for meeting conduct as stated in Appendix No. 2 hereof.

10.1.3. The action plan shall be adopted by the Committee.

10.1.4. The action plan shall mandatorily consist of:

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- Meeting schedule (time frames for meetings indicated);
- Issues to be reviewed by the Committee;
- Information on speakers and entities, liable for preparing agenda items and relevant materials to be filed for Committee meetings;

- Indication of a meeting form: compresence (in-presentia) or in-absentia.

10.2. Terms and procedure for the convention of regular Committee meetings.

10.2.1. Every first meeting of the newly-elected Committee shall be arranged within 30 (Thirty) calendar days after the newly-elected Board of Directors defines the Committee membership.

10.2.2. Committee meetings shall be arranged in line with the Committee-approved action plan, but at least once in a quarter as well as upon requests from entities, stipulated in clause 10.3.1 hereof.

10.2.3. The Chair shall decide to convene a regular Committee meeting, its date, time, location and agenda as well as invitee list in line with the action plan.

10.2.4. The Chair shall decide to convene an extraordinary Committee meeting, its date, time, location and agenda as well as invitee list basing on proposals from entities stipulated by clause 10.3.1 hereof.

10.2.5. A meeting notice, accompanied by materials consistent with the form of Appendix No.4 hereof, shall be prepared by the secretary and disseminated among participants in line with the Agenda Preparation Rules (Appendix No.3 hereof).

10.2.6. Committee members may be notified on a meeting:

- At member's working place;
- At other place, indicated by a Committee member, including e-mails.

10.2.7. The secretary, guided by the Chair, shall prepare a Committee meeting.

10.2.8. Clause 10.3 hereof shall stipulate specific extraordinary convention procedures.

10.3. Extraordinary Committee meetings.

10.3.1. An extraordinary meeting shall be initiated by the Chair, by any Committee or Board member, the Company's executive body, external and/or internal auditors.

10.3.2. Within 5 (Five) business days since a call for extraordinary meeting the Chair shall decide to convene an extraordinary meeting and define its form, date, time and location or waive the call. A well-grounded waiver shall be filed with the initiator of the call within 2 (Two) business days after Chair's waiver.

10.3.3. The Chair shall waive an extraordinary call, if:

- An (issues), to be added onto the agenda of an extraordinary meeting, is beyond the Committee's competence;

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– An issue from such call has been already put on the agenda of the next meeting, convened by the Chair prior to the receipt of the call or convened in line with the action plan of the Committee;

– Calling procedure, stated herein, was violated.

10.3.4. If the Board of Directors calls for an extraordinary meeting, the Chair shall convene an extraordinary meeting within 5 (Five) business days.

10.4. Meeting procedure

10.4.1. The Chair shall preside over meetings. If the Chair is absent, the meeting shall be headed by the Deputy Chair.

10.4.2. A quorum shall be duly constituted if as many as 50% of the Committee (but at least two members) attend the meeting. If a quorum is not present, a meeting with the same agenda should be repeated within 5 (Five) business days.

10.4.3. Committee meetings may be in-presencia or in-absentia.

10.4.4. A meeting notice shall indicate the form of a meeting.

10.4.5. The Chair shall decide to convene an in-absentia meeting.

10.4.5.1. At an in-absentia meeting Committee members are entitled to propose resolutions or file a written opinion on proposed drafted resolutions with regard to issues, put for in-absentia voting, within 2 (Two) business days prior to ballot deadline indicated in the notice.

10.4.5.2. The Chair shall prepare an in-absentia ballot (Appendix No. 5.2 hereof) bearing filed proposals (fresh wording) and/or comments with regard to proposed drafted resolutions in mind.

10.4.5.3. An in-absentia ballot shall be disseminated among the Committee within 1 (One) business day prior to ballot deadline indicated in the notice.

10.4.5.4. When filling-in a ballot a Committee member should leave only one possible voting alternative uncrossed (FOR, AGAINST, ABSTAIN). A member may abstain from voting with regard to one or several agenda issues. A member shall sign the ballot and put his/her surname and initials on it.

A Committee member shall file such ballot with the secretary on or before the meeting date in original or by e-mail or fax and send original ballot to the address indicated in the notice.

10.4.5.5. Voting results with regard to issues from the agenda of an in-absentee meeting shall be taken from filled-in and signed ballots received by the secretary.

A ballot, received by the secretary, non-compliant with requirements and terms, stated in clause 10.4.5.4 herein, shall not be taken into account at quorum constitution and tally of votes.

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10.4.6. An in-presentia meeting shall be conducted in the form of compresence when Committee members gather to discuss and decide on agenda issues.

10.4.7. A Committee member may participate in an in-presentia meeting using a phone or VC. These means of participation shall be equated to attendance in person.

10.4.8. A quorum shall be constituted by votes from absent members who filed written opinions, prepared as stated herein, with the Company before the start of the meeting.

10.4.9. Voting results with regard to issues from the agenda of an in-presentia meeting shall be determined on the basis of:

- Opinions of attending Committee members;
- Written opinions of absentees, prepared and filed as stated herein.

10.4.10. Absentees shall prepare their written opinions solely and exclusively by filling-in a ballot prepared as stated in Appendix No. 5.1. hereof.

10.4.11. When filling-in a ballot, a Committee member shall leave only one possible voting alternative uncrossed (FOR/AGAINST/ABSTAIN) with regard to each resolution on each agenda issue.

10.4.12. A Committee member shall sign his/her written opinion (ballot) and put his surname and initials on it.

10.4.13. A written opinion (ballot) of a Committee member, non-consistent with clauses 10.4.11 and 10.4.12, shall not be taken into account at quorum constitution and tally of votes with regard to a relevant issue.

10.4.14. A written opinion (ballot) of an absentee, delivered on time, shall be mandatorily presented to the attendees by the secretary.

10.4.15. A written opinion (ballot) of an absentee, delivered beyond the ballot deadline, shall be deemed undelivered and not be taken into account at quorum constitution and tally of votes.

10.4.16. If, in the course of debates over agenda issues, the wording of an agenda item or resolution with regard to an agenda item is amended or revised, written opinions (ballots) of absentees shall be taken into account at quorum constitution and tally of votes as stated in 10.4.17 hereof.

10.4.17. The secretary shall prepare a ballot (Appendix No.5.1), pursuant to amendments/revisions of the wording of an agenda item and/or resolution drafts, to be signed by the Chair and filed a day after with the absentees who presented written opinions for filling-in and signing.

10.4.18. A filled-in and signed ballot of a Committee member shall be presented to the secretary within 3 (Three) business days after the meeting.

