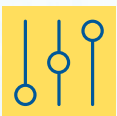




INDEPENDENT AUDITOR

To ensure independence and impartiality of the external auditor, PAO Rosseti, 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. Information on the tender for the right to conclude contracts on audit services for FY2015-2017 was posted under No.31502075235 on 27.02.2015 at the B2B-energo electronic trading platform in the information system located at www.zakupki.gov.ru. OOO RSM RUS was recognized as the winner of the tender after re-biddings conducted with the aid of services of the electronic trading system⁷⁷. Bidders were estimated by the criteria, set and disclosed in the tender documentation.

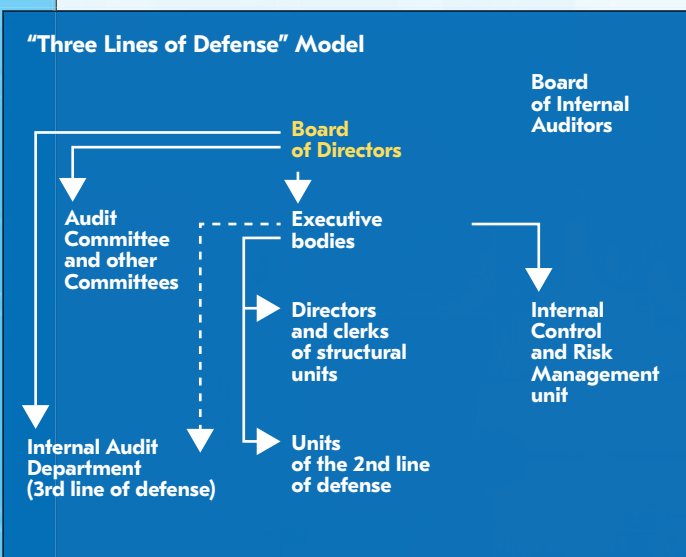
The Company's charter states that the Board of Directors recommends a nominee to conduct independent audit of the annual financial statements to the General Meeting after tender procedures. The General Meeting approves the Company's auditor. The Company's annual general meeting, conducted on Jun. 05, 2017⁸¹, decided to approve OOO RSM RUS 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 firm⁷⁸. The auditor remuneration for the audit of FY2017 financial statements, prepared under RAS and IFRS, is decided by the Board of Directors on 31.08.2017⁷⁹ at RUB 2,611,251.46, plus VAT. There were no other remunerations for non-auditing services due to the auditor.



INTERNAL CONTROL

Internal control is an integral component of Company's governing system, focused to ensure reasonable guarantees that the goals below are achieved:

- Company's efficiency and performance, including achievement of financial and operational indicators, soundness of assets;
- Company's compliance with applicable laws and Company's enactments, incl. Company's operations and accounting;
- Provision of integrity and timeliness of financial and other reporting.



Internal control covers all lines of Company's operations, with all processes regularly controlled at all management levels. The Company's system of internal control functions in line with the "three lines of defense" model. This model means that internal control is enforced on three levels:

- First line of defense: management bodies (sole and collegiate executive bodies), units in charge of the control procedure due to their duties;
- Second line of defense: Company's control units;
- Third line of defense: Internal Audit units.

Functions of the system players are stipulated by the Company's Internal Control Policy⁸⁰, Regulations on the structural units.

The Company enforces the Procedure of implementation of the Internal Control Policy, disclosing practical aspects related to application of the norms, set by the Internal Control Policy. Control procedures on core and auxiliary processes, subprocesses and governance processes are stipulated by control and risk matrices. Pursuant to the decree⁸¹ ICS improvement plans are in progress after adoption.

To guarantee the ICS efficiency and compliance with changing requirements and conditions, the Company's internal auditor evaluates efficiency of the system, its compliance with target state and maturity level. The internal auditor has conducted internal independent evaluation of ICS efficiency. There was no external independent evaluation. The ICS maturity level was assessed as "optimal" in 2017⁸²,⁸³, with it being between "moderate" and "optimal" in 2016.