

## ITEM № 5

### ON APPROVAL OF THE AUDITOR OF THE COMPANY



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#### Explanatory information on the item

In accordance with Federal Law dated 26.12.1995 № 208-FZ "On Joint-Stock Companies", the agenda of the Annual General Meeting of Shareholders of the Company should include the issue of approving the auditor.

Federal Law dated 26.12.1995 № 208-FZ "On Joint-Stock Companies" does not specify the term and procedure for nominating an auditor to be included in the voting list on the issue of approving the Company's auditor. The Federal Law does not give shareholders the right to nominate an auditor either.

In this regard, the candidacy of the auditor for approval at the Annual General Meeting of Shareholders of the Company shall be determined by the Board of Directors of the Company within the framework of the preparation of the Annual General Meeting of Shareholders of the Company.

The terms of the procurement procedures for the selection of an external auditor for the right to conclude an agreement on the audit of the Company's accounting (financial) statements were previously reviewed by the Audit Committee of the Board of Directors of the Company on 23.01.2018 (Minutes No. 02/18), according to which the initial purchase price limit is determined in the amount 21 275 412,98 RUB with VAT.

PJSC Rosseti on behalf of the Company at ETP of PJSC Rosseti ([www.etp.rosseti.ru](http://www.etp.rosseti.ru)) conducted an open tender without preliminary qualifying selection for the right to conclude an agreement on carrying out mandatory annual audit of statements for 2018-2020. According to the results of the Tender, Ernst & Young LLC (Minutes of the Procurement Commission meeting from 16.04.2018 № 13/595r) was recognized as the Successful Bidder.

According to Table 1 (item 3) of the Minutes, based on the results of the rebidding conducted on 11.04.2018, the price offered by Ernst & Young LLC was 16 612 283,01 RUB with VAT (for the period of 2018-2020), which is 21,9% lower than the initial purchase price limit.

**FOR REFERENCE, the cost of the auditor's services rendered to the Company for the period of 2013-2018.**

Period	Auditor name	Price, thous. RUB with VAT	
		RAS	IFRS
2018	Ernst & Young	5 537	
2017	RSM RUS	2 856	
2016	RSM RUS	2 856	
2015	RSM RUS	2 856	
2014	Ernst & Young	4 733	
2013	KPMG	2 106	4 425
2012	KPMG	2 115	4 366

Ernst & Young LLC is a member of the Self-Regulatory Organization of Auditors "Audit Chamber of Russia" (SRO RSA) and is included in the register of auditors and audit organizations of SRO SRA with the main registration record number 11603050648. In accordance with the legislation in 2017 SRO RSA conducted quality audit of the audit activities of Ernst & Young LLC and recognized its compliance with the requirements of the Federal Law "On Auditing", auditing standards, the Rules for the Independence of Auditors and Audit Organizations, the Code of Professional Ethics of Auditors, as well as the Charter of SRO RSA.

According to the RAEX rating agency (Expert RA), the EY group of companies in Russia has ranked first in the ranking of the largest audit and consulting groups and audit organizations (for 2014-2016) for three consecutive years. In addition, Ernst & Young LLC takes the first place in the list of the largest Russian audit organizations (subjects of audit activity), compiled by the RAEX agency in 2016.

In accordance with Federal Law dated 30.12.2008 N 307-FZ "On Auditing Activity", an audit is an independent check of accounting (financial) statements of an audited entity to express an opinion on the reliability of such reporting. In this connection, the Federal Law "On Auditing Activity" provides for mandatory requirements for the independence of the auditor.

The auditor does not have the right to carry out actions that lead to the emergence of a conflict of interests or create a threat of such a conflict. Conflict of interest means a situation in which the interest of the auditor may affect the opinion of such an auditor on the reliability of accounting (financial) statements of an audited entity.

Ernst & Young LLC meets all the requirements for the independence of the auditor.

The Board of Directors of the Company on 26.04.2019 (Minutes No. 16/19) included the results of evaluating the candidacy of the Auditor in the list of materials provided to persons entitled to participate in the Annual General Meeting of Shareholders of the Company.

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**Draft resolution on item № 5**

To approve Ernst & Young LLC as the Auditor of the Company.

