



APPROVED BY
Resolution of the Board of Directors of PJSC 'PIK Group'
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INTERNAL AUDIT DEPARTMENT OF PJSC 'PIK GROUP'

Regulations on the Unit

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1. TERMS AND DEFINITIONS USED IN THE REGULATIONS

Internal audit means the provision of independent and objective guarantees and consultations aimed at improving a company's activities. Internal audit helps companies to achieve desired objectives using a systematic and step-by-step approach to evaluation and enhancement of efficiency of risk management, control and corporate governance.

Services involving provision of guarantees (audit) mean the objective analysis of evidence for the purpose of providing an independent evaluation of risk management, control and corporate governance.

Consulting services (consultation) mean activities related to the provision of recommendations, opinions, other practical assistance, which nature and extent is agreed upon with a customer (i.e. a person that needs consultation). Such activities are aimed at improving the processes of corporate governance, risk management and control.

Audited entity (consultation customer) means the Company, an enterprise of the Group, a structural subdivision of the Company or of the Group's enterprise with respect to which the audit is conducted or to which consulting services are provided.

Audit item means any item (component) of the audited entity's activities (business transaction, business process, assets, etc.).

Internal control means a process aimed at ensuring reasonable guarantee of achieving the purposes of effective and successful use of the Company's resources. **Internal control procedures** mean a documented system of actions for ensuring effective internal control over exercise of the Company's financial and economic activities, revelation and performance of substandard operations, as well as prevention, limitation and exclusion of financial and operational risks and potential abuses on the part of the Company's officers, as well as interaction of internal control subjects among themselves in course of implementation of internal control procedures.

Internal control subjects mean structural subdivisions and employees of the Group, which are responsible for performance of internal control functions delegated to them (by internal documents of the Group).

Inspection means a control action or research of the audit item.



Company means Public Joint Stock Company ‘PIK Group’.

Group means a group of companies including PJSC ‘PIK Group’ and all its subsidiary and dependent companies.

Company’s management means the President, Vice-Presidents, the Management Board of PJSC ‘PIK Group’.

2. GENERAL PROVISIONS

2.1 These Internal Audit Regulations (the “Regulations”) establish the general rules of internal audit, determine the purposes, objectives and organizational status of the unit which carries out internal audit, determine powers, rights and duties of its employees as well as other employees of the company during interaction with internal audit. The Regulations have been developed taking into account the requirements of the International Standards for the Professional Practice of Internal Auditing approved by the Institute of Internal Auditors, as well as the recommendations of the Corporate Governance Code recommended by the Bank of Russia for application by joint-stock companies with listed securities.

2.2 The duty to carry out internal audit and assess the efficiency of internal control in the organization shall be imposed on the Internal Audit Department (the “IAD”) of the Company.

2.3 The Internal Audit Department shall be headed by IAD Director functionally accountable to the Company’s Board of Directors and administratively accountable to the Company’s President.

2.4 IAD Director shall be appointed and dismissed by the President of the Company based on a decision of the Company’s Board of Directors.

2.5 IAD Director shall be appointed from among experts with higher education in the field of economy and finance and the period of practice of at least 5 years, including in executive positions of at least 3 years. Higher technical education shall be acceptable in case there is also additional economic education.

2.6 In its activities, the IAD shall be guided by the applicable laws of the Russian Federation, internal regulatory documents of the Company, resolutions of the Board of Directors and the Audit and Risk Committee.

3. OBJECTIVES AND TARGETS OF IAD’S ACTIVITIES

3.1 According to the definition of the Internal audit given in clause 1 of the Regulations, IAD’s objective shall be to assist the Company’s management in improving the corporate governance, risk management and internal control processes for the purpose of achieving the desired objectives using a systematic and step-by-step approach.

