

APPENDIX 7

FUNCTIONS OF PARTICIPANTS IN THE INTERNAL CONTROL SYSTEM (ICS) OF PJSC ROSSETI KUBAN

Sl. No.	ICS participants	Key functions in the ICS
1	Auditing Commission	<ul style="list-style-type: none"> Exercises control over financial and economic activities of the Company; based on its results, prepares proposals/recommendations for improvement of the ICS Carries out independent assessment of accuracy of the data contained in the Company's Annual Report and the annual accounting statements of the Company
2	Board of Directors	<ul style="list-style-type: none"> Determines the principles and approaches to the organisation of the Company's ICS, including approving the Company's internal documents defining the organisation and the strategy for the development and improvement of the ICS, supports the Company's Internal Control Policy Monitors the activities of the executive bodies of the Company in the main (priority) areas Reviews the report of the Management Board on organisation and functioning of the Company's ICS Annually reviews reports of the internal auditor on the efficiency of the ICS Considers the results of the external independent assessment of the efficiency of ICS
3	Audit Committee of the Board of Directors	<ul style="list-style-type: none"> Carries out preliminary consideration before approval by the Board of Directors of the Company's internal documents defining the organisation and strategy for the developments and improvement of the ICS, Internal Control Policy and subsequent changes to them Carries out preliminary consideration (prior to consideration by the Board of Directors) of the results of assessment of the ICS efficiency based on the report of the internal auditor on the ICS efficiency, as well as information on the results of the external independent assessment of the ICS; it also prepares proposals / recommendations for improvement of the ICS Monitors the ICS regarding consideration of issues related to control over the accuracy of the Company's accounting (financial) statements, over selection of an external auditor and conducting an external audit, over ensuring compliance with regulatory legal requirements regarding consideration of the report of the Management Board on the organisation and functioning of the ICS, and also regarding consideration of issues related to the analysis and assessment of implementation of the Internal Control Policy
4	Other Committees of the Board of Directors Personnel and Remuneration Committee Reliability Committee Strategy, Development, Investment and Reform Committee Grid Connection Committee	<ul style="list-style-type: none"> Within the competencies established by the Board of Directors, monitor the implementation of the established financial and operational indicators, supervise compliance with applicable laws, rules and procedures set by local regulations, as well as the accuracy and timeliness of reporting generated by the Company
5	Executive bodies (Management Board, General Director)	<ul style="list-style-type: none"> Ensure creation and effective functioning of the ICS Ensure execution of resolutions of the Board of Directors in terms of ICS organisation
5.1	Management Board	<ul style="list-style-type: none"> Establishes the direction and plans for development and improvement of the ICS Prepares reports on the financial and economic activities of the Company, the organisation and functioning of the ICS Considers the results of the external independent assessment of the ICS efficiency; develops measures for the development and improvement of the ICS

