

## AUDIT COMMITTEE

### MINUTES OF THE COMMITTEE MEETING No.KA-73 IDGC of Urals (OAO)

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**Meeting form:** F2F (VC).

**Meeting date:** 30 August 2017.

**Minutes prepared on:** 01 September 2017.

**Meeting started at:** 12:30 (Moscow time).

**Meeting ended at:** 13:50 (Moscow time).

**Meeting location:** 4/1 Ulitsa Belovezhskaya, Moscow (Room A2-017, Rosseti HQ)

#### **F2F participants:**

Aleksandr Viktorovich Shevchuk	Executive Director of Association of Institutional Investors, Chair of the Committee;
Yulia Vitalyevna Yascheritsyna	Director of Economic Planning and Budgeting Department at Rosseti (PAO);
Aleksandr Nikolaevich Fadeev	Chief Advisor at Rosseti (PAO);
Aleksey Yuryevich Serov	Director of Finance Department at Rosseti (PAO).

#### **Members who filed ballots:**

Roman Avgustovich Dmitrik	General Director at RRSK (OOO).
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5 out of 5 members have participated in the meeting. A quorum for decision-making on agenda issues is duly constituted.

#### **Invitees:**

Anzhelika Aleksandrovna Zadorozhnaya	Head of Oversight and Analysis Directorate of Oversight Department at Rosseti (PAO), Committee's expert;
Vadim Anatolyevich Loktin	First Deputy General Director – Chief Operating Officer at IDGC of Urals (OAO);
Aleksandr Mikhailovich Krivyakov	Deputy General Director at IDGC of Urals (OAO);
Valentina Mikhailovna Shcherbakova	Deputy General Director for Economics and Finance at IDGC of Urals (OAO);
Sergey Nikolayevich Bondarenko	Deputy General Director for Security at IDGC of Urals (OAO);
Dmitry Vladimirovich Vyalkov	Deputy General Director for Development and Sales at IDGC of Urals (OAO);
Anton Gennadyevich Dyachkov	Deputy General Director for Investments at IDGC of Urals (OAO);
Alla Aleksandrovna Petrova	Deputy General Director for Corporate Governance at IDGC of Urals (OAO);
Polina Vladimirovna Krivonogova	Head of Internal Audit Department at IDGC of Urals (OAO);

Antonina Yuryevna Zmyvalova Head of Internal Control and Risk Management Section at IDGC of Urals (OAO);  
Sergey Anatolyevich Gusak Head of Corporate Governance and Stockholder Relations Department at IDGC of Urals (OAO).

**Committee Secretary:**

Dmitry Vyacheslavovich Tikhanov Head of Corporate Events Section of Corporate Governance and Stockholder Relations Department at IDGC of Urals (OAO).

**Agenda:**

1. Examination of management's information on progress in implementing the Company's Internal Control Policy.
2. Examination of management's information on progress: i) in remedial actions to eliminate weaknesses revealed by the Company's Board of Internal Auditors, Internal Audit and external watchdogs, ii) in measures taken after whistleblowing on employees' potential fraud or unethical practices; on outcomes of investigations conducted during 1H 2017.
3. Examination on management's information on progress in implementing the Company's Anti-Corruption Policy, also covering 6M 2017 anti-corruption monitoring.
4. Examination of the Internal Audit's 6M 2017 progress report and Internal Audit performance report.

**Agenda item 1: Examination of management's information on progress in implementing the Company's Internal Control Policy.**

**Report by:** Aleksandr Mikhailovich Krivyakov, Deputy General Director at IDGC of Urals (OAO).

**Resolution:**

1. To take note of the management's report on progress in implementing the Company's Internal Control Policy, as stated in Appendix No.1 hereof.
2. To take note of the Company's package of measures facilitating gradual enhancement of ICS maturity level.

