

APPROVED BY:
the Resolution of the Board of Directors
of PJSC MOSTOTREST
(Minutes as of December 14, 2015 sine numero)

**INTERNAL AUDIT CHARTER
OF PUBLIC JOINT STOCK COMPANY
MOSTOTREST**

Moscow
2015

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1. GENERAL PROVISIONS

1.1. This Internal Audit Charter (hereinafter referred to as the Charter) of Public Joint Stock Company MOSTOTREST (hereinafter also referred to as PJSC MOSTOTREST, the Company) defines underlying internal audit management and operation principles of PJSC MOSTOTREST.

1.2. The Charter has been developed in accordance with the legislation of the Russian Federation, the Articles of Association, bylaws of the Company, and best corporate governance practices.

1.3. The Charter applies to the Company and is recommended for approval by subsidiaries of PJSC MOSTOTREST.

1.4. The Charter may be amended and supplemented by the resolution of the Board of Directors of the Company only. The Charter change proposals may be put forth by members of the Board of Directors of the Company, Director General of the Company, and Head of the Internal Audit Service.

2. TERMS, DEFINITIONS, AND ABBREVIATIONS

Internal Audit means independent inspections and consultations intended to improve production and business processes and performance of the Company by enhancing efficiency of internal control and risk management systems, ensuring appropriate corporate governance standards for the Company to achieve established objectives and goals.

Internal Control means any action taken by the Board of Directors, Director General, management, and any and all employees of the Company to manage risks and increase the likelihood that established objectives and goals will be achieved.

Code of Ethics means principles relevant to the profession and practice of internal auditing, and rules of conduct that describe behavior expected of internal auditors.

Audit Committee means the Audit Committee of the Board of Directors of PJSC MOSTOTREST.

Conflict of Interest means any relationship that is, or appears to be, not in the best interest of the Company. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Control means any action taken by the Company's management, Board of Directors, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved providing reasonable assurance that the Company's objectives and goals will be achieved.

Corporate Governance means a system of relationships between the executive bodies of the Company, Board of Directors, shareholders, and other interested parties. Corporate Governance is a tool to determine the Company's objectives and means to achieve them and to

ensure efficient control over the Company's operations on the part of shareholders and other interested parties.

International Standards for the Professional Practice of Internal Auditing (hereinafter referred to as the Standards) means multiple criteria internal auditors must rely on to perform their obligations.

Reliable Information means the definitive and dependable, best attainable information through the use of appropriate engagement techniques.

Independence means the freedom from conditions that threaten the ability of the internal audit service to carry out internal audit responsibilities in an unbiased manner.

Auditor's Objectivity means an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.

Risk means a potential event (or a turn of events) in future that upon occurrence might have a strong adverse impact on the Company's achievement of its long-term and short-term objectives. Risk is measured in terms of impact and likelihood.

Risk Management means a process to identify, analyze, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the Company's objectives.

Internal Audit Service means the Internal Audit Service of PJSC MOSTOTREST.

Head of Internal Audit Service means a person appointed by the resolution of the Board of Directors of the Company and responsible for effectively managing the Company's internal audit activity in accordance with this Charter and having appropriate professional certifications and qualifications.

SAA means subsidiaries and affiliates of PJSC MOSTOTREST.

3. INTERNAL AUDIT OBJECTIVES, GOALS, AND PRINCIPLES

3.1. The major objective of the internal audit activity is to facilitate efficiency of all operations at all management levels and to protect best interests of the Company and its shareholders.

3.2. The major goals of the internal audit activity are to organize and conduct independent inspections in respect of the following:

- reliability of financial and management information;
- compliance with laws and statutes applicable to the Company's operations;
- soundness of assets;
- efficient and prudent use of resources;
- performance to plan and achievement of established objectives;
- facilitation of efficiency of all types of operations at all management levels and protection of best interests of the Company and its owners (shareholders).

The goals of the internal audit activity also include:

- internal audits of affiliates conducted as applicable;
- reporting on performance of the Internal Audit Service to the Board of Directors and the Director General (including making reports containing information on material risks, shortcomings, performance and efficiency of steps taken to remedy identified shortcomings, performance to the internal audit activity plan, assessment of actual condition, reliability and efficiency of the risk management, internal control and corporate governance system);
- inspection of compliance by the Company's management and employees with laws of the Russian Federation and bylaws of the Company regarding insider information and fight against corruption.

3.3. The internal audit activity must be organizationally independent and auditors must be individually objective and professional as they perform their obligations.

