

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

Pursuant to clauses 294.2 and 294.3 of the Corporate Governance Code endorsed in 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 the North-West, PJSC (hereinafter referred to as the Company), the efficiency evaluation of the process of external audit of the Company's 2017 accounting (financial) statements prepared in accordance with RAS and evaluation of the Audit Report 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. 5/552 of session of the Procurement Commission dated 20.04.2015).

By virtue of the decisions of the annual General Meeting of Shareholders (Minutes No. 12 dated 13.06.2017) and of the Board of Directors of the Company (Minutes No. 242/33 dated 19.05.2017), the Company concluded the Contract No. 420/1432/17/171a062 dated 05.10.2017 with RSM RUS, LLC (hereinafter referred to as the External Auditor).

Registered address of the External Auditor: 4 Pudovkina St., 119285 Moscow, 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 of the External Auditor were confirmed by the following details provided by RSM RUS, LLC:

- - implemented within RSM RUS, LLC are activity standards 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 RSM RUS, LLC, all partners and employees of RSM RUS, 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 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, 2016 and 2017 accounting (financial) statements. RSM RUS, LLC did not provide any other services to the Company in 2015-2017.

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 30.09.2017.

– Written information (report) for the Company management following the results of audit of the accounting (financial) statements prepared in accordance with RAS for 2017.

– Audit Report on the Company's 2017 accounting (financial) statements.

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. 5 dated 18.12.2017 and No. 12 dated 27.04.2018).

The contents of the Written information (report) prepared by RSM RUS, LLC conforms to the requirements of the Federal Law on Auditing No. 307-FZ, International Auditing Standards (IAS) 260 (revised) “Information Interaction with the Persons in Charge of Corporate Governance” and 265 “Informing the Persons in Charge of Corporate Governance and Management of the Internal Control System Drawbacks.”

The proceedings conducted by RSM RUS, LLC in the course of external audit of the Company's 2017 accounting (financial) statements prepared in accordance with RAS conform to the conditions of the contract concluded and to the requirement of the Federal Law on Auditing No. 307-FZ dated 30.12.2008.

The Audit Report was drawn up conforms to the requirements of the International Auditing Standards (IAS) enacted in the territory of the Russian Federation by the orders of the Ministry of Finance of the Russian Federation No. 192n dated October 24, 2016, and No. 207n dated November 09, 2016.