

Approved by:

the Board of Directors of IDGC of
Centre, PJSC
Minutes dated 17.05.2016 # 15/16

Appendix # 1

to Order of IDGC of Centre, PJSC
dated 24.05.2016 # 151-TSA

Agreed upon by:

the Audit Committee of the Board of
Directors of IDGC of Centre, PJSC
Minutes dated 29.04.2016 #06/16

**THE REGULATION
ON THE INTERNAL AUDIT DEPARTMENT**

PSP TSA/18/05-2016

Moscow

Data on the document

Implemented by	Order of IDGC of Centre, PJSC
Recurring examination	Updating is conducted by Head of the Internal Audit Department at least 1 time a year; Approval is performed by the Audit Committee of the Board of Directors of IDGC of Centre, PJSC; Coordination is performed by the Board of Directors of IDGC of Centre, PJSC
Modification	By results of application or at change of requirements of normative documents on which basis this provision is developed
Developed by	Head of the Internal Audit Department

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1. General provisions

1.1. The Internal Audit Department (hereinafter – the structural unit), Centre is a structural subdivision of the executive office of IDGC of Centre, PJSC (hereinafter – the Company).

Full name – Internal Audit Department of IDGC of Centre, PJSC.

Abbreviated name – Internal Audit Department.

Location of the Internal Audit Department – Moscow.

The Internal Audit Department functionally submits to the Board of Directors of the Company (through the Audit Committee of the Board of Directors of the Company) and administratively submits to General Director of the Company. The division shall be reorganised and liquidated by the order of General Director of the Company on the basis of the decision of the Board of Directors of the Company, with preliminary consideration by the Audit Committee of the Board of Directors of the Company.

1.2. The division is managed by Head of the Internal Audit Department, appointed to the post and dismissed by General Director of the Company on the basis of the decision of the Board of Directors of the Company.

1.3. Employees of the division are appointed to the post and dismissed in an order established by organizational-administrative documents of the Company, on representation of Head of the Internal Audit Department.

1.4. Head of the Internal Audit Department and other employees of the division in the activity are guided by the legislation of the Russian Federation, the Articles of Association of the Company, decisions of shareholders' general meetings, the Board of Directors, the management Board, orders, instructions and other local regulations of the Company, this Regulation, and, regarding the job duties, rights and responsibility, by employment contracts concluded with the Company.

1.5. In absence of Head of the Internal Audit Department his or her obligations are performed by an employee of the division to whom the order of the Company assigns the performance of the duties.

1.6. The division job pattern is approved in an order established by organizational-administrative documents of the Company.

1.7. Requirements to qualification to Head of the Internal Audit Department:

- higher education;
- work experience in the field of internal audit, internal control and/or risk management in large companies or auditing firms or bodies of the state or municipal financial supervision not less than 10 years, on an executive position not less than 3 years.

2. The list of documents

2.1. Documents of an external origin:

- The legislation of the Russian Federation (within the limits of lines of business of the Company);
- Federal standards of the auditor's activity, Federal rules (standards) of the auditor's activity;

- International Standards of audit;
- International Standards of internal audit;
- The modern concepts of the internal control developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 1992, 2004, 2013; COSO ERM 2004);
- the Corporate Governance Code recommended by Letter of the Bank of Russia from 4/10/2014 № 06-52/2463 «On the Corporate Governance Code»;
- International standards of GOST R ISO 31000:2010 «Risk Management. Principles and Guideline», 31010:2011 «Risk Management. Risk Rating Methods» (Order of Federal agency on technical regulation and metrology from 01.12.2011 № 680-st);
- orders of Rosimuschestvo;
- orders, instructions, letters of PJSC «Rosseti».

2.2. Internal documents of the Company:

- The Articles of Association of the Company;
- decisions of shareholders' general meeting and the Board of Directors of the Company, decisions of the Audit Committee of the Board of Directors of the Company;
- The policy in the field of quality;
- This Regulation about the division;
- The Internal Audit Policy;
- The Internal Control Policy A policy of the internal;
- The Risk Management Policy;
- internal normative documents and technological documents of the Company, areas of responsibility of the Internal Audit Department, specified in the scope of the given documents, and stored in the Library of Internal Normative Documents.

2.3. The extract from the file register of the Internal Audit Department, the approved organizational and executive documentation of the Company is given in Appendix # 1 to the Regulation on the Internal Audit Department.