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10.4.19. Guided by the tally of votes and written opinions (ballots) of absentees, the secretary shall tally up votes on agenda issues and prepare a meeting protocol as stated herein.

10.4.20. A Committee expert shall attend the meeting. Company's employees and third parties, if invited by the Chair, may also attend the meeting. Invitees shall not be entitled to vote with regard to agenda issues.

#### 10.5. Decision-making

10.5.1. Each member shall have one vote during the voting.

10.5.2. No transfer of a member's voting right to other entities (including other Committee members) shall be allowed.

10.5.3. In case of equality of votes the vote of the Chair or presiding person shall be decisive.

10.5.4. Committee resolutions shall be adopted by the simple majority of votes.

#### 10.6. Committee protocol.

10.6.1. A meeting shall be recorded in a meeting protocol (hereinafter referred to as the protocol), as stated in Appendix No. 6 hereof, to be signed by the Chair and secretary within 5 (Five) business days after the meeting.

A meeting protocol shall contain:

- Meeting form;
- Meeting date, location and time / Ballot deadline;
- List of attendees and their voting behavior (in-presentia or in-absentia) as well as list of invitees;
- Agenda;
- Proposals from the members with regard to agenda items;
- Issues to be voted upon, voting results and voting behavior of each Committee members, special opinions;
- Adopted resolutions.

The Chair and secretary shall be liable for accuracy and correctness of the protocol.

10.6.2. A protocol shall be prepared in 2 original copies, one of which, accompanied by supporting materials and recommendations, within 1 (One) business day after signing, being filed with the Board of Directors by the secretary, another one being kept in the Committee's archive. Copies of the protocol and appendices shall be filed with all Committee members.

10.6.3. The secretary shall file a protocol draft to the expert prior to the signing. The expert shall review the draft within 1 (One) business day.

10.6.4. Within 1 (One) business day after the protocol is signed, the secretary shall file a copy, accompanied by appendices and special opinions from

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Committee members (if any), with the Company's SEB, Committee members and expert.

10.6.5. The protocol, all appendices, special opinions (if any), ballots shall be kept by the secretary as stated in clause 8.4.10 hereof.

## **11. Interaction with Company's Bodies and Other Entities**

11.1. Interaction with the Board of Directors:

11.1.1. Execution of Board assignments to prepare reports on issues consistent with its competence. The Board shall set reasonable deadlines for the Committee in its assignment.

11.1.2. Filing of recommendations with the Board on issues of Committee competence, including triggering of unscheduled inspections (internal audits). The Board shall decide whether it is advisable to review filed Committee recommendations.

11.1.3. Immediate informing of the Board on material weaknesses at any reporting stage.

11.1.4. Filing of a progress report with the Board at least annually, no later than 15 (Fifteen) calendar days prior to the Annual General Meeting of Stockholders.

11.1.5. Filing of a progress report upon a Board's request at any time during the year. The Board shall decide about deadlines for report preparation and filing.

11.1.6. Immediate informing of the Board on illegal and unfair operations as well as violations (risks) that may result in a considerable loss for the Company.

11.1.7. Or in other cases consistent with its competence.

11.2. Interaction with executive bodies and top team of the Company:

11.2.1. Filing of information and materials required by Committee members to decide upon issues of its competence (as stated in the Agenda Preparation Rules – Appendix No.3 hereof).

11.2.2. Request to create working groups, consisting of Company's workers and engaged experts, to review issues falling under its competence.

11.2.3. Counselling on issues under review between or before meetings.

11.2.4. Filing of written queries for additional information on issues under review to be signed by the Chair and filed with the Company's SEB.

11.3. Interaction with the expert:

11.3.1. Assurance of expert attendance at meetings and his/her counseling on agenda issues.

11.3.2. Approval of a meeting agenda, provision of an expert opinion on agenda items or approval of a meeting protocol (Appendix No.6).

11.4. Interact with IA unit:



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11.4.1. Examination of the IA action plan and budget as well as IA policy or its revisions.

11.4.2. Initiation of inspections and other tasks (within IA competence).

11.4.3. Enforcement of the right of the IA head to participate in Committee meetings on issues regarding internal audit and control, risk management and corporate governance as well as provision of a direct access to the Committee.

11.4.4. Serial examination of IA progress reports with regard to:

- Execution of the IA action plan;
- Primary outcomes of follow-up control activities;
- Execution status of activities eliminating exposed violations;
- IA quality evaluation;
- Key changes in IA unit;
- Expenses incurred by IA unit;
- Facts of unwarranted restrictions of IA activities.

11.4.5. Serial examination of top team's reports with regard to execution of remedial action plans to eliminate weaknesses exposed by the Company's Board of Internal Auditors, IA unit, outside watchdogs.

11.4.6. Annual examination of IA unit's information on IC&RM system efficiency.

11.4.7. Assurance of IA unit participation in in-presentia meetings of the Committee.

11.4.8. Conduct of regular (at least once a quarter, including issues stated in clauses 11.4.1 - 11.4.3 hereof) individual meetings with the head of IA unit/ mandated delegate from an external entity conducting internal audit with regard to IA-related issues. These meetings may be of proprietary character and be initiated both by the Chair or head of IA unit/ mandated delegate from an external entity conducting internal audit.

11.4.9. Activities to lift unwarranted restrictions, including to the extent hindering IA activities.

11.4.10. Assurance of efficient cooperation between internal and external auditors of the Company.

11.5. Interaction with the external auditor:

11.5.1. Preview and approval of permissible types and scope of non-audit services, rendered by the Company's auditor, and remuneration paid for such services.

11.5.2. Meeting with the auditor and executives of the Company to:

- Discuss issues related to financial statement preparation, oversight whether information is fully and clearly disclosed by financial statements;

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– Discuss significant aspects of accounting policy, methods used for accounting major or unusual transactions in cases when multiple approaches may be applied.

11.5.3. Receipt and review of an official written report from the Company's auditor after every audit stage.

11.5.4. Shaping of an opinion whether the Company's auditor is independent or preparation of recommendations to the Board of Directors on steps to assure independence of the auditor.

11.5.5. Examination of an auditor report certifying reliability of annual RAS and IFRS statements.

11.5.6. Evaluation of an auditor report with regard to annual RAS financial statements comprising AGSM materials.

11.6. Interact with the Company's Board of Internal Auditors:

11.6.1. Examination of information filed by the Board of Internal Auditors with the Board of Directors with regard to Company's financial performance.

11.6.2. Examination of information filed by the Board of Internal Auditors with the Board of Directors with regard to all facts when Company's employees, including executives, fail to meet the requirements of the Board of Internal Auditors regarding filing of required documents, or waive to comment on BoIA's points of concern.

