



CORPORATE GOVERNANCE REPORT

Effective management
and control system

Letter to ROSSETI Shareholders from the Chairman of the ROSSETI Board of Directors Regarding the Corporate Performance in 2019

Dear Shareholders of ROSSETI!

In the reporting year, the ROSSETI Group posted good financial and operational results and reached the set targets for most indicators. In challenging environment, the Group showed positive dynamics in revenue, free cash flow, EBITDA, and book value of the assets.

Over the years, we are rightfully proud of the corporate governance model that we managed to create in the ROSSETI Group. The established system not only makes it possible to look forward to the growth of the shareholder value of the Company, but also ensures the achievement of goals and fulfillment of the obligations that we promised to shareholders as part of the Company's Development Strategy.

We are pleased to see that the professional community has also confirmed the high assessment of the quality of the Company management: in 2019, ROSSETI confirmed its status of "developed corporate governance practice" as evaluated by the Russian Institute of Directors, and independent consultants rated the Company among the leaders in the area of information disclosure and information transparency.

The Board of Directors of the Company plays a key role in determining the development strategy and priorities of the ROSSETI Group. In 2019, under the leadership of the Board of Directors, an updated Development Strategy was approved for the period until 2030, setting ambitious goals for the management of the Company and designed to transform ROSSETI into one of the most technologically advanced power grid management companies in the world.

In 2019, we devoted a considerable amount of time (almost 1/3 of the total) to discussing the strategic development of the Company in individual segments, and aspects of the operational and investment efficiency of the Company. During the year, the Board of Directors monitored the implementation of key investment projects of the Company on an ongoing basis and controlled the activities of the management in this area.

I am sure many of you noticed changes in the organization of general meetings of shareholders - in 2019 ROSSETI held an annual meeting with the maximum use of new digital technologies, which allowed shareholders to use modern voting services and discuss agenda items.



An important factor for the successful activities of ROSSETI and its subsidiaries, a guarantee of the rights and interests of shareholders of the Company is an efficient company management system, in which corporate governance is of particular importance.

The ROSSETI Group is the employer for more than 220 thsd people, which obliges us to maintain a balanced HR policy and build our activities on the principles of social responsibility of business. The development of the ROSSETI Group as an attractive employer, respected among specialists and the professional community, is one of the most important priorities of the Company.

Our achievements in the reporting year allow us to look with optimism at the future development of ROSSETI, setting new goals and objectives in the interests of all shareholders and investors of the Company.

Alexander Novak

Minister of Energy of the Russian Federation
Chairman of the Board of Directors,
ROSSETI

Controlling Shareholder Memorandum

The majority (controlling) shareholder of the Company is the Russian Federation represented by the Federal Agency for State Property Management, owning 88.04% of the authorized capital

of the Company. In accordance with the information received by the Company, the controlling shareholder has no plans to privatize its shares in ROSSETI in 2020-2022.

Corporate Governance Model and Development

Description of the corporate governance system, organization and principles

An efficient corporate governance system is one of the key components for the successful development of the Company, providing the necessary balance of interests of shareholders, investors, creditors, and employees. ROSSETI is one of the largest public companies in Russia in terms of the extent of operation, with the number of shareholders exceeding 320 thsd persons.

ROSSETI corporate governance model represents a system of relations among shareholders, the Board of Directors, the executive bodies of the Company and other stakeholders, which ensures smooth operational activities and development, management and control, rules and procedures for corporate decision-making process in the Company and the Rosseti Group as a whole.

ROSSETI corporate governance model includes goals, principles, organizational model, decision making and implementation, and monitoring and control mechanisms.



OBJECTIVES OF THE CORPORATE GOVERNANCE OF THE COMPANY

Strategic guidelines

- increase of shareholder value and investment attractiveness of the Company;
- generating profit from the activities;
- stable and predictable development of the Company;
- ensuring efficient asset management of the Company and its subsidiaries;
- improving the management system, employee motivation and succession practices.



PRINCIPLES AND PRIORITIES OF THE CORPORATE GOVERNANCE OF THE COMPANY

Key corporate governance principles

- respect for and guarantees of the rights and legitimate interests of shareholders, investors, and stakeholders of the Company;
- ensuring information and financial transparency of the Company's activities;
- predictable dividend policy of the Company;
- efficient and professional Board of Directors accountable to the shareholders of the Company;
- zero tolerance for corruption and fraud;
- high standards of business ethics and compliance procedures;
- minimization and settlement of corporate conflicts;
- occupational safety and environmental protection;
- developed corporate culture and practice of corporate social responsibility.

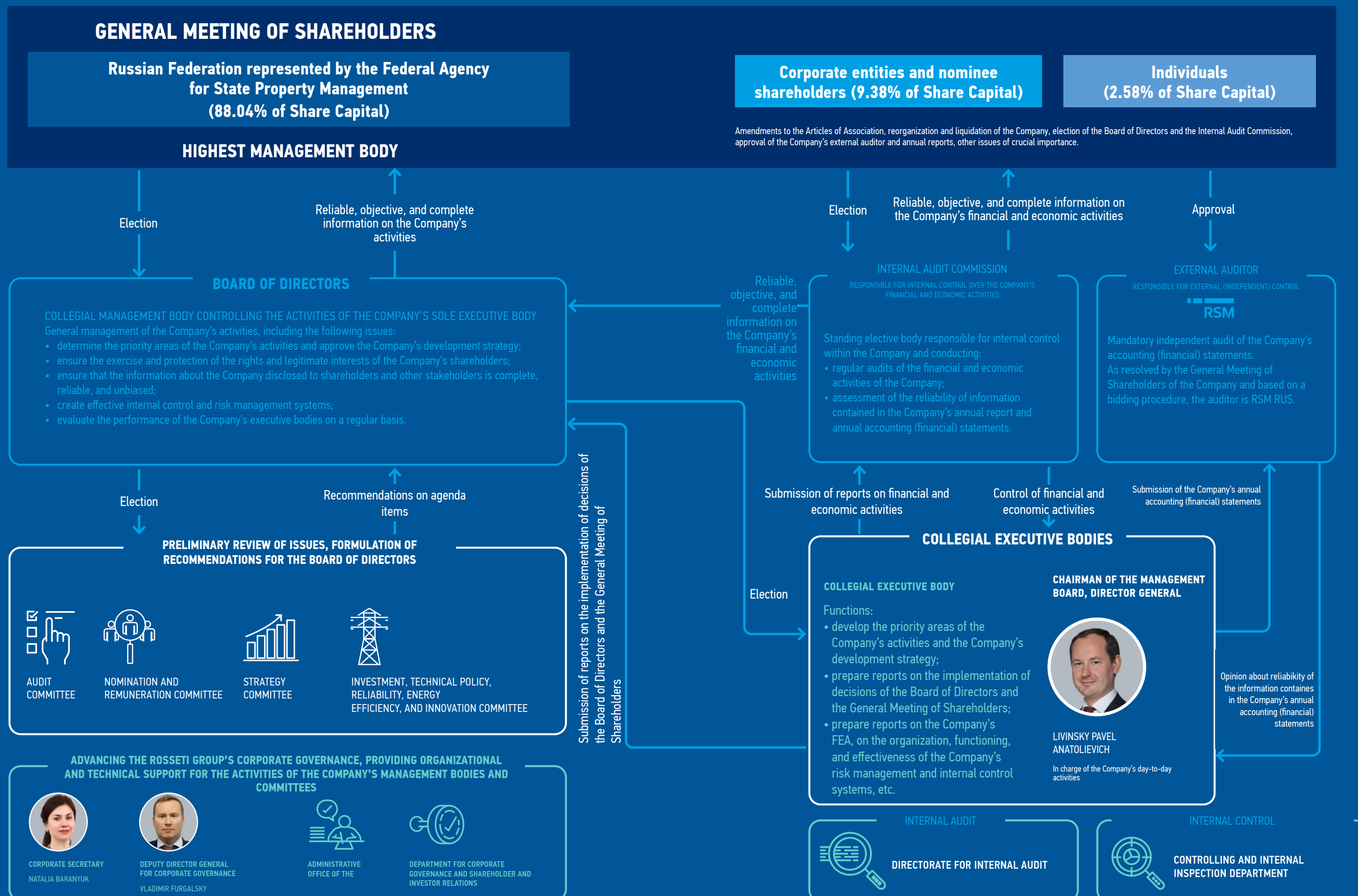


MEASURES

Key corporate governance policies

- implementation of unified management standards in the ROSSETI Group;
- improving operational efficiency, improving the management system of the Company and the ROSSETI Group, improving the quality of business processes;
- professional interaction with investors, employees and partners of the Company;
- improving the information transparency of the Company, internal control and audit mechanisms.

Corporate governance system of the Company



Corporate Governance System of the Company

Characteristics of the ROSSETI Corporate Governance Model

ROSSETI is a company, the majority (controlling) shareholder and owner of 88.04% of the voting shares of which is the Russian Federation represented by the Federal Agency for State Property Management.

The status of a company with state participation implies a number of specific management aspects, includin:

- Based on Decree of the President of the Russian Federation dated 22.11.2012 No. 1567 "On Open Joint-Stock Company Russian Grids" and the Development Strategy for the Power Grid Complex of the Russian Federation approved by Decree of the Government of the Russian Federation dated 03.04.2013 No. 511-r, ROSSETI is a management company of the power grid complex of Russia. The main goal of the Company's activity is defined as ensuring operating reliability of the power grid complex and uninterrupted power supply to consumers. ROSSETI also coordinates the activities of grid companies, including those related to tariffs, technical policy, investment planning, financial and economic activities.
- ROSSETI is included in the List of Strategic Joint-Stock Companies (approved by Decree of the President of the Russian Federation dated 04.08.2004 No. 1009), the participation of the Russian Federation in the management of which ensures strategic interests, national defense capability and security of the state, protection of morals, health, rights and legitimate

interests of citizens of the Russian Federation. The status of a strategic joint-stock company implies a special procedure for management and control over the Company by the President, the Government and federal executive bodies of Russia.

- ROSSETI is included in the special list of joint-stock companies in respect of which the determination of the position on the most important issues (in particular, inclusion of issues on the agenda of the general meeting of shareholders, nomination of candidates for election to the management and control bodies, voting on issues on the agenda of the general meeting of shareholders, etc.), and approval of instructions to representatives of the Russian Federation in the boards of directors, is carried out by the Government of the Russian Federation (Order of the Government of the Russian Federation dated 23.01.2003 No. 91-r).
- ROSSETI is obliged to ensure that certain orders and tasks initiated by the Russian Federation are duly implemented as well as in the controlled entities

(For more details see section Governance Mechanisms of the ROSSETI Group. Subsidiary Control).

Key Documents that Regulate Corporate Governance in the Company

- Corporate Governance Code⁵⁸
 - Articles of Association;
 - Regulations for the Management Bodies of the Company (General Meeting of Shareholders, Board of Directors, executive bodies);
 - Regulations for Committees of the Board of Directors;
 - Regulations for the Dividend Policy;
 - Procedure for Interaction between ROSSETI and Business Entities Whose Shares (Interests) Are Owned by ROSSETI;
 - Regulations for the Corporate Secretary;
 - Regulations for the Procedure for Providing Information to the Members of the Board of Directors
- Policies related to core business processes:

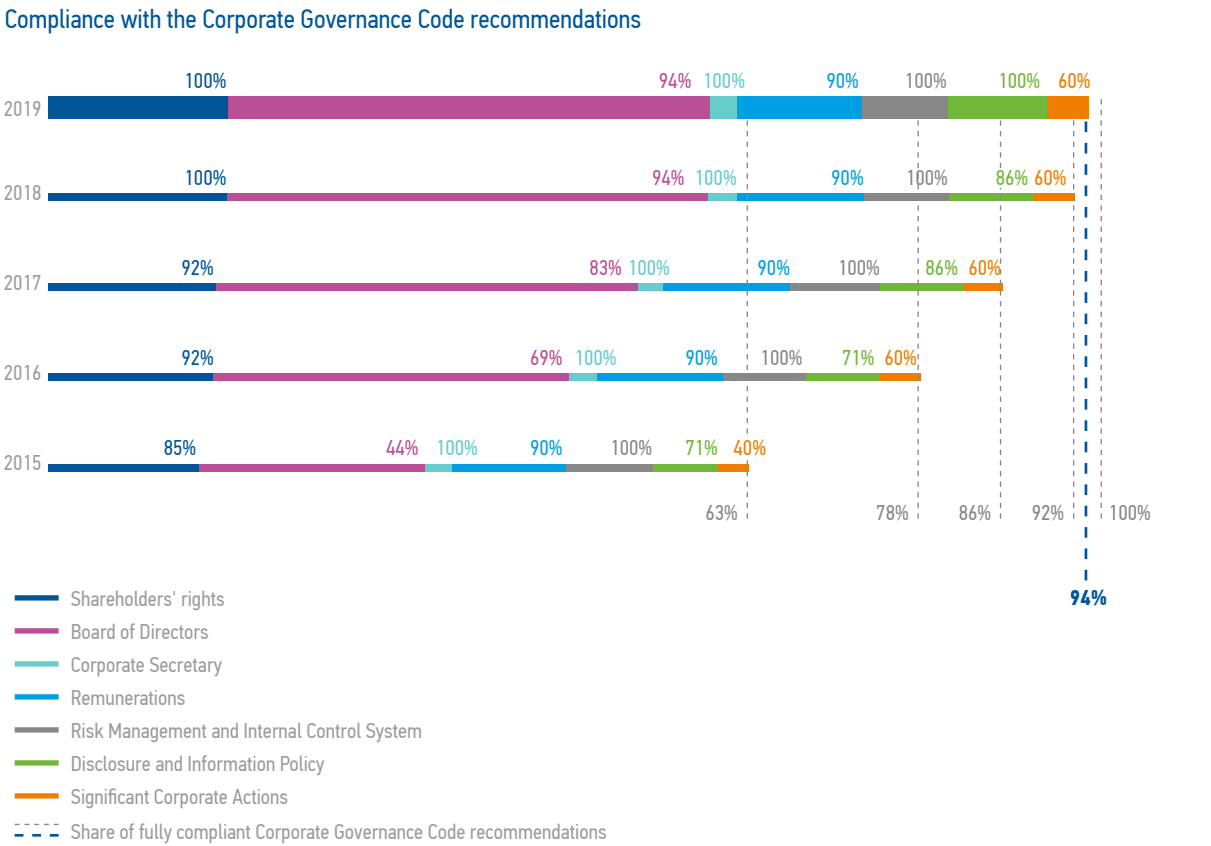
 - anti-Corruption Policy;
 - internal Audit Policy;
 - internal Control Policy;
 - risk Management Policy;
 - the ROSSETI Group Occupational Safety Policy;
 - power Grid Complex Environmental Policy;
 - code of Conduct;
 - information Policy;
 - regulations for the Insider Information of the Company;
 - unified Procurement Standard and Unified Procurement Policy of the Company;
 - unified Technical Policy.

The public status and goals set for ROSSETI determine the increased requirements for the quality of corporate governance, because it affects the reputation and investment attractiveness of the Company. Moreover, the corporate governance system in the Company should comply with the best practices and current challenges.

ROSSETI builds its corporate governance system based on the requirements of the legislation of the Russian Federation, the Listing Rules of the Moscow and London stock exchanges, recommendations of the Corporate Governance Code, international standards and best international practices in the area of corporate governance.

In accordance with the order of the Government of the Russian Federation⁵⁹, since August 2014, the Company has been included in the list of 13 largest companies with state participation for the priority implementation of the recommendations of the Corporate Governance Code. In pursuance of this order, a comparative analysis of the current corporate governance standards in the Company and key provisions of the Corporate Governance Code was carried out in 2014. Since 2015, the Company has begun to implement measures for the consistent adoption of the recommendations of the Corporate Governance Code.

Statistics on Compliance with Recommendations and Principles of the Corporate Governance Code⁶⁰

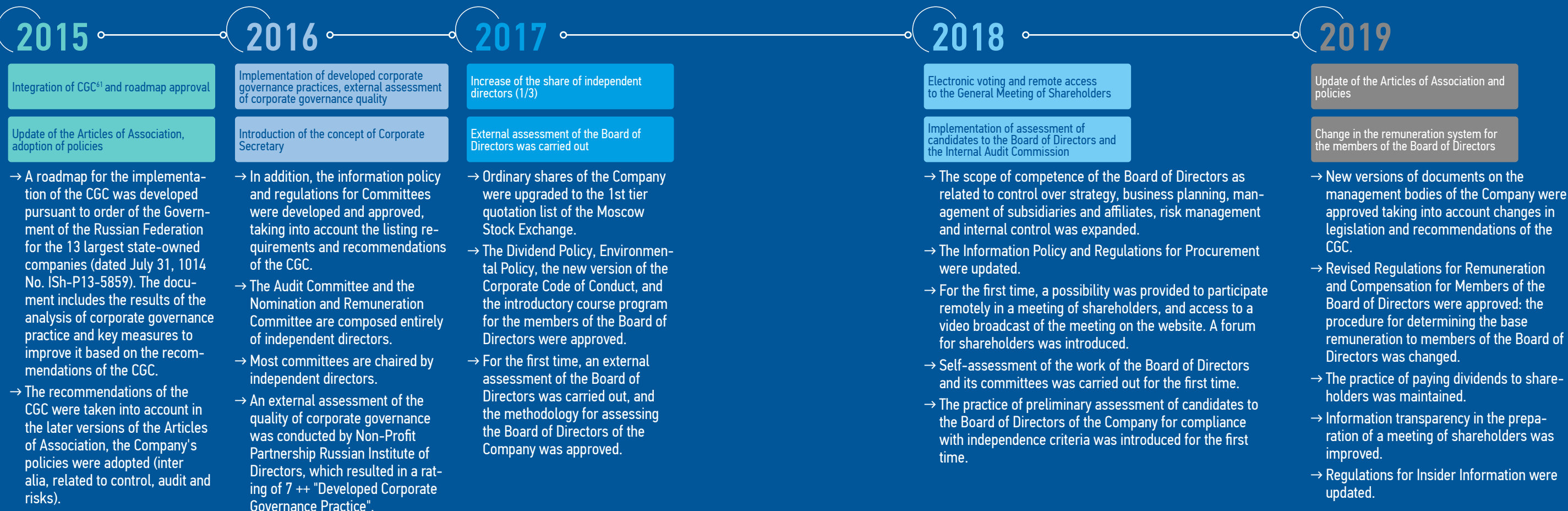


The Company is consistently implementing programs to improve corporate governance practices, taking into account the recommendations of the Corporate Governance Code, changes in the regulatory environment and initiatives of the professional community

⁵⁸ ROSSETI Board of Directors by its decision dated June 27, 2017 (Minutes of the Meeting dated June 30, 2017 No. 271) determined that the Company in its activities is guided by the recommendations of the Corporate Governance Code approved by the Board of Directors of the Bank of Russia on 21.03.2014 (letter of the Bank of Russia dated 10.04.2014 No. 06-52/2463), as a document defining corporate governance standards.

⁵⁹ Order of the Government of the Russian Federation dated July 31, 2014 No. ISh-P13-5859.
⁶⁰ Information is provided on fully compliant Code recommendations, excluding partially compliant recommendations.

Development of Corporate Governance Practices of the Company in 2015-2019



ROSSETI BUILDS A CORPORATE GOVERNANCE SYSTEM BASED ON THE REQUIREMENTS OF THE LEGISLATION OF THE RUSSIAN FEDERATION, THE LISTING RULES OF THE MOSCOW AND LONDON STOCK EXCHANGES, RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE, INTERNATIONAL STANDARDS AND BEST INTERNATIONAL PRACTICES IN THE AREA OF CORPORATE GOVERNANCE.

THE COMPANY IS CONSISTENTLY IMPLEMENTING PLANS TO IMPROVE CORPORATE GOVERNANCE PRACTICES, TAKING INTO ACCOUNT THE RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE, CHANGES IN THE REGULATORY ENVIRONMENT AND INITIATIVES OF THE PROFESSIONAL COMMUNITY.

Corporate Governance System Development in 2019

In 2019, the Company continued to improve corporate governance in the Company and the ROSSETI Group as a whole. The new version of the **ROSSETI Articles of Association**, approved in 2019, takes into account legislative innovations, according to which the Board of Directors is vested with the right, along with shareholders, to propose candidates to the management and control bodies of the Company. The competence of the Board of Directors has been expanded to include issues related

to monitoring the implementation of transactions on making gratuitous contributions to the property of companies in which ROSSETI has an interest (share) in the authorized capital, where such contributions do not increase the authorized capital of such companies and do not change the nominal value of shares.

The new version of the **Regulations for the General Meeting of Shareholders of ROSSETI**, approved in 2019, in addition to previously specified mechanisms for submitting proposals by

shareholders to items on the agenda of the general meeting, proposals to nominate candidates to the management and control bodies, and requests to hold an extraordinary General Meeting of Shareholders, provided for a possibility to send such proposals using electronic signature to the following email address: ir@rosseti.ru.

The new version of the **Regulations for the Board of Directors of the Company**, approved in 2019, establishes the right of the official responsible for organizing and conducting internal audits in the company to demand the convening of a meeting of the Board of Directors.

The revised **Regulations for the Management Board**, approved in 2019, also take into account changes to the Federal Law "On Joint-Stock Companies": the right of the official responsible for organizing and conducting internal audit in the Company to receive minutes of meetings of the Management Board is stipulated.

In 2019, the revised **Regulations for Remuneration and Compensation for the Members of the Board of Directors of the Company** were also approved, which provide for amendments aimed at complying with the recommendations of the Corporate Governance Code, according to which the level of remuneration

paid shall be sufficient to attract, motivate and retain persons with competency and qualifications required by the Company. In 2019, the Company continued the practice of providing a possibility for easy participation in the annual general meeting, including the live broadcast of the event on the corporate website of the Company and the possibility of electronic voting. Also, a special e-mail address was established for communication with shareholders and a web forum for shareholders was set up to discuss the issues on the agenda of the meeting on the Company's website.

The composition of the Board of Directors of the Company elected at the annual General Meeting of Shareholders fully complies with the requirements of the Moscow Exchange for issuers of the 1st tier listing and the recommendations of the Corporate Governance Code: 5 out of 15 members of the Board of Directors are considered independent.

⁴¹ Corporate Governance Code recommended by the Board of Directors of the Bank of Russia.

⁴² Order of Government of Russian Federation №ISH-P13-5859 dated July 31, 2014.

Plans for 2020

Due to the need to keep the Articles of Association and internal documents of ROSSETI and its subsidiaries and affiliates up to date, in 2020 the Company plans, as before, to pay significant attention to monitoring changes in legislation, listing rules, recommendations of regulatory bodies, to ensure timely development of model changes or new documents and methods for the Company and its subsidiaries and affiliates.

The list of key plans of the Company in the area of corporate governance includes:

- ensuring the unconditional implementation in practice of the requirements and recommendations of internal documents and the implementation of necessary corporate procedures;
- control over the implementation of decisions of governing bodies;
- development and implementation of corrective action plans based on the results of internal audits of corporate governance;
- conducting an external assessment of the activities of the Board of Directors of the Company;
- maintaining a high level of corporate governance rating;
- carrying out the activities stipulated by the roadmap for the transition of the Rosseti Group companies to a single brand architecture.

Corporate Governance Assessment

Corporate Governance Self-Assessment

The Internal Audit Department of the Company assessed the efficiency of corporate governance at ROSSETI for the 2018-2019 corporate year with the aim of:

- providing the Board of Directors, the Audit Committee, executive bodies with objective and independent information on the status of corporate governance system in the Company, and its compliance with the principles and recommendations set out in the CGC;
- making recommendations on improving the corporate governance in the Company.

The assessment was carried out based on 6 main components (containing 115 criteria in total):

- shareholders' rights;
- board of Directors;
- executive management;
- transparency and information disclosure;
- risk management, internal control and internal audit;
- corporate social responsibility, business ethics.

