

Internal Control and Risk Management System Model

Internal Control and Risk Management System of JSC IDGC of the North-West is part of the Company's corporate governance system including a full range of procedures, methods, and control tools elaborated and implemented by the Board of Directors, Auditing Commission, executive bodies, senior management and all Company employees with the aim to ensure success in the following areas:

- efficient and productive operation management;
- compliance with applicable legislation and in-house regulations;
- prevention of unlawful actions of Company employees and third parties with regard to Company's assets;
- reliability, accuracy and timeliness of all types of reports.

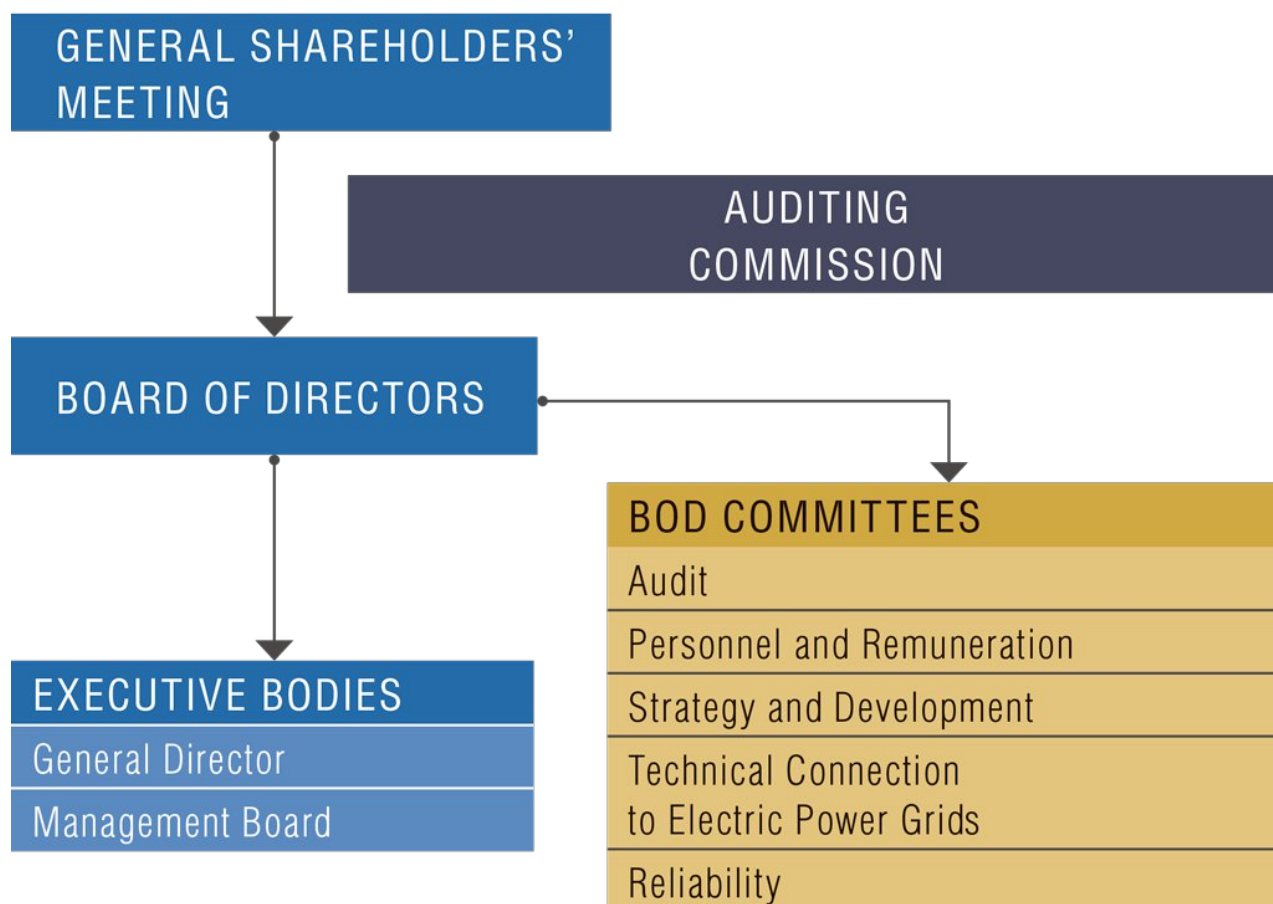
In order to develop Internal Control and Risk Management System, the Company's Board of Directors approved in-house regulations on September 01, 2014 (Minutes No. 164/6):

- Internal Control Policy (new version);
- Risk Management Policy (new version);
- Internal Audit Policy.

Internal Control and Risk Management System is improved at all levels of Company management in the following areas of control



Internal Control and Risk Management System Participants



Authority and Responsibility of Internal Control and Risk Management System Participants

Name	Major powers and responsibilities in Internal Control and Risk Management System
Board of Directors	<ul style="list-style-type: none"> ensure development, control operation and define the Company's general internal audit and risk management system development strategy review reports and decide on systemic, key and challenging issues of internal audit
Auditing Commission	<ul style="list-style-type: none"> control the Company's financial and business activities carry out an independent assessment of data in the annual report and annual statutory financial statements
Audit Committee, Board of Directors	<ul style="list-style-type: none"> select an external auditor and assess their performance evaluate reliability of data in the Company's (statutory) financial statements (including external auditor's report) evaluate internal control and risk management system efficiency, make proposals for improvement
General Director, Management Board	<ul style="list-style-type: none"> supervise creation and daily operation of efficient and safe internal control system
Head of Units and Structural Subdivisions	<ul style="list-style-type: none"> ensure efficient control over processes (activities), responsible for achievement of operational goals for such processes (activities) and risk control of processes (activities) and controlled procedures execution
Employees of the Company's structural units executing control as part of job duties	<ul style="list-style-type: none"> execute control as part of internal control system in accordance with job description and approved regulatory documents timely inform line managers about cases of impossibility of execution of controlled procedures and arrangements in risk management or where some change in controlled procedure/arrangement for risk control is required with regard to changes in internal and/or external conditions of Company's operation, including development and submittal for review of senior management suggestions on implementation of control procedures and arrangements in risk management in subsequent areas of activity
The Internal Audit and Control Department	<ul style="list-style-type: none"> provide methodology and coordinate risk management and regulation of controls at the Company, provide independent follow-up and estimation of controls efficiency, inform the Board of Directors and executive bodies about major tendencies and drawbacks in the Company's operation

In order to ensure that internal control system is efficient and complies with changing requirements and conditions, the Company assesses internal control system efficiency: its compliance with goals and maturity level.