

## **Regulations for the Internal Control**

### **Open Joint-Stock Company "Moscow United Electric Grid Company"**

#### **1. General provisions**

1.1. These Regulations are developed according to the Federal Law "On Joint Stock Companies", the Charter of Open Joint-Stock Company "Moscow United Electric Grid Company" (hereinafter referred to as the "Company"), the Corporate Conduct Code recommended by the Federal Commission for the Securities Market of Russia and other normative and legal enactments of the Russian Federation.

1.2. These Regulations are the Company internal document determining the rules and approaches to provision of the internal control over the Company financial and economic activities (hereinafter referred to as the "internal control").

1.3. These Regulations determine goals and tasks of the internal control system, principles of its functioning, and Company bodies and persons responsible for realization of the internal control.

1.4. For the purposes of these Regulations, the internal control is understood as the control over realization of the Company financial and economic activities by the Company divisions and governance bodies.

#### **2. Concept of the internal control.**

2.1. The internal control is a set of organizational structure, methods and procedures accepted by the Board of Directors, executive and control bodies, officials and other employees of the Company as means aimed to provide reasonable guarantees of achievement by the Company of the goals set forth in the following areas:

- Productivity and efficiency of the Company economic activities;
- Reliability and trustworthiness of all types of reporting;
- Meeting the requirements of the Company normative enactments and internal documents.

#### **3. Goals of the internal control**

3.1. The internal control is aimed to provide achievement of the following goals:

3.1.1. Provision of safety of the Company assets and efficient utilization of the Company resources.

3.1.2. Assistance to construction of the Company optimum organizational structure.

3.1.3. Observance of requirements of operating normative enactments and internal procedures established in the Company;

- 3.1.4. Duly revealing and analysis of risks in the Company activities, development and realization of the measures to decrease them;
- 3.1.5. Realization of the internal control over subsidiaries and dependent entities (SDE) of the Company by means of election of representatives of the internal control service to the structure of the SDEs' checkup committees.
- 3.1.6. An independent estimation and analysis of the Company financial position as a whole, of its branches and structural divisions.
- 3.1.7. Check and analysis of performance of requirements of nature protection authorities, requirements of the Russian Federation laws in the field of the environment preservation.
- 3.1.8. Check and analysis of the quality of services provided.

#### **4. Lines of the internal control**

- 4.1. The internal control is carried out in the following lines:
  - 4.1.1. Estimation of the Company organizational efficiency;
  - 4.1.2. Estimation of the main lines the Company financial and economic activities, analysis of the results of the specified activities;
  - 4.1.3. Check and analysis of observance of financial discipline in the Company and implementation of the Company governance bodies and officials' decisions;
  - 4.1.4. Maintenance of a sufficient confidence concerning reliability of the Company financial reports and observance of procedures of its preparation, and observance of requirements of accounts keeping in the Company;
  - 4.1.5 Check and analysis of implementation of the Company budget and its structural divisions;
  - 4.1.6. Check and analysis of conformity of agreements of the Company and the third parties with the Company financial and economic interests;
  - 4.1.7. Check and analysis of conformity of internal documents and draft decisions of the Company governance bodies with the Company financial and economic interests.
  - 4.1.8. The control over use of the insider information according to the Regulations for Insider Information approved by the Company Board of Directors.
  - 4.1.9. Estimation of actions of electric energy quality assurance.
  - 4.1.10. Estimation of ecological control actions.
  - 4.1.11. Estimation and analysis of actions of implementation in the Company of the management system according to the requirements of ISO standards, series 9000 (quality management), ISO of series 14000 (ecological management), OHSAS 18001-99 specifications (professional health and safety).
  - 4.1.12. Estimation and analysis of productivity of functioning of the Company management system for conformity with requirements of ISO standards of series 9000, ISO of series 14000, OHSAS 18001-99 specifications.

#### **5. Procedures of the internal control**

- 5.1. Procedures of the internal control include:
  - 5.1.1. Definition of the interconnected and consistent goals and tasks on the Company various management levels;
  - 5.1.2. Distribution and delegation of key authorities and responsibility in the Company, maintenance of effective interaction of the Company structural divisions and employees;
  - 5.1.3. Revealing and analysis of potential risks which can prevent from achievement of the Company activity goals;
  - 5.1.4. Bringing to the Company employees' notice of their duties in the sphere of the internal control;
  - 5.1.5. Definition of criteria and estimation of the Company structural divisions, officials and other employees' performance;
  - 5.1.6. Use of adequate ways of registration of events, operations and transactions;

- 5.1.7. Check of assets safety;
- 5.1.8. Approval and realization of operations only by those persons who are vested with the respective authority;
- 5.1.9. Appropriate documenting of procedures of the internal control;
- 5.1.10. Regular estimation of internal audit system quality;
- 5.1.11. Other procedures stipulated by these Regulations.

