

AUDIT COMMITTEE

MINUTES OF THE COMMITTEE MEETING No. KA - 91 OAO IDGC of Urals

Meeting form: F2F (videoconference).

Meeting date: 30 August 2018.

Minutes date: 31 August 2018.

Meeting started: 13:00 (Moscow time).

Meeting ended: 14:30 (Moscow time).

Meeting venue: 4/1 Ulitsa Belovezhskaya, Moscow (PAO Rosseti's HQ), Room A5-048.

Attending members:

Aleksandr Viktorovich Shevchuk	Association of Institutional Investors' Executive Director, Chair of the Committee;
Roman Avgustovich Dmitrik	OOO RRSK's General Director;
Yury Kazbekovich Zafesov	PAO Rosseti's Procurement Department Director;
Sergey Ivanovich Miromanov	PAO Rosseti's Head of Grid Asset Consolidation Directorate of Network Perspective Development and Connection Department.

Meeting attendance: 4 / 5. A quorum for decision-making on agenda issues is duly constituted

Invitees:

Elena Borisovna Sinitsyna	PAO Rosseti's Head of Audits Directorate of Audits and Oversight Department, Committee's expert;
Yekaterina Evgenyevna Zlokazova	Ernst & Young LLC Branch Partner;
Artem Igorevich Filippov	Ernst & Young LLC Branch Manager;
Olga Igorevna Bokova	Ernst & Young LLC Branch Manager;
Aleksandr Mikhailovich Krivyakov	OAO IDGC of Urals' Deputy General Director;
Sergey Nikolayevich Bondarenko	OAO IDGC of Urals' Deputy General Director for Security;
Dmitry Vladimirovich Vyalkov	OAO IDGC of Urals' Deputy General Director for Development and Sales;
Anton Gennadyevich Dyachkov	OAO IDGC of Urals' Deputy General Director for Investments;
Polina Vladimirovna Krivonogova	OAO IDGC of Urals' Head of Internal Audit Department;
Antonina Yuryevna Zmyvalova	OAO IDGC of Urals' Head of Internal Control and Risk Management Section

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. Audit Committee's reciprocity with external and internal auditors.
2. Examination of the management's information regarding progress of the Company's Internal Control Policy.
3. Examination of the management's information regarding execution of remedial actions to eliminate weaknesses exposed by the Board of Internal Auditors, Internal Audit, external watchdogs; measures taken after whistleblowing on unfair play of employees and investigation outcomes.
4. Examination of the management's information regarding execution of the Company Anti-corruption Policy, incl. outcomes of the 6M 2018 anti-corruption monitoring.
5. Examination of the Internal Audit's 6M 2018 progress report.

Agenda item No.1: Audit Committee's reciprocity with external and internal auditors.

Report by:

Yekaterina Evgenyevna Zlokazova, Ernst & Young LLC Branch Partner.

Resolution:

1. To take note of the external auditor's information regarding auditor's internal standards, independence, approaches relating to the audit of OAO IDGC of Urals FY2018 financial statements; and internal auditor's information regarding internal audit arrangements.
2. Internal Audit shall:
 - 2.1. Enforce efficient interaction with the external auditor over evaluation of efficiency of the internal control and risk management systems.
 - 2.2. File the following reports with the external auditor:
 - Regarding work progress;
 - Regarding evaluation of efficiency of the internal control and risk management systems to raise awareness of the IC&RM systems maturity.
3. To recommend the external auditor:
 - 3.1. To inform on time the Audit Committee on difficulties and restraints in the course of the audit and exposed reporting manipulation hallmarks.
 - 3.2. To pay a special attention to Company's judgments and assumptions, disputes with contractors over service scope and dispute feasibility.
4. To entrust the Company's management to file the following information with the Audit Committee for further discussion with the external and internal auditors:
 - 4.1. Written information (auditor's report), prepared by the external auditor, regarding key problems of the Company's financial statements.
Deadline: within 10 days after the Company received the auditor's report.
 - 4.2. Revisions of the Company's FY2018 Accounting Policy, FY2019 Accounting Policy revision plans and their influence on financial statements.
Deadline: 25.12.2018.
 - 4.3. Nonroutine operations and events, establishment of bad debt provision and contingencies, most material assumptions used in preparation of the financial statements.
Deadline: date when the draft of the annual financial statements is examined.

Voting results:

"FOR" - 4 (Four) votes: A.V. Shevchuk, R.A. Dmitrik, Y.K. Zafesov, S.I. Miromanov.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Agenda item No.2: Examination of the management's information regarding progress of the Company's Internal Control Policy.

Report by:

Aleksandr Mikhailovich Krivyakov, OAO IDGC of Urals' Deputy General Director.

Resolution:

To take note of the management's information regarding progress of the Company's Internal Control Policy, as stated in Appendix No.1 hereof.

Voting results:

"FOR" - 4 (Four) votes: A.V. Shevchuk, R.A. Dmitrik, Y.K. Zafesov, S.I. Miromanov.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Agenda item No.3: Examination of the management's information regarding execution of remedial actions to eliminate weaknesses exposed by the Board of Internal Auditors, Internal Audit, external watchdogs; measures taken after whistleblowing on unfair play of employees and investigation outcomes.

Report by:

Aleksandr Mikhailovich Krivyakov, OAO IDGC of Urals' Deputy General Director.

Resolution:

To take note of the management's information regarding execution of remedial actions to eliminate weaknesses exposed by the Board of Internal Auditors, Internal Audit, external watchdogs; measures taken after whistleblowing on unfair play of employees and investigation outcomes, as stated in Appendix No.2 hereof.

Voting results:

"FOR" - 4 (Four) votes: A.V. Shevchuk, R.A. Dmitrik, Y.K. Zafesov, S.I. Miromanov.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Agenda item No.4: Examination of the management's information regarding execution of the Company Anti-corruption Policy, incl. outcomes of the 6M 2018 anti-corruption monitoring.

Report by:

Sergey Nikolayevich Bondarenko, OAO IDGC of Urals' Deputy General Director for Security.

Resolution:

To take note of the management's information regarding execution of the Company Anti-corruption Policy, incl. outcomes of the 6M 2018 anti-corruption monitoring, as stated in Appendix No.3 hereof.

Voting results:

"FOR" - 4 (Four) votes: A.V. Shevchuk, R.A. Dmitrik, Y.K. Zafesov, S.I. Miromanov.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Agenda item No.5: Examination of the Internal Audit's 6M 2018 progress report.

Report by:

Polina Vladimirovna Krivonogova, OAO IDGC of Urals' Head of Internal Audit Department.

Resolution:

To adopt the Internal Audit's 6M 2018 progress report, as stated in Appendix No. 4 hereof.

Voting results:

"FOR" - 4 (Four) votes: A.V. Shevchuk, R.A. Dmitrik, Y.K. Zafesov, S.I. Miromanov.

"AGAINST" - 0 (Zero) votes.

"ABSTAIN" - 0 (Zero) votes.

PASSED UNANIMOUSLY.

Appendix No.1	Management's information regarding progress of the Company's Internal Control Policy.
Appendix No.2	Management's information regarding execution of remedial actions to eliminate weaknesses exposed by the Board of Internal Auditors, Internal Audit, external watchdogs; measures taken after whistleblowing on unfair play of employees and investigation outcomes.
Appendix No.3	Management's information regarding execution of the Company Anti-corruption Policy, incl. outcomes of the 6M 2018 anti-corruption monitoring.
Appendix No.4	Internal Audit's 6M 2018 progress report.

The Chair

A.V. Shevchuk

The Secretary

D.V. Tikhanov