



APPROVED
by the Board of Directors resolution
PJSC Enel Russia
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Chairman of the Board of Directors

_____ Stephane Zweguintzow

**REGULATION
OF INTERNAL AUDIT DEPARTMENT**
**Public Joint-Stock Company
Enel Russia**

Moscow
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INDEX

1. REGULATION AIMS AND APPLICATION AREA	3
2. RESPONSIBILITY	3
3. REFERENCES AND AMENDMENTS PROCEDURE.....	3
4. TERMS AND DEFINITIONS	3
5. INTERNAL CONTROL SYSTEM	5
6. INTERNAL AUDITING DEFINITION.....	5
7. INTERNAL AUDIT DEPARTMENT AIMS AND OBJECTIVES	6
8. INTERNAL AUDIT DEPARTMENT AUTHORITIES AND FUNCTIONS.....	7
9. INTERNAL AUDIT PRINCIPLES.....	8
10. INTERNAL AUDIT DEPARTMENT ORGANISATION.....	9
11. AUDITING ACTIVITIES.....	10
12. CONSULTING ACTIVITIES	11
13. PROFESSIONAL DEVELOPMENT	11
14. EVALUATION OF INTERNAL AUDIT PERFORMANCE	11

1. Regulation aims and application area

1.1. This document defines the guidelines for Public Joint-Stock Company (hereinafter referred to as «PJSC Enel Russia» or «the Company») internal processes, in particular sets out and determines aim, authority, scope and responsibilities of the Internal Audit department of the Company.

1.2. This regulation is approved by Board of Directors of PJSC Enel Russia; it applies to the Company and is binding for all the Company's staff involved in the internal audit process.

2. Responsibility

2.1. PJSC Enel Russia Internal Audit department is responsible for the preparation, interpretation, updating and implementation of the present regulation.

3. References and amendments procedure

3.1. In its activities Internal Audit department is governed by the legislation of the Russian Federation, the Charter of the Company, the applicable Listing Rules of stock exchange, on which the securities of the Company are traded (hereinafter referred to as «the Listing Rules»), the Code of Corporate governance approved by the Bank of Russia, Company's Regulation on Accountability and interaction of the Internal Audit department with the corporate governance bodies as well as any other internal documents and international standards related to performance of the internal audits.

3.2. If in the result of the changes to the laws, subordinate regulations of the Russian Federation, Listing rules, the Code of Corporate governance or the Charter of the Company separate articles hereof contradict them, in this case valid laws until the changes are introduced into the Regulation applicable laws, subordinate regulations of the Russian Federation, the Code of Corporate governance, Listing rules and the Charter of the Company shall be applied.

3.3. All amendments and additions to the Regulation shall be subject to obligatory approval by the Company Board of Directors.

4. Terms and Definitions

Action plan – part of audit report, which contains the plan of action defined by the auditee in merit of observations made in course of an audit activity and aimed at risks mitigation pointed out in the audit itself. The action plan defines the activities to be done, indicating the deadlines and persons responsible for implementation thereof. The action plan is included in a relevant section of the Audit Report.

Annual Audit Plan – document setting out audit areas, description, objectives and schedule to be held within the calendar year.

Audit and Corporate Governance Committee of the Board of Directors of the Company – a committee formed within Company's Board of Directors, with consultative and advisory function on the systems of corporate governance, internal audit, internal risk management and control.

Internal Audit Director – head of Internal Audit Unit of the Company.

Audit Report – document, representing formal results of the performed audit activities, summarizing the findings, conclusions and recommendations. The audit report includes an overall auditor opinion in merit of efficiency and adequacy of internal control over risk management in areas/processes subjected to the inspection.

Risk – the possibility of failing to achieve objectives pursued by the Company structure, understood in broad terms (including for example economic, financial, production, reputation, market or other purposes) in general associated with maintenance and enhancement of the value of the Company.

Consultancy services – a range of services to provide to management with advice and recommendations, the nature and content of which are agreed with the management of the Company. They are aimed at assisting and improving corporate governance, risk management and control, excluding the adoption of the internal auditor's responsibility for management decisions.

Control – any action taken by Executive Board, the Board of Directors and other parties to enhance risk management and increase the likelihood that established objectives and goals will be achieved. The management of the Company plans, organizes and directs the performance of sufficient actions to provide reasonable assurance of the achievement of objectives and goals.

