

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:

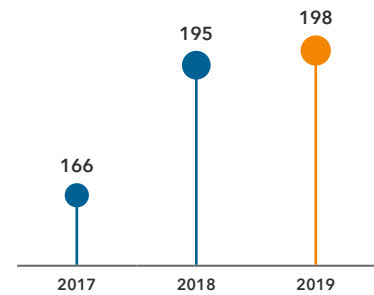
- regularly updates the information about the Line of Trust on its official website and intranet portal;
- includes the information about the Line of Trust in anti-corruption clauses added to contracts signed by the Company and its subsidiaries with counterparties.

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.

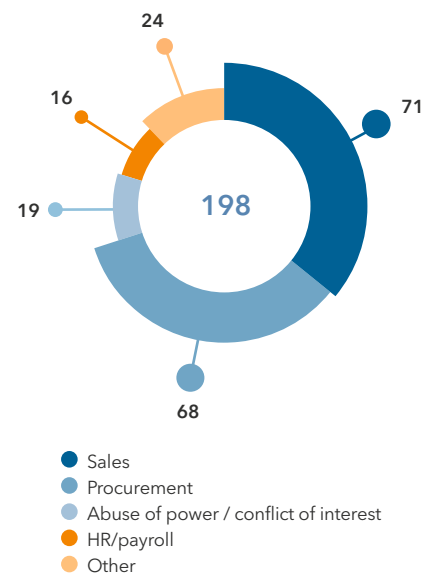
Information contained in 61 out of 198 reports (31%) was confirmed to be true and involve violations of rights and/or other wrongdoings. The Company took measures to eliminate all verified violations and impose sanctions on the wrongdoers (employees/managers), including:

- 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.