11.6.3. Evaluation of how Company's executives implement recommendations of the Company's Board of Internal Auditors.

11.6.4. Examination of calls from the Board of Internal Auditors, filed with the Board of Directors, for an extraordinary General Meeting of Stockholders to recommend the Board whether to satisfy the call or not.

## **12. Support of Committee operations**

12.1. The Committee budget shall be formed to provide for its operations. The Committee budget, a constituent of the Company's budget, shall provide for appropriate funding of operations, including expenses on experts and compensations of expenses incurred by engaged experts to participate in meetings.

12.2. The Chair and secretary shall prepare a draft budget with a detailed expense breakdown to be discussed with Committee members during first post-election meeting. Adopted drafts (revisions) shall be filed with the Board for approval.

12.3. Budget outturn shall be discussed by Committee and filed to the Board as a part of an annual progress report.

12.4. Members, Chair and Deputy of the Committee shall earn remunerations and compensations for the Committee's activities in compliance

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with the Board-approved Regulations on Remunerations and Compensations paid to the Audit Committee.

If the Committee Chair and/or members also serve on the Company's Board of Directors, remunerations shall be paid to them in a manner set by the Company's GSM-approved bylaw regulating remunerations and compensations paid to the Board.

12.5. The Company shall provide premises with unhindered access for the Committee members and invitees as well as other kinds of support for Committee meetings.

### **13. Confidentiality**

13.1. During the tenure as well as 3 (Three) consecutive years after it persons, who are (were) Committee members, secretary and engaged persons shall comply with the confidentiality policy with regard to obtained trade secrets and insider information. The list of information referred to as trade secret and insider information shall be set by the Company's authorized body.

13.2. Committee members, secretary and engaged persons shall be entitled to obtain information, stated by clause 13.1 hereof, provided that they concluded a confidentiality agreement (Appendix No.7 hereof).

13.3. All Committee documents shall be kept at the Company's residence in consonance with the Company's applicable record maintenance procedure. The secretary shall be liable for the record maintenance.

### **14. Reporting and Evaluation**

14.1. Every year the Chair shall file a progress report with the Board (Appendix No.10 hereof).

14.2. The Chair shall be entitled to file separate investigation reports on issues under the Committee's competence with the Board.

14.3. The Board shall be entitled to request a progress report from the Committee at any time. The deadlines for report preparation and filing shall be set by the Board.

14.4. The Board shall assure the evaluation of Committee's performance focusing on the determination of the Committee's efficiency, Committee's compliance with Company's needs and exposure of spheres to be improved.

14.5. The Committee and members shall be evaluated on a regular basis, at least annually.

14.6. An external entity (consulting agency) shall be engaged occasionally, at least once in 3 years, to promote independent evaluation of Committee's performance.

14.7. Special attention shall be paid to the following factors during external individual evaluation of Committee members:

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- Competence in any issues under the Committee’s sphere of responsibility;
- Knowledge of industry and specificity of Company’s operations;
- Alacrity to spend time to prepare for and attend Committee meetings;
- Level of preparation to Committee meetings;
- Level of participation in Committee’s debates;
- Alacrity to pose sharp questions;
- Constructiveness and commitment to solutions.

14.8. Independent evaluation review shall be filed with the Board of Directors for discussion.

14.9. Individual performance reviews shall be forwarded to the Chair and relevant member and shall be treated as confidential.

### **15. Final Provisions**

15.1. The present Regulations and all appendices and revisions shall be approved by the Board.

15.2. Issues that were not covered by the Regulations shall be governed by the Company’s Charter, bylaws regulating convention and conduct of Board meetings and other enactments, current Russian laws and Board resolutions.

15.3. If Russian laws or regulatory documents are revised and amended, with statements herein contradicting them, these statements shall cease to be in force. Committee members shall adhere to Russian laws and other regulations till alterations are introduced.

15.4. Present Regulations, Committee membership and resolutions shall be posted on the official web-site. The secretary shall be liable for the arrangement of disclosure of information stipulated by the clause.

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Appendix No.1

**Standard Pro-forma of the Audit Committee action plan**

APPROVED BY  
The Board of Directors Audit Committee of  
IDGC of Urals (OAO)  
Dated as of \_\_.\_\_.20\_\_ (protocol No. \_\_)

**Action Plan of the Board of Directors Audit Committee of IDGC of Urals (OAO)  
for 20\_\_ - 20\_\_ corporate year**

Scheduled meeting date	Meeting form	Agenda items	Speaker	A structural unit liable for the item under review
	In-presentia (compresence)	1.		
	In-absentia	2.		
		3.		
		4.		
		1.		
		2.		
		3.		
		4.		

**The list of issues to be included into the action plan of the Audit Committee of IDGC of Urals (OAO) for 20\_\_ - 20\_\_ corporate year**

No.	Agenda item	Recommended period for conducting a Committee meeting
<b>Administrative issues</b>		
1	Election of the Committee Deputy Chair	Within 30 days since the Committee membership and Chair are approved by the Board of Directors
2	Election of the Committee Secretary	
3	Engagement of an expert	
4	Approval of the Committee action plan for 20__-20__ corporate year	
5	Preview of the Committee budget for 2H 20__ and 1H 20__	
6	Progress report of the Audit Committee	Within 15 calendar days prior to the date of the Annual General Meeting of Stockholders
7	Preview of the Amended and Restated Regulations on the Audit Committee of the Company	As and when required
<b>With regard to Company's financial statements</b>		
8	Preview of _Q/_M 20__ RAS interim financial statements	Within 45 calendar days after the end of the reported period (1Q, 6M, 9M)
9	Preview of FY____ RAS financial statements and FY____ IFRS condensed financial statements of the Company	Till Apr. 30 of the year next to the reported one
10	Review of the written information from the external auditor with regard to points of concern of the Company's ____ 20__ RAS interim financial statements and information of the Company's executives with regard to post-audit adjustments	Pursuant to the terms of the auditor contract, but within 15 days since the deadline for written information with regard to audit of Company's interim statements (6M/9M)
11	Review of the written information from the external auditor with regard to points of concern of the Company's FY 20__ RAS and FY 20__ condensed IFRS financial statements and information of the Company's executives with regard to post-audit adjustments	Pursuant to the terms of the auditor contract, but till Apr. 30 of the year next to the reported one