Control Environment – the attitude and actions of the Board of Directors and management of the Company regarding the significance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes (i) Integrity and ethical values, (ii) Management's philosophy and operating style, (iii) Organizational structure, (iv) Assignment of authority and responsibility, (v) Human resource policies and practices, (vi) Competence of personnel.

Ethical auditing – audit activities involving the analysis and evaluation of the process management of ethical risk and seeks to implement the recommendations to improve the business ethics of the Company.

Follow-up – execution of a specific audit activity, aiming at verifying the adequacy, efficiency and velocity of corrective actions implementation

from the management side in regard to the audit findings pointed out during previously performed audit.

Fraud – Any illegal act characterized by deceit, concealment or violation of trust. Frauds are perpetrated to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Internal Audit Guidelines – a set of internal regulations in the perimeter of the Company's Internal Audit Department, providing methodological guidelines and procedures used to carry out and to assess the audit activities in the Company.

Quality Assurance Review – a program for evaluation of internal audit department activities aimed at provision of reasonable assurance that Internal Audit department activities conform to International standards for the Professional Practice of Internal Auditing, the present Regulation and other applicable internal documents, which regulate the Company's Internal Audit department.

Risk assessment – process periodically performed by the Internal Audit department in order to identify and evaluate the main internal and external risk factors that could affect the achievement of the specific objectives in the various Company processes/areas. Risk assessment is the starting point for the annual audit plan preparation, subsequently approved by the Company's Board of Directors.

Special Audit – audit action not included in the annual audit plan, undertaken following specific notifications or requests from the top management, Executive Board, Internal Audit Commission, Board of Directors Committees or the Company Board of Directors itself.

5. Internal Control System

5.1. Definition of the Internal Control System:

The internal control system is the process, effected by the Board of Directors, management and other Company personnel, designed to provide reasonable assurance regarding the achievement of the following objectives:

- reliability and integrity of financial and operational reporting of the Company;
- Company efficiency and effectiveness of operation;
- safeguarding of Company's assets;
- compliance with requirements of legislation and regulatory acts of the Russian Federation, with Company internal directives and contractual liabilities to counter parties.

6. Internal Auditing definition

6.1. Russian Institute of internal auditors gives the following definition of the internal audit: 'Internal auditing is an independent, objective assurance on the main processes and consulting activity designed to add value and improve company's operations. Internal audit assists the Company in achieving its goals by granting a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control and governance'.

6.2. The internal Audit Department of PJSC Enel Russia adheres to the rules associated to the internal auditor profession, as defined by the Russian Institute of Internal Auditors, which include the following:

- **"Code of Ethics"** for the Internal Auditor, that stipulates fundamental principles for the profession;
- **"International Standards for Professional Practice"**, to ensure conduction of internal audit activities in a uniform manner.

7. Internal Audit Department aims and objectives

7.1. The main aim of the Internal Audit Department of the Company is to provide systematically to the Audit and Corporate Governance Committee, to Board of Directors and General Director the independent evaluation of the effectiveness of the internal control system, risk management and practice of corporate governance.

7.2. The main objectives of the Internal Audit Department are:

- to assist the Company management and staff in elaboration and monitoring of procedures and activities aimed to improve the risk management system, internal control and corporate governance in the Company;
- coordination with the external auditor of the Company, as well as persons providing consulting services in the field of risk management, internal control and corporate governance;
- carrying out internal audit of affiliated companies within the framework of established order;
- preparation and granting reports on execution of annual audit plan to the Audit and Corporate Governance Committee, to the Board of Directors and the Company management (including information on significant risks, insufficiencies, follow up and effectiveness of action plan implementation, results of internal audit activities, results of actual condition evaluation related to reliability and efficiency of systems for risk mitigation, internal control and corporate governance);
- audit of the compliance of members of the Company Executive bodies, management and staff of the Company the legislation of the Russian Federation and internal regulatory documents relating to insider information, corruption and compliance with the requirements of the Code of Ethics of the Company.

