

**REGULATION
ON INTERNAL AUDIT
of Public Joint Stock Company
«EL5-Energo»**

Moscow 2023

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1. GENERAL PROVISIONS

The Regulation on Internal Audit of PJSC «EL5-Energo» (hereinafter referred to as the Regulation) was developed in accordance with the applicable requirements of the Russian legislation, the Charter of PJSC «EL5-Energo» (hereinafter referred to as the Company), the Corporate Governance Code recommended for use by the Bank of Russia, and the applicable listing rules of the stock exchange where the securities of PJSC «EL5-Energo» are traded, other local regulations of the Company, as well as taking into account the International Professional Practices Framework¹ developed by the International Institute of Internal Auditors.

This Regulation applies to employees of the Company and organizations controlled by the Company².

This Regulation determines the goals, objectives, authorities and responsibilities of internal audit, the method of organizing internal audit in the Company and organizations controlled by the Company, the procedure for subordination and accountability of internal audit, the procedure for planning and carrying out activities, as well as the procedure for monitoring the assurance and improvement of internal audit quality.

2. TERMS AND DEFINITIONS

Audit assessment - activities that assess the degree of reliability and efficiency of the internal control and risk management system, as well as corporate governance system in the Company and organizations controlled by the Company, as well as the formation of proposals for their improvement.

Audit report - a document representing the official results of audits and consultations, which specifies the findings, conclusions and recommendations.

Internal audit budget - the amount of costs intended for financial support of internal audit.

Internal audit (audit) – activities that provide independent and objective guarantees and consultations aimed at improving the activities of the Company and organizations controlled by the Company, contributing to the achievement by the Company and organizations controlled by the Company of the goals set by using a systematic and consistent approach to assessing and improving the efficiency of the internal control and risk management system, as well as corporate governance system. Audit assessment and audit consulting are the forms of internal audit.

Internal control – a process carried out by management and control bodies and other employees aimed at providing reasonable confidence in the achievement of the goals of the Company and organizations controlled by the Company related to operating activities, reporting, compliance with legal requirements, local regulations, adopted corporate principles, rules and regulations.

Annual internal audit activity plan – a document defining the areas, description, goals and timing of the audits to be carried out during the calendar year.

Internal Audit Director - an employee of PJSC «EL5-Energo», who manages the Internal Audit Department of PJSC «EL5-Energo».

Audit and Corporate Governance Committee of the Board of Directors of the Company – a committee formed from members of the Board of Directors of the Company, endowed with an consulting and advisory function in relation to corporate governance, internal audit, internal control and risk management systems.

Consultations (audit consultations) – activities that provide customers who requested consulting services with proposals and recommendations on the results of internal audit in order to improve quality and efficiency of business activities, upgrade the system of internal control and risk management, as well as corporate governance system, while releasing internal auditors from taking responsibility for management decisions.

Corporate Governance – a system of relationships between the executive bodies (General Director, Management Board), the Board of Directors and its Committees, shareholders and other stakeholders. Corporate governance is a tool for determining the goals of the Company, means of achieving these goals and ensuring effective control over the operational and financial results of the Company by shareholders and other stakeholders.

Fraud – any illegal activities characterized by deceit, concealment or breach of trust. Fraud does not include those actions that are performed under the influence of force or the threat of force. Fraud is committed by individuals and

¹ International Professional Practices Framework (IPPF) includes: Definition of Internal Audit, Mission of Internal Audit, Code of Ethics, International Standards for the Professional Practice of Internal Audit and related Guidelines for their Application, Basic Principles for the Professional Practice of Internal Auditing.

² Organizations controlled by PJSC «EL5-Energo» - business entities and other organizations over which PJSC «EL5-Energo» has direct or indirect control. Direct control means the ability of PJSC «EL5-Energo» to actually (directly) determine the decisions made by the management bodies of the relevant legal entity. Indirect control means the ability of PJSC «EL5-Energo» to determine the decisions made by a legal entity not directly, but through third parties (both legal entities and individuals), in relation to which PJSC «EL5-Energo» has the right to determine their decisions.

legal entities to obtain money, property or services, to evade payments or provision of services, or in order to obtain personal or commercial gain.