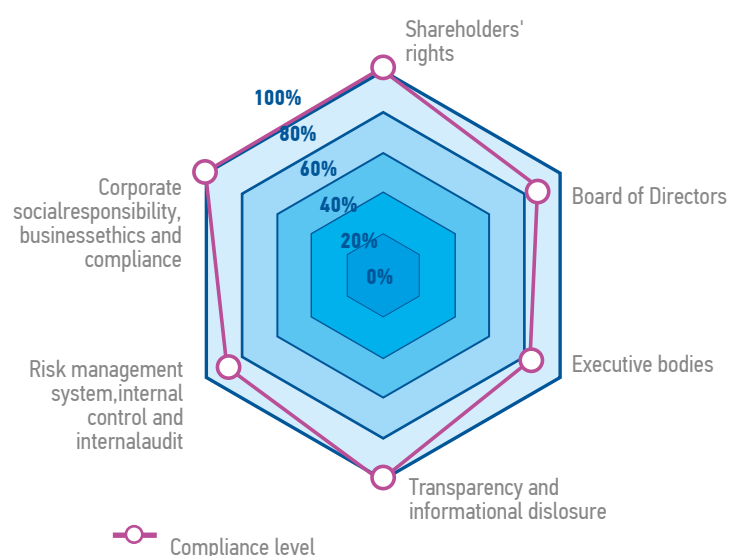
The overall result of the corporate governance in the Company for these components amounted to 93% of 100%, which by 5 percentage points exceeds the result achieved by the Company in the previous assessment. In 2019, efficiency of corporate governance in the ROSSETI Group was also assessed. The assessment results were considered by the Management Board and the Audit Committee of the Board of Directors of ROSSETI.

The Company seeks to constantly improve corporate governance and conducts an ongoing work to address recommendations of the internal auditor through the implementation of corrective measures.

The Company also intends to take measures to further improve (update) the corporate governance assessment methodology in the ROSSETI Group.

The overall corporate governance score in the ROSSETI Group following the results of the 2018-2019 corporate year assessment was 85%, which by 5 percentage points exceeds the comparable score for 2017 (80%) and corresponds to the level of "Developed Practice".

Component compliance level (2018-2019)



Assessment of Compliance of the Corporate Governance Level with the Bank of Russia Corporate Governance Code

Assessment of compliance with the principles and recommendations of the Corporate Governance Code is carried out by ROSSETI on the basis of the Methodology recommended by the Bank of Russia by letter dated 17.02.2016 No. IN 06-52/8 "On the Disclosure of a Report on Compliance with the Principles and Recommendations of the Corporate Governance Code in the Annual Report of a Public Joint-Stock Company". A detailed Report on Compliance with the Principles and Recommendations of the Corporate Governance Code is presented in the appendices to the present Annual Report.

The Board of Directors hereby confirms that the data provided in the Report on Compliance with the Principles and Recommendations of the Corporate Code of Conduct contain complete and reliable information on the Company's compliance with the principles and recommendations of the Corporate Governance Code as of the date of approval of the report.

The Board of Directors

External Assessments of the Corporate Governance Development Level in the Company

In 2019, based on the results of independent monitoring of corporate governance practice, Non-Profit Partnership Russian Institute of Directors once again confirmed the ROSSETI corporate governance rating at 7 ++, "Developed Corporate Governance Practice". These results confirm that the Company complies with the requirements of Russian legislation in the area of corporate governance and follows a significant number of recommendations of the Russian Corporate Governance Code, and is also characterized by a high level of corporate governance and low risks of loss of ownership related to the quality of corporate governance.

In the framework of the assessment, it was highlighted that during the monitoring period, the practice of holding in-presence meetings of the Board of Directors was improved (7 in-presence meetings (13%) of 53 meetings held in 2019). Experts indicated that the meeting agenda was in line with the recommendations of the Corporate Governance Code.

DEVELOPED CORPORATE GOVERNANCE PRACTICE **7++**

	2016	2017	2018	2019
National Corporate Governance Rating	7++	7++	7++	7++

ROSSETI's high level of corporate governance was highlighted in other studies conducted by companies specializing in governance practices analysis. In particular, according to the results of the National Corporate Governance Index 2019 prepared by TopCompetence⁴³, ROSSETI is among the Top 10 leaders in terms of the quality of information disclosed on the corporate governance principles observed (out of the 100 largest Russian issuers).

TOP 10
LEADERS IN TERMS OF THE QUALITY
OF INFORMATION DISCLOSED ON THE CORPORATE
GOVERNANCE PRINCIPLES OBSERVED

⁴³ The study can be found at: <http://cgindex.ru>

General Meeting of Shareholders

The General Meeting of Shareholders is the supreme management body of ROSSETI. The procedure for preparing and holding the General Meeting of Shareholders is regulated by the Articles of Association⁶⁴ and the Regulations for the General Meeting of Shareholders of ROSSETI⁶⁵.

The number of shareholders of the Company exceeds three hundred thsd registered persons residing (located) in the territory of almost all regions of the Russian Federation. The company seeks to provide the most comfortable conditions for shareholders to participate in general meetings, which is expressed, inter alia, in the following:

- holding a meeting of shareholders at the location of the Company (in Moscow);
- maximum information transparency in the preparation and conduct of Meetings (including placement of materials in Russian and English on the Company's website, use of re-

mote participation tools, organization of a web forum for shareholders, etc.);

- organization of an exhibition for shareholders with the participation of representatives of subsidiaries and affiliates to answer questions about the work of the ROSSETI Group as a whole;
- extended deadlines for informing shareholders about the Meeting and the provision of materials;
- personal participation of the management, the majority of members of the Board of Directors and representatives of the auditor in the Meeting, and providing the opportunity for shareholders to ask questions to these persons;
- holding by the management of preliminary meetings with shareholders before the meeting in order to answer questions on the agenda issues;
- receiving feedback from shareholders on the organization of the meeting and eliminating deficiencies, if any.

Digitalization of the General Meeting of Shareholders in 2019

Taking into account the development of IT technologies, the Company is actively introducing tools for remote participation in Meetings and the ability to access all necessary information through digital services for the shareholders. In particular, in 2019 the following activities were implemented:

- a web forum was organized for shareholders to discuss items on the agenda of the General Meeting of Shareholders;
- video broadcasting was conducted on the Company's website from the venue of the General Meeting of Shareholders;
- a possibility was provided to fill out the electronic form of the bulletin on the website;

- a possibility was provided to fill out the electronic form of the bulletin at information desks at the venue of the General Meeting of Shareholders during the meeting;
- materials in electronic form were available on the Company's website and information desks at the venue of the General Meeting of Shareholders during the meeting;
- use of QR codes to get access to materials and the agenda;
- a possibility was provided to fill out the electronic feedback form.

⁶⁴ Approved by the decision of the Annual General Meeting of Shareholders dated June 27, 2019 (Minutes of the Meeting dated June 27, 2019 № n/n), the text can be found on the Company's website <http://www.rosseti.ru/about/documents/>.

⁶⁵ Approved by the decision of the Annual General Meeting of Shareholders dated June 27, 2019 (Minutes of the Meeting dated June 27, 2019 № n/n), the text can be found on the Company's website <http://www.rosseti.ru/about/documents/>.

Results of the General Meetings of Shareholders in 2019

The annual General Meeting of Shareholders on the Company's performance in 2018 was held on June 27, 2019 (Minuted without number dated June 27, 2019).

No	Item on the agenda:	Results and status	Voting results
1	Approval of the Company's annual report for 2018.	The Company's annual report for 2018 was approved.	FOR – 99.8% AGAINST and ABSTAINED – 0.2%
2	Approval of the Company's annual accounting (financial) statements for 2018.	The Company's annual accounting (financial) statements for 2018 were approved.	FOR – 99.8% AGAINST and ABSTAINED – 0.2%
3	Approval of the Company's 2018 profit distribution.	Since there was no net profit for 2018, the Company did not distribute its profit (losses).	FOR – 99.8% AGAINST and ABSTAINED – 0.2%
4	Amount of dividends, terms and form of their payment for 2018, and setting the date to define persons entitled to receive dividends.	It was decided not to pay dividends on the Company's preferred and ordinary shares for 2018 due to the loss according to the accounting (financial) statements for 2018.	FOR – 99.8% AGAINST and ABSTAINED – 0.2%
5	Amount of dividends, terms and form of their payment for Q1 2019, and setting the date to define persons entitled to receive dividends.	As of December 31, 2019, the following dividends were paid for Q1 2019: → on preferred shares in the amount of RUB 0.7997 per share for the total amount of RUB 159,277,148.33. → on ordinary shares in the amount of RUB 0.02443 per share for the total amount of RUB 4,852,155,945.39.	FOR – 99.8% AGAINST and ABSTAINED – 0.2%
6	Payment of remuneration for work in the Board of Directors to members of the Board of Directors, who are not government officials, in the amount prescribed by the Company's internal documents.	It was decided not to pay remuneration to members of the Company's Board of Directors.	FOR – 98.8% AGAINST and ABSTAINED – 1.2%
7	Payment of remuneration for work in the Internal Audit Commission to members of the Internal Audit Commission, who are not government officials, in the amount prescribed by the Company's internal documents.	It was decided to pay remuneration to members of the Company's Internal Audit Commission, who are not government officials.	FOR – 98.8% AGAINST and ABSTAINED – 1.2%
8	Election of members to the Company's Board of Directors.	The new Board of Directors of the Company was elected ⁶⁶ .	Cumulative voting
9	Election of Members to the Company's Internal Audit Commission.	The new Internal Audit Commission of the Company was elected ⁶⁷ .	The Internal Audit Commission was elected.
10	Approval of the Company's auditor.	LLC RSM RUS was approved as the auditor.	FOR – 98.9% AGAINST and ABSTAINED – 1.1%
11	Approval of the Company's Articles of Association in a new version.	The new version of the Articles of Association of ROSSETI was approved.	FOR – 99.8% AGAINST and ABSTAINED – 0.2%
12	Approval of the Regulation on the Company's General Meeting of Shareholders in a new version.	The new version of the Regulation on the Company's General Meeting of Shareholders was approved.	FOR – 99.8% AGAINST and ABSTAINED – 0.2%
13	Approval of the Regulation on the Company's Board of Directors in a new version.	The new version of the Regulation on the Company's Board of Directors was approved.	FOR – 99.8% AGAINST and ABSTAINED – 0.2%
14	Approval of the Regulation on the Company's Management Board in a new version.	The new version of the Regulation on the Company's Management Board was approved.	FOR – 99.8% AGAINST and ABSTAINED – 0.2%
15	Approval of the Regulation on payment of remunerations and compensations to members of the Company's Board of Directors in a new version.	The new version of the Regulation on payment of remunerations and compensations to members of the Company's Board of Directors was approved.	FOR – 98.8% AGAINST and ABSTAINED – 1.2%

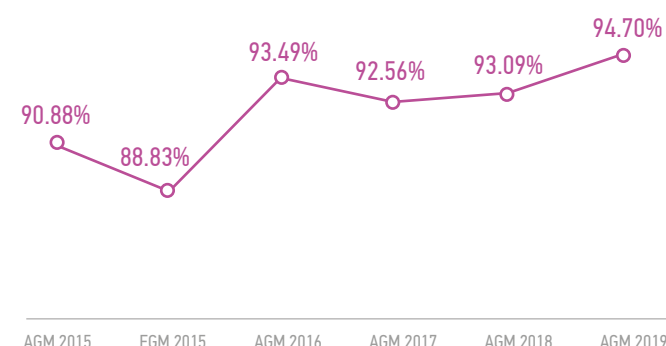
No extraordinary General Meetings of Shareholders were held in the reporting period.

⁶⁶ For more detailed information about the members of the Board of Directors, see "Members of the Board of Directors".

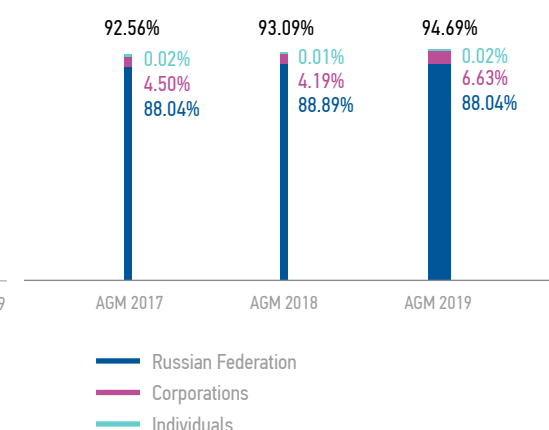
⁶⁷ For more detailed information about the members of the Internal Audit Commission, see "Internal Audit Commission".

Participation of Shareholders in the General Meetings of Shareholders

General Meetings of Shareholders
Quorum Statistics



General Meetings of Shareholders Participants
over 2017-2019



The quorum for the most General Meetings of Shareholders of the Company is around 90%. In 2019, the attendance level of 94.07% was achieved at the AGM, which is a proof of a high interest of minority shareholders in the Company's Meeting.

In 2019, more than half of the total number of shares held by minority shareholders (6.65% of 11.96%) were registered at the AGM.

Analysis of the Shareholders' Voting Results at the AGM

For most issues on the agenda of the 2019 shareholders meeting, minority shareholders also supported the proposed draft resolutions:

- the percentage of votes "against" and "abstained" on almost all issues did not exceed 0.3% of the votes;
- on a number of items on the agenda, the share of votes "against" and "abstained" was 1.1-1.2% of the total number of registered votes, or about 18% of the minority shareholders who participated in the meeting. Among such items on the agenda there were remuneration of members of the Internal Audit Commission, the Board of Directors, the auditor's approval, and approval of the Regulation on remuneration of the Board of Directors.

THE PERCENTAGE OF VOTES "AGAINST" AND "ABSTAINED" ON ALMOST ALL ISSUES DID NOT EXCEED

0.3% OF THE VOTES

Report on Activities of the Board of Directors

The key element of the Company's efficient corporate governance system is the professional Board of Directors, which plays a key role in the Company's strategic and business management. The competence of the Company's Board of Directors is determined by legal requirements and the Company's Articles of Association and takes into account the Company's special status as the largest national electricity transmission operator.

The Company's Board of Directors is accountable to the General Meeting of Shareholders and is responsible to the shareholders for the Company's development strategy, performance, and management control over the implementation of its objectives.

Board of Directors's Work in 2019

The work of the Company's Board of Directors is built on a planned basis, and involves holding 6-8 in-person meetings in Moscow in order to discuss the most important issues of ROSSETI's activities (strategy, budget, motivation). The agenda of in-person meetings of the Board of Directors usually comprises from three to five issues, which allows for a high-quality level of discussion and consideration of different points of view when making decisions. Other meetings are held in absentia and include issues on which decision-making is possible without the simultaneous presence of members of the Company's Board of Directors.

Usually, the Board of Directors reviews the consolidated budget implementation results and key strategic projects, and also considers the report of the Company's executives. Most of the scheduled issues on the agenda of the Board of Directors' meetings are pre-considered by relevant committees of the Board of Directors in order to develop recommendations on voting and allow a more detailed analysis of the information provided.

In 2019, the Board of Directors reviewed 182 matters, with 22 of them being considered during 7 in-person meetings of the Board of Directors.

Report of the Board of Directors on development results in priority areas of its activities



STRATEGIC DEVELOPMENT

- In December 2019, the Board of Directors approved the new Development Strategy for ROSSETI.
- During the reporting year, the updated development plans of ROSSETI SDCs were reviewed, as well as the current status of certain areas of ROSSETI's activities.



FINANCE AND INVESTMENTS

In 2019, the Board of Directors:

- Approved the budget of the ROSSETI Group, and reviewed reports on its implementation;
- Regularly monitored accounts receivable in the ROSSETI Group;
- Considered issues of working with non-core assets of the Company;
- Approved the consolidated investment program with total funding of 1.12 trillion rubles in 2020-2024.

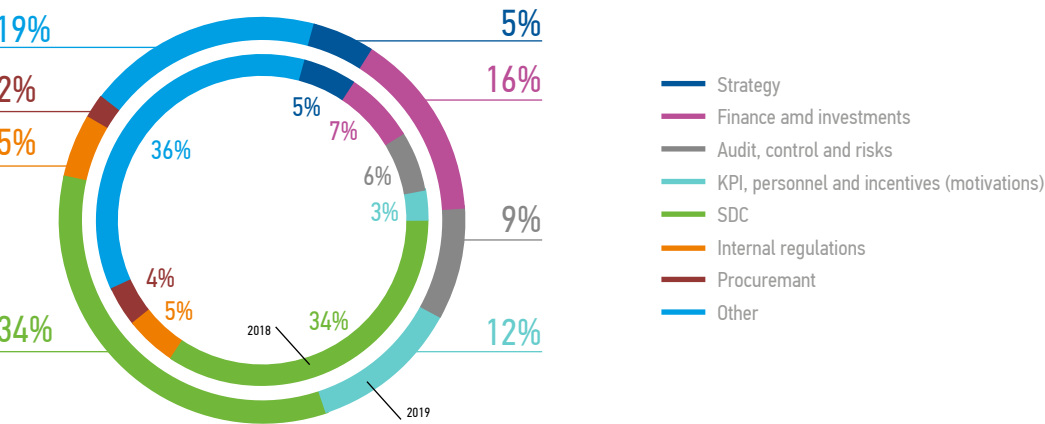


HR POLICY

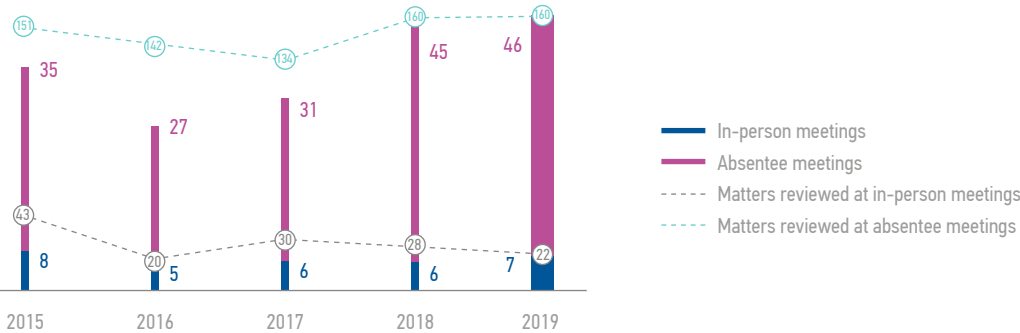
In 2019, the Board of Directors:

- Considered issues of motivation of the Company's management and its significant subsidiaries and affiliates;
- Approved the KPIs of the Company's top management, as well as reports on their implementation;
- Approved changes to the Company's organizational structure.

Categories of matters reviewed by the BoD



Board of Directors meetings and matters reviewed



Participation in Meetings of the Board of Directors and Committees⁶⁸

Member of the Board of Directors	Board of Directors	Speeches at in-person meetings of the Board of Directors	AC	N&RC	CS	CITPREEI
Novak Alexander Valentinovich	53/53	22				
Ashirov Stanislav Olegovich	53/53	14	13(1)/13	17/17	22(5)/22	
Ayuev Boris Ilyich	53/53	8				
Belov Vasily Mikhailovich	52(1)/53	2	13/13	17/17		
Bystrov Maksim Sergeevich (since June 27, 2019)	28/29	6		10/11		
Dubnov Oleg Markovich	52/53	6	13/13	16/17	20(1)/22	10/10
Kalinin Alexander Sergeevich	50(4)/53	6	12(1)/13	17/17		
Livinsky Pavel Anatolievich	52/53	19				
Manevich Yuri Vladislavovich (since June 27, 2019)	28/29	5			17/17	
Murov Andrey Evgenievich	52/53	8				
Rasstrigin Mikhail Alekseevich	49(2)/53	6				
Rogalev Nikolay Dmitrievich	53(4)/53	1				
Tikhonov Anatoly Vladimirovich	53/53	11				
Shmatko Sergey Ivanovich	52/53	6				
Shulginov Nikolai Grigoryevich	53(7)/53	-				
Barkin Oleg Gennadievich (until June 27, 2019)	24/24	6			19(4)/22	10(4)/10
Kravchenko Vyacheslav Mikhailovich (until June 27, 2019)	15(1)/24	-			5(3)/5	

⁶⁸ "Participation" The data in the table are in the format "5(2)/7", indicating that a person could have participated in 7 meetings of the Board of Directors (Committee), actually participated in 5 meetings, including 2 of 5 – by providing a written opinion. The coincidence of the number of possible and actually attended meetings indicates a high degree of involvement of the Director in the work of the Board of Directors and/or the Committee and participation in all meetings. The significant number of written opinions means a significant proportion of in-person meetings in which the person did not physically participate
"Speeches" The data are provided based on the minutes of in-person meetings of the Board of Directors, during which members had the opportunity to participate in direct discussion of issues. A non-zero value reflects the degree of activity of a member of the Board of Directors in joint consideration of issues on the agenda.

Members of the Board of Directors

The composition of the Board of Directors is defined by the Company's Articles of Association as 15 members and has remained unchanged since the establishment of the Company.

The number of Directors on the ROSSETI Board of Directors is optimal for a company of this size, allowing to:

- take into account the status of the Company with a predominant share of state participation and the need to implement state policy through representatives of the interests of the state (the Russian Federation);
- ensure participation of the necessary number of representatives of interested parties in the Board of Directors (players of the electricity market and its key segments (generation, transportation, and sales of power));
- ensure compliance with the listing requirements of stock exchanges where the Company's shares are listed;
- implement the recommendations of the Corporate Governance Code on a share of independent Directors equal to at least 1/3 of the total number of members in the Board of Directors;
- efficiently distribute the workload and tasks among members of the Board of Directors, taking into account their work in the committees, the volume, difficulty and complexity of the issues under consideration;
- ensure the necessary participation of representatives of the Company's management and its key subsidiaries.

While drafting proposals on candidatures to the Board of Directors, the Company, represented by the Chairman, and members of the Board of Directors, initiate discussion of such proposals with representatives of the main shareholder (the Russian Fed-

eration, on behalf of which Federal Agency for State Property Management acts), paying attention to the need to ensure a balanced composition that allows the effective work of the Board of Directors, and the availability of the necessary knowledge, skills and competencies of the Company's Directors.

In this case, the Nomination and Remuneration Committee plays a special role in reviewing candidates, conducting an independent assessment and noting that candidates meet the criteria of independence, have special skills to meet regulatory requirements and compliance provisions (especially in terms of competencies in the field of finance and investment, strategic management and industry experience). Recommendations of the Nomination and Remuneration Committee are made publicly available to all interested parties by publishing them on the Company's website before the AGM⁶⁹.

While considering candidates to the Board of Directors for the Annual General Meeting of Shareholders, the performance of each member of the Board of Directors in the previous year is taken into account, including the degree of commitment while participating in the meetings, discussion of issues, depth of study and material analysis. In addition, the objective possibility of being fully involved in the work of the Company's Board of Directors and Committees was taken into account. As a result, in order to maintain the consistency of development, it was proposed to re-elect 13 members of the current Board of Directors for a new term and introduce two new members in order to strengthen individual competencies.

We are convinced that such practice and the Company's openness allow the Company's shareholders and investors to evaluate the proposed candidates as efficiently as possible and ensure their support when electing the Board of Directors not only from the main shareholder, but also from the votes of the Company's minority shareholders.