3. The primary goals and functions

3.1. According to the task on implementation and application of uniform approaches to construction, management and coordination of internal audit function in the Company the structural unit performs the following functions:

3.1.1. coordination of the Company's activity on implementation of uniform principles of construction of the internal audit function, management and estimation of realisation of the internal audit function, confirmed by PJSC «Rosseti»;

3.1.2. actualisation of the normative documents regulating activity of internal audit (policies, provisions, regulations, techniques, instructions and other documents);

3.1.3. carrying out of events for automation of activity of internal audit of the Company on the basis of the uniform software solution accepted in PJSC «Rosseti».

3.2. According to the task on internal audit carrying out, participation in other verifying events in the Company and SDCs the structural unit performs the following functions:

3.2.1. Planning, organisation and carrying out of internal audits of business

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processes (lines of business), business functions, projects/plans/programs, structural and isolated divisions and other auditees of the Company concerning provision of:

- observance of requirements of the legislation, branch standard legal acts, internal regulations, standards and other internal documents (except for technical regulations, standards and rules regulating activity on operation of electric grid facilities), contract obligations;
- accomplishment of orders of state structures of the Russian Federation concerning functioning and development of electric grid facilities;
- accomplishment of decisions/instructions (orders) of control bodies, requirements of organizational-administrative documents and other internal documents;
- efficiency, profitability and productivity of activity;
- reliability, accuracy, completeness and timeliness of preparation of accounting (financial) and administrative reporting;
- safeguarding of assets.

3.2.2. Carrying out of thematic audits on a concrete theme according to the uniform program of audit confirmed by PJSC «Rosseti».

3.2.3. Carrying out of checks, accomplishment of other tasks on instructions of the Board of Directors (Audit Committee), and/or executive powers of the Company on questions which are within the competence of internal audit.

3.2.4. Participation in activity of audit commissions of SDCs of employees of the division of internal audit of the Company as elected members of audit commissions or invited experts.

3.2.5. Participation in specialised (office) investigations on facts of abusings (swindle), causing to the Company and SDCs damage, no-purpose, inefficient resource utilisation and on other facts of unfair/illegal actions of employees and third parties.

3.2.6. Informing of the Board of Directors (Audit Committee), executive powers of the Company about results of checks, representation of recommendations about elimination of infringements and lacks revealed during checks, and offers to increase of efficiency and productivity of internal control, risk management and corporate governance systems, on activity enhancement of the Company and its SDCs.

3.2.7. Monitoring of accomplishment of plans of correcting events directed on elimination of infringements and lacks, revealed during checks, and realisation of recommendations and offers on activity enhancement of the Company.

3.2.8. Organisation and carrying out of post-audits concerning business processes (lines of business), business functions, projects / plans / programs, structural and isolated divisions and other auditees.

3.3. According to the task on granting of independent and objective guarantees concerning efficiency of internal control, risk management and corporate governance systems, and also on assistance to executive powers and employees of the Company in development and monitoring of execution of procedures and events for enhancement of internal control, risk management and corporate governance systems by the Company the structural unit performs the following functions:

3.3.1. Internal control system performance evaluation, including:

- estimation of a condition of the internal (control) environment in the Company, including estimation of elements of the control environment (internal control system philosophy, honesty and ethical values, organizational structure, distribution of powers and responsibility, staff management);

- performance evaluation of realisation of a policy in the field of the internal control;
- estimation of a process of goal setting in the Company, including determination of adequacy of the criteria applied to analysis of degree of execution (achievement) of objects in view;
 - revealing of lacks of the internal control system which have not allowed (do not allow) to reach objects in view;
 - risk management process estimation;
 - estimation of questions of the organisation, construction and accomplishment built in processes of internal control (control procedures);
 - estimation of questions of organisation of information interaction (information interchange process) in the Company;
 - estimation of a process of organisation of monitoring in the Company, including results of implementation (realisation) of events for elimination of infringements and lacks, and also results of enhancement of the internal control system.