Company - PJSC «EL5-Energo».

Auditee - asset, project, portfolios of assets or projects, business processes, sub-processes (operations, functions, procedures) or their combination, structural units, branches or separate divisions of the Company and organizations controlled by the Company assessed during audits.

Internal Audit Department (IAD) - a structural unit of the Company that organizes the activities of internal audit and performs the functions of internal audit in the Company and organizations controlled by the Company.

Risk appetite - the level of risk, which is considered acceptable for the Company, related to the goals of the Company and represents an acceptable level of possible deviation from the set goal, target indicator.

3. GOALS, MISSION AND OBJECTIVES OF INTERNAL AUDIT

3.1. The goal of the internal audit is to contribute to the achievement of the Company's strategic goals and objectives by applying a systematic and consistent approach to assessing and improving the efficiency of the internal control and risk management system, as well as corporate governance system during audits and consultations.

3.2. The mission of the internal audit is to maintain and increase the value of the Company by conducting objective internal audits and consultations based on a risk-based approach, providing recommendations and sharing knowledge.

3.3. The objectives of internal audit are:

- assessment of the reliability and effectiveness of internal control and risk management system, as well as corporate governance system used in the Company and organizations controlled by the Company;
- preparation of proposals and recommendations based on the results of the audit to improve and increase the efficiency of internal control and risk management systems, as well as corporate governance system;
- identification of the causes, conditions and circumstances for the occurrence of detected deviations and deficiencies, as well as non-compliances with internal control, risk management and corporate governance procedures, including an assessment of the possible damage from such deviations and the identification of persons whose actions or inaction caused the deviation to occur;
- communicating information about the deviations and deficiencies detected during the audits to the Company's management bodies, other stakeholders in accordance with the established procedure;
- verification of compliance by the Company's employees with the provisions of the legislation of the Russian Federation and local regulations of the Company, including the ones related to insider information, anti-corruption and compliance with the requirements of the Company's Code of Ethics.

3.4. As part of the fulfillment of the objectives defined, internal audit performs the following functions:

3.4.1. Assessment of reliability and effectiveness of the internal control system, including:

- verification of internal control processes and procedures;
- verification of ensuring the reliability and integrity of business processes, including the reliability of procedures for combating illegal actions, abuse and corruption;
- assessment of the control system in order to ensure the reliability, completeness and timeliness of accounting and reporting, as well as reliability (including credibility, completeness and timeliness) of collecting and submitting information and reporting;
- assessment of the ways (methods) used to ensure the safety of property;
- assessment of reliability of the functioning of the internal control system for the use of automated information systems;
- assessment of sufficiency of the criteria established by the executive bodies to analyze the degree of achievement of the goals set, including the assessment of the Company's management monitoring the costs and benefits associated with the introduction of the means of control;
- identification of deficiencies in the internal control system that did not allow (do not allow) the Company and organizations controlled by the Company to achieve their goals;
- assessment of the results of introduction (implementation) of measures to eliminate deviations, deficiencies and improve the internal control system implemented at all levels of management;
- verification of compliance with the requirements of the law, the Charter and local regulations of the Company.

3.4.2. Assessment of reliability and effectiveness of the risk management system, including:

- assessment of reliability and effectiveness of the elements of the risk management system for effective risk management (goals and objectives, infrastructure, organization of processes, regulatory and methodological support, interaction of structural units within the risk management system, reporting);
 - analysis of systems for identifying, assessing risks and determining risk appetite at all levels of management;
 - assessment of effectiveness of control procedures and other risk management measures;
 - assessment of effectiveness of risk response measures and their retention within the established risk appetite;
 - analysis of procedures for collecting and exchanging information on the risks within the Company and organizations controlled by the Company to ensure proper response to risks.
- 3.4.3. Assessment of reliability and effectiveness of the corporate governance system, including:
- assessment of ensuring the rights of shareholders, including controlled companies, and the effectiveness of relationships with stakeholders, compliance with and promotion of ethical principles and corporate values;
 - assessment of strategic and operational decision-making processes;
 - assessment of the procedure for setting the goals of the Company, monitoring and control of their achievement;
 - assessment of the level of regulatory support and information exchange procedures (including internal control and risk management issues) at all management levels of the Company, including interaction with stakeholders.
- 3.4.4. Participation in investigations conducted by the Company in relation to dishonest / illegal actions of employees and third parties, including negligence, corporate fraud, corruption, abuse and various illegal actions that cause damage to the Company and organizations controlled by the Company.
- 3.4.5. Other functions necessary to achieve the objectives assigned to internal audit.