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5.2	General Director	<ul style="list-style-type: none"> Approves the regulatory and methodological documents of the Company on the organisation and functioning of the ICS, except for the documents which approval falls within the competences of the Company's Board of Directors Ensures accomplishment of the Company's business plans necessary for achieving its targets supervises accounting and administrative reporting, preparation of accounting (financial) and other statements; Submits the reports on the Company's financial and economic performance and organisation and functioning of the Company's ICS for the consideration by the Board of Directors
6	Collective working bodies; the most important of which are listed below:	<ul style="list-style-type: none"> Within their authority, perform control procedures and/or develop recommendations for improving control procedures and certain components (elements) of internal control and the ICS
6.1	Commission for Settlement of Accounts Receivable of the Company	<ul style="list-style-type: none"> Evaluates the reasonableness and prospects for resolving disputes between the Company and counterparties with regard to financial settlements Evaluates the efficiency of measures implemented in order to reduce accounts receivable, including for services rendered for the transmission of power Considers issues in terms of accounts receivable management submitted by the structural divisions of the Company to the Commission for consideration Determines the position of the Company in relation to the management of accounts receivable
6.2	Commission for Assessment of the Activities of Contractors Involved in the Construction, Retrofitting and Renovation of the Company	<ul style="list-style-type: none"> Identifies problems in the areas of production activities of a contractor that may cause risks of nonfulfillment (improper fulfillment) of contractual obligations to the Company by the contractor Provides a comprehensive assessment of the efficiency of contractors in the context of the production for capital construction Draws up a list of bona fide contractors duly fulfilling their obligations under contracts for the construction, retrofitting and renovation of power grid complex facilities
6.3	Power Supply Consolidation Commission of the Company	<ul style="list-style-type: none"> Determines the technical and economic feasibility of the acquisition of power facilities, taking into account all submitted documents Determines the position of the project submitted for its consideration on the expediency (inexpediency) of the acquisition of power facilities Organises a transaction for the acquisition of power facilities Concludes a contract on the acquisition of facilities and organises registration of facilities
6.4	Commission on Corporate Ethics Compliance and Conflict of Interest Resolution	<ul style="list-style-type: none"> Resolves pre-conflict situations arising in the Company's structural divisions, information about which is sent by the Anti-Corruption Compliance Procedure Unit for consideration at the Commission meetings Resolves conflicts of interests in relation to the Company's employees Considers the facts and cases of violation of the norms of corporate ethics and standards of corporate behavior in the Company Ensuring implementation of the requirements of Article 13.3 of Federal Law No. 273-FZ of the Russian Federation dated 25 December 2008 On Combating Corruption

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7	Heads of the Company's units and structural divisions	<ul style="list-style-type: none"> Perform the functions of developing, documenting, introducing, monitoring and improving the internal control system in the functional areas of the Company, the responsibility for the organisation and coordination/fulfillment of which is assigned to them by the Company's regulatory documents / regulations for structural divisions, including: <ul style="list-style-type: none"> Ensure implementation of internal control principles Establish effective processes (activities), including development and implementation, taking into account the identified risks of new control procedures or the modification of existing ones Ensure regulation of supervised processes (activities) Arrange execution of control procedures Assess (monitor) execution of control procedures Assess the supervised processes (activities) for the need to optimize them to improve efficiency and meet the changing conditions of the external and internal environment, organize development of proposals for improving the control procedures Ensure elimination of identified deficiencies in the control procedures and processes (activities)
8	Employees of the Company's structural units performing control procedures as part of their professional duties	<ul style="list-style-type: none"> Perform the control procedures Timely inform the direct managers about cases when the execution of the control procedures has become impossible for any reason and/or a change in the design of the control procedures is required due to a change in the internal and/or external conditions of the Company's operation Submit proposals for the implementation of the control procedures in relevant areas of activity to direct management
"2nd line of defence":		
9	Internal Control and Risk Management Directorate	<ul style="list-style-type: none"> Develops and ensures the implementation of basic and methodological documents on the establishment and improvement of the ICS Assists management in the establishment of the ICS of business processes, in making recommendations on the description and implementation of the control procedures in processes (activities) and securing responsibility for the appropriate officials Prepares information on the state of the ICS for stakeholders Interacts with the government regulatory authorities on internal control issues
10	Specialised control subdivisions:	
10.1	Economic Security Directorate of the Security Department	<ul style="list-style-type: none"> Counteracts the facts of unfair competition Conducts official investigations into the facts (preconditions) of damage to the interests of the economic security of the Company Organises the fight against theft of electricity, financial and material resources, intellectual property, the prevention of other crimes against the Company's property Conducts independent audits and participates in joint inspections of the financial and economic activities of the Company's subdivisions to prepare its own opinion on violations and form an evidence base to protect the Company's legitimate interests
10.2	Anti-Corruption Compliance Procedure Unit of the Security Department	<ul style="list-style-type: none"> Develops and organises the implementation in the Company of a unified system for running the corporate and anti-corruption compliance procedures Organises the Company's activities in the conduct of corporate and anti-corruption compliance procedures