

As part of the implementation of the third line of defense, the internal audit function is implemented. The unit responsible for implementing the internal audit functions in the Company is the Internal Audit Department.

The Internal Audit Department is functionally accountable to the Board of Directors of the Company, which means that the Board of Directors controls and organizes the activities of the Internal Audit Department, including approval of the Business Plan, budget for internal audit, Report on the implementation of the internal audit activity plan of the Internal Audit Department, approval of decisions on appointment, release from the position, as well as the determination of the Internal Audit Department head remuneration.

The Internal Audit Department goals and objectives, organization and functioning basic principles are defined in the Internal Audit Policy of IDGC of the South, PJSC, approved by the decision of the Board of Directors (Protocol No. 180/2016 dated March 14, 2016 as modified by the Protocol dated March 23, 2017 No. 223 / 207).

The purpose of the Internal Audit Department is to assist the Board of Directors and executive bodies of the Company in increasing the efficiency of the Company's management, improving its financial and economic activities, including through a systematic and consistent approach to the analysis and evaluation of risk management systems, internal control and corporate management as tools to ensure reasonable confidence in achieving the goals set for the Company.

In 2018, the number of employees performing the internal audit function was six.

In 2018, the Internal Audit Unit held 69 events, including 14 verification activities and 55 other events.