

CORPORATE GOVERNANCE



Corporate governance system

RusHydro Group's corporate governance seeks to make sure that the rights and interests of its shareholders are protected and its investor relations are based on mutual trust. The quality of corporate governance is the key driver behind growth of the Company's value and dividend yields, contributing to a greater investment appeal.

RusHydro's corporate governance system:

- builds on compliance with the applicable Russian laws, Listing Rules of the London Stock Exchange and Moscow Stock Exchange and the U.S. OTCQX rules for international companies;
- takes into consideration recommendations set out in the Corporate Governance Code of the Bank of Russia¹;
- seeks to incorporate best global and domestic practices.

Having the Federal Agency for State Property Management (on behalf of the Russian government) as the Company's controlling shareholder exerting significant influence

on the corporate management processes is the key distinctive feature of RusHydro's governance framework. Certain procedures for the government to exercise its rights as a shareholder are stipulated by law and set out the proceedings through which the state can use its corporate rights to make and pursue decisions with respect to the Company.

Over the past five years, the Company's corporate governance system has seen progressive improvements triggered by the implementation of the principles and guidelines set forth in the Bank of Russia's Corporate Governance Code,

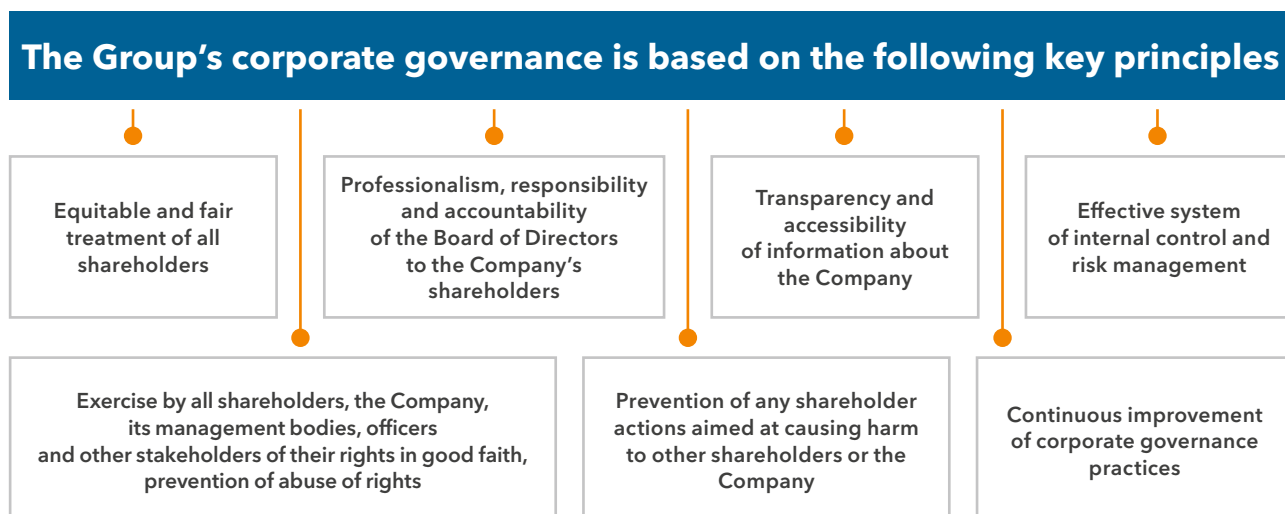
including through the adoption of RusHydro's own Corporate Governance Code².

The Company's corporate governance principles and procedures are laid out in its Charter and internal regulations, while the corporate practices are formalized in the Corporate Governance Code.



All internal corporate governance regulations adopted by PJSC RusHydro are available on the Company's website at:
<http://www.eng.rushydro.ru/>

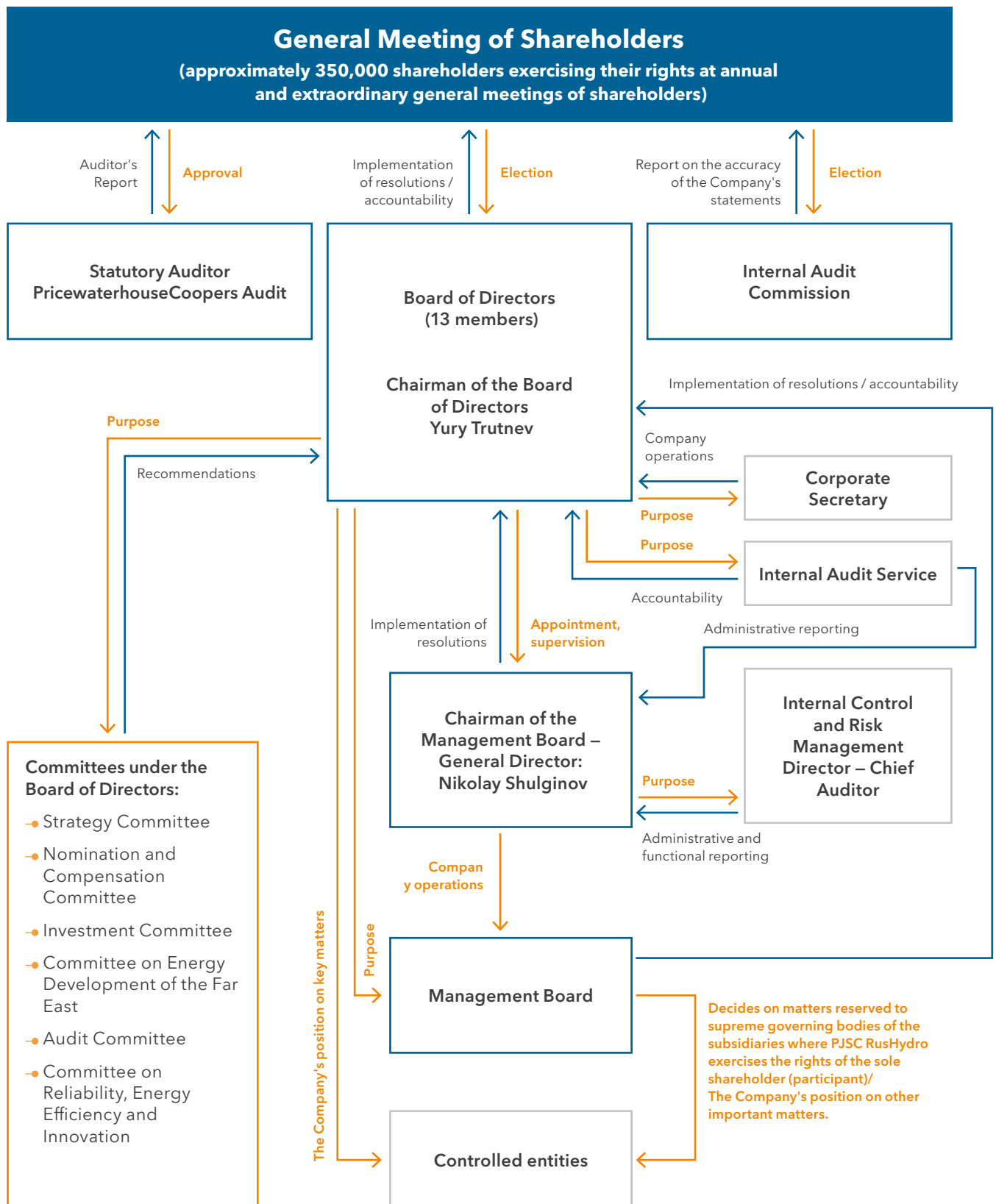
Key principles [102-16]



¹ The Corporate Governance Code recommended for implementation by joint-stock companies with securities admitted to organized trading as per letter of the Bank of Russia No. 06-52/2463 dated 10 April 2014.

² Approved by the Board of Directors on June 19, 2015 (Minutes No. 218 of June 22, 2015 as amended by resolutions adopted by the Board of Directors of RusHydro, Minutes No. 239 of June 23, 2016 and No. 263 of December 28, 2017)..

Corporate governance structure [102-18]



Subsidiary management

PJSC RusHydro has stakes (including indirectly through its subsidiaries) in the authorized capital of companies engaged in electricity and heat generation and distribution, energy facilities design, construction, repair, maintenance, rehabilitation and modernization, and other activities.

RusHydro has, either directly or indirectly, 100% or majority (as the case may be) stakes in the authorized capital of most of the Group's subsidiaries, which helps it pursue the Group's strategy and corporate governance policies all across the controlled entities.

The Company contributes to subsidiaries' strategy delivery, stable economic growth and investment appeal, and protection of rights and interests of the shareholders of both the Company and its subsidiaries.

The Company manages its subsidiaries by being represented at general meetings of shareholders/participants, on boards of directors and in supervisory bodies of the subsidiaries.

Deciding on matters reserved to supreme governing bodies of the subsidiaries where PJSC RusHydro exercises the rights of the sole shareholder (participant) falls within the remit of the Management Board. Establishing the Company's position on key matters regarding subsidiaries (reorganization, liquidation, increase of the authorized capital, approval of major transactions, participation of the subsidiary in other energy organizations, disposal of energy assets) falls within the remit of the Board of Directors. PJSC RusHydro's position on other important

matters regarding subsidiaries (KPI approval (adjustment), participation of the subsidiary in non-energy organizations, nomination of candidates to the subsidiary's governance and supervisory bodies, etc.) is established by the Management Board.

In addition to that, the Company's internal regulations formalize the right of the members of RusHydro's Board of Directors to access documents and make inquiries on subsidiaries while also considering matters relating to material aspects of their business.

The regulations governing subsidiary relations include:

- Charter of PJSC RusHydro;
- Procedure for Interacting with the Organizations Where PJSC RusHydro Has an Interest.

Improving the corporate governance system

In 2019, the Company continued to implement the standards set forth in the Corporate Governance Code of the Bank of Russia (the "Code") to improve overall corporate governance by consistently amending the internal regulations and applying the standards in the day-to-day operations.

The following key actions were taken in 2019:

- The Company's Board of Directors approved a new version of the Regulations on Dividend Policy and the Regulation on the Assessment of the Activities of the Board of Directors and the Board of Director Committees of PJSC RusHydro;

- On June 28, 2019, the Company's shareholders could for the first time vote at the Annual General Meeting of Shareholders using an electronic voting system, while also having an opportunity to benefit from a new forum on the meeting agenda;
- With the adoption of a new version of the Internal Control and Risk Management Policy, the

Board of Directors started playing a more prominent role in managing risks, including by approving Guidelines on RusHydro Group's Risk Appetite;

→ The Company's Charter and internal regulations were amended to include the following corporate governance enhancement clauses:

- resolutions on critical matters set forth in recommendation 170 of the Code shall be passed by a majority vote involving all elected directors;
- shareholders shall have access to the list of persons entitled to attend General Meetings of Shareholders as soon as such list becomes available to the Company;
- material corporate actions involving a potential conflict of interest shall be assessed by independent directors;
- shareholders holding collectively at least 2% of the Company's voting shares shall have the right to submit proposals for the agenda of meetings held by the Company's Board of Directors;



Improving the corporate governance system in subsidiaries

Over the reporting period, standardized subsidiary charters were adopted by the companies to ensure, among other things:

- compliance with applicable laws;
- harmonization of transaction approval approaches;
- quicker turnaround for corporate procedures.

→ The quality and exhaustiveness of information disclosed in the Company's annual report and on the Company's website were improved;

→ Candidates to the Board of Directors were assessed to confirm they have the necessary experience and knowledge, good reputation and no conflict of interest, with the assessment results submitted to shareholders as part of the materials for the Annual General Meeting of Shareholders;

→ In April 2019, a meeting of the Board of Directors held in person

reviewed results of the corporate governance practice assessment and self-assessment of the Board of Directors' performance, considered positive changes in the assessments of independent experts and took note of the proposals put forward to improve the Board's performance¹.

In addition to that, the reporting period saw election of the senior independent director, assessment of the risk management and internal control system efficiency, review of a report on progress in implementing the Information Policy Regulations, etc.

Corporate governance improvement prospects

Key areas for improvement as regards the Company's corporate governance in 2020 include the following:

- increasing the number of meetings held by the Board of Directors in person;
- making arrangements for a comprehensive formal self-assessment of the Board of

Directors and its committees with a focus on their performance as a single body and individual contributions of directors to the proceedings of the Board of Directors and its committees; drafting recommendations for the Board of Directors to improve the operating performance of the Board of Directors and its

committees; and preparing a report on the results of the self-assessment exercise to be reviewed by the Board of Directors at a meeting held in person;

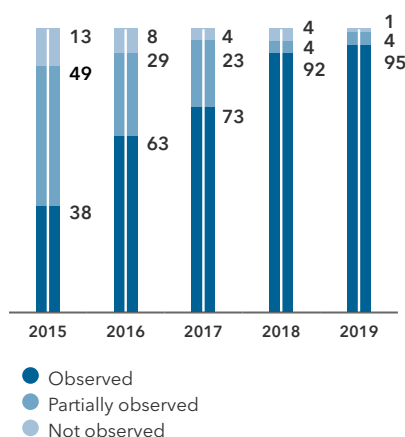
- lowering the threshold applied to disclosures of material transactions on the Company's website;
- improving corporate governance performance in the ESG ratings.

¹ Minutes No. 287 of April 22, 2019.

Compliance with the Corporate Governance Code

As a result of corporate governance improvement efforts and implementation of the standards set forth in the Code, the share of principles fully observed by RusHydro increased from 92% in 2018 to 95% in 2019.

Compliance with the principles and recommendations of the Corporate Governance Code, %



95%

of the Corporate Governance Code's principles recommended by Russian Central Bank are fully observed by PJSC RusHydro

For a detailed report on the Company's compliance with the Corporate Governance Code principles and recommendations, see [Appendix No. 1](#).

Compliance with the principles of the Corporate Governance Code¹

Observance of standards and principles of the Code	Observed			Partially observed			Not observed			Total for 2019
	2017	2018	2019	2017	2018	2019	2017	2018	2019	
Shareholder rights and equitable treatment of shareholders	11	12	12	2	1	1	-	-	-	13
The Company's Board of Directors	23	32	34	10	1	1	3	3	1	36
The Company's Corporate Secretary	2	2	2	-	-	-	-	-	-	2
Remuneration of the Company's directors, executive bodies and other key managers	10	10	10	-	-	-	-	-	-	10
Risk management and internal control system	6	6	6	-	-	-	-	-	-	6
Disclosures and the Company's information policy	6	7	7	1	-	-	-	-	-	7
Material corporate actions	-	4	4	5	1	1	-	-	-	5

¹ Compliance with the principles of the Corporate Governance Code was assessed based on the Bank of Russia's methodology and reporting recommendations with respect to such compliance (annex to the Bank of Russia letter No. IN-06-52/8 dated February 17, 2016).

Corporate governance quality assessment

In the reporting period, RusHydro's corporate governance quality was externally assessed by the Russian Institute of Directors (RID).

In September 2019, the RID affirmed the corporate governance ranking at 8 ("Advanced Corporate Governance Practice" according to the National Corporate Governance Rating (NCGR) scale).

The Company's corporate governance practices were assessed based on four components, each including a set of criteria to reflect corporate governance policies, procedures and structures as required by applicable Russian laws, the Moscow Exchanges Listing Rules, recommendations of the Russian Corporate Governance Code and global best practices.

The RID concluded that the Company complies with the Russian legislative requirements imposed on corporate governance and observes many of the recommendations



Corporate governance quality assessment by TopCompetence

In 2019, RusHydro engaged TopCompetence Corporate Development Center to undertake a comprehensive assessment of the corporate governance quality and draw comparisons between the Company and its peers.

The National Corporate Governance Index research published annually by TopCompetence focuses on Top 100 largest cap Russian companies listed on the Moscow Exchange to analyze key corporate governance trends, identify industry leaders and show a link between excellence in corporate governance and market indices.

In the 2019 research, RusHydro joined the ranks of the **Top 10 Russian companies in terms of corporate governance quality**.

contained in the Russian Corporate Governance Code. In addition, the Company boasts a rather low risk of losses that might be incurred by owners due to corporate governance issues.

RusHydro is committed to further improving its corporate governance rating.

In addition to the external assessment, the Company runs

annual corporate governance quality assessments by the Internal Audit Service. In 2019, the overall assessment grade was 92% out of 100% (vs 89% in 2018).

The assessment found the Company's corporate governance system to be effective. At the same time, certain moderate gaps and areas for improvement were identified.

Shareholders and investors

Share capital and securities

Authorized capital

As at December 31, 2019, the registered authorized capital of PJSC RusHydro was RUB 426,288,813,551 and consisted of 426,288,813,551 ordinary shares, each with a par value of RUB 1¹.

Additional share issuance

In Q2 2019, RusHydro completed the first stage of its share placement² consisting in the exercise of the shareholders' pre-emptive right to buy out additional issuance shares.

As part of the pre-emptive right exercise, RusHydro placed 7,000,092,298 additional shares among its shareholders (including 7,000,000,000 shares purchased

by the Federal Agency for State Property Management on behalf of the Russian Federation), each with a par value of RUB 1. As a result, the interest of the Russian Federation in the Company's share capital increased from 60.6% to 61.2%.

As at December 31, 2019, the date for the second stage of additional share issuance (via open subscription) remained unspecified, with the announcement deadline set for July 10, 2020.

Information on shares

The total number of voting shares is 433,288,905,849 ordinary registered shares. The Company did not issue preferred or ordinary shares with differing par values.

In accordance with Article 38 of Federal Law No. 178-FZ On the Privatization of State and Municipal Property dated December 21, 2001 (as amended on August 2, 2019), the Russian Federation has no special right to participate in the management of PJSC RusHydro (the "golden share").

According to the statement by executive bodies, there is no available information on any interests in the share capital of over 5%, apart from the data already disclosed by the Company.



Full text of the statement by executive bodies:
<http://www.eng.rushydro.ru/>

Shareholders

PJSC RusHydro's shares are held by around 350,000 Russian and foreign investors. The Russian Federation owns the controlling stake of 265,161,535,606 shares³, or 61.2% of the Company's total number of outstanding shares.

The Russian Government owns the Company's shares held by the Federal Agency for State Property Management (265,161,535,606 shares) and ITAR-TASS News Agency (248,527 shares). [\[102-5\]](#)

The Company does not hold any of its own shares.

Company's subsidiaries hold 3,852,259,324 shares, or 0.9% of the Company's authorized capital⁴.

¹ State registration number of the issue: 1-01-55038-E, dated February 22, 2005.

² On June 21, 2018, the Board of Directors resolved to increase the authorized capital by RUB 14,013,888,828 with an additional placement via open subscription. The decision to issue additional shares was registered by the Bank of Russia on August 27, 2018, with the issuance being assigned the registration number of 1-01-55038-E-043D.

The proceeds from the additional issuance will be invested in the first stage of a project to construct two single-circuit 110 kV Pevek-Bilibino power lines in Chukotka in the run-up to the upcoming refurbishment of the Chaun and Bilibino energy hub following the decommissioning of power units at Bilibino NPP, which reached the end of its service life.

³ Including shares of additional issuance No. 1-01-55038-E-043D dated August 27, 2018, with the additional issuance report still pending registration by the Bank of Russia as at December 31, 2019.

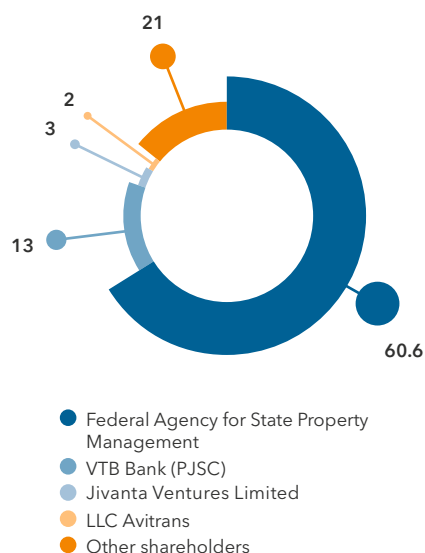
⁴ RusHydro's shares held by subsidiaries were not used in voting at the Annual General Meeting of Shareholders that took place on June 28, 2019.

The number of shares held by the Company's subsidiaries

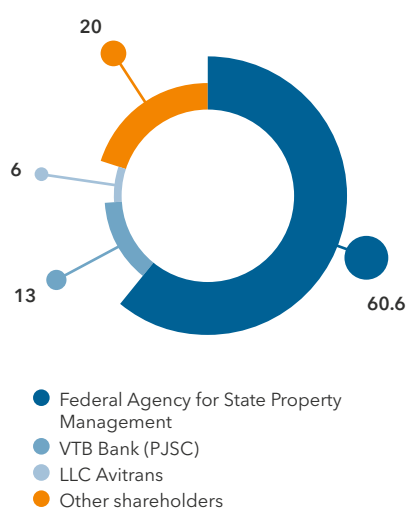
Name	Number of shares, pcs	Share in authorized capital, %
JSC Hydroinvest	3,430,091,314	0.804640
JSC Zaramagskiye HPP	271,302,097	0.063643
PJSC DEK	73,093,031	0.017146
JSC RAO ES East	48,511,631	0.011380
JSC ChirkeyGESstroy	29,205,310	0.006851
PJSC Yakutskenergo	55,941	0.000013

Changes in the group of persons with the right to exercise, directly or indirectly, at least 2% of the voting rights attached to the Company's voting shares¹, %

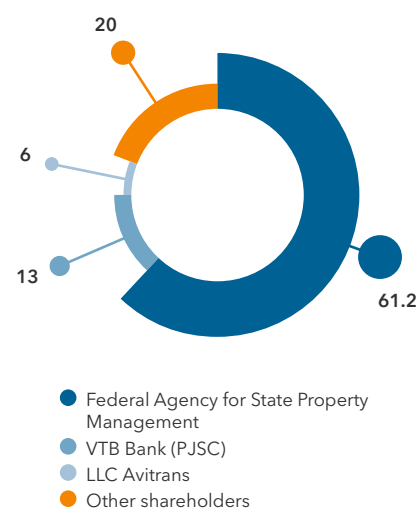
as at December 31, 2017



as at December 31, 2018



as at December 31, 2019



Changes in the shareholding structure by shareholder category, %

Name of the registered entity	Percentage share in authorized capital as at December 31, 2017	Percentage share in authorized capital as at December 31, 2018	Percentage share in authorized capital as at December 31, 2019 ²
The Russian Federation as represented by the Federal Agency for State Property Management	60.561	60.561	61.197
Legal entities, including:	38.087	38.115	37.509
resident	38.066	38.093	37.495
non-resident	0.021	0.022	0.014
Individuals, including:	1.352	1.324	1.294
resident	1.350	1.322	1.292
non-resident	0.002	0.002	0.002

¹ Shares in the registered authorized capital.

