

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

16 August 2019

Moscow

No. 14/19

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 T.V. Zaitseva was taken into account at drawing up of the minutes.

Date of the minutes: 16.08.2019.

AGENDA:

1. On the interaction of the Audit Committee of the Board of Directors of the Company with external and internal auditors, including the scope of audit procedures and audit methods proposed by the external auditor.
2. On consideration of information of the Company's management «On the implementation of the Internal Control Policy of IDGC of Centre, PJSC».
3. On consideration of interim accounting (financial) statements of the Company for 6 months of 2019, prepared under RAS.
4. On consideration of the information of the Company's management on the implementation of the Corrective Action Plans to eliminate deficiencies identified by the Audit Commission of the Company, the internal audit of the Company, external control (supervision) bodies, on the implementation of measures taken on facts of informing about potential cases of unfair actions of employees, as well as results of investigations for 6 months of 2019».
5. On consideration of the report of the Internal Audit Department of the Company «On the implementation of the Work Plan for 6 months of 2019 and results of the internal audit activity».
6. On preliminary consideration of the Action Plan to maintain an effective internal control system of the Company and its development.
7. On preliminary review of the Methodology for calculation and evaluation of implementation of functional key performance indicators of the head of the internal audit department of the Company in a new edition.

Item 1: On the interaction of the Audit Committee of the Board of Directors of the Company with external and internal auditors, including the scope of audit procedures and audit methods proposed by the external auditor.

Decision:

1. To take into consideration the information of the external auditor on the planning of the audit of financial statements of IDGC of Centre, PJSC for 2019 and the information of the internal auditor on the organization of the internal audit activity in the Company and interaction with the Audit Committee.

2. Internal audit:

2.1. To ensure effective interaction with the external auditor on the evaluation of the effectiveness of the internal control and risk management systems.

2.2. To provide reports to the external auditor:

- on the implementation of the work plan and the results of internal audit activities;
- on the evaluation of the effectiveness of the internal control and risk management systems to familiarize with the level of development of the internal control and risk management systems.

3. To recommend that the external auditor:

3.1. Timely inform the Audit Committee of the Company of facts of difficulties and limitations that arise during the audit, as well as revealed signs of manipulating reporting data.

3.2. Pay special attention to the use by the Company of estimated judgments and assumptions, existence of disagreements with counterparties in terms of the volume of services provided and their validity.

4. To instruct the Company's management to submit for discussion to the Audit Committee with invitation of the external and internal auditors:

4.1. A management and governance letter (auditor's report) of the external auditor on the main problems of the Company's accounting (financial) statements.

Deadline: no later than 10 days after the Company receives the auditor's report.

4.2. Changes in the Accounting Policy of the Company in 2019, planned changes for 2020 and impact of these changes on accounting (financial) statements.

Deadline: no later than 25.12.2019.

4.3. Non-standard transactions and events, formation of a reserve for doubtful debts and estimated liabilities, the most significant assumptions in the preparation of accounting (financial) statements.

Deadline: no later than 25.12.2019.

Voting results:

Alexander Viktorovich Varvarin - «FOR»

Maxim Mikhailovich Saukh - «FOR»

Alexander Viktorovich Shevchuk - «FOR»

Total:

«FOR»	- «3»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 2. On consideration of information of the Company's management «On the implementation of the Internal Control Policy of IDGC of Centre, PJSC».

Decision:

To take into consideration the information of the management of IDGC of Centre, PJSC on the implementation of the Internal Control Policy of the Company in accordance with

Appendix # 1 to this decision of the Audit Committee.

Voting results:

Alexander Viktorovich Varvarin - «FOR»

Maxim Mikhailovich Saukh - «FOR»

Alexander Viktorovich Shevchuk - «FOR»

Total:

«FOR»	- «3»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 3. On consideration of interim accounting (financial) statements of the Company for 6 months of 2019, prepared under RAS.

Decision:

Following the results of review of the accounting (financial) statements of IDGC of Centre, PJSC for 6 months of 2019, prepared under RAS, to note:

- excess of the growth rate of expenses over the growth rate of revenue;
- decrease in sales margin;
- increase in overdue accounts receivable.

Voting results:

Alexander Viktorovich Varvarin - «FOR»

Maxim Mikhailovich Saukh - «FOR»

Alexander Viktorovich Shevchuk - «FOR»

Total:

«FOR»	- «3»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 4. On consideration of the information of the Company's management on the implementation of the Corrective Action Plans to eliminate deficiencies identified by the Audit Commission of the Company, the internal audit of the Company, external control (supervision) bodies, on the implementation of measures taken on facts of informing about potential cases of unfair actions of employees, as well as results of investigations for 6 months of 2019».

