

APPROVED
by the Board of Directors
of PJSC “Rostelecom”
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INTERNAL AUDIT POLICIES
OF PJSC “ROSTELECOM”

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Table of Content

1. General.....	3
2. Internal Audit Organization inside the Company.....	3
3. Internal audit objective	3
4. Internal audit operational principles	3
5. Tasks and functions of the internal audit.....	4
6. Planning the internal audit activities	5
7. Quality control and assessment of the internal audit activities	6
8. Final provisions	6

1. General

These Internal Audit Policies of PJSC “Rostelecom” (hereinafter the “Policies”) shall determine the basic principles of the framework and operation of the internal audit in PJSC “Rostelecom” (hereinafter the “Company”)

These Policies shall be based on recommendations developed by the international Institute of Internal Auditors Inc. including Key principles of professional practice of internal auditing, Code of Ethics of internal auditors, international professional standards of internal auditing.

By internal audit is meant a streamlined set of controlling activities regulated by the Company internal documents and aimed at assessing and improving efficiency of risk management, internal control and corporate governance systems, and pursued inside the Company by a special organizational unit, namely, by Internal Audit Directorate.

2. Internal Audit Organization inside the Company

The internal audit organization shall be independent from the Company executive bodies. The Company Board of Directors shall exercise a direct control over the internal auditing activities.

Chief Auditor shall be in charge of Internal Audit Directorate.

According to the Company Charter, Chief Auditor shall functionally report to the Company Board of Directors, interacting within the framework of his/her activities with the Audit Committee of the Company Board of Directors (hereinafter the “Audit Committee”) and the Audit Committee Chairperson. Functionally reporting shall mean reporting within the framework of functions assigned to the internal audit.

The Company President shall exercise the administrative control over Chief Auditor. By an administrative control is meant management according to the labor laws.

3. Internal audit objective

The internal audit key objective is offering assistance to the Company Board of Directors and executive bodies of the Company in improving efficiency of the Company management and financial and business operations, through independent impartial checks and provision of recommendations based on a unified streamlined and consistent approach to assessing and improving efficiency of the internal audit, risk management and corporate governance systems as instrumental mechanisms to ensure reasonable confidence in achieving the Company goals.

The internal audit is not in a position to guarantee identification of all significant risks and flaws, even if checks are performed on an adequate professional level; it is the Company management which shall be ultimately responsible for putting in place and maintaining an efficient internal control and risk management system.

4. Internal audit operational principles

Internal audit in the Company shall be based on the compliance with the following key principles:

- integrity;
- impartiality;
- confidentiality;
- professional expertise;
- independence.

The internal audit shall be organizationally independent, while persons performing it shall be impartial, unbiased and professional in exercising their duties.

The internal audit shall not supersede or duplicate functions of other employees and organizational units of the Company, including but not limited to functions of continuing and preventive control performed by such other persons.

The internal audit shall be performed on the basis of the risk-oriented approach stipulating planning and execution of checking measures for controlling and preventing violations (in terms of intensity, form, duration, regularity), based on a definition of risk categories.

5. Tasks and functions of the internal audit

The internal audit tasks shall be identified given the available resources, specifics and priorities of the Company activities, along the following main lines:

- assessment of the internal control system efficiency;
- assessment of the risk management system efficiency;
- assessment of corporate governance.

In order to address the assigned tasks and achieve goals the following functions shall be performed by the internal audit:

1. developing a work plan for a period to identify priorities of the internal audit activities;
2. performing checks/inspections on the basis of an approved work plan of the internal audit;
3. performing other checks/assignments according to requests/instructions issued by the Board of Directors (Audit Committee and/or the Company executives) within the limits of competency;
4. monitoring compliance with provisions concerning receipt, review and retention of complaints and communications regarding accounting, exercising internal control procedures over accounting, fraud, auditing and adherence to the Company Code of Ethics, as well as ensuring operation of the “ethics hot-line” on these issues;
5. analyzing the audited units in order to investigate specific aspects of activities, assessing the status and risks;
6. consulting the Company management on the following issues: matters related to the internal control system organization, risk management, corporate governance; developing action plans (corrective actions) upon outcome of the performed audits subject to the following conditions:
 - availability of required resources to the internal audit;
 - keeping independence and impartiality of the internal audit;
7. taking part in working groups, commissions, committees and other consultative and advisory bodies and events arranged in the Company, dealing with issues within the internal audit terms of reference;
8. monitoring the execution in the Company of plans of measures to cure violations, flaws and to improve internal control system, which are developed by heads of audited units following inspection outcome;

9. facilitating the Company management in investigating wrongful/unlawful actions of employees and any third party;
10. developing and maintaining current the internal regulations and documents regulating the internal audit activities;
11. making arrangements in order to improve professional level of employees involved in the internal audit;
12. liaising with an external auditor to coordinate the following:
 - participation in arranging and conducting by the Company management any tender to select a candidate for the position of external (independent) auditor of financial statements (accounts) and resolution of issues regarding amendments of the scope of work of the independent auditor or cancelling its services;
 - approving a contract with an independent auditor;
 - liaising with the Audit Committee of the Company Board of Directors in the course of overseeing the independent auditor activities;
 - taking part in resolution of differences between the Company management and independent auditor connected with the Company's financial (accounting) statements, and other matters;
13. liaising with other parties involved in the internal audit system on the following matters:
 - using in its activities deliverables produced by parties involved in the internal control system, subject to prior assessment of the quality and reliability of deliverables (including the applied methodology, procedures and techniques used for assessment, scope and nature of work);
 - identifying risks having insufficient or duplicate coverage provided by parties involved in the internal control system and by other interested parties within the framework of the Guarantee Map;
14. liaising with governmental supervisory authorities as required by applicable law on the issues referred to the internal audit competencies;
15. preparing of information for review by the Audit Committee and Board of Directors regarding all significant issues in the area of internal control, corporate governance and risk management;
16. preparing a report on execution of plan of work to be reviewed by the Board of Directors, Audit Committee of the Board of Directors, Internal Audit Commission and the Company President;
17. liaising with organizational units of the Company on issues relating to the internal audit activities, as well as other functionality required for achievement of tasks assigned to the internal audit in the Company.

General rules and procedures of internal audit operation shall be regulated by separate internal guidelines and manuals.

6. Planning the internal audit activities

Internal audit activities shall be based on a Plan of Work approved by the Board of Directors.

Depending on the duration and regularity, all activities included in the Plan of Work shall be divided into one-off projects and permanent tasks. Division between projects and permanent tasks shall be made clear.

Audited units shall be included in the plan following the outcome of selective risk category assessment. Making planned inspections/checks shall be the primary activity performed by the internal audit.

If internal resources are not enough to implement all projects and measures listed in the plan, the internal audit shall ask the Board of Directors for guidance.

7. Quality control and assessment of the internal audit activities

Chief Auditor shall approve an Assessment and internal audit quality improvement program to exercise adequate control and assessment of Internal Audit Directorate activities.

Assessment and internal audit quality improvement program includes: continuous quality monitoring, internal and external from time to time assessments of the quality of the entire Internal Audit Directorate activities.

If continuous monitoring or outcome of quality assessment (internal and external) reveals any weaknesses in Internal Audit operations, Chief Auditor shall approve a plan to cure such weaknesses and monitor the efficiency and timely execution of such plan.

8. Final provisions

These Policies shall be amended or modified from time to time as required.

If, as a result of changes in the legislation of the Russian Federation or the Company's Charter any provisions of these Policies fail to comply with such legal documents, these Policies shall be applicable to the extent they are consistent with the legislation of the Russian Federation and the Company's Charter.