² Including shares of additional issuance No. 1-01-55038-E-043D dated August 27, 2018, with the additional issuance report still pending registration by the Bank of Russia.

Share of securities in free float¹, %

Date	Free-float factor
Last trading day of 2017	25
Last trading day of 2018	19
Last trading day of 2019	19

Shareholder agreements

RusHydro's shareholders can enter into shareholder agreements that determine PJSC RusHydro's corporate governance and shareholding procedures².

Notifications on concluded shareholder agreements received by RusHydro

Parties to the shareholder agreement	Date of the shareholder agreement
<ul style="list-style-type: none"> – The Russian Federation as represented by the Federal Agency for State Property Management – VTB Bank (PJSC) 	March 7, 2017
<ul style="list-style-type: none"> – The Russian Federation as represented by the Federal Agency for State Property Management – RusHydro's subsidiaries: Hydroinvest³, EZOP, Energy Index – HydroOGK 	June 23, 2016

Outstanding shares

Moscow Exchange listing

The Company's shares have been traded on the Moscow Exchange (formerly MICEX Stock Exchange) since February 4, 2008 (ticker: HYDR). Index inclusion:

- MOEX Russia Index (previous name – MICEX Index) IMOEX;
- Electric Utilities Index MOEXEU;
- Broad Market Index MOEXBMI;
- State-Owned Companies Index MOEXSCI;
- FTSE Emerging Index AWALLE;
- FTSE All-World Index AWORLDS;
- FTSE4Good Emerging;
- NASDAQ Russia NQRU;
- Nasdaq AlphaDEX Emerging Markets NQDXEM;
- STOXX Russia Total Market TCRUP;
- STOXX Optimized Russia EEORGT.

Moscow Exchange trading information

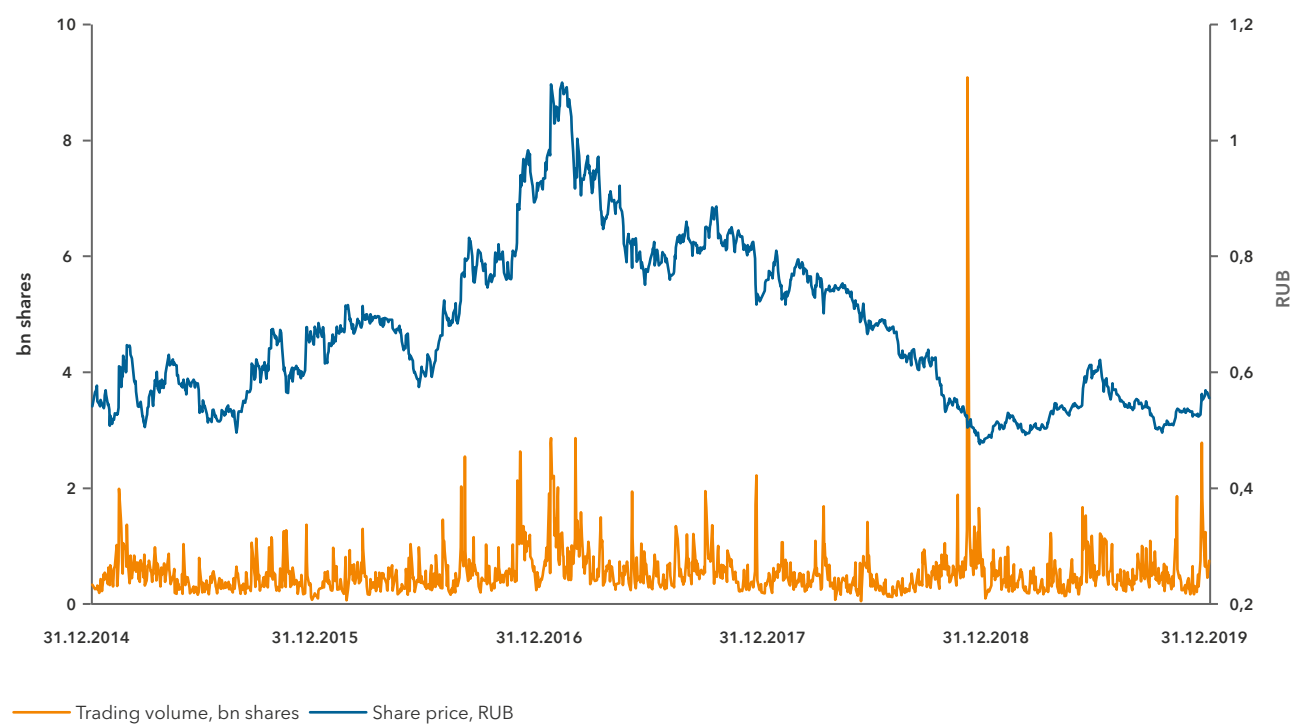
Item	2017	2018	2019
Trading mode	T+: stocks and DRs	T+: stocks and DRs	T+: stocks and DRs
Currency	RUB	RUB	RUB
Maximum trade price	1.100	0.810	0.622
Minimum trade price	0.717	0.476	0.487
Year-end trade price	0.729	0.486	0.555
Trading volume, bn pcs	173	136	132

¹ In accordance with the Moscow Exchange's methodology for calculating the free-float factor published at <https://fs.moex.com/files/4540>.

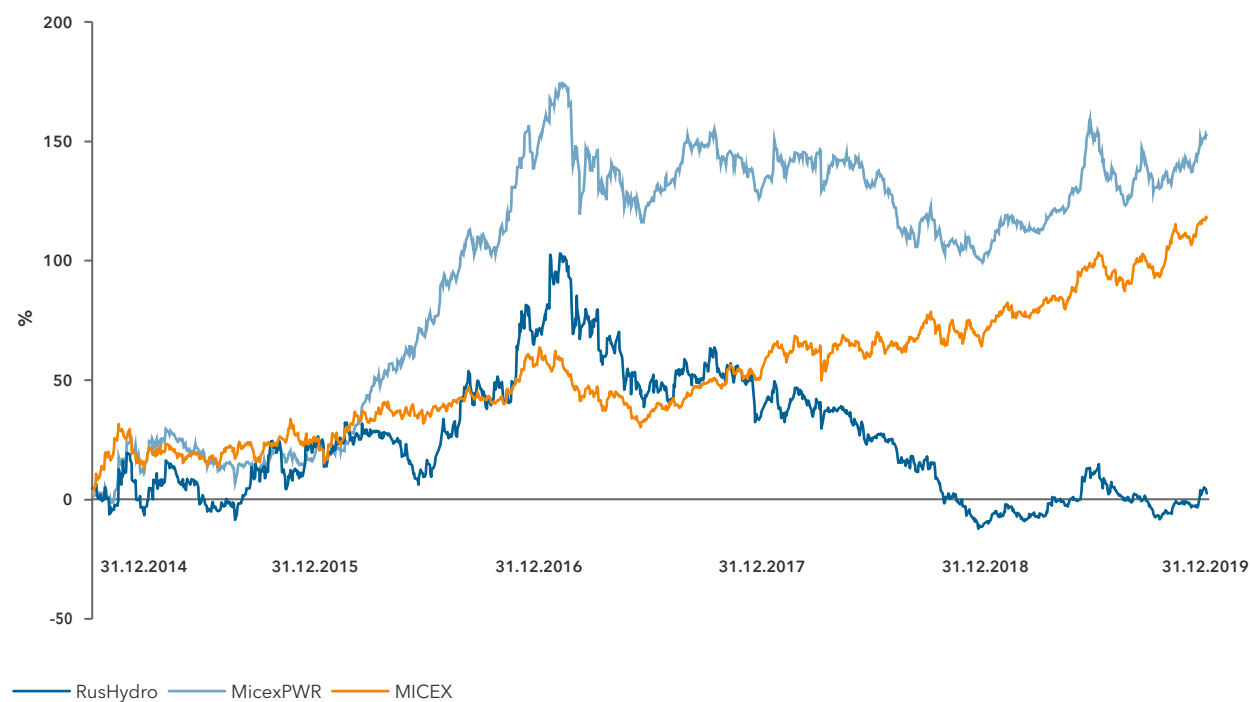
² For information on the ability of certain shareholders to obtain or actual cases of them obtaining an extent of control disproportionate to their contribution to the authorized capital, including through shareholder agreements or based on them holding ordinary and preferred shares with differing par values, please see the Company's website at <http://www.rushydro.ru/upload/iblock/102/Svedeniya-o-vozmozhnosti-priobreteniya-ili-o-priobretenii-opredelennimi-aktsionerami-stepeni-kontrolya.pdf>.

³ As at March 7, 2017, Hydroinvest was no longer the Company's shareholder, while the aggregate stake of EZOP and Energy Index – HydroOGK in the Company's authorized capital went down to 0.8% due to the sale of shares to VTB Bank (PJSC). As at September 9, 2018, Hydroinvest held 0.8% in RusHydro's authorized capital following the incorporation of EZOP and Energy Index – HydroOGK into Hydroinvest.

Share performance on the Moscow Exchange



Shares vs key indices of the Moscow Exchange



Shares traded on the global market

As at December 31, 2018, the number of shares traded outside of the Russian Federation in the form of ADRs and GDRs

stood at 9,657,528,500, or 2.27% of the Company's registered authorized capital (excluding shares of additional issuance

No. 1-01-55038-E-043D dated August 27, 2018).

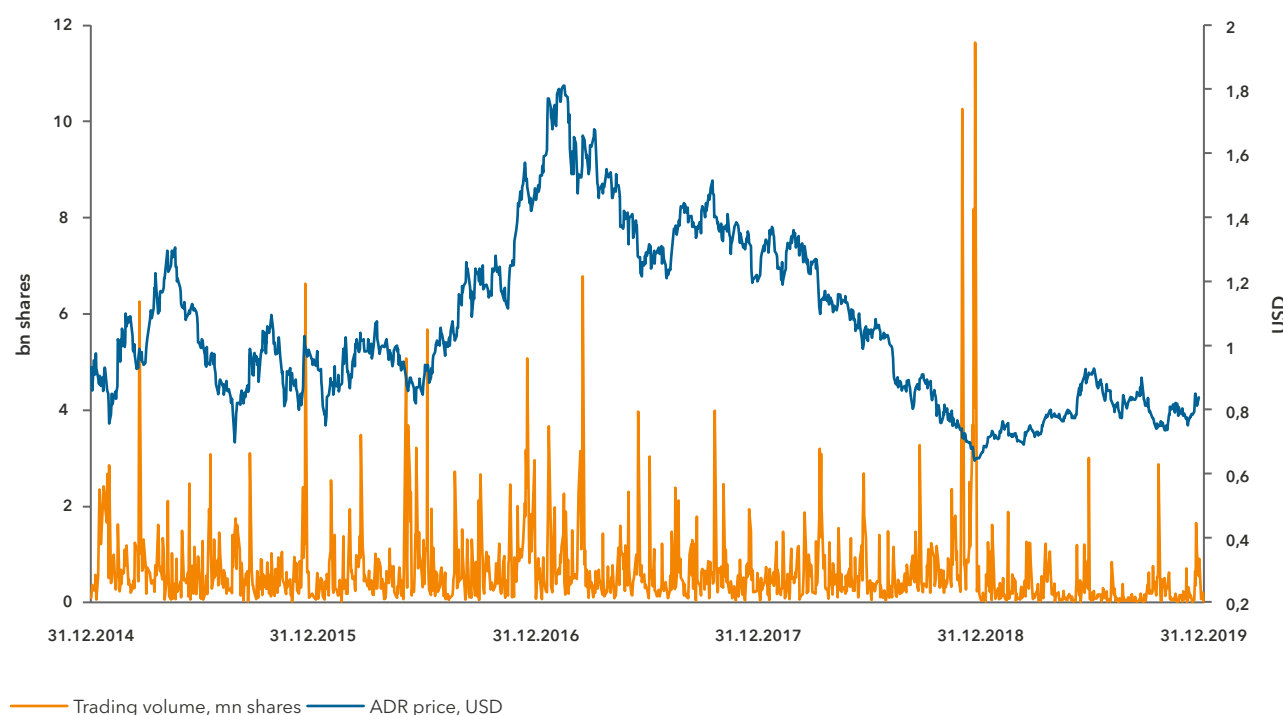
GDR and ADR program structure as at December 31, 2019

Type	Start of trading	Depository bank	Ratio	Ticker	Quantity as at December 31, 2018, pcs	Trading platforms
Rule 144A GDRs	June 17, 2008	The Bank of New York Mellon	1 GDR = 100 ordinary shares	HYDR	78,273	London Stock Exchange (Main Market – IOB)
Level I ADRs	August 7, 2009	The Bank of New York Mellon	1 ADR = 100 ordinary shares	RSYY HYDR	96,497,012	OTCQX London Stock Exchange

ADR trading on the London Stock Exchange

Item	2017	2018	2019
Currency	USD	USD	USD
Maximum trade price	1.81	1.37	0.93
Minimum trade price	1.20	0.64	0.67
Year-end trade price	1.20	0.66	0.84
Trading volume, mn psc	175	195	68

ADR performance on the London Stock Exchange



Share performance over five years

2015

In 2015, the MOEX Russia Index added 26% and the MOEX Electric Utilities Index rose by 18%, with RusHydro shares growing by 25%. The domestic market was buoyed by positive changes in the global investor sentiment towards assets from emerging markets triggered by sustained monetary loosening pursued by the world's leading central banks and expectations of mid-term recovery in Russia. Additional support for RusHydro's shares came from continued efforts to liberalize capacity sales for Siberian HPPs, results of the capacity auction, rising prices for electricity in the second price zone, commissioning of new generating facilities by the Company, and RusHydro's initiatives to strengthen the financial profile of RAO ES East.

2016

In 2016, the MOEX Russia Index added 27%, the MOEX Electric Utilities Index – 110%, and RusHydro shares grew by 36%. The domestic market was buoyed by the expected recovery of the Russian economy and ruble appreciation in the second half of the year. RusHydro shares grew on the back of high dividend payments, full liberalization of the HPP capacity market in Siberia, as well as overall strong hydro performance thanks to higher water levels. An additional boost to shares was provided by measures to optimize operating and investment expenses, decisions on refinancing the debt of RAO ES East Subgroup by signing a forward contract for RUB 55 bn in equity capital with VTB Bank (PJSC), and full consolidation of the RAO ES East shares for 100% ownership. The shares also benefited from the

disposal of major assets by the Company for a total amount of over RUB 15 bn.

2017

In 2017, the MOEX Russia Index was down 6%, the MOEX Electric Utilities Index – 8%, and RusHydro shares lost 21%. The Russian market faced headwinds in the form of geopolitical risks, which included talks on new US sanctions as well as lower interest in Russian companies on the part of global investors given the stricter monetary policy in the US and oil price volatility. For most of the year, RusHydro's shares traded in line with the market. At the end of the year, the share price was driven down by the news of RusHydro's Board of Directors resolving to suspend the construction of Zagorskaya PSP-2.

2018

In 2018, the MOEX Russia Index was up 7.8% year-on-year, while the Moscow Stock Exchange Power Index was down 11.4%, with shares in RusHydro losing 33.4%. In 2018, the market value of RusHydro shares decreased against a backdrop of the general lack of investor interest in the electric power industry. In Q1 2018, RusHydro's shares traded in line with the market. From Q2 2018 onwards, the Russian market and RusHydro shares were under pressure from sanctions on RUSAL Group, the biggest power consumer in Siberia and the Group's partner on the BEMO project, geopolitical risks, including talks on introducing new sanctions by the US (DASKA, August 2018), as well as lower interest in emerging market companies with no USD-denominated export revenue on the part of global investors while the US was tightening its monetary policy. Starting mid-October, RusHydro's shares

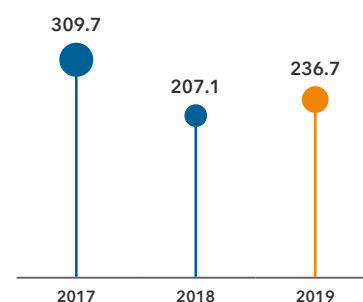
began dropping in price due to investor and analyst expectation of MSCI excluding the Company from its Russia index, which it did in late November 2018.

2019

In 2019, the MOEX Russia Index was up 28.6% and the MOEX Electric Utilities Index rose by 25.0%, with RusHydro's shares adding 14.3%. The domestic share market was buoyed by a favorable external sentiment as global central bankers were embracing the monetary stimulus, while Russia's country risks kept diminishing and its macroeconomic stability was improving endorsed by the Bank of Russia's progressive monetary loosening. Early in the year, the Russian stock market got a major boost from the mitigation of sanction risks, with the U.S. Department of the Treasury lifting sanctions imposed on UC RUSAL, EN+ and EuroSibEnergo on April 6, 2018. RusHydro's shares rallied on the back of a new dividend policy approved by the Board of Directors, strong financial and operating results for 2018, inclusion of four of the Company's Far Eastern projects in a state-run TPP modernization program offering a guaranteed rate of return, and the generally favorable market environment.

Capitalization

RusHydro's market capitalization¹, RUB bn



¹ Source: the official website of the securities market operator (PJSC Moscow Exchange). Market capitalization is calculated as the number of shares of the respective category (type) multiplied by the market price of one share as disclosed by the market operator.

Dividends

RusHydro's dividend policy is focused on supporting the Company's strategic development for the benefit of its shareholders by striking an optimal balance between dividend payouts and profit capitalization.

The Development Strategy of RusHydro Group until 2020 with an outlook for 2025 sets the dividend payout ratio of at least 50% of net profit, and the Company is always going to target the maximum level of dividend yield for its shareholders. [102-44]

In order to enhance the transparency and predictability of dividend payouts, on April 19, 2019, RusHydro's Board of Directors approved an updated version of the Regulations on the Dividend Policy (Minutes No. 287 of April 22, 2019), which sets out 50% of RusHydro Group's IFRS net profit for the respective reporting period as the base rate for calculating dividends. Additionally, the minimum dividend (lower threshold) is set at the level of average dividend payout for the previous three years¹.

The Company's Board of Directors shall provide its dividend payout recommendations to be approved by the General Meeting of Shareholders based on the Company's IFRS net profit and the minimum dividend payout obligation, while also taking into consideration investments in the Group's strategic development and Investment Program, the maximum permissible debt ratio, and recommendations of the Russian Government.

Having considered RusHydro's performance in 2018, the Annual General Meeting of Shareholders resolved on June 28, 2019 to pay out dividends on ordinary shares in the amount of RUB 15.9 bn, or 50% of the IFRS net profit.

Over the past three years, the Group distributed a total of RUB 47 bn in dividends.



Regulations on the Dividend
Policy of PJSC RusHydro:
<http://www.eng.rushydro.ru/>



85 bn RUB

dividend paid by RusHydro over
15 years

Information on payment of dividends on the Company's shares in 2018

As at December 31, 2019, the Company had paid out RUB 15.87 bn in dividends, with unpaid dividends amounting to RUB 46.89 mn. The latter was due to reasons beyond the Company's control: the Company or the Registrar (nominal holder) did not have the exact and necessary address details or bank details.

The Company made the dividend payments to the federal budget in full, in the amount of RUB 9.74 bn. The Company has no dividends to the federal budget that are in arrears.

Dividend history for the five years preceding the reporting year

Reporting period for which the dividends were paid	Total amount of declared (accrued) dividends, RUB '000	Amount of dividends declared per share, RUB
2014	6,032,750	0.01561855
2015	15,011,046	0.038863
2016	19,875,503	0.0466245
2017	11,225,676	0.0263335
2018	15,918,514	0.0367388

¹ Average dividend payout for the previous three years is calculated as follows: $\text{Div}_{\text{threshold}} = (\text{Div}_{\text{-year 3}} + \text{Div}_{\text{-year 2}} + \text{Div}_{\text{-year 1}}) / 3$

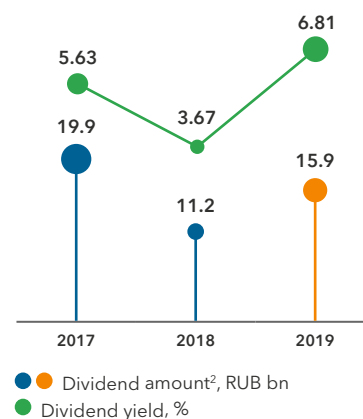
Total shareholder return

In 2017, RusHydro adopted a Long-Term Incentive Plan (LTIP) for the Company's senior management with a three-year total shareholder return (TSR) as the key KPI. In line with the approved LTIP methodology, TSR is calculated as a sum of changes in the market price of shares and the dividend yield for the

reporting period. The target value is considered achieved if the estimated actual indicator grew faster than the MOEX Russia Index over a three-year reporting period.

In 2019, the TSR was 17.2%, while the MOEX Russia Index grew by 25.6% over the same period.

Dividend yield¹



Shareholder and investor relations

During the reporting period, the Company focused closely on maximizing engagement with participants of the exchange market and other stakeholders and improving efficiency of information disclosures. As part of the investor engagement exercise, the Company held:

- more than 200 one-on-one and group meetings with the managers of major international and Russian investment funds;
- Analyst and Investor Day bringing together all Management Board members and key heads of functions;
- four quarterly management conference calls for analysts, investors, rating agencies and business mass media;

- a trip to the Far East for analysts and investors with on-site visits to Blagoveshchenskaya CHPP, DRSK, Bureyskaya HPP and Nizhne-Bureyskaya HPP.

The meetings focused on discussing RusHydro Group's strategic priorities and plans, including those related to the updated dividend policy, inclusion of the four Far Eastern projects in the TPP modernization program with a guaranteed rate of return, implementation of the share value growth initiatives, management efforts aimed at improving operational efficiency, and plans for asset modernization.

For the purpose of liaising with the shareholders, the Company uses the following types of communication:

personal meetings, conferences, call center and e-mail messages.