⁶⁹ <http://www.rosseti.ru/eng/investors/shareholder/>

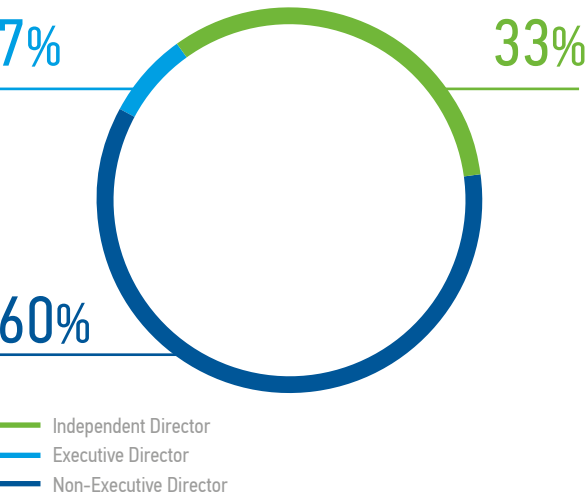
Competencies and Industry Experience of ROSSETI Board Members

Member of the Board of Directors	Experience in the industry, years	Work in the Board of Directors, years	Competencies and education					Corporate governance and law
			Strategy	Finance, risk and audit	Electric power	IT / innovation	GR	
Novak Alexander Valentinovich Non-Executive Director	7	5						
Ashirov Stanislav Olegovich <i>Independent Director</i>	13	6						
Ayuev Boris Ilyich Non-Executive Director	38	7						
Belov Vasily Mikhailovich <i>Independent Director</i>	10	5						
Bystrov Maksim Sergeevich (since June 27, 2019) <i>Independent Director</i>	33	1-st year						
Dubnov Oleg Markovich <i>Independent Director</i>	8	7						
Kalinin Alexander Sergeevich <i>Independent Director</i>	7	6						
Livinsky Pavel Anatolievich Executive Director	16	2						
Manevich Yuri Vladislavovich (since June 27, 2019) Non-Executive Director	19	1-st year						
Murov Andrey Evgenievich Non-Executive Director	8	7						
Rasstrigin Mikhail Alekseevich Non-Executive Director	16	2						
Rogalev Nikolay Dmitrievich Non-Executive Director	33	4						
Tikhonov Anatoly Vladimirovich Non-Executive Director	5	3						
Shmatko Sergey Ivanovich Non-Executive Director	13	7						
Shulginov Nikolai Grigoryevich Non-Executive Director	43	4						

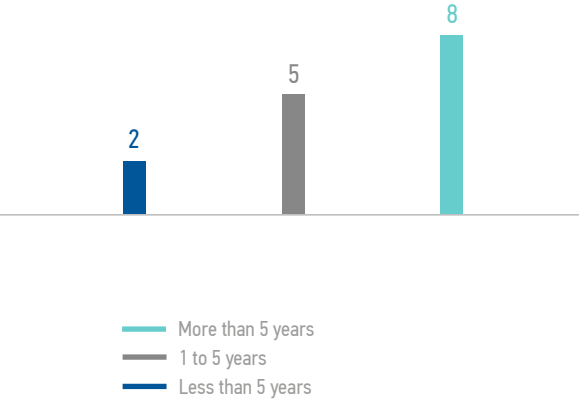
Explanation: All members of the Company's Board of Directors have professional knowledge and competence in key areas – strategic management, finance and industry specifics. The assessment of competencies in other areas is based on information about the availability of specialized education, experience or skills recognized by the professional community of members of the Board of Directors, where:

■ availability of competencies to the fullest extent ■ availability of experience or education, or skills

Board of Directors Member Categories



Time serves as s Board of Directors members



As of December 31, 2019, the ROSSETI Board of Directors consisted of the Chairman (Non-Executive Director), one Executive Director, eight Non-Executive Directors and five Independent Directors (all members of the Board of Directors are citizens of the Russian Federation).

Usually, the number of Independent Directors should ensure the balance of interests of shareholders' representatives in the Board of Directors. There is no maximum allowed period for Non-Executive Directors to hold the position of Director, at the same time, during the annual nomination of condidates to Directors it is taken into account their activity in the previous year and the availability of objective opportunities to devote sufficient time to the Company's activities.

Members of the Board of Directors are elected through a transparent procedure that allows shareholders to obtain information about candidates, sufficient to form their position on candidates' personal and professional qualities. Information about candidates

to the Board of Directors is published in Russian and English on the Company's website at least 20 days before the General Meeting of Shareholders, the agenda of which includes the issue of election of the Board of Directors. At the same time, shareholders are also provided with information about possible conflicts of interest, ownership of the Company's shares by candidates, the initiator of nomination, and participation in the work of other companies' management bodies, so that shareholders can form their opinion on the candidate and make an informed decision when voting. Additionally, information about members of the Board of Directors is provided to shareholders as part of the materials for the Company's shareholders' meeting (including the annual report, information about candidates). Besides, starting from 2018, shareholders can discuss the composition of the Board of Directors and candidates in a special web forum organized by the Company in preparation for General Meetings of Shareholders.

Profile of a member of the Board of Directors of the Company

All Board Members	Job experience in the industry, years	Job experience in the Board of Directors of the Company, years	Age, years
Maximum	43	7	68
Median	13	5	49
Minimum	5	1	36

Independent Directors	Job experience in the industry, years	Job experience in the Board of Directors of the Company, years	Age, years
Maximum	33	7	55
Median	10	6	48
Minimum	7	1	38

Non-Executive Directors	Job experience in the industry, years	Job experience in the Board of Directors of the Company, years	Age, years
Maximum	43	7	68
Median	16	4	50
Minimum	5	1	36

Members of the Board of Directors biography

		
NOVAK Alexander Valentinovich	ASHIROV Stanislav Olegovich	AYUEV Boris Ilyich
CHAIRMAN OF THE BOARD, Non-executive Director Born in 1971 in the city of Avdeevka, Donetsk region, Ukrainian SSR. Citizenship — Russian Federation. The candidacy is proposed / approved by the decision of the Board of Directors of the Company. Date of the first election to the Board of Directors of ROSSETI — June 30, 2015.	Independent Director Member of the Audit Committee Member of the Nomination and Remuneration Committee Member of the Strategy Committee Born in 1973 in the city of Achinsk, Krasnoyarsk Region. Citizenship — Russian Federation. The candidacy is proposed / approved by the shareholder of the Company, Progressive Investment Ideas Management Company JSC, trust management of pension savings funds to finance the funded pension of JSC NPF GAZFOND Pension Savings. Date of the first election to the Board of Directors of ROSSETI — June 30, 2015 (was a member of the Board of Directors from June 28, 2013 to June 20, 2014).	Non-Executive Director Born in 1957 in the city of Rostov-on-Don. Citizenship — Russian Federation. The candidacy is proposed / approved by the decision of the Board of Directors of the Company. Date of the first election to the Board of Directors of ROSSETI — June 28, 2013.
EDUCATION In 1993 he graduated from the Norilsk Industrial Institute with a degree in "economics and management in metallurgy". In 2009 he graduated from Moscow Lomonosov State University with a degree in "management".	EDUCATION In 1996 he graduated from the State Academy of Management named after Sergo Ordzhonikidze with a degree in "management". PhD in Economics.	EDUCATION In 1979 he graduated from the Ural Polytechnic Institute with a degree in "electrical stations". Doctor of Engineering Science.
PROFESSIONAL EXPERIENCE Before 2012, he worked in government authorities. From May 2012 - Minister of Energy of the Russian Federation.	PROFESSIONAL EXPERIENCE Before 2008, he held senior positions in companies in the extractive and electricity sectors of the economy. From 2008 - General Director of JSC Gazprom Energosbyt. From 2017 - General Director (part-time) of LLC Engineering Company Energy Solutions in the Electric Power Industry. From 2019 - Director (part-time) of Our Future Fund.	PROFESSIONAL EXPERIENCE Before 2004, he worked in project and managerial positions in electric power enterprises. From 2004 - Chairman of the Management Board of JSC SO UES.
PARTICIPATION IN GOVERNING BODIES At the end of the reporting period, he is also a member of the Boards of Directors (Supervisory Boards, Board of Trustees) of PJSC Rosneft, PJSC Gazprom, PJSC Transneft, State Corporation Rosatom, NRU MEI, NIU named after I.M. Gubkin, Siberian Federal University, Russian Basketball Federation, All-Russian Athletics Federation, Russian Motorcycle Federation, Conservation and Development Fund of the Solovetsky Archipelago, ANO International Center for Sustainable Energy Development, Global Energy Association, and is also the chairman of the Presidium of the the Association "RNC WEC".	PARTICIPATION IN GOVERNING BODIES At the end of the reporting period, he is also a member of the Boards of Directors (Supervisory Boards) of PJSC Inter RAO, JSC SO UES, Association Digital Energy, and is also a member of the Presidium of RNC CIGRE.	PARTICIPATION IN GOVERNING BODIES At the end of the reporting period, he is also a member of the Board of Directors of Skolkovo-Venture Investments LLC.
OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF ROSSETI AND SUBSIDIARIES AND AFFILIATES During the reporting year, he did not have shares (stakes) of ROSSETI and its affiliated organizations; he did not make transactions with securities (stakes) of these companies. He does not have family relations with other persons who are members of the management (control) bodies of ROSSETI or its affiliated organizations	OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF ROSSETI AND SUBSIDIARIES AND AFFILIATES During the reporting year, he did not have shares (stakes) of ROSSETI and its affiliated organizations; he did not make transactions with securities (stakes) of these companies. He does not have family relations with other persons who are members of the management (control) bodies of ROSSETI or its affiliated organizations.	OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF ROSSETI AND SUBSIDIARIES AND AFFILIATES During the reporting year, he carried out no transactions with securities (shares) of ROSSETI and its affiliated organizations He does not have family relations with other persons who are members of the management (control) bodies of ROSSETI or its affiliated organizations.

		
BELOV Vasily Mikhailovich	BYSTROV Maksim Sergeevich	DUBNOV Oleg Markovich
Independent Director Chairman of the Audit Committee Member of the Nomination and Remuneration Committee Born in 1981 in Moscow. Citizenship — Russian Federation. The candidacy is proposed / approved by the decision of the Board of Directors of the Company. Date of the first election to the Board of Directors of ROSSETI — June 30, 2015.	Independent Director Member of the Nomination and Remuneration Committee Born in 1964 in Moscow. Citizenship — Russian Federation. The candidacy is proposed / approved by the decision of the Board of Directors of the Company. Date of the first election to the Board of Directors of ROSSETI — June 27, 2019.	Independent Director Chairman of the Committee on Investments, Technical Policy, Reliability, Energy Efficiency and Innovation Member of the Audit Committee Member of the Nomination and Remuneration Committee Member of the Strategy Committee Born in 1971 in Vologda. Citizenship — Russian Federation. The candidacy is proposed / approved by the decision of the Board of Directors of the Company. Date of the first election to the Board of Directors of ROSSETI — June 30, 2016.
EDUCATION In 2003 he graduated from the Faculty of Computational Mathematics and Cybernetics of Moscow State University named after M. V. Lomonosov and received an MBA from the American Institute of Business and Economics (AIBEC).	EDUCATION In 1986 he graduated from the Moscow Institute of Civil Engineering (MISi) with a degree in "hydraulic engineering construction of river structures and hydroelectric power stations". In 1998 he graduated from the All-Russian Academy of Foreign Trade with a degree in "world economics".	EDUCATION In 2000 he graduated from the Gribodov Institute of International Law and Economics. With a degree in "jurisprudence". In 2004 he graduated from the Moscow State Institute of International Relations (MGIMO) with a degree in "world economics".
PROFESSIONAL EXPERIENCE Before 2013, he worked in international consulting companies, as well as investment banking holdings. In 2013 - 2017 - Senior Vice President, Innovation, Skolkovo Foundation. In 2017 - 2019 - Head of LLC Skolkovo - Venture Investments. From September 2019 - Director of Mergers and Acquisitions of LLC IBS.	PROFESSIONAL EXPERIENCE Before 2013, he worked in government bodies in the structures of the Government, the Ministry of Economic Development, the Ministry of Regional Development of the Russian Federation From 20132013 - Head of JSC ATS. From 2014 - Head of the Association NP Market Council.	PROFESSIONAL EXPERIENCE In 2011 - 2015 - Director for Power Engineering, Member of the Management Board of CJSC Polyus. In 2015 - 2017 - Advisor to the Director General of the Institute of Professional Directors Fund. From 2017 - Vice President, Executive Director of the Energy Efficiency Technology Cluster of the Skolkovo Foundation.
PARTICIPATION IN GOVERNING BODIES At the end of the reporting period, he is also a member of the Boards of Directors of PJSC RusHydro, JSC SO UES.	PARTICIPATION IN GOVERNING BODIES At the end of the reporting period, he is also a member of the Boards of Directors of PJSC RusHydro, JSC SO UES.	PARTICIPATION IN GOVERNING BODIES At the end of the reporting period, he is also a member of the Boards of Directors of PJSC RusHydro, JSC SO UES.
OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF ROSSETI AND SUBSIDIARIES AND AFFILIATES During the reporting year, he did not have shares (stakes) of ROSSETI and its affiliated organizations; he did not make transactions with securities (stakes) of these companies. He does not have family relations with other persons who are members of the management (control) bodies of ROSSETI or its affiliated organizations.	OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF ROSSETI AND SUBSIDIARIES AND AFFILIATES During the reporting year, he did not have shares (stakes) of ROSSETI and its affiliated organizations; he did not make transactions with securities (stakes) of these companies. He does not have family relations with other persons who are members of the management (control) bodies of ROSSETI or its affiliated organizations.	OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF ROSSETI AND SUBSIDIARIES AND AFFILIATES During the reporting year, he did not have shares (stakes) of ROSSETI and its affiliated organizations; he did not make transactions with securities (stakes) of these companies. He does not have family relations with other persons who are members of the management (control) bodies of ROSSETI or its affiliated organizations.



KALININ Alexander Sergeevich

Independent Director

Chairman of the Nomination and Remuneration Committee

Member of the Audit Committee

Born in 1966 in Chelyabinsk.

Citizenship — Russian Federation.

The candidacy is proposed / approved by the decision of the Board of Directors of the Company.

Date of the first election to the Board of Directors of ROSSETI — June 30, 2014.

EDUCATION

In 1989 he graduated from the Chelyabinsk Polytechnic Institute with a degree in "robotic engineering". In 1998 he graduated from the Ural Academy of Public Administration with a degree in "jurisprudence". Candidate of Engineering Science.

PROFESSIONAL EXPERIENCE

Before 2014, he worked in commercial and public organizations, acting as one of the founders of the Organization of Small and Medium Enterprises OPORA ROSSII.

From 2014 - Head of the All-Russian Public Organization of Small and Medium Enterprises OPORA ROSSII and NP OPORA.

From 2014 - Director (part-time) of LLC Granitnyy Bereg.

PARTICIPATION IN GOVERNING BODIES

At the end of the reporting period, he is also a member of the Boards of Directors of JSC SO UES, JSC Federal Corporation for the Development of Small and Medium Enterprises, PJSC CB Vostochny.

OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF ROSSETI AND SUBSIDIARIES AND AFFILIATES

During the reporting year, he did not have shares (stakes) of ROSSETI and its affiliated organizations; he did not make transactions with securities (stakes) of these companies.

He does not have family relations with other persons who are members of the management (control) bodies of ROSSETI or its affiliated organizations.



LIVINSKIY Pavel Anatolyevich

Executive Director

Born in 1980 in Chelyabinsk.

Citizenship — Russian Federation.

The candidacy is proposed / approved

by the decision of the Board of Directors of the Company.

Date of the first election to the Board of Directors of ROSSETI — June 29, 2018.

EDUCATION

In 2001 he graduated from Moscow Lomonosov State University with a degree in "economics".

In 2003 graduated from the Moscow Lomonosov State University with a degree in "management".

PROFESSIONAL EXPERIENCE

Before 2013, he worked in electric grid companies in Moscow and the Moscow Region, having passed the path to the head of JSC "OEC"

In 2013 - 2017 - Head of the Fuel and Energy Department of Moscow, the Housing, Utilities and Amenities Department of Moscow.

From 2017 - Director General and Chairman of the Board of ROSSETI.

PARTICIPATION IN GOVERNING BODIES

At the end of the reporting period, he is a member of the Boards of Directors (Supervisory Boards, Board of Trustees) of JSC SO UES, PJSC RusHydro, ROSSETI, MOESK, FGC UES, LENENERGO, NP NTS UES, NRU MEI, and Associations of Organizations digital development of the industry "Digital Power Engineering".

He is also a member of the boards of directors (supervisory boards, board of trustees) of the Christ the Savior Cathedral Foundation, the All-Russian public sports organization Federation of the Russian Modern Pentathlon, the All-Russian Swimming Federation public organization, and the All-Russian Athletics Federation public organization.

In addition, he is a member of the presidiums of the Association "RNC CIGRE", the Association "RNC WEC" and ROO "SFPS", a member of the Board of OOR "RSPP".

OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF ROSSETI AND SUBSIDIARIES AND AFFILIATES

During the reporting year, he did not have shares (stakes) of ROSSETI and its affiliated organizations; he did not make transactions with securities (stakes) of these companies.

He does not have family relations with other persons who are members of the management (control) bodies of ROSSETI or its affiliated organizations.



MANEVICH Yuri Vladislavovich

Non-Executive Director

Member of the Strategy Committee

Born in 1972 in St.Petersburg.

Citizenship — Russian Federation.

The candidacy is proposed / approved

by the decision of the Board of Directors of the Company.

Date of the first election to the Board of Directors of ROSSETI — June 27, 2019.

EDUCATION

In 1994, he graduated from St. Petersburg State University of Economics and Finance with a degree in "economics and production management".

PhD in Economics.

PROFESSIONAL EXPERIENCE

Before 2010, he worked in financial and industrial holdings, as well as infrastructure companies in the electric power industry.

In 2010 - 2019 - Head of CJSC "ROSPROEKT"

From 2019 - Deputy Minister of Energy of the Russian Federation.

PARTICIPATION IN GOVERNING BODIES

At the end of the reporting period, he is also a member of the Board of Directors of PJSC RusHydro, JSC SO UES.

OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF ROSSETI AND SUBSIDIARIES AND AFFILIATES

During the reporting year, he did not have shares (stakes) of ROSSETI and its affiliated organizations; he did not make transactions with securities (stakes) of these companies.

He does not have family relations with other persons who are members of the management (control) bodies of ROSSETI or its affiliated organizations.



MUROV Andrey Evgenievich

Non-Executive Director

Born in 1970 in Leningrad.

Citizenship — Russian Federation.

The candidacy is proposed / approved

by the decision of the Board of Directors of the Company.

Date of the first election to the Board of Directors of ROSSETI — June 28, 2013.

EDUCATION

In 1993 he graduated from the Law Faculty of St. Petersburg State University with a degree in "law".

In 2009, he graduated from the State University of Civil Aviation with a degree in "organization of transportation and transport management (air transport)".

Doctor of Economics.

PROFESSIONAL EXPERIENCE

Before 2013, he worked in commercial organizations in the transport and electric power sectors.

From 2013 - Chairman of the Management Board of FGC UES.

PARTICIPATION IN GOVERNING BODIES

At the end of the reporting period, she is also a member of the Boards of Directors (Supervisory Boards, Board of Trustees) of FGC UES, JSC SO UES, PJSC Inter RAO, Global Energy Association, NP NTS UES, member of the Presidium of RNC CIGRE Association.

In addition, he is a member of the Boards of Directors (Supervisory Boards, Boards of Trustees) of the National Research University of Power Engineering, St. Petersburg State University, St. Petersburg State University of Economics, the Rugby Sports Federation (Union) of Russia, and the Russian Engineering Union.

OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF ROSSETI AND SUBSIDIARIES AND AFFILIATES

During the reporting year, he did not have shares (stakes) of ROSSETI and its affiliated organizations; he did not make transactions with securities (stakes) of these companies.

He does not have family relations with other persons who are members of the management (control) bodies of ROSSETI or its affiliated organizations.



RASSTRIGIN Mikhail Alekseevich

Non-Executive Director

Born in 1983 in Ivanovo.

Citizenship — Russian Federation.

The candidacy is proposed / approved

by the decision of the Board of Directors of the Company.

Date of the first election to the Board of Directors of ROSSETI — June 29, 2018.

EDUCATION

In 2005 he graduated from Ivanovo State Energy University named after V.I. Lenin with a degree in "thermal power plants" and "economics".

PROFESSIONAL EXPERIENCE

Before 2008, he worked in banks and electric power sectors.

In 2008 - 2017 - Analyst, Head of the Electric Power Division, VTB Capital Analytical Department.

From 2017 - Assistant to the Minister of Economic Development of the Russian Federation, Deputy Minister of Economic Development of the Russian Federation, member of the Board of the FAS Russia.

PARTICIPATION IN GOVERNING BODIES

At the end of the reporting period, he is also a member of the Boards of Directors (Supervisory Boards) of PJSC RusHydro, JSC Russian Railways, JSC SO UES, Association NP Market Council.

OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF ROSSETI AND SUBSIDIARIES AND AFFILIATES

During the reporting year, he did not have shares (stakes) of ROSSETI and its affiliated organizations; he did not make transactions with securities (stakes) of these companies.

He does not have family relations with other persons who are members of the management (control) bodies of ROSSETI or its affiliated organizations.



ROGALEV Nikolay Dmitrievich

Non-Executive Director

Born in 1962 in Urussu, Tatar ASSR.

Citizenship — Russian Federation.

The candidacy is proposed / approved

by the decision of the Board of Directors of the Company.

Date of the first election to the Board of Directors of ROSSETI — June 30, 2016.

EDUCATION

In 1985, he graduated from the Moscow Power Engineering Institute with a degree in "thermal power plants".

Doctor of Engineering Science.

PROFESSIONAL EXPERIENCE

Before 2013, he worked in scientific, educational institutions and commercial organizations, specializing in energy efficiency and innovative development.

From 2013 - Rector of the National Research University MPEI.

PARTICIPATION IN GOVERNING BODIES

At the end of the reporting period, he is also a member of the Boards of directors of PJSC RusHydro, President of NP NTS UES.

OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF ROSSETI AND SUBSIDIARIES AND AFFILIATES

During the reporting year, he did not have shares (stakes) of ROSSETI and its affiliated organizations; he did not make transactions with securities (stakes) of these companies.

He does not have family relations with other persons who are members of the management (control) bodies of ROSSETI or its affiliated organizations.

Changes in the Composition of the Board of Directors During the Reporting Year

During 2019, the composition of the Board of Directors of the Company was renewed by 13%: based on the results of the annual general meeting, 2 new members were elected, including one independent director – Mr. M.S. Bystrov, as well as Mr. Yu.V. Manevich. The remaining 13 members of the Board of Directors were re-elected for a new term.

In the period until the annual general meeting of shareholders, the Board of Directors of the Company also included the following members:

Barkin, Oleg Gennadievich (Independent Director)

Born in 1975 in the town of Tomilino, Moscow Region.

Position at the time of election — Deputy Chairman of the Board of the Association NP Market Council.

In 1998 he graduated from NRU MPEI with a degree in Applied Mechanics. In 1999 he graduated from NRU MPEI with a degree in Financial Management.

From 2012 – Deputy Chairman of the Board of the Association NP Market Council.

In the reporting year, none of the members of the Board of Directors of the Company received loans, credits from the Company, and also did not have any other contractual relations with the Company and (or) its controlled organizations, with the exception of labor agreements / contracts (P.A. Livinskiy as Director General of ROSSETI, and A.E. Murov, as Chairman of the Management Board of FGC UES) and agreements related to the status of members of the Board of Directors of the Company.

Specific Features of the Board of Directors Activities Associated with the Governmental Involvement

In view of predominant participation in the share capital of the Company of the Russian Federation, corporate governance and the role of the Board of Directors are characterized by the specifics of regulation, as well as the adoption of individual decisions, as manifested in the following features:

- the Board of Directors of the Company includes civil servants representing executive bodies that coordinate the management of state property, as well as industry regulation (in relation to ROSSETI – the Ministry of Economic Development and the Ministry of Energy of Russia, respectively);
- members of the Board of Directors representing the interests of the state, in the performance of their functions, must take into account the position of the shareholder, and in some cases – take part in the vote and vote only in a certain way as directed by the shareholder (based on directives of the Government of the Russian Federation)⁷⁰;

Kravchenko, Vyacheslav Mikhailovich (Non-executive director)

Born in 1967 in Moscow.

