

LENTA GROUP POLICY GUIDELINES ON CORPORATE GOVERNANCE

INTERNAL AUDIT DEPARTMENT

1. ROLE AND SCOPE OF WORK

- 1.1 The role of the Internal Audit department is to provide independent, objective assurance and consulting services to the Lenta group (the "Group"), designed to increase the value of the Group's businesses, improve the efficiency of the Group's operations and safeguard the assets and the integrity of the Group.
- 1.2 The Internal Audit department helps the Group to accomplish its objectives by bringing a systematic, disciplined approach to evaluation and improvement of the effectiveness of risk management and internal control and governance processes.
- 1.3 The scope of work of the Internal Audit department is to determine whether the Group's system of risk management, and internal control and governance processes, as designed and operated by management, are adequate and functioning in a manner to ensure that:
 - a) risks are appropriately identified and managed;
 - b) legislative and regulatory requirements governing the Group are recognised;
 - c) internal controls are appropriate to manage identified risks and comply with applicable laws and regulations;
 - d) financial and operating information is relevant, reliable and timely;
 - e) employees' actions are in compliance with internal control policies, standards, procedures, and applicable laws and regulations; and
 - f) quality and continuous improvement are fostered in the Group's risk management and internal control processes.
- 1.4 Opportunities for improving risk management and internal control may be identified during audits. Such opportunities be communicated to the appropriate level of management.

2. ACCOUNTABILITY

The head of the Internal Audit department shall be accountable to the Audit Committee.

3. INDEPENDENCE

To ensure the independence of the Internal Audit department, its personnel shall report to the head of the Internal Audit department, who reports functionally to the Audit Committee (as prescribed above) and administratively to the Chief Executive Officer.

4. RESPONSIBILITY

- 4.1 The Internal Audit department shall have responsibility for developing a flexible annual audit plan and shall outline a 3-year plan using an appropriate risk-based methodology, taking account of any risks or internal control concerns identified by management and the Audit Committee, and submit each such plan to the Audit Committee for review and approval.
- 4.2 The annual audit plan and 3-year plan shall include:
 - a) where appropriate, allocation of work to external consultants;

- b) key performance indicators for the Internal Audit department; and
- c) an explanation of the method of coordination with other control and monitoring functions and with the external auditor. From time to time, the Internal Audit department may submit amendments to a plan for review and approval by the Audit Committee.

4.3 The Internal Audit department shall:

- a) submit its annual staffing plan and financial budget to the Chief Executive Officer and Chief Financial Officer, respectively, for approval, and to the Audit Committee for its information;
- b) implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit Committee;
- c) discuss the audit findings with the member of management responsible for the area audited. A written report on the audit findings and management's response shall be sent to the Chief Executive Officer within 30 days of completion of the audit (with a copy to the Chairman of the Audit Committee). Follow-up procedures will vary depending on the severity of any audit findings, but shall be undertaken within 12 months;
- d) identify significant issues related to the processes for recognising risks and controlling the activities of the Group and to recommend potential improvements to those processes;
- e) issue periodic reports to the Audit Committee and management summarising: (i) the results of internal audit activities, (ii) the responsiveness of management to findings and recommendations made by the Internal Audit department, (iii) Internal Audit department performance as against the annual audit plan, and (iv) the adequacy of Internal Audit department resources;
- f) assist the investigation of significant suspected fraudulent activities within the Group and notify management and the Audit Committee of the results. A written report shall be issued at the conclusion of any such investigation which shall include all findings, conclusions, recommendations, and corrective action taken;
- g) coordinate internal audit activities with other Group control and monitoring functions, such as the Risk Management and Business Excellence Department;
- h) coordinate internal audit activities with the Group's external auditor and others to best achieve the objectives of the Internal Audit department and the Group;
- i) evaluate and assess significant integration plans and new or changing services, processes, operations, information systems, and control processes at the time of their development, implementation, and/or expansion, and any other projects as requested by management or the Audit Committee;
- j) maintain and develop professional internal audit personnel with sufficient knowledge, skills and experience to meet the requirements of these terms of reference and the approved annual audit plan; and
- k) to keep the Audit Committee informed of emerging trends and successful practices in internal auditing within UK listed companies and their subsidiaries.

5. AUTHORITY

5.1 The Internal Audit department is authorised:

- a) to have unrestricted access to all functions, records, property and personnel of the Group, and to have full and free access to the Audit Committee;
- b) to allocate resources, set frequencies, select objectives, determine scopes of work and apply the techniques required to accomplish audit objectives; and
- c) to obtain the necessary assistance of personnel in all units, departments and functions of the Group where they perform internal audits, as well as other specialised services from within or outside the Group.

5.2 Any instances in which records, personnel or physical properties relevant to an internal audit are not made available to the Internal Audit department at their request shall be reported to the Chief Executive Officer and the Audit Committee.

5.3 The Internal Audit department is not authorised (unless specifically approved by the Audit Committee) to:

- a) perform any operational duties for the Group;
- b) initiate or approve accounting transactions external to the Internal Audit department; and
- c) direct the activities of any Group employees not employed by the Internal Audit department, except to the extent that such employees have been appropriately assigned to internal auditing teams or to otherwise assist the internal auditors.