4. ORGANIZATION OF INTERNAL AUDIT

- 4.1. Determining the principles and approaches to organization of the internal audit in the Company is within the competence of the Board of Directors of the Company, which:
- approves and amends the basic local regulations of the Company that determine the policy in the field of organization and implementation of internal audit;
 - decides on the appointment and dismissal of the Internal Audit Director, and also approves the conditions of the employment contract with him, including the terms of his remuneration;
 - approves the internal audit activity plans for the reporting period and, if necessary, revises them;
 - regularly (at least once a year) considers reports on the results of internal audit activities for the reporting period (including information on the implementation of the annual internal audit activity plan, on the results of audits and consultations, on the assessment of internal audit activities);
 - considers the opinion of the internal audit department on the reliability and efficiency of the internal control and risk management system, as well as corporate governance system in the Company;
 - approves the budget for the organization and implementation of internal audit for the reporting year and, if necessary, revises it;
 - makes decisions aimed at ensuring the organizational independence of internal audit;
 - if necessary, considers cases of significant limitation of authorities of internal auditors or other restrictions that may adversely affect implementation of internal audit.
- 4.2. Audit and Corporate Governance Committee of the Board of Directors:
- preliminary considers all issues of internal audit submitted to the Board of Directors of the Company, and gives its recommendations on them;
 - ensures the independence and objectivity of the internal audit function in the Company;
 - evaluates effectiveness of internal audit function in the Company and considers proposals for its improvement.
- 4.3. The General Director of the Company administers the activities of internal audit, including:
- allocation of the necessary funds within the framework of the internal audit budget approved by the Board of Directors of the Company;
 - review of reports on the internal audit activities;
 - creation of conditions for unhindered and effective interaction of internal audit with the structural units of the Company and organizations controlled by the Company.

4.4. The functions and objectives in the field of internal audit specified in the clause 3.3. and the clause 3.4. of this Regulation in the Company and organizations controlled by the Company are performed by the Internal Audit Director and the structural unit of the Company - the Internal Audit Department.

In order to ensure the required level of independence of internal audit, a special order of subordination and accountability is established: the Internal Audit Director and the IAD are functionally subordinate and accountable to the Board of Directors of the Company, and administratively - to the General Director of the Company.

The Internal Audit Director is appointed and dismissed by the General Director based on the decision of the Board of Directors. The terms of the employment contract with the Internal Audit Director are approved by the Board of Directors.

The organizational structure and the number of IAD are approved by the General Director of the Company considering the scale of the Company's activities, taking into account the recommendations of the Audit and Corporate Governance Committee, the Board of Directors and the proposals of the Internal Audit Director.

4.5. In order to ensure the objectivity of internal audit and exclude factors that entail risks of a conflict of interests:

- the Internal Audit Director and employees of the IAD should not be assigned duties not related to the implementation of internal audit;
- the Internal Audit Director and employees of the IAD should not manage the functional areas of the Company, companies it is controlled by and (or) organizations controlled by the Company, that require management decisions (including membership in collegial executive bodies);
- the Internal Audit Director and employees of the IAD should not work part-time in other structural units of the Company, companies it is controlled by and (or) organizations controlled by the Company;
- the Internal Audit Director and employees of the IAD cannot conduct audits of those areas for which they were responsible during the year preceding the audit;
- the Internal Audit Director and employees of the IAD are required to annually confirm the absence of a conflict of interests by completing and signing a declaration of the absence of a conflict of interests.