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12	Review of significant aspects of the Company's accounting policy for the reported period and its modifications for the next year	Till Dec. 25 of the year preceding the reported one
13	Review of executive's information on non-standard operations and events as well as bad debt evaluative liability reserves	Till Dec. 25 of the reported year
<b>With regard to oversight of reliability and efficiency of IC&amp;RM systems and CG practices as well as supervision of efficiency of the system combating unfair practices of the Company's employees and third parties</b>		
14	Preview of Company's bylaws regulating strategy, arrangement and evolution of IC system	As and when required
15	Preview of the Amended and Restated Internal Control Policy of the Company	As and when required
16	Review of information prepared by the Company's management with regard to: i) completion of remedial action plan to eliminate weaknesses exposed by the Board of Internal Auditors, internal auditor or external watchdogs; ii) measures taken to respond to reports on potential unfair practices of employees and post-investigation results	Within 45 calendar days after the end of the reported period (as of 6M, 12M)
17	Review of executives' information on the execution of the Internal Control Policy of the Company	At least once a year (till Sept. 30)
18	Preview of a CEO's report on IC system arrangement and performance	Till Mar. 30 of the year after the reported one
19	Review and approval of "Internal Control System" Section of the annual report	Within 120 days since the end of the reported period
20	Preview of an IA unit's report with regard to efficiency of IC&RM systems and CG practices as of 20____	Till Mar. 30 of the year after the reported one

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21	Preview of a outside independent appraiser's report with regard to efficiency of IC&RM systems and CG practices as of 20__	If a relevant contract on outside independent evaluation of efficiency of IC&RM systems and CG practices is concluded by the Company
<b>With regard to oversight of external audit and procedure of auditor selection</b>		
22	Preview of conditions of procurements related to outside auditor selection and right to conduct the audit of FY 20__ financial statements of the Company	As and when required, Until Jan. 30
23	Preview of a external auditor nominee seeking to conduct the audit of FY 20__ financial statements of the Company	Till Apr. 30
24	Preview of auditor's fee for the audit of FY 20__ financial statements of the Company	Till Apr. 30
25	Efficiency evaluation of FY 20__ reporting external audit	Till Apr. 30 of the year after the reported one
26	Preview of the policy with regard to non-audit services rendered by an outside auditor	As and when required
<b>With regard to assurance of IA independence and objectivity</b>		
27	Preview of the Amended and Restated Internal Audit Policy of the Company	As and when required
28	Preview of the Amended and Restated Regulations on the IA unit of the Company	As and when required
29	Review and approval of IA unit membership and structure	As and when required
30	Preview of IA unit's budget	Every year, till Dec. 25 of the year preceding the planned one
31	Preview of a nominee for the position of IA unit director and his/her remuneration	As and when required
32	Preview of an IA unit's action plan for 20__	Till Nov. 30 of the year preceding the planned one
33	Review of an IA unit's progress report and IA performance report as of __Q/M 20__	Within 45 calendar days since the end of the reported period (1Q, 6M, 9M)
34	Preview of an IA unit's progress report and IA performance report as of 20__	Till Feb.28 of the year after the reported one



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35	Review of self-evaluation of IA operations quality and action plan related to IA improvement	Till Feb.28 of the year after the reported one
36	Review of specifications, significant conditions of a contract on independent evaluation of IA performance quality	As and when required
37	Review of a independent entity nominee to conduct independent evaluation of IA performance quality	As and when required, after competitive procurement procedures
38	Review of independent evaluation of IA performance quality	If a relevant control on independent evaluation of IA performance quality is concluded by the Company

*Please, note: The list of issues to be included into the Committee's action plan is not exhaustive and is formed in line with clause 10.1.2 of the Committee Regulations.*

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Appendix No. 3

## **The Rules for Preparation of Agenda Issues to be reviewed by the Board Audit Committee of IDGC of Urals (OAO) or The Agenda Preparation Rules**

### **1. General Provisions**

1.1. The Agenda Preparation Rules (hereinafter referred to as the Rules) are prepared pursuant to the Regulations on the Board Audit Committee of IDGC of Urals (OAO) (hereinafter referred to as the Company).

1.2. The Rules shall stipulate procedures for preparation of issues to be reviewed by the Committee, including procedure and terms for preparation and filing of an action plan for election period, meeting agendas, materials and expert reports with the Committee.

### **2. The Procedure for Meeting Agenda Preparation**

2.1. The secretary of the Committee, on the back of the adopted action plan, shall build up the agenda of a scheduled meeting of the Committee (hereinafter referred to as the agenda) and indicate proposed meeting date and form as well as executives, liable for material generation and production (at least Deputy General Director or director with a direct reporting line to the Company's CEO).

2.2. Building up the agenda, the secretary shall bear in mind the list of issues from the Committee action plan, previous assignments of the Committee and Board of Directors under its competence.

2.3. A draft of the agenda shall be communicated to the head of IA unit before it is signed by the Committee Chair.

2.4. The agenda may be extended upon initiative of the Committee Chair, call of any Committee, Board of Directors, Executive Body, Board of Internal Auditors, auditor, head of IA unit, written call of the Company's CEO.

2.5. A proposal to include an additional issue (issues) into the agenda shall be filed by the initiator with the Committee Chair (a letter addressed to the Chair, with a copy filed with the secretary), accompanied by a resolution draft, explanatory note describing why Committee's review of an issue is required, and other supporting materials, within 8 (Eight) business days prior to the meeting and minding terms stated in clause 4.1 hereof.

2.6. The secretary shall oversee the deadlines for agenda stuffing proposals (including explanatory note and materials).

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2.7. Additional issues, filed with the secretary beyond the terms from clause 2.5 hereof, shall be included into the agenda of the next Board of Directors meeting or shall be, if decided by the Chair in terms of importance and urgency, included into the agenda of an extraordinary meeting to be conducted within the terms set by the Chair consistent with clause 4.1 hereof.

2.8. The secretary shall file a drafted agenda with the expert within 12 (Twelve) business days prior to the meeting to approve the list of issues. The expert shall examine the draft within 1 (One) business day and prepare an agenda opinion.

2.9. The agenda opinion of the expert shall be filed with the secretary for the agenda to be finally approved by the Committee Chair.

2.10. The secretary shall inform the Chair of all facts when agenda proposals (including explanatory note and supporting material) missed the proposal deadlines to help the Chair approve the agenda.

2.11. A meeting notice, including the agenda, shall be filed by the secretary with the Committee and invitees within 10 (Ten) business days prior to the meeting. A notice on a meeting with additional issues included into the agenda shall be filed within 7 (Seven) business days prior to the meeting.

2.12. Supporting materials, including the notice, agenda, expert opinion, shall be filed by the secretary with the Committee within 3 (Three) business days prior to the meeting.

