

INTERNAL AUDIT

A subdivision in charge of implementing an internal audit function in the Company is the Internal Audit Department. As of 31.12.2018, staff number in the Internal Audit Department amounted to 12 people and actual headcount – to 11 people.

The Internal Audit Department is functionally subordinate to the Company Board of Directors, and administratively – to Company Director General.

The Board of Director exercises control and organizes activity of the Internal Audit Department.

Internal audit is aimed at rendering assistance to the Board of Directors and executive bodies of the Company in the improvement of efficiency of Company management, improvement of its financial and economic activity, including by means of systemic and gradual approach to analysis and evaluation of risk management systems, internal control and corporate management as tools of assuring reasonable confidence in the achievement of goals set to the Company.

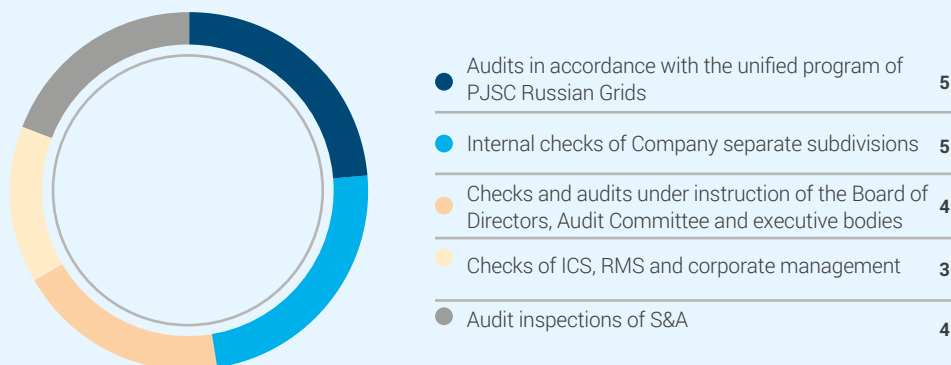
Tasks, main principles of internal audit organization and functioning, functions and powers of the Internal Audit Department are defined in the Policy of Internal Audit of PJSC IDGC of Siberia¹.

The Company approved the following main documents regulating the function of internal audit:

- Company Policy of Internal Audit and Code of Internal Auditor Ethics²
- Program on Internal Audit Quality Guarantee and Upgrade³
- Regulation on the Internal Audit Department⁴
- Internal standards of internal audit and practical application designed on the basis of International Professional Standards of Internal Audit

In 2018 the Internal Audit Department carried out 21 control events.

Structure of DIA control events in 2018 is as follows, pcs.



1. Approved by resolution of the Board of Directors dated 28.02.2017 (Minutes No. 223/17 dated 03.03.2017)

2. Approved by resolution of the Board of Directors dated 28.02.2017 (Minutes No. 223/17 dated 03.03.2017)

3. Approved by resolution of the Board of Directors dated 26.12.2016 (Minutes No. 216/16 dated 28.12.2016)

4. Approved by resolution of the Board of Directors dated 26.12.2016 (Minutes No. 216/16 dated 28.12.2016)

Following results of control events held by internal audit in 2018, 190 corrective actions aimed at elimination and prevention in the future of violations and drawbacks revealed were designed, including 139 actions planned for 2018, among which 137 were implemented.

Implementation of corrective events is controlled by the Audit Committee within the Company Board of Directors by listening to periodic reports of Company management on implementation of plans for corrective actions for elimination of defects detected by Company Revision Commission, Company internal auditor and external control bodies.

EXTERNAL AUDIT

Issuer's Auditor shall check issuer's financial and economic activity in compliance with the requirements of the legislation of the Russian Federation based on the agreement made.

Following results of the competitive selection held by PJSC "Russian Grids", issuer's Board of Directors shall recommend the relevant candidacy of the Auditor to be approved by the General Shareholders Meeting of the Company.

Candidacy of LLC Ernst & Young was recommended¹ to managerial bodies of PJSC IDGC of Siberia for approval as an auditor for the purpose of auditing accounting statements for 2018-2020 prepared in accordance with the Russian Standards of Accounting and auditing of consolidated financial statements for the years ending on 31.12.2018, 31.12.2019 and 31.12.2020 prepared in accordance with IFRS.

The Audit Committee within the Board of Directors of PJSC IDGC of Siberia resolved to recommend the Company Board of Directors to present the candidacy of LLC Ernst & Young for approval at the annual General Shareholders Meeting for the purpose of auditing Company accounting statements for 2018 prepared in accordance with RAS and auditing of consolidated financial statements for the year ending on 31.12.2018 prepared in accordance with IFRS.

By resolution of the annual General Shareholders Meeting of PJSC IDGC of Siberia, the candidacy of LLC Ernst & Young was approved as Company auditor for 2018.

Auditor's work within the frames of special audit engagements was not performed.

1. Minutes of the meeting of the Tender Commission of PJSC "Russian Grids" in absentia No. 13/595p dated on 16.04.2018