

Conclusion of the Audit Committee under the Board of Directors of IDGC of North-West, PJSC on the Level of Efficiency and Quality of the External Audit Process

Pursuant to clauses 294.2 and 294.3 of the Corporate Governance Code endorsed on 21.03.2014 by the Board of Directors of the Bank of Russia and the Audit Committee under the Board of Directors of IDGC of North-West, PJSC (hereinafter referred to as the Company), the efficiency evaluation of the process of external audit of the Company's 2018 accounting (financial) statements prepared in accordance with the Russian Accounting Standards (hereinafter – RAS) and evaluation of the Audit Report following the results of the said audit.

On the B2B-Center open electronic trading platform, Rosseti, PJSC held an open tender without preliminary qualification for the right to conclude a contract for a mandatory annual audit of the reporting; on the results of which Ernst&Young LLC was declared the winner (Minutes of the Competition Commission meeting dated 16.04.2018 No. 13/595r)

By virtue of the decisions of the annual General Meeting of Shareholders dated 07.06.2018 (Minutes No. 13) and of the Board of Directors of the Company dated 21.08.2018 (Minutes No. 294/7), the Company concluded the Contract for Provision of Auditor Services No. 345/515/18 dated August 21, 2018 with Ernst&Young, LLC (hereinafter referred to as the External Auditor).

Registered address of the External Auditor: 77 Sadovnicheskaya Naberezhnaya, build. 1, 115035 Moscow, Russia.

Ernst&Young, LLC is a member of the Self-Regulating Organization “Russian Audit Chamber” (Association), the abbreviated name is NP RAC (SRN 2137799142314, the record containing the specified data is entered in the Uniform State Register of Legal Entities on 03.08.2016). Ernst&Young, LLC is included in the check copy of the register of auditors and audit organizations on October 20, 2016 under the primary register number of the record 11603050648.

Independence and objectivity of the External Auditor were confirmed by the following details provided by Ernst&Young, LLC:

- activity standards are implemented within Ernst&Young, LLC in accordance wherewith the said company takes efforts to be an independent auditor and have the reputation of an independent auditor;

- in accordance with the ethics and independence regulations adopted by Ernst&Young, LLC, all partners and employees of Ernst&Young, LLC shall on an annual basis confirm conformity to the said regulations inclusive of absence of prohibited financial investment in their investment portfolios.

Additionally, independence of the External Auditor has been confirmed by Ernst&Young, LLC having had no experience in provision of services related to external audit of the Company for a long time. Ernst&Young, LLC carried out audit of the Company's 2018 accounting (financial) statements. Ernst&Young, LLC did not provide any other services to the Company in 2018.

Planned materiality is estimated at the level of 520 million RUB for the audit of accounting (financial) statements under RAS for 2018. According to the audit methodology, the basis for calculating the materiality should be an indicator that is the main one for evaluating the company's activity for all users of accounting (financial) statements, the

procedure for calculating the materiality level is determined by the International Audit Standard (hereinafter referred to as IAS) 320 “Materiality in planning and conducting an audit” .

The External Auditor prepared and presented the following documents:

- Written information (audit report) for the management and the Audit Committee under the Board of Directors of IDGC of North-West, PJSC following the results of audit of the accounting (financial) statements prepared in accordance with RAS for 9 months of 2018;
- Written information (audit report) for the management and the Audit Committee under the Board of Directors of IDGC of North-West, PJSC following the results of audit of the accounting (financial) statements prepared in accordance with RAS for 2018.

The Audit Committee of the Board of Directors of the Company (Minutes No. 8 dated December 18, 2018) reviewed the Written information (Audit Report) of the Company's management on the results of the interim audit of the financial statements prepared in accordance with RAS for 9 months of 2018, discussed with the external auditor and the Company's management the main problems of the accounting (financial) statements of the Company prepared in accordance with RAS for 9 months of 2018.

The contents of the Written information (audit report) prepared by Ernst&Young, LLC conforms to the requirements of the International Auditing Standards (IAS) 265 “Informing the Persons in Charge of Corporate Governance and Management of the Internal Control System Drawbacks” and 260 “Information Interaction with the Persons in Charge of Corporate Governance.”

The procedures carried out by Ernst&Young LLC in the course of the external audit of the Company's accounting (financial) reports for 2018, prepared in accordance with RAS, comply with the terms of the contract, requirements of the Federal Law “On Auditing” dated 30.12.2008 No. 307-FZ and International Auditing Standards (IAS).

The presented Audit Report complies with the requirements of the Federal Law dated December 30, 2008 No. 307-FZ “On Auditing”, International Auditing Standards (IAS).

The Company's management has evaluated the effectiveness of the external audit process of the Company's accounting (financial) statements for 2018 using quality criteria. In order to assess the effectiveness of the external audit process of the Company's accounting (financial) statements for 2018, feedback was received from the Company's management on the degree of satisfaction with the quality of the external audit process by questioning.

According to the results of the questioning of the Company's management, an overall assessment of the quality of external audit was given – “High quality”.

The overall assessment of the effectiveness of the external audit process of the Company's accounting (financial) statements for 2018 is assessed by the Company's management as “effective”.

**The Chairman of the Audit Committee
under the Board of Directors of
IDGC of North-West, PJSC**

/Signature/

A.V. Shevchuk