3.4. The internal audit activity neither replaces nor duplicates the function of the external auditor.

4. INTERNAL AUDIT FUNCTIONS

The core functions of the internal audit activity are as follows:

4.1. Assessment of the Risk Management System Efficiency

Assessment of the risk management system efficiency includes:

1) assessment of the risk management system conformance to the scale and nature of the Company's operations, the Company's objectives (infrastructure of the risk management system, organization of risk management processes, regulatory and methodological support, cooperation between business units, reporting);

2) assessment of completeness and accuracy of description of risks commonly found in the Company's operations at all levels of its management;

3) assessment of efficiency of control procedures and other risk management actions, including efficiency of use of resources provided for this purpose;

4) monitoring of remedial action to remedy (minimize) effects of occurred risks.

The risk management processes are monitored both as part of the continuing activity of the Company's management and by means of special assessments and procedures.

4.2. Assessment of the Internal Control System Efficiency

Assessment of the internal control system efficiency includes:

1) analysis of consistency between objectives of business processes, projects and business units and objectives of the Company;

2) assessment of reliability and integrity of business processes and information systems, including reliability of abuse and corruption fighting procedures;

3) assessment of control environment, creating conditions for reliable accounting (financial), statistical, management and other reporting;

- 4) analysis of necessity and sufficiency of criteria applied by the Company to assess the achievement of the Company's objectives;
- 5) revealing shortcomings of the internal control system, which did not (do not) allow the Company to achieve established objectives;
- 6) assessment of implementation results of actions to remedy violations, shortcomings of the internal control system, improve the internal control system at all levels of the Company's management;
- 7) assessment of control environment, creating conditions for efficient and expedient use of resources;
- 8) assessment of control environment to ensure soundness of assets;
- 9) check on compliance with statutory requirements, the Articles of Association of the Company and bylaws of the Company.

4.3. Assessment of Corporate Governance

Assessment of corporate governance includes inspection of:

- 1) observance of ethical principles and corporate values of the Company;
- 2) identification of the Company's objectives, monitoring and control of their achievement;
- 3) level of regulatory framework and information exchange procedures (including internal control and risk management matters) at all levels of the Company's management, including cooperation with interest parties;
- 4) enforcement of rights of shareholders, including rights of affiliates, and performance of relationships with interested parties;
- 5) disclosure of information on operations of the Company and its affiliates.

The internal audit functions may be expanded depending on established objectives as part of steps taken to achieve the internal audit objective.

5. INTERNAL AUDIT SERVICE

The internal audit activity at the Company and SAA is organized by creating a separate business unit of the Company – Internal Audit Service.

5.1. Internal Audit Service Management

5.1.1. The Internal Audit Service is a business unit of the executive office under the Director General of PJSC MOSTOTREST and has dual subordination:

- function subordination – as it reports to the Board of Directors of the Company;
- administrative subordination – as it reports to the Director General.

5.1.2. The Internal Audit Service is headed by the Head of the Internal Audit Service.

5.1.3. The Head of the Internal Audit Service is appointed and dismissed by the order of the Director General of the Company based on the resolution of the Board of Directors of the Company.

5.1.4. In its activity, the Internal Audit Service observes principles of independence, objectivity, knowledge, and proficiency.

5.1.5. The activity of the Internal Audit Service is carried out in accordance with this Charter, which is approved by the Board of Directors of the Company.

5.2. Internal Audit Service Mission and Objectives

5.2.1. The Internal Audit Service mission is to provide all necessary assistance for the Board of Directors and management of the Company to perform their obligations to achieve the Company's strategic objectives.

5.2.2. The major objective of the Internal Audit Service is to provide the Board of Directors of the Company with independent and objective information and advice intended to improve the risk management, internal control and corporate governance systems at the Company.

5.3. Internal Audit Service Goals and Functions

5.3.1. The major goals of the Internal Audit Service are as follows:

- 1) assessment of efficiency and improvement of the internal control system;
- 2) assessment and improvement of the risk management system;
- 3) assessment and improvement of the corporate governance system at the Company;
- 4) assessment of reliability and integrity of information on the Company's financial and business operations;
- 5) assessment of compliance with statutory requirements of the Russian Federation, the Articles of Association and bylaws of the Company;
- 6) assessment of prudent and efficient use of the Company's resources and applied methods (ways) to ensure soundness of the Company's assets;
- 7) assistance to executive bodies and employees of the Company in development and monitoring of procedures and actions intended to improve the risk management, internal control and corporate governance systems at the Company;
- 8) coordination of activities with the external auditor of the Company and persons advising on risk management, internal control, and corporate governance.