Position at the time of election — Deputy Minister of Energy of the Russian Federation.

In 1995 he graduated from Moscow Lomonosov State University with a degree in "Jurisprudence".

From 2013 to 2018 – Deputy Minister of Energy of the Russian Federation

O.G. Barkin and V.M. Kravchenko in the reporting year did not own shares of ROSSETI and its controlled companies, did not make transactions with securities of these organizations, and also did not have family relations with members of the management bodies of the Company.

⁷⁰ The list of such issues includes two groups: (1) issues specified in Clause 17 of the Regulations on the Management of Federally Owned Shares of Joint-Stock Companies and the Use of the Special Right to Participate the Russian Federation in the Management of Joint-Stock Companies (the "Golden Share") (approved by resolution Of the Government of the Russian Federation dated December 3, 2004 No. 738), in particular, the formation and termination of powers of the executive bodies of the Company, approval of major transactions, participation in other organizations, determination of the agenda of the General Meeting of Shares oners, election of the Chairman of the Board of Directors; (2) issues pursuant to individual instructions of the President or the Government of the Russian Federation (as a rule, the approval of individual programs and policies, requirements for a top management motivation system, and some others).

Making decisions, the Board of Directors takes into account the noted features, while ensuring a comprehensive review of issues and taking into account the interests of all groups of shareholders and investors of the Company for the most efficient operation of the Company. In order to ensure unbiased approach when considering "policy issues", the Company takes into account position of independent directors (they are not obligated to comply with directives of the Government of the Russian Federation), which allows to further improve the quality and depth of the study of such issues.

Board of Directors Performance Assessment

As part of the implementation of measures to introduce key provisions of the Corporate Governance Code and advanced corporate governance tools the Company evaluates and self-evaluates the work of the Board of Directors.

According to the internal documents of the Company, the Board of Directors is entitled to annually assess effectiveness of the Board of Directors independently (self-assessment) or with the involvement of an independent external organization (consultant) possessing required qualifications to conduct the assessment. The company, following recommendations of the Bank of Russia Corporate Governance Code (Article 2.9.2), engages an external organization (consultant) to conduct an independent assessment of the quality of work of the Board of Directors at least once every three years.

Items to assess performance of the Board of Directors of the Company:

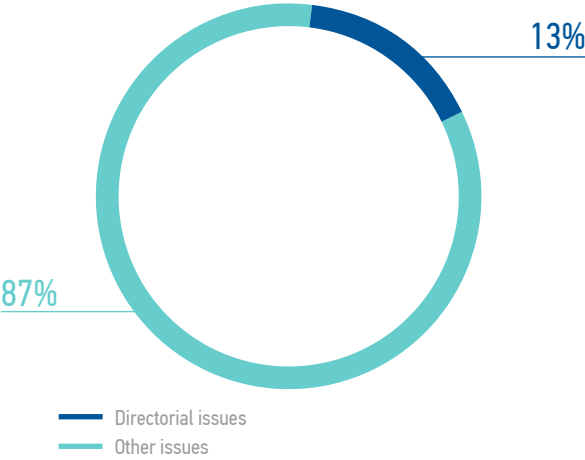


Assessment methodology provides for conducting a questionnaire based on 85 criteria on a five-point system, interviews with members of the Board of Directors, analysis of the provisions of internal documents and deliverables of the Board of Directors (Committees) in the reporting period.

The following metrics are used as appraisal criteria:

- composition, structure, work practice of the Board of Directors and its committees;

The Matters Resolved by the Board of Directors in 2019



As part of NP "Russian Institute of Directors" assessment of the Board of Directors performance in 2017, no external assessment was carried out in 2019.

In the reporting year performance of the Board of Directors and Committees of the Board of Directors was assessed according to the Methodology for performance assessment of the Board of Directors, Committees of the Board of Directors and members of the Board of Directors of ROSSETI, approved by the Board of Directors of October 30, 2017 (Minutes No. 281 of November 2, 2017)

- quality of organization of the Board of Directors activities;
- analysis of performance of key ROSSETI management functions;
- quality of interaction of the Board of Directors, Committees, management of the Company;
- performance of the Chairman of the Board of Directors;
- performance of each member of the Board of Directors.

Results of performance assessment of the Board of Directors and its members are taken into account when organizing the activities of management bodies, as well as in the framework of improving corporate governance practices:

- in the distribution of powers and functions among members of the Board of Directors (for the purposes of a more in-depth study and examination of materials);
- in the formation of the composition of the committees of the Board of Directors;
- as part of the nomination process for the election of a new Board of Directors in preparation for the annual General Meeting of Shareholders.

By conducting a self-assessment of the effectiveness of the Board of Directors in 2019, the following were assessed: the quality of the Board of Directors and the Committees fulfilling the functions assigned to them, relevance of the composition and structure of the Board of Directors and Committees, role of individual members of the Board of Directors, role of the Chairman, planning of the work of the Board of Directors and Committees, procedures of the meetings, information support of the Board of Directors and Committees, as well as a number of infrastructure aspects.

The table below shows results of self-assessment of the Board of Directors performance conducted in 2018 and in the reporting year according to the Performance Appraisal Methodology for the Board of Directors, Committees of the Board of Directors and members of the Board of Directors of ROSSETI. The digital scale used in the questionnaires for 2017 - 2018 and 2018 - 2019 corporate year includes five points.

Assessment Criteria	Average Score by Criteria		Change (year on year)
	2017 - 2018	2018 - 2019	
Performance of the key functions by the Board of Directors in the Company's management	4.73	4.71	↘-0.02
Composition and structure of the Board of Directors	4.75	4.83	↗+0.08
Organization of the Board of Directors' work	4.60	4.65	↗+0.05
Incentive system for members of the Board of Directors	4.20	4.22	↗+0.02
Interaction of the Board of Directors with the management of the Company and Committees of the Board of Directors of the Company	4.70	4.80	↗+0.10
Audit Committee	4.81	4.95	↗+0.06
Nomination and Remuneration Committee	4.76	4.97	↗+0.21
Strategy Committee	4.55	4.53	↘-0.02
Committee on Investment, Technical Policy, Reliability, Energy Efficiency and Innovation	4.47	4.52	↗+0.05

Based on the results of processing the answers to the questionnaire, analyzing all comments and recommendations received, analyzing internal documents and compiling statistical information, a Self-Assessment Report was prepared, which was reviewed by the Board of Directors⁷¹ (hereinafter referred to as the Report) (with preliminary consideration by the Nomination

and Remuneration Committee). The Report considered by the Board of Directors contains recommendations for further performance improvement of the Board of Directors and Committees of the Board of Directors, which will be implemented by the Company during the next reporting year.

Role of the Chairman of the Board of Directors and Independent Directors in the Activities of the Board of Directors

One of the key roles in organizing the work of the Board of Directors belongs to the Chairman of the Board of Directors of the Company. The main functions of the Chairman of the Board of Directors are determined by the Regulation on the Board of Directors and include:

- organization, convening and holding of meetings of the Board of Directors;

- determination of key issues to be considered by the Board of Directors, and selection of the optimal form of meeting for discussion of issues;
- representation of the Board of Directors in relations with shareholders, management and other interested parties;
- follow-up on the Company's Board of Directors resolutions.

⁷¹ Resolution of the Board of Directors dated March 05, 2020 (Minutes No. 399 dated March 06, 2020).

In 2019, the Chairman of the Board of Directors was non-executive director A.V. Novak. Simultaneous participation of the Chairman of the Board of Directors A.V. Novak in the work of the Boards of Directors of a number of other companies and the performance of the duties of the Minister of Energy of the Russian Federation, in our opinion, made it possible to effectively carry out the functions and tasks of managing the activities of the ROSSETI Board of Directors, which is confirmed including:

- participation in 100% of the 53 meetings of the Company's Board of Directors;
- personal participation in 100% of 7 in-person meetings of the Board of Directors;

Independent Directors

The status of a public company and the availability of securities admitted to trading in the first-level quotation list of the Moscow Exchange presuppose the Company's Board of Directors to contain a significant share of independent directors who meet the substantive independence criteria.

All independent directors meet the independence criteria or have been recognized as independent directors in the manner prescribed by the Moscow Exchange listing rules, which, among other things, provides for:

- lack of communication with competitors, significant contractors, representatives of management or members of the Board of Directors, which could affect the objectivity and professionalism of decisions;
- lack of substantial material compensation from the Company or related parties (with the exception of compensation for the performance of duties of a member of the Board of Directors);
- performing the functions of a member of the Board of Directors of the Company for no more than a specified period of time.

Regulation of Potential Conflicts of Interests of the Board of Directors

Internal policies of the Company, such as the Regulation on the Board of Directors and the Code of Conduct define a list of cases that indicate a conflict of interest among members of the Board of Directors. The policies oblige members of the Board of Directors to refrain from participating in decisions on issues in respect of which they have a conflict of interest, as well as inform the Board of Directors about such situations.

The control over the timing and frequency of the provision of information in this case is entrusted to the Corporate Secretary of the Company. As part of the organization of the work of the Board of Directors, the Chairman of the Board of Directors and the Corporate Secretary of the Company take the necessary measures to form the most comfortable and constructive relations between members of the Board of Directors in order to develop balanced and objective decisions.

- holding regular working meetings with members of the Board of Directors and representatives of the Company's management.

The competence, the working procedure of the Board of Directors and the existing corporate procedures make it possible to make decisions on a significant part of the issues if there is a simple majority of votes of the members of the Board of Directors. At the same time The Chairman of the Board of Directors takes into account each member of the Board of Directors' opinion when discussing issues on the agenda and takes measures to achieve the optimal solution on key issues, as well as take into account the positions and individual points that the members of Company's Board of Directors pay attention to.

The Board of Directors annually reviews the issue of meeting of its members the independence criteria, as a rule, at the first meeting of the Board of Directors elected in a new composition.

The Regulation on the Board of Directors provides for the possibility of electing a senior independent director in the Company, representing the interests of all independent directors in cooperation with the Chairman of the Board of Directors, external counterparties or consultants. In the reporting year, the position of senior independent director was not formed in the Company. However, all independent directors of the have the opportunity to draw attention and convey their position to the Chairman of the Board of Directors, the management of the Company, representatives of the main shareholder in cases where such an opinion may be important for the decision.

In 2019, five of the fifteen members of the Board of Directors were independent.

Internal corporate procedures exclude the possibility of submitting for consideration by the Board of Directors issues that have not been worked out and not prepared for decision-making, and the stipulated deadlines for preliminary familiarization of directors with the planned agenda and materials (at least 10 days in advance) contribute to the possibility of a comprehensive study of documents and the substance of the issues. At the same time, the format of discussion during in-person meetings of the Board of Directors in some cases leads to situations where initial draft decisions change, or to cases where individual directors speak out against or abstain from voting on agenda items. This circumstance further confirms that the members of the Board of Directors are attentive to the functions assigned to them, and if there are any objections, they pay attention to this, which ultimately contributes to the development of more balanced decisions, as well as taking into account the interests of representatives of various parties.

Voting by the members of the Board of Directors on the Agenda items⁷²

Voting options and Votes

FOR 2,589 (97,99%) AGAINST 14 (0,54%) ABSTAINED 38 (1,47%)

In 2019, no conflicts of interest were revealed among members of the ROSSETI Board of Directors.

Admission of New Members of the Board of Directors to the Position

By the decision of the annual General Meeting of Shareholders in 2019 two of the fifteen members of the Board of Directors were elected for the first time – M. Bystrov and Y. Manevich. The Company has a practice of providing additional information and organizing individual awareness-raising events for newly elected members of the Board of Directors, which allows them to be more quickly involved in the work of the Board of Directors, committees of the Board of Directors and provide relevant data on the production and financial and economic activities of the Company. An introduction to a post usually includes the following activities:

- sending the Company's internal documents;
- providing information on key issues of the management and performance of the Company;
- meetings with the management of the Company and its key subsidiaries;
- informing about the duties and powers of members of the Board of Directors, their status, expected time spent, necessary resources to perform the functions of members of the Board of Directors;
- informing on key events with the participation of members of the Board of Directors planned in the corporate year.

Liability Insurance of the Board of Directors

The Company and its subsidiaries have been using the practice of liability insurance of members of the Board of Directors, executive bodies and officials (Directors and Officers Liability Insurance, D&O) for several years.

The main purpose of D&O liability insurance is to protect the interests of ROSSETI shareholders and to provide a source of compensation for possible losses of the Company and/or insured persons upon occurrence of insured events.

Liability insurance guarantees the protection of the Company, directors and officers from possible claims by third parties and compensation for damage (loss) caused to shareholders that

may result from errors and unintentional actions (inaction) in the exercise of managerial duties by members of the Board of Directors and officers of ROSSETI.

The general terms and conditions of insurance comply with international standards, and also take into account the scale of the business and the specifics of the industry in terms of the volume of insured risks and compensation limits.

Certain conditions and requirements for liability insurance in the Company are stipulated in the Regulations for Insurance Coverage of ROSSETI.

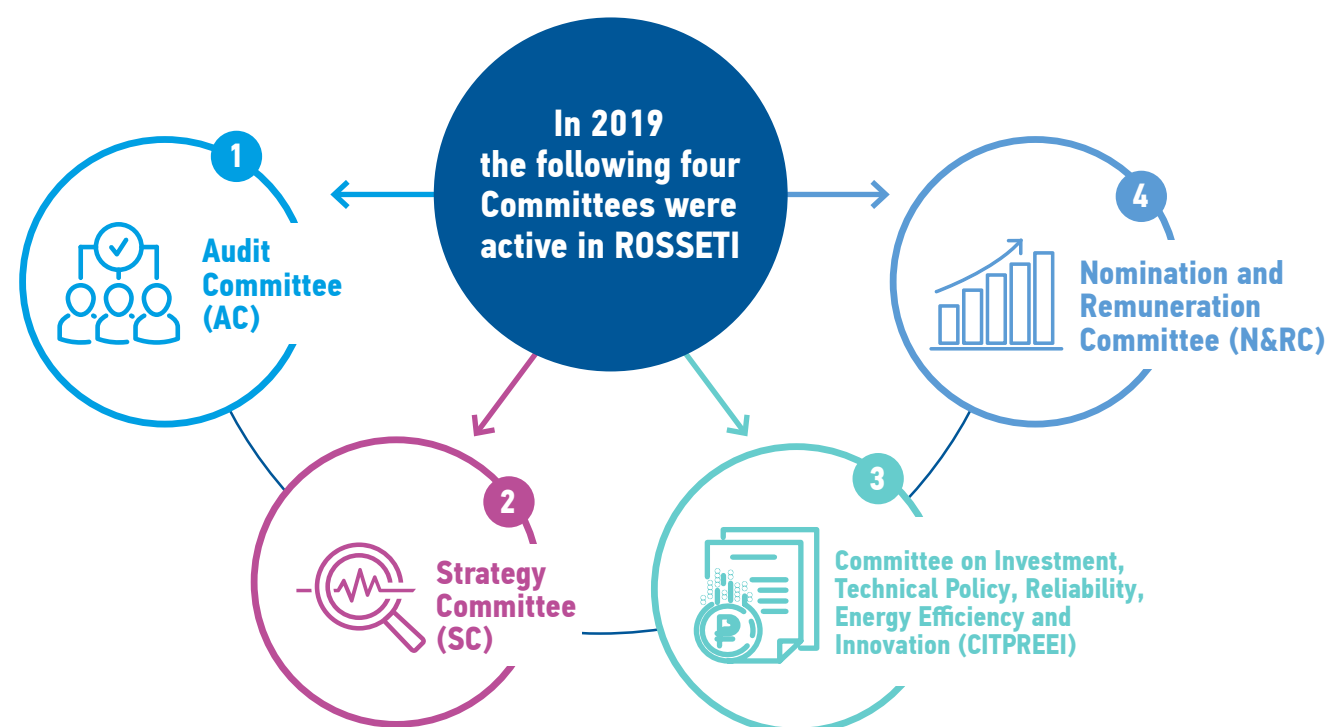
General terms and conditions of D&O liability insurance

Insurer	SOGAZ INSURANCE	SOGAZ INSURANCE	Ingosstrakh
Insurance period	December, 2016 - July, 2018 (19 months)	July, 2018 - July, 2019 (12 months)	July, 2019 - July, 2020 (12 months)
Insurance premium, rubles	22,450,000	13,000,000	12,600,000
Insured sum, rubles	10,000,000,000	10,000,000,000	10,000,000,000
Total additional insured amount for independent directors, rubles	300,000,000	300,000,000	300,000,000
INSURED RISKS	INSURED PERSONS		
→ risk of third-party claims against the insured persons for compensation of losses caused by unintentional erroneous actions of the insured persons in the exercise of their managerial duties;	1. ROSSETI.		
→ risk of third-party claims against ROSSETI for compensation of losses in respect of securities of ROSSETI.	2. Any individual or corporate entity that, without limitation, was, is, or will be: → a member of the Board of Directors, irrespective of its name in any jurisdiction; → a member of the Board of Directors of ROSSETI's subsidiary or affiliate if such member is elected to the Board of Directors of such subsidiary or affiliate by votes held by ROSSETI; → the sole executive body (Director General) of ROSSETI and/or its subsidiary or affiliate, the deputy sole executive body (First Deputy Director General, Deputy Director General) of ROSSETI, a member of the Management Board of ROSSETI, the Chief Accountant of ROSSETI, other officers of the Company.		
COVERAGE TERRITORY	The entire world		

⁷² The information is provided on the basis of the minutes of the Board of Directors meeting. As a rule, the shares of "against" and "abstained" votes indicate different points of view, which contributes to more objective consideration of issues and development of balanced decisions.

Committees of the Board of Directors

Committees of ROSSETI Board of Directors are an important element of the corporate governance system of the Company, providing preliminary study and examination of the most significant issues related to the competence of the Board of Directors of the Company. Effective and professional work of the Committees allows for more thorough consideration of certain aspects of the Company and its subsidiaries performance, as a result of which the Board of Directors is provided with recommendations regarding voting on the agenda items



Organizational fundamentals of the Committees (operating procedures, functions and competences, composition requirements, etc.) are regulated by the provisions on the committees approved by the Board of Directors' resolutions and posted on the <http://www.rosseti.ru/eng/investors/reports/Internal-docs/>. To ensure maximum transparency and compliance with information disclosure standards we additionally publish on the Company's website information on the results of the work of the Committees, the main issues addressed, their composition and chairmen.

To ensure efficient Committee performance we endeavour to stick to the following principles:

- accountability of Committees to the Company's Board of Directors;
- management of the Committees by members of the Board of Directors only;

- formation of the Audit Committee and the Nomination and Remuneration Committee exclusively of independent directors;
- engagement of persons other than members of the Board of Directors in the work of the Committees (with the exception of the Audit Committee and the Nomination and Remuneration Committee);
- consideration by the committees of both issues recommended to the Board of Directors and issues over which control has been delegated to the Committees.



Progress Report of ROSSETI Board of Directors Audit Committee

Dear shareholders and investors of ROSSETI!

The ROSSETI Audit Committee performs one of the key roles in matters of control over the Company financial statements reliability, organization of the Company effective internal control and risk management systems.

The Audit Committee consists exclusively of independent members of the Board of Directors with extensive competencies in the fields of audit, analysis of financial statements and risk management. All members of the Audit Committee obtained vast experience in the field of electricity supply. All the above mentioned factors allow the Audit Committee to consider issues related to industry specifics in comprehensive and objective manner.

The Audit Committee has held 13 meetings during the reporting year and has considered 29 issues. These Audit Committee meetings were mainly dedicated to development of policies in the field of internal audit, insider activities, anti-corruption mechanisms implementation. Those issues share amounted to almost a third of the total issues considered.

Traditionally, a significant amount of issues considered by the Committee was devoted to aspects of the selection and effectiveness of the Company external auditors, the terms and conditions of agreements therewith. In the reporting year, the Company's External Auditor Rotation Policy was developed and approved, establishing principles and standards for the selection of auditors. Given the increasing attention of investors to the issues of risk control, we devoted several meetings of the Committee to improving the risk management system, including analysis of new challenges for the Company: regulatory risks (compliance), information and cybersecurity risks, as well as certain aspects of innovative technology implementation. The results of above

mentioned activities have been used as a basis for comprehensive action plan for development of the risk management system within the entire ROSSETI group.

In addition, the Audit Committee has considered certain aspects of the internal audit service activities: organization of inspections, status of events based on their results, plans to eliminate identified shortcomings.

The effectiveness of communication and information sharing with representatives of shareholders is one of the key factors to improve the internal control system. The management of the Company is ready to contribute and consider any meaningful initiatives.

The achieved results have been laid as a basis for a number Audit Committee's recommendations to the Board of Directors and the management of the Company, the implementation of which significantly improved the practice of preparing financial statements and audits performance, which is in the interests of all shareholders of the ROSSETI Group.

VASILY BELOV

Chairman of the Audit Committee,
Independent Member of the Board of Directors,
ROSSETI



In 2019, we have used the ROSSETI platform to hold the expanded meeting of members of the audit committees of organizations which are part of the ROSSETI Group. Independent directors - members of the audit committees of ROSSETI SDCs summarized the results of the external assessment of the internal control system and specified the "best practices" among the ROSSETI Group companies.

The purpose of the Audit Committee is to facilitate the effective performance of the Board of Directors functions in terms of preliminary consideration of issues related to control of the Company's financial and economic activities.

The Regulations for the Audit Committee at the Board of Directors of ROSSETI were approved by the decision of the Board of Directors dated December 25, 2015 (Minutes No. 217 dated December 28, 2015).

Audit Committee Functions and Results for the Reporting Period

CONTROL OF THE COMPANY'S REPORTING

Issues considered during the reporting period:

- Review of the Company financial statements.
- Review of the external auditor resolution.
- Review of information provided by the external auditor following the results of the audit of financial statements, the internal control system, as well as reports on the elimination of deficiencies based on the results of audits.

INTERNAL CONTROL, RISKS AND CORPORATE GOVERNANCE

Issues considered during the reporting period:

- Review of the risk management and internal control system effectiveness, as well as reports in these fields for the Company and its subsidiaries and affiliates.
- Quality assessment of internal audit.
- Review of the external assessment of the internal audit and its material conditions.
- Coordination of the appointment of the head of the ROSSETI internal audit department of, as well as the determination of his/her remuneration.

EXTERNAL AUDIT

Issues considered during the reporting period:

- Consideration of potential auditor and determination of the auditor remuneration for the services provided.

ANTI-CORRUPTION POLICY AND COMPLIANCE

Issues considered during the reporting period:

- Consideration of compliance issues, compliance with insider law.
- Updating the Regulation on insider information, the Anti-corruption policy, the Internal Audit Policy, and the Regulation on the Internal Audit Department.
- Review of inspection and audit conclusions.

During the reporting period, the Audit Committee was composed⁷³ of four members, who are independent members of the Company's Board of Directors.