4.6. Line Managers, Heads of structural units of the Company and organizations controlled by the Company within their competence:

- provide the IAD with the requested information and provide the necessary support during the audits and consultations;
- participate in the development of corrective measures aimed at eliminating deviations detected during audits, as well as improving and increasing the efficiency of both individual components and the whole risk management and internal control system, as well as corporate governance system;
- monitor the implementation of measures/activities approved upon the results of the audits and analyze the effectiveness of the response measures taken.

5. AUTHORITIES, RESPONSIBILITIES AND PRINCIPLES OF INTERNAL AUDIT

5.1. The Internal Audit Director is authorized to:

- interact directly with the Board of Directors, the Audit and Corporate Governance Committee, and, if necessary, initiate the convening of a meeting of the Board of Directors;
- attend meetings of the Board of Directors, its Committees and sessions (meetings, working groups, commissions, etc.) of the executive bodies of the Company and organizations controlled by the Company as an invited representative of internal audit;
- initiate revisions, inventories, inspections and investigations, if necessary;
- upon agreement with the Audit and Corporate Governance Committee and the executive bodies of the Company, engage independent external consultants or independent external providers of audit services on a contractual basis if there are no or insufficient employees of the relevant profile for the audit in the IAD;
- upon agreement with the General Director of the Company engage employees of other units of the Company and organizations controlled by the Company in internal audits.

5.2. The Internal Audit Director and all employees of the IAD are authorized to:

- audit all activity areas of the Company and organizations controlled by the Company while performing their functions;

- request and receive direct, unhindered access to documents, accounting records, information resources, materials of meetings of collegial bodies, draft decisions and decisions of the Board of Directors, executive bodies and other information about the activities and development plans of the Company and organizations controlled by the Company, as well as other necessary information and materials ;
 - make and store copies of any documents, make photo and video recording of the facts of economic activity in order to carry out audit activities, being responsible for safe storage and confidentiality of all information received;
 - request and obtain access to assets for inspection, verification of availability, operability, assessment of their value and other activities related to the implementation of the internal audit;
 - conduct interviews necessary to achieve the objectives of the internal audit with the personnel of the Company and organizations controlled by the Company, request and receive in a timely manner any information in accordance with the objectives of the audits, explanations of the facts identified during the audits, information on the implementation of action plans to eliminate deficiencies and evaluate the results of these measures;
 - use information resources and software of the Company and organizations controlled by the Company for the purposes of internal audit;
 - receive the necessary resources to ensure the proper quality of internal audit activities.
- 5.3. The normative and methodological framework of internal audit includes the requirements of the applicable legislation, standards and rules of auditing activities adopted in the professional community of internal auditors, as well as internal rules, provisions, regulations, methods and procedures of internal audit developed on their basis.
- 5.4. The Internal Audit Director and employees of the IAD are responsible for:
- compliance with the internal audit requirements and standards of within their competence, established by this Regulation and other local regulations of the Company;
 - development and updating of internal regulatory documents of the Company in the field of internal audit;
 - compliance with standards affecting personal objectivity, competence and professional attitude to work, as well as standards that determine the requirements for the performance of their duties;
 - compliance with confidentiality requirements in relation to information received during the audits;
 - prompt communication to stakeholders (management, Board of Directors) of information on cases of negative impact on independence and objectivity when performing their functions;
 - the reliability and credibility of the information used to prepare the opinion on the reliability and effectiveness of the risk management and internal control system, as well as corporate governance system.
- 5.5. Internal audit in the Company is based on the following basic principles:
- Honesty - honesty of the internal auditor is the foundation on which the credibility of the auditor's opinion is based;
 - Objectivity - internal auditors demonstrate the highest level of professional objectivity in the process of collecting, evaluating and communicating information about the auditee. Internal auditors make a balanced assessment of all relevant circumstances and in their judgments are not influenced by their own interests or the interests of others;
 - Confidentiality - internal auditors respect the ownership of information they receive in the course of their activities and do not disclose information without appropriate authority, except in cases where disclosure of such information is due to legal or professional obligations;
 - Professional Competence - internal auditors apply the knowledge, skills and experience required to provide internal audit services.
- 5.6. Internal audit and the results of its activities are based on the principle of reasonable assurance³. Internal audit cannot guarantee the identification of all significant risks and deficiencies, even if the audits are carried out at the proper level of professionalism. The executive bodies and management of the Company are responsible for creating and

