

Audit Committee

Message from the Chairman of the Audit Committee



In 2018, monitoring the reliability and effectiveness of the corporate governance, risk management, and internal control systems remained a priority in the Audit Committee's activities.

A new version of the Regulation on the Internal Audit Unit, Compliance Policy, and the Anti-Fraud and Corruption Policy were tentatively reviewed and recommended for approval during the reporting year.

In addition, the Committee discussed the Risk Management and Internal Control Policy of PJSC Inter RAO at an in-person meeting and recommended the Board of Directors approve it. Under the policy, the internal control and corporate risk management systems employed by the Company were merged in order to enhance the efficiency of internal control and risk management and to fulfill the recommendations of the Corporate Governance Code.

The Antimonopoly Compliance Policy was tentatively reviewed and recommended for approval by the Board of Directors in November 2018. PJSC Inter RAO is among the first electric power companies to introduce an antimonopoly compliance system in order to prevent and minimize antimonopoly risks.

Andrey Bugrov,

Chairman of the Committee

The size of the Committee is determined by a resolution of the Board of Directors and may range from three to seven people. According to the Regulation on the Audit Committee, this Committee should be solely comprised of independent directors. If this is impossible for objective reasons, the majority of the Committee members should be comprised of independent directors, while the rest of the committee members may be members of the Board of Directors who are not the Chairman or members of the Company's Management Board. The Committee may only be chaired by an independent director.

In accordance with the Regulation on the Committee, it is comprised solely of independent directors.

Most important items considered by the Committee

In 2018, the Committee tentatively considered the approval of the following internal regulatory documents:

1. a new version of the Regulation on the Internal Audit Unit of PJSC Inter RAO;
2. the Risk Management and Internal Control Policy of PJSC Inter RAO;
3. a new version of the Compliance Policy of PJSC Inter RAO;
4. the Antimonopoly Compliance Policy of PJSC Inter RAO;
5. a new version of the Anti-Fraud and Corruption Policy of PJSC Inter RAO UES.

The Committee issued recommendations on the approval of the auditor candidate and the cost of its services and also considered a report on the independence, objectivity, and lack of a conflict of interests among the Company's external auditors.

The following issues were considered as part of the monitoring of the implementation of the Policy on Interaction with the External Auditor:

- the submission of recommendations to the Company on the selection of candidates for the Company's external auditor
- the conclusion of a contract with the auditor of the Long-Term Development Program and the approval of the cost of its services

The results of the overview of consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as well as reports on the Company meeting the requirements of Russian legislation concerning insider information and market manipulation were reviewed on a quarterly basis.