

Opinion of the «Rosseti Lenenergo», PJSC Internal Auditor on the Results of the Internal Control System and Risk Management System Reliability and Efficiency Assessment, as well as the Company's Corporate Governance Efficiency Assessment

1. Basis for the preparation of the Internal Auditor's Opinion

The Opinion was prepared in accordance with the requirements of Federal Law No. 208-FZ On Joint Stock Companies dated December 26, 1995, and Recommendations of the Bank of Russia (Letter No. IN-06-28/143 dated October 01, 2020) On Recommendations for the Organization of Risk Management, Internal Control, Internal Audit, and Work of the Board of Directors (Supervisory Board) Audit Committee in Public Joint Stock Companies, as well as in compliance with the provisions of the Internal Audit Policy of PJSC "LENENERGO", approved by Resolution of the Company's Board of Directors, Minutes No. 18 dated December 03, 2019.

The assessment was conducted to determine the reliability and efficiency of the Internal Control System, Risk Management System, and the efficiency of corporate governance.

2. «Rosseti Lenenergo», PJSC Internal Control System, Risk Management System, and corporate governance assessment methodology and criteria

2.1 The «Rosseti Lenenergo», PJSC internal control and risk management efficiency was assessed in accordance with the requirements of Methodology of Internal Control System and Risk Management System Efficiency Assessment in the ROSSETI Group of Companies No. M-MRSK-VND-391.02-20 (hereinafter referred to as the Methodology of ICS and RMS Efficiency Assessment), as amended by Order No. 624r of PJSC «ROSSETI» dated December 31, 2015 (as amended by Order No. 725r of December 29, 2017 and Order No. 318 of PJSC «ROSSETI» dated July 23, 2020) and adopted by Order of PJSC "LENENERGO" No. 17 dated January 22, 2016 (as amended by Order No. 14 dated January 11, 2018).

In accordance with Clause 3.1 of the Methodology of ICS and RMS Efficiency Assessment, the Company's ICS was assessed with a breakdown into five Internal Control System components (elements):

- Control environment,
- Risk assessment,
- Control measures,
- Information and communications,
- Monitoring.

In accordance with Clause 3.2 of the Methodology of ICS and RMS Efficiency Assessment, the Company's RMS was assessed with a breakdown into eight Risk Management System components (elements):

- Internal environment,
- Goal setting,

- Event definition,
- Risk assessment,
- Implementation of risk management measures,
- Control means,
- Information and communications,
- Monitoring.

2.2 The corporate governance efficiency was assessed in accordance with the requirements of the Methodology of the Corporate Governance Efficiency Assessment in SDCs of PJSC «ROSSETI» No. TM-RV-VND-765.02-20 (hereinafter referred to as the CG Efficiency Assessment Methodology), which was approved by Order No. 342 of PJSC «ROSSETI» dated August 05, 2020 and adopted by Order No. 373 of «Rosseti Lenenergo», PJSC dated August 21, 2020.

In accordance with Clause 4.2 of the CG Efficiency Assessment Methodology, the assessment was conducted with a breakdown into six CG components:

- Rights of shareholders,
- Board of Directors,
- Executive management,
- Transparency and information disclosure,
- Risk management, internal control and internal audit,
- Corporate social responsibility, business ethics, compliance.

3. «Rosseti Lenenergo», PJSC Internal Control System reliability and efficiency assessment

«Rosseti Lenenergo», PJSC Internal Control System maturity level was estimated at **4.6** out of **6** points based on the averaging of points assigned for the compliance of the current state with the target state criteria as at the year-end of 2020.

This score corresponds to the “**intermediate between moderate and optimal**” maturity level which is characterized by the following:

1. Problems (risks) of operations management are being identified. However, the Risk Management System is not fully integrated into the decision-making process. RMS is not automated, not all possible controls are automated;

2. The processes are being regulated and communicated to the staff by posting on a publicly available resource. However, the use of these processes is left to the discretion of the staff. This determines the probability of deviations from standard procedures that may not be detected. The procedures used are not optimal and are not advanced enough, but reflect the practices used in company.

3. Monitoring of the implementation and efficiency assessment of the processes used in the Company is provided. When low efficiency of the implemented processes is detected, such processes are optimized.

4. Automation tools for operations management are used partially and to a limited extent.

4. «Rosseti Lenenergo», PJSC Risk Management System reliability and efficiency assessment

«Rosseti Lenenergo», PJSC Risk Management System maturity level was estimated at **4.5** out of possible **6.0** points based on the averaging of points assigned for the compliance of the current state with the target state criteria as at the year-end of 2020.

This score corresponds to the “**intermediate between moderate and optimal**” maturity level which is characterized by the following:

1. Problems (risks) of operations management are being identified. However, the Risk Management System is not fully integrated into the decision-making process. RMS is not automated, not all possible controls are automated;

2. The processes are being regulated and communicated to the staff by posting on a publicly available resource. However, the use of these processes is left to the discretion of the staff. This determines the probability of deviations from standard procedures that may not be detected. The procedures used are not optimal and are not advanced enough, but reflect the practices used in company.

3. Monitoring of the implementation and efficiency assessment of the processes used in the Company is provided. When low efficiency of the implemented processes is detected, such processes are optimized.

4. Automation tools for operations management are used partially and to a limited extent.

5. «Rosseti Lenenergo», PJSC Corporate Governance efficiency assessment

Based on the results of the analysis of the compliance of the corporate governance elements’ current state for the 2019/2020 corporate year, it was established that in accordance with the specified criteria for the corporate governance elements’ target state, the principles and recommendations laid down in the Corporate Governance Code, the Listing Rules and best corporate practices:

the Company’s corporate governance as at the corporate year-end of 2019/2020 corresponds to “**Developed practice**” (the score was 403.5 out of 525 points, 83%).

Head of Internal
Audit Department

/signed/

E.N. Kotova