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## Information on the Auditor nomination of IDGC of Centre, PJSC

Full company name of the auditor	Ernst & Young LLC
Primary State Registration Number:	№ 1027739707203, date of entry 05.12.2002, series 77 No. 007367150, issued by the Interdistrict Inspectorate of the Ministry of Taxes and Levies of Russia No. 39 for Moscow
Taxpayer Identification Number (INN)	7709382532
Record Validity Code (KPP)	770501001
Russian Business and Organization Classification (OKPO)	59002827
Russian Standard Industrial Classification of Economic Activities (OKVED)	69.20.1
Registered office:	Sadovnicheskaya nab. 77, bld. 1, 115035 Moscow, Russia
Postal address:	Sadovnicheskaya nab. 77, bld. 1, 115035 Moscow, Russia
Telephone:	+7 495 755 9700
Fax:	+7 495 755 9701
E-mail, Auditor's website	rfp@ru.ey.com <a href="http://www.ey.com/ru/ru">http://www.ey.com/ru/ru</a>
Membership in a self-regulatory organization of auditors:	Certificate of membership No. 11603050648, issued on 20.10.2016 by the Self-Regulating Organization of Auditors and Audit Organizations "Russian Union of Auditors"

## ITEM № 5 «ON APPROVAL OF THE AUDITOR OF THE COMPANY»

### Evaluation of the Auditor's nomination prepared by the Audit Committee of the Board of Directors of IDGC of Centre, PJSC



Interregional Distribution Grid Company of Centre,  
Public Joint-Stock Company  
2nd Yamskaya, 4, Moscow, Russia, 127018  
Tel.: +7 (495) 747-92-92, Fax: +7 (495) 747-92-95,  
Power Engineers' Direct Line: 8-800-50-50-115,  
Trust Line: +7 (495) 747-92-99,  
e-mail: posta@mrsk-1.ru, www.mrsk-1.ru

#### EXTRACT FROM MINUTES of the meeting of the Audit Committee of the Board of Directors of IDGC of Centre, PJSC (in the form of absent voting)

03 April 2019

Moscow

No. 07/19

**Form of the meeting:** absent voting.

**Total number of members of the Audit Committee:** 3 persons.

**Participants of the voting:** A.V. Varvarin, M.M. Saukh, A.V. Shevchuk.

**Members who did not provide questionnaires:** none.

**The quorum** is present.

The Expert conclusion of the expert of the Audit Committee of the Board of Directors of IDGC of Centre, PJSC E.B. Sinitsyna was taken into account at drawing up of the minutes.

**Date of the minutes:** 03.04.2019.

**Item 1. On preliminary consideration of the nomination of the external auditor of the Company to audit the accounting (financial) statements of the Company for 2019.**

**Decision:**

To recommend to the Board of Directors of IDGC of Centre, PJSC to propose the Annual General Meeting of Shareholders of IDGC of Centre, PJSC to approve Ernst & Young LLC (Sadovnicheskaya nab. 77, bld. 1, 115035, Moscow) as the Company's Auditor, recognized as the winner of an open tender without prequalification of bidders (Minutes of the Procurement Commission from 16.04.2018 № 13/595r).

**Decision is taken.**

**Minutes signed by:**

Chairperson of the Audit Committee

A.V. Varvarin

Secretary of the Audit Committee

S.V. Lapinskaya

**Extract is correct:**

Secretary of the Audit Committee

S.V. Lapinskaya

03.04.2019.

CONDITION	Complies/ does not comply
General Director of Ernst & Young and his deputies <b>are not</b> founders (participants) of IDGC of Centre's entities, their officials, accountants and other persons responsible for the organization and conduct of accounting and preparation of accounting (financial) statements in IDGC of Centre	COMPLIES
General Director of Ernst & Young and his deputies <b>are not</b> closely related (parents, spouses, brothers, sisters, children, as well as brothers, sisters, parents and children of spouses) with the founders (participants) of IDGC of Centre, their officials, accountants and other persons responsible for the organization and conduct of accounting and preparation of accounting (financial) statements in IDGC of Centre	COMPLIES
IDGC of Centre in relation to Ernst & Young <b>is not</b> a founder (participant), Ernst & Young in relation to IDGC of Centre, subsidiaries, branches and representative offices of IDGC of Centre is not a founder (participant)	COMPLIES
Ernst & Young <b>did not provide</b> , for the three years immediately preceding the audit, services for the restoration and maintenance of accounting records, as well as for the preparation of accounting (financial) statements to individuals and legal entities with respect to these persons	COMPLIES
Ernst & Young <b>is not</b> a founder (participant) of IDGC of Centre, its managers, accountants and other persons responsible for the organization and maintenance of accounting records and preparation of accounting (financial) statements	COMPLIES
Ernst & Young <b>is not</b> closely related to founders (participants) of IDGC of Centre, its officials, accountants and other persons responsible for the organization and maintenance of accounting records and the preparation of accounting (financial) statements, (parents, spouses, brothers, sisters, children, as well as brothers, sisters, parents and children of spouses)	COMPLIES
Ernst & Young in relation to IDGC of Centre <b>is not</b> an insurance organization with which Ernst & Young has concluded liability insurance agreements	COMPLIES
The procedure for payment and the amount of remuneration to Ernst & Young for an audit (including compulsory) and the provision of related services are determined by contracts for the provision of audit services and cannot be made subject to any requirements of audited entities on the content of findings that may be made as a result of the audit	COMPLIES