### **3. Agenda Materials Preparation Procedure**

3.1. Agenda materials shall mandatorily include:

- Resolution drafts with regard to agenda issues;
- Explanatory notes to materials and resolution drafts with regard to agenda issues;
- Supporting materials stated in resolution drafts and explanatory notes;
- Expert opinions with regard to agenda issues;
- Other information with regard to agenda issues.

3.2. Supporting materials, explanatory notes and resolution drafts (signed by the Deputy General Director or director with direct reporting line to the General Director) shall be prepared by the structural unit, liable for issues from the action plan as well as initiators of additional issues stated in clause 2.4 hereof.

3.3. If a meeting examines issues, subject to competences of several structural units, the assigned unit shall assure preapproval of materials consistent with document flow requirements of the Company.

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3.4. Package of documents, consistent with requirements hereof, shall be filed by the secretary with the expert within 8 (Eight) business days prior to the meeting.

#### **4. Expert Opinion Preparation Procedure**

4.1. The expert shall examine agenda materials during 4 (Four) business days and shall file an expert opinion with regard to agenda issues (hereinafter referred to as the expert opinion) with the secretary within 3 (Three) business days prior to the meeting (Appendix No.8 hereof).

4.2. The expert shall examine the materials to decide whether information is reliable, accurate and sufficient for decision-taking. The expert, assisted by the secretary, shall request required additional materials and explanations with regard to agenda issues. Assigned executives shall assure immediate filing of materials with the expert.

4.3. The expert shall prepare an expert opinion after s/he scrutinized the materials.

4.4. The expert opinion shall contain the title of agenda issues, conclusion part with key conclusions of the expert after examination, proofs as well as proposed resolution drafts.

4.5. If agenda materials were presented to the expert beyond the deadline, s/he shall be entitled to conclude to defer the issue to the next meeting providing also postponement factors.

4.6. The secretary shall prepare consolidated resolution drafts with regard to agenda issues in line with expert's resolution drafts.

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Appendix to the Agenda  
Preparation Rules

**A sample of an explanatory note with regard to “Review of \_\_\_M 20\_\_\_ RAS interim financial statements of IDGC of Urals (OAO)”**

Pursuant to clause \_\_ article \_\_ of the Regulations on the Board of Directors Audit Committee at IDGC of Urals (OAO) (hereinafter referred to as the Committee), approved by the Board of Directors of IDGC of Urals (OAO) (hereinafter referred to as the Company) on \_\_.\_\_.20\_\_ (protocol No.\_\_\_\_), the Committee competence shall include review and analysis of RAS interim financial statements in order to determine whether statements are objective, performance figures are accurate and Company-related information is complete.

Analysis of \_\_\_M 20\_\_\_ RAS financial statements of the Company exposed the following trends of Company’s position:

1. Total assets and liabilities of the Company have gained / were reduced RUB \_\_\_ mn or \_\_\_% and as of \_\_.\_\_.20\_\_ totaled RUB \_\_\_ mn.

2. Key factors of asset changes are:

- Growth of (line from statements) + RUB \_\_\_ mn or \_\_\_% (\_\_\_% of total asset growth);
- Reduction of (line from statements) - RUB \_\_\_ mn or \_\_\_% (\_\_\_% of total asset growth)...

3. Key factors of capital and reserve changes are:

- Growth of (line from statements) + RUB \_\_\_ mn or \_\_\_% (\_\_\_% of total capital and reserve changes);
- Reduction of (line from statements) - RUB \_\_\_ mn or \_\_\_% (\_\_\_% of capital and reserve changes)...

4. \_\_\_M 20\_\_\_ revenues have grown RUB \_\_\_ mn or \_\_\_% YoY and totaled RUB \_\_\_ mn.

Revenues have changed due to:

- Increase/decrease of transmission revenues RUB \_\_\_ mn or \_\_\_%;
- Increase/decrease of energy sales RUB \_\_\_ mn or \_\_\_% caused by\_\_\_\_\_.

5. \_\_\_M 20\_\_\_ expenses grew RUB \_\_\_ mn or \_\_\_% YoY. \_\_\_M 20\_\_\_ expenses (commercial and administrative) increased/decreased RUB \_\_\_mn or \_\_\_% and do not exceed revenues growth (exceed revenues growth \_\_\_%).

6. \_\_\_M 20\_\_\_ profit from sales totaled RUB \_\_\_ mn or \_\_\_% YoY (RUB \_\_\_ mn);

7. Other profit as of \_\_\_M 20\_\_\_ totaled RUB \_\_\_ mn or \_\_\_% (+/-) affected by\_\_\_\_\_.

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8. Other expenses as of \_\_\_M 20\_\_\_ totaled RUB \_\_\_ mn or \_\_\_% (+/-) affected by \_\_\_\_\_.

Net profit/loss as of \_\_\_M 20\_\_\_ totaled RUB \_\_\_\_\_ mn (previous NI totaled RUB \_\_\_ mn).

**Mandatory appendices to the explanatory note:**

- 1) Balance sheet as of the reported period.
- 2) Analysis of receivables at the beginning and end of the reported period (including debt reserve, overdue debt, largest debtors and breakdown of their debt).
- 3) Breakdown of other revenues and expenses.
- 4) Explanations of significant changes in the statements, results, unusual/sub-standard changes in indicators/ tendencies.

## Form of a notice on an Audit Committee meeting

### AN AUDIT COMMITTEE MEETING NOTICE of IDGC of Urals (OAO)

Re: the Board of Directors Audit Committee of  
IDGC of Urals (OAO)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### **DEAR COMMITTEE MEMBERS!**

I hereby inform you of the Committee meeting to be conducted on “\_\_\_\_”  
\_\_\_\_\_ 201\_\_ with the following agenda

<i>Issue No.</i>	<i>Title</i>	<i>Speaker</i>
<b>1</b>		
<b>2</b>		
.....		
<b>i</b>		

A Committee meeting shall be \_\_\_\_\_.

*In-presentia/in-absentia*

Location and time of the meeting/ Ballot Deadline

\_\_\_\_\_.