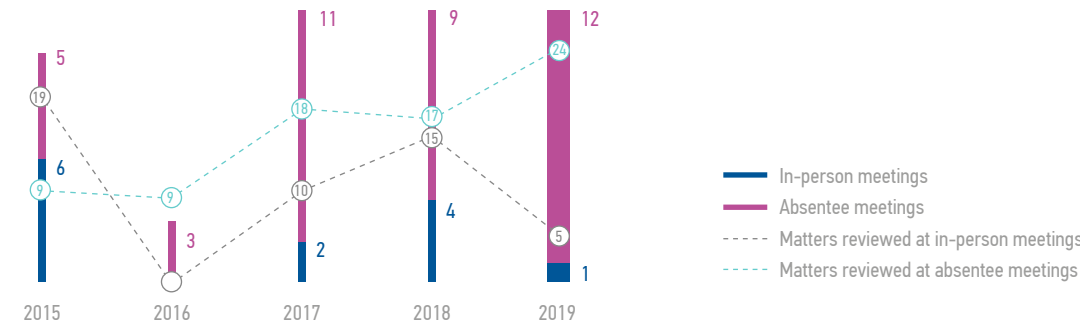
	Meetings in Absentia (12)		Meetings in Presentia (1)			
	Number of Meetings Attended by the Committee Member	Percentage, %	Number of Meetings Attended by the Committee Member	Number of Meetings in which a Committee Member Participated by Means of Questionnaire Submission	Percentage, %	Percentage, %
Belov Vasily Mikhailovich Committee Chairman <i>Independent Director</i>	12	100	1	0	100	100
Ashirov Stanislav Olegovich <i>Independent Director</i>	12	100	0	1	0	100
Dubnov Oleg Markovich <i>Independent Director</i>	12	100	1	0	100	100
Kalinin Alexander Sergeevich <i>Independent Director</i>	11	91.7	0	1	0	100

The Chairman, as well as all Audit Committee members have many years' experience, competencies and professional skills in the field of audit, financial reporting, risk management, internal control, and compliance. All members of the Committee have experience in companies in the electric energy sector.

In the reporting year, 13 meetings of the Committee were held, including one in-person meeting (in presentia), which, in general, corresponds to the long-term practice of the Committee activity schedule.

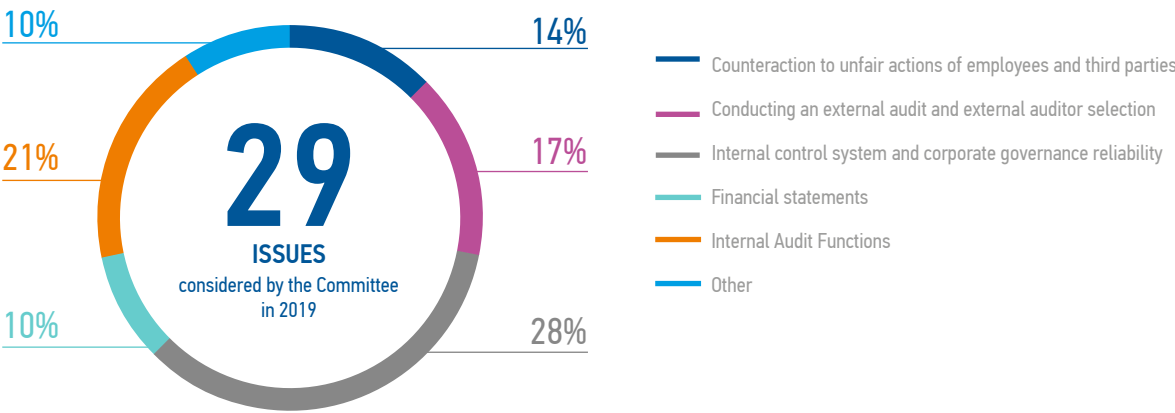
⁷³ Composition of ROSSETI Board of Directors Audit Committee was approved by the resolution of the ROSSETI Board of Directors dated June 29, 2018 (Minutes of the Meeting of July 02, 2018 No. 316) and was reelected by the resolution of the Board of Directors dated June 27, 2019 (Minutes of the Meeting of July 01, 2019 No. 364).

Audit Committee Meetings and Matters Reviewed

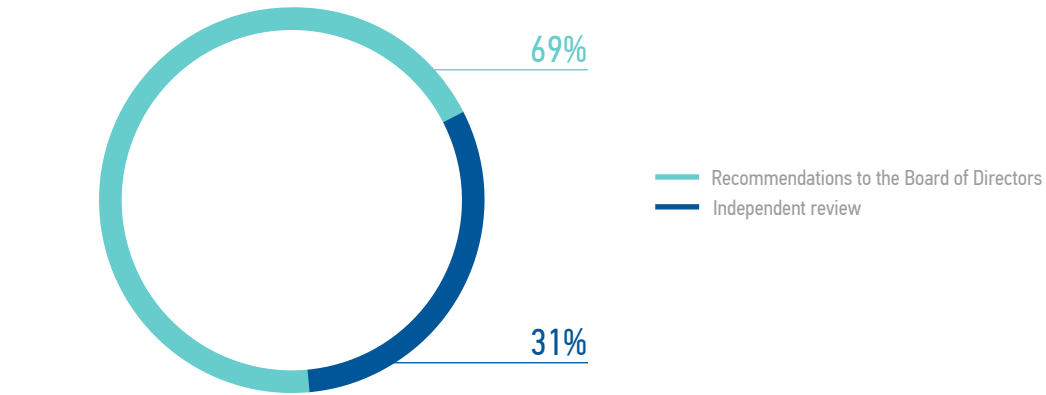


In 2019, the Committee ensured a balanced consideration of issues on the Committee key functions.

Topics of the Issues Considered by the Audit Committee



Categories of Issues Considered





Progress Report of ROSSETI Board of Directors
Nomination and Remuneration Committee



Dear shareholders and investors of ROSSETI!

Since the Committee establishment, the main tasks thereof have been to assist in improvement and development of the personnel motivation system, succession and human resource reserve, selection and assessment of candidates for the positions of the top management of the Company. The year of 2019 was not an exception. We paid increased attention to issues of management performance, affecting both aspects of adjusting policies in this area in accordance with modern requirements, and considering reports on the results of the Company's management. All these aspects were carefully considered and reviewed during the reporting period. A striking example of the special role of human resources policy in the activities of the Company and the attention paid thereof by the Committee and management is the ROSSETI partnership in organizing the competition "Leaders of Russia". A special pride is taken by the fact that in 2019 over 3,700 employees of the ROSSETI Group took part in the competition, which signifies, among other things, the high level of experience of the Company's specialists and managers.

Since 2018, the Committee has introduced the practice to evaluate and assess the candidates for the Company's Board of Directors members in terms of their compliance with the independence criteria, as well as the necessary competencies availability. The recommendations of the Committee are submitted to the shareholders of the Company during preparation for the annual General Meeting of Shareholders, which, in our opinion, contributes to greater awareness of

the Meeting participants and their ability to analyze the nominees more extensively.

Among the future tasks the Committee shall resolve include, in particular, the planned updating of policies in the field of motivation and remuneration of the Company employees, including blue-collar and operations personnel, as well as a more detailed study of the connection of motivation systems with the strategic tasks of the ROSSETI Group. We are positive that the professional and balanced composition of the Committee, as well as the vast experience of members thereof, is a key to the effective development of the Company in terms of human resources policy and incentive systems, maximally contributing the goals' achievement set by the Company shareholders.

ALEXANDER KALININ
Chairman of the Committee,
Independent Member of the Board of Directors,
ROSSETI

ROSSETI Board of Directors Nomination and Remuneration Committee is a platform for preliminary consideration and development of proposals to the Board of Directors on issues related to incentivization, succession, personnel reserve, appointments of members of the Company governing bodies and management.

[ROSSETI Board of Directors Nomination and Remuneration Committee Regulation](#) was approved by the resolution of the ROSSETI Board of Directors on February 28, 2018 (Minutes No. 295 dated March 02, 2018).

Committee Functions and Results for the Reporting Period



REMUNERATION OF MEMBERS OF THE BOARD OF DIRECTORS AND TOP MANAGEMENT
Issues considered during the reporting period:

- Recommendations on approval of the Regulation members of the Company Board of Directors compensation and remuneration.
- Review of the Methodology for calculating and evaluating the key performance indicators of ROSSETI's Director General.



SUCCESSION AND PERSONNEL RESERVE
Issues considered during the reporting period:

- Evaluation of nominees for the ROSSETI Board of Directors.
- Review of nominees for ROSSETI positions.
- Review of the organizational chart of the ROSSETI executive office.



PERFORMANCE ASSESSMENT OF THE MEMBERS OF THE BOARD OF DIRECTORS AND TOP MANAGEMENT
Issues considered during the reporting period:

- Review of the ROSSETI Director General's KPI Report.
- Consideration of issues related to performance of the Company Board of Directors.



BOARD OF DIRECTORS AND COMMITTEES WORKFLOW MANAGEMENT
Issues considered during the reporting period:

- Consideration of nominees of members of the Board of Directors for compliance with independence criteria.
- Consideration of the Committee performance report.
- Approval of the Committee's Operation Plan.
- Consideration of the professional standards in the Company routine activities.

As of December 31, 2019, the Committee consisted⁷⁴ of 5 members, who are independent members of the Board of Directors of the Company.

	Meetings in Absentia (17)	
	Number of Meetings Attended by the Committee Member	Participation Percentage, %
Kalinin Alexander Sergeevich Committee Chairman Independent Director	17	100
Ashirov Stanislav Olegovich Independent Director	17	100
Belov Vasily Mikhailovich Independent Director	17	100
Bystrov Maxim Sergeevich ⁷⁵ Independent Director	10 (of 11)	90.9
Dubnov Oleg Markovich Independent Director	16	94.1

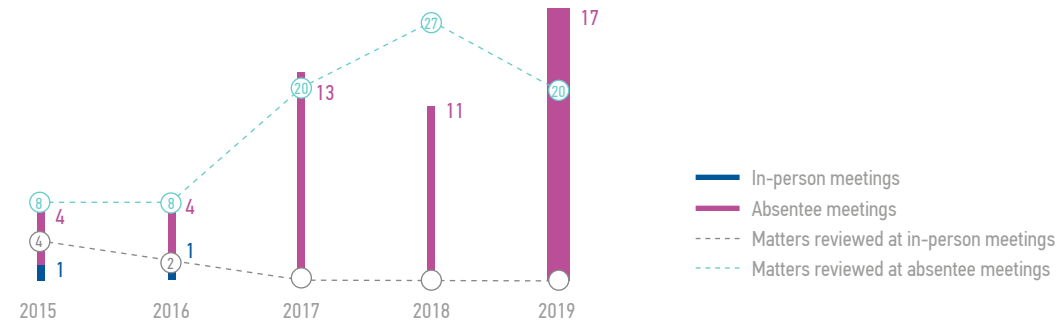
During the reporting period, the Committee held 17 meetings where 20 issues were considered.

A significant proportion of the issues considered by the Committee was devoted to aspects of management motivation (including KPI issues), as well as approval of staff appointments.

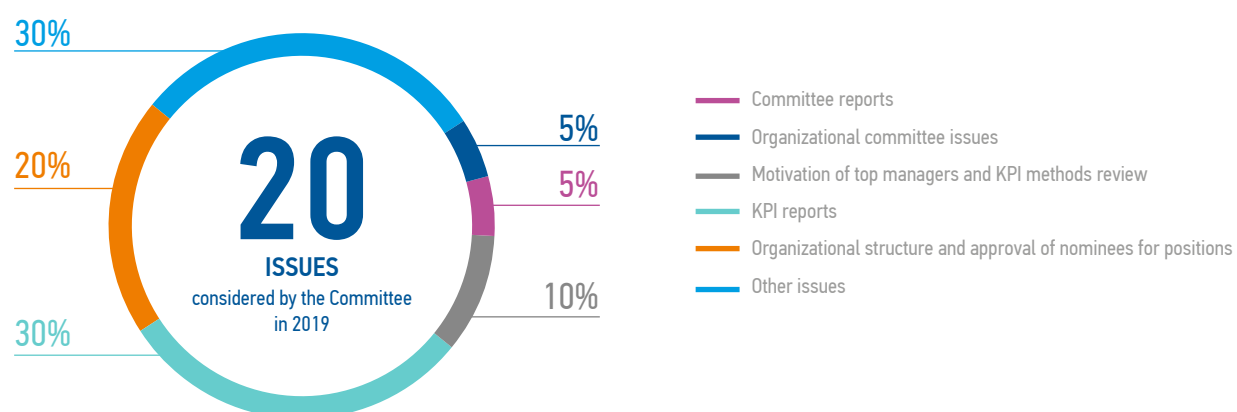
⁷⁴ ROSSETI Board of Directors Nomination and Remuneration Committee composition was approved by the resolutions of ROSSETI Board of Directors dated June 29, 2018 (Minutes of the Meeting of July 02, 2018 No. 316) and dated June 27, 2019 (Minutes of the Meeting of July 01, 2019 No. 364).

⁷⁵ Elected to the Committee by the resolution of ROSSETI Board of Directors of June 27, 2019 (Minutes No. 364 of July 1, 2019).

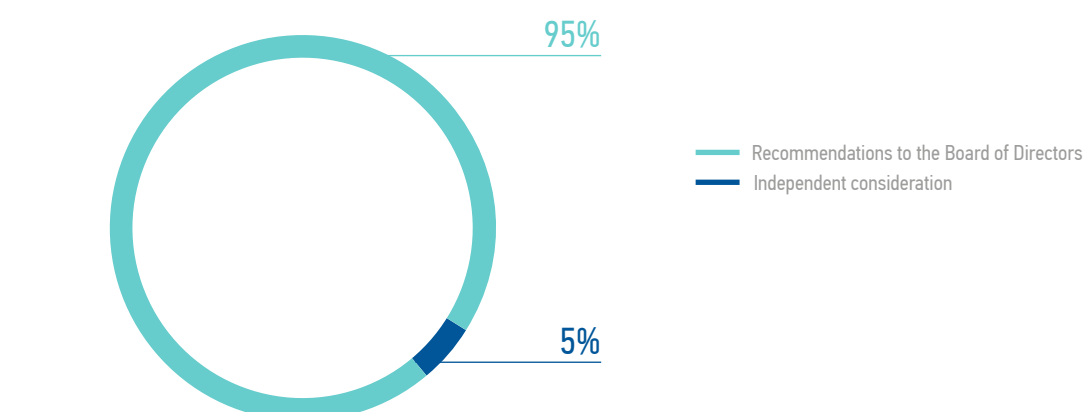
Nomination and Remuneration Committee meetings and matters reviewed



Topics of the issues considered and reviewed by the Nomination and Remuneration Committee



Categories of Issues Considered



Progress Report of ROSSETI Board of Directors Strategy Committee

Dear ROSSETI shareholders and investors!

The ROSSETI Group development strategy is the main reference point for almost all key business processes and programs of the Company. The Strategy Committee ensures the necessary coordination and cooperation between the key participants and is responsible for drafting, updating, and monitoring the implementation of the ROSSETI Group companies' strategy on behalf of the Board of Directors. The second important activity of the Committee is to monitor the preparation and execution of the budget, as well as the most significant directions and development programs of the Company.

In 2019, we held 22 meetings (including 9 in-person meetings) addressing both the issues of adopting a new development strategy, and the implementation state of the previous Long-Term Development Program, as well as reviewing the consolidated budget of ROSSETI Group companies, and reports on its execution. A significant amount of the issues addressed were related to monitoring of separate programs' implementation by the Company, such as non-core assets management Program, Environmental Policy, certain aspects of subsidiaries development.



YURI MANEVICH
Chairman of the Committee,
member of the Board of Directors, ROSSETI

Generally productive work of the Committee and its members' active participation in discussions helped to ensure the necessary control of the Board of Directors in Company's strategic and business planning, thereby ensuring high efficiency across the ROSSETI Group by 2019.

The principal objective of the Committee is to assist ROSSETI's Board of Directors in determining the Company's strategy.

[The Regulations for the Strategy Committee at the Board of Directors of ROSSETI](#) were approved by the decision of the Board of Directors dated October 21, 2013 (Minutes No. 137 dated October 23, 2013, as further amended).

Committee Functions and Results for the Reporting Period

STRATEGY AND CORE BUSINESS ACTIVITIES Issues considered during the reporting period: <ul style="list-style-type: none"> → Reviewing the Company's strategy. → Reviewing the Report on the ROSSETI Long-Term Development Program Fulfillment. 	SUBSIDIARIES AND DEPENDENT COMPANIES MANAGEMENT Issues considered during the reporting period: <ul style="list-style-type: none"> → Subsidiaries and Dependent Companies Management.
SUBSIDIARIES AND DEPENDENT COMPANIES' DEVELOPMENT PLANS Issues considered during the reporting period: <ul style="list-style-type: none"> → Updating the plans for development of the subsidiaries and dependent companies. 	KEY PROJECTS AND DEALS Issues considered during the reporting period: <ul style="list-style-type: none"> → Determining the Company's position with respect to the deals and projects of the subsidiaries and dependent companies.
MONITORING THE IMPLEMENTATION OF THE COMPANY'S KEY BUSINESS PROGRAMS Issues considered during the reporting period: <ul style="list-style-type: none"> → Reviewing the report on implementation of certain policies of the Company. → Addressing the issues of fulfilling certain orders of the Russian President and the Russian Government. → Reviewing the Non-Core Assets Register of ROSSETI. → Reviewing the reports on implementation of key investment projects of the Company. 	BUDGET Issues considered during the reporting period: <ul style="list-style-type: none"> → Reviewing the consolidated 3-year business plan of the ROSSETI Group and scenarios for its preparation. → Reviewing the ROSSETI budget, as well as performance reports under it.

Current personal composition of the Strategy Committee of 20 members (including 3 members of the Board of Directors and 17 representatives of shareholders) was approved by the ROSSETI's Board of Directors on October 17, 2018 (Minutes No. 326 dd.

Full Name	Title/Position ⁷⁶
Yuri Vladislavovich Manevich ⁷⁷ Chairman of the Committee	Non-Executive Director
Stanislav Olegovich Ashirov	Independent Director
Oleg Markovich Dubnov	Independent Director
Pavel Nikolayevich Snikkars Deputy Chairman of the Committee	Director of the Electric Power Industry Development Department, Ministry of Energy of the Russian Federation
Oleg Gennadyevich Barkin	Deputy Chairman of the Management Board of NP Market Council Association
Alexander Yevgenyevich Bogashov	Director of the Corporate Management, Pricing Environment, and Control and Revision of the Fuel and Energy Sector Department, Ministry of Energy of the Russian Federation
Dmitry Stanislavovich Bulgakov	Deputy Head of Directorate "Expert Centre in the Fuel and Energy Complex" FSBI "Russian Energy Agency" (Analytical Centre of the Fuel and Energy Complex)
Eduard Petrovich Volkov	Academician of the Russian Academy of Sciences
Pavel Vladimirovich Grebtsov	Acting Deputy General Director for Economics and Finance, ROSSETI
Dmitry Gennadyevich Denisov	Director of the Small and Medium Business and Competition Development Department of the Ministry of Economic Development of Russia
Vasily Nikolayevich Kiselyov	Chairman of the Council of Customers of the Government Commission on the Development of the Electric Power Industry
Mikhail Aleksandrovich Kolesnikov	Vice President, OPORA RUSSIA All-Russian Public Organization of Small and Medium Business, and Director General, OOO Oldam
Yelena Anatolyevna Medvedeva	Deputy Director of the Department for Operational Control and Management in the Electric Power Industry, Ministry of Energy of the Russian Federation
Vasily Vladislavovich Nikonov	Director of the Energy Department, Rosneft
Yevgeny Aleksandrovich Olkhovich	Deputy Director General for Strategic Development, ROSSETI
Sergey Anatolyevich Pavlushko	Deputy Chairman of the Management Board, SO UPS, JSC
Sergey Sergeyevich Pikin	Director, Energy Development Fund
Dzhordzh Ilyich Rizhinashvili	First Deputy Director General, Member of the Management Board, PJSC RusHydro
Maria Gennadyevna Tikhonova	Deputy Chairperson of the Management Board, FGC UES
Alexander Viktorovich Shevchuk	Executive Director, Association of Institutional Investors

Before April 29, 2019, Vyacheslav Mikhailovich Kravchenko had been a member of the Committee. His position was terminated subject to the Board of Directors' decision of April 29, 2019 (Minutes No. 353 dd. April 30, 2019).

Full Name	In Absentia Meetings (13)			In-Person Meetings (9)		
	Number of Meeting Attended by the Member	Participation Share, %	Number of Meeting Attended Personally by the Member	Number of Meeting Attended by the Member by Poll	Attendance Share, %	Participation Share, %
S.O. Ashirov	13	100	4	5	44.4	100
O.G. Barkin	12	92.3	3	4	33.3	77.8
A.Ye. Bogashov	10	76.9	4	3	44.4	77.8
D.S. Bulgakov	13	100	9	0	100	100
E.P. Volkov	11	84.6	7	2	77.8	100
P.V. Grebtsov	13	100	8	1	88.9	100
D.G. Denisov	11	84.6	1	8	11.1	100
O.M. Dubnov	11	84.6	8	1	88.9	100
V.N. Kiselyov	13	100	8	1	88.9	100
M.A. Kolesnikov	13	100	5	4	55.5	100
Ye.A. Medvedeva	11	84.6	5	3	55.5	88.9

⁷⁶ The members' positions are states as of the date of their election to the Committee. During the reporting period and as of the date of the Report approval some of the positions have changed.

⁷⁷ Elected to the Committee by the decision of the Board of Directors dated April 29, 2019 (Minutes No. 353 dated April 30, 2019).

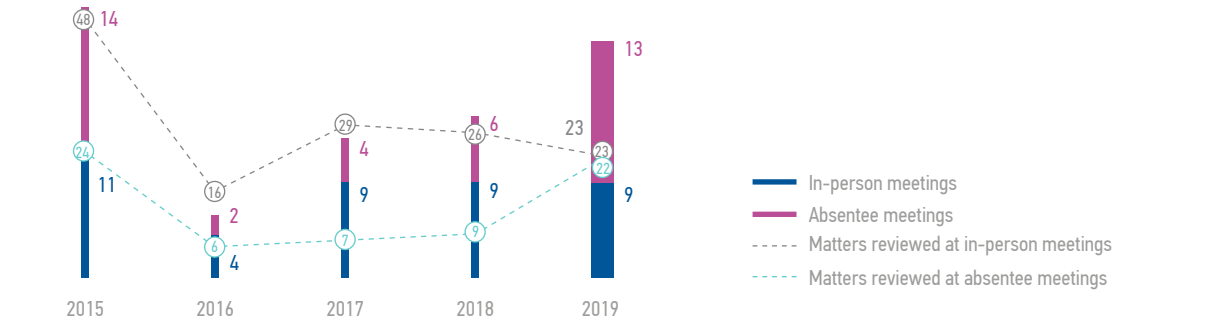
October 19, 2018) in view of reelection of the Chairman of the Committee subject to the Board of Directors' decision of April 29, 2019 (Minutes No. 353 dd. April 30, 2019):

Full Name	In Absentia Meetings (13)			In-Person Meetings (9)		
	Number of Meeting Attended by the Member	Participation Share, %	Number of Meeting Attended Personally by the Member	Number of Meeting Attended by the Member by Poll	Attendance Share, %	Participation Share, %
V.V. Nikonov	11	84.6	3	3	33.3	66.7
Ye.A. Olkhovich	13	100	5	4	55.5	100
S.A. Pavlushko	10	76.9	2	5	22.2	77.8
S.S. Pikin	12	92.3	9	0	100	100
Dzh.I. Rizhinashvili	12	92.3	3	5	33.3	88.9
P.N. Snikkars	10	76.9	8	0	88.9	88.9
M.G. Tikhonova	12	92.3	9	0	100	100
A.V. Shevchuk	13	100	6	3	66.7	100

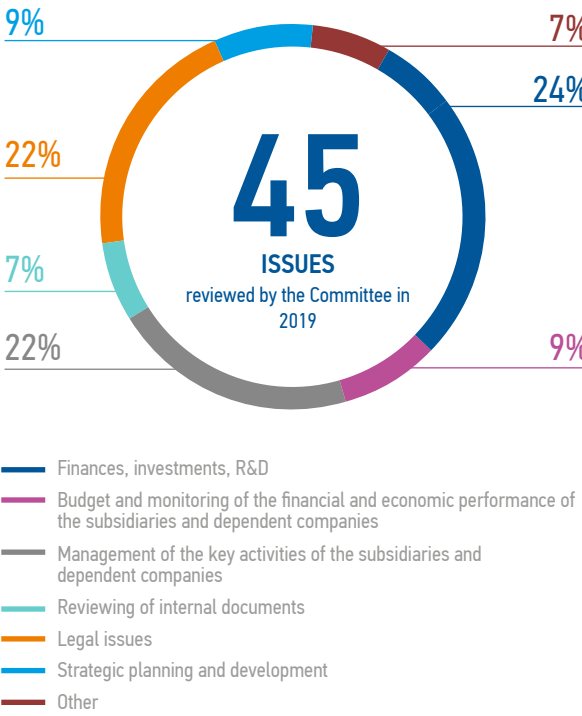
The Committee held 22 meetings in the reporting period, including 9 in-person, at which a total of 45 issues were considered.