3.3.2. Risk management system performance evaluation, including:

- check of sufficiency and maturity of elements of the internal control system in the Company for efficient risk management, including concerning the organisation of processes, goals and tasks setting, realisation of provisions of the risk management policy, means of automation, standard-methodological provision, interaction of structural divisions within the risk management system, reporting, infrastructure, including the organizational structure, etc.;
- check of completeness of revealing and correctness of assessment of risks at all levels of management of the Company;
- check of efficiency of control procedures of the Company and other events for risk management, including efficiency of use of resources allocated for these purposes;
- information analysis carrying out about implemented risks in the Company (including infringements revealed by results of checks, facts of not achieving objects in view, facts of legal proceedings, etc.).

3.3.3. Corporate governance estimation, including:

- check of observance of ethical principles and corporate values of the Company;
- check of an order of goals setting of the Company and monitoring/control of their achievement;
- check of a level of standard provision and procedures of information interaction (including, concerning risk management and internal control) at all levels of management of the Company, including interaction with stakeholders;
- check of provision of shareholder rights, including controlled companies, and efficiency of mutual relations with stakeholders;
- check of procedures of disclosing of information on activity of the Company.

3.3.4. Granting of consultations to executive powers of the Company concerning internal control, risk management and corporate governance (while preserving independence and objectivity of internal audit).

3.4. According to the task on organisation of effective interaction of the Company with the external auditor of the Company, the Audit Commission of the

Company, with other stakeholders on questions, which are within the competence of internal audit, the structural unit performs the following functions:

3.4.1. Interaction with the external auditor of the Company in the following main directions:

3.4.1.1. quality evaluation of work of the external auditor, preparation of a conclusion by results of the given estimation, representation of results of estimation for consideration by the Audit Committee of the Board of Directors of the Company, provision of informing interested persons;

3.4.1.2. participation in determination of selection and qualifying criteria, consideration of tender documentation, determination of essential agreement provisions and carrying out of the purchasing procedure for choice of the external auditor of the Company;

3.4.1.3. rendering of assistance to the external auditor in granting of information on an internal control system condition in the Company;

3.4.1.4. participation in discussion of conclusions of the external auditor about an internal control system condition;

3.4.1.5. participation in settlement of disagreements arising during external audit inspections;

3.4.1.6. carrying out, at least once a year, of meetings with the external auditor of the Company, in particular at carrying out of estimation of the conclusion of the external auditor under accounting (financial) statements of the Company;

3.4.2. realisation of interaction with the Audit Commission of the Company in the following main directions:

3.4.2.1. organisation and coordination of interaction of structural divisions of the Company with the Audit Commission of the Company;

3.4.2.2. preparation and granting of information and conclusions within the internal audit competence;

3.4.2.3. organizational support of activity of the Audit Commission;

3.4.2.4. organisation of development of correcting events following the results of auditing checks directed on elimination of revealed infringements/lacks and realisation of recommendations of the Audit Commission of the Company;

3.4.2.5. control over execution of correcting events directed on elimination of revealed infringements/lacks and realisation of recommendations of the Audit Commission of the Company;

3.4.3. realisation of interaction with structural unit (s), responsible for methodological provision and activity coordination under internal control and risk management, including on information interchange on risks, construction of control procedures, accomplishment of requirements and procedures established in the Company;

3.4.4. realisation of interaction with other participants of the internal control system of the Company, with other stakeholders on questions, which are within the competence of internal audit.

3.5. According to the task on preparation and granting of reports/information by results of internal audit activity the structural unit performs the following functions:

3.5.1. realisation of interaction with the Board of Directors of the Company (Audit Committee of the Board of Directors of the Company) in the following main directions:

3.5.1.1. carrying out of internal audits on the basis of the plan of activity of the internal audit confirmed by the Board of Directors;

3.5.1.2. carrying out of other checks, accomplishment of other tasks according to decisions/instructions of the Board of Directors (Audit Committee of the Board of Directors) within the internal audit competence;

3.5.1.3. realisation of the right of Head of the Internal Audit Department on participation in sessions of the Board of Directors (Committees of the Board of Directors), and also direct access to the Board of Directors (Audit Committee of the Board of Directors);

3.5.1.4. provision of preliminary consideration by the Audit Committee of the Board of Directors of the plan of activity of internal audit, the budget of the division of internal audit, policy/changes in the policy of the Company in the field of internal audit, estimation of a condition and efficiency of internal control, risk management and corporate governance systems;