Appendices: 1. The meeting agenda, \_\_\_\_\_ pages;

2. Agenda materials, \_\_\_\_\_ pages:

3. A ballot, \_\_\_\_\_ pages. (*for in-absentia meetings*).

The Chair of the Committee

(\_\_\_\_\_)

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Appendix No. 5.1

**Form of a ballot for voting with regard to agenda issues of the in-presentia Board Audit Committee meeting**

**The Board of Directors  
Audit Committee of IDGC of Urals (OAO)**

**A BALLOT**

For voting with regard to agenda issues of an in-presentia Board Audit Committee meeting on  
" \_\_\_\_ " \_\_\_\_\_ 201\_\_

**Issue:**

1. \_\_\_\_\_

**Resolution:**

1. \_\_\_\_\_

<b>FOR</b>
------------

<b>AGAINST</b>
----------------

<b>ABSTAIN</b>
----------------

*(leave your variant uncrossed)*

**Issue:**

2. \_\_\_\_\_

**Resolution:**

2. \_\_\_\_\_

<b>FOR</b>
------------

<b>AGAINST</b>
----------------

<b>ABSTAIN</b>
----------------

*(leave your variant uncrossed)*

**Issue i:**

i. \_\_\_\_\_

**Resolution:**

i. \_\_\_\_\_

<b>FOR</b>
------------

<b>AGAINST</b>
----------------

<b>ABSTAIN</b>
----------------



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*(leave your variant uncrossed)*

Completed and signed ballot shall be filed via fax \_\_\_\_\_, or e-mail \_\_\_\_\_, or in original with the secretary of the Committee till \_\_\_\_\_.  
/date, time/

Late ballots shall not be used for the tally of votes and voting results.

Please, send the original to: \_\_\_\_\_

**The member of the Audit Committee  
Of Board of Directors of IDGC of Urals (OAO)** \_\_\_\_\_/\_\_\_\_\_  
(signature) (name)

**The Chair of the Audit Committee** \_\_\_\_\_/\_\_\_\_\_  
(signature) (name)

**VOID IF NOT SIGNED**

**Form of a ballot for voting with regard to agenda issues of the in-absentia Board Audit Committee meeting**

**The Board of Directors  
Audit Committee of IDGC of Urals (OAO)**

**A BALLOT**

For voting with regard to agenda issues of an in-absentia Board Audit Committee meeting on  
" \_\_\_\_ " \_\_\_\_\_ 201\_\_

**Issue:**

1. \_\_\_\_\_

**Resolution:**

1. \_\_\_\_\_

<b>FOR</b>
------------

<b>AGAINST</b>
----------------

<b>ABSTAIN</b>
----------------

*(leave your variant uncrossed)*

**Issue:**

2. \_\_\_\_\_

**Resolution:**

2. \_\_\_\_\_

<b>FOR</b>
------------

<b>AGAINST</b>
----------------

<b>ABSTAIN</b>
----------------

*(leave your variant uncrossed)*

**Issue i:**

i. \_\_\_\_\_

**Resolution:**

i. \_\_\_\_\_

<b>FOR</b>
------------

<b>AGAINST</b>
----------------

<b>ABSTAIN</b>
----------------

*(leave your variant uncrossed)*

Completed and signed ballot shall be filed via fax \_\_\_\_\_, or e-mail \_\_\_\_\_, or in original with the secretary of the Committee till \_\_\_\_\_.

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*/date, time/*

**Late ballots shall not be used for the tally of votes and voting results.**

**Please, send the original to: \_\_\_\_\_**

**The member of the Audit Committee  
Of Board of Directors of IDGC of Urals (OAO)**

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
(signature) (name)

**VOID IF NOT SIGNED**

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Appendix No.6

**Form of a Committee protocol**

**The Board Audit Committee of IDGC of Urals (OAO)**

**PROTOCOL  
MEETING OF THE AUDIT COMMITTEE**

*IN-PRESENTIA /IN-ABSENTIA*

(City of) \_\_\_\_\_ “ \_\_\_\_ ” \_\_\_\_\_ 201\_\_\_\_

Meeting form:

\_\_\_\_\_  
*In-presentia /in-absentia*

Meeting date, location, time / Ballot deadline:

\_\_\_\_\_

Attending members / Participants of an in-presentia/in-absentia meeting:

\_\_\_\_\_;  
\_\_\_\_\_;  
\_\_\_\_\_;  
\_\_\_\_\_.

Invitees (for in-presentia meetings):

\_\_\_\_\_;  
\_\_\_\_\_;  
\_\_\_\_\_.

A quorum is duly constituted.

Agenda:

1. \_\_\_\_\_;
2. \_\_\_\_\_;

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...\_\_\_\_\_;

i. \_\_\_\_\_.

Issue 1: \_\_\_\_\_.

RESOLUTION:

1.1. \_\_\_\_\_

Voting results: \_\_\_\_\_.

Issue 2: \_\_\_\_\_.

RESOLUTION:

2.1 \_\_\_\_\_

Voting results: \_\_\_\_\_.

Issue i: \_\_\_\_\_.

RESOLUTION:

i.1 \_\_\_\_\_

Voting results: \_\_\_\_\_.

There are no special opinions/ Special opinions of \_\_\_\_\_  
are in Appendices. *(Name of a Committee member)*

Ballots are in Appendices.

The Chair \_\_\_\_\_ (\_\_\_\_\_)

The Secretary \_\_\_\_\_ (\_\_\_\_\_)

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Appendix No. 7

**Form of a confidentiality agreement of  
the Board Audit Committee  
of IDGC of Urals (OAO)**

**CONFIDENTIALITY AGREEMENT**

(City of) \_\_\_\_\_ “ \_\_\_\_\_ ” \_\_\_\_\_ 201\_\_.

Open Joint-Stock Company “Interregional Distributive Grid Company of Urals” (hereinafter referred to as IDGC of Urals (OAO)), hereby legally represented by \_\_\_\_\_, acting under \_\_\_\_\_, on the one hand, and \_\_\_\_\_, elected to the Audit Committee of IDGC of Urals (OAO) by the Board of Directors on “ \_\_\_\_\_ ” \_\_\_\_\_ 201\_\_\_. (Protocol No. \_\_\_\_\_), on the other hand, hereinafter referred to as the Recipient, jointly referred to as the Parties, have concluded the following agreement.

To assist the Board of Directors in its activities, the Audit Committee shall be established as an advisory body guided by the Regulations on the Board of Directors Audit Committee at IDGC of Urals (OAO).

Due to the rights and duties the Recipient shall gain access to confidential information, transferred to the Recipient as trade secret. Hereby the Parties shall agree upon conditions stating limitations in use and disclosure of such information.

***Confidentiality and Limitations in Use***

1. For the benefit of the agreement the notion of confidential information in whole and in part shall be interpreted as all or any information of any kind, be it oral, written or electronic, concerning IDGC of Urals (OAO) (referred to as the Informer) and its operations, of actual or prospective commercial value, by virtue of its non-public nature, and transferred from the Informer to the Recipient as stated herein, including all archives or copies or extracts stored by data storage device of any kind.