In 2019, the Company also closely engaged with the leading global analytical agencies seeking to enforce compliance with the sustainable development criteria. Those agencies included:

- CDP (Carbon Disclosure Project);
- Sustainalytics;
- MSCI-ESG;
- FTSE-Russel;
- Vigeo Eiris;
- Robeco-SAM;
- Trucost;
- Energy Intelligence.

For details on assessment of the Company by Russian and international analytical agencies, see [Awards and ratings](#)

Number of inquiries from RusHydro's shareholders recorded by VTB Registrar in 2019

Inquiries by topic	Personal visit to the Registrar's office	Registered mail	E-mail	Phone calls	Phone inquiries as percentage of total phone calls
Dividend distribution	–	78	104	3 620	70%
Inheritance registration	359	34	–	259	5%
Changes in account details	2,490	102	–	517	10%
Purchase / sale / gratuitous transfer of shares	443	14	–	259	5%
Inquiries about the number of securities	590	123	–	517	10%
Inquiries from notaries (to register inheritance deeds)	–	1,046	–	–	–

¹ The dividend yield is calculated upon the adoption of the resolution on the size of the annual dividend by dividing the annual dividend per one share by that share's median market price in the reporting period (dividends – PJSC Moscow Exchange, <http://moex.com>).

² The share of IFRS net profit allocated for dividends in 2016–2018 was 50%.

Governing bodies [102-22][102-23]

General Meeting of Shareholders

The General Meeting of Shareholders is the supreme governing body of the Company, which operates in accordance with the laws of the Russian Federation, the Company's Charter and the Regulations on the Procedure for Convening and Holding General Meetings of Shareholders of RusHydro.

On June 28, 2019, an Annual General Meeting of Shareholders took place in Moscow (Minutes No. 18 of July 2, 2019) and was attended by 400 shareholders, as well as media representatives, nominees to the governing and supervisory bodies of the Company, and other invitees.

The Meeting reviewed an agenda of 15 items, having approved, among other things, the annual report, annual accounting (financial) statements and

dividends for 2018 and having elected new members of the Board of Directors and the Internal Audit Commission. In addition, the Meeting approved new versions of the Charter, Regulations on the Procedure for Convocation and Holding of General Meetings of Shareholders, Regulations on the Procedure for Convening and Holding Meetings of the Board of Directors, Regulations on the Management Board, Regulations on the Internal Audit Commission, and Regulations on Payment of



All information on the Annual General Meeting of Shareholders, including Meeting materials and minutes, is available on the Company's website at www.eng.rushydro.ru

Remuneration and Compensation to Members of the Board of Directors.

There were no Extraordinary General Meetings of Shareholders in 2019.

Board of Directors [102-24]

The Board of Directors is a governing body that sets the priority areas of the Company's operations, approves its strategy and defines the core principles and approaches to the organization of the Company's internal control and risk management functions. The Board of Directors also makes decisions on corporate governance improvements along with investment and business planning matters, manages performance, innovations

and sustainable development. The Board of Directors is also involved in some of the most important or regularly supervised operational matters, such as reliability and security of the Company's facilities, monitoring of progress against major projects, approval of the certain types of transactions, and management of subsidiaries.

The Board of Directors consists of 13 directors and operates on the

basis of the Charter and the Regulations on the Procedure for Convening and Holding Meetings of the Board of Directors of PJSC RusHydro. Candidates to the Board of Directors must show proof of relevant experience in energy, financial (including analysis, assessment and audit of financial statements), management, production and other areas irrespective of their gender.



To improve the quality of decision-making, matters submitted for consideration by the Company's Board of Directors are previewed by meetings of the Management Board and committees of the Board of Directors.



Regulations on the Procedure for Convening and Holding Meetings of the Board of Directors of PJSC RusHydro www.eng.rushydro.ru

Independent directors

Independent directors are required to have an efficient and highly professional Board of Directors exercising an unbiased and independent judgement and adopting resolutions that respect the interests of the Company and its shareholders.

Candidates to the Board of Directors are assessed for compliance with the independence criteria set out in the Corporate Governance Code recommended for implementation by the Bank of Russia and the Listing Rules of the Moscow Exchange.

RusHydro meets the Moscow Exchange requirements setting out the number of independent directors that should serve on the Board of Directors. There are four independent directors serving on the Company's Board of Directors: Maxim Bystrov, Pavel Grachev, Aleksei Chekunkov and Vyacheslav Pivovarov¹. Independent directors monitor the Company's statement of financial results and analyze its financial performance and delivery against targets.

Each year, in the run-up to the General Meeting of Shareholders the Nomination and Compensation Committee of RusHydro's Board of Directors reviews compliance of potential candidates to the Board of Directors with independence criteria and submits an opinion on their independence to the shareholders as part of the meeting materials.

The compliance of the existing independent directors is assessed by the Nomination and Compensation Committee on a quarterly basis throughout their tenure as part of the procedure for confirming compliance with the Moscow Exchange listing requirements, with their details

and regularly updated personal information used as the basis for the assessment.

Independent directors bring in well-balanced opinions and exercise unbiased judgment based solely on their experience and expertise. Independent directors and their input to the work of the Board of Directors enhance the trust and confidence of shareholders and a wide range of investors, improve the quality of management decisions, and promote compliance with corporate governance principles.

Composition of the Board of Directors

The Board of Directors consists of 13 members. In 2019, there were two line-ups of the Board of Directors: one elected by the Annual General Meeting of Shareholders on June 27, 2018 and the other elected on June 28, 2019, with the mandates of 10 out of 13 directors extended for another term.

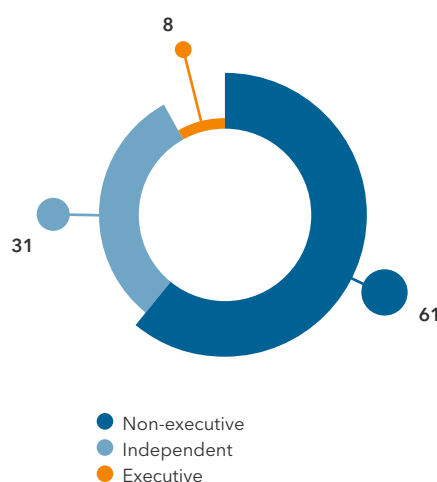
All candidates nominated for election to the Company's Board of Directors at the Annual

General Meeting of Shareholders held on June 28, 2019 have higher education and are highly professional and qualified, and:

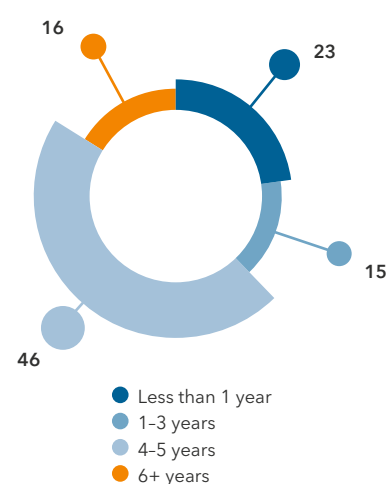
- are recognized experts in energy, finance, law, strategic and corporate governance, audit, risk management, HR, innovation and investment, as well as production and R&D;
- have a track record of serving on boards of directors or in senior positions at other joint-stock companies listed on organized exchanges;
- have impeccable business and personal reputation, sufficient skills, expertise and experience to make decisions falling within the Board of Directors' remit and perform their responsibilities efficiently.

The current composition of RusHydro's Board of Directors is well-balanced in terms of necessary competencies and professional experience. The balance of the Board of Directors is achieved through a high level of professional knowledge and expertise, sufficient time for performing the duties of a member of the Board of Directors, and absence of a conflict of interest, all of which contribute to effective decision-making.

Director status, %



Years served on the Board of Directors, %



¹ In the reporting year, none of the directors reported being stripped of his status as an independent director.

Composition of the Board of Directors

Full name	Year of appointment	Status	Nominated by	Committee membership					
				AC	NCC	SC	CEDFE	CREEI	IC
Artem Avetisyan	2015	Non-executive	Russian Federation						
Maxim Bystrov	2013	Independent	Russian Federation	V	V				V
Pavel Grachev	2016	Independent	Russian Federation	V	V	V	V		
Lev Kuznetsov	2019	Non-executive	Russian Federation			V			V
Yury Manevich	2019	Non-executive (public officer)	Russian Federation						
Pavel Livinsky	2018	Non-executive	Russian Federation						
Vyacheslav Pivovarov	2013	Independent	Russian Federation	V	V	V			V
Mikhail Rasstrigin	2018	Non-executive (public officer)	Russian Federation						
Nikolay Rogalev ¹	2016	Non-executive	Russian Federation			V		V	V
Yury Trutnev ²	2015	Non-executive (public officer)	Russian Federation				V		
Alexei Chekunkov	2016 ³	Independent	Russian Federation		V		V		
Andrey Shishkin	2014	Non-executive	LLC Avitrans						
Nikolay Shulginov	2016	Executive	Russian Federation						

AC – Audit Committee

NCC – Nomination and Compensation Committee

SC – Strategy Committee

CEDFE – Committee on Energy Development of the Far East

CREEI – Committee on Reliability, Energy Efficiency and Innovation

IC – Investment Committee

Experience and competencies of the Board of Directors⁴

Full name / area of expertise	Area of expertise					
	Energy	Finance (including the analysis, assessment, and audit of financial statements)	Management	Production	R&D	Other competencies
Artem Avetisyan		+	+			Promotion of entrepreneurship
Maxim Bystrov	+	+	+	+		Global economics
Pavel Grachev		+	+			Law, Doctor of Law
Lev Kuznetsov		+		+		
Yury Manevich	+	+	+	+		
Pavel Livinsky		+	+			Economics
Vyacheslav Pivovarov		+	+			Global Economics, Applied Economics, MBA

¹ Deputy Chairman of the Company's Board of Directors, Dean of Moscow Power Engineering Institute.

² Chairman of the Company's Board of Directors, Deputy Prime Minister of the Russian Federation and Presidential Plenipotentiary Envoy to the Far Eastern Federal District.

³ Was a member of the Board of Directors in 2016-2018 and since 2019.

⁴ Relevant experience of the candidates to the Board of Directors in various areas of activity, based on the data received from candidates to the Board of Directors, including education, professional track record and other publicly available information.

Full name / area of expertise	Area of expertise					
	Energy	Finance (including the analysis, assessment, and audit of financial statements)	Management	Production	R&D	Other competencies
Mikhail Rasstrigin	+	+	+			Economics
Nikolay Rogalev	+		+	+	+	Doctoral Degree in Technical Sciences, Professor
Yury Trutnev	+	+	+	+	+	
Alexei Chekunkov		+	+			Economics
Andrey Shishkin	+	+	+	+		
Nikolay Shulginov	+	+	+	+	+	PhD in Technical Sciences
Total	7	12	12	7	3	

Induction program

A newly elected member of the Board of Directors takes an induction program, including introduction to the members of the Management Board and familiarizing with:

- the Company's internal regulations;
- the Company's key performance indicators;
- RusHydro Group Development Strategy and RusHydro Group's Long-term Development Program;
- the Company's specifics as a joint-stock company with a majority government stake and other specific aspects;
- the software and technical facilities used in the work of the Board of Directors.

Independent directors also acquaint themselves with additional rights and obligations of independent directors,

their functions and roles in the Company's corporate practice.

In addition, Corporate Secretary assists newly elected members of the Company's Board of Directors with answers to their questions and sets up meetings with the Company's officers.

Education and further professional training

To improve its overall performance, the Board of Directors may decide to send its individual members for training and further professional development programs at the Company's expense within the limits of the Company's budget allocated for these purposes.

The training and further professional development programs for Board of Directors members are subject to approval by the Nomination and Compensation Committee.



In over 15 years, RusHydro has gone a great distance in its formation and development. The company, originally created as part of RAO UES of Russia's hydroelectric power plants, has grown into the largest electricity holding in Russia. It combines under one roof hydropower plants, thermal power plants, renewable energy generation, and power grid assets in the Far East, as well as energy, construction, and service companies, and a unique research and planning complex. One of RusHydro's priorities is the Far East's advanced development of electric power. By building new energy facilities and modernization of existing ones, the company is creating a solid foundation for developing other sectors and society as it contributes to economic growth in the Far East.

Yury Trutnev,

*Deputy Prime Minister of Russia
and Presidential Envoy to the Far Eastern
Federal District, Chairman of the Board
of Directors RusHydro*

Short biographies of directors¹



Yury Trutnev

Chairman of the Board of Directors, non-executive director, representative of the Russian Federation, public officer

Born in 1956

Education, academic degree, academic rank:

Graduated from the Perm National Research Polytechnic University with a degree in Mining Engineering

Experience over the last 5 years:

2013–present: Deputy Prime Minister of the Russian Federation and Presidential Plenipotentiary Envoy to the Far Eastern Federal District



Nikolay Shulginov

Executive director, representative of the Russian Federation

Born in 1951

Education, academic degree, academic rank:

Sergo Ordzhonikidze Novocherkassk Polytechnic Institute awarded the Order of the Red Banner of Labor; holds a PhD degree in Technology

Experience over the last 5 years:

- 2015–present: Chairman of the Management Board – General Director of RusHydro
- 2009–2015: First Deputy Chairman of the Management Board of JSC SO UES



Artem Avetisyan

Non-executive director, representative of the Russian Federation

Born in 1976

Education, academic degree, academic rank:

Graduated from the Financial University under the Government of the Russian Federation with a degree in Finance and Lending Postgraduate studies at the Financial University under the Government of the Russian Federation Audit retraining program at Moscow State University

Experience over the last 5 years:

- 2011–present: Head of New Business at the Agency for Strategic Initiatives
- 2014–2016: Vice President of the NEO Center

For more details on members of the Board of Directors, including the full list of positions held by them previously in collective governing bodies, see the Quarterly Reports of PJSC RusHydro.

¹ As at December 31, 2019



**Maxim
Bystrov**

Independent director

Born in 1964

**Education, academic degree,
academic rank:**

Graduated from the National Research Moscow State University of Civil Engineering with a degree in Hydraulic Engineering and Power Plant Construction
Graduated from the Russian Foreign Trade Academy with a degree in International Economics

Experience over the last 5 years:

- 2013–present: Chairman of the Management Board of NP Market Council
- 2013–present: Chairman of the Management Board of JSC ATS



**Pavel
Grachev**

Independent director

Born in 1973

**Education, academic degree,
academic rank:**

Graduated from the Saint Petersburg State University and the University of Trieste (Italy) with degrees in law, Doctor of Law

Experience over the last 5 years:

- 2016–present: General Director of MC Polyus LLC
- 2014–present: Chief Executive Officer of PJSC Polyus
- 2014–2016: President of JSC Polyus Krasnoyarsk
- 2014–2016: Chief Executive Officer of Polyus Gold International Limited



**Lev
Kuznetsov**

*Non-executive director,
representative of the Russian
Federation*

Born in 1965

**Education, academic degree,
academic rank:**

Graduated from Moscow Financial Institute with a degree in Economics

Experience over the last 5 years:

- 2019–present: Advisor to the General Director of New Pipe Technologies
- 2014–2018: Russian Minister of North Caucasus Affairs

Short biographies of directors



**Pavel
Livinsky**

*Non-executive director,
representative of the Russian
Federation*

Born in 1980

**Education, academic degree,
academic rank:**

Graduated from the Moscow
State University with a degree
in Economics;
holds a Master's degree in
Management

Experience over the last 5 years:

- 2017–present: General Director,
Chairman of the Management
Board at Rosseti
- 2017: Head of the Moscow
Department of Housing, Utilities
and Amenities
- 2015–present: President of the
Sport Federation of Firefighters and
Rescuers
- 2013–2017: Head of the Moscow
Department of Fuel and Energy



**Yury
Manevich**

*Non-executive director,
representative of the Russian
Federation, public officer*

Born in 1972

**Education, academic degree,
academic rank:**

Graduated from Saint Petersburg
University of Economics and Finance
with a degree in Economics and
Production Management

Experience over the last 5 years:

- 2019–present: Deputy Minister
Energy of the Russian Federation
- 2010–2019: General Director and
President at CJSC ROSPROJECT



**Vyacheslav
Pivovarov**

Independent director

Born in 1972

**Education, academic degree,
academic rank:**

Graduated from the Sergo
Ordzhonikidze State Academy
of Management with a degree
in International Economics
Graduated from the American
University of Paris with a degree
in Applied Economics
Received MBA from Stanford
University

Experience over the last 5 years:

- 2017–present: President of Altera
Capital¹
- 2011–2017: President of Altera
Capital²

¹ INN: 7714961556.

² INN: 7703741291.

**Mikhail****Rasstrigin**

*Non-executive director,
representative of the Russian
Federation, public officer*

Born in 1983

**Education, academic degree,
academic rank:**

Graduated from Ivanovo State Power Engineering University with a degree in Heat Power Station Engineering; Bachelor of Economics

Experience over the last 5 years:

- 2017-present: Deputy Minister of Economic Development
- 2017: Assistant Minister of Economic Development
- 2011-2017: Head of Electric Power, Natural Resources Directorate, Research Department, VTB Capital

**Nikolay****Rogalev**

*Non-executive director,
representative of the Russian
Federation*

Born in 1962

**Education, academic degree,
academic rank:**

Graduated from the Moscow Power Engineering Institute (heat power stations), Doctoral Degree in Technical Sciences, Professor

Experience over the last 5 years:

- 2016-present: President of NP Scientific and Technical Council of the Unified Energy System
- 2015-present: Head of Department at the Moscow Power Engineering Institute (part-time)
- 2013-present: Dean of the Moscow Power Engineering Institute

**Alexei****Chekunkov**

Independent director

Born in 1980

**Education, academic degree,
academic rank:**

Graduated from Moscow State Institute of International Relations with a degree in Economics)

Experience over the last 5 years:

- 2014-present: Chief Executive Officer of the Far East and Baikal Region Development Fund

Short biographies of directors prior to June 28, 2019



**Andrey
Shishkin**

*Non-executive director,
representative of the Russian
Federation*

Born in 1959

**Education, academic degree,
academic rank:**

Graduated from the Gubkin Moscow
Institute of Petrochemical and Gas
Industry with a degree in Industrial
Heat and Power Engineering

Experience over the last 5 years:

— 2015–present: General Director
at RN-Assets

— 2012–present: Vice President
for Energy, Health, Safety and
Environment at Rosneft; from
2014: Vice President for Energy
and Localization at Rosneft; from
2016: Vice President for Energy,
Localization and Innovation at
Rosneft

— 2016–2019: President, Chairman
of the Management Board
at Bashneft



**Sergey
Ivanov**

Independent director

Born in 1961

**Education, academic degree,
academic rank:**

Graduated from the National
Research Nuclear University with
a degree in Theoretical Nuclear
Physics, PhD degree in Economics,
Professor, Corresponding member
of the Russian Academy of Natural
Sciences

Experience over the last 5 years:

— 2016–2018: General Director
at RT-Capital

— 2015–2016: General Director
of Nechernozemagropromstroy
Corporation

— 2012–2015: General Director
of LENSENT

— 2011–2016: General Director of
Energetic Russian Company (ERCO)

— 2007–2014: Chairman of the
Presidium of the National Institute
of Energy Security



**Vyacheslav
Kravchenko**

*Non-executive director,
representative of the Russian
Federation*

Born in 1967

**Education, academic degree,
academic rank:**

Graduated from the Moscow State
University with a degree in Law)

Experience over the last 5 years:

— 2013–2018: Deputy Minister
of Energy of the Russian Federation



Sergey Shishin

Non-executive director,
representative of the Russian
Federation

Born in 1963

Education, academic degree, academic rank:

Graduated from the KGB Moscow
Higher Frontier Guards Command
Academy

Russian Presidential Academy
of National Economy and Public
Administration, degree in Public and
Municipal Administration, PhD in
Economics

Experience over the last 5 years:

— 2007–present: Senior Vice
President at VTB Bank

Additional information on directors

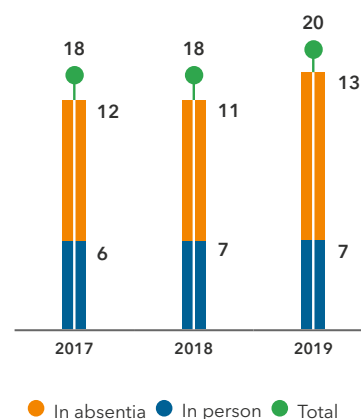
As at December 31, 2019, the directors held (directly or indirectly) no shares of the Company or shares/stakes Company's subsidiaries. In the reporting year, members of the Board of Directors did not buy or sell the Company's shares.

No loans were issued by the Company or RusHydro Group to any members of the Board of Directors.

Duties of officials representing the Russian Federation are set forth in Resolution No. 738 of the Russian Government dated December 3, 2004.

The independence of the members of the Board of Directors is defined in line with the independence

Number of Board of Directors meetings



criteria of the Moscow Exchange and the Corporate Governance Code recommended by the Bank of Russia¹.

Attendance in 2019 by director

Full name	Meetings attended/total	Attendance, %
Artem Avetisyan	12/20	60
Maxim Bystrov	17/20	85
Pavel Grachev	20/20	100
Lev Kuznetsov (starting June 28, 2019)	10/10	100
Yury Manevich (starting June 28, 2019)	10/10	100
Pavel Livinsky	19/20	95
Vyacheslav Pivovarov	19/20	95
Mikhail Rasstrigin	19/20	95
Nikolay Rogalev	20/20	100
Yury Trutnev	20/20	100
Alexei Chekunkov (starting June 28, 2019)	9/10	90
Andrey Shishkin	18/20	90
Nikolay Shulginov	20/20	100
Sergey Ivanov (member until June 28, 2019)	5/10	50
Vyacheslav Kravchenko (member until June 28, 2019)	8/10	80
Sergey Shishin (member until June 28, 2019)	10/10	100

¹ Recognition of director independence is fully in line with the criteria set out in the Listing Rules of the Moscow Exchange and the Company's Corporate Governance Code, but partially contravenes the Corporate Governance Code recommended by the Bank of Russia as the latter does not allow for a director who has formal ties with the Government to be recognised as independent (Alexei Chekunkov).

