

APPENDIX No.17 OPINION OF THE INTERNAL AUDIT COMMISSION OF PUBLIC JOINT-STOCK COMPANY FEDERAL HYDRO-GENERATING COMPANY RUSHYDRO (PJSC RUSHYDRO) FOLLOWING RUSHYDRO'S 2019 FINANCIAL AND BUSINESS PERFORMANCE AUDIT

**General Meeting of
Shareholders of PJSC
RusHydro**

**REPORT
of the Audit Commission of
Public Joint-Stock Company Federal Hydrogenerating Company - RusHydro
(PJSC RusHydro) on results
of the audit of financial and economic activities of PJSC RusHydro for 2019**

Moscow

April 29, 2020

In accordance with the resolution of the Internal Audit Commission of PJSC RusHydro (Meeting Minutes of the Company's Internal Audit Commission No. 2 dated September 27, 2019), an audit of financial and economic activities of Public Joint-Stock Company Federal Hydrogenerating Company – RusHydro (PJSC RusHydro) (hereinafter — PJSC RusHydro, the Company) was conducted from January 1, 2019 to December 31, 2019 (hereinafter — audit review).

The audit review was conducted by members of the Internal Audit Commission of PJSC RusHydro (hereinafter — the Company's Internal Audit Commission), who exercise their powers according to the resolution of the General Meeting of Shareholders dated July 2, 2019:

1. Tatiana Zobkova (Chairperson),
2. Igor Repin (Secretary),
3. Natalia Annikova,
4. Denis Konstantinov.

The Internal Audit Commission of the Company carries out its activities in line with Russian legislation, the Articles of Association of PJSC RusHydro, and the Regulations on the Internal Audit Commission of PJSC RusHydro.

Members of the Company's Internal Audit Commission shall hold no shares of the Company or positions in the Company's management bodies.

The key objectives of the audit review were to obtain reasonable assurance in the following:

- the data contained in the Company's reports and other financial documents are reliable;
- accounting and financial statements have been prepared and presented in compliance with the requirements of current legislation of the Russian Federation and with the Company's internal regulations;
- financial and economic activity catered to the interests of the Company and its shareholders.

The executive body of the Company shall be responsible for compliance with legislation of the Russian Federation in the course of financial and economic transactions, activities that take into account the interests of the Company and its shareholders, and submission of reliable financial statements.

The audit review was conducted by a sampling method and included the examination (on a test basis) of evidence supporting the significance and disclosure in the financial statements of information about the Company's financial and economic activities in order to obtain reasonable assurance that the annual report and the accounting (financial) statements for 2019 do not contain any material misstatements.

The following additional issues were also analyzed.

I. SHAREHOLDER CONTROL OBJECTIVES

1. Verification of the Company's Annual Report 2019

The Company's Annual Report 2019 (hereinafter — the Annual Report) reflects all the key points required in accordance with Resolution of the Russian Government No. 1214 dated December 31, 2010 and recommended by the Corporate Government Code of the Bank of Russia.

The Annual Report comprises operational results of RusHydro Group (including financial and production ones), disclosed within the IFRS reporting boundaries.

The Annual Report describes in detail RusHydro Group's structure, geography of operation, position in the industry, development prospects, strategy and strategy implementation in 2019, main highlights of the reporting year, information on the Long-Term Development Program, key performance indicators and their relation to the remuneration of the Company's Management, and dividend policy.

RusHydro Group's operational results, financial position, risks and opportunities are expanded upon.

A large section is devoted to the procurement activities, including import substitution as well as investments, both made and planned ones. Corporate governance takes a special place in the Annual Report.

The Annual Report discloses information on the remuneration of each member of the Company's Board of Directors.

The information in the Annual Report 2019 is disclosed to a greater extent, than required by Russian regulations and recommendations. Thus, the Annual Report contains such sections as the natural disaster and emergency response and prevention system, social and environmental responsibility, and stakeholder engagement.

The detailed analysis of the Annual Report is given in the Act of the Internal Audit Commission of the Company.

2. Verification of compliance with the instructions of the President of the Russian Federation and the Russian Government on import substitution in the Company's procurement

Directives of the Russian Government No. 1346-P13 dated March 5, 2015 on the development of a corporate import substitution plan (Roadmap of Import Substitution as part of the Long-Term Development Program) are complied with by the Company. The Roadmap of Import Substitution has been approved until 2025, as well as the Set of Import Substitution Measures for 2018–2020. The import substitution plan is linked to the Group's Innovative Development Program.

The actual share of imported equipment in the total volume of procurement for 2019 (20%) corresponds to the target level (20%).

The implementation of one of the two activities scheduled for the reporting year is still underway, while the second activity has been completed. Aside from the planned activities, three more were performed in the reference year; they had been scheduled for 2018 but not carried out. 11 additional activities have been held or are being implemented.

The methodological guidelines for the application of key performance indicators by state corporations, state unitary enterprises, as well as by business entities, the share of the Russian Federation, the subject of the Russian Federation, in authorized capitals of which in the aggregate exceeds 50%, as reported to the Company by letter of the Federal Property Management Agency No. OD-11/18576 of April 29, 2014, are taken into account in the Company's activities.

