

## AUDIT COMMITTEE

### MINUTES OF THE COMMITTEE MEETING No. KA -108 OAO IDGC of Urals

30 September 2019

Yekaterinburg

Meeting form:

in-absentia (by ballots)

#### Participants:

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

#### Committee Secretary:

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

1. Examination of a candidate to conduct the external evaluation of internal audit performance.
2. Examination of the 6M2019 progress report with regard to compliance with the laws regulating insider information processing.
3. Examination of management's information with regard to observation of the Company's anti-corruption policy, incl. 6M2019 outcomes of anti-corruption monitoring.
4. Examination of the 6M2019 interim RAS financial statements.

#### Agenda item No.1: Examination of a candidate to conduct the external evaluation of internal audit performance.

#### Resolution:

1. To approve AO KPMG (Room 24e, Premises 1, Floor 2, 16/5 Olympiysky Prospekt, Moscow, 129110), acknowledged as the winner of the electronic tender (Minutes dated as of 10.09.2019 No.9/272r), as a firm to conduct the external evaluation of OAO IDGC of Urals' internal audit performance.
2. To take note of the Tender Commission's decision to arrange pre-contractual negotiations with the winner of the electronic tender (Tender Commission's minutes dated as of 10.09.2019 No.9/272r).
3. To take note of the Company's information on pre-contractual negotiations with the winner of the electronic tender and post-negotiation decision to cut the price by RUB 9,600 plus VAT down to RUB 1,068,000 plus VAT (Agreement No. No ref. on the outcomes of pre-contractual negotiations between OAO IDGC of Urals and AO KPMG over conclusion of the contract on the conduct of external independent evaluation of OAO IDGC of Urals' internal audit performance dated as of 16.09.2019).
4. The Company's management should file with the Audit Committee:
  - 4.1. a draft of the contract with the tender winner.  
Deadline: on or before 04.10.2019.
  - 4.2. Contractor's report (prior to signing of the certificate of services rendered) on external evaluation of OAO IDGC of Urals' internal audit performance.  
Deadline: within 2 business days after receipt of the report from the Contractor.

5. The sole executive body of OAO IDGC of Urals is to conclude the contract with AO KPMG after the winner provides contract performance guarantee (5% of initial max price of the contract) in line with clause 3.7.2 of the procurement documentation.

**Voting results:**

"FOR" - 3 (Three) votes: T.A. Ivanova, Y.K. Zafesov, Y.V. Goncharov.

"AGAINST" - 1 (One) vote: A.V. Shevchuk.

"ABSTAIN" - 0 (Zero) votes.

*R.A. Dmitrik has not participated in the voting.*

**PASSED BY THE MAJORITY.**

**Resolution:**

1. To take note of Tender Commission's minutes dated as of 10.09.2019 No.9/272r;
2. To underline inaccurate preparation of the tender documentation and repeated rebidding which resulted in:
  - The win of a participant with the price offer 1.88 times higher than the price of the first rebidding's winner;
  - The winner's illusive performance time of the contract (6 days for the whole Rosseti constellation), who made the most of the conditions for weighing price and terms offers (60%/40%) and min fine for failures to comply with the terms (2% of the total contract value in case of 20-day delay, i.e. performance time of the contract provided by a participant with the price 53% lower than the winner's price);
3. To propose PAO Rosseti to annul the tender results and arrange a new tender, winner-defining conditions being squared by ordering customers;
4. If cancellation of the tender is impossible, to request PAO Rosseti to reimburse losses (difference between the values of the contracts with the first and repeated rebidding's winners) and ban subcontracts of the contractor, as stated by the contract draft from the tender documentation.

**Voting results:**

"FOR" - 2 (Two) votes: A.V. Shevchuk, R.A. Dmitrik.

"AGAINST" - 3 (Three) votes: T.A. Ivanova, Y.K. Zafesov, Y.V. Goncharov.

"ABSTAIN" - 0 (Zero) votes.

**NOT PASSED.**

**Agenda item No.2: Examination of the 6M2019 progress report with regard to compliance with the laws regulating insider information processing.**

**Resolution:**

To take note of the 6M2019 progress report with regard to compliance with the laws regulating insider information processing, 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's information with regard to observation of the Company's anti-corruption policy, incl. 6M2019 outcomes of anti-corruption monitoring.**

**Resolution:**

To take note of the management's information with regard to observation of the Company's anti-corruption policy, incl. 6M2019 outcomes of anti-corruption monitoring, as stated in Appendix No.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 interim RAS financial statements.**

**Resolution:**

1. 6M2019 interim RAS financial statements examined, to underline:
  - Enormous hike in overdue receivables;
  - Outstripping growth rates of expenses over revenues;
  - Reduced sales margin.
2. To recommend the sole executive body to take measures against adverse trends from clause 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.**

Appendix No.1	6M2019 progress report with regard to compliance with the laws regulating insider information processing.
Appendix No.2	Management's information with regard to observation of the Company's anti-corruption policy, incl. 6M2019 outcomes of anti-corruption monitoring.
Appendix No.3	Special opinion of A.V. Shevchuk.

The Chair **A.V. Shevchuk**

The Secretary **D.V. Tikhanov**