3.5.1.5. representation to the Board of Directors (Audit Committee of the Board of Directors) periodic reports on a course of accomplishment of the plan of activity of internal audit, results of activity of the division of internal audit, information on the basic tendencies in activity of the Company and SDCs, revealed by results of checks of internal audit, practice of realisation of the internal audit function in the Company, including information on availability/absence of restrictions of activity and on provision of independence of internal audit and sufficiency of resource provision;

3.5.1.6. provision of bringing to consideration of the Board of Directors of the Company of results of an annual estimation of a condition and efficiency of internal control, risk management and corporate governance systems;

3.5.1.7. carrying out at least once a quarter of a meeting of Head of the Internal Audit Department with the Audit Committee of the Board of Directors or its chairman on questions, which are within the competence of internal audit;

3.5.1.8. granting to the Board of Directors (Audit Committee) of results of internal and external quality evaluations of activity of internal audit;

3.5.1.9. support of activity of the Audit Committee, including preliminary consideration of materials, which are brought to consideration at meetings of the Audit Committee;

3.5.2. realisation of interaction with executive powers of the Company in the following main directions (while preserving the balance of independence and objectivity of internal audit and not involvement into operational activity of the Company):

3.5.2.1. carrying out of checks, accomplishment of other tasks according to the plan of activity of internal audit and orders, which are given out by executive powers of the Company within the competence of internal audit (with taking into account priority ranking for accomplishment of the plan of activity of internal audit);

3.5.2.2. realisation of the right of Head of the Internal Audit Department on participation in meetings / sessions of executive powers of the Company, and also direct access to General Director / Chairman of the Management Board of the Company;

3.5.2.3. informing on results of checks, representation of recommendations about elimination of infringements and lacks revealed during checks, and offers on increase of efficiency and productivity of internal control, risk management and corporate governance systems, on activity enhancement of the Company and it SDCs.

3.6. Execution of local regulations and organizational-administrative documents regulating processes of the Company in which realisation the structural unit participates.

3.7. Preparation of conclusions under drafts of standard legal acts of the Russian Federation and local regulations, orders, instructions and other normative documents of the Company on questions entering into the competence of the division.

3.8. Development and updating of local regulations and organizational-administrative documents of the Company, regulating activity of the division within the limits of the presented powers.

3.9. Forming of offers for calculation of key performance indicators of activity of the Company on questions entering into the competence of the division.

3.10. Timely and qualitative forming of the budget of the division for the planned period, preparation of proving materials (explanatory notes, drawing up of calculations, expense budgets and others) on declared expenses of the division at forming of the budget.

3.11. Interaction with judicial, executive and legislative bodies of the Russian Federation and other organisations and institutions of the Russian Federation on questions entering into the competence of the division.

3.12. Studying of corporate, domestic and foreign experience on questions entering into the competence of the division, including participation in seminars, conferences, meetings and other events.

3.13. Preparation of information-analytical materials on questions entering into the competence of the division.

3.14. Consideration of offers, applications, complaints on questions entering into the competence of the division.

3.15. Accomplishment of other kinds of administrative actions and orders of executive powers of the Company, following from tasks and functions of the division (without taking by employees of the division management obligations of the Company on decision making).

3.16. The Internal Audit Department is a functional structural unit, carrying out the role of a resource centre, provides accomplishment of target values of key performance indicators of BP/BS of the Company and realisation of functions within the limits of BP/BS of the Company (Appendix # 2 to the Regulation).

3.17. The Internal Audit and Control Department provides and participates in carrying out of events for mobilisation preparation, civil defence, prevention and liquidation of emergency situations according to requirements of the legislation, standard legal acts of the Russian Federation and the internal standard documentation of the Company.

4. The management organisation

4.1. The organizational structure of the division is specified in Appendix # 3 to the Regulation.

4.2. Head of the Internal Audit Department fulfils the following obligations:

- provides timely and qualitative accomplishment of functional obligations by employees, assigned to them, according to this regulation;
- creates optimum conditions for coordination of activity of employees with other divisions of the Company;

- performs planning of activity of the division;
- develops offers directed on enhancement of activity of the division;
- performs operative monitoring of strategic key performance indicators, indicators of productivity and the course of business processes in which employees of the division participate.
- administers development of internal standard and organizational-administrative documentation;
- provides rational use of material, technical and other resources of the division with a view of accomplishment of tasks by employees;
- administers training of employees, creates conditions for their advanced training;
- performs the control over observance by employees of the division of rules of the internal labour policy, safety requirements;
- applies in relation to employees of the division material incentives of employees on the basis of qualitative and quantitative estimation of accomplishment of business processes.