3. Verification of compliance with directives of the Russian Government, and instructions of the President and the Government of the Russian Federation

Based on the analysis of the materials submitted during the audit, the Internal Audit Commission of the Company has concluded that, in general, the Company has developed measures to comply with directives of the Russian Government, and instructions of the President of the Russian Federation and the Government of the Russian Federation, as well as ensured their proper implementation.

The selective analysis of the Company's compliance with directives of the Russian Government and instructions of the President and the Government of the Russian Federation is given in the Act of the Internal Audit Commission of the Company.

4. Verification of the Report on Related Party Transactions

According to the Company's Internal Audit Commission, the data contained in the Report on Related Party Transactions concluded by PJSC RusHydro in 2019 are reliable.

5. The Company's accounts receivable and payable

The Internal Audit Commission of the Company reviewed the dynamics of accounts receivable and payable. No violations or facts of provision of unreliable information have been revealed. The results of a more detailed study and analysis of accounts receivable and payable are presented in the Act of the Internal Audit Commission of the Company.

6. Introduction of the corporate governance principles (Implementation of the Program for the Corporate Governance Principles Introduction)

The Internal Audit Commission of the Company has examined the Report on Compliance with the Principles and Recommendations of the Corporate Governance Code and the Company's internal documents for their compliance with the best corporate governance practices and provisions of the Corporate Governance Code (hereinafter — the CG Code) recommended by the Bank of Russia.

According to the Internal Audit Commission, in general, the Company's corporate governance complies with the recommendations of the CG Code recommended by the Bank of Russia.

More detailed information on the status of implementation of the corporate governance principles is provided in the Company's Act of the Internal Audit Commission.

7. The Company's KPI system. Achievement of key performance indicators in 2019

The Company's internal regulatory framework related to the KPI system and its role in the motivation of Company management meets the Methodological Recommendations on Application of Key Performance Indicators by Business Entities, the share of the Russian Federation or a constituent entity of the Russian Federation in which exceeds 50%, and performance indicators of state unitary enterprises for the purpose of determining the amount of remuneration of their managerial staff, approved by Decree of the Russian Government No. 1388-r dated June 27, 2019.

The Company's corporate KPIs include two recommended groups of indicators: financial and economic, and industrial indicators. According to the KPI Methodological Guidelines, the basis for calculation of all financial and economic indicators is consolidated IFRS statements of RusHydro Group.

The actual corporate KPIs in 2019 were higher than target ones (exceeded).

The connection between KPIs and remuneration of the Company's Board members is determined based on recommendations of the Corporate Governance Code of the Bank of Russia, as well as the Corporate Governance Code of PJSC RusHydro, according to which members of the Company's Board of Directors receive a fixed annual remuneration for their work, while any forms of short-term motivation or additional material incentive are not provided for.

II. AUDIT OF THE COMPANY'S FINANCIAL AND ECONOMIC ACTIVITIES AND ANNUAL REPORT FOR 2019

Report on the Company's financial and economic activities

Over the reporting year, the Company managed to boost its net profit to RUB 38.6 billion (by 5.2%) by virtue of a significant reduction of losses in respect of non-core activities — by RUB 7.3 billion (46%).

Net profit sales margin was up to 24.9% (by 2.3 points) not only due to the increase in net profit, but also to the fall in sales revenue.

A drop in the sales revenue of 4.7% outpaced the reduction in the cost of sales (by 3.1%), which led to a larger decrease in the financial result from operating activities — the sales revenue was down by 7.1% (by RUB 4.7 billion).

At the same time, the decrease in sales margin amounted to 39.5%, as in the past 3 years.

Return on equity (in terms of its average annual value) slightly increased and reached 4.5% due to the high rates of net profit growth (5.2%) compared to the equity growth rate (2.8%).

Findings of the Company's Internal Audit Commission

In our opinion, the Company's annual report and annual accounting (financial) statements for 2019 present sound, in all material aspects, information on the financial position and results of financial and economic activities of the Company for the period from January 1, 2019 to December 31, 2019 inclusive.

In our opinion, the data contained in the Report on Related Party Transactions concluded by PJSC RusHydro in 2019 are reliable.

No violations of the accounting and financial reporting procedures established by the legal acts of the Russian Federation, as well as the legal acts of the Russian Federation in the course of financial and economic activities that could significantly affect the performance of PJSC RusHydro in 2019 have been revealed.

The Internal Audit Commission draws attention to the fact that in the Report on Financial Results for 2019 the Company did not disclose information on management expenses in accordance with paragraph 21, The Company's Expenses, of the Regulations on Accounting (RAS 10/99). The information on management expenses is disclosed by the Company in section 3.7. Explanations to the Balance Sheet and the Statement of Financial Performance for 2019.

The Report of the Internal Audit Commission of the Company on results of the audit of financial and economic activities of PJSC RusHydro for 2019 was approved by the decision of the Internal Audit Commission of the Company dated April 29, 2020 (Meeting Minutes of the Internal Audit Commission of the Company No. 3 dated April 29, 2020).

Chairperson of the Internal Audit Commission of PJSC RusHydro	T. V. Zobkova
Secretary of the Internal Audit Commission of PJSC RusHydro	I. N. Repin
Member of the Internal Audit Commission of PJSC RusHydro	N.N. Annikova
Member of the Internal Audit Commission of PJSC RusHydro	D. S. Konstantinov