In 2019, the Committee ensured a balanced consideration of issues on the Committee key functions.

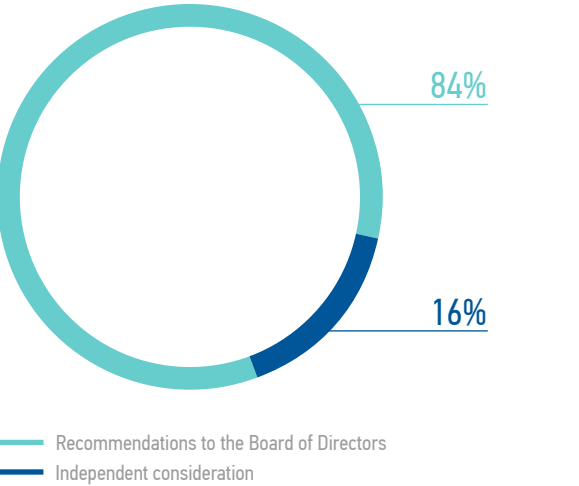
The Strategy Committee Meetings and Matters Reviewed



Issues Considered by the Strategy Committee



Categories of Issues Considered





Progress Report of ROSSETI Board of Directors Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee

Dear Shareholders and Investors of ROSSETI,

The investment program and technical development issues are one of fundamental aspects of ROSSETI Group, on which not only financial results of ROSSETI Group but also reliability of the entire infrastructure of the Russian Power Grid complex depend. Every year ROSSETI makes large-scale investments in maintaining and developing fixed assets. The Company's digital transformation program is being actively implemented and pilot projects are being launched.

The Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee provides necessary analysis of the feasibility and effectiveness of invested funds, as well as an in-depth examination of selected top priority projects of the Company. In addition to investment and technical policy issues, in 2019 we paid special attention to ROSSETI Group digital transformation processes – more than 20% of overall examined issues were dedicated to this area.

Proposals and initiatives resulting from the Committee's work were largely taken into account in the updated ROSSETI Development Strategy approved by the Company's Board of Directors in December 2019.

OLEG DUBNOV

Chairman of the Committee,
Independent Director, ROSSETI

The Investment, Technical Policy, Reliability, Energy Efficiency and Innovation Committee was established to assist the Board of Directors to fulfil its responsibilities in implementation of technical and investment policies, energy efficiency, reliability and innovation development.

The Regulations for the Investment, Technical Policy, Reliability, Energy Efficiency, and Innovation Committee at the Board of Directors of ROSSETI were approved by the decision of the Board of Directors dated October 21, 2013 (Minutes No. 137 dated October 23, 2013, as further amended).

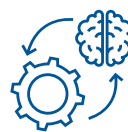
Committee Functions and Results for the Reporting Period



INVESTMENT, TECHNICAL POLICY AND OTHER KEY POLICIES OF THE COMPANY

Issues considered during the reporting period:

- Review of the consolidated investment program of the ROSSETI Group, its methodology and approval.
- Consideration of the rules for pilot projects and first stage digital transformation pilot projects.
- Review of the consolidated program "Digital transformation of the ROSSETI Group for 2019-2030", Action Plan of the Concept "Digital Transformation 2030".



MONITORING OF INVESTMENT, INNOVATION, ENERGY EFFICIENCY AND PROCUREMENT PROGRAMMES

Issues considered during the reporting period:

- Reviewing reports on comparison of technological development and ROSSETI KPI values with similar companies.
- Reviewing the report on results of work to improve the quality of services provided by the ROSSETI Group.
- Reviewing the report on development of the production asset management system.
- Reviewing the report on the progress of ROSSETI Group investment projects.
- Reviewing the report on implementation of the consolidated investment program at year-end.
- Reviewing the report on implementation of the Innovation Development Program.



DEVELOPMENT OF POLICIES ON INVESTMENT AND TECHNICAL ACTIVITIES, ENSURING RELIABILITY, ENERGY EFFICIENCY AND INNOVATIVE DEVELOPMENT OF THE COMPANY

Issues considered during the reporting period:

- Review of ROSSETI Regulation "On Unified Technical Policy of Power Grid Complex".



ANALYSIS OF NORMATIVE DOCUMENTS ON IMPLEMENTATION OF INVESTMENT, TECHNICAL AND OTHER KEY POLICIES

Issues considered during the reporting period:

- Reviewing the updated Modernization (Renovation) Program for ROSSETI SDCs Power Grid Facilities.

The current members of the Committee were approved by ROSSETI Board of Directors resolution dd. October 17, 2018 (Minutes dd. October 19, 2018 No. 326) with subsequent amendments based on the Board of Directors resolution dd. April 04, 2019

(Minutes dd. April 05, 2019 No. 347). During the reporting period, the Committee operated with 18 members (including 1 member of the Board of Directors and 17 representatives of shareholders):

Full Name	Title/Position ⁷⁸
Dubnov Oleg Markovich Chairman	Independent Director
Barkin Oleg Gennadyevich	Deputy Chairman of the Management Board of Association NP Market Council
Dmitry Stanislavovich Bulgakov	Deputy Head of Directorate "Expert Centre in the Fuel and Energy Complex" FSBI "Russian Energy Agency" (Analytical Centre of the Fuel and Energy Complex)
Grabchak Yevgeny Petrovich	Director of the Department of Operational Control and Management in the Power Industry of the Ministry of Energy of Russia
Denisov Dmitry Gennadyevich	Director of the Small and Medium Business Development and Competition Department of the Ministry of Economic Development of Russia
Ilyenko Alexander Vladimirovich	Member of the Management Board, Director for Development Management of JSC SO UES
Kazachenkov Andrey Valentinovich	First Deputy General Director, member of the Management Board of PJSC RusHydro
Kiselev Vasily Nikolaevich	Chairman of the Consumer Council under the Government Electricity Commission
Mazo Leonid Vladimirovich	Advisor to the Chairman of the Management Board of JSCB "Tender Bank" (JSC)
Mayorov Andrey Vladimirovich⁷⁹	Deputy Director General - Chief Engineer of ROSSETI
Mikhailenko Konstantin Sergeyevich	Principal Advisor of ROSSETI
Molsky Aleksey Valeryevich⁷⁹	Deputy Chairman of the Board of FGC UES, Member of the Board of FGC UES
Pavel Yurievich Nuzhdin	Head of Post-Investment Analysis, Investment Development and Management Department of PJSC "T Plus"
Podlutskiy Sergey Vasilyevich⁷⁹	Director of Investment Activities of ROSSETI
Roslyakov Alexey Yurievich	Deputy Director General for Technical Issues of JSC Mezhennergosbyt
Sergeyev Sergey Vladimirovich	Deputy General Director for Capital Construction of ROSSETI
Snikkars Pavel Nikolaevich	Director of the Department of Electric Power Industry Development of the Ministry of Energy of Russia
Shevchuk Alexander Viktorovich	Executive Director of the Association of Professional Investors

During the reporting period the Committee members were also Dmitry B. Hakobyan, Dmitry B. Gvozdev and Roman E. Filimonov. The authorities of Dmitry B. Hakobyan, Dmitry B. Gvozdev and

Roman E. Filimonov were terminated on the basis of the ROSSETI Board of Directors resolution dated April 4, 2019. (Minutes No. 347 dated April 05, 2019).

Full name of Committee member	In Absentia Meetings (3)		In-person Meetings (7)			
	Number of attended meetings	Participation rate, %	Number of meetings in which the Committee member participated in person	Number of meetings in which the Committee member participated by sending a questionnaire	Percentage of presence %	Participation rate, %
Dubnov O.M.	3	100	7	0	100	100
Barkin O.G.	3	100	3	4	42.9	100
Bulgakov D.S.	3	100	7	0	100	100
Grabchak E.P.	3	100	4	3	57.1	100
Denisov D.G.	2	66.7	1	4	14.2	71.4
Ilyenko A.V.	3	100	3	4	42.9	100
Kazachenkov A.V.	3	100	2	4	28.6	85.7
Kiselev V.N.	3	100	7	0	100	100
Mazo L.V.	3	100	0	7	0	100
Mayorov A.V.	3	100	6	1	85.7	100
Mikhailenko K.S.	3	100	7	0	100	100

⁷⁸ The members' positions are states as of the date of their election to the Committee. During the reporting period and as of the date of the Report approval some of the positions have changed.

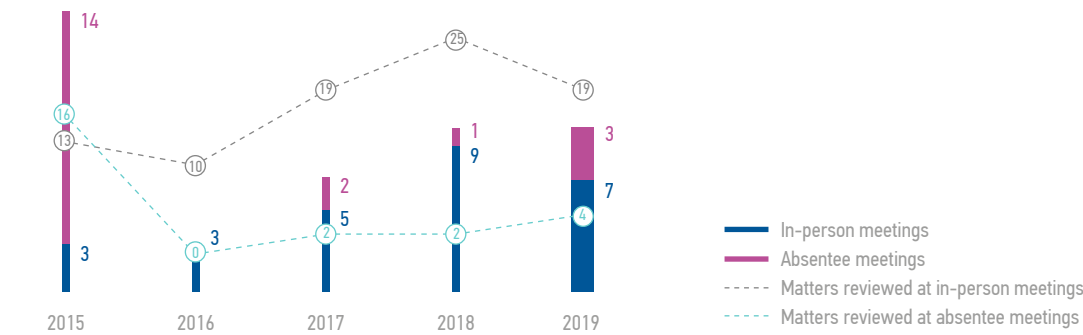
⁷⁹ Elected to the Committee by the Board of Directors' decision dated April 04, 2019 (Minutes No. 347 dated April 05, 2019).

Full name of Committee member	In Absentia Meetings (3)			In-person Meetings (7)			
	Number of attended meetings	Participation rate, %	Number of meetings in which the Committee member participated in person	Number of meetings in which the Committee member participated by sending a questionnaire	Percentage of presence %	Participation rate, %	
Molsky A.V.	3	100	4	2	57.1	85.7	
Nuzhdin P.Yu.	3	100	1	6	14.2	100	
Podlutskiy S.V.	3	100	5	2	71.4	100	
Roslyakov A.Yu.	3	100	5	2	71.4	100	
Sergeev S.V.	3	100	2	5	28.6	100	
Snickers P.N.	2	66.7	2	3	28.6	71.4	
Shevchuk A.V.	3	100	5	2	71.4	100	

In 2019, the Committee held 10 meetings, including 7 in person, during which a total of 23 issues were considered.

Over the reporting period, the Committee paid particular attention to investment, energy efficiency, innovation and certain technical policy aspects.

Investment, Technical Policy, Reliability, Energy Efficiency and Innovation Committee Meetings and Matters Reviewed

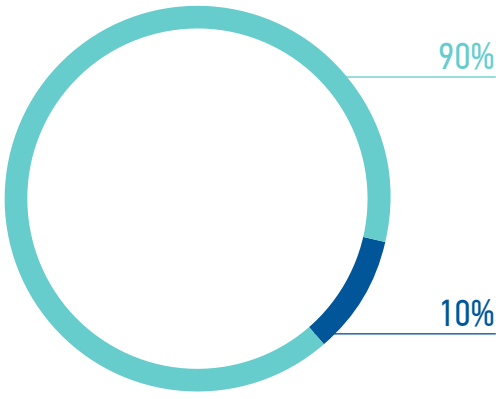


Issues Reviewed by the Investment, Technical Policy, Reliability, Energy Efficiency and Innovation Committee



- Investments and investment operations
- Energy efficiency and innovation
- Technical policies, service quality and reliability
- Procurement
- The Committee's organization matters
- The Committee's reports

Categories of Issues Considered



- Recommendations to the Board of Directors
- Independent consideration

Corporate Secretary

The post of Corporate Secretary was first introduced in the Company in 2015. According to the Regulations on the Corporate Secretary of the Company, the functions of the Corporate Secretary include:

- participation in cooperation with professional market participants;
- Informing the Company's Board of Directors on compliance with legislative requirements and provisions of internal documents in the area of corporate governance;
- participation in interaction of the Company with its shareholders and prevention of corporate conflicts;
- participation in organizing General Meetings of the Company's Shareholders;
- participation in implementing the policy on information disclosure, as well as ensuring storage of corporate documents of the Company;
- participation in improving the system and practice of corporate governance of the Company;
- ensuring work of the Board of Directors and Committees of the Board of Directors of the Company.

The Regulations for the Corporate Secretary of ROSSETI were approved by the decision of the Board of Directors dated September 23, 2016 (Minutes No. 240 dated September 26, 2016).

The Corporate Secretary is functionally subordinate to the Board of Directors, and administratively to the Director General due to the specifics of the Russian labour laws.

The appointment and dismissal of the Corporate Secretary in the Company shall be made on the basis of resolution of the Board of Directors with preliminary consideration by the Nomination and Remuneration Committee of the Board of Directors. The competence of the Board of Directors includes motivation, remuneration of the Corporate Secretary, approval of the Regulations on the Corporate Secretary, which ensures independence from the management of the Company and efficiency of performance of the assigned functions.

The Corporate Secretary of the Company is Natalia Baranyuk.

BARANYUK Natalya Nikolaevna



Born in 1978 in Krasnoyarsk.
In 2011, she graduated from Lomonosov Moscow State University with a degree in "management".
In 2000, she graduated from Krasnoyarsk State Agrarian University with a degree in "jurisprudence".

PROFESSIONAL EXPERIENCE

2008 - 2015 — Adviser, Deputy Director of the Department of the Ministry of Finance of the Russian Federation.
In 2015 — Deputy Director of the Affairs Management Department of the Ministry of Energy of the Russian Federation.
From 2015 — Corporate Secretary - Head of Staff of ROSSETI Chairman of the Board of Directors.

She does not hold any shares of ROSSETI, nor any shares or interests in its controlled entities, has not performed any transactions with the Company's securities during the year, and does not have any loans issued by the Company.
She is not included in the management bodies of other legal entities.
She is a member of the professional association of corporate secretaries (National Association of Corporate Secretaries (NACS)).

ROSSETI Executive Bodies

The management of the Company's current activities is carried out by the collective and sole executive bodies - the Management Board and Director General of ROSSETI.

The competence of the executive bodies includes the resolution of the issues related to the current activities of ROSSETI, except for the issues referred to the competence of the General Meeting of Shareholders and the Board of Directors in accordance with the Company's Charter.

In accordance with the ROSSETI Charter and the ROSSETI Management Board Regulations, the Director General and members of the Management Board report to the Board of Directors.

The range of issues on which the Management Board and the Director General submit reports to the Board of Directors includes, but is not limited to, the following:

- implementation of the Company's strategy and Long-Term Development Programme;
- annual budgets (financial plans);
- information on significant projects of the Company and its S&A;
- status of implementation of programs and key policies of the Company;
- perspective plans for implementation of ROSSETI's main activities;
- financial and economic activities of controlled companies whose shares (stakes) are held by ROSSETI;
- information on risk management system and internal control procedures.

Collegial Executive Body (the Management Board)

The ROSSETI Management Board is a collegial executive body whose tasks include joint consideration, analysis and decision making on the most important issues of the Company's current activities, control over which is the responsibility of the executive bodies. In its activities, the Management Board is guided by the requirements of the Charter and the Regulations on the Management Board of the Company⁸⁰, ensuring both implementation of decisions of the General Meeting of Shareholders and the Board of Directors of the Company. In addition, the Management Board of the Company performs a significant amount of functions related to the management of 100% of ROSSETI's subsidiaries, making decisions that fall within the competence of the meetings of shareholders (participants) of these companies.

The membership of the Management Board of the Company is determined by the Board of Directors of ROSSETI on the proposal of the General Director of the Company. Candidates for members of the Management Board (except for its own) are submitted by the General Director of the Company. Election and early termination of powers of the Management Board members are performed by the Board of Directors of the Company. As of December 31, 2019 ROSSETI Management Board consisted of 5 members of the Management Board.

Members of the Company's Management Board⁸¹



LIVINSKY Pavel Anatolyevich

Director General, Chairman of the Management Board

Born in 1980 in Chelyabinsk.
Citizenship — Russian Federation.

EDUCATION

In 2001 he graduated from the Lomonosov Moscow State University with a degree in "economics".
In 2003 he graduated from the Lomonosov Moscow State University with a degree in "management".

PROFESSIONAL EXPERIENCE

Before 2013 he worked in power grid companies of Moscow and Moscow region, having worked his way up to the Head of JSC "UEC".
In 2013 - 2017 - Head of the Fuel and Energy Department of Moscow, the Housing, Utilities and Amenities Department of Moscow.
From 2017 - Director General and Chairman of the Management Board of ROSSETI.

PARTICIPATION IN GOVERNING BODIES

At the end of the reporting period he is also a member of boards of directors (supervisory boards, boards of trustees) of JSC SO UES, PJSC RusHydro, ROSSETI, MOESK, FGC UES, LENENERGO, NP NTS UES, NIU MEI, Association of Digital Energy Industry Development Organizations.
He is also a member of Boards of Directors (Supervisory Boards, Boards of Trustees) of the Cathedral of Christ the Savior Foundation, the All-Russian Public Sports Organization "Federation of Modern Pentathlon of Russia", the Public Organization "All-Russian Swimming Federation", the All-Russian Public Organization "All-Russian Athletics Federation".
In addition, he is a member of presidiums of the Association "RNK SIGRE", Association "RNK MIREs" and ROO "SFPS", a member of the Board of OOR "RSP".

OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF PJSC ROSSETI AND SUBSIDIARIES AND AFFILIATES

During the reporting year, he did not have any shares (stakes) in ROSSETI or its controlled entities, nor did he perform any transactions with securities (stakes) of the said companies.
He has no family relations with any other members of ROSSETI's management (control) bodies or its controlled organizations.



DEMIN Andrey Alexandrovich

Member of the Management Board

Born in 1974 in Zaporozhye, Ukrainian SSR.
Citizenship — Russian Federation.

EDUCATION

In 1996 he graduated from Zaporozhye State University with a degree in "applied mathematics".
In 1999 he graduated from Zaporozhye Institute of Economics and Information Technologies with a degree in "finance".

PROFESSIONAL EXPERIENCE

Before 2013 he worked in the companies of electric power industry, dealing with finance, operations and strategic management issues.
In 2013 - 2015 - First Deputy Director General for Economics and Finance ROSSETI.
From 2013 - a member of the Management Board of ROSSETI.

PARTICIPATION IN GOVERNING BODIES

At the end of the reporting period he is also a member of the Board of Directors of ROSSETI Tyumen.

OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF PJSC ROSSETI AND SUBSIDIARIES AND AFFILIATES

During the reporting year, he did not have any shares (stakes) in ROSSETI or its controlled organizations, nor did he perform any transactions with securities (stakes) of the said companies.

⁸⁰ Approved by the resolution of ROSSETI Annual General Shareholders Meeting dated June 27, 2019 (Minutes of the Meeting of June 27, 2019), available online on Company's website at http://www.rosseti.ru/eng/investors/reports/Internal-docs/doc/Regulations_for_the_management_board_2019.pdf

⁸¹ As of December 31, 2019.



KOROTKOV Dmitry Sergeevich

Member of the Management Board, Deputy Director General for Legal Support

Born in 1982 in Leningrad.
Citizenship — Russian Federation.

EDUCATION

In 2004 he graduated from St. Petersburg State University with a degree in "law".

PROFESSIONAL EXPERIENCE

Before 2015 he worked in federal government bodies.
In 2015 - 2018 - Assistant to the Prime Minister of the Government of the Russian Federation.
From 2018 - Deputy Director General for Legal Support, member of the Management Board of ROSSETI.

PARTICIPATION IN GOVERNING BODIES

At the end of the reporting period he is also a member of the Board of Directors of IDGC of Volga, a member of the Supervisory Board of ANO Centre Amur Tiger.

OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF PJSC ROSSETI AND SUBSIDIARIES AND AFFILIATES

During the reporting year, he did not have any shares (stakes) in ROSSETI or its controlled organizations, nor did he perform any transactions with securities (stakes) of the said companies.



SERGEYEVA Olga Andreyevna

Member of the Management Board, Chief Advisor

Born in 1984 in Moscow.
Citizenship — Russian Federation.

EDUCATION

In 2006, she graduated from the Plekhanov Russian Academy of Economics. In 2006 she graduated from the Russian Academy of Economics named after G.V. Plekhanov with a degree in "economics and management at an enterprise (construction)".

PROFESSIONAL EXPERIENCE

In 2012 - 2017 she held managerial positions in the Moscow City Government.
In 2017 - 2018 - Advisor, Chief Advisor of ROSSETI.
In 2018 - 2019 - Deputy General Director - Head of ROSSETI Office, Member of the Management Board of ROSSETI.
From 2019 - Chief Advisor of ROSSETI, Member of the Management Board of ROSSETI.

PARTICIPATION IN GOVERNING BODIES

At the end of the reporting period she is also a member of the boards of directors (supervisory boards, boards of trustees) of FGC UES, MOESK, LENENERGO, ROSSETI South, IDGC of North-West, ROSSETI Northern Caucasus, Kubanenergo, JSC "NPF Otkrytie", Association "ERA of Russia".

OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF PJSC ROSSETI AND SUBSIDIARIES AND AFFILIATES

During the reporting year she did not have any shares (stakes) in ROSSETI or its controlled organizations, did not perform any transactions with securities (stakes) of the said companies.



PYATIGOR Alexander Mikhailovich

Member of the Management Board, Deputy Director General for Implementation of Services

Born in 1980 in Kiima village of Kazakh SSR.
Citizenship — Russian Federation.

EDUCATION

In 2002, he graduated from the Kazakh Agrarian University. C. Saifulin Kazakh Agrarian University with a degree in "electricity supply and electrification of agriculture".

PROFESSIONAL EXPERIENCE

In 2013 - 2018 - Deputy Director General for Technological Connection and Development of MOESK services.
In June, 2018 - November, 2018 - Acting Deputy Director General for Development and Implementation of Services of ROSSETI.
In November, 2018 - April, 2020 - Deputy Director General for Implementation of Services of ROSSETI.
From 2018 - Member of the Management Board of ROSSETI.

PARTICIPATION IN GOVERNING BODIES

At the end of the reporting period he is also a member of the boards of directors (supervisory boards, boards of trustees) of IDGC of Volga, ROSSETI Northern Caucasus, PJSC Dagestan Power Sales Company, JSC Ekaterinburgenergosbyt, JSC "Kabbalkenergo", JSC "Sevkavkazenergo", JSC "Karachayevo-Cherkesskenergo", JSC "Pskovenergosbyt", JSC "Kalmenergosbyt", JSC "Tyvaenergosbyt", JSC "Yantarenergosbyt", JSC "EnergoCenter", JSC "Management of Vols VL".

OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF PJSC ROSSETI AND SUBSIDIARIES AND AFFILIATES

During the reporting year he did not have any shares (stakes) in ROSSETI or its controlled organizations, did not perform any transactions with securities (stakes) of the said companies.

Changes in the Composition of the Management Board in 2019

Over the period through April 29, 2019⁸² **Valentin Efimovich Mezhevich** was also a member of the Management Board of the Company.

During the reporting period, none of the members of ROSSETI's Management Board received any loans or credits from the Company, had any other contractual relations with the Company and/or its controlled organizations, except for employment agreements/agreements, and did not have any other grounds indicating a conflict of interests of a member of the Management Board of the Company.

