**Report by the Audit Committee of the Board of Directors**

**on the External Auditor’s Performance   
and Effectiveness of the External Audit**

Pursuant to the Corporate Governance Code (Clauses 294.2 and 294.2) approved on March 21, 2014 by the Board of Directors of the Bank of Russia, the Audit Committee of PJSC “Lenenergo” has assessed the external auditor’s performance and effectiveness of the external audit of the Company’s RAS accounting (financial) statements for 2017. Also, the Committee assessed the compliance of the Auditor’s Report with the applicable regulations and standards.

The Auditor, LLC “RSM RUS” won the single-stage public bid for the statutory audit contract for the audit of the statements of the subsidiaries and affiliates of PJSC “Rosseti” for 2015-2017 (Bidding Commission Record No. 6/552r of April 20, 2015).

Pursuant to the resolutions by the Annual General Meeting (resolution date: June 14, 2017, minutes No. 1/2017 of June 14, 2017) and the Board of Directors (minutes No. 37 of May 24, 2017), the Company signed audit contract No. 17-10931/171a069 of July 25, 2017 with LLC “RSM RUS” (“External Auditor”) for the audit   
of the said financial statements.

External Auditor’s registered office: 4 ul. Pudovkina, Moscow, 119285, Russia

LLC “RSM RUS” is a member of the Sodruzhestvo Association (SRO AAS), a self-regulatory organization registered in the Register of Self-Regulatory Auditor Organizations on December 30, 2009 (Reg. No. 6), having its office at: bldg. 4,   
21 Michurinsky prospekt, Moscow, 119192, Russia (member certificate No. 6938   
of September 25, 2013).

LLC “RSM RUS” has provided the following information to prove that it operates without bias on an arm’s length basis as the External Auditor for the Company:

* LLC “RSM RUS” has implemented operating standards under which   
  the auditor seeks to follow an arm’s length principle in its operations   
  and to maintain its reputation as an independent auditor.
* LLC “RSM RUS” code of conduct and independence regulations prescribe   
  its staff and partners to confirm their compliance on an annual basis, specifically, that they do not maintain prohibited financial investments as part of their portfolio.

It should also be noted that the External Auditor is independent from the Company, since it has not provided statutory audit services to the Company over a long period of time. LLC “RSM RUS” has audited the accounting (financial) statements   
of the Company for 2015, 2016 and 2017 and has not provided any other services   
to the Company from 2015 to 2017.

The External Auditor has prepared and submitted the following documents:

* Written report (Auditor’s Report) to the management of PJSC “Lenenergo” regarding the interim audit of the Company’s RAS accounting statements   
  for 9 months of 2017 (40 pages);
* Written report (Auditor’s Report) to the management of PJSC “Lenenergo” concerning the audit of the Company’s RAS accounting statements for 2017 (33 pages);
* Auditor’s Report regarding the Company’s accounting statements for 2017 (113 pages (together with the statements)).

The Audit Committee has met and considered the above documents prepared   
by LLC “RSM RUS”. Also, the Committee has discussed with the External Auditor and the Company’s management the key issues and concerns regarding the Company’s RAS accounting (financial) statements (minutes No. 90 of December 27, 2017 and No. 96 of May 07, 2018).

The written report (Auditor’s Report) prepared by LLC “RSM RUS” meets Rules (Standard) 22 (Clause 10) titled *Communicating the Information Obtained via Audit Process to the Audited Entity’s Management and Its Beneficiary’s Representative.*

The procedures implemented by LLC “RSM RUS” in carrying out the external audit of the Company’s RAS accounting (financial) statements for 2017 meet the terms   
of the audit contract with the External Auditor and the requirements prescribed   
by Federal Law No. 307-FZ *On Auditing* of December 30, 2008.

The Auditor’s Report meets the requirements of Federal Law No. 307-FZ   
*On Auditing* of December 30, 2008 and the Russian federal audit rules (standards) approved by Government Executive Order No. 696 of September 02, 2002.