As at the date of appointment and during 2019, no conflicts of interest (including participation in the governing bodies of the Company's competitors) of any member of the Board of Directors was reported.

Board of Directors' report

In 2019, the Board of Directors held 20 meetings and reviewed a total of 165 items. The average attendance rate stood at 90% of all meetings held during the year.

In 2019, in addition to resolutions on the convocation of the Annual General Meeting of Shareholders, approval of transactions, development of a transparent procurement management framework, enhancement of the control and audit system and subsidiary management matters, the Board of Directors made a number of important decisions related to the Company's development (see the key matters reviewed by the Board in 2018 in the table below).

Key agenda items reviewed by the Board of Directors in the reporting year:

- progress and financing under the investment project to construct two single-circuit 110 kV Pevek-Bilibino power lines (construction stage No. 1);
- approval of PJSC RusHydro's Regulations on the Dividend Policy;
- extension of grace period for the loan given to JSC DGK under a forward transaction with VTB Bank (PJSC);
- review of the program to develop the energy system in the Far Eastern Federal District with a view to accelerating local economic growth;
- consolidation of RusHydro Group's energy companies across the Kamchatka Territory;
- RusHydro Group's initiatives to streamline operations and improve financial stability of JSC DGK and



Minutes of the meetings held by PJSC RusHydro's Board of Directors are available on the Company's website at www.eng.rushydro.ru

to change the ownership structure of PJSC DEK;

- initiatives to refinance the debt of JSC RAO ES East Subgroup's companies;

→ creation of PJSC RusHydro branches to modernize CHPPs;

→ performance under the Company's Business Plan in 2018 (including the report on progress against the Investment Program in 2018 covering, among other things, the Comprehensive Modernization Program for RusHydro's generating facilities);

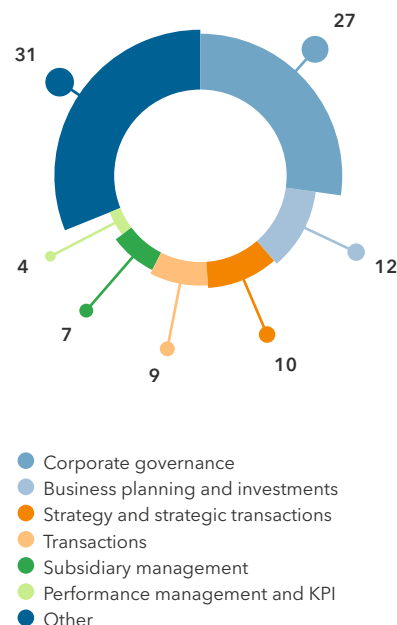
- approval of the report on progress against the Company's Consolidated Business Plan (including the Consolidated Investment Program) in 2018;
- approval of the report on achievement of key performance indicators (for the Management Board);
- approval of the Company's Business Plan (including the Investment Program) and RusHydro Group's Consolidated Business Plan for 2020-2024;
- approval of the annual KPIs for the Management Board and their target values for 2020.

In 2019, the Company did not face the most complicated issues that would need to be discussed by the Board of Directors.

Assessment of the Board of Directors performance [103-3] [102-28]

Independent assessment
Performance of the Company's Board of Directors is assessed in

Breakdown of items considered by the Board of Directors, %



accordance with the Regulation on the Assessment of the Activities of the Board of Directors and the Board of Director Committees of PJSC RusHydro¹ approved by the Board of Directors and developed in line with the applicable Russian laws, the Company's Charter, the Corporate Governance Code of the Bank of Russia, the UK Corporate Governance Code, and the G20/OECD Principles of Corporate Governance.

Pursuant to the Corporate Governance Code of RusHydro, assessment is performed as follows:

- internal assessment (annually);
- external independent assessment by an independent consultant (once every three years).

For more information on resolutions adopted by the Board of Directors in 2019, see [Appendix No. 4](#).

¹ Minutes No. 283 of February 21, 2019.

The last independent assessment was completed by LLC Pricewaterhouse Coopers Advisory in 2018, with the results reviewed by a meeting of the Company's Board of Directors held in person in June 2018.

Self-assessment

In 2019, the Board of Directors assessed its performance by surveying individual directors and reviewing internal documents governing the activities of the Board of Directors and its committees, the meeting minutes of the Board of Directors and its committees, and other relevant materials. The scope of the assessment included:

- overall assessment of the Board of Directors' performance;
- assessment of each committee's performance;
- performance assessment for the Chairman of the Board of Directors and Senior Independent Director;
- individual assessment of the Board members.

The results of the self-assessment demonstrate that the Company largely complies with the principles and recommendations of both the Russian and British corporate governance codes and also highlight some key strengths of RusHydro's Board of Directors:

- collectively, the members of the Board of Directors possess a strong set of competencies, expertise, skills and leadership qualities that contribute to their efficient performance;
- the Board of Directors and the Audit Committee include a director with experience and expertise in preparation, analysis, assessment and audit of accounting (financial) statements;
- the Board of Directors represents the main stakeholders of the Company, while also

maintaining a balance between ensuring succession and systematically bringing in new members;

- meetings of the Board of Directors are characterized by active discussions of the agenda items and resolutions, with new ideas and a diversity of opinions always welcome;
- the most important matters pertaining to the operations of the Company and its subsidiaries are normally discussed at the meetings of the Board of Directors that are held in person;
- directors do not refrain from asking the management team uncomfortable questions and provide constructive criticism on proposed resolutions to ensure well-informed decision-making;
- independent directors play an important and active role in the work of the Board of Directors and its committees;
- the committees of the Board of Directors review the agenda items in greater depth and contribute to the overall efficiency of the Board of Directors.

Also, to evaluate individual contributions of each director elected as a representative of the Russian Federation, RusHydro introduced a special procedure for the performance of the Board of Directors to be assessed automatically based on information sourced from dedicated director questionnaires available in the Company's personal account on Rosimushchestvo's inter-agency portal.

This procedure helps assess individual efficiency of the Company's directors against the following criteria:

- Objective assessment provides a baseline to evaluate individual contributions from directors

elected as representatives of the Russian Federation as regards their participation in corporate events, voting on items included in agendas of such corporate events, submission of performance reports to the Company's Board of Directors, etc.

- Subjective assessment provides a baseline to evaluate individual contributions from directors elected as representatives of the Russian Federation as regards their involvement at meetings of the Board of Directors, offer of advice and support to the Company's management team, protection of shareholder interests, possession of the necessary professional skills to work as a director, etc.

The assessment results are taken into consideration by the Government when it decides on candidates to be nominated to the Board of Directors at the next Annual General Meeting of Shareholders.

Areas for the development of the Board's activities

In order to continue improving its efficiency, the Board of Directors is going to take the following key actions based on the assessment results:

- hold a strategic session with external experts to discuss the strategy, its implementation and possible updates (in light of systematic renewal of the Board of Directors, as well as changes in the business landscape since the approval of the strategy);
- expand the list of speakers invited to the meetings of the Board of Directors with members of the Company's management and external experts;
- hold comprehensive Board of Directors discussions addressing the matters of risk

¹ The assessment is based on the methodology for individual assessment of directors in joint-stock companies partially owned by the Government, as approved by the Federal Agency for State Property Management (Rosimushchestvo).

appetite and key risk management as they pertain

to the Company's operations;

- maintain and expand the practice of the Board of Directors members and independent directors in particular attending the most important investor and analyst engagement events.

Liability insurance

Since 2007, RusHydro has provided liability insurance for the members of the Board of Directors and the Management Board, as well as for the persons in the capacity of sole executive bodies at the Company's

subsidiaries and branches and for those managing the Company's units and subsidiaries.

In a tender to select a provider of directors and officers (D&O) civil liability insurance for 2019, JSC SOGAZ was chosen based on its ability to provide the most reliable and comprehensive coverage when it comes to this type of insurance¹.

The amount of coverage is RUB 12.1 bn. In addition, the independent directors' liability is insured for RUB 156.6 mn. The insurance premium amounted to RUB 15,0 mn.

The insurance policy covers:

- property interests of the insured related to other persons' claims for damages arising from the insured person's claimed (alleged, supposed) wrongdoing (error, omission, improper performance, etc.);
- property interests of the Company and/or any subsidiary related to any claims made by other persons that were initially brought against the insured;
- property interests of the Company and/or any subsidiary related to any claims in respect of securities brought against the Company and/or any subsidiary.

Committees of the Board of Directors

The committees are advisory bodies helping the Board of Directors to effectively perform its general management duties.

RusHydro's Board of Directors has six committees:

- Audit Committee;
- Nomination and Compensation Committee;
- Strategy Committee;
- Investment Committee;
- Committee on Energy Development of the Far East;
- Committee on Reliability, Energy Efficiency and Innovation.



Regulations on the committees, including meeting minutes, are available on the Company's website at <http://www.eng.rushydro.ru/>

For more information on meetings held by committees of the Board of Directors, see [Appendix No. 5](#)

¹ The insurer selection process complied with the requirements of the Company's internal regulations and Federal Law of the Russian Federation No. 223-FZ On Procurement of Goods, Works, Services by Certain Types of Legal Entities dated July 18, 2011.

Audit Committee

Members of the Committee		Competencies	Key performance results and recommendations issued to the Board of Directors
In 2019, the Audit Committee held 21 meetings, including: <ul style="list-style-type: none">8 meetings before June 21, 2019;13 meetings on or after June 21, 2019.		The Committee is designed to assist the Board of Directors in exercising control over the Company's financial and business operations, with its key responsibilities including oversight of the financial statements, internal controls, risk management, corporate governance, and misconduct reporting systems, and ensuring independence and impartiality of the internal and external audit functions.	The Audit Committee recommended that the Company's Board of Directors: <ul style="list-style-type: none">approve the Company's annual financial statements and annual report;approve the report on the operation and internal assessment of the internal control and risk management system. In addition, the Audit Committee: <ul style="list-style-type: none">reviewed corporate governance assessment results with a focus on internal audit review;reviewed the results of control activities of internal auditors and assessed the efficiency of the internal audit system;assessed the efficiency of external audit;reviewed a report on progress against the Action Plan for Implementing the Company's Comprehensive Program of Anti-Corruption Activities;reviewed an interim report on the results of diagnostics and preliminary independent assessment of the internal audit function.
Full name	Attendance		
Independent members of the Board of Directors			
Maxim Bystrov (Chairman of the Committee)	21/21		
Pavel Grachev (after June 21, 2019)	12/13		
Vyacheslav Pivovarov	19/21		
Sergey Ivanov (before June 21, 2019)	5/8		

Nomination and Compensation Committee

Members of the Committee		Competencies	Key performance results and recommendations issued to the Board of Directors
In 2019, the Nomination and Compensation Committee held 15 meetings, including: <ul style="list-style-type: none">8 meetings before June 21, 2019;7 meetings on or after June 21, 2019.		The Committee is designed to provide recommendations on composition and set of skills of the Company's governing bodies, and recommend tools to enhance efficiency and transparency of the remuneration system. Its primary objective is to review relevant items on a preliminary basis and draft recommendations on matters reserved to the remit of the Board of Directors.	The Nomination and Compensation Committee recommended that the Company's Board of Directors: <ul style="list-style-type: none">approve the report on achievement of the Management Board's annual KPIs for 2018;recommend the Annual General Meeting of Shareholders to approve a new version of the Regulations on Payment of Remuneration and Compensation to Members of RusHydro's Board of Directors;acknowledge Maxim Bystrov and Aleksei Chekunkov as independent directors pursuant to the Moscow Exchange's Listing Rules;approve Pavel Grachev, an independent member of the Company's Board of Directors, as the Senior Independent Director;approve the annual KPIs for the Company's Management Board and their target values for 2020, a new version of the Calculation and Evaluation Methodology for the Annual KPI of RusHydro's Management Board, target values for the KPI of under RusHydro's Long-term Incentive Plan, and amendments to the Calculation and Evaluation Methodology for the KPI of RusHydro's Long-term Incentive Plan. In addition, the Nomination and Compensation Committee: <ul style="list-style-type: none">analyzed qualifications of nominees to the Board of Directors and vetted them for potential conflicts of interest;assessed nominees to the Board of Directors and independent directors for compliance with the independence criteria.
Full name	Attendance		
Independent members of the Board of Directors			
Vyacheslav Pivovarov (Chairman of the Committee)	15/15		
Maxim Bystrov (before July 26, 2019)	9/15		
Sergey Ivanov (before June 21, 2019)	3/8		
Pavel Grachev (after June 21, 2019)	7/7		
Alexei Chekunkov (on or after July 26, 2019)	6/7		

Strategy Committee

Members of the Committee		Competencies	Key performance results and recommendations issued to the Board of Directors
In 2019, the Strategy Committee held 12 meetings, including: <ul style="list-style-type: none">→ 6 meetings before July 26, 2019;→ 6 meetings on or after July 26, 2019.		The Committee is designed to ensure efficient performance of the Board of Directors in strategic areas. The Committee determines the Group's strategic development priorities, approves the Company's development strategy and long-term development program (including review of the strategy implementation reports), provides recommendations on the dividend policy, makes decisions on the Company's investments in and divestments from other organizations, considers authorized capital increases and other share offering and purchase matters, and reviews the Group's financial and valuation models.	The Strategy Committee recommended that the Company's Board of Directors: <ul style="list-style-type: none">→ approve a new version of the Company's Regulations on the Dividend Policy;→ approve changes to the Decision to Issue Additional Shares and to the Prospectus (for ordinary shares);→ adopt a resolution on initiatives to refinance the debt of JSC RAO ES East companies;→ take note of the program to develop the energy system in the Far Eastern Federal District with a view to accelerating local economic growth;→ approve amendments to the Group's Long-term Development Program for 2018-2022;→ approve changes to the KPI list, targets, and calculation and evaluation methodology for the KPI of RusHydro Group's Long-term Development Program;→ adopt a resolution on the update of the Group's Innovative Development Program;→ adopt a resolution on matters related to the consolidation of RusHydro Group's energy companies across the Kamchatka Territory;→ divest from Bank of Cyprus Holdings Public Limited Company;→ approve Hydroinvest's divestment from MEK;→ approve the establishment at HydroEngineering Siberia of a Shared Services Center responsible for Group-wide financial and tax accounting and reporting.
Full name	Attendance		
Independent members of the Board of Directors			
Pavel Grachev	12/12		
Sergey Ivanov (before July 26, 2019)	5/6		
Vyacheslav Pivovarov	12/12		
Members of the Board of Directors			
Lev Kuznetsov (on or after July 26, 2019)	6/6		
Nikolay Rogalev	12/12		
Sergey Shishin (before July 26, 2019)	6/6		
Members of the executive bodies			
George Rizhinashvili	12/12		
Andrey Kazachenkov	12/12		
Committee members			
Igor Zadvornov (Chairman of the Committee)	8/12		
Aleksandr Bogashov (before July 26, 2019)	5/6		
Dmitriy Denisov	11/12		
Boris Livshits	10/12		
Vasily Nikonov	9/12		
Yevgeniy Olkhovich	8/12		
Pavel Snikkars	8/12		

Investment Committee

Members of the Committee		Competencies	Key performance results and recommendations issued to the Board of Directors
In 2019, the Investment Committee held 9 meetings, including: <ul style="list-style-type: none">4 meetings before July 26, 2019;5 meetings on or after July 26, 2019.		The Committee is designed to preview new investment projects and programs, and contribute to the enhancement of the Company's investment policy.	The Investment Committee recommended that the Company's Board of Directors: <ul style="list-style-type: none">recommend the Annual General Meeting of Shareholders to approve distribution of the Company's profit (loss) for 2018;recommend the Annual General Meeting of Shareholders to pay dividends for 2018 at RUB 0.0367388 per ordinary share;approve KPI targets for Earnings per Share (EPS) in the first (2017-2019), second (2018-2020) and third (2019-2021) LTIP cycles;approve adjusted 2019 targets for the annual KPIs of RusHydro's Management Board;approve the annual KPIs for the Management Board and their target values for 2020;approve the updated version of the consolidated business plan (including consolidated investment program) of RusHydro Group for 2019;approve the updated version of the Company's business plan for 2019-2023 as regards PJSC RusHydro's Investment Program for 2019;approve RusHydro's business plan and Consolidated Business Plan for 2020, including the investment program of PJSC RusHydro and the consolidated investment program of RusHydro Group for 2020-2024;pre-approve RusHydro's draft investment program for 2020-2029 and draft amendments to RusHydro's investment program for 2019-2028.
Full name	Attendance		
Independent members of the Board of Directors			
Maxim Bystrov	6/9		
Vyacheslav Pivovarov	8/9		
Sergey Ivanov (before July 26, 2019)	1/4		
Members of the Board of Directors			
Lev Kuznetsov (Chairman of the Committee) (on or after July 26, 2019)	5/5		
Nikolay Rogalev	9/9		
Members of the executive bodies			
Andrey Kazachenkov	9/9		
Sergey Kirov	9/9		
Victor Khmarin	9/9		
Committee members			
Mikhail Bychko	9/9		
Andrey Gabov (before July 26, 2019)	3/4		
Sergey Zhuravlev	9/9		
Denis Milyutin	9/9		
Alexei Kulagin (on or after July 26, 2019)	5/5		
Mikhail Sonin (on or after July 26, 2019)	4/5		
Pavel Snikkars (before July 26, 2019)	3/4		
Alexander Ilyenko (on or after July 26, 2019)	5/5		

Committee on Energy Development of the Far East

Members of the Committee		Competencies	Key performance results and recommendations issued to the Board of Directors
In 2019, the Committee on Energy Development of the Far East held 7 meetings, including: <ul style="list-style-type: none">— 4 meetings before July 26, 2019;— 3 meetings on or after July 26, 2019.		The Committee is designed to ensure efficient performance of the Board of Directors in developing the power industry of the Far Eastern Federal District of Russia within the scope of responsibility of the Company and its subsidiaries. Among other things, the Committee is responsible for determining the Company's priority areas in the Far East, including by considering matters related to the consolidation of power assets in the Far East, growth of energy exports to the Asia-Pacific, and power supply to the consumers in the Far East.	The Committee on Energy Development of the Far East recommended that the Company's Board of Directors: <ul style="list-style-type: none">— approve the acquisition of a stake in Sakhalinskaya GRES-2;— approve the acquisition of a stake in CHPP at Sovetskaya Gavan;— approve the acquisition of a stake in Yakutskaya GRES-2;— with a view to supporting construction and modernization of generating facilities (thermal power plants) in the non-price zone of the WECM in line with the Russian Government's Decree No. 1544-r dated July 15, 2019, establish:<ul style="list-style-type: none">• RusHydro's Yakutsk branch in the city of Yakutsk;• RusHydro's Khabarovsk branch in the city of Khabarovsk;• RusHydro's Primorye branch in the city of Vladivostok. <p>In addition, the Committee on Energy Development of the Far East regularly submitted updates on the construction of key energy facilities in the Far Eastern Federal District for review by the Board of Directors.</p>
Full name	Attendance		
Independent member of the Board of Directors			
Pavel Grachev	7/7		
Alexei Chekunkov	7/7		
Members of the Board of Directors			
Yury Trutnev (Chairman of the Committee)	0/7		
Vyacheslav Kravchenko (before July 26, 2019)	1/4		
Members of the executive bodies			
Sergey Vasilyev	7/7		
Andrey Kazachenkov	7/7		
Committee members			
Dmitry Bulgakov (on or after July 26, 2019)	3/3		
Igor Zadvornov	7/7		
Denis Konstantinov (before July 26, 2019)	3/4		
Sergey Lebedev	6/7		
Leonid Petukhov	0/7		
Denis Pileniyeks	4/7		
Aleksandr Pyatigor	3/7		
Aleksey Molskiy	2/7		
Sergey Tyrtsev	5/7		

Committee on Reliability, Energy Efficiency and Innovation

Members of the Committee		Competencies	Key performance results and recommendations issued to the Board of Directors
<p>In 2019, the Committee held 6 meetings, including:</p> <ul style="list-style-type: none"> 4 meetings before July 29, 2019; 2 meetings on or after July 29, 2019. 		<p>The Committee is designed to ensure efficient performance of the Board of Directors in the realms of the Company's Technical Policy, reliable and safe operation of hydraulic facilities, energy efficiency, innovation and environmental policies, and other areas reserved to the remit of the Committee.</p>	<p>The Committee on Reliability, Energy Efficiency and Innovation recommended that the Company's Board of Directors:</p> <ul style="list-style-type: none"> approve the 2018 report on progress against the Innovative Development Program of RusHydro Group for 2016–2020 with a Prospect up to 2025; update the Innovative Development Program of RusHydro Group; review progress against the action plan developed for Zagorskaya PSPP-2.
Full name	Attendance		
Members of the Board of Directors			
Nikolay Rogalev (Chairman of the Committee)	6/6		
Vyacheslav Kravchenko (before July 29, 2019)	0/4		
Members of the executive bodies			
Boris Bogush	5/6		
George Rizhinashvili	5/6		
Kirill Frolov (before July 29, 2019)	3/4		
Viktor Gvozdev (before July 29, 2019)	3/4		
Committee members			
Igor Baikov (on or after July 29, 2019)	1/2		
Oleg Barkin	6/6		
Yuriy Vishnevskiy	5/6		
Dmitriy Gvozdev (before March 29, 2019)	1/1		
Sergey Zhuravlev	6/6		
Andrey Mayorov (after March 29, 2019)	1/5		
Mikhail Fedorov	5/6		

Corporate Secretary

Natalya Kovaleva

Born in 1972

Education, academic degree:

In 1996, graduated from Irkutsk State University with a degree in Law

Professional experience over the last five years:

- 2016–present: Corporate Secretary, RusHydro
- 2016–present: Deputy Head of Corporate Governance and Property Management, RusHydro
- 2010–2015: Head of Corporate Governance, PJSC MO ESK

Positions held in collective governing bodies as at December 31, 2019:

- member of the Board of Directors at Blagoveshchenskaya CHPP
- member of the Board of Directors at Boguchanskiy Aluminum Smelter
- member of the Board of Directors at PJSC DEK
- member of the Board of Directors at Malaya Dmitrovka
- member of the Board of Directors at SNRG
- member of the Board of Directors at JSC Chuvashskaya Electricity Sales Company.