5.3.2. The Internal Audit Service performs the following functions in accordance with its goals and appropriate procedures:

- 1) assessment of risks, adequacy and efficiency of internal control over risks in corporate governance, operating (production and financial) operations of the Company and its information systems, such as:
 - achievement of the Company's strategic objectives;

- assessment of reliability and integrity of information on the Company's financial and business operations;
 - efficiency and performance of the Company's operations, approved business plans, KPIs, and other programs of the Company;
 - assessment of prudent and efficient use of the Company's resources and applied methods (ways) to ensure soundness of the Company's assets;
 - conformance of created control systems to statutory requirements of the Russian Federation, regulations, bylaws of the Company, instructions of government bodies, resolutions of the Company's bodies, and their compliance;
- 2) assessment of adequacy and efficiency of the internal control system at the Company as applicable;
 - 3) assessment of efficiency of the corporate risk management system at the Company as applicable;
 - 4) assessment of full use and efficiency of the risk management methodology and procedures at the Company;
 - 5) assessment of the corporate governance system at the Company and its SAA, including assessment of implementation and observance of corporate governance principles adopted by the Company, as applicable;
 - 6) audit of the Company's information systems as applicable;
 - 7) assessment of adequacy of actions taken by the Company's divisions as applicable to ensure achievement of established objectives making part of the Company's strategic objectives;
 - 8) advising the Board of Directors, management of the Company and its business units on organization and improvement of internal control, risk management, corporate governance, and organization of internal audit, and other matters falling within competence of the Internal Audit Service;
 - 9) cooperation with the external auditor and advisors regarding internal audit, internal control, risk management, and corporate governance;
 - 10) performance of other functions assigned to the Internal Audit Service within its competence.

5.4. Internal Audit Service Authority and Limitations

5.4.1. The Head of the Internal Audit Service has direct access to the Board of Directors (Audit Committee).

5.4.2. Employees of the Internal Audit Service are authorized:

- 1) to request from officials of the Company and gain full access to, any assets, documents, accounting records, other information on operations of the Company and its SAA.

The refusal to provide information (including a delay to provide information or provision of incomplete information) is considered to be a material limitation of the Internal Audit Service authority, which must forthwith be reported to the Director General of the

Company and the Board of Directors of the Company (Audit Committee of the Board of Directors);

2) to engage external consultants and experts for internal audits, other actions necessary for efficient functioning of the Internal Audit Service;

3) to engage employees of the Company and SAA to take part in the Internal Audit Service activity (as agreed by the Director General of the Company). Preparation and provision of information to the Internal Audit Service by employees of the Company does not require approval of the Director General of the Company.

5.4.3. In order to observe independence and objectivity, the Head and employees of the Internal Audit Service must not:

- 1) be engaged in any activities, which may then be subjected to internal audit;
- 2) perform functional obligations at the Company, which are not related to the Internal Audit Service activity as defined herein;
- 3) take part in any activity, which may impair, or appear to impair, the objectivity of their assessment;
- 4) serve on committees or other working groups/commissions formed by the Company as their signing members. The Head and employees of the Internal Audit Service must be engaged by such groups only as non-voting consultants;
- 5) direct actions of employees of other divisions of the Company except where these employees are appointed as required to take part in the audit;
- 6) use confidential information to personal advantage or in any manner whatsoever, which may harm the Company.

6. INTERNAL AUDIT PROCEDURES

6.1. Internal Audit Service Accountability

6.1.1. As part of internal audit procedures, the Board of Directors of the Company approves the Internal Audit Charter of PJSC MOSTOTREST, amendments and supplements thereto.

6.1.2. The Internal Audit Service is functionally accountable to the Board of Directors of the Company, which means:

- 1) approval by the Board of Directors (subject to prior consideration / approval by the Audit Committee) of the internal audit policy (Internal Audit Charter), defining internal audit objectives, goals, and functions;
- 2) approval by the Board of Directors (subject to prior consideration / approval by the Audit Committee) of the internal audit activity plan;
- 3) receipt by the Board of Directors (Audit Committee) of information on performance to the activity plan and internal audit implementation;

4) resolution by the Board of Directors (subject to prior consideration / approval by the Audit Committee) to appoint, dismiss the Head of the Internal Audit Service;

5) consideration by the Board of Directors (Audit Committee) of material limitations of the internal audit division authority or other limitations, which may impair the internal audit.

6) consideration of information on risks accepted by management, which may not be acceptable to the Company, in the opinion of the Head of the Internal Audit Service.