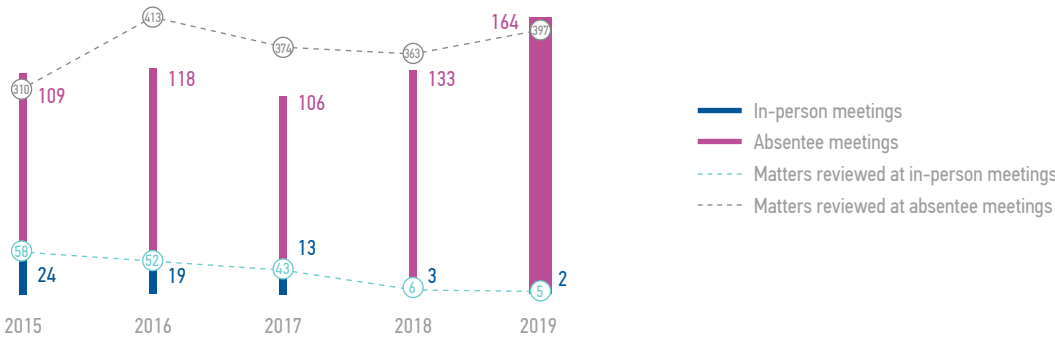
Report on activity of the Management Board members

During the reporting period, the Company's Management Board held 166 meetings, including 2 meetings in person, at which a total of 402 issues were considered.

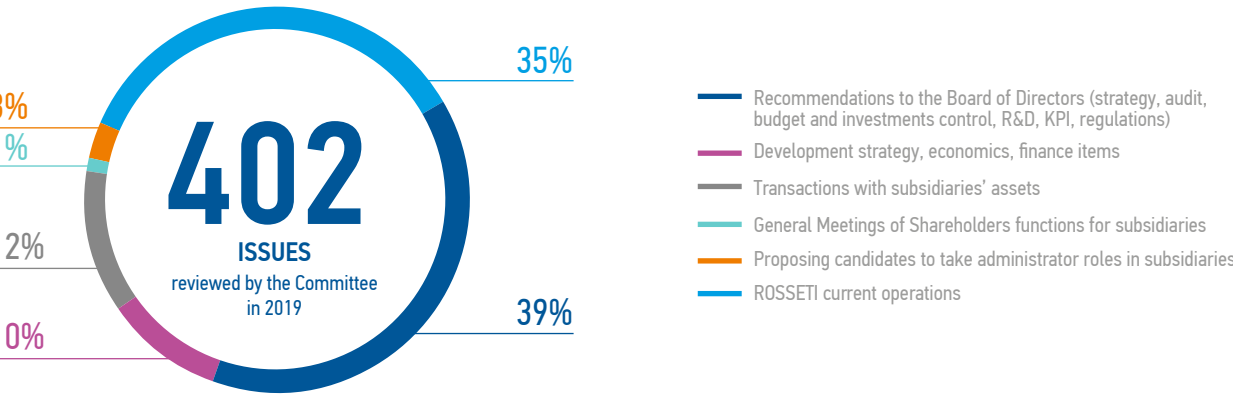
Participation of ROSSETI Management Board members in meetings in 2019.⁸³

Full name	Meetings In absentia	In-person meetings
Livinsky Pavel Anatolievich	164/164	2/2
Demin Andrey Alexandrovich	164/164	2/2
Korotkov Dmitry Sergeevich	162/164	2/2
Mezhevich Valentin Efimovich (member of the Management Board till April 29, 2019)	52/164	1/2
Pyatigor Alexander Mikhailovich	163/164	1/2
Sergeyeva Olga Andreyevna	164/164	2/2

Management Board Meetings and Matters Reviewed



Issues Reviewed by the Management Board



⁸² This member's power was cancelled under the decision taken by the Board of Directors on 29.04.2019 (Minutes of the Meeting of April 30, 2019 № 353).

⁸³ The data in the table are given in the format "5/7", indicating that the person could have participated in 7 meetings of the Board, actually participated in 5 meetings.

Sole Executive Body (Director General)

In accordance with the Company's Charter, the current management of ROSSETI is carried out by the Company's Director General elected by ROSSETI Board of Directors. The Director General also heads the Company's Management Board.



Since September 2017⁸⁴ functions of the sole executive body of ROSSETI, the Director General, have been performed by Pavel Anatolievich Livinsky.

The information about Mr. Livinsky is available in the Management Board and Board of Directors sections.

Remuneration and Bonuses

Statement of the Nomination and Remuneration Committee

In 2019, the Nomination and Remuneration Committee continued to perform its key function – to support the activities of the Board of Directors in matters of financial motivation of the Company's management bodies and personnel decisions.

An important achievement of the reporting year was the adoption of a new version of the Regulation on Payment of Remuneration and Compensation to Members of the Board of Directors. The amendments were made to incorporate certain recommendations of the Russian Corporate Governance Code into the Company's corporate practice. As a result, the basic annual remuneration

of ROSSETI Board members was set at the level of average remuneration for members of comparable companies' boards of directors.

In addition, in order to ensure control over the efficiency of the executive management bodies, the Committee considered issues related to setting KPI targets for 2019 and their achievement. Taking into account the degree of achievement of the established KPIs, the level of remuneration of the Company's top managers was determined.

Main Provisions of the Company's Management Bodies Remuneration Policy

ROSSETI's policies on determining the amount and procedure for paying remuneration to members of the Company's management bodies are based on the principles and recommendations of the Bank of Russia's Corporate Governance Code, on the criteria of transparency and accountability.

Management Bodies Remuneration Policy Framework

The Company's remuneration policies are set out in a number of internal regulatory documents:

- for members of the Board of Directors – by the Regulations on Payment of Remuneration and Compensations to Members of the Board of Directors⁸⁵;
- for the members of the Committees under the Board of Directors who are not members of the Board of Directors – Regulations on the Strategy Committee under the Board

of Directors of ROSSETI and Regulations on the Investment, Technical Policy, Reliability, Energy Efficiency and Innovation Committee under the Board of Directors of ROSSETI⁸⁶;

- for top managers – ROSSETI Regulation on Material Incentives for Top Managers⁸⁷.

The remuneration of the General Director is determined by the terms of the employment contract concluded with him.

Changes in the Company's Remuneration Policy in 2019

In 2019, a new version of the Regulations on Remuneration and Compensation to Members of the Board of Directors was approved, which provides for amendments aimed at compliance with the recommendations of the Corporate Governance Code, according to which the level of remuneration paid should be sufficient to attract, motivate and retain persons with the competence and qualifications necessary for the Company. In accordance with the version of the Regulation, it is planned to

switch from determining the amount of the basic remuneration depending on the level of the Company's revenue to the use of a fixed value of the basic remuneration for the members of the Board of Directors. ROSSETI's basic annual remuneration for members of the Board of Directors has been set at the level of average remuneration for members of the boards of directors of comparable companies.

Role of the Nomination and Remuneration Committee under the Board of Directors

The Nomination and Remuneration Committee under the Board of Directors of the Company plays an important role in the functioning of the remuneration system of the Company's management bodies:

- the Committee is vested with the authority to develop and periodically review the remuneration policy for members of the Company's Board of Directors;
- the Committee supervises the implementation and implementation of policies on remuneration for members of the Company's Board of Directors and Management Board;

- the Committee makes recommendations to the Board of Directors of the Company on the Methods of calculation and evaluation of KPI implementation by ROSSETI General Director;

- the Committee preliminarily reviews reports on the implementation of quarterly and annual KPIs of ROSSETI General Director and makes recommendations to the Board of Directors on this matter.

Remuneration for Members of the Board of Directors and the Board Committees

Principles for Determining the Amount of Remuneration

The amount of remuneration for the members of the Board of Directors is determined based on the scope of responsibilities and actual participation in the work of the Board of Directors, as well as work in the Committees under the Board of Directors. The amount of the basic annual remuneration set out in the Regulations on Remuneration and Compensation to ROSSETI Board Members is adjusted for these indicators.

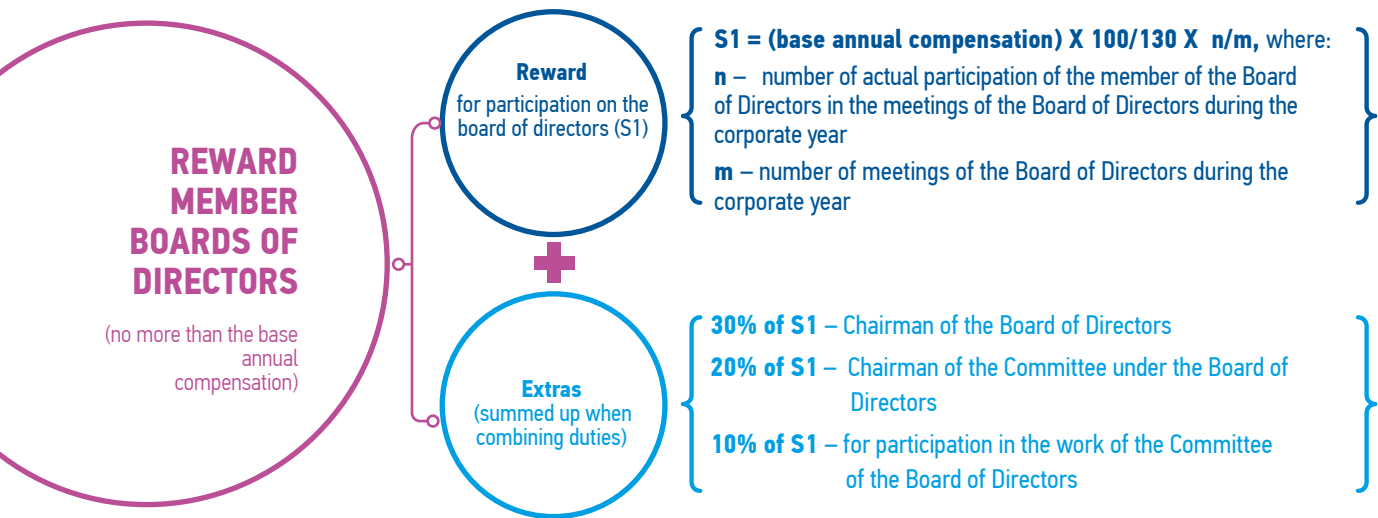
Remuneration is paid in the form of a lump sum payment in rubles. Other forms of remuneration, including forms of short-term and long-term motivation that depend on the financial result, as well as forms of motivation by shares (stock options), are not applied in the Company.

⁸⁴ Resolution of the Board of Directors dated September 11, 2017 (Minutes No. 277 dated September 14, 2017). Order No. 340k dd. September 12, 2017.

⁸⁵ Approved by the ROSSETI's AGM June 27, 2019 (Minutes of Meeting June 27, 2019 № n/n).

⁸⁶ Approved by the decision of the Board of Directors of ROSSETI of October 21, 2013 (Minutes No. 137, as amended by the decision of the Board of Directors of ROSSETI of December 15, 2014 (Minutes No. 173)).

⁸⁷ Approved by the Board of Directors (Minutes of the Meeting of November 19, 2009 №26).



The amount of the base annual compensation is 3.5 mln rubles.

Restrictions on Payment of Remuneration:

Members of the Board of Directors who are also members of the Management Board of the Company.	The Regulations on Payment to ROSSETI Board Members do not apply. Remuneration is not accrued or paid.
Members of the Board of Directors who are persons for whom federal law restricts or prohibits any payments from commercial organizations.	No remuneration shall be accrued or paid to such persons.
Members of the Board of Directors who attend less than 50% of meetings of the Board of Directors.	No remuneration shall be paid to such member of the Board of Directors.
Total remuneration of all members of the Board of Directors exceeds the Company's net profit under RAS for the last year.	Remuneration is not paid to all members of the Board of Directors.
Holding less than 3 meetings of the Committee at the Board of Directors.	No remuneration (bonuses) is paid for chairing and/or being a member of this Committee.
The Company provides for the payment of compensation to the members of the Board of Directors of ROSSETI for expenses associated with participation in meetings of the Board of Directors or committees, according to the standards of reimbursement of	travel expenses in force at the time of the meeting, established in the Company. In the event of early termination of the powers of a member of the Board of Directors, no severance pay, compensation or other payments are envisaged in the Company.

Remuneration of the Members of the Board Committees who are not Members of the Board of Directors

The Strategy Committee under the Board of Directors and the Investment, Technical Policy, Reliability, Energy Efficiency and Innovation Committee under the Board of Directors are partially composed of persons who are not members of the Board of	Directors in order to attract the necessary competence and expertise. The procedure for paying remuneration to these persons for attending meetings of these committees is regulated in the regulations for the respective committees.
Remuneration of the Chairman of the Committee	3 minimum monthly wage rates for the first class ⁸⁸ worker per meeting.
Remuneration of the Deputy Chairman of the Committee, member of the Committee	80% of the remuneration of the Chairperson of the Committee for a single meeting.

⁸⁸ Set forth in the Sectoral Wage Rate Agreement in the electricity sector of the Russian Federation as of the date of such meeting of the Committee, adjusted for the indexation provided for in the Agreement.

Report on Actual Remuneration and Compensations Paid to the Members of the Board of Directors and the Board Committees

The Annual General Meeting of Shareholders of the Company held on June 27, 2019⁸⁹, decided, not to pay members of the Board of Directors of the Company remuneration for their work in the Board of Directors due to a loss incurred in 2018.

The total amount of remuneration paid in 2019 to the members of the Committees of the Board of Directors who are not members of the Board of Directors was 8,561 thsd rubles.

Remuneration of the Management Board and Director General of the Company

The remuneration system of ROSSETI Management Board members is aimed at ensuring their material interest in achieving the Company's long-term goals and increasing the economic efficiency of management, as well as ensuring a fair and competitive remuneration level. ROSSETI Director General's remuneration is determined by the terms of the employment contract.

Remuneration for the members of the Management Board consists of fixed (salary) and variable (KPI bonus) parts.

Main components of the motivation system for the Management Board member

	Fixed part	Variable part	Other forms of incentives
Form of implementation	Official salary	Quarterly and annual bonuses based on KPI achievement	Social package ⁹¹ and liability insurance (D&O)
	Target weight of components in the compensation structure for the year		
	not more than 40%	not less than 60%	Provided
Target weight of components in the compensation structure for the year	Attracting and retaining highly professional managers through a fair level of base compensation at market level.	Incentives to achieve the targets in accordance with the Long-Term Development Programme and business plans of the Company	Provision of social benefits in accordance with best market practices
Target	The level of salary corresponds to market conditions, which ensures stability of the Company management	The amount of the quarterly and annual bonuses of the top manager of the Company is calculated on the basis of actually achieved KPI values based on the Company's performance. The Company's KPI system is interconnected with the business plan, the Company's strategy, innovation activities, and achievement of the Company's sustainable development goals.	→ Insurance coverage under VHI and liability insurance programs (D&O) → Other types of compensation and remuneration in accordance with the employment contract and the Company's ORD

Control over introduction and implementation of the Company's policy on remuneration for key employees of the Company falls within the competence of the Board of Directors of the Company and the Nomination and Remuneration Committee under the Board of Directors of the Company.

The return to the Company of the paid variable part of remuneration, the amount of severance pay and other payments in the event of early termination of the authority of the Company's top managers is regulated in accordance with the requirements of the legislation of the Russian Federation.

Report on actual remuneration and compensation paid to the members of the Management Board and the General Director of the Company⁹¹

Remuneration to the Director General and members of the Management Board accrued in 2019, thsd RUB	
Remuneration for participation in the work of the management body	3,618
Salary	104,485
Bonuses	158,926
Other types of remunerations	6,332
Total	273,361

The amount of the premium for 2019 was determined based on the achievement of KPI targets.

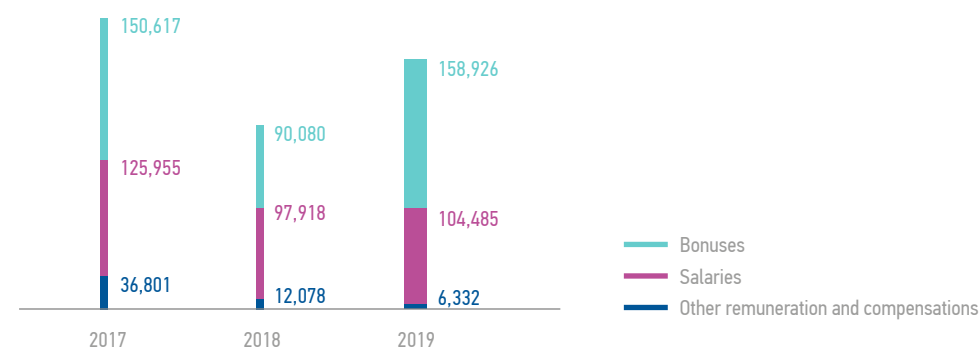
For more information on the KPI system, see KPI System. Performance evaluation.

⁸⁹ Decision of ROSSETI Annual General Meeting of Shareholder on June 27, 2019 (minutes of meeting of June 27, 2019 № n/n).

⁹⁰ Regulation on formation of social package by ROSSETI's job categories (approved by the Company's Order No 125 of 27.06.2019).

⁹¹ Information on remuneration paid is disclosed on the Company's website as part of the quarterly report www.rosseti.ru/eng/investors/reports/quarterly/

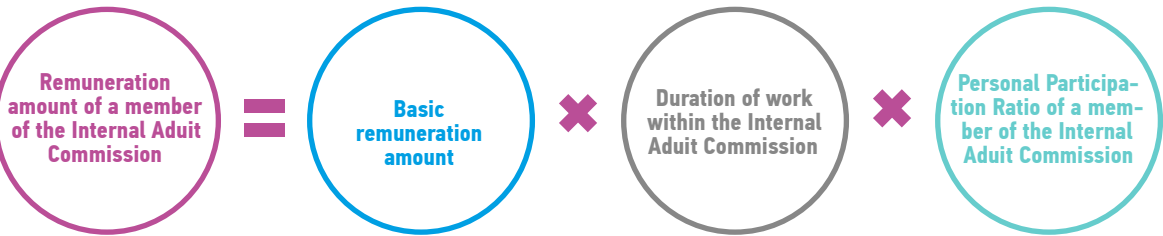
Remuneration paid to the members of ROSSETI Management Board and Director General, thsd RUB



Remuneration of members of the Internal Audit Commission

The remuneration policy for members of the Audit Commission is determined by the Regulations on Payment of Remuneration and Compensations to ROSSETI Members of the Audit Commission⁹². The amount of remuneration depends on the Company's revenue indicator for the last reporting year and the degree of participation in the work of the Internal Audit Commission during the corporate year.

Remuneration to members of the Internal Audit Commission is paid by decision of the General Meeting of Shareholders. In this case, remuneration shall not be paid to persons in respect of whom a legal limitation or prohibition on receiving payments from commercial organizations is provided.



Company Revenue	Base Remuneration Amount
Over 200 bn rubles	150,000 rubles
Over 30 bn rubles	135,000 rubles
Over 10 bn rubles	120,000 rubles
Over 1 bn rubles	105,000 rubles
Over 600 mln rubles	90,000 rubles

Remuneration paid to the members of the Audit Commission in 2019⁹³

Full Name	State Employee ⁹⁴	Amount of Remuneration, thsd rubles
Zadorozhnaya Angelika Alexandrovna	No	143.0
Khakimova Nina Sergeevna	No	87.4 ⁹⁵
Zobkova Tatiana Valentinovna Chairman	Yes	0.0
Simochkin Dmitry Igorevich	Yes	0.0
Sinitsina Natalia Valeryevna	Yes	0.0

No compensations were paid to the members of the Audit Commission in 2019.

⁹² Approved by the decision of the General Meeting of Shareholders of June 29, 2018 (Minutes of June 29, 2018 No. n/n).
⁹³ According to the decision of the General Meeting of Shareholders of June 27, 2019 (Minutes of June 27, 2019 No. n/n) in 2018, remuneration was paid to the members of the Audit Commission elected on June 29, 2018 (Minutes of the General Shareholders' Meeting of June 29, 2018 No. n/n).
⁹⁴ The members of the Audit Commission, who are government officials, were not paid remuneration due to legal restrictions on receiving payments from commercial organizations.
⁹⁵ When defining remuneration, the time interval from June 29, 2018 to October 29, 2018 was excluded due to the fact that during this period Khakimova N.S. was a civil servant.

Risk Management System and Corporate Control

Internal Audit Commission

In order to control the financial and economic transactions of ROSSETI, the Company has established an Audit Commission, a permanent control body formed by and accountable to the General Meeting of Shareholders.
The Audit Commission is elected from candidates proposed by shareholders of the Company or nominated by the Board of Directors of the Company and acts on the basis of the legislation of the Russian Federation, the Charter and Regulations

on the Audit Commission of the Company, as well as taking into account methodological recommendations of the Federal Property Management Agency⁹⁶.

Regulations on the Internal Audit Commission ROSSETI approved by the decision of the General Meeting of Shareholders of the Company dated June 30, 2015.

Key Issues Considered by the Internal Audit Commission in the Reporting Year

Control over financial and economic activities, elimination of identified shortcomings as a result of inspections	ROSSETI's financial and business operations for 2018 and 9 months of 2019 were audited (no violations were found).
Assessing the reliability of the data contained in the annual report and annual financial statements	Reviewed the annual report, annual financial statements for 2018. No material misstatements were found that could significantly affect the information in the annual report.
Informing on the facts of violation of the accounting procedure, presentation of financial statements, procedure of financial and economic activities	The issues of preparing the financial statements and compliance with accounting rules were considered, and no violations were found.
Control of legitimacy of financial and economic operations carried out	The report on interested party transactions concluded in 2018 was considered (no violations of the law were revealed).

Interaction between the Internal Audit Commission and the Internal Audit Department of the Company

According to the requirements of the legislation, in order to organize ROSSETI control system, along with the possibility of establishing an Internal Audit Commission, it is also obliged to organize internal audit function and determine the unit (person) responsible for this function.

The powers and functions of the Internal Audit Commission and the internal audit unit are separated as follows:

	Internal Audit Department of ROSSETI	Internal Audit Commission of ROSSETI
Purpose	Assistance to the Board of Directors and executive bodies of the Company in improving the efficiency of the Company's management, improving its financial and economic activities (including analysis and assessment of risk management systems, internal control and corporate governance to ensure reasonable confidence in achieving the goals set for the Company).	Control of financial and economic activities, assessment of reliability of reports in the interests of shareholders.
Accountability	To the Board of Directors (Audit Committee). As a rule, periodic reports during the year.	To the General Meeting of Shareholders. An audit report is prepared before the Annual General Meeting of Shareholders.
Powers	Inspections of activities/directions in accordance with the plan approved by the Board of Directors or as instructed by the Board of Directors (Audit Committee).	Verification of financial statements for the annual general meeting and certain inspections on behalf of shareholders.
Composition	Employees of the Company.	The composition is determined by a decision of the General Meeting of Shareholders, members may be employees of the Company or independent from it.
Leadership/Chairman	Candidate is agreed by the Board of Directors.	The Chairman of the Commission is determined by the decision of the Internal Audit Commission.
Motivation	The remuneration is determined by the Board of Directors.	The remuneration is determined by the General Meeting of Shareholders.

⁹⁶ Approved by Order of the Federal Property Management Agency of September 16, 2014 №350.

Composition of the Internal Audit Commission of the Company

The Annual General Shareholders Meeting of the Company has approved the following composition of the Internal Audit Commission on June 27, 2019⁹⁷:



ZOBKOVA TATIANA VALENTINOVNA

Chairman of the Internal Audit Commission

Born in 1976 in Uralsk.
Citizenship — Russian Federation.
EDUCATION
1999 – Moscow Regional Pedagogical University, degree in "teacher of mathematics".
2004– Moscow Engineering Physics Institute (State University), degree in "economics".
PROFESSIONAL EXPERIENCE
Until 2014 – worked in commercial organizations and municipal authorities.
Since 2014 - Leading Advisor, Deputy Head of Division, Head of Division, Deputy Director of the Department of Corporate Policy and Property Relations in the Fuel and Energy Sector of the Ministry of Energy of Russia.
OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF PJSC ROSSETI AND SUBSIDIARIES AND AFFILIATES
During the reporting year, she did not have any shares (stakes) in ROSSETI or its controlled entities, nor did she perform any transactions with securities (stakes) in the above companies. Does not have any family relations with any members of ROSSETI's management (control) bodies or SDCs.