3. The IAD’s targets shall include:

3.2.1 to plan the activities and prepare the proposals on the internal audit priorities based on the carried out risk analysis and according to the Company’s objectives;

3.2.2 to assist the Board of Directors, the Board of Directors’ Audit and Risk Committee, top management of the Company in the development of measures (correcting steps) based on the results of conducted audits, as well as to monitor the results of implementation of the measures;

3.2.3 to consult top management of the Company and the Group concerning risk management, control, corporate governance;

3.2.4 to coordinate its activities with the external auditor’s activities in order to avoid duplication of efforts and minimize audit expenses;

3.2.5 to assist in investigation of fraud cases, to inform the Board of Directors’ Audit and Risk Committee and the Company’s management of the results of the work done;

3.2.6 to prepare periodic reports in accordance with the Communications Plan to the Board of Directors’ Audit and Risk Committee and the Company’s management on activities of the Internal Audit Department, the results of the conducted audit, identified deficiencies, significant risks, control and corporate governance problems, as well as other data required by the Audit and

Risk Committee and the top management in accordance with their areas of liability;

3.2.7 to perform other tasks and commissions and to participate in other projects on the provision of consultations on the instructions of the Board of Directors' Audit and Risk Committee and the Company's management.

4. PRINCIPLES OF IAD'S ACTIVITIES

IAD shall carry out its activities based on the following principles:

4.1 The principle of independence and objectivity which shall be provided by:

- functional and administrative accountability and subordination of IAD;
- ensuring the conditions of IAS's independence by the Company;
- direct interaction of IAD Director with the Board of Directors;
- freedom of opinion of IAD employees concerning the audit from intervention of opinion of other persons with respect to the audit scope and quality as well as submission of reports on results.

4.2 The principle of professionalism and professional approach to work, which means that:

- IAD employees shall have knowledge, skills and others competencies for performance of their job duties;
- IAD employees shall act competently and in good faith in performing their duties;
- IAD employees shall improve their knowledge, skills and others competencies by means of continuous professional development.

5. FUNCTIONS OF IAD'S ACTIVITIES

5.1 IAD shall conduct an assessment of corporate governance and make the relevant recommendations on the improvement of the corporate governance processes aimed at achieving the following objectives:

- to promote ethical standards and values within the Group;
- to ensure efficient management;
- to provide the relevant subdivisions of the Company with the information on risks and control;
- to ensure proper exchange of information between the Board of Directors, external and internal auditors and the Company's executive management;
- to ensure the information interoperability procedures (including concerning internal control and risk management) at all management levels of the Company;
- to check the procedures for disclosing the information on the Company's activities;
- to ensure shareholder rights.

5.2 IAD shall assess the efficiency of the internal control system which includes:

- determination of the adequacy of the criteria established by the Group's management to analyze the degree of accomplishment (achievement) of the desired objectives;
- identification of deficiencies of the internal control system, which did not allow (do not allow) the Company to achieve the desired objectives;
- analysis of conformity of the objectives of business processes, projects and structural subdivisions with the objectives of the Company, verification of assurance of reliability and integrity of business processes and information systems, including reliability of the procedures for counteracting illegal actions, abuse and corruption;
- verification of assurance of reliability of accounting (financial), statistical, administrative and other reports;
- assessment of the results of introduction (implementation) of the measures for removing violations and deficiencies and improving the internal control system, which are implemented by the Company at all management levels;
- verification of the efficiency and expediency of use of resources;
- verification of assurance of soundness of assets;
- verification of compliance with the requirements of laws, the Articles of Association and internal documents of the Company.

5.3 IAD shall assess the efficiency of the risk management system which includes:

- verification of sufficiency and maturity of the elements of the risk management system for efficient risk management (objectives and targets, process structure, regulatory and methodological support, interaction of structural subdivisions within the risk management system, reporting);
- verification of completeness of identification and correctness of assessment of risks by the Company's management at all management levels;
- verification of efficiency of control procedures and other risk management measures, including efficiency of use of the resources allocated for these purposes;
- analysis of the information on the materialized risks (violations, failures to achieve desired objectives, facts of legal proceedings identified based on the results of internal audits).