8. Internal Audit Department authorities and functions

8.1. Functions of Internal Audit department include the following:

- a) adequacy and efficiency evaluation of internal control system, which includes:
- analysis of compliance of business-processes objectives, projects and business units to the Company's objectives, control over provision of reliable and integral business processes (activities) and information systems, including the reliability of procedures on countering against illegal actions, improper use and corruption;
 - control of reliable and correct provision of accounting (financial), statistic, managerial and other statements, determining whether business processes activities results and Company business units comply with the stated objectives;
 - determining the adequacy of criteria imposed by executive bodies in order to make feasibility (achievability) analysis of the objectives;
 - identification of internal control system deficiencies, that prevented (are preventing) the Company to achieve the objectives;
 - evaluation of results arising from action plan implementation, that was drawn up in order to eliminate deficiencies and non-compliances and to improve internal control system carried out at each management level;
 - control over efficiency and advisability of resource use;
 - control over the assets guard;
 - verification of compliance with the requirements of the legislation, the Charter and internal documents of the Company.
- b) assessment of the risk management system includes:
- verification of sufficiency and maturity of risk management system elements deemed to provision of efficient risk mitigation (objectives and tasks, infrastructure, process organization, regulatory and methodological enforcement, interaction of business units within the framework of risk mitigation system, reporting);
 - verification of completeness and correctness of identification in process of risk evaluation by the Company Management at each level;
 - verification of the effectiveness of control procedures and other activities on risk mitigation efficiency, including the use efficiency of resources provided for these goals;
 - conducting analysis of information on realized risks (identified by the internal audit violations, the facts of failure to achieve the goals, the facts litigation).
- B) corporate governance evaluation, including inspection of the following:
- adherence to ethical principles and corporate values of the Company;
 - procedure of Company goal setting, monitoring and control over achievement;
 - level of regulatory support and information flow procedures (including issues of internal control and risk management) at all levels of Company management, including interaction with interested parties;

- ensuring the shareholders rights, including affiliated companies, and effectiveness of relationships with stakeholders;
- procedures on disclosure of information in merit of activities of the Company and its affiliated structures.

8.2. Internal Audit Department of PJSC Enel Russia while implementing its audit activity is authorized to:

- enter all areas of the Company and have access to any documents and records considered necessary for the performance of its functions;
- make and retain copies of any information it required for the purpose of the audit work, having responsibility for the safekeeping and confidentiality of all the information received;
- obtain from all members of staff and management of the Company to supply information and explanations as may be needed for the purpose of its functions;
- to request and receive materials, including draft documents submitted for approval by the Board of Directors, the Executive Board and to receive all the orders/minutes of these bodies;
- to attract, to develop the planned activities and accomplish specific tasks, on behalf of the Board of Directors, employees of structural subdivisions of the Company, as well as specialists from other legal entities;
- consult with other organizations and structural subdivisions of the Company on matters within the competence of the internal audit service;
- to make proposals to the Board of Directors to improve procedures and methods of internal audit, system change control and management policy of the Company;
- to participate in the preparation and implementation of programs and projects in the areas of its activities;
- to participate in programs aimed at training, retraining and advanced training of employees and certification programs for internal auditors.

9. Internal Audit Principles

9.1. The internal auditors of PJSC Enel Russia are expected to apply and uphold the following principles:

9.2. Integrity

The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgement.

Internal auditors shall:

- i. perform their work with honesty, diligence and responsibility;
- ii. observe the law and make disclosures expected by the law and the profession;
- iii. not knowingly be a part to any illegal activity, or be engages in acts that are discreditable to the profession of internal auditing or to the company;
- iv. respect and contribute to the legitimate and ethical objectives of the Company.

9.3. **Objectivity**

Internal auditors shall demonstrate high level of professional objectivity in gathering, evaluating and handling information within perimeter of their activity or process. Internal Auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests and by others in formulating their professional judgements.

Internal Auditors shall:

- i. not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the Company.
- ii. not accept anything that may impair or be presumed to impair their professional judgment.
- iii. disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

9.4. **Confidentiality**

Internal auditors respect the value and ownership of information received and do not disclose such information without appropriate authority unless there is a legal or professional obligation to do so.

Internal Auditors shall:

- i. be prudent in the use and protection of information acquired in the course of their duties.
- ii. not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the Company.

10. Internal Audit Department organisation

10.1. The internal audit is independent in performing its activities as described in International Standards for Professional Practices in Internal Auditing, issued by the Institute of Internal Auditors (Attributed Standard 1100, PP 1100-1, PP 1110-1). In order to ensure the required level of independence in the performance of the activities the Internal Audit department reports functionally to the Company Board of Directors and administratively to the General Director of the Company.

10.2. Internal Audit Director shall report to the Board of Directors of the Company. Internal Audit Director shall be appointed to the Office and released from it by the General Director in compliance to the decision of the Board of Directors of the Company.

Internal Audit Director shall not manage the functional activities of the Company, require the adoption of management decisions in respect of the auditees.

