

CORPORATE CONTROL

Risk Management and Internal Control Framework

The Group has introduced and employs a Risk Management and Internal Control Framework that encompasses key assets, business processes, lines of business, and all levels of the Group's management.

Detailed information about the operation of the RMICF is available in the Strategic Report in the 'Risk management and internal control' section.

Internal audit functions

The internal audit division of the Inter RAO Group includes the Internal Audit Unit of PJSC Inter RAO (IAU) and the internal audit units of the Company's controlled entities. The IAU is functionally subordinate to the PJSC Inter RAO Board of Directors and administratively subordinate to the Chairman of the PJSC Inter RAO Management Board. The head of the IAU functionally coordinates the activities of the internal audit units of the controlled entities: LLC Inter RAO – Power Generation Management and JSC Mosenergosbyt.

STRUCTURE OF THE INTERNAL AUDIT DIVISION OF THE INTER RAO GROUP

Legal entity	Structural unit
PJSC Inter RAO	Audit Department for Supply Assets and Trading of the Internal Audit Unit
PJSC Inter RAO	Engineering Audit Department of the Internal Audit Unit
LLC Inter RAO – Power Generation Management LLC	Technical Activities Audit Office
LLC Inter RAO – Power Generation Management LLC	Financial Audit Division
LLC Inter RAO – Power Generation Management LLC	Procurement Activities Audit Division
JSC Mosenergosbyt	Internal Audit Office

Main functions of the IAU:

- conducting audits of PJSC Inter RAO and its controlled entities
- assessing the effectiveness of the Risk Management and Internal Control Framework, including as regards countering and preventing corruption and assessing corporate governance

- consulting the Company's executive bodies on issues concerning risk management, internal control, and corporate governance
- organizing and engaging in interaction with the Company's external auditor as part of the exchange of information on the results of work and the discussions of activity plans
- researching and monitoring information about the subjects of audits in order to analyze the results of the fulfillment of the IAU's recommendations

Self-assessment results

The internal audit division conducts a self-assessment each year when a report is prepared on the activities of the IAU. The results of the self-assessment conducted based on the 2018 results confirm that internal audit activities are generally consistent with the International Professional Practices Framework adopted by the Institute of Internal Auditors, including the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors. No circumstances have been identified that could have an impact on the scope and content of internal audits or prevent internal auditors from carrying out their duties.

Results of work in 2018

The IAU carries out its activities in accordance with the work plan approved by the PJSC Inter RAO Board of Directors. The work plan for 2018 was fully implemented within the allotted time.