³The principle of reasonable (not absolute) assurance is achieved by gathering the necessary and sufficient audit evidence to reduce audit risk (i.e. the risk of drawing an inappropriate conclusion by an internal auditor) to an acceptable level. However, due to the inherent nature of a number of limitations, the IAD cannot provide absolute assurance that, for example, events beyond our control, errors, inaccuracies, including the ones resulting from misleading the auditor, or other abnormal incidents will never occur.

maintaining a reliable and efficient system of internal control and risk management, as well as corporate governance system.

6. INTERNAL AUDIT PLANNING AND IMPLEMENTATION

6.1. The Internal Audit Director annually develops a draft risk-oriented plan that determines the priorities of internal audit activities in accordance with the goals and development strategy of the Company, and also plans the internal audit budget for the reporting year.

6.2. The internal audit activity plan is based on a formalized assessment of process risks, taking into account the requests of the executive management, the Board of Directors and the Audit and Corporate Governance Committee. The risk assessment methodology for internal audit planning is developed by the IAD and included in the formalized internal audit procedures.

6.3. The annual internal audit activity plan and the internal audit budget for the reporting year are reviewed by the Audit and Corporate Governance Committee and approved by the Board of Directors of the Company no later than the beginning of the year for which the plan was developed. The annual internal audit activity plan is subject to periodic review (at least once a year), in particular taking into account changes in the activities of the Company or organizations controlled by the Company, as well as considering the results of risk reassessment. Changes to the plan and budget may be made as necessary.

6.4. For each audit, a plan is drawn up and filed, specifying the goals, the scope of the audit objectives, taking into account the risk assessment and review of control procedures, timing and allocation of resources. The scope and content of the audit objectives should be sufficient to achieve the audit goals.

6.5. To perform an audit, internal auditors collect, analyze, evaluate and file information sufficient to achieve the audit objectives. The conclusions and results of internal auditors are based on the analysis and evaluation of a sufficient amount of reliable, relevant and useful information and are supported by audit evidence filed.

6.6. The Internal Audit Director ensures that audit objectives are properly controlled to ensure the quality of the audit.

6.7. After each audit, an audit report is issued indicating the goals and scope of the audit, the issues raised as part of the risk management and internal control system, as well as corporate governance system (if applicable), the findings, conclusions and recommendations of the IAD. The IAD communicate the report to the audit auditee and stakeholders, who can ensure its due consideration.

6.8. If necessary, based on the results of the audit, representatives of the auditee are recommended to prepare an action plan aimed at eliminating deficiencies and implementing internal audit recommendations to improve the risk management and internal control system, as well as corporate governance system. Representatives of an auditee may make a reasoned decision not to take action on any of the identified deficiencies or recommendations of the internal auditors. Deciding whether to accept risk is beyond internal audit responsibility. If, according to the opinion of the internal audit, an auditee accepts a risk that is unacceptable for the Company, the Internal Audit Director promptly communicates this information to the General Director of the Company and, if necessary, to the Audit and Corporate Governance Committee and the Board of Directors.

6.9. The IAD monitors implementation of action plans developed as a result of audits in order to confirm the adequacy, effectiveness and timeliness of actions taken to eliminate deficiencies, implement recommendations and improve the internal control system. Information on monitoring results is brought to the attention of the stakeholders.

6.10. The Internal Audit Director regularly (at least once a year) provides information to the General Director, the Audit and Corporate Governance Committee and the Board of Directors on the results of the implementation of the annual internal audit activity plan, including:

- the results of individual internal audits with conclusions on the effectiveness of the system of internal control and risk management of auditee, as well as corporate governance system (if applicable), on the results of the effectiveness of implementation of measures to eliminate the deficiencies detected;
- conclusion on the assessment of reliability and efficiency of risk management and internal control, as well as the effectiveness of the Company's corporate governance.