10.3. Organizational structure and internal audit staff are proposed by the Internal Audit Director, taking into account the recommendations of the Audit and Corporate Governance Committee, the Board of Directors and the General Director of the Company.

10.4. The annual budget of the Internal Audit department shall be approved by the Board of Directors of the Company.

10.5. Internal Audit Director along with the Human Resources and Organization Directorate is responsible for recruiting, hiring, training, coordination and personnel evaluation within the perimeter of internal audit department.

11. Auditing activities

11.1. The Internal Audit Director is responsible for drafting the Annual Audit Plan, which constitutes the basis of the Internal Audit department activities.

The main inputs to the annual planning process are the following:

- risk assessment process, is performed by the Internal Audit department and allows to identify the main risk factors that may affect the achievement of defined objectives.

In particular the Internal Audit department identifies the audit areas, analyses the processes and related risks, and subsequently selects the key audit processes based on the priority of the identified risk factors and the control systems in place to manage them;

- various proposals and/or additions from the Company internal control bodies (the Audit and Corporate governance Committee, the Board of Directors, the Company Internal Audit Commission), as well as the company management (General director, executive bodies, line management) for the areas within their respective competence.

11.2. The Annual Audit Plan is approved by the Board of Directors and shared with the General Director.

11.3. In case of need (e.g. special management request, investigation on certain violations) adjustments can be made to the initially approved Annual Audit Plan, provided that proper communication is given to the Board of Directors of the Company and a General Director order is issued for the execution of the un-planned audit activity.

11.4. The Internal Audit department is responsible for planning, conducting, reporting and follow-up on the audit activities included in the Annual Audit Plan, besides it decides on the audits scope and timing.

11.5. On-site audit activities shall be carried out in a professional and timely manner. Upon completion of each audit activity a formal audit report is issued, summarizing the audit objectives and scope, the findings revealed within the internal control system, and relative recommendations. All audit reports are discussed with the relevant Company management, in order to approve the facts, recommendations and actions needed to be undertaken. Urgent matters arising during the audit activity are brought to the management's attention as soon as possible.

11.6. Official audit report is submitted to the attention of the Company General Director, the Board of Directors of the Company, the relevant audited management.

11.7. For all audit activities, the Internal Audit department performs periodic follow-up to ensure that audit recommendations are implemented, in order to ensure adequate Audit Plan actualization by management of the Company.

11.8. The Internal Audit department provides the following periodic reporting:

- on a regular basis, addressing the Audit and Corporate Governance Committee with the audit results, based on main conclusions and corrective measures approved by the Company management.
- on an annual basis, submits report to the Board of Directors of the Company on the results of the audit activities performed during the year, highlighting significant issues in terms of risk exposures and control systems deficiencies.

12. Consulting activities

12.1. Staff of the Internal Audit Department is authorized to provide services of internal consulting to other units or within perimeter of internal projects. In particular, consulting services are aimed to support growth of the Company benefit and to improve processes of the governance, risk management and internal control, although the auditor does not assume managerial responsibilities therefore.

12.2. An official document that provides the ability to implement the mentioned above activities is the assignment to perform the audit. The assignment for audit is approved by the Company Internal Audit Director.

13. Professional development

13.1. All the internal audit department specialists of PJSC Enel Russia shall undergo a proper training program. Such training program includes both audit training and General training related to internal organization and internal regulations of the Company. In addition, participation in meetings and workshops is regarded as an integral part of the training program.

13.2. Auditing training focuses on auditing courses tailored on the qualifications of the resources level in order to enable them to achieve professional autonomy and achieve the best practice standards

13.3. Internal Audit Director is responsible for identifying the most appropriate training initiatives for the human resources entrusted to the Internal Audit department, providing proper planning of the training requirements.

14. Evaluation of Internal Audit Performance

14.1. Quality Assurance Reviews are performed periodically, on the initiative of the Internal Audit Director, on individual audit activities in order to monitor and improve the effectiveness, efficiency and quality of the audit activities.

The Quality Reviews can be the following:

- SELF-ASSESSMENT – carried out by the audit team that has performed the audit activity;
- INTERNAL ASSESSMENT – carried out by auditors not belonging to the audit team responsible for carrying out the audit action;
- INDEPENDENT ASSESSMENT – performed by external professionals;
- AUDITEE ASSESSMENT - furthermore, following the completion of an audit activity, the Internal Audit department requests the auditee to provide formal feedback, in order to assess departmental performance at an overall level and improving the quality of audit service.