6.1.3. The Internal Audit Service is administratively accountable to the Director General of the Company, which means:

1) approval of the list and numbers of employees of the Internal Audit Service, budget of the Internal Audit Service;

2) determination of material terms and conditions of the employment contract with the Head of the Internal Audit Service, including the amount of remuneration payable to the Head of the Internal Audit Service;

3) receipt of reports on the Internal Audit Service activity, material risks, and control issues, including fraud risks, corporate governance issues, other necessary information;

4) provision of assistance in concert with other business units of the Company;

5) administration of the Internal Audit Service policies and procedures.

6.2. Internal Audit Activity Planning

6.2.1. The Board of Directors (subject to prior consideration / approval by the Audit Committee) approves the internal audit plan for the next calendar year, plan amendments throughout the year, if necessary.

6.2.2. Where the internal audit plan is considered and approved, the following is taken into account:

1) risk management concept approved by the Company;

2) opinion of management of the Company and the Board of Directors (Audit Committee).

3) formalized risk assessment.

In the absence of the formalized risk assessment at the Company, the Board of Directors (Audit Committee) employs its own judgment of risks commonly found in the Company's operations.

6.3. Facilitation of Internal Audit Interactions

6.3.1. In order to ensure appropriate scope of audit, the Director General of the Company facilitates cooperation between the Internal Audit Service and other divisions of the Company and its SAA.

6.3.2. The Board of Directors of the Company (Audit Committee) exercises control over cooperation between the Internal Audit Service and division/s responsible for organization and performance of internal audit (on a continuing basis, requests or receives information on the

internal control assessment, internal control actions taken, results of procedures and remedial actions organized by the internal control division).

7. INTERNAL AUDIT QUALITY ATTRIBUTES

7.1. Independence and Objectivity

7.1.1. The internal audit must be free from third party interference with the scope of internal audit, performance of works, and reporting.

7.1.2. Internal auditors must be objective in performance of their obligations, impartial and unbiased, and avoid any conflict of interest.

7.1.3. If independence or objectivity of auditors is impaired (conflict of interest, limitations of authority to access documents, personnel, and resources, including financial ones, etc.), it must be disclosed to the Board of Directors and the Director General of the Company and reported.

7.1.4. In the event of considerable interference with the Internal Audit Service activity or obstruction of internal audit by the Company's employees or third parties, the Head of the Internal Audit Service forthwith reports such circumstances (actions, omissions) to the Board of Directors (Audit Committee) and the Director General (regardless of actions intended to remedy the aforesaid obstruction).

7.1.5. Internal auditors must refrain from assessment of any fields they used to be responsible for.

7.2. Proficiency of Auditors

7.2.1. Internal auditors must perform audit engagements with due professional care.

7.2.2. The internal auditor must be adequately knowledgeable to assess the fraud risk and the risk of other abusive practices and to assess how the Company manages this risk. In the meantime, the internal auditor is not expected to have knowledge of a professional whose core function is to identify and investigate frauds and other abusive practices.

7.3.2. Internal auditors must improve their knowledge and skills through continuous professional development.

7.3. Internal Audit Quality Control and Improvement Program

7.3.1 The Head of the Internal Audit Service develops and maintains the quality control and improvement program, which must cover all fields of internal audit activities.

7.3.2 The quality control and improvement program is developed to assess conformance of the internal audit activity to the International Standards for the Professional Practice of Internal Auditing, to assess the internal audit effectiveness and efficiency, and to identify improvement opportunities.

7.3.3. The quality control and improvement program includes both internal and external assessments.

7.3.4. Internal assessments include:

- 1) continuous monitoring of the internal audit activity;
- 2) periodic reviews conducted by way of self-assessment by internal auditors or external auditors knowledgeable to conduct internal audit.

7.3.5. External assessments must be conducted at least once every five years by qualified and independent appraisers or groups of appraisers who are not in the employ of the Company. External assessments may be conducted as full external assessments or as self-assessments subject to independent external confirmation. In which case, the Head of the Internal Audit Service and the Board of Directors (Audit Committee) must negotiate the following:

- 1) format and frequency of external assessments;
- 2) qualification and independence of the external appraiser or a group of appraisers, including any possible conflict of interest.

7.3.6. The Head of the Internal Audit Service must inform the Board of Directors (Audit Committee) of the implementation progress and results of the quality control and improvement program.

7.3.7 The form, scope, and frequency of information so provided on the implementation progress and results of the quality control and improvement program must be set by the resolution of the Board of Directors of the Company (Audit Committee).

8. FINAL PROVISIONS

8.1. This Charter comes into effect upon approval hereof by the Board of Directors of the Company. The same procedure applies to any amendments made to the Charter.