The Recipient shall keep confidential information with the same care s/he uses to keep own confidential information and such confidential information shall not be used or reproduced or made reference to by the Recipient for any purposes. Confidential information shall not be disclosed to any third party – either individual or legal entity.

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2. The Recipient shall not be entitled to provide other persons with confidential information who use or may use it for the purposes that have led or may lead to disclosure or any other illegal use or use prohibited by the legislation and present Regulations, including the use of such information for personal or third parties' gain whether third party is affiliated or not.

The Recipient shall notify the Committee on all planned and/or implemented transactions with securities issued by IDGC of Urals (OAO) and its SACs.

3. The Recipient shall be liable under the Russian legislation for actions performed by his/her affiliates, including but not limited to a spouse, parents, children, siblings and half-siblings, adopters and adoptees or other persons acknowledged affiliated by laws, with regard to confidential information submitted by the Recipient, that have led or may lead to its disclosure or other illegal use, including the use of such information for personal or third parties' gain or that have resulted in losses for IDGC of Urals (OAO).

4. The present agreement shall not be viewed as a document providing the Recipient with any licensing rights or any other rights with regard to confidential information and its further use.

#### ***Information Hand Back***

5. With regard to requirements set forth by the Informer or at the exclusive discretion of the Informer, all and any confidential information of any kind, obtained by the Recipient from the Informer or for the Informer, shall be returned or, if it seems to be impossible, destroyed within 7 (Seven) days since the receipt of such request, no copies of such information or data regarding such information or extracts (of any kind) be kept by the Recipient. The Recipient shall not use or reproduce such information in whole or in parts for any purposes.

#### ***Agreement Duration and Termination***

6. The agreement shall come into force since the signing and be in force while a person serves on the Audit Committee or as the Committee secretary and engaged third parties as well as for 3 years after the expiration of the authorities.

#### ***Governing legislation***

7. The present agreement shall be governed by Russian laws.

Any claims or controversies, arising out of or in relation to the agreement, or with regard to the present agreement or legal relationships established by the present agreement, shall be brought to the trial at the location of IDGC of Urals (OAO).

#### ***Other provisions***

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8. Since the signing date the present agreement shall be an entire agreement of the Parties with regard to the subject-matter and after its execution it shall replace or supersede any previous agreements, documents, protocols and contacts, both in an oral or written form, between the Parties with regard to the subject-matter of the present agreement.

Any alterations and/or supplements to the present agreement shall be in effect only if they are prepared in a written form and signed by the Parties.

The present agreement is made in two copies of equal legal force, one for each party.

**Legal address and details of the Parties:**

The Informer

\_\_\_\_ " \_\_\_\_\_ "

\_\_\_\_\_

" \_\_\_\_\_ "

\_\_\_\_\_ ( \_\_\_\_\_ )

The Recipient

A member of the Board Audit Committee \_\_\_\_ " \_\_\_\_\_ "

\_\_\_\_\_ ( \_\_\_\_\_ )



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Appendix No. 8

**Form of an expert opinion with regard to agenda issues of the Audit Committee meetings at IDGC of Urals (OAO)**

**EXPERT OPINION**

**With regard to agenda issues of the Audit Committee meetings at IDGC of Urals (OAO) scheduled for “ \_\_\_ ” \_\_\_\_\_ 20\_\_**

Re: Members of the Board Audit Committee of IDGC of Urals (OAO)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

I recommend “FOR” voting option with regard to the following resolutions concerning agenda issues of a Committee meeting scheduled for “ \_\_\_ ” \_\_\_\_\_ 20\_\_:

**Issue No. 1:** (title of the issue consistent with the agenda).

**INFORMATION:**

Key conclusions of the expert after examination of materials, supported by proofs.

**RESOLUTION DRAFT:**

**Issue No. 2:**

**INFORMATION:**

**RESOLUTION DRAFT:**

**Issue No. i:**

**INFORMATION:**

**RESOLUTION DRAFT:**

Expert of the Board Audit Committee \_\_\_\_\_ (Name)  
*(signature)*

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Appendix No. 9

## Sample of a conclusion with regard to efficiency and quality of external audit

### Conclusion of the Board Audit Committee with regard to efficiency and quality of external audit

Pursuant to clauses 294.2 and 294.3 of the Corporate Governance Code, approved by the Board of Directors of the Bank of Russia on 21.03.2014, the Board of Directors Audit Committee of IDGC of Urals (OAO) (hereinafter referred to as the Company) has evaluated efficiency of external audit of 20\_\_ RAS financial statements and of the auditor report prepared after the audit.

After open competitive dialogues without preliminary qualification selection<sup>1</sup> for the right to conclude a contract on \_\_\_\_,<sup>2</sup> the winner is “\_\_\_\_”<sup>3</sup> (Protocol of the Procurement Commission meeting dated as of \_\_.\_\_.20\_\_ No. \_\_\_\_).

In line with resolutions of the Annual General Meeting of Stockholders (Protocol dated as of \_\_/\_\_/20\_\_ No. \_\_\_\_), Board of Directors (Protocol dated as of \_\_/\_\_/20\_\_ No. \_\_\_\_), the Company has concluded a contract dated as of \_\_/\_\_/20\_\_ No. \_\_\_\_ with “\_\_\_\_”<sup>4</sup> (hereinafter referred to as the External Auditor).

The legal address of the External Auditor: building No., street, city, zip code, Russia.

“\_\_\_\_”<sup>5</sup> is a member of an auditor self-regulated organization \_\_\_\_,<sup>6</sup> included into the uniform state register of auditor self-regulated organizations \_\_.\_\_.20\_\_, No. \_\_\_\_ and located at: \_\_\_\_\_ (membership card No. \_\_\_\_).

Independency and objectivity of the external auditor were confirmed by the following documents, filed by “\_\_\_\_”<sup>7</sup>:

– “\_\_\_\_” has implemented standards, whereby this firm aspires to

<sup>1</sup> Type in the form of procurement.

<sup>2</sup> Type in the title of procurement.

<sup>3</sup> Type in the name of a contractor.

<sup>4</sup> Type in the name of the winner.

<sup>5</sup> Type in the name of the winner.

<sup>6</sup> Type in the name of SRO

<sup>7</sup> Type in the name of the winner.

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be an independent auditor and maintain such reputation;

– In line with bylaws on ethics and independence of “\_\_\_\_\_”, every year all partners and employees of “\_\_\_\_\_” confirm their compliance with the bylaws, including the fact that they have no prohibited financial investments in their investment portfolios.

Besides, it should be noted that independence of the external auditor is proven by the fact that the history of “\_\_\_\_\_”’s external audit of the Company’s statements is not sustained. “\_\_\_\_\_” audited 20\_\_ financial statements of the Company. “\_\_\_\_\_” provided no other services to the Company in 20\_\_.