## **6. The bodies responsible for the internal control**

- 6.1. The Company General Director bears the responsibility for functioning of the Company internal control system.
- 6.2. The Company Board of Directors defines the policy of the internal control and carries out a regular estimation of the internal control system efficiency.
- 6.3. According to the Regulations for the Audit Committee of the Company Board of Directors, the committee for audit carries out an estimation of the internal control system efficiency in the Company (including on the basis of statements and reports of the Company Internal Control Department);
- 6.4. The direct estimation of conformity, sufficiency and efficiency of the internal control system, and the control over observance of procedures of the internal control is carried out by the Company separate structural division - Internal Control Department.

## **7. Estimation of the condition and functioning of the internal control system**

- 7.1. For the above-stated purposes, the Company Internal Control Department carries out the following actions for the control over observance of the internal control procedures:
  - 7.1.1. It organizes and holds checks and service investigations in the main directions of the Company financial and economic activities, including with attraction of employees of other Company structural divisions;
  - 7.1.2. It analyzes and generalizes results of checks and service investigations (including those held by other Company structural divisions) in the main directions of the Company financial and economic activities;
  - 7.1.3. It coordinates work of the Company structural divisions at carrying out of internal control actions;
  - 7.1.4. It registers revealed infringements at realization of the internal control, and gives the information on such infringements to the Audit Committee under the Company Board of Directors and the Company executive bodies;
  - 7.1.5. It carries out the control over timeliness and completeness of elimination of the infringements revealed as a result of checks;
  - 7.1.6. It analyzes the results of the Company auditor checks, carries out the control over development and implementation of action plans on elimination of the infringements revealed during auditor checks;
  - 7.1.7. It prepares proposals on improvement of the internal control procedures.

## **8. The operating procedure of the Internal Control Department**

- 8.1. The Company Internal Control Department is created on the basis of the order of the Company General Director.
- 8.2. In its activities, the Company Internal Control Department and its employees are guided by the current laws, Charter, these Regulations, Regulations for the Internal Control Department and other internal documents of the Company, duty regulations of employees of the Internal Control Department.
- 8.3. The organizational structure and the staff list of the Company Internal Control Department is approved by the Company General Director.

- 8.4. The management by the work of the Company Internal Control Department is carried out by the head appointed to, and dismissed from the position by the Company General Director.
- 8.5. A highly skilled expert is appointed to the post of the head of the Company Internal Control Department with the higher economic education. The head of the Internal Control Department should have knowledge and practical experience in the field of book keeping, economics, finance, management, and obligatorily have at least a 5-year experience in the position of the inspector and/or auditor.
- 8.6. The Company Internal Control Department is accountable to the Company General Director.
- 8.7. The employees of the Internal Control Department should possess a necessary skills level, experience, knowledge, reputation, be comfortable with fundamentals of book keeping and financial reporting and have a practical experience in the field of audit and/or inspection.
- 8.8. Duties of the Internal Control Department employees are set by the duty regulations which are approved by the Company General Director, on representation of the head of the Company Internal Control Department.
- 8.9. During realization of its activities, the Internal Control Department prepares statements, opinions, reports, recommendations and other documents to be signed by the Head of the internal audit department.
- 8.10. At carrying out of an estimation of observance of the internal control procedures, the Internal Control Department cooperates with the Company governance bodies and structural divisions, thus receiving, in accordance with the established procedure, explanations, information and documentation necessary for realization of its activity.

## **9. Final provisions**

- 9.1. These Regulations and all amendments to it shall be approved by the Company Board of Directors.
- 9.2. The issues which have not been settled by these Regulations shall be regulated by the current laws, decisions of the Company Board of Directors and other internal documents of the Company.
- 9.3. If as a result of changes in laws or statutory acts of the Russian Federation separate articles of these Regulations come into conflict with them, these articles become invalid, and up to the moment of amending these Regulations for internal control the laws and by-laws of the Russian Federation shall prevail.