Natalya Kovaleva has no stake in RusHydro's authorized capital. She does not hold, whether directly or indirectly, any ordinary shares of RusHydro and did not acquire or dispose of such shares during the reporting year, the Corporate Secretary holds no shares of RusHydro's subsidiaries.

No loans were issued by PJSC RusHydro or RusHydro Group companies to Natalya Kovaleva, Corporate Secretary of RusHydro.

The Corporate Secretary has no conflict of interest (including participation in the governing bodies of the Company's competitors).

Executive bodies

Management Board

The Management Board is a collective executive body responsible for the day-to-day management of the Company as prescribed by the scope of responsibilities set out in the Charter, Regulations on the Management Board, and resolutions adopted by the Company's General Meeting of Shareholders and Board of Directors.



Regulations on the
Management Board of PJSC
RusHydro
<http://www.eng.rushydro.ru>

The number of the Management Board members is determined by the Board of Directors. Pursuant to the resolution adopted by the Board of Directors on December 12, 2018¹, the Management Board consisted of seven members, including Victor Khmarin, a newly elected member who assumed his responsibilities on January 16, 2019. On February 19, 2019², the Board of Directors resolved to terminate the powers of Vladimir Markin as a Management Board member, with the Management Board restructured to consist of six members from February 24, 2019. On December 24, 2019³, the Board of Directors resolved to terminate the powers of George Rizhinashvili as a Management Board member, with the Management Board restructured to consist of five members.

¹ Minutes No. 281 of December 27, 2018

² Minutes No. 283 of February 21, 2019.

³ Minutes No. 302 of December 26, 2019.

⁴ As at December 31, 2019.

Information on Management Board members¹



**Nikolay
Shulginov**

*Chairman of the Management Board
– General Director*

Born in 1951

**Education, academic degree,
academic rank:**

Sergo Ordzhonikidze
Novocherkassk Polytechnic
Institute awarded the Order of the
Red Banner of Labor; holds a PhD
degree in Technology

**Professional experience over the
last five years:**

– 2015–present: Chairman of the
Management Board – General
Director of RusHydro

– 2009–2015: First Deputy
Chairman of the Management
Board of JSC SO UES

**Year of the first election to the
Management Board: 2015**



**Boris
Bogush**

*Member of the Management Board,
First Deputy General Director –
Chief Engineer*

Supervised units:

Production unit

Born in 1952

**Education, academic degree,
academic rank:**

Graduated from Saratov State
Technical University with a degree
in Mechanical Engineering;

Graduated from Russian
Presidential Academy of National
Economy and Public Administration
with a degree in Management
of Business / Organization
Development

**Professional experience over the
last five years:**

– 2009–present: Managing
Director, Head of Business Unit
"Production"; member of the
Management Board; member
of the Management Board –
Chief Engineer; member of the
Management Board, First Deputy
General Director – Chief Engineer

**Year of the first election to the
Management Board: 2010**



**Andrey
Kazachenkov**

*Member of the Management Board,
First Deputy General Director*

Supervised units:

Unit of financial and corporate law
management

Born in 1980

**Education, academic degree,
academic rank:**

Graduated from Saint Petersburg
State University of Engineering
and Economics with a degree
in Economics and Management
at Mechanical Engineering
Enterprises;

Has an MBA from the University of
Wisconsin-Madison, USA

**Professional experience over the
last five years:**

- 2015–present: Advisor for the
Chairman of the Management
Board – General Director; member
of the Management Board and
First Deputy General Director of
RusHydro
- 2012–2015: First Deputy Chairman
of the Management Board, Deputy
Chairman of the Management Board
of PJSC FGC UES

**Year of the first election to the
Management Board: 2016**



**Sergey
Kirov**

*Member of the Management Board,
First Deputy General Director*

Supervised units:

Unit of sales, economic planning
and investments

Born in 1976

**Education, academic degree,
academic rank:**

Graduated from Perm State
Agro-Technological University
with a degree in Economics
and Agricultural Production
Management;

Graduated from the Regional
Interdisciplinary Retraining
Center of Perm National Research
Polytechnic University with
a degree in Economics and
Management

**Professional experience over the
last five years:**

- 2010–present: Director of
Economic Affairs; Deputy General
Director on Economics, Investment
and Procurement, member of the
Management Board and First Deputy
General Director

**Year of the first election to the
Management Board: 2015**



**Victor
Khmarin**

*Member of the Management Board,
Deputy General Director*

Supervised units:

Resources and future
development unit

Born in 1978

**Education, academic degree,
academic rank:**

Graduated from Saint Petersburg
State University with a degree
in Law

**Professional experience over the
last five years:**

- 2015–present: Deputy General
Director on Economics, Investment
and Procurement, Deputy General
Director for Resources and
Prospective Development, member
of the Management Board, Deputy
General Director at RusHydro
- 2014–2015: Advisor to the First
Deputy President – Chairman of
the Management Board – Vice
President, Department for work
with clients of market sectors, PJSC
VTB Bank

**Year of the first election to the
Management Board: 2019**

In accordance with the Company's Charter, members of the Management Board are elected by the Board of Directors. Candidates to the Management Board proposed by its Chairman for consideration by the Board of Directors must meet the following criteria:

- a university degree in technical, engineering, economic, legal or other sciences;
- track record as a manager of at least five years;
- compliance with the other criteria set forth in the Company's internal regulations.

The Management Board's powers include developing the Company's business priorities and respective implementation plans and submitting them to the Board of Directors for review, reporting on KPI achievement and business plan implementation, approving budget parameters as regards income and expenditures, deciding on matters reserved to supreme governing bodies of the subsidiaries where the Company exercises the rights of the sole shareholder (participant), as well as approving (adjusting) KPI of the Company's employees, and reviewing relevant implementation reports.

Powers of the Chairman of the Management Board – General Director include managing the Company's day-to-day operations, approving internal regulations that are mandatory for all the Company's employees, exercising employer functions, approving regulations on the Company's branches and representative offices and appointing heads thereof, making transactions on behalf of the Company within the scope set out in laws and the Charter, arranging for accounting and reporting, arranging operations of the Management Board, as well as addressing other matters of the Company's day-to-day operations that do not fall within the remit of the General Meeting of Shareholders, Board of Directors or Management Board.

Additional information on Management Board members

In 2019, RusHydro's executive bodies had no conflict of interest (including participation in the governing bodies of the Company's competitors).

On September 15, 2015, Nikolay Shulginov was elected for a term of five years to act as the Company's sole executive body.



For more details on positions held over the past five years in the collective governing bodies of other organizations, see the Quarterly Report of PJSC RusHydro for Q4 2019.
<http://www.eng.rushydro.ru/>

Newly elected Management Board members sign employment contracts. The terms of such employment contracts are determined by the Company's sole executive body. Their effective period may not exceed three years.

In the reporting period, members of the Management Board received no loans from the Company or RusHydro Group.

Boris Bogush (a Management Board member) holds 0.003781% of RusHydro's ordinary shares.

Members of the Management Board do not indirectly hold any of RusHydro shares or own shares in any of RusHydro's subsidiaries.

In the reporting period, Management Board members entered into no deals to acquire or dispose of the Company's shares.

Report on the Management Board's performance

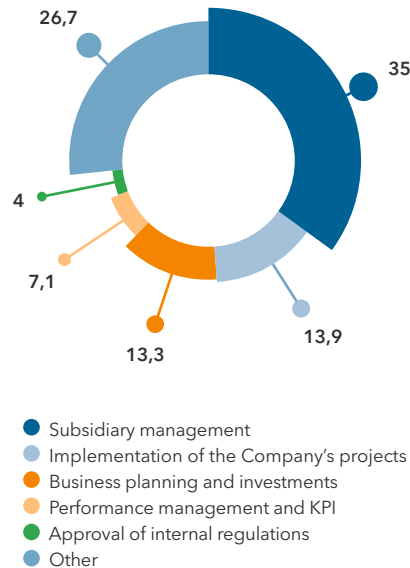
In 2019, the Management Board held 75 meetings, including 13 in person, and reviewed 420 items on the day-to-day operations of the Company, including preliminary consideration of recommendations submitted for review by the Board of Directors.

To protect the rights of investors and shareholders, the Company continued to implement its key strategic goals, including safe operation of the Company's production facilities, value growth and investment returns to the shareholders, as well as the enhancement of corporate governance and social and environmental responsibility mechanisms.

In the reporting period, meetings of the Management Board reviewed such items as:

- implementation of a project to develop charging stations for electric vehicles in the Far Eastern Federal District;
- progress against the Long-term Development Program in 2018;
- review of the Group's strategic risk register for 2020;
- concept of the Group's positioning in the global market;

Items reviewed by RusHydro's Management Board in 2019, %



- report on progress against the Strategy Implementation Plan in 2018;
- approval of loans to RusHydro's subsidiaries.

In addition, the Management Board reviews on a quarterly basis the performance of HQ (excluding members of the Management

Board) and branch employees against their KPIs.

In 2019, the Management Board also approved a number of internal regulations, including:

- Annual Program of Strategic and Other Material Transactions of RusHydro Group for 2019;
- Implementation Program for the Environmental Policy for 2019–2021.

Management Board's performance [102-28]

The Board of Directors evaluates the performance of the Management Board and its Chairman by reviewing the following matters:

- the Company's business plan implementation;
- the Group's Consolidated Business Plan implementation;
- RusHydro's KPI achievement;
- corporate governance assessment;
- the report on the Management Board's performance.

In 2019, RusHydro's corporate governance system was assessed, including the executive bodies' performance. A report was drafted based on the assessment findings, with a relevant corrective action plan developed and approved.

Audit and control

In pursuance of Federal Law No. 208-FZ On Joint-Stock Companies, RusHydro runs a control framework to oversee the Company's financial and business operations. This system embraces a wide range of organizational structures, procedures, regulations and methodologies.

Key stakeholders exercising control over the Company's financial and business operations include:

- Internal Audit Commission;
- the Company's auditor;
- Internal Audit Service;
- Internal Control and Risk Management Director – Chief Auditor, Control and Risk Management Department.

The key principles, goals, objectives, methods, and processes of the control framework are set forth in the following documents approved by RusHydro's General Meeting of Shareholders and Board of Directors:

- Corporate Governance Code;
- Code of Corporate Ethics;
- Anti-Corruption Policy;

- Internal Control and Risk Management Policy;
- Internal Audit Policy;
- Regulations on the Audit Committee under the Board of Directors of PJSC RusHydro;
- Regulations on the Internal Audit Commission.



All of the above documents are available on the Company's website at www.eng.rushydro.ru

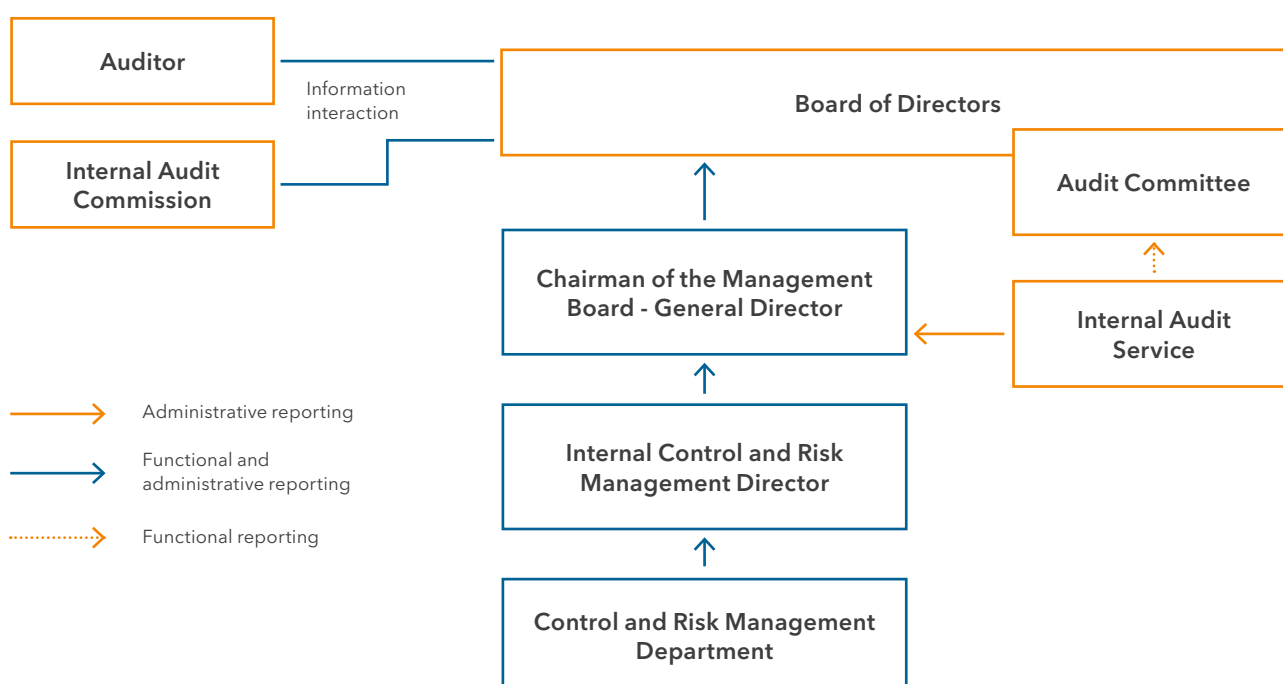
The Company's Internal Audit Commission reports to the General Meeting of Shareholders. The Internal Audit Commission's opinion is submitted to the Audit Committee of the Board of Directors of RusHydro. The

Internal Audit Commission's opinion issued after the audit of the annual report, RAS financial statements and report on the Company's related-party transactions is a mandatory document that must be submitted to the General Meeting of Shareholders.

Each year the General Meeting of Shareholders approves an auditor to review and confirm the Company's annual accounting (financial) statements. The auditor reviews the Company's financial and business operations in accordance with the applicable Russian laws and its service agreement. The auditor's opinion is an integral part of the Company's annual accounting (financial) statements.

An Auditor's opinion is submitted to the Board of Directors' Audit

Financial and Business Operation Control Framework



Committee and to the Internal Audit Commission. The Audit Committee discusses the auditor's plan of annual audits of RusHydro Group.

The Board of Directors approves the Group's Internal Control and Risk Management Policy.

The Company's Internal Audit Service is in charge of assisting the governing bodies in enhancing the Group's management efficiency and improving its operations, among other things, by means of a systematic and consistent analysis and evaluation of the risk management, internal control and corporate governance systems.

The Board of Directors represented by its Audit Committee is responsible for the functional management of the Internal Audit Service, including approval of the annual schedule of control activities and quarterly reports on adherence to that schedule.

The Control and Risk Management Department is responsible for assisting the management team in developing risk response processes and tools to improve risk governance, implementing the risk management policy and ensuring internal controls, including by providing guidance and training in risk management.



RusHydro's Code of Corporate Ethics sets out key principles of professional ethics and ethics rules to be observed by the Company's employees (irrespective of their position in the Company) and members of the Board of Directors.

RusHydro takes the following steps to implement the Code:

- drafts uniform internal regulations specifying standards, requirements and limitations related to the implementation of the Code of Corporate Ethics. These are subject to approval at each Group company;
- familiarizes all employees with the above standards, rules and requirements, and provides advice as to their observance;
- sets up ethics committees at RusHydro and its subsidiaries, which help ensure compliance with corporate ethics rules by employees and managers, among other things, by reviewing identified breaches, issuing corrective recommendations and monitoring their implementation.

In their decisions, the governing bodies of PJSC RusHydro and its subsidiaries strictly abide by the principles and standards championed by the Code to promote the interests of the Company and avoid a conflict of interest. With a view to preventing, among other things, a conflict of interest, the Audit Committee of RusHydro's Board of Directors reviews, on a preliminary basis, the Company's transactions with persons affiliated with substantial shareholders of RusHydro (other than the Russian Federation) and makes sure that there is no conflict of interest involved.



For more information on key standards, principles of professional ethics and ethics rules, see RusHydro's¹ Code of Corporate Ethics:
www.eng.rushydro.ru

Internal Audit Commission

The Internal Audit Commission is a permanent body elected annually by the General Meeting of Shareholders. It is responsible for the monitoring of the Company's financial and business operations. The Commission has

five members. Its key competencies are as follows:

- confirming the accuracy of data contained in the annual report, annual accounting (financial) statements and report on interested-party transactions;
- analyzing the Company's financial position, identifying areas for financial improvement and developing recommendations for the Company's governing bodies;
- organizing and running checks (audit) on the Company's financial

¹ Note: As amended by the resolution of RusHydro's Board of Directors (Minutes No. 281 of December 27, 2018).

and business operations (review of the Company's documents to confirm its compliance with the Russian laws, RusHydro's Charter and internal regulations). The audit confirmed that the data contained in the reports and financial

documents of the Company were reliable, the accounting and financial reporting functions were performed in compliance with applicable laws and internal regulations, and financial and business operations were conducted in the

best interests of the Company and its shareholders. The opinion also confirms the accuracy of data contained in the Company's annual report and the report on interested-party transactions consummated in 2019.

Members of the Internal Audit Commission in 2019¹

Full name	Position ²	Nominated by	Term of office
Membership effective since June 28, 2019			
Tatyana Zobkova (Chair of the Internal Audit Commission)	Deputy Director of the Department of Corporate Governance, Price Environment and Control in the Energy Sector of the Russian Ministry of Energy	The Company's Board of Directors	June 27, 2017 – present
Natalia Annikova	First Deputy General Director, OJSC SU No. 308	The Company's Board of Directors	June 26, 2015 – present
Igor Repin	Deputy Executive Director, Association of Institutional Investors	The Company's Board of Directors	June 27, 2014 – present
Dmitry Simochkin	Head of Department, Federal Agency for State Property Management	The Company's Board of Directors	June 27, 2017 – present
Denis Konstantinov	Expert, Department of the Russian Ministry of Economic Development	The Company's Board of Directors	June 28, 2019 – present
Members who were not re-elected to the new Internal Audit Commission effective since June 28, 2019			
Marina Kostina	Deputy Director of the Corporate Governance Department of the Russian Ministry of Economic Development	The Russian Federation as represented by the Federal Agency for State Property Management	June 27, 2017 – June 27, 2019

For the full text of the Internal Audit Commission's opinion on the audit of financial and business operations of PJSC RusHydro for 2019, see [Appendix No. 17](#)



The Regulations on the Internal Audit Commission of PJSC RusHydro:
<http://www.eng.rushydro.ru/>

For details on the independent auditor's remuneration, see the [Report on remuneration of the governing and control bodies](#)

¹ The listed members of the Internal Audit Commission hold no shares of the Company.

² The positions held by members of the Internal Audit Commission are stated as at the nomination date.

Auditor

RusHydro's accounts (financial statements) prepared in accordance with Russian and international standards are audited on an annual basis. The auditor responsible for the independent audit of RusHydro's RAS and IFRS accounts (financial statements) for 2019 was selected through an open tender process¹.

RusHydro's auditor was selected in a competitive process pursuant to Article 5 of Federal Law No. 307-FZ of December 30, 2008 On Auditing, Federal Law No. 44-FZ of April 5, 2013 On the Contract System in the

Federal and Municipal Procurement of Goods, Works and Services, the Charter, and internal regulations of RusHydro.

Following the tender procedures, JSC PricewaterhouseCoopers Audit (PwC Audit: 10, Butyrsky Val, 125047, Moscow) was declared the preferred bidder as was approved by resolution of RusHydro's General Meeting of Shareholders of June 27, 2018.

PwC Audit is a member of the self-regulated organization

Sodruzhestvo Association. Principal entry number in the Register of Auditors: 12006020338.

No consulting services were rendered by PwC Audit to the Company.

For details on the independent auditor's remuneration, see the [Report on remuneration of the governing and control bodies](#)

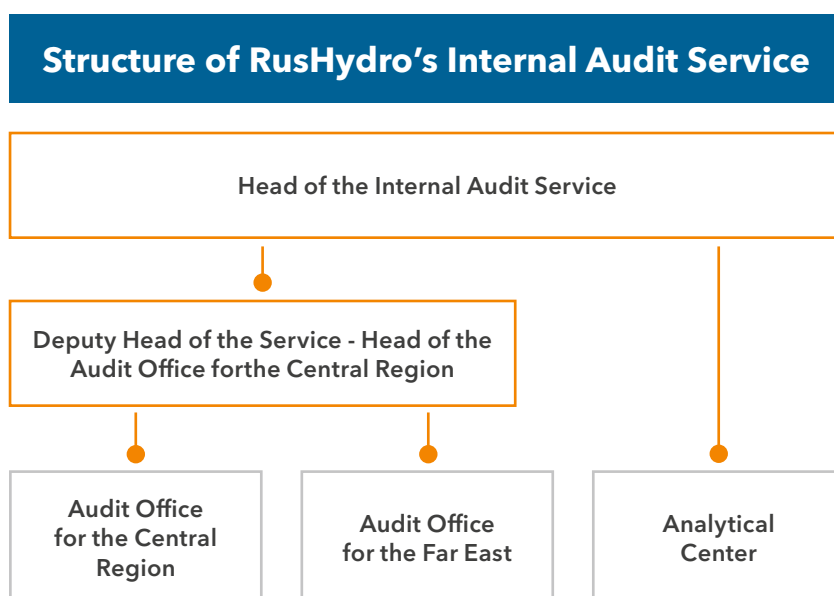
Internal Audit Service

The key objective of RusHydro's internal audit function is to assist the Board of Directors and executive bodies of RusHydro Group in enhancing the Group's management efficiency and improving its operations, among other things, by means of a systematic and consistent analysis and evaluation of the risk management, internal control and corporate governance systems.

The Internal Audit Service is RusHydro's standalone business unit that reports to the Board of Directors through the Audit Committee and has an administrative reporting line to the Chairman of the Management Board - General Director of RusHydro. The Head of the Internal Audit Service was approved by resolution of RusHydro's Board of Directors. The Service has 15 members.

The Internal Audit Service has the following objectives and functions:

- to conduct regular audits of business units, Company's



branches/subsidiaries, processes, lines of business, projects of the Company/subsidiaries for an independent assessment and expression of opinion on the reliability and effectiveness of the:

- internal control system;
- risk management system;

- corporate governance system.
- to liaise with the Audit Committee of the Company's Board of Directors;
- to liaise with local executive authorities of the Russian Federation, Accounts Chamber of the Russian Federation, the

¹ The competition to select the Company's auditor for 2018-2020 was held in April 2018.

