

Report of the Audit Committee under the Board of Directors of Rosseti 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 Rosseti North-West, PJSC (hereinafter referred to as the Company), the efficiency assessment of the process of external audit of the Company's 2021 accounting (financial) statements prepared in accordance with the Russian Accounting Standards (hereinafter – RAS) and assessment of the Auditor's Report following the results of the said audit, was carried out.

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 Tender Committee meeting dated 26.03.2021 No. 6/595r).

By virtue of the decisions of the annual General Meeting of Shareholders dated 28.05.2021 (Minutes No. 17), the Company concluded the Contract for Provision of Auditor Services No. 284/338/21 dated 04.06.2021 with Ernst&Young, LLC (hereinafter referred to as the External Auditor).

Registered address of the External Auditor: 115035, Moscow, Sadovnicheskaya Embankment, 77, building 1

Ernst&Young, LLC is a member of the Self-regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). Ernst & Young, LLC was included in the control copy of the register of auditors and audit organizations under the main registration number of the record 12006020327.

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.

Ernst&Young LLC takes appropriate measures to eliminate any threats to independence or reduce them to an acceptable level.

For the purpose of audit of accounting (financial) statements in accordance with RAS for 2021, the planned materiality was estimated at 200 million rubles. The procedure for calculating the level of materiality is determined by the International Standard on Auditing (hereinafter – ISA) 320 "Materiality in planning and conducting an audit".

The External Auditor submitted the Written information (Audit Report) to the management and the Audit Committee under the Board of Directors of Rosseti North-West, PJSC within the deadlines established by the contract:

- on the main problems of the consolidated interim condensed financial statements of the Company for the three and six months ended June 30, 2021, prepared in accordance with IFRS;

- based on the audit of accounting (financial) statements prepared in accordance with RAS for 9 months of 2021;
- based on the audit of accounting (financial) statements prepared in accordance with RAS for 2021;
- on the main problems of the consolidated financial statements of the Company prepared in accordance with IFRS for 2021,
which were considered by the Audit Committee under the Board of Directors of the Company on 28.09.2021 (Minutes No. 2), on 23.12.2021 (Minutes No. 3), on 21.04.2022 (Minutes No. 5).

The contents of the Written information (audit report) 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 2021, 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 Auditor’s Report complies with the requirements of Federal Law dated December 30, 2008 No. 307-FZ “On Auditing”, International Auditing Standards (IAS).

The Company’s management has assessed the effectiveness of the external audit process of the Company’s accounting (financial) statements for 2021 using quality criteria. In order to assess the effectiveness of the external audit process of the Company's accounting (financial) statements for 2021, feedback was received from the Company's management on the degree of satisfaction with the quality of the external audit process by questionnaire survey.

According to the results of the questionnaire survey of the Company's management, the overall quality of external audit was assessed as: “High Quality”.

The overall effectiveness of the external audit process of the Company's accounting (financial) statements for 2021 was assessed as: “Effective”.

Chairman of the Audit Committee
under the Board of Directors of
Rosseti North-West, PJSC

E.V. Nikitchanova