

## **Conclusion of the Audit Committee under the Board of Directors of IDGC of the North-West, PJSC on the level of efficiency and quality of the external audit process**

In accordance with Subclauses 294.2 and 294.3 of the Corporate Governance Code endorsed by the Board of Directors of the Bank of Russia on 21.03.2014, the Audit Committee under the Board of Directors of IDGC of the North-West, PJSC (hereinafter – the “Company”) conducted evaluation of efficiency of the process of conductance of external audit of the Company's 2016 accounting (financial) statements prepared in accordance with RAS and evaluation of the Auditor's opinion following the results of the said audit.

RSM RUS, LLC was declared winner following the outcome of the conducted open competitive negotiations without preliminary qualification selection for the right to conclude a contract for provision of services related to audit of accounting statements prepared in accordance with the Russian Accounting Standards, audit of consolidated financial statements prepared in accordance with the International Financial Reporting Statements for the period of 2015-2018 (Minutes No. 5/552r of session of the Procurement Commission dated 14.04.2015).

On the basis of the decisions of the annual General Meeting of Shareholders of the Company (minutes No. 11 dated 08.06.2016), Board of Directors (minutes No. 220/11 dated 30.09.2016) the Company concluded Contract No. 237/796/16/161a042 dated 21.10.2016 with RSM RUS, LLC (hereinafter – External Auditor).

Registered address of the External Auditor: Pudovkina str., Moscow, 1192854 Russia.

RSM RUS, LLC is a member of the Self-Regulating Organization of Auditors – Non-Commercial Partnership “Russian Audit Chamber” (NP RAC) which is included in the uniform state register of auditors' self-regulatory organizations on 25.09.2013, Registry No. 6938, and is located at: 21 Michurinsky pr., Block 4, 119192, Moscow (Membership Certificate No. 11306030308).

Independence and objectivity in accordance with the criteria established by Federal Law No. 307-FZ dated 30.12.2008 “On Audit Activities” was confirmed by the letter of the External Auditor No. RSM-2307 dated 27.04.2017.

Additionally, independence of the External Auditor has been confirmed by RSM RUS, LLC having had no experience in provision of services related to external audit of the Company for a long time. RSM RUS, LLC carried out audit of the Company's 2015 and 2016 accounting (financial) statements. RSM RUS, LLC did not provide any other services to the Company in 2015-2016.

The External Auditor prepared and presented the following documents:

- Written information (report) for the Company management following the results of intermediate audit of the accounting (financial) statements prepared in accordance with RAS for 9 months ending on 30.09.2016, on 50 sheets.

- Written information (report) for the Company management following the results of conductance of audit of the accounting (financial) statements prepared in accordance with RAS for the year ending on 31.12.2016, on 38 sheets.

- Auditor's opinion of the Company's 2016 accounting (financial) statements, on 2 sheets.

The above documents prepared by RSM RUS, LLC were considered by the Audit Committee under the Board of Directors of the Company at its meetings, the main problems pertaining to the Company's accounting (financial) statements prepared in accordance with the Russian Accounting Standards (hereinafter – RAS) were discussed with the External Auditor and the Company management (Minutes No. 7 dated 15.12.2016 and No. 12 dated 28.04.2017).

The contents of the written information (report) prepared by RSM RUS, LLC conforms to the requirements of Clause 10 of Rules (Standard) No. 22 “Communicating information regarding audit results to the audited entity’s management and representatives of its owner”.

The proceedings conducted by RMS RUS, LLC in the course of external audit of the Company's 2016 accounting (financial) statements prepared in accordance with RAS conform to the conditions of the contract concluded and to the requirement of Federal Law No. 307-FZ “On Auditing Activities” dated 30.12.2008.

The Auditor's opinion submitted conforms to the requirements of Federal Law No. 307-FZ “On Auditing Activities” dated 30.12.2008 and the federal rules (standards) governing auditing activities as approved by Resolution No. 696 of the Government of the Russian Federation dated 02.09.2002.