The external auditor has prepared and presented the following documents:

– Written information (report) prepared for the Company’s executives after interim audit of RAS financial statements for \_\_\_M ended \_\_.\_\_.20\_\_ (total pages \_\_\_\_);

– Written information (report) prepared for the Company’s executives after audit of RAS financial statements for the period ended \_\_.\_\_.20\_\_ (total pages \_\_\_\_);

– Auditor report with regard to Company’s 20\_\_ financial statements (total pages \_\_\_\_);

The Audit Committee has scrutinized the above-mentioned documents prepared by “\_\_\_\_\_”, key problems of Company’s RAS financial statements were discussed with the external auditor and executives of the Company (Protocol dated as of \_\_.\_\_.20\_\_ No. \_\_ and as of \_\_.\_\_.20\_\_ No. \_\_).

Written information (report), prepared by “\_\_\_\_\_”, complies / does not comply<sup>8</sup> with clause 10 of the rules (standard) No.22 “Transfer of post-audit information to the top team and stockholder’s representatives of the auditee”.

Procedures, conducted by “\_\_\_\_\_” during the external audit of Company’s 20\_\_ RAS financial statements, comply /do not comply<sup>9</sup> with conditions of the contract and requirements of Federal Auditor Law dated as of 30.12.2008 No.307-FZ.

The auditor report complies /does not comply<sup>10</sup> with requirements of Federal Auditor Law dated as of 30.12.2008 No. 307-FZ, federal auditor rules (standards) approved by Government Decree No.696 dated as of 02.09.2002.

<sup>8</sup> Choose applicable item

<sup>9</sup> Choose applicable item

<sup>10</sup> Choose applicable item

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Appendix No. 10

## Sample of a progress report prepared by the Audit Committee

### Progress Report of the Audit Committee as of 20\_\_-20\_\_ corporate year

The Audit Committee of the Company's Board of Directors (hereinafter referred to as the Committee) was incorporated by the Board of Directors on \_\_.\_\_.20\_\_ (Protocol No.\_\_).

The Audit Committee is governed by the Regulations on the Board of Directors Audit Committee at IDGC of Urals (OAO) approved by the Board on \_\_.\_\_.20\_\_ (Protocol No. \_\_) (hereinafter referred to as the Regulations on the Committee).

The Audit Committee has operated in line with the Committee action plan for 20\_\_-20\_\_, approved by the Audit Committee on \_\_.\_\_.20\_\_ (Protocol No.\_\_).

#### The membership and attendance

The Committee was elected by the Board of Directors on \_\_.\_\_.20\_\_ (Protocol No. \_\_):

No.	Name	Position as of the election date
1	_____ The Chair	
2		
3		
4		
5		
6		
7		

The Deputy Chair of the Company is Name, the secretary is Name - (position as of the election date) (Committee protocol dated as of \_\_\_\_\_ No. \_\_).

Pursuant to clause 9 of Section 4 of the Regulations on the Audit Committee, to perform assigned tasks and take weighted decisions the Audit Committee shall be entitled to engage experts (advisors). The Committee met on \_\_.\_\_.20\_\_ (Protocol No. \_\_) to decide and engage \_\_\_\_\_<sup>11</sup> as a Committee expert.

<sup>11</sup> Type in name and position of the expert as of engagement date.

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#### Attendance statistics:

Name	Total meetings / Meetings attended by a Committee members	Attendance %
____ <b>The Chair</b>	11 / 10	90.9%
____ <b>The Deputy Chair</b>		

The schedule of the Committee had \_\_ meetings covering \_\_ issues. There were \_\_<sup>12</sup> Committee meetings in 20\_\_-20\_\_ corporate year that examined \_\_ issues. Issues from the Committee action plan were covered in full /partially<sup>13</sup>.

Difference between scheduled and actual number of meetings is due to:

\_\_\_\_\_.

#### **Budget of the Audit Committee and Remunerations paid to the Committee members for attendance**

Types, amounts and payout procedures with regard to remunerations and compensations are stipulated by \_\_\_\_\_<sup>14</sup>, approved by the Board of Directors on \_\_.\_\_.20\_\_ (Protocol No.\_\_), as well as the Regulations on Remunerations and Compensations paid to the Board of Directors at IDGC of Urals (OAO), approved by the Annual General Meeting of Stockholders on \_\_.\_\_.20\_\_ (Protocol No.\_\_).

1H 20\_\_ and 2H 20\_\_ budget was previewed by the Committee (Protocol dated as of \_\_.\_\_.20\_\_ No.\_\_, Protocol dated as of \_\_.\_\_.20\_\_ No.\_\_). The budget was approved by the Board of Directors of IDGC of Urals (OAO) (Protocol dated as of \_\_\_\_ No.\_\_, Protocol dated as of \_\_\_\_ No.\_\_):

Period	Meeting	Budget, RUB thous.
2H 20__	Protocol dated as of ____ No.__	____
1H 20__	Protocol dated as of ____ No.__	____

#### Budget execution for corporate year 20\_\_ - 20\_\_ :

Period	Budget, RUB thous.		
	Target	Actual	Saved (-)/ Overrun (+)

<sup>12</sup> Information includes the meeting that reviews the report.

<sup>13</sup> Choose applicable item

<sup>14</sup> Indicate the title of the relevant regulatory document of the Company

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Period	Budget, RUB thous.		
	Target	Actual	Saved (-)/ Overrun (+)
2H 20__	_____	_____	_____
1H 20__	_____	_____	_____

The budget was executed in full / partially<sup>15</sup>.

1. Savings/Overrun<sup>16</sup> as of \_\_\_H 20\_\_ is due to:
  - There were less/more Committee meetings;
  - There were less/more in-presentia meetings;
  - etc.
2. Savings/Overrun<sup>17</sup> as of \_\_\_H 20\_\_ is due to:
  - There were less/more Committee meetings;
  - There were less/more in-presentia meetings;
  - etc.

### Committee spheres of attention

During 20\_\_-20\_\_ corporate year the Committee has conducted \_\_\_ meetings and scrutinized \_\_\_ issues.

The schedule of the Committee for corporate year 201\_\_-201\_\_:

	July	August	September	October	November	December	January	February	March	April	May	June
Meetings												

The Committee provided recommendations to the Board of Directors:

1. With regard to ....
  - 
  -
2. With regard to ....
  - 
  -
3. With regard to ....

<sup>15</sup> Choose applicable item

<sup>16</sup> Choose applicable item

<sup>17</sup> Choose applicable item