6. IAD'S RIGHTS AND OBLIGATIONS

6.1 IAD Director shall be entitled:

- 6.1.1 to have direct and unobstructed access to the Audit and Risk Committee of the Company's Board of Directors and the Company's Board of Directors on a regular basis, as well as to meet the top management, members of the Company's Board of Directors and its committees in confidence as and when necessary;
- 6.1.2 to inform the Audit and Risk Committee of the Company's Board of Directors and the Company's management of the existing limitations that impede IAD to effectively achieve the performance targets;
- 6.1.3 to inform the Board of Directors' Audit and Risk Committee and the Company's top management of any proposals on the improvement of existing systems, processes, policies, procedures, business methods of the Company, as well as comments on any issues falling within the IAD's terms of reference according to these Regulations;
- 6.1.4 to participate in the preparation and implementation of projects and decisions aimed at achieving the IAD's objectives;
- 6.1.5 to make proposals aimed at improving and enhancing the efficiency of IAD's activities;
- 6.1.6 to engage outside experts for performing audit tasks where required;
- 6.1.7 to participate (without the decision-making right) in any meetings, working and project groups of the Company - within the functions of the Internal Audit Department;
- 6.1.8 to initiate briefings, trainings and meetings with the Company's management for the purpose of discussing the issues falling within the competence of the Internal Audit Department.

6.2 IAD employees shall be entitled:

- 6.2.1 to receive the information, including confidential information, which is necessary for achieving the objectives and implementing the functions of IAD;
- 6.2.2 to request and receive unobstructed access to any assets, documents, accounting records and other information on the activities of the Company and the Group, to make copies of documents;
- 6.2.3 to study and assess any documents requested during the performance of audit tasks, and to forward these documents and/or the relevant information to the Board of Directors' Audit and Risk Committee and the Company's management;
- 6.2.4 to request and receive the required assistance from employees of subdivisions where audit is conducted, to cooperate with other subdivisions of the Company and organizations that are members of the Group;

The Director of the Internal Audit Department shall delegate the powers to the subdivision employees according to the activities carried out by them.

6.3 IAD Director shall be obliged:

- 6.3.1 to thoroughly organize the IAD's activities;
- 6.3.2 to submit the annual IAD activity plan for approval to the Board of Directors' Audit and Risk Committee and the Group's management, as well as to provide the information on its implementation on a regular basis;

- 6.3.3 to ensure the quality of audits, to communicate their results to heads of audited entities and to the Company's Board of Directors in a timely manner. The form of provision of the information on the audit results shall be determined by assigned tasks, nature and scope of an audit.
- 6.3.4 to control the execution of the measures for removing the identified violations and deficiencies, as well as the compliance with the measures recommended by IAD for preventing similar violations and deficiencies in the Company's activities.
- 6.3.5 IAD employees shall be obliged:
- 6.3.6 to perform their job duties in good faith and in accordance with the principles of IAD's activities;
- 6.3.7 to ensure safety of and to return documents, materials and information received from the Company's structural divisions;
- 6.3.8 to ensure confidentiality of the information received in the course of an audit and safety of the documents executed and/or received in the course of and based on the results of an audit;
- 6.3.9 to maintain high professional level by improving their professional skills on a regular basis.

7. ORGANIZATION OF IAD'S ACTIVITIES

7.1 Planning of IAD's activities:

- 7.1.1 IAD Director shall be responsible for developing an annual risk-based plan that determines the priorities of IAD's activities and shall coordinate the plan with the Audit and Risk Committee and the Group's management. When making a plan, IAD Director shall take into consideration the Company's strategic targets, the risk management concept, matrix and list of key risks, opinion and expectations of the Board of Directors and other management bodies of the Company, date and results of previous audits, and shall take into account other circumstances which can have an impact on the achievement of strategic targets by the Company, as well as labor and material resources of IAD;
- 7.1.2 In particular cases, depending on the Group's strategic targets and results of the update of the Group's risk matrix, the development of the semi-annual Audit Plan shall be allowed (the plan may be revised based on the identified critical areas for inspection and reasoned proposals of the Company's management);
- 7.1.3 The plan shall determine audit items and an approximate audit period; consultation tasks shall be planned separately;
- 7.1.4 For the purpose of planning its activities, IAD shall analyze the list of key business processes which can have an impact on the achievement of the Company's objectives;
- 7.1.5 The specific audit periods, audit programs, and the composition of auditors shall be determined by IAD Director taking into account the approved activity and task plans.

