

AUDIT COMMITTEE

MINUTES OF THE COMMITTEE MEETING No. KA - 107 OAO IDGC of Urals

Meeting form: F2F (VC).

Meeting date: 05 September 2019.

Minutes date: 05 September 2019.

Meeting started at: 11:30 (Moscow time).

Meeting ended at: 13:00 (Moscow time).

Meeting location: 4/1 Ulitsa Belovezhskaya, Moscow (Rosseti HQ), Room A2-017, Yekaterinburg VC: IDGC of Urals HQ, 6th Floor.

Participants:

Aleksandr Viktorovich Shevchuk	Association of Institutional Investors' Executive Director, Chair of the Committee;
Yuri Vladimirovich Goncharov	PAO Rosseti's Chief Advisor
Roman Avgustovich Dmitrik	OOO ESIH's General Director;
Yury Kazbekovich Zafesov	PAO Rosseti's Procurement Department Director;
Tatyana Aleksandrovna Ivanova	PAO Rosseti's Tariff Department Deputy Director.

Meeting attendance: 5 / 5. A quorum for decision-making on agenda issues is duly constituted.

Invitees:

Marina Alekseevna Lelekova	PAO Rosseti's Oversight and Audit Department Director;
Irina Olegovna Posevina	PAO Rosseti's Internal Audit Directorate Head;
Ekaterina Evgenyevna Zlokazova	OOO Ernst&Young Audit Partner;
Olga Igorevna Bokova	OOO Ernst&Young Audit Section Manager;
Vladimir Anatolyevich Bolotin	OAO IDGC of Urals First Deputy General Director – Chief Operating Officer;
Alla Aleksandrovna Petrova	OAO IDGC of Urals Deputy General Director for Corporate Governance;
Sergey Nikolayevich Bondarenko	OAO IDGC of Urals Deputy General Director for Security;
Anatoly Vyacheslavovich Katkov	OAO IDGC of Urals Logistics Director;
Aleksandr Mikhailovich Krivyakov	OAO IDGC of Urals Deputy General Director;
Polina Vladimirovna Krivonogova	OAO IDGC of Urals Internal Audit Department Head;
Natalya Viktorovna Raskina	OAO IDGC of Urals Chief Accountant;
Anna Sergeevna Sycheva	OAO IDGC of Urals Internal Control and Risk Management Section Head

Committee Secretary:

Dmitry Vyacheslavovich Tikhonov	OAO IDGC of Urals' Head of Corporate Events Section of Corporate Governance and Stockholder Relations Department.
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Agenda:

1. Interaction between the Board of Directors Audit Committee and internal and external auditors, incl. information on the scope of external auditor's audit procedures and oversight methods.
2. Examination of management information with regard to execution of the Company's Internal Control Policy.
3. Examination of management information with regard to the progress in eliminating vulnerabilities revealed by the Board of Internal Auditors, internal audit, oversight (supervision) watchdogs, measures after whistleblowing on employees potential abuses and outcomes of investigations conducted in 6M2019.
4. Examination of the 6M2019 Internal Audit's progress report.

Agenda item No.1: Interaction between the Board of Directors Audit Committee and internal and external auditors, incl. information on the scope of external auditor's audit procedures and oversight methods.

Report by: Ekaterina Evgenyevna Zlokazova, OOO Ernst&Young Audit Partner.