**Voting results:**

"FOR" - 5 (Five) votes: Y.V. Yascheritsyna, A.V. Shevchuk, A.N. Fadeev, A.Y. Serov, R.A. Dmitrik.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

**PASSED UNANIMOUSLY.**

**Agenda item 2: Examination of management's information on progress: i) in remedial actions to eliminate weaknesses revealed by the Company's Board of Internal Auditors, Internal Audit and external watchdogs, ii) in measures taken after whistleblowing on employees' potential fraud or unethical practices; on outcomes of investigations conducted during 1H 2017.**

**Report by:** Aleksandr Mikhailovich Krivyakov, Deputy General Director at IDGC of Urals (OAO).

**To be noted:** Additional information on hotline and online whistleblowing on employees' fraud is to be filed with the Committee.

**Resolution:**

To take note of the management's information on progress: i) in remedial actions to eliminate weaknesses revealed by the Company's Board of Internal Auditors, Internal Audit and external watchdogs, ii) in measures taken after whistleblowing on employees' potential fraud or unethical practices; on outcomes of investigations conducted during 1H 2017, as stated in Appendix No.2 hereof.

**Voting results:**

"FOR" - 5 (Five) votes: Y.V. Yascheritsyna, A.V. Shevchuk, A.N. Fadeev, A.Y. Serov, R.A. Dmitrik.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

**PASSED UNANIMOUSLY.**

**Agenda item 3: Examination on management's information on progress in implementing the Company's Anti-Corruption Policy, also covering 6M 2017 anti-corruption monitoring.**

**Report by:** Sergey Nikolayevich Bondarenko, Deputy General Director for Security at IDGC of Urals (OAO).

**To be noted:** Additional information on specific outcomes of 6M 2017 anti-corruption monitoring, substantiated with numbers and evidences, is to be filed with the Committee.

**Resolution:**

To take note of the management's information on progress in implementing the Company's Anti-Corruption Policy, also covering 6M 2017 anti-corruption monitoring, as stated in Appendix No.3 hereof.

**Voting results:**

"FOR" - 5 (Five) votes: Y.V. Yascheritsyna, A.V. Shevchuk, A.N. Fadeev, A.Y. Serov, R.A. Dmitrik.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

**PASSED UNANIMOUSLY.**

**Agenda item 4: Examination of the Internal Audit's 6M 2017 progress report and Internal Audit performance report.**

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

**Resolution:**

1. To adopt the Internal Audit's 6M 2017 progress report and Internal Audit performance report, as stated by Appendix No.4 hereof.
2. To recommend the Head of Internal Audit Department to avoid *ad hoc* cancellation of activities from the action plan, adopted by the Board of Directors Audit Committee. Audit Committee's examination of the revised Internal Audit's action plan is to be initiated, if the situation requires it.
3. To direct the Internal Audit to evaluate materiality of exposed violations correctly with a view to give recommendations to an audited entity how to enhance performance efficiency based on correlation of risk consequence materiality and risk minimization/exclusion costs.

**Voting results:**

"FOR" - 5 (Five) votes: Y.V. Yascheritsyna, A.V. Shevchuk, A.N. Fadeev, A.Y. Serov, R.A. Dmitrik.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

**PASSED UNANIMOUSLY.**

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| Appendix No.1 | Management's information on progress in implementing the Company's Internal Control Policy.  |
| Appendix No.2 | Management's information on progress: i) in remedial actions to eliminate weaknesses revealed by the Company's Board of Internal Auditors, Internal Audit and external watchdogs, ii) in measures taken after whistleblowing on employees' potential fraud or unethical practices; on outcomes of investigations conducted during 1H 2017. |
| Appendix No.3 | Management's information on progress in implementing the Company's Anti-Corruption Policy, also covering 6M 2017 anti-corruption monitoring.   |
| Appendix No.4 | Internal Audit's 6M 2017 progress report.  |

The Chair

A.V. Shevchuk

The Secretary

D.V. Tikhanov