7.2 Arrangement of work on implementation of internal audit measures

- 7.2.1 Methods of arrangement, forms and procedures of internal audit, as well as the procedure for presenting the results shall be regulated by the documents developed by IAD Director and agreed upon with the Audit and Risk Committee;
- 7.2.2 IAD shall inform the audited entity's head of the planned audit two (2) weeks prior to the beginning of the audit;
- 7.2.3 Heads and other employees of audited entities shall:
 - create such conditions for IAD employees as to ensure efficient conduct of an audit, provide all necessary documents, and give, upon their verbal or written request, clarifications and explanations verbally or in writing;
 - prevent any actions aimed at limiting a range of issues subject to identification in the course of an audit and during preparation of the final audit document.
- 7.2.4 The Report drawn up based on the audit results shall contain:
 - description of the scope of work;

- description of the risk assessment or control criteria, other criterion used as a basis of the Report;
- IAD's opinion on the audit results;
- identified deficiencies and the reasons for their occurrence (if any);
- recommendations for removal of deficiencies (if any);

Conclusions and proposals based on the audit results shall be reasoned.

7.2.5 The report based on the audit results shall be provided to the Board of Directors (represented by the Audit and Risk Committee), the President, members of the Management Board, heads of audited entities;

7.2.6 The managers of the audited subdivisions shall take measures to remove violations and deficiencies, and IAD shall monitor the removal of violations and deficiencies;

7.2.7 In case situations that require immediate action are identified, IAD Director shall inform managers of audited entities and the Company's management of such situations for the purpose of taking corrective actions/measures;

7.2.8 The report and all related materials (working documents) must be stored at IAD.

7.2.9 Based on the results of his activities, IAD Director shall draw up reports and submit them to the Audit and Risk Committee and the Board of Directors. The frequency of reports shall be indicated in the Audit Plan. The reports shall contain the information on:

- the performance of the approved audit plan;
- significant risks and weaknesses of the internal control system and risk management system and the relevant plans of the management for their removal;
- results of performance by audited entities' managers of measures (corrective actions) based on audit results;
- significant limitations which prevent IAD from performing assigned tasks effectively.

7.3 Procedure for monitoring the measures aimed at removing violations and deficiencies identified by IAD in the Company's activities

7.3.1 For the purpose of removing violations and deficiencies identified by IAD in the course of audits, the audited entity's management shall work out the Plan of Measures for Removing Identified Violations and Deficiencies, which shall be forwarded to IAD for subsequent control of actions/measures.

7.3.2 IAD Director shall arrange the process of monitoring the actions taken by the management based on the audit results. The process shall include:

- analysis of the documents confirming the implementation of the Plan of Measures;
- check of additionally requested information;
- preparation of IAD's conclusion on removal of the identified violations and deficiencies.

8. LIABILITY OF IAD

8.1 IAD Director shall be liable for improper and untimely performance of the IAD's tasks and functions established by the Regulations in accordance with the applicable laws and in the manner set forth in the local regulatory documents of the Company.

8.2 IAD employees shall be liable for failure to perform (improper performance) of their duties in accordance with the applicable laws and in the manner set forth in the local regulatory documents of the Company.

9. FINAL PROVISIONS

9.1 These Regulations shall be approved by the Board of Directors. Any amendments to these Regulations shall be made by the Board of Directors on the recommendation of the Audit and Risk Committee.