Resolution:

1. To take note of the external auditor's information on auditor's internal standards, independence, approaches to the audit of the OAO IDGC of Urals FY2019 financials and internal auditor's information on internal audit in the Company.
2. Internal audit is to:
 - 2.1. Enforce efficient collaboration with the external auditor in evaluating efficiency of the internal control and risk management systems.
 - 2.2. File with the external auditor reports:
 - on plan performance and progress in internal audit;
 - on efficiency evaluation of the internal control and risk management systems to raise awareness of the state of the art of the internal control and risk management systems.
3. To recommend the external auditor:
 - 3.1. To duly inform the Audit Committee on hurdles and constraints during the audit and exposed manipulation with accounting information.
 - 3.2. To pay special attention to Company's judgments and allowances, discrepancy with contractors over amounts of services rendered and soundness of such discrepancies.
4. To entrust management to bring for discussion by the Audit Committee and external and internal auditors:
 - 4.1. Written information (auditor report) by the external auditor on principal problems of Company's financials.
Deadline: within 10 days after Company's receipt of the auditor report.
 - 4.2. Revisions of the Accounting Policy for 2019, slated revisions for 2020 and effect of the revisions on financials.
Deadline: on or before 25.12.2019.
 - 4.3. Non-standard operations and events, formation of bad debt reserve and contingencies, fundamental allowances used in the preparation of financials.
Deadline: on or before 25.12.2019.
 - 4.4. To file with the Audit Committee members information on external auditor's approaches to materiality level definition as a part of the written information (auditor report) on principal problems of accounting and reporting, 9M2019 interim accounting (financial) statements.
 - 4.5. To file with the Audit Committee members detailed information on evaluation of external auditor's independence (competing interests) during due diligence of OAO IDGC of Urals' performance and preparation of consolidated summary report.

Voting results:

"FOR" - 5 (Five) votes: T.A. Ivanova, Y.K. Zafesov, Y.V. Goncharov, A.V. Shevchuk, R.A. Dmitrik.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Agenda item No.2: Examination of management information with regard to execution of the Company's Internal Control Policy.

Report by: Aleksandr Mikhailovich Krivyakov, OAO IDGC of Urals Deputy General Director.

Resolution:

To take note of management information with regard to execution of the Company's Internal Control Policy, as stated in Appendix No.1 hereof.

Voting results:

"FOR" - 5 (Five) votes: T.A. Ivanova, Y.K. Zafesov, Y.V. Goncharov, A.V. Shevchuk, R.A. Dmitrik.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Agenda item No.3: Examination of management information with regard to the progress in eliminating vulnerabilities revealed by the Board of Internal Auditors, internal audit, oversight (supervision) watchdogs, measures after whistleblowing on employees potential abuses and outcomes of investigations conducted in 6M2019.

Report by: Aleksandr Mikhailovich Krivyakov, OAO IDGC of Urals Deputy General Director.

Resolution:

To take note of management information with regard to the progress in eliminating vulnerabilities revealed by the Board of Internal Auditors, internal audit, oversight (supervision) watchdogs, measures after whistleblowing on employees potential abuses and outcomes of investigations conducted in 6M2019, as stated in Appendix 2 hereof.

Voting results:

“FOR” - 5 (Five) votes: T.A. Ivanova, Y.K. Zafesov, Y.V. Goncharov, A.V. Shevchuk, R.A. Dmitrik.

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Agenda item No.4: Examination of the 6M2019 Internal Audit’s progress report.

Report by: Polina Vladimirovna Krivonogova, OAO IDGC of Urals Internal Audit Department Head.

Resolution:

To approve and take note of the 6M2019 Internal Audit’s progress report, as stated in Appendix 3 hereof.

Voting results:

“FOR” - 5 (Five) votes: T.A. Ivanova, Y.K. Zafesov, Y.V. Goncharov, A.V. Shevchuk, R.A. Dmitrik.

“AGAINST” - 0 (Zero) votes.

“ABSTAIN” - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Appendix No.1	Management information with regard to execution of the Company’s Internal Control Policy.
Appendix No.2	management information with regard to the progress in eliminating vulnerabilities revealed by the Board of Internal Auditors, internal audit, oversight (supervision) watchdogs, measures after whistleblowing on employees potential abuses and outcomes of investigations conducted in 6M2019.
Appendix No.3	Examination of the 6M2019 Internal Audit’s progress report.

The Chair A.V. Shevchuk

The Secretary D.V. Tikhanov