7. EVALUATION OF THE INTERNAL AUDIT ACTIVITIES

7.1. The Internal Audit Director organizes regular evaluation of internal audit activities. The purpose of the evaluation is to determine effectiveness and efficiency of the IAD's activities, as well as to identify opportunities to improve the quality, effectiveness and usefulness of internal audit.

7.2. The evaluation results are reported annually to the General Director, the Audit and Corporate Governance Committee and the Board of Directors.

7.3. The evaluation of internal audit activities is carried out on the basis of an internal methodology developed taking into account the International Professional Standards for Internal Auditing, and includes continuous monitoring of internal audit activities, periodic internal and external assessments.

7.4. The continuous monitoring of internal audit activities includes:

- control over the implementation of internal audits;
- application of standardized practices for the work of the IAD: procedures for planning and performing internal audits, drawing up working documentation, preparing reports;
- receiving feedback from the auditee, the General Director, executive bodies, the Audit and Corporate Governance Committee and the Board of Directors of the Company.

7.5. The internal evaluation of the activities of the IAD is carried out annually by self-assessment of the compliance of the IAD's activities with the International Standards of Professional Practice. A report based on the results of such an evaluation is submitted for consideration to the Audit and Corporate Governance Committee and the Board of Directors every year.

7.6. Periodic external quality evaluation of the entire range of internal audit activities implies the involvement of an external independent evaluator in order to obtain an opinion on the quality level of the IAD's activities and the credibility of the IAD's opinion resulting from the assessment of reliability and effectiveness of risk management and internal control, as well as the effectiveness of the Company's corporate governance. The external evaluator may be third-party independent professional audit organizations (the Company's independent external auditor, other competent audit organization) or a specially appointed independent expert.

7.7. An external evaluation of the internal audit is carried out by decision of the Board of Directors of the Company at least once every five years.

8. INTERACTION WITH EXTERNAL INDEPENDENT AUDITOR OF THE COMPANY

8.1. The requirements of the current legislation determine both the conduct of an internal audit in the Company and the approval of an external auditor.

8.2. Internal audit in the Company:

- is organized taking into account the fact that a part of audit objectives is assigned to the competence of external auditors;
- takes into account the inadmissibility of mixing competencies and mutual interference in the professional activities of external and internal audit employees;
- recognizes the specific nature of external audit in terms of its goals, the auditee, the peculiar character of the organization and responsibility, as well as periodicity of control.

8.3. The necessity and expediency of interaction between participants of internal and external audit is due to:

- common subject of internal and external audit – production-economic and financial-economic information;
- functional independence as a condition for effective professional performance of activities;
- coordination of audit activities towards the most probable risks and risks with a significant level of possible damage;
- limitation of audits by the level of materiality.

8.4. In order to ensure meaningful use of internal audit opportunities, the IAD interacts with the external auditor on the following matters:

- exchange of information on the results of assessing the reliability and effectiveness of risk management and internal control of the Company in terms of control over the preparation of accounting (financial) statements;
- analysis of the effectiveness of the implementation of corrective measures aimed at eliminating deficiencies in risk management and internal control of the Company, including control over the preparation of accounting (financial) statements.

9. FINAL PROVISIONS

9.1. This Regulation, as well as all additions and changes to it, are approved by the Board of Directors of the Company.

9.2. The Internal Audit Director annually assesses the relevance of the Regulation for its compliance with the current legislation, the Charter of the Company and the objectives of the Company, and, in case of finding inconsistencies, initiates amendments.

9.3. Issues not regulated by this Regulation are governed by the current legislation of the Russian Federation, the International Professional Practice Framework developed by the International Institute of Internal Auditors, decisions of the Board of Directors of the Company and other regulatory documents of the Company.

9.4. If, due to changes in the legislation of the Russian Federation or the Charter of the Company, certain articles of this Regulation conflict with them, the Regulations shall be applied to the extent that does not contradict the current legislation and the Charter of the Company.