BALAGUROV Sergey Arkadieovich

Born in 1984 in Ivanovo.
Citizenship — Russian Federation.
EDUCATION
2006 – Ivanovo State University of Chemical Technology, degree in "electrochemical production technology".
PROFESSIONAL EXPERIENCE
Since 2014 - Chief Expert, Leading Advisor and Deputy Head of the Division for Pricing Policy and Industry Infrastructure Control of the Department of Electric Power Industry Development of the Ministry of Energy of Russia.
OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF PJSC ROSSETI AND SUBSIDIARIES AND AFFILIATES
During the reporting year, he did not have any shares (stakes) in ROSSETI or its controlled entities, nor did she perform any transactions with securities (stakes) in the above companies. Does not have any family relations with any members of ROSSETI's management (control) bodies or SDCs.

GABOV Andrey Vladimirovich

Born in 1981 in Gubaha.
Citizenship — Russian Federation.
EDUCATION
2003 – Perm State Technical University, degree in "lifting, construction and road machinery and equipment", qualification "engineer".
2008 – Perm State University, degree in economics with concentration in "finance and credit".
PROFESSIONAL EXPERIENCE
Since 2014 - Head of the Electric Power Industry Development Division; Deputy Director of the Department of State Regulation of Tariffs, Infrastructure Reforms and Energy Efficiency of the Ministry of Economic Development of Russia.
OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF PJSC ROSSETI AND SUBSIDIARIES AND AFFILIATES
During the reporting year, he did not have any shares (stakes) in ROSSETI or its controlled entities, nor did she perform any transactions with securities (stakes) in the above companies. Does not have any family relations with any members of ROSSETI's management (control) bodies or SDCs.

GRECHKA Irina Nikolaevna

Born in 1964 in Lubny.
Citizenship — Russian Federation.
EDUCATION
1986 – St. Petersburg State University of Economics and Finance, degree in "labor economics".
PROFESSIONAL EXPERIENCE
Until 2014 – Deputy Chief Accountant in commercial organizations.
From 2014 to 2015 - Head of the Internal Audit Department at RT-Biotechprom JSC.
2015 – Advisor to the Director General of FGUP NPO Mikrogen.
2016 – 2018 – Advisor to the Director General of FGUP NPO Mikrogen.
2016 to 2018 – Head of the Planning and Economic Department of the State Budgetary Institution of the United Research and Development Centre of Moscow.
2018 to 2019 – Head of the Internal Audit Directorate of ROSSETI.
OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF PJSC ROSSETI AND SUBSIDIARIES AND AFFILIATES
During the reporting year, she did not have any shares (stakes) in ROSSETI or its controlled entities, nor did she perform any transactions with securities (stakes) in the above companies. Does not have any family relations with any members of ROSSETI's management (control) bodies or SDCs.

SIMOCHKIN Dmitry Igorevich

Born in 1992 in Moscow.
Citizenship — Russian Federation.
EDUCATION
2015 – Moscow State University, degree in "economics".
2015 – Moscow Institute of State and Municipal Management, Master of Laws.
PROFESSIONAL EXPERIENCE
Since 2015 - specialist; chief expert; advisor of the department; deputy head of the department; head of the department of the Federal Property Management Agency.
OWNERSHIP OF AND TRANSACTIONS WITH SHARES OF PJSC ROSSETI AND SUBSIDIARIES AND AFFILIATES
During the reporting year, he did not have any shares (stakes) in ROSSETI or its controlled entities, nor did she perform any transactions with securities (stakes) in the above companies. Does not have any family relations with any members of ROSSETI's management (control) bodies or SDCs.

Before the Annual General Shareholders' Meeting of the Company on June 27, the Internal Audit Commission had the following composition⁹⁸:

Full Name	Position at election time
Zobkova Tatiana Valentinovna Chairman of the Internal Audit Commission	Division Head, Department of the Russian Ministry of Energy
Zadorozhnaya Angelica Alexandrovna	Head of Internal Audit Directorate of ROSSETI
Simochkin Dmitry Igorevich	Deputy Head of the Department of Federal Property Management
Sinitsina Natalya Valerievna	Division Head, Department of the Russian Ministry of Energy
Khakimova Nina Sergeevna	Leading Advisor of a Division of the Ministry of Economic Development of Russia

Statistics of the Internal Audit Commission

Attendance at meetings⁹⁹

Members of the Internal Audit Commission in 2019	Meetings
Zobkova Tatiana Valentinovna	5/5
Balagurov Sergey Arkadieovich (from June 27, 2019)	2/2
Gabov Andrey Vladimirovich (from June 27, 2019)	2/2
Grechka Irina Nikolaevna (from June 27, 2019)	0/2
Simochkin Dmitry Igorevich	3/5
Zadorozhnaya Angelika Alexandrovna (till June 27, 2019)	3/3
Sinitsina Natalya Valerievna (till June 27, 2019)	0/3
Khakimova Nina Sergeevna (till June 27, 2019)	3/3

⁹⁷ Elected by decision of the General Meeting of Shareholders of 27.06.2019 (Minutes of 27.06.2019 № n/n).

⁹⁸ Elected by the General Meeting of Shareholders on 29.06.2018 (Minutes of the Meeting of 29.06.2018 № n/n).

⁹⁹ The 3/5 format means that a member of the Audit Commission could have participated in five meetings, but in fact only participated in three meetings.

Risk Management and Internal Control system

Risk Management System

Principles and Approaches to Risk Management System Organization

In the course of their operational activities, ROSSETI and its SDCs are exposed to a significant number of external and internal risks, which can have a significant impact on the performance and efficiency of the ROSSETI Group as a whole. Monitoring, forecasting, prevention and mitigation of negative consequences of risks is one of the most important tasks of the Company's management system.

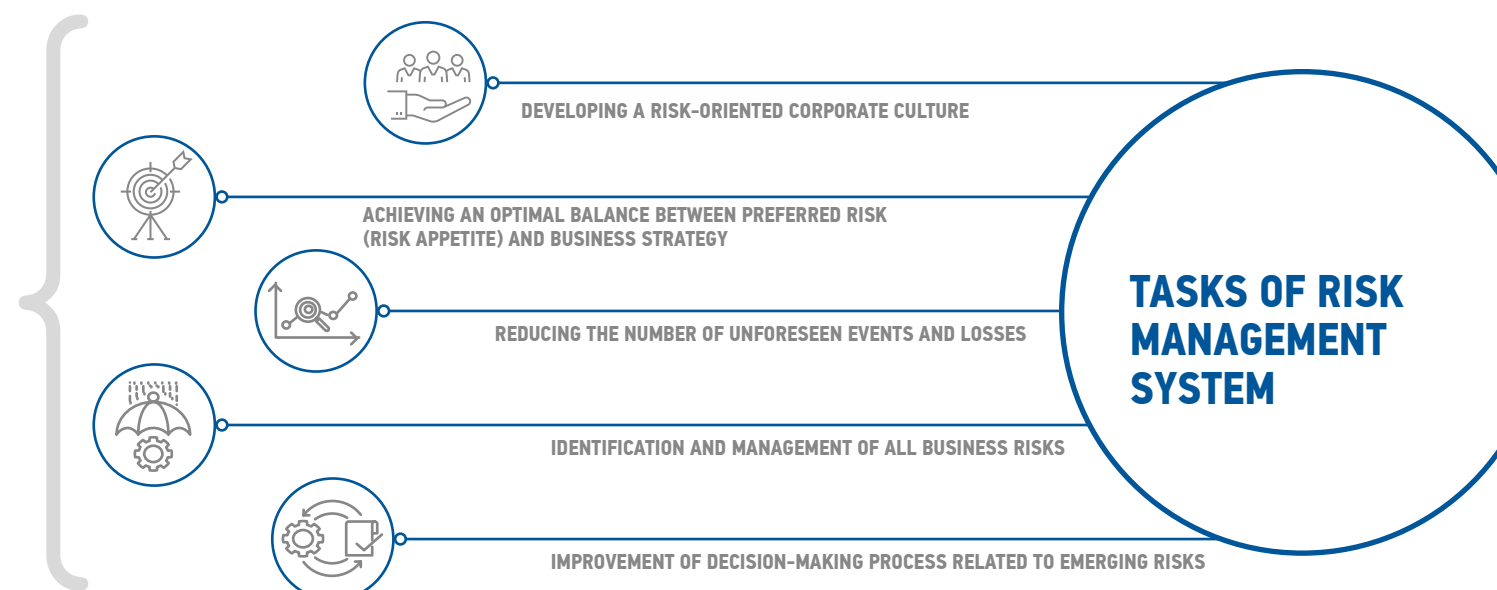
The Risk Management System (RMS) was developed and implemented in the Company's activities taking into account the basic models of risk management COSO ERM "Organization Risk Management. Integrated Model". In order to formalize and regulate the key relations, the Company's Board of Directors by its decision dated November 16, 2015 (Minutes dated November 16, 2015 No. 208) approved the Risk Management Policy in a

new version, which took into account both changes in the regulatory environment and recommendations to the structure and content of internal documents, which determine the approaches of companies with state participation to risk management. To develop the Risk Management Policy, risk management standards were adopted, covering both ROSSETI and those adapted to the controlled entities.

Risk management is considered in ROSSETI as an integral part of strategic and operational management, business planning, and represents a set of measures implemented at all levels of management and planning. The goal of ROSSETI risk management system is to provide reasonable assurance in achieving the goals set for the Company.

Main Principles of the Company RMS:

- focus on creating and protecting the Company's values;
- a systematic approach linked with strategic goals and encompassing all organizational processes of the Company on a continuous basis;
- the principle of optimality of the system in terms of costs and benefits received by the Company from the applied risk management measures;
- adaptability of the system to the constantly changing external and internal environment;
- involvement of all participants in the risk management process of the Company's business processes and their responsibility for the results.



Tasks of Risk Management System

ROSSETI uses various risk management mechanisms, the main of which are the following:

- avoidance of risk - avoidance of activities with unacceptable level of risk;
- risk-sharing - sharing the risk with another party;
- risk management - actions aimed at reduction of the probability and/or consequences of a risk and/or elimination of the causes of risk;
- risk taking - an informed decision not to take any actions with regard to risk.

Risk management is a continuous and iterative process within the overall ROSSETI Group management system and has the following key steps:

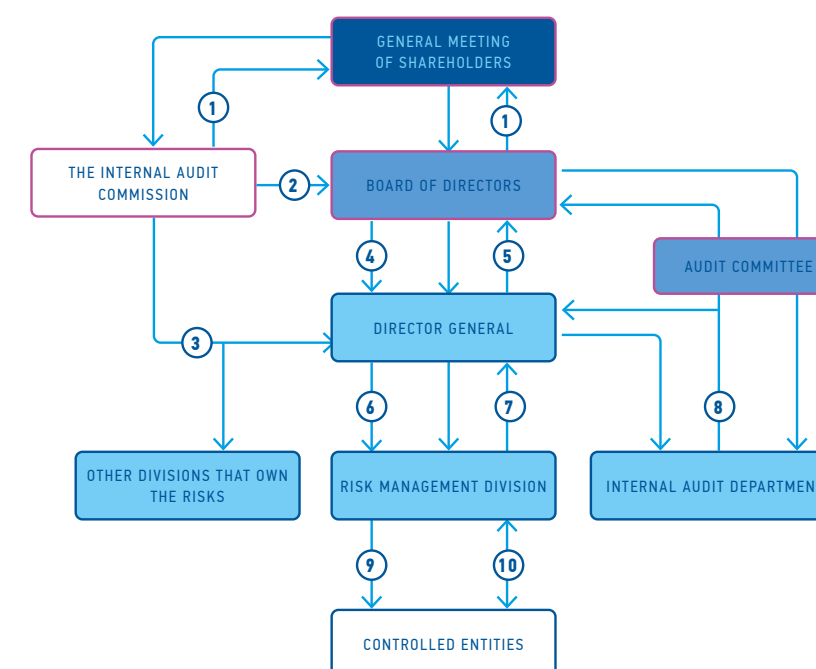
- goal-setting,
- risk identification,
- risk assessment,
- risk response,
- risk monitoring.

Risk Management System Actors

Given the size of the Company, a significant number of participants interact in the risk management process, ranging from operating units and employees in the field to shareholders and stakeholders of the Company. The key role in the formation of an effective risk management system is assigned to the Board of Directors, as well as to the unit responsible for risk management — the Department of Internal Control and Risk Management.

The Board of Directors is responsible for the oversight of the development and effective functioning of the Company's risk management system. In addition, the Audit Committee on a regular basis examines risk management issues in more detail, analyzing both summary reports on risk management, plans for the development of the function, and reviews the most significant risks related to the Company's activities, as well as the implementation of management initiatives.

Interaction between the risk management system actors



Functions and roles

- 1 Accountability/Reporting.
- 2 Information.
- 3 Recommendations as to how Risk Management System can be improved.
- 4 Approval of the risk management policy.
Approval of the risk appetite.
- 5 Reporting.
Proposals as to the risk appetite level.
- 6 Approval of the local regulations.
Ensuring the operating capabilities.
- 7 Reporting.
Proposals.
- 8 Information.
Recommendations as to how Risk Management System can be improved.
- 9 Methods and approaches.
- 10 Interacting with subsidiaries.

Key initiatives implemented in 2019

In 2019, ROSSETI continued to improve our risk management system based on common approaches and standards:

- an independent expert was selected on a competitive basis, and an independent external evaluation of risk management efficiency was conducted;
- key methodological documents in the field of risk management of ROSSETI Group were updated, including the approach to determining the level of risk appetite;
- Risk management units' employees were trained on professional topics in order to maintain the required level of competence;
- a risk management knowledge day was held for the ROSSETI Group employees in order to maintain the required level of corporate culture maturity.

In order to assure the effectiveness of the risk management system, the Company's internal audit department annually conducts an independent internal assessment of the risk management system efficiency. The internal auditor's report on risk management system efficiency assessment was approved by the Board of Directors of ROSSETI December 23, 2019 (Minutes No. 386 dated December 23, 2019) with preliminary consideration by the Audit Committee under the Board of Directors on August 13, 2019 (Minutes No. 107 dated August 13, 2019). Based on the results of the Board of Directors' review, the level of the risk management system was recognized as an optimal one.

The Risk Management Policy of ROSSETI requires periodic external independent assessment of the effectiveness of the risk management system. In the reporting year, an independent expert in the Company conducted an independent assessment of the effectiveness of the risk management system, the report on the results of which was also reviewed by the Board of Directors of ROSSETI¹⁰⁰. Based on the results of the independent assessment carried out in the reporting period, the risk management system was recognized as "effective, with potential for improvement".

Further plans for risk management

The Company developed an action plan to improve the risk management system of ROSSETI Group for 2020 - 2023 that was approved by decision of the Board of Directors. It set the following goals:

- development of risk awareness culture as part of the Company's corporate culture;

- improvement of risk-oriented approach in the management decision making system;
- automation of risk assessment process;
- updating the methodology for determining risk appetite and its relation with the business strategy of the Company;
- embedding the professional standards in the activities of the Company ("risk management specialist").

Internal Control System

The internal control system of the ROSSETI Group is designed to minimize risks arising in the course of achievement of strategic and operational goals of the Company, as well as to increase the efficiency of the Company's activity, and to ensure compliance with legal requirements and reliability of the financial and management reporting of the Company. The Internal control system is integrated into the risk management system and is an integral part of it.

The internal control procedures in the ROSSETI Group are governed by the Internal Control Policy approved by the decision of the Board of Directors of the Company dated November 16, 2015¹⁰¹. Certain elements of the internal control system (ICS) in the Company are governed by documents determining the order, procedures and content of the control environment.

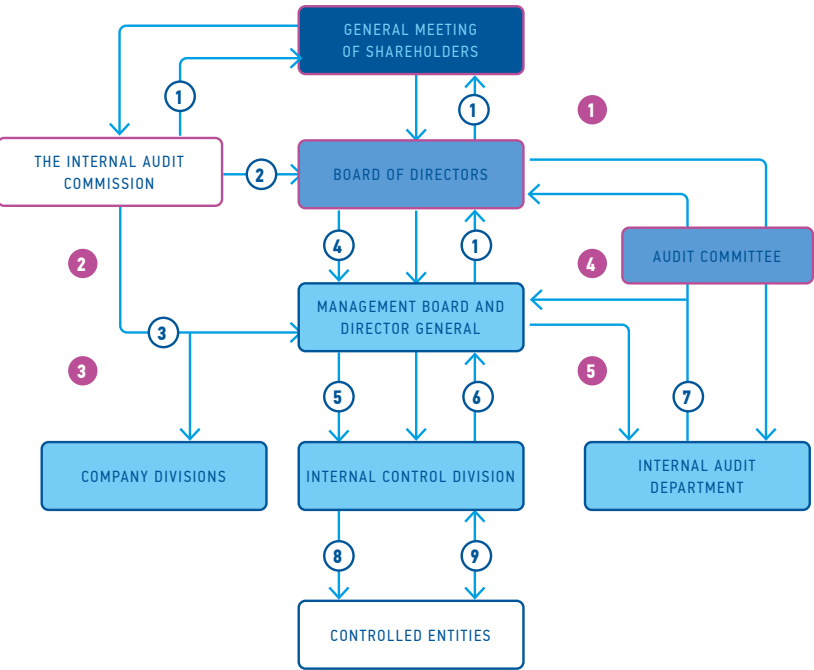
¹⁰⁰ Resolution of Board of Directors on December 23, 2019 (minutes of meeting of December 23, 2019 № 386).
¹⁰¹ Resolution of Board of Directors on November 16, 2015 (minutes of meeting of November 18, 2015 № 208).

Key documents	Description
Internal Control Policy of ROSSETI	Sets the requirements for organization and functioning of ICS: goals, principles and elements of ICS of the Company, the main functions and responsibilities of ICS participants, the procedure for assessing the effectiveness of ICS.
Implementation of the requirements of ROSSETI's Internal Control Policy	Describes tools for implementing the requirements of the Internal Control Policy, discloses the applied aspects of the implementation/enforcement of the norms established by the Internal Control Policy.
Regulation of the Internal Control Process	Defines Internal Control processes, as well as the roles of participants and resources.
Risks and Controls Matrices	Establishes controls that minimize risks of the core and supporting activities, as well as of the management processes of the Company.

Interaction between the Internal Control System Actors

Participants of Internal Control System

ICS of the Company defines the roles of participants depending on their participation in internal control procedures and their level of management.



Functions and roles

- 1 Accountability/Reporting.
- 2 Information.
- 3 Recommendations as to how Internal Control System can be improved.
 - Approval of policies and regulations.
- 4 Internal Control System oversight.
 - Proposals as to how Internal Control System can be improved.
- 5 Approval of the local regulations.
 - Keeping the Internal Control System operational.
- 6 Accountability.
 - Proposals as to how Internal Control System can be improved.
- 7 Information.
 - Recommendations as to how Risk Management System can be improved.
- 8 Methods and approaches.
- 9 Interacting with subsidiaries.

Activity areas and tasks

- 1 Internal Control System organization principles and approaches.
 - Control operations.
- 2 Documenting the controls.
- 3 Implementing the control procedures.
- 4 Internal Control System efficiency assessment.
 - Methodological support.
 - Coordination.

In accordance with the Internal Control Policy, responsibility for the proper organization and execution of the control procedures lies with all participants of the internal control process within the powers set forth in the Articles of Association of the Company, Internal Control Policy, local regulatory acts of the Company, regulations of organizational units and job descriptions.

Certain control procedures focus on the analysis of reporting processes and anti-corruption and anti-fraud procedures. The Company has an Anti-Corruption and Anti-Fraud Hotline, as well

as a Consumer Hotline. The key processes of the Company are monitored and analyzed on a regular basis, including analysis and control of the effectiveness of business processes and the results of operations.

An important element of the internal control system is the Company's risk management process which involves identification, assessment, measures to minimize risks, and monitoring of risks.

Key ICS Measures Implemented in 2019

In 2019, the Board of Directors¹⁰² reviewed the report on the results of implementation of the roadmap of the ICS Development and Improvement Strategy for of ROSSETI and its SDCs, approved in 2014¹⁰³. The Board of Directors noted the organizational maturity of the internal control system and its optimal fit to the goals and objectives of the Company at the current stage of its development.

In 2019, the Company carried out the following activities to improve the efficiency of the internal control system:

- an independent expert was selected on a competitive basis, and an independent external assessment of the internal control efficiency was conducted;

- integration of updated risks and control matrices into process models;
- a self-assessment of the effectiveness of control procedures and the effectiveness of the internal control system was carried out;
- employees of internal control division were trained on professional topics to maintain the required level of competencies.

A report on the organization, functioning and effectiveness of the internal control system was reviewed by the Board of Directors of the Company¹⁰⁴.

Assessment of the effectiveness of the internal control system

INTERNAL ASSESSMENT (SELF-ASSESSMENT)	EXTERNAL EVALUATION
In 2019, the ROSSETI Internal Audit Department conducted an annual internal assessment of the effectiveness of the internal control system. The report of the internal auditor on the effectiveness of the internal control system was reviewed by the ROSSETI Board of Directors ¹⁰⁵ , which concluded that the level of functioning of the internal control system was between 'optimal' and 'high (advanced)'.	In accordance with the requirements of the ROSSETI Internal Control Policy, an independent assessment of the internal control system was also carried out in 2019. Based on the results of the assessment, an independent expert recognized the internal control system as "efficient". The report of the independent expert on evaluating the effectiveness of the internal control system was reviewed by the ROSSETI Board of Directors on December 23, 2019 ¹⁰⁶ .

¹⁰² Minutes of the meeting of the Board of Directors No. 368 dated 29.07.2019.
¹⁰³ Resolution of Board of Directors on February 10, 2014 (minutes of meeting of February 13, 2014 № 143).
¹⁰⁴ Minutes of the meeting of the Board of Directors No. 386 dated 23.12.2019.
¹⁰⁵ Minutes of the meeting of the Board of Directors No. 386 dated 23.12.2019.
¹⁰⁶ Minutes of the meeting of the Board of Directors No. 386 dated 23.12.2019



PUBLIC JOINT STOCK COMPANY "ROSSETI"

EXPLANATORY OF THE PROTOCOL
of the meeting of the Audit Committee
of the Board of Directors of ROSSETI

Moscow

№ 114 April 14, 2020

Form of conduct: absentee voting
Venue: Moscow

The total number of members of the Audit Committee under the Board of Directors of ROSSETI is 4 (four) people.

There is a quorum for the Audit Committee meeting.

Under question 8: Review and reconciliation of risk management system information and internal control for inclusion in the Annual Report of the Company.

DECISION:

8.1. To approve information on risk management and internal control systems for inclusion in the Annual Report of the Company in accordance with Annex 6 to this decision.

The decision has been made.

Secretary of the Audit Committee

A.A. Ozherelyev

Internal Control System Development Plans

In order to improve ICS in 2019, we developed a plan to maintain the efficiency and development of the internal control system of the ROSSETI Group for 2019-2022¹⁰⁷. The plan provides for a number of measures aimed at achieving the following goals:

- fostering of employee competencies and qualifications. Maintaining a high level of risk-awareness culture and understanding of the importance of control;
- certification/training of employees under professional standard 'Internal Control Specialist';

- further integration of the quality management system, internal control system and risk management system into the overall management system;
- increasing the level of automation of control procedures under the the Digital Transformation Strategy;
- implementation of an automated system of continuous monitoring of deviations;
- improving self-assessment by managing the effectiveness of control procedures and an internal process control system.

