

# OVERSIGHT SYSTEM

## BOARD OF INTERNAL AUDITORS

Financial and economic performance of the Company is overseen by the Board of Internal Auditors, as stated by clause 24.1 of the Charter. The competence of the Board, as envisaged by clause 24.3 of the Charter, includes:

- Validation of data presented in the Company's annual report, annual financial statements, P&L statements;
- Analysis of Company's financial position, detection of reserves to improve Company's financial position and preparation of recommendations to Company's management bodies;
- Arrangement and conduct of the audit, namely:

- Audit of financial, accounting, payment and other documents with regard to Company's financial and economic operations to evaluate compliance with laws of Russia, Company's charter, bylaws and other documents;
- Oversight whether property, plant and equipment are protected and used in a proper manner;
- Oversight whether bad debt writing-offs comply with the established procedure;
- Oversight whether Company's monetary resources are spent in a manner compliant with the approved business plan and budget of the Company;

- Oversight how Company's reserve fund and other funds are generated and used;
- Oversight whether dividends, bond interest, yield on other securities are calculated and paid in a proper manner;
- Oversight whether orders, issued earlier to eliminate exposed violations and problems, are executed;
- Other audit-related activities.

The Board of Internal Auditors consists of 5 members, elected by the Annual General Meeting. During the reported period the Board of Internal Auditors conducted 8 compresence meetings.

### The composition of the Board\*

Composition 1 (18.06.2015 – 06.06.2016)	Composition 2 (06.06.2016 – present day)
<b>Marina Alekseevna Lelekova</b> Head of Internal Audit and Oversight Department at Rosseti (PAO)	<b>Marina Alekseevna Lelekova</b> Head of Internal Audit and Oversight Department at Rosseti (PAO)
<b>Svetlana Anatolyevna Kim</b> Head of Directorate for Inspections and Internal Audit of Internal Audit and Oversight Department at Rosseti (PAO)	<b>Svetlana Anatolyevna Kim</b> Head of Directorate for Inspections and Internal Audit of Internal Audit and Oversight Department at Rosseti (PAO)
<b>Artem Nikolayevich Kirillov</b> Head of Investment Audit Section of Directorate for Inspections and Internal Audit of Internal Audit and Oversight Department at Rosseti (PAO)	<b>Artem Nikolayevich Kirillov</b> Head of Investment Audit Section of Directorate for Inspections and Internal Audit of Internal Audit and Oversight Department at Rosseti (PAO)
<b>Igor Vladimirovich Shmakov</b> Head of Directorate for Oversight and Risks of Internal Audit and Oversight Department at Rosseti (PAO)	<b>Elena Aleksandrovna Kabizskina</b> Deputy Head of Oversight Directorate of Oversight Department at Rosseti (PAO)
<b>Tatyana Viktorovna Zaytseva</b> Leading expert of Methodology Section of Directorate for Oversight and Risks of Internal Audit and Oversight Department at Rosseti (PAO)	<b>Aleksandra Vladimirovna Charondina</b> Deputy Head of Internal Audit Directorate at Rosseti (PAO)

Remunerations and payment procedure are stipulated by the Regulations on Remunerations and Compensations Due to the Board of Internal Auditors, adopted by the General Meeting of Stockholders. The Board of Internal Auditors earned RUB 906.64 million (incl. applicable taxes) remunerations and compensations during 2016.

## INDEPENDENT AUDITOR

To ensure independence and impartiality of the external auditor, Rosseti (PAO), acting as a tender organizer, arranged an open tender to select the Company's auditor with the aid of the B2B-energo electronic trading platform located at [www.b2b-mrsk.ru](http://www.b2b-mrsk.ru). Information on the tender for the right to conclude contracts on auditor services for FY2015-2017 was posted under No.31502075235 27.02.2015 at the B2B-energo electronic trading platform in the information system located at [www.zakupki.gov.ru](http://www.zakupki.gov.ru). RSM RUS (OOO) was recognized as the winner of the tender after re-biddings conducted with the aid of services of the electronic trading system<sup>81</sup>. Bid-

ders were estimated by the criteria, set and disclosed in the tender documentation.

The Company's charter states that the Board of Directors recommends a nominee to conduct independent audit of the annual financial statements to the General Meeting after tender procedures. The General Meeting approves the Company's auditor. The Company's annual general meeting, conducted June 06, 2016 (Minutes No.9 dated as of 06.06.2016), decided to approve RSM RUS (OOO) as the Company's auditor. The charter states that the Board of Directors decides on the amount of the auditor fee. The fee and payment procedure are stipulated

by the contract between the Company and the audit firm (contract dated as of 06.09.2016 No.161a061). The auditor remuneration for the audit of FY2016 financial statements, prepared under RAS and IFRS, is decided by the Board of Directors 15.08.2016<sup>82</sup> at RUB 2,611,251.52, plus VAT. There were no other remunerations for non-auditing services due to the auditor.

\* The Board of Internal Auditors' members consented disclosure of personal data in the report in a manner, consistent with laws of the Russian Federation. Positions are presented as of the nomination date.