Decision:

1. To take into consideration the information of the Company's management on the implementation of the corrective action plans to eliminate deficiencies identified by the Audit Commission of the Company, the internal audit of the Company, external control (supervision) bodies, on the implementation of measures taken on facts of informing about potential cases of unfair actions of employees, as well as results of investigations for 6 months of 2019 in accordance with Appendix # 2 to this decision of the Audit Committee.

2. To note a 4-fold increase in penalties imposed on the Company by external control (supervision) bodies in the 1st half of 2019 (11,8 million rubles) compared to the first half of 2018 (3,0 million rubles), with an increase over the same periods in the number of inspections of external control (supervision) bodies by 4% and an increase in the number of identified violations by 7%.

Voting results:

Alexander Viktorovich Varvarin - «FOR»
Maxim Mikhailovich Saukh - «FOR»
Alexander Viktorovich Shevchuk - «FOR»

Total:

«FOR»	- «3»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 5: On consideration of the report of the Internal Audit Department of the Company «On the implementation of the Work Plan for 6 months of 2019 and results of the internal audit activity».

Decision:

To approve the Report of the Internal Audit Department of IDGC of Centre, PJSC on the implementation of the Work Plan and to take into consideration the results of the internal audit activity for 6 months of 2019 in accordance with Appendix # 3 to this decision of the Audit Committee.

Voting results:

Alexander Viktorovich Varvarin - «FOR»
Maxim Mikhailovich Saukh - «FOR»
Alexander Viktorovich Shevchuk - «FOR»

Total:

«FOR»	- «3»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Item 6. On preliminary consideration of the Action Plan to maintain an effective internal control system of the Company and its development.

Decision:

To recommend that the Board of Directors of IDGC of Centre, PJSC take the following decision:

«1. To approve the Plan for maintaining the efficiency and development of the internal control system of IDGC of Centre, PJSC (hereinafter - the Plan) according to the Appendix.

2. General Director of the Company to ensure informing annually the Board of Directors of the Company about the implementation of the Plan as part of the Report of General Director and the Management Board of the Company on the organization and functioning of the internal control system for the corresponding year, starting from the report for 2019».

Voting results:

Alexander Viktorovich Varvarin - «FOR»
Maxim Mikhailovich Saukh - «FOR»
Alexander Viktorovich Shevchuk - «AGAINST»

Total:

«FOR»	- «2»
«AGAINST»	- «1»
«ABSTAINED»	- «0»

Decision is taken.

A dissenting opinion was received on this item from a member of the Audit Committee of the Board of Directors of the Company, A.V. Shevchuk (Appendix # 4).

Item 7. On preliminary review of the Methodology for calculation and evaluation of implementation of functional key performance indicators of the head of the internal audit department of the Company in a new edition.

Decision:

To recommend that the Board of Directors of IDGC of Centre, PJSC take the following decision:

«1. To approve the Methodology for calculation and evaluation of implementation of functional key performance indicators of the head of the internal audit department of IDGC of Centre, PJSC in a new edition according to the Appendix.

2. To instruct General Director of the Company to approve the Methodology for calculation and evaluation of implementation of functional key performance indicators of the head of the internal audit department of IDGC of Centre, PJSC in a new edition specified in clause

1.1 of this decision in the manner prescribed by the Company».

Voting results:

Alexander Viktorovich Varvarin - «FOR»

Maxim Mikhailovich Saukh - «FOR»

Alexander Viktorovich Shevchuk - «FOR»

Total:

«FOR»	- «3»
«AGAINST»	- «0»
«ABSTAINED»	- «0»

Decision is taken.

Appendices:

1. The information of the Company's management «On the implementation of the Internal Control Policy of IDGC of Centre, PJSC» (Appendix # 1).

2. The information of the Company's management on the implementation of the corrective action plans to eliminate deficiencies identified by the Audit Commission of the Company, the internal audit of the Company, external control (supervision) bodies, on the implementation of measures taken on facts of informing about potential cases of unfair actions of employees, as well as results of investigations for 6 months of 2019 (Appendix # 2).

3. The Report of the Internal Audit Department of IDGC of Centre, PJSC on the implementation of the Work Plan and taking into consideration the results of the internal audit activity for 6 months of 2019 (Appendix # 3).

4. The dissenting opinion of the member of the Audit Committee of the Board of Directors of the Company, A.V. Shevchuk, on agenda item 6 (Appendix # 4).

Chairperson of the Audit Committee

A.V. Varvarin

Secretary of the Audit Committee

S.V. Lapinskaya