4.3. Employees of the division perform the job responsibilities according to the employment contract, job descriptions, this regulation and other documents of the Company.

4.4. Head of the Internal Audit Department allocates work between employees of the division, establishes terms of its accomplishment, supervises quality of performed work, carries out work on accomplishment of functions of the division, according to this Regulation.

5. The rights

5.1. The rights of the division manager and other employees of the division are specified in their employment contracts with the Company.

The division manager and other employees of the division according to this Regulation and job descriptions at accomplishment of job responsibilities (a concrete labour function) have the right when due hereunder:

- to make explanations and recommendations concerning accomplishment of decisions of the Company on questions entering into the competence of the division;
- to enquire and receive when due hereunder from divisions of the Company and SDCs documents and information, necessary for accomplishment of tasks and functions assigned to divisions;
- to send to divisions of the Company to conclude on materials on questions entering into the competence of the division.

5.2. The division manager according to this Regulation at accomplishment of job responsibilities (a concrete labour function) has the right when due hereunder:

- to represent by proxy the Company with public authorities and local government, commercial, public and other organisations of the Russian Federation on questions entering into the competence of the division;
- to sign when due hereunder documents connected with realisation of obligations assigned to the structural unit and realisation of the given rights;
- to establish obligations and rights for other employees of the division, to

delegate his or her rights and obligations to other employees of the division in need in an established order;

- to approve provisions about divisions as a part of the division and job descriptions of employees of the division and to amend them in an order established in the Company;
- to correspond with divisions of the Company and SDCs on questions entering into the competence of the division;
- to answer, according to the legislation of the Russian Federation in an order established in the Company, offers, applications and complaints of shareholders, public authorities, other organisations and institutions of the Russian Federation on questions entering into the competence of the division;
- to instruct concerning the organisation of work of the division;
- to demand from employees of the division execution of their job responsibilities and solicitous attitude to property of the Company and other employees, observance of rules of the internal labour policy, requirements of labour protection and fire safety;
- to make when due hereunder offers on acceptance and dismissal of employees of the division, establishment of their official pay rates and allowances, about encouragement of employees of the division and about bringing them to disciplinary responsibility.

6. Obligations

6.1. Head of the Internal Audit Department and other employees of the Internal Audit Department bear the responsibility specified by their employment contracts with the Company.

6.2. Head of the Internal Audit Department according to the legislation of the Russian Federation, the Provision on the division bears personal responsibility for the division activity as a whole, failure to carry out, inadequate or untimely accomplishment of tasks and functions of the division, for damage caused to the Company due to failure to carry out, inadequate or untimely accomplishment of tasks and functions of the division, non-use of the given rights, including for poor-quality and inefficient planning of the budget of the division.

6.3. Head of the Internal Audit Department, supervising the structural unit, is responsible for effective resource allocation, placement of personnel and setting of operative tasks for the subordinate, for achievement and productivity of functions of the division as a participant of processes, for observance by the personnel of established terms and quality of accomplishment of tasks/orders, for production discipline.

7. Mutual relations and communications

During the course of performance of the production functions the Internal Audit Department supports direct communications with divisions of the Executive Office, branches of the Company, with external organisations and provides forming of information flows of BP/BS (inputs and outputs specified by the Certificates of BP/BS and internal regulations).

8. Labour protection

Within the labour protection provision in the Executive Office of IDGC of Centre, JSC the Internal Audit Department carries out the following functions:

- provision and control of a mode of work and rest of the subordinate personnel according to the legislation of the Russian Federation, rules of the internal labour policy of the Company;
- control over passage by employees of the division of health and safety induction training, labour protection and fire safety, training to safe methods of accomplishment of works and first-aid treatment to a victim at a production site;
- non-admission to work of persons who have not passed when due hereunder training and instructing in safety, training (if necessary) and examination of requirements of labour protection;
- development (participation in development) of safety instructions, job descriptions with obligatory inclusion in job responsibilities of functions on labour protection, provision of personnel with instructions and control over their studying, application at work;
- control over availability of necessary reference documents, literature, circular letters, information materials, taking measures to make up a set;
- suspension from work of persons who are in a condition of alcoholic or narcotic intoxication, the persons who have broken specifications on labour protection, operation, fire safety if these infringements result in threat of safety of people, integrity of the equipment, to a state of environment is created;
- control over timely passage by the subordinate personnel of preliminary and periodic medical checks. Suspension from work of persons who have not passed in due time obligatory medical checks, and also in case of medical contra-indications;
- control over the labour protection condition in the subordinate division. Notification to the superior and employees of the industrial inspection and safety Office of the Executive Office about each accident and signs of job-related illnesses;
- initiation of disciplinary actions and representation of materials for their taking to employees who break rules and norms of labour protection or not carrying out the functional obligations on labour protection;
- accomplishment of an improvement notice of office holders of bodies of the state and departmental supervision and control over observance of requirements of labour protection;
- provision of personnel (taking measures to provide), working with hazardous or dangerous working conditions, and also in special temperature conditions or on the sites connected with pollution, with certificated means of individual protection, which are washing off and neutralising means, according to the standards confirmed in the order, specified by resolutions of the Government of the Russian Federation and other regulations.

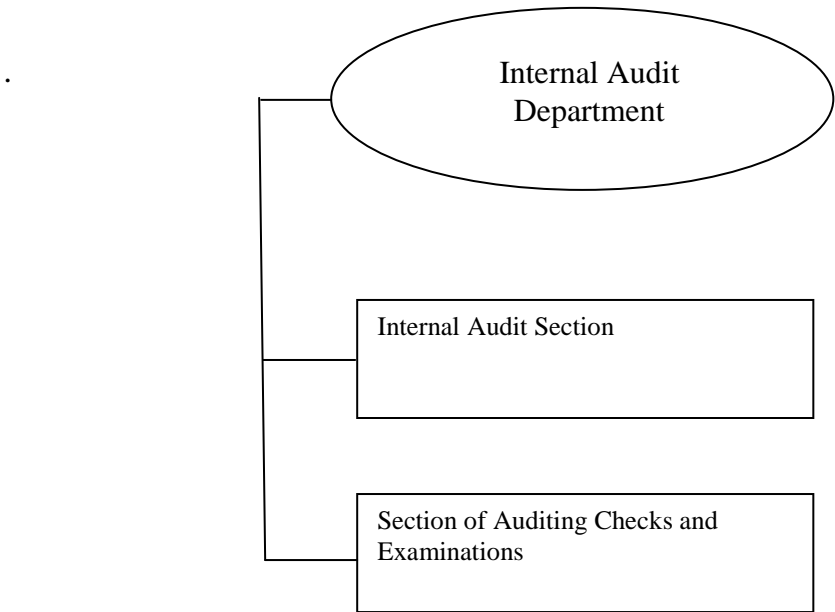
The extract from the file register of the Internal Audit Department

The extract from the summary file register of the Company (regarding the documents forming as a result of activity of the Internal Audit Department), constituted annually in the last quarter of a previous year each forthcoming year and approved when due hereunder according to the Instruction on clerical work of IDGC of Centre, PJSC, is stored by the Internal Audit Department in a separate file.

The Functional matrix of distribution of responsibility for the functions, which are carried out in the Business Process Management System by the Internal Audit Department

Item #	Top level business process
1	BP 1 Corporate governance
2	BP 3 Property management
3	BP 4 Management of business planning
4	BP 6 Sale of grid connection services
5	BP 7 Sale of electric power transmission services
6	BP 14 Management of project activity
7	BP 16 Development and social support of staff
8	BP 17 Development and social support of staff
9	BP 18 Management of production safety

The Organizational structure of the Internal Audit Department



Appendix # 4
to PSP TSA/16/3/07-2015

Acquaintance Sheet

Post	Surname, initials	Acquaintance date	Signature
Head			

The record of changes and additions

Amendment (add.) of point	Contents of the change (addition)	Reason	Date	Employee who has made the change (addition)		Employee who has familiarised with the change (addition)	
				surname, initials, post	signature	surname, initials, post	signature
1	Sections 1-3. Entering of additional functions	Federal Law from 27.07.2010 № 224-FZ, Order of the Company from 01.02.2012 №12-SH	03.02.2012	A.V. Molodtsova			
2	Actualisation of the entire document	Order from 22.10.2013 № 443-TSA		S.V. Shpakova			
3	Actualisation of the entire document	Order from 08.10.2014 № 303-TSA		S.V. Shpakova			

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