Company's Internal Audit Commission, and other supervisory bodies in connection with internal control issues and in the course of audits and inspections of the Company or its subsidiaries conducted by such bodies.

The general principles of, and approaches to the Company's internal audit system are set forth in the Internal Audit Policy approved by RusHydro's Board of Directors. The Policy is aligned with RusHydro's Corporate Governance Code, relevant Methodological Guidelines and Instructions of the Federal Agency for State Property Management, and is designed, inter alia, to ensure compliance of RusHydro's Internal Audit Service with the International Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors (IIA).

The schedule of control activities is approved by the Audit Committee on an annual basis and defines the priorities of the internal audit work subject to RusHydro Group's strategic objectives, resources available, and risk-based approach to control activities.

In 2019, the Internal Audit Service conducted 14 scheduled control procedures and 7 unscheduled checks as provided by the schedule of control activities.

The Board of Directors reviewed the Internal Audit Service's assessment of the internal control, risk management and corporate governance systems of the

Company and recommendations on their improvement.

Based on the management's feedback on the results of control activities, the Group's management team assessed the internal audit function as highly (duly) effective in 2019 in terms of identifying gaps to be addressed order to reduce or eliminate any negative factors impairing the efficiency of RusHydro and its subsidiaries.

The results of the control activities carried out by the Internal Audit Service are used by RusHydro Group's management team to develop and roll out a corrective action plan to address the identified gaps, including their causes and consequences, improve the efficiency of the internal control, risk management and corporate governance system, and prevent repeated violations.

The Internal Audit Service also takes consistent steps to monitor implementation by the Group's management team of the corrective action plans developed based on the findings of control activities.

The Internal Audit Service is also responsible for the liaison with external supervisory authorities (Accounts Chamber of the Russian Federation, Prosecutor General's Office, and Russia's Ministry of Energy) in the course of their control activities. In 2019, the external supervisory bodies conducted 11 inspections of the Group's operations. The Company has put in place an electronic platform to exchange information

with external supervisory authorities (during their inspections) using a corporate file sharing service.

In 2019, RusHydro developed and introduced a software solution to automate monitoring of the efforts by the Group's management team to draft and implement corrective action plans based on the findings of external and internal inspections.

In 2019, the Internal Audit Service took steps to develop and update internal regulations governing the remit of the Internal Audit Service, including by:

- updating the Regulations on Planning and Conducting Control Activities by the Internal Audit Service;
- developing a Guarantee Map to streamline information about guarantees provided by internal and external service suppliers;
- updating the Regulations on Liaising with Supervisory Authorities as Part of Group Audits;
- developing the Regulations on Liaising with the Company's Internal Audit Commission and updating relevant interaction procedures.

In line with the approved Internal Audit Quality Assurance and Improvement Program, the Internal Audit Service conducted an annual self-assessment. As a result, the Audit Committee under RusHydro's Board of Directors recognized that the Company's internal audit function "meets the relevant requirements".

In 2019, LLC Ernst & Young Assurance & Consulting Services completed the first stage (diagnostics) of external independent assessment focusing on compliance of the Internal Audit Service with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics for internal auditors, producing an Interim Report on Diagnostics and Preliminary Assessment of the Company's Internal Audit Function reviewed by the Audit Committee of RusHydro's Board of Directors.

Internal audit function development plans

In 2020, further steps will be taken to enhance the Company's internal audit function by:

- ensuring and improving efficiency of the internal audit system (based on the findings of external independent assessment);
- updating the regulatory framework of the Internal Audit Service in compliance with the International Standards for the Professional Practice of Internal Auditing;
- updating standard control activities and guidelines in the automated internal audit management system (CHH TeamMate);
- further automating RusHydro's internal audit function.

Assessment of the efficiency of internal and external audit

On a quarterly basis, the Audit Committee reviews the report on the implementation of the schedule

of control activities prepared by Head of the Internal Audit Service. Report describes material violations, flaws and gaps identified in the operations of RusHydro and its subsidiaries, includes information on substantial risks and issues of controls and corporate governance, and provides recommendations on remedial actions and improvement of internal controls. On top of that, the report submitted by the Head of the Internal Audit Service provides an overview (in the part dedicated to corrective action plans) of the management team's progress on bridging the gaps identified as part of the internal and external checks.

In accordance with the Company's approved Internal Audit Quality Assurance and Improvement Program, in order to ensure adequate control and assessment of the internal audit function and to identify improvement areas, in 2019, the internal audit function underwent an annual self-assessment based on which the Audit Committee recognized that the internal audit function "meets the relevant requirements".

In 2019, an independent review of the Company's internal audit function was started to assess the effectiveness of internal auditing.

In 2019, LLC Ernst & Young Assurance & Consulting Services undertook a diagnostic review of the Company's internal audit to check its compliance with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics

for internal auditors. The results of the review were considered at a meeting of the Audit Committee.

According to feedback received on control activities, the internal audit function performed very effectively in 2019 in terms of identifying matters to be resolved in order to mitigate or eradicate any negative factors impairing the efficiency of RusHydro and its subsidiaries. Throughout the reporting year, the Company's auditor regularly reported to the Audit Committee on plans and results of the audits, shared its vision on important qualitative aspects of RusHydro's accounting practices, including its accounting policy, estimates, and disclosures in financial statements, and raised matters that based on the auditor's professional judgement are important for the oversight over the financial reporting process.

In 2019, The Audit Committee assessed the performance of the Company's auditor (including the auditor's reports) and the effectiveness of external audit as a process. Based on the assessment, the Audit Committee found the process to be effective. The Company's auditor is unbiased and independent from RusHydro, has no conflict of interest or any circumstances that might challenge its independence. Materials that the external auditor prepares and presents to the Audit Committee are informative and help control the quality of the auditor's performance.

Anti-corruption efforts

RusHydro Group's anti-corruption framework is aligned with the laws of Russia in order to reflect the national policy in internal measures that the Group takes to combat corruption, minimize corruption risks, provide for transparent and honest operations, improve corporate culture, follow best practices of corporate governance, and maintain strong business reputation. [103-2]

RusHydro and its subsidiaries use a system of corporate policies and standards to regulate anti-corruption measures and define the main objectives, goals and focus areas of activities aimed at preventing and combating corruption. These documents include:

- Code of Corporate Ethics;
- Anti-Corruption Policy;
- Regulations on the Prevention and Management of Conflicts of Interest;
- Regulations on the Procedure to Report Presents Received by RusHydro's Employees;
- Regulations on the Committees for Compliance with the Corporate Ethics Standards and Management of Conflicts of Interest;
- Rules of RusHydro's Line of Trust Operation.



The full list of legal requirements and internal regulations, including their contents, is available on the Company's website at: <http://www.eng.rushydro.ru/>

In order to make RusHydro's anti-corruption efforts more efficient, the Group has developed and approved the Comprehensive Program of Anti-Corruption Activities (the "Program") to define the focus areas of corruption prevention.



The Company's Declaration on Compliance with the Anti-Corruption Charter of the Russian Business was approved by the Russian Union of Industrialists and Entrepreneurs (RSPP), confirming the completeness, adequacy and effectiveness of the anti-corruption measures. RusHydro's membership in the Charter was extended until 2021.

Anti-corruption activities structure

Board of Directors (Audit Committee of the Company's Board of Directors)

- Establishes the key goals, objectives and principles of the Anti-Corruption Policy and monitors the results of its implementation.

Chairman of the Management Board – General Director

- Manages goals, objectives and principles of the Anti-Corruption Policy and selects business units responsible for developing, implementing and monitoring the anti-corruption procedures.

RusHydro's Control and Risk Management Department

- Develops anti-corruption activities and organizes and controls their implementation
- Coordinates activities aimed at preventing corruption
- Conducts control measures and develops activities to assess and minimize corruption risks
- Oversees legal compliance of anti-corruption efforts of RusHydro and its subsidiaries.

Units of RusHydro and subsidiaries (departments of security, HR, procurement, Ethics Committee, etc.)

- Implement activities aimed at corruption prevention within the scope of each department's operations.

Comprehensive Program of Anti-Corruption Activities

In 2019, the Company rolled out a number of anti-corruption initiatives in accordance with the approved action plan for implementing the Comprehensive Program of Anti-Corruption Activities for 2019-2020, in key areas.

Developing and updating the Company's anti-corruption regulations and by-laws:

- amended the Regulations on the Prevention and Management of Conflicts of Interest in terms of the procedure for considering notices of potential conflicts of interest of employees holding positions named in the list (Order No. 44 dated January 29, 2019)¹;
- approved a new version of the Regulations on the Procedure to Report Presents Received by RusHydro's Employees (Order No. 60 dated February 5, 2019) setting out:
 - limits on giving (offering, transferring) and receiving (asking for) presents, representation allowances and hospitality expenses;
 - the procedure for reporting presents, representation allowances and hospitality expenses;
- updated the Regulations on the Procedure for Reporting and Verifying the Data on Income, Property and Property-related Liabilities of RusHydro Group's Employees (Order No. 641 dated August 5, 2019);
- approved the Regulations on the Procedure for Receiving Foreign Visitors at RusHydro (Order No. 245 dated March 28, 2019).
- in order to harmonize anti-corruption framework approaches across RusHydro Group,

its subsidiaries (subject to their organizational structure) continued adopting internal anti-corruption regulations (by-laws) in line with the Company's regulations;

- corresponding documents adopted:

- new versions of Anti-Corruption Policy at 69 subsidiaries;
- Regulations on the Committees for Compliance with the Corporate Ethics Standards and Management of Conflicts of Interest, as well as Ethics Committees' composition at 53 subsidiaries;
- Regulations on the Procedure for Reporting Presents Received by Employees at 47 subsidiaries;
- Regulations on the Procedure for Reporting and Verifying the Data on Income, Property and Property-related Liabilities were put into effect at 42 subsidiaries.

Providing for transparency and availability of information on the Company's anti-corruption policy and ensuring employees' awareness of anti-corruption legislation:

- an anti-corruption section was added to the English version of the Company's website in order to inform RusHydro's international partners and other stakeholders on the Group's anti-corruption policies and activities. The section features key information on anti-corruption policy and English versions

of the Company's main internal regulations (by-laws) in this area.

Providing for investigations into any reports of wrongdoings:

- the Company considered 198 reports received through the Line of Trust, of which 61 (31%) were confirmed to be true and involve violations of rights and/or other wrongdoings. The Company took measures to eliminate all verified violations and impose sanctions on the wrongdoers.

Cooperating with the state regulatory bodies and law enforcement authorities responsible for combating corruption:

- the areas of the Company's cooperation with government authorities (the Ministry of Energy of Russia, the Government of the Russian Federation, etc.) to prevent and combat corruption included:
 - disclosure of information upon an authorized request;
 - reporting on the Company's anti-corruption practices;
 - filing queries for the clarification of anti-corruption law enforcement practices;
 - sending proposals on amending Article 13.3 of Federal Law No. 273-FZ On Combating Corruption dated December 25, 2008.

¹ The list was approved by Resolution of the Government of the Russian Federation No. 613 dated July 22, 2013 and clarified by the Executive Office of the Government of the Russian Federation (No. P17-69370 dated December 29, 2018).

Measures to prevent wrongdoings by the Company's employees:

→ the following measures were taken to improve training programs dedicated to preventing and combating corruption and ethics compliance:

- following the amendments of legislation and RusHydro's internal regulations, the Company updated its corporate distance learning courses: Combating Fraud at RusHydro and Combating Procurement Fraud;

- the employees of the Headquarters, branches and subsidiaries of RusHydro holding positions exposed to corruption risks were tested to check their knowledge of Russian anti-corruption laws and the Company's local internal regulations (by-laws) on combating corruption.

→ the Company took the following measures to prevent, identify and resolve conflicts of interest: collected and analysed income records of 364 employees (managers) of RusHydro Group as part of a yearly reporting procedure and revealed 44 cases of non-compliance, including:

- full or partial failure to provide information and/or documents on the officers and/or their relatives;
 - concealment of information about the participation of the officers and/or their relatives in business entities (in the form of share or interest ownership or holding of management positions);
 - non-compliance with internal regulations and labor laws;
 - in response to all 44 cases of non-compliance, RusHydro's Central Ethics Committee issued recommendations on the elimination of the identified gaps and violations, prevention or resolution of actual and/or potential conflicts of interest and use of disciplinary action:
- checked and approved 103 candidates for the positions exposed to corruption risks, of whom:
- 90 were not involved in conflicts of interest;
 - the 13 involved in (potential) conflicts of interest were given recommendations for the prevention of conflicts of interest in the future;

→ checked 1,231 contractors for conflicts of interest and assessed their business reputation and financial position as part of the approval procedure for draft contracts and addenda. As a result of the check, no conflicts of interest between the managers (founders) of the contractor organizations and RusHydro's employees were revealed.

Enhancing internal control system:

→ RusHydro develops, updates and implements internal control improvement plans on an annual basis. In line with these plans, the Company monitors its internal control activities focusing on the sufficiency of the control measures in mitigating the corruption and fraud risks. Based on the monitoring results, the Company develops new control measures and/or improves the existing ones, including by eliminating gaps and violations identified in the internal control process.

In 2020, RusHydro will continue its efforts under all the workstreams of the Comprehensive Program of Anti-Corruption Activities described above.

Anti-corruption awareness program [205-2]

RusHydro Group consistently promotes awareness among its employees and business partners of anti-corruption practices.

All new employees of RusHydro are required to read the Code of Corporate Ethics, Anti-Corruption Policy and other internal anti-corruption regulations of the Company. The information on newly approved internal

regulations is communicated to the Company's employees via the corporate document management system. In 2019, 13,931 RusHydro Group employees were informed as part of the awareness program.

On top of that, RusHydro Group arranges for regular training of its employees, including:

- distance learning induction for new (newly hired) employees;

- regular training on preventing and combating corruption;
- individual consultations for the Company's employees regarding the application of anti-corruption standards and procedures.

RusHydro conducts annual assessment of employees in the positions with high exposure to corruption risk in order to test their knowledge of the anti-corruption laws.

Employee training in the existing anti-corruption policies

Region	Top management		Middle management		Junior management		White-collar employees	
	Number of people	% of employees	Number of people	% of employees	Number of people	% of employees	Number of people	% of employees
Amur Region	5	14.7	2	5.9	22	64.7	5	14.7
Volgograd Region	1	14.3	0	0.0	5	71.4	1	14.3
Moscow	19	10.3	45	24.5	88	47.8	32	17.4
St Petersburg	2	10.5	1	5.3	13	68.4	3	15.8
Kabardino-Balkarian Republic	1	20.0	0	0.0	4	80.0	0	0.0
Kamchatka Territory	5	15.6	6	18.8	15	46.9	6	18.8
Karachay-Cherkess Republic	1	12.5	0	0.0	6	75.0	1	12.5
Krasnoyarsk Territory	2	15.4	3	23.1	5	38.5	3	23.1
Leningrad Region	1	20.0	1	20.0	2	40.0	1	20.0
Magadan Region	10	22.7	3	6.8	22	50.0	9	20.5
Moscow Region	3	12.5	4	16.7	14	58.3	3	12.5
Nizhny Novgorod Region	1	11.1	0	0.0	7	77.8	1	11.1
Novosibirsk Region	2	25.0	0	0.0	4	50.0	2	25.0
Perm Region	4	22.2	0	0.0	12	66.7	2	11.1
Primorsky Krai	3	17.6	1	5.9	11	64.7	2	11.8
Republic of Dagestan	2	25.0	0	0.0	5	62.5	1	12.5
Republic of Sakha (Yakutia)	10	21.7	3	6.5	26	56.5	7	15.2
Republic of North Ossetia - Alania	0	0.0	0	0.0	5	83.3	1	16.7
Republic of Khakassia	11	19.0	2	3.4	22	37.9	23	39.7
Ryazan Region	0	0.0	0	0.0	4	66.7	2	33.3
Samara Region	1	11.1	0	0.0	6	66.7	2	22.2
Saratov Region	1	14.3	0	0.0	4	57.1	2	28.6
Sakhalin Region	4	23.5	3	17.6	6	35.3	4	23.5
Stavropol Territory	1	14.3	0	0.0	5	71.4	1	14.3
Khabarovsk Territory	6	18.2	2	6.1	16	48.5	9	27.3
Chuvash Republic	0	0.0	1	6.7	12	80.0	2	13.3
Chukotka Autonomous Area	3	42.9	0	0.0	4	57.1	0	0.0
Yaroslavl Region	1	14.3	0	0.0	5	71.4	1	14.3
Total	100	-	77	-	350	-	126	-

In 2019, 653 RusHydro Group employees underwent training on corruption prevention policies and practices, which is more than double the 2018 figure (305 employees) due to the introduction of mandatory training (testing) for officers of the Company's subsidiaries holding positions exposed to corruption risks.

In keeping with the business transparency principle, RusHydro Group communicates its anti-corruption standards to its counterparties and business partners. In the course of procurement and contracting, the Company adds anti-corruption



In June 2019, the Company's Board of Directors approved a statement of zero tolerance and zero appetite culture towards corruption risks in line with the Guidelines on RusHydro Group's Risk Appetite.

clauses to draft contracts with information about its Anti-Corruption Policy and Line of Trust (a communication channel for reporting actual or potential violations). [102-17] In 2019, RusHydro Group communicated its anti-corruption principles to 28,404 business partners, including suppliers and contractors, banks, financial and credit institutions, and insurance companies.

On top of that, in order to raise awareness among its existing and potential partners and other stakeholders, RusHydro Group publishes main regulations and reports on its anti-corruption activities, as well as links to its anti-corruption communication channels, in the relevant section of its official website.

Key developments in 2019

In 2019, the Company implemented a project to automate the system for receiving, processing and responding to reports sent through the Group's Line of Trust.

The automation technology was developed in-house by a group of hired experts as part of a project to upgrade RusHydro's intranet portal.

The automated Line of Trust is currently being pilot-tested.



No corruption cases were confirmed at RusHydro Group during the reporting period. [205-3]

Providing for transparency and availability of information

The following information is published on RusHydro Group's website and intranet portal and updated on a timely basis:

- the Company's local internal documents on combating corruption and preventing wrongdoings and conflicts of interest;
- action plans and reports on the implementation of the Comprehensive Program of Anti-Corruption Activities;

- information, effective laws and regulations, and guidance on combating corruption. RusHydro works in close cooperation with the law enforcement authorities and supervisory bodies and provides assistance to them in case of audits and inspections, requests of information on the Company's anti-corruption compliance (including with respect to storage and transfer to the authorities of

the information and documents on corruption offences), investigations of corruption cases, and inspections seeking to check how the Company prevents and combats corruption.

Line of Trust

The Line of Trust is a confidential communication channel established so that RusHydro Group's employees and third parties (including anonymous)

can report issues in an effort to combat fraud and corruption, embezzlement and unauthorized use of property and assets, conflicts of interest involving employees and counterparties of the Company, violations of the rules on the procurement of goods, works and services, as well as other violations of Russian laws and RusHydro Group's internal regulations.

The information on the ways to file a report is available on notice boards and information screens in the offices of RusHydro Group companies.

Line of Trust channels for submitting reports (available 24/7):

- e-mail: ld@rushydro.ru;
- online feedback form on the Company's website and intranet portal;
- hotline answer phone +7 495 710 0937;
- Line of Trust boxes placed in the offices of RusHydro Group;
- Russian Post service;
- in-person meeting with the Internal Control and Risk Management Director – Chief Auditor.

The Line of Trust provides for impartial consideration of reported issues by officers not involved in the cases, meaning they remain unbiased and independent while checking the facts and drawing conclusions, which they do in full compliance with the applicable law and internal regulations of the Company/subsidiaries.

RusHydro does the following to promote the Line of Trust among its employees and counterparties:

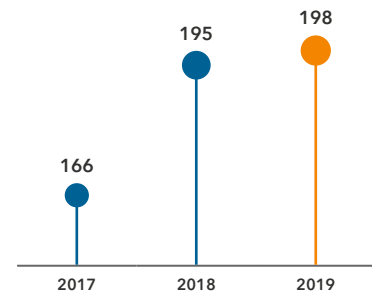
- regularly updates the information about the Line of Trust on its official website and intranet portal;
- includes the information about the Line of Trust in anti-corruption clauses added to contracts signed by the Company and its subsidiaries with counterparties.

In 2019, the Company considered 198 reports received through the Line of Trust, which is three reports (2%) more than in 2018. The reports that did not meet the criteria set by the Rules of RusHydro's Line of Trust Operation (email spam, advertisements, mass mailing, etc.) were not accepted.

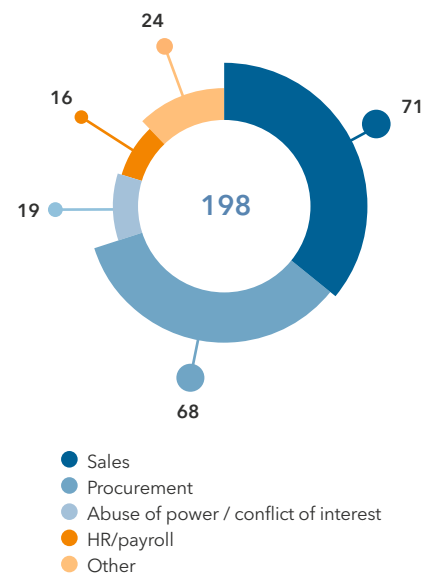
Information contained in 61 out of 198 reports (31%) was confirmed to be true and involve violations of rights and/or other wrongdoings. The Company took measures to eliminate all verified violations and impose sanctions on the wrongdoers (employees/managers), including:

- disciplinary action (reprimand, censure) was taken against seven employees (managers) of RusHydro Group, who committed violations;
- four reports resulted in the managers being stripped of their bonuses;
- organizational measures, including:
 - preventive discussions;
 - necessary employee training;
 - amendments made to procurement documents, cancellation/postponement of procurement procedures;
 - payment adjustments;
 - other measures aimed at eliminating identified gaps and violations.

Number of reports considered, pcs



Reports by topic, pcs



Control over major transactions and interested-party transactions

RusHydro has a transaction control system in place to ensure that every draft contract is checked for meeting the criteria of major, interested-party and other transactions that require the Board of Directors' approval.

Depending on transaction value, the review is done by legal

departments of the Company's branches or at the Company's Headquarters.

RusHydro's Regulations on Contracts and Agreements govern a common procedure for negotiating, concluding and executing contracts on behalf of the Company.

In 2019, RusHydro concluded several interested-party transactions and no transactions that would be deemed major under the applicable law.

For further information on the interested-party transactions, including their subject, interested parties involved and approval details, see [Appendix No. 2](#)

Preventing the use of insider information

RusHydro has put in place Regulations on Insider Information to secure compliance with laws and regulations of the Russian Federation in terms of prevention of unauthorized use of insider information and market manipulation. The Regulations are in line with the world's best corporate governance practices, including Disclosure and Transparency Rules of the Financial Conduct Authority.

The Regulations specify:

- persons that are included in the Company's list of insiders;
- rules of access to the insider information and its confidentiality protection;
- restrictions on the use of insider information in transactions with the Company's financial instruments and disclosure thereof to third parties;
- procedure and deadlines for the disclosure of the Company's insider information, and the rules for transactions with the Company's financial instruments.

The list of insider information is made in Russian and English and published on the Company's website. In Q2 2019, the Company approved a new revised list of insider information¹.

RusHydro's list of insiders is updated upon inclusion or exclusion of the Company's insiders. As at December 31, 2019, the Company's list of insiders included 21 legal entities and 108 individuals. During 2019, 6 legal entities and 50 individuals were added to the list, while 3 legal entities and 27 individuals were excluded.

RusHydro sends proper and timely inclusion/exclusion notifications to the insiders. In 2019, 86 notifications were sent.

In response to the requests of the security market operator (PJSC Moscow Exchange), RusHydro provided it with 6 lists of insiders as of the respective dates of the requests.

In 2019, RusHydro received no notifications regarding the sale of its shares by any of its insiders.

As of 2019, a member of the Management Board and First Deputy General Director in charge of the unit of financial and corporate law management supervises the Company's compliance with the laws on insider information and submits quarterly reports to the Audit Committee of RusHydro's Board of Directors. The Audit Committee includes the information on the Company's compliance with these requirements in its annual report.

The data that constitutes the Company's insider information is published:

- in Russian in the news feed of the authorized news agency Interfax Corporate Information Disclosure Center: <https://www.e-disclosure.ru/>
- in English in the London Stock Exchange's News Monitoring Service: londonstockexchange.com/



¹ Order No. 851 of October 18, 2019.

Risk management [102-30]

Internal Control and Risk Management System

RusHydro Group has put in place an Internal Control and Risk Management System (the "System").

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The System focuses on providing reasonable assurance that the Group will be able to attain its goals and objectives in the following categories:

- missions of RusHydro Group;
- strategic goals;
- operating targets related to the efficiency of RusHydro Group's financial and business operations and safeguarding of its assets;
- goals related to the Company's compliance with the applicable laws and internal regulations (by-laws) of the Company and its subsidiaries;

- goals related to the timely preparation of accurate financial and non-financial internal and/or external reports.

Key stakeholders of the Internal Control and Risk Management System

The roles of the Internal Control and Risk Management System stakeholders are differentiated based on their involvement in operating and implementing the System and monitoring its performance.

The Control and Risk Management Department is responsible for supervising and providing methodological support to the

System. The Department has the following objectives:

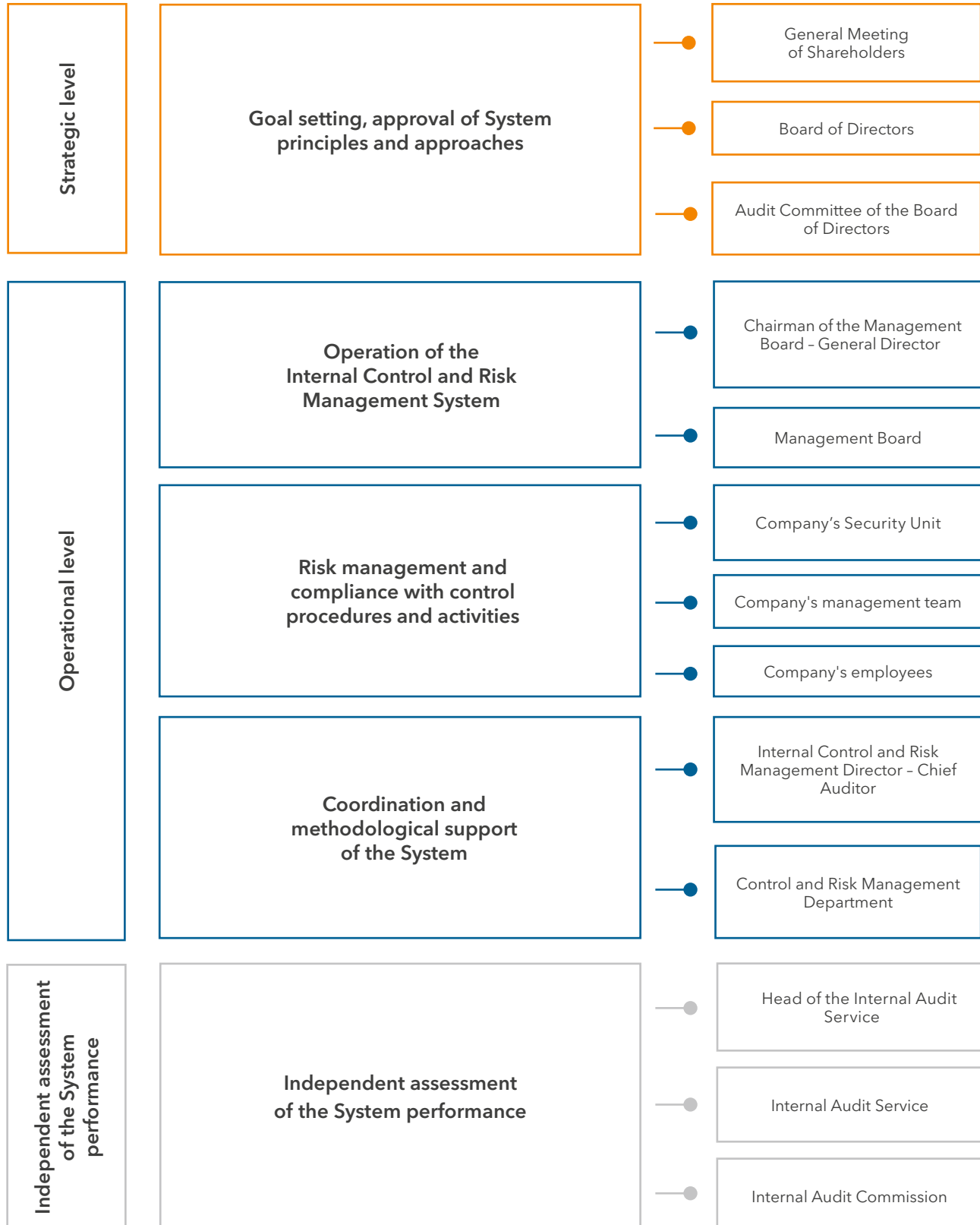
- ensure general coordination of internal control and risk management processes;
- develop guidelines on internal control and risk management processes;
- organize training in risk management for employees of the Company and its subsidiaries;
- analyze the risk portfolio of RusHydro Group and suggest potential responses and reallocation of resources to manage specific risks;
- draft consolidated risk management reports;
- exercise ongoing control over internal control and risk management processes across the business units of the Company and its subsidiaries as prescribed by the relevant procedure;
- provide training and brief the Board of Directors and executive bodies of the Company on risk management and internal controls.

As at December 31, 2019, the Department's headcount was 35 employees.



RusHydro Group stands by the principles of highest transparency in communication with external stakeholders – shareholders, investors, governmental supervisory agencies, external auditors, banking and insurance organizations, complying with the applicable laws and internal regulations of the Company and its subsidiaries.

Key stakeholders of the Internal Control and Risk Management System



Internal regulations

The key regulation defining the goals, objectives and principles of the corporate system of internal control and risk management is RusHydro's Internal Control and Risk Management Policy (the "Policy")¹.

The Policy promotes compliance with the principles of the Internal Control and Risk Management System and harmonization of internal control and risk management approaches across RusHydro Group, while also reflecting the latest recommendations of international professional organizations on internal control and risk management and relevant best practices of Russian companies.

In 2019, the Board of Directors approved the Guidelines on

RusHydro Group's Risk Appetite aiming to further improve the efficiency of internal controls and risk management in the Company.

In the reporting year, the Board of Directors also approved the Regulations on the Internal Control System of RusHydro Group (the "Regulations"), which set out applicable internal control guidelines. The document provides a detailed description of the internal control system and its elements, and sets forth requirements on key internal control procedures, types of monitoring to be used,

coordination of efforts between the stakeholders of the RusHydro Group's Internal Control and Risk Management System, and reports on the internal control system status and improvements.

In addition, the Control and Risk Management Department joined forces with risk owners to produce a comprehensive classifier of risks to facilitate identification of risks and the development of a typical risk database for RusHydro Group. The document was reviewed by the Audit Committee of RusHydro's Board of Directors.



RusHydro Internal Control and Risk Management Policy:
www.eng.rushydro.ru/



For more details on relevant regulations, see the Company's website at: www.eng.rushydro.ru

Risk management: methods and approaches

The Internal Control and Risk Management Policy of RusHydro specifies the following set of risk management methods and approaches:

- risk management is an integral part of all organizational processes: it is not segregated from the Company's key business activities and processes;
- risk management is an integral part of decision-making: it helps the

decision makers to make informed choices, prioritize initiatives and find the best solutions among alternatives;

- risk management is essential to the continuous improvement of the Company and its subsidiaries: RusHydro Group keeps refining and enhancing its system of internal control and risk management to achieve greater risk management maturity;

- RusHydro is in the process of developing unified corporate classification of risks, a database of typical risks, risk categories and other tools required to improve efficiency;
- RusHydro Group fosters a risk-focused organizational culture.

Elements of a risk-focused culture

Approval of the Code of Corporate Ethics, anti-corruption and other policies, and procedures to identify misconduct and wrongdoing

Establishment of a center responsible for risk management

Active involvement of the Company's managers in the risk management process

¹ In June 2019, the Audit Committee and the Board of Directors of RusHydro approved a new version of the Internal Control and Risk Management Policy (Minutes No. 291 of the Company's Board of Directors dated June 21, 2019).

The key document governing the planning of strategic risk management initiatives for 2019 was the Strategic Management Regulations of RusHydro Group.

Pursuant to these Regulations, the Group maintains a strategic risk register, which identifies risk owners and is reviewed annually by the Management Board. Strategic risks that are deemed critical or material are addressed in the risk mitigation plan, which identifies action owners, deadlines and deliverables and is approved by the Management Board. Performance against the risk mitigation plan is measured when determining employees' bonus awards. The implementation of the risk mitigation plan and progress under it are monitored and overseen by the Company's risk managers.

Risk managers maintain an ongoing dialogue with the Audit Committee of the Board of Directors as the body overseeing RusHydro's risk management system in line with the Guidelines on Audit Committees

Strategic risk management cycle

Approval of the strategic risk register
and the associated risk mitigation plan

Implementation of the risk mitigation plan

Report on the implementation
of the risk mitigation plan

of the Boards of Directors of Joint-Stock Companies with a Stake Owned by the Russian Federation.

Reports on actual progress against the strategic risk mitigation plan are drafted by the Control and Risk Management Department at the end of each reporting period

and submitted for approval by the Chairman of the Management Board.



For more details on RusHydro's risk management cycles and methods, see the Company's website at: www.eng.rushydro.ru

Risk appetite (EC)

In 2019, RusHydro's Board of Directors approved the Group's risk appetite framework. [\[102-33\]](#) [EC]

Risk categories	Target	Risk appetite limit (risk level) indicator
Major accident risk	Reliable and safe operation of RusHydro Group's facilities	Number of major accidents
Risks affecting operational efficiency	Operational efficiency	Return on equity (ROE), labour productivity (revenue, RUB '000/man-hours)
Risk of losing investment appeal	Investment appeal	EBITDA
Investment risks	Investment activities	Adherence to the capacity commissioning schedule, progress against funding and spending targets
Corruption risk	Zero tolerance towards corruption	Number of actions lodged for illegal gratification offered on behalf of legal entities
Reputational risk	Good corporate reputation	Share of negative news in total media coverage

Independent assessment of the Company's Internal Control and Risk Management System

External assessment of the Company's Internal Control and Risk Management System

The Audit Committee of the Board of Directors or the Chairman of the Management Board – General Director may seek an external independent assessment of the Company's Internal Control and Risk Management System by independent third-party experts.

In 2019, no external independent assessment was performed.

Internal assessment of the Company's Internal Control and Risk Management System

The internal assessment of the corporate system of internal control and risk management is performed annually by the Company's Internal Audit Service to provide the Company's Board of Directors and the Group's executive bodies with independent and objective information about the system's current state and to identify areas for its improvement.

In 2019, the Internal Audit Service assessed the Company's internal control and risk management. The assessment relied on the methodology agreed with the Audit Committee of the Board

of Directors and designed to analyze the system's current state against the target.

The report revealed that the Company's corporate system of internal control and risk management had a moderate level of maturity, with its elements generally in line with the target state set by the assessment methodology. The results were reviewed by the Company's Board of Directors at an in-person meeting and approved by its resolution of June 21, 2019.

Following the independent internal assessment, the Company drafted an Internal Control and Risk Management System Improvement Plan listing the development opportunities for 2019-2020.

Improving the Internal Control and Risk Management System ^[EC]

The Internal Control and Risk Management System is continuously developed and improved to ensure prompt

response to external and internal changes, improve operational efficiency and attain corporate goals. The Company updates and

approves the Internal Control and Risk Management System Improvement (Development) Plan on an annual basis.

Key 2019 initiatives to improve the Internal Control and Risk Management System

Areas	Initiatives
Coordination and methodological support	<ul style="list-style-type: none"> → The implementation of improvements in internal control over RusHydro's key business processes was monitored on a systematic basis, with more proposals developed for introducing new or strengthening the existing business process controls → The development of risk mitigation plans for 2019-2020 by subsidiaries was subject to regular reviews and approvals, and progress against the risk mitigation plans was monitored on an ongoing basis
Development of internal regulations and training of employees	<ul style="list-style-type: none"> → The Internal Control and Risk Management Policy of RusHydro Group was developed and approved; → The Regulations on the Internal Control System of RusHydro Group were developed and approved; → The Guidelines on RusHydro Group's Risk Appetite were developed and approved; → The risk classifier (typical risk database) was developed and reviewed by the Audit Committee of RusHydro's Board of Directors¹
Development of the risk management and internal control process in the Company	<ul style="list-style-type: none"> → The strategic and business process risk registers and rankings were updated on an annual basis, with the implementation of risk management initiatives monitored and the materialized risk database kept up to date; → Business process controls were developed, implemented and harmonized, including as a follow-up to the self-assessment exercise.
Automation of the risk management and internal control process	<ul style="list-style-type: none"> → A pilot project to automate the risk management process and introduce an automated risk management system (ARMS) was implemented to support decision-making and develop a database of RusHydro Group's risks. The first ARMS module (FX and Interest Risk Management) was also tested in 2019

¹ Minutes No. 147/3 of the Audit Committee of RusHydro's Board of Directors dated December 30, 2019.

Risk management in 2019

Risks and opportunities are prioritized according to their impact on key financial, environmental and social aspects of the Company's operations, with the strategic targets, development priorities and the Company's mission factored in.

In 2019, RusHydro Group's strategic risk register consisted of 15 risks,

with no changes taking place throughout the year.

The Management Board adopted a resolution to approve RusHydro's Strategic Risk Mitigation Plan for 2018–2019 (the "Plan")¹. The document provides an overview of strategic risk materialization scenarios and key risk drivers, while

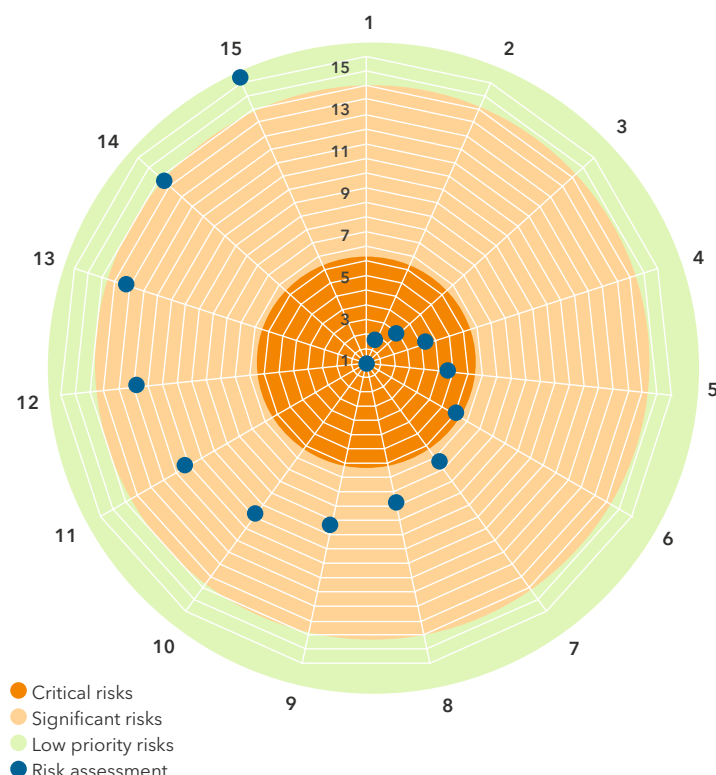
also specifying the sources of data used in estimating risk indicators. The digitalization of risk indicators is currently underway to enable the identification of materialized risks, estimate deviations and compare the damage from risk materialization.

Strategic risk monitoring in 2019 [102-29][EC]

Category	Risk	2019 monitoring results
Investment risks	<ul style="list-style-type: none"> Delayed commissioning of new capacities Cost overruns for investment projects 	<p>In 2019, these risks remained most critical for key construction projects, including Nizhne-Bureyskaya HPP, Sakhalinskaya GRES-2, Zaramagskaya HPP and a CHPP in Sovetskaya Gavan.</p> <p>Delays in commissioning and project cost overruns were caused by the need to update and amend the design and cost estimate documents coupled with reduced financial stability, poor qualification of contractors, contractor employees' operating errors and gaps in synchronization of third-party efforts.</p> <p>In 2019, measures were taken to reduce these risks to an acceptable level, but due to the synergistic effect of construction delays accumulated over the previous project stages some of the construction projects were not completed on time.</p>
Financial risks	<ul style="list-style-type: none"> Revenue shortfalls from the sale of electricity (capacity) and heat against the business plan Lack of funds, including those sourced externally (financial risks) Risk of non-delivery / efficiency losses associated with production programs Increase in receivables for electricity (capacity) and heat supplied and for transmission services rendered Failure to achieve project targets by engineering companies (project companies, institutes, repair companies) 	<p>In 2019, financial risks were within the target range.</p>
Non-financial risks	<ul style="list-style-type: none"> Industrial disasters and accidents Terrorism and cyber terrorism Damage caused by natural and industrial disasters outside RusHydro Group's facilities Adverse changes / breaches of the law (legal risks) Reputational risks Corruption risk Management system deficiencies and errors Inefficient integration of companies making part of RusHydro Group 	<p>In 2019, none of these risks materialized. The assessment of risk materialization was based on relevant risk indicators and applicable scenarios.</p> <p>ESG (Environmental, Social and Governance) risks have not been split into a separate risk group, but are reviewed (in terms of risk driver management) as part of the existing strategic risk register.</p>

¹ Minutes No. 1133pr of the Management Board meeting dated October 9, 2018.

RusHydro Group's strategic risk radar for 2019



1. Delayed commissioning of new capacities
2. Cost overruns for investment projects
3. Revenue shortfalls from the sale of electricity (capacity) and heat against the business plan
4. Adverse changes / breaches of the law
5. Industrial disasters and accidents
6. Lack of funds, including those sourced externally
7. Risk of non-delivery / efficiency losses associated with production programs
8. Terrorism and cyber terrorism (EC)
9. Failure to achieve project targets by engineering companies (project companies, institutes, repair companies)
10. Management system deficiencies and errors
11. Reputational risks
12. Damage caused by natural and industrial disasters outside RusHydro Group's facilities
13. Corruption risk
14. Increase in receivables for electricity (capacity) and heat supplied and for transmission services rendered
15. Inefficient integration of companies merged into RusHydro Group

Strategic risk management report for 2019 [102-33]

Risk	Risk owner (EC)	Change in risk criticality during the year	Key risk drivers	Risk management practice
Delayed commissioning of new capacities	Unit of Capital Construction, Deputy General Director for Capital Construction	↑	Design errors	<ol style="list-style-type: none"> 1. Having design and construction documents reviewed by experts. 2. Exercising control over the work quality, timing and costs: <ul style="list-style-type: none"> → improving project scheduling techniques and monitoring deadline management on an ongoing basis; → controlling compliance with the quality and timing requirements imposed on developers of design specifications, estimates and construction documents; → ensuring customer supervision over construction sites; → developing a quality control system for the supplied equipment (including its production and shipment/delivery); → monitoring the progress of building grid infrastructure; → monitoring the contractors' compliance with the terms of contracts; → managing complaints and claims to/from contractors; 3. Insuring construction and installation risks (reducing the risk of project cost overruns due to facility damage or loss caused by design or construction deficiencies or external impact).
Cost overruns for investment projects			Failure to meet quality requirements imposed on developers of design and construction documents	
			Late delivery of design specifications, estimates and construction documents, frequent changes to construction documents	
			Low financial stability and bankruptcies of contractors and suppliers; failure of contractors and suppliers to meet their contractual obligations	
			Lengthy contracting procedures to sign construction and installation, front-end engineering and design contracts	
			Poor qualification/reduced capacity of contractors	
			Acceptance of incomplete or partially completed works from contractors	
			Low quality of equipment and materials (reduced technical capacity of manufacturers)	
			Substandard grid infrastructure. Lack of connection capacity for completed and commissioned construction projects	
			Unfavorable weather conditions affecting construction and installation works	

↑ Risk significance increase → Unchanged ↓ Risk significance decrease

Risk	Risk owner (EC)	Change in risk criticality during the year	Key risk drivers	Risk management practice
Revenue shortfalls from the sale of electricity (capacity) and heat against the business plan	<p>Unit of Sales, Economic Planning and Investments, First Deputy General Director</p> <p>Unit of Production Activity, First Deputy General Director-Chief Engineer (as regards equipment wear and tear, and failure to meet dispatch schedules)</p>	→	<p>Decrease in electricity (capacity) and heat generation</p> <hr/> <p>Decline in electricity (capacity) sold by the Group's retail subsidiaries in retail markets, including as a result of:</p> <ul style="list-style-type: none"> — large customers shifting to the WECM; — large customers shifting to retail competitors; — consumers resorting to own generation; — grid companies reducing their energy losses. <hr/> <p>Regulated prices (tariffs) fixed below targets set by RusHydro Group companies</p>	<ol style="list-style-type: none"> 1. Automating generation of water level scenarios and refining the process methodology. 2. Taking part in shaping the Water Use Rules as part of the interagency working groups for setting HPP operation modes. 3. Liaising with federal government authorities and the Market Council Non-Profit Partnership on matters of tariff regulation and price setting. 4. Enhancing transparency of the economic dispatching business process. 5. Liaising with federal and regional government authorities on matters of tariff regulation with a view to eliminating the cost-tariff gap in the Russian Far East.
Adverse changes / breaches of the law	Unit of Financial and Corporate Law Management; First Deputy General Director	→	<p>Adverse changes in laws and regulations governing the operation of the wholesale and retail electricity (capacity) markets</p> <hr/> <p>Failure to comply with legal requirements imposed on:</p> <ul style="list-style-type: none"> — operation and maintenance of equipment, buildings, and facilities of the Company's power plants; — implementation of investment projects to build new facilities; — compliance with environmental and nature conservation laws <hr/> <p>Sharper focus of environmental and nature conservation organizations on the Company's operations</p> <hr/> <p>Violation of the following requirements by retail companies of RusHydro Group:</p> <ul style="list-style-type: none"> — wholesale market rules, with non-compliance resulting in exclusion from the list of wholesale market participants; — key provisions governing the operation of retail markets, with non-compliance resulting in exclusion from the list of guaranteed suppliers 	<ol style="list-style-type: none"> 1. Drafting proposals on amending laws and regulations governing the electricity and heating power sector as well as related laws and regulations. 2. Maintaining ongoing monitoring of initiated and discussed legislative amendments that may affect RusHydro Group's operations. 3. Monitoring and revising the existing technical oversight standards and regulations. 4. Participating in major legislative change initiatives put forward by legislative, executive and judicial authorities, non-government associations, professional legal unions and associations. 5. Conducting regular environmental audits and implementing relevant recommendations. 6. Participating in the working groups of the Russian Ministry of Energy on technical regulation. 7. Managing complaints and claims to protect the Company's interests.

Risk	Risk owner (EC)	Change in risk criticality during the year	Key risk drivers	Risk management practice
Industrial disasters and accidents	Unit of Production Activity, First Deputy General Director - Chief Engineer	→	<p>Design and/or construction errors</p> <p>Low quality of equipment, materials and repairs (reduced technical capacity of manufacturers)</p> <p>Deterioration of the technical condition of equipment, buildings and facilities</p> <p>Non-compliance with laws, internal regulations and guidelines</p> <p>Failures of subsystems of the upper-level automated process control systems and computer software</p> <p>Deficiencies in the system for physical protection of the Company's facilities</p> <p>Major industrial disasters/accidents/injuries</p>	<ol style="list-style-type: none"> 1. Implementing the full scope of the Company's production program initiatives, including rehabilitation and modernization. 2. Ensuring quality control of supplied equipment, including its production and shipment/delivery, construction, installation, commissioning and repairs. 3. Monitoring compliance of the Company's employees and contractors with industrial and technical safety requirements; certification of personnel in industrial safety. 4. Insuring production facilities. 5. Using advanced diagnostics methods eliminating equipment shutdowns and harnessing modern production asset management technologies, including IT (as required). 6. Implementing a comprehensive energy facility protection system at the Company's power plants.
Lack of funds, including those sourced externally	Unit of Sales, Economic Planning and Investments, First Deputy General Director	→	<p>Increase in borrowing costs</p> <p>Loss of liquidity from delays in or lack of planned cash flows:</p> <ul style="list-style-type: none"> → delayed capacity commissioning; → reduced purchasing power of customers/consumers; → shortfalls in VAT refund for capital construction projects; → shortfalls in subsidies to compensate for the loss of revenue caused by the adjustment of electricity (capacity) prices (tariffs) to the base level <p>Excess of actual cash flows (payments) vs planned, driven by growing prices of fuel for heat generation facilities and increased investment costs</p>	<ol style="list-style-type: none"> 1. Maintaining sufficient cash levels and securing access to liquidity through credit facilities. 2. Maintaining a well-balanced model of working capital financing from both short-term and long-term sources. 3. Overseeing compliance with the terms of loan agreements to exclude any breach of financial covenants by the Company. 4. Using short-term financial instruments (bank deposits) to invest idle cash balances. 5. Refraining from high-risk investments with a 10+% return. 6. Divesting from non-core assets.
Risk of non-delivery / efficiency losses associated with production programs	Unit of Production Activity, First Deputy General Director - Chief Engineer	→	<p>Gaps in/violations of production program planning guidelines</p> <p>Inadequate system of monitoring progress under the repair, rehabilitation and modernization projects, including the supervision of contractor works</p>	<ol style="list-style-type: none"> 1. Processing complaints and claims associated with the poor quality of repairs, delivery of substandard equipment and violation of delivery deadlines in a quick and efficient manner. 2. Maintaining control over the implementation of rehabilitation and modernization projects in compliance with the Company's standards, including using recommendations of the analytical center.

Risk	Risk owner (EC)	Change in risk criticality during the year	Key risk drivers	Risk management practice
Terrorism and cyber terrorism [EC]	Security Unit	→	<p>Growing threat of international terrorism as a result of deteriorating international relations and growing political instability in some developing countries driven by the economic crisis and the activity of radical organizations</p> <p>Growing share of industrial terrorism in proportion to overall terrorist activities</p> <p>Low security level of third party facilities which are inherently connected to power plants or located close to them (bridges, roads)</p> <p>The threat of hidden functionality and hardware/software implants in foreign network and server equipment being used to disable computer networks and disrupt production</p> <p>Insufficient security of own facilities in terms of potential hacker attacks against information systems of the Company and external communication channels, including with the System Operator</p>	<ol style="list-style-type: none"> Improving armed protection of the Company's facilities by engaging private security units of the National Guard of Russia (Rosgvardia), Guard Federal State Unitary Enterprise of Rosgvardia, and Departmental Protection Federal State Unitary Enterprise of the Russian Ministry of Energy. Amending and maintaining up-to-date plans for the interaction with law enforcement agencies to protect the Company's facilities in case of threatened or attempted terrorist attacks. Identifying the most probable threats and developing response plans to remedy acts of unlawful interference against the Company's facilities in cooperation with the local bodies of the Ministry for Civil Defence, Emergencies and Elimination of Consequences of Natural Disasters in the regions of the Company's operations. Setting up and controlling access to information about on-site engineering and technical means of protection and their condition. Insuring RusHydro Group's property against terrorism and sabotage risks. Increasing the share of equipment certified by the Federal Service for Technical and Export Control, and the share of domestically manufactured equipment; Conducting information security audits. Setting up and controlling access to the hardware and software of management and information systems. Protecting remote access to the Company's information systems and ensuring information security of virtual, mobile and cloud services. Categorization of RusHydro's critical information infrastructure.
Failure to achieve project targets by engineering companies (project companies, institutes, repair companies)	Unit of Capital Construction, Deputy General Director for Capital Construction	↓	<p>Shortage of qualified personnel in engineering companies</p> <p>Inefficient management of engineering companies</p> <p>Failure to use advanced design approaches</p>	<ol style="list-style-type: none"> Implementing a development program for engineering companies. Developing standard repair scope sheets for equipment and hydraulic structures. Creating and maintaining a database of advanced and innovative technologies Streamlining business processes related to the management of engineering companies

Risk	Risk owner (EC)	Change in risk criticality during the year	Key risk drivers	Risk management practice
Management system deficiencies and errors	Unit of Financial and Corporate Law Management; First Deputy General Director	→	<p>Slow process of managerial decision review and approval</p> <p>Underregulated business processes and procedures</p> <p>Low level of comprehensive IT implementation</p>	<ol style="list-style-type: none"> 1. Insuring civil liability of the Company's officers and members of its governing bodies towards third parties and the Company. 2. Implementing a business process optimization project across the Company. 3. Implementing the Company's IT strategy and road map.
Reputational risks	Unit of Corporate Communications (PR and GR) Strategy and Innovation Unit (IR)	→	<p>Dissemination of inaccurate and deliberately false information about RusHydro Group</p> <p>Dissemination of negative (compromising) information about RusHydro Group</p>	<ol style="list-style-type: none"> 1. Monitoring compliance with the Company's regulations governing information activities, participation in public events and information disclosure. 2. Engaging with stakeholders across the Company's core operations, including through joint public events. 3. Distributing regular press releases to share the Company's official position on its operations. 4. Holding press tours and special media events
Damage caused by natural and industrial disasters outside RusHydro Group's facilities	Unit of Production Activity, First Deputy General Director - Chief Engineer	→	<p>Inadequate protection of RusHydro Group's production assets against natural disasters</p> <p>Climate changes</p>	<ol style="list-style-type: none"> 1. Upgrading centralized automatic emergency response systems to the latest standards. 2. Implementing civil defense and emergency prevention initiatives; 3. Carrying out research and development in the field of remote monitoring of HPP facilities condition and operating modes. 4. Monitoring compliance with the Russian industrial safety laws and maintaining a production control system based on such laws. 5. Insuring the property of RusHydro Group
Corruption risk	Security Unit	→	<p>Appropriation of corporate opportunities for personal benefit:</p> <ul style="list-style-type: none"> • lobbying the interests of affiliated counterparties; • abuse of office; • misusing insider information and manipulating the market of RusHydro's shares <p>Unauthorised access to and disclosure of RusHydro Group's confidential information</p>	<ol style="list-style-type: none"> 1. Supervising the compliance anti-corruption activities pursued by RusHydro and its subsidiaries with the applicable laws. 2. Implementing procedures to prevent conflicts of interest in the workplace. 3. Monitoring information on income, expenditures, property and property-related liabilities of the Company's officers with exposure to corruption risks. 4. Maintaining anti-corruption hotline, checking allegations of wrongdoing. 5. Conducting internal investigations of alleged wrongdoings involving the Company's employees. Developing and implementing measures to eliminate identified violations/gaps. 6. Monitoring procurement activities. 7. Screening counterparties for conflicts of interest

Risk	Risk owner (EC)	Change in risk criticality during the year	Key risk drivers	Risk management practice
Increase in receivables for electricity (capacity) and heat supplied and for transmission services rendered	Unit of Sales, Economic Planning and Investments, First Deputy General Director	→	Low solvency of consumers (customers) and territorial grid operators Cheating by consumers (customers) and territorial grid operators	<ol style="list-style-type: none"> 1. Monitoring data on supplier and contractor financial health to prevent the risk of counterparty bankruptcy. 2. Planning counterparty settlements, negotiations with counterparties on payments, debt restructuring and non-cash settlements. 3. Handling complaints and claims against non-paying consumers
Inefficient integration of companies merged into RusHydro Group	Unit of Financial and Corporate Law Management; First Deputy General Director	→	Impact of financial performance of merged companies on consolidated financial results of the Group	<ol style="list-style-type: none"> 1. Overseeing the operations of RusHydro Group companies: introducing common management policies and corporate procedures. 2. Structuring the assets of RusHydro Group companies. 3. Streamlining the organizational structure of RusHydro Group

Impact of events after the reporting date beyond the Group's control

In late 2019, China first reported a novel coronavirus disease (COVID-19). The World Health Organization received information on a cluster of cases of unknown aetiology. In the first months of 2020, the virus spread worldwide, with its devastating impact gaining momentum.

Although on the date of publishing this report the situation around the virus has not yet stabilized, we expect it to damage both the global economy and RusHydro

Group operations, in particular. The virus repercussions included rouble depreciation, plunging oil prices and a stock market crash.

Up to now, the Group's sales and supply chain have not taken a substantial hit, with future effects of the epidemic impossible to predict. The Company management is closely monitoring the related potential risks and is ready to unleash a comprehensive set of measures to mitigate the consequences.

While engaged in continuous electricity and heat generation, transfer and sales to all groups

of customer, RusHydro is also taking steps to prevent the infection from spreading among its employees.

To that end, we are educating our people on how to avoid contagion and supplying personal protective equipment. We have also arranged for more than 80% of our white-collar staff to work remotely.

Additionally, we reorganized the operation of our facilities. In regions where RusHydro Group companies render services to retail and corporate customers, all communications are handled distantly, by phone or online.

Report on remuneration of the governing and control bodies [102-35]

Remuneration of the Board of Directors and Board committees

The Company adopted a short-term incentive system for the Board of Directors (see the Regulations on Payment of Remunerations and Compensations to Members of RusHydro's Board of Directors).¹ The system relies on the following remuneration principle:

- the Regulations are not applicable to the members of the Board of Directors who act (during their term in office as members of the Board of Directors whether partial or entire) as members of the Company's collective executive body or as the Company's sole executive body;
- remuneration is not accrued or paid to the members of the Board of Directors for the period during their term in office as members of the Board of Directors when they were subject to restrictions or bans on receiving any payments from business entities in accordance with the applicable Russian laws;

- remuneration is paid to the members the Board of Directors for the period from their appointment as members of the Board of Directors to the election of a new Board of Directors;
- the remuneration depends on the number of meetings attended;
- the base remuneration of a member of the Board of Directors is RUB 3.51 mn;
- the remuneration is increased if the member of the Board of Directors is Chairman of the Board of Directors (by 30%), Chairman of a Board committee (by 20%), Senior Independent Director (by 15%), or member of a Board committee (by 10%).

The Board of Directors annually adopts a resolution on the Recommendations to the Annual General Meeting of Shareholders Regarding Payment of Remuneration to Members of the Board of Directors Who are Not Public Officers in the Amount

Set by the Internal Regulations as provided for in the relevant Regulations.

The Regulations also define the amount of remuneration for directors who are members of the Board committees and set out the procedure for payment of such remuneration.

On June 28, 2019, RusHydro's Annual General Meeting of Shareholders resolved² to pay remuneration to members of the Board of Directors for their services for the period from June 27, 2018 to June 28, 2019 in the amount, within the timeframes, and in accordance with the procedure set out in the relevant Regulations.



The Regulations on Payment of Remuneration and Compensation to Members of RusHydro's Board of Directors:

www.eng.rushydro.ru

Board of Directors' remuneration, '000 RUB³

Type of remuneration	2017	2018	2019
Remuneration for membership in governing bodies	7,472.3	27,945.0	24,840.0
Salary	0	0	0
Bonus	0	0	0
Commissions	0	0	0
Other types of remuneration	0	0	0
Total	7,472.3	27,945.0	24,840.0
Costs related to services of members of governing bodies compensated by the issuer	0	0	0

¹ A new version of the Regulations was approved by resolution of the Annual General Meeting of Shareholders (Minutes No. 18 of July 2, 2019).

² Minutes No. 18 of July 2, 2019.

³ Including personal income tax.

Personal remuneration of the Board of Directors in 2019, '000 RUB

Full name	Meetings held	Meetings attended	Senior Independent Director, %	Member of a Board committee, %	Aggregate bonus, %	Remuneration	Bonus	Total remuneration	Remuneration payable ¹
Artem Avetisyan	18	15	0	0	0	2,250	0	2,250	1,957.5
Maxim Bystrov	18	18	0	40	40	2,700	1,080	3,780	3,288.6
Pavel Grachev	18	18	0	20	20	2,700	540	3,240	2,818.8
Vyacheslav Pivovarov	18	17	0	40	40	2,550	1,020	3,570	3,105.9
Pavel Livinsky	18	18	0	0	0	2,700	0	2,700	2,349.0
Nikolay Rogalev	18	18	0	40	40	2,700	1,080	3,780	3,288.6
Sergey Shishin	18	18	0	10	10	2,700	270	2,970	2,583.9
Andrey Shishkin	18	17	0	0	0	2,550	0	2,550	2,218.5
Total						20,850	3 990	24,840	21,610.8

Remuneration of the Management Board

Remuneration to members of the Management Board, including Chairman of the Management Board – General Director, is paid in accordance with the employment contracts and the Regulations on Payment of Remuneration and Compensation to Members of RusHydro's Management Board².

In 2016, the Company engaged Ernst & Young (CIS) B.V. (Moscow branch), a global consultancy firm, to develop recommendations on remuneration for the collective executive and sole executive bodies in line with the best Russian practices. Market benchmarking of the remuneration structure and amount focused on major peer companies. The research results were used to revise the incentive system for the Management Board.

Since January 1, 2017, the remuneration system has become more transparent and is now directly

linked to the achievement of the Company's short- and long-term KPIs as recommended by the Nomination and Compensation Committee and approved by the Board of Directors.

The new incentive system relies on the following principles: transparency, balanced approach (interests of shareholders are aligned with the management's interests in achieving the Company's long- and short-term goals), impartiality (the remuneration depends on the RusHydro's performance and outcomes from the implementation of significant projects).

The current remuneration system includes a Long-Term Incentive Plan for the Management Board linked to the growth in share price and achievement of KPIs set by the Company's Board of Directors. The Plan aims to ensure closer alignment of motivation of the management and shareholders in

delivering consistent growth of the company's value and developing the business. The key objectives and principles underpinning the Plan are to motivate the Company's management to achieve strategic objectives and pursue openness to shareholders as remuneration is dependent on the achievement of the KPIs, is calculated using the unified methodology and is based on equal payment conditions.

The amount and terms of payment of remuneration to the members of the Management Board upon early termination of employment are determined in the regulation on payment of remuneration and compensation to RusHydro's Management Board approved by the Board of Directors. The Company does not make "golden parachute" payouts for early termination. The maximum compensation paid to members of the Management Board upon early termination

¹ Excl. personal income tax.

² Approved by the Company's Board of Directors (Minutes No. 243 of November 14, 2016), amended as per Minutes No. 283 of February 21 2019.

of employment is limited to three average monthly salaries as provided for by the Russian legislation. Pursuant to the Regulations on Payment of Remuneration and Compensation to Members of RusHydro's Management Board, members of the Management Board are reimbursed for:

- hotel booking and accommodation costs, return tickets on business trips and other expenses associated with business trip assignments;
- representation expenditures (with the procedures for planning, monitoring and documenting representation allowances governed by the Company's internal regulations).

The members of the Management Board may receive other compensations associated with performing their job duties in the amount and manner prescribed by the Company's internal regulations.

For more information on the Management Board's KPIs and performance, see the [Key Performance Indicators](#) section

Remuneration of the Management Board, '000 RUB¹

Type of remuneration	2017	2018	2019
Remuneration for membership in governing bodies	0	0	0
Salary	185,393.1	157,616.6	172,190.2
Bonus	344,618.0	244,368.6	260,281.3
Commissions	0	0	0
Other types of remuneration	0	0	0
Total	530,011.1	401,985.2	432,471.5
Compensations	1 697.5	861.6	638.1

Remuneration of the Internal Audit Commission

Remuneration to members of the Internal Audit Commission is based on the following principles approved by the Regulations on Payment of Remuneration and Compensation to Members of RusHydro's Internal Audit Commission² (the "Regulations"):

- the remuneration and compensation are paid to members of the Internal Audit Commission for the corporate year which Clause 2.1 of the Regulations defines as the period from the appointment of new members of the Internal Audit Commission at the General Meeting of Shareholders until the next General Meeting of Shareholders charged with considering election of new members to the Internal Audit Commission;



The Regulations on Payment of Remuneration and Compensation to Members of RusHydro's Internal Audit Commission:
www.eng.rushydro.ru

- the remuneration amount is directly linked to the remuneration paid to members of the Board of Directors;
- the base part is set at 15% of the average annual remuneration for a member of the Board of Directors;
- pursuant to Article 12.1 of Federal Law No. 273-FZ On Combating Corruption of December 25, 2008 and Clause 1.3

of the Regulations, remuneration is not paid to the members of the Internal Audit Commission for the period during their term in office when they were subject to restrictions or bans on receiving any payments from business entities in accordance with the applicable Russian laws. If any such restriction or ban are lifted on the grounds specified in the applicable Russian legislation, the remuneration shall be calculated from the date on which the Company's Board of Directors is notified in writing of any such restriction or ban being lifted as per the Regulations.

There are no agreements in place on the amount of remuneration paid to members of the Internal Audit Commission.

¹ Including personal income tax.

² A new version of the Regulations was approved by resolution of the Annual General Meeting of Shareholders (Minutes No. 18 of July 2, 2019).

Remuneration of the Internal Audit Commission, '000 RUB

Type of remuneration	2017	2018	2019
Remuneration for membership in a control body overseeing the Company's financial and business activities	530.5	370.8	550.5
Expenses related to duties in the control body overseeing the Company's financial and business activities and compensated by the Company	0	0	0

Individual disclosure of remuneration for work in RusHydro's Internal Audit Commission in 2019¹

Member of the Internal Audit Commission	Remuneration, RUB '000
Natalia Annikova	275.2
Igor Repin	275.2
Tatyana Zobkova	-
Denis Konstantinov	-
Dmitry Simochkin	-

Auditor's fee

The auditor's fee is determined by the Board of Directors based on the results of competitive bidding

and after prior consideration of the matter by the Audit Committee

under the Board of Directors of PJSC RusHydro.

Auditor's fee, RUB mn²

Type of remuneration	2017 ³	2018	2019
Audit of the annual RAS financial (accounting) statements and IFRS consolidated statements	136.1	84.2	83.4
Non-audit services	None	None	None

¹ Membership effective, among other things, as at December 31, 2019.

² Including VAT.

³ The auditor's fee for 2017 includes the review of the consolidated statements for nine months ended September 30, 2017.