

**Report of the Internal auditor of IDGC of North-West PJSC
based on the results of assessing the reliability and efficiency of the
internal control system and the risk management system, the efficiency of the
Company's corporate governance.**

1. Basis for preparation of the internal auditor report

The report is prepared in accordance with the requirements of Federal Law No. 208-FZ dated 26.12.1995 “On Joint Stock Companies”, recommendations of the Bank of Russia (letter dated 01.10.2020 No. IN-06-28/143) “On Recommendations for Organizing Risk Management, Internal Control, Internal Audit, Work of the Audit Committee of the Board of Directors (supervisory board) in Public Joint-stock Companies”, as well as in pursuance of the provisions of the Internal Audit Policy of IDGC of North-West PJSC, approved by the resolution of the Board of Directors of IDGC of North-West PJSC, minutes of 02.12.2019 No. 339/16.

The assessment was carried out to determine the reliability and efficiency of the internal control system, the risk management system (hereinafter referred to as ICS, RMS), and the efficiency of corporate governance.

2. The methodology and criteria for assessing the internal control system, risk management system, corporate governance of IDGC of North-West PJSC

Criteria of efficiency of ICS, RMS: efficiency of ICS and RMS of the Company is assessed by determining the level of maturity of ICS and RMS, in accordance with the Methodology for assessing the effectiveness of the internal control system and the risk management system of the Company, approved by order of IDGC of North-West PJSC No. 24 dated January 18, 2018.

Assessment components:

- 1) Evaluation of Company ICS efficiency:
 - Control environment;
 - risk assessment;
 - control events;
 - Information and communication;
 - monitoring.
- 2) Evaluation of Company RMS efficiency:
 - Internal environment;
 - setting goals;
 - development of events;
 - risk assessment;
 - implementation of risk management events;
 - control activities;
 - Information and communication;
 - monitoring.

Corporate Governance efficiency criteria: the criterion for assessing corporate governance is the compliance of corporate governance with the principles and recommendations set forth in the Corporate Governance Code, Listing Rules and best corporate practices. Assessment of corporate governance efficiency was carried out in accordance with the Corporate Governance Assessment Methodology approved by the order of IDGC of North-West PJSC dated November 13, 2020 No. 643.

Assessment components:

- shareholder rights;
- Board of Directors;
- executives;
- transparency and disclosure of information;
- risk management, internal control and internal audit;
- corporate social responsibility, business ethics, compliance.

3. Assessment of reliability and efficiency of the internal control system of IDGC of North-West PJSC

The level of maturity of the internal control system of IDGC of North-West PJSC, based on the results of averaging the assessments of the compliance of the current state with the criteria for the target state based on the results of 2020, was estimated at **“4.8” out of “6”**.

This assessment corresponds to the **“BEST POSSIBLE”** maturity level, which is characterized by:

- Problems (risks) of activity management are identified. The risk management system is integrated into the planning and decision-making processes. However, RMS is not automated, not all possible controls are automated.

- The processes are regulated, unified in the Company, the executive body and branches of the Company and communicated to the personnel by posting on a public resource. Monitoring the implementation and assessment of efficiency of organization of the processes used in the Company is ensured. When low efficiency of the implemented processes is revealed, their optimization is ensured. The processes are under continuous improvement and are based on best practices. Operation management automation tools are used partially and to a limited extent.

4. Assessment of reliability and efficiency of the risk management system of IDGC of North-West PJSC

Level of maturity of the risk management system within IDGC of North-West, PJSC based on averaging the assessments of compliance of the current state with the criteria of the target state based on the results of 2020, the estimation is **“4.5”** out of **“6.0”** possible.

This assessment corresponds to the **“INTERMEDIATE”** maturity level between **“MODERATE”** and **“BEST POSSIBLE”**, maturity level, which is characterized by:

- Problems (risks) of activity management are identified. However, the risk management system is not fully integrated into the decision-making process.

- The processes are regulated and communicated to the personnel. However, the procedure of use of these processes is left to the discretion of the staff. The above leads to possible deviations from standard procedures that may not be detected. The procedures

used are not the best possible ones and not up-to-date, however, are indicative of the practices applicable by the public.

– Problems (risks) of activity management are identified. The risk management system is integrated into the planning and decision-making processes. However, RMS is not automated, not all possible controls are automated.

– The processes are regulated, unified in the Company, the executive body and branches of subsidiaries and affiliates of the Company and communicated to the personnel by posting on a public resource. Monitoring the implementation and assessment of efficiency of organization of the processes used in the Company is ensured. When low efficiency of the implemented processes is revealed, their optimization is ensured. The processes are under continuous improvement and are based on best practices. Operation management automation tools are used partially and to a limited extent.

5. Assessment of efficiency of corporate governance of IDGC of North-West PJSC

Based on the analysis of compliance of the current state of corporate governance elements for 2019-2020 corporate year, it was established that, in accordance with the specified criteria for the target state of corporate governance elements, the principles and recommendations set forth in the Corporate Governance Code, in the Listing Rules and best corporate practices:

- the corporate governance of the Company based on the results of 2019-2020 corporate year corresponds to the “**Developed Practice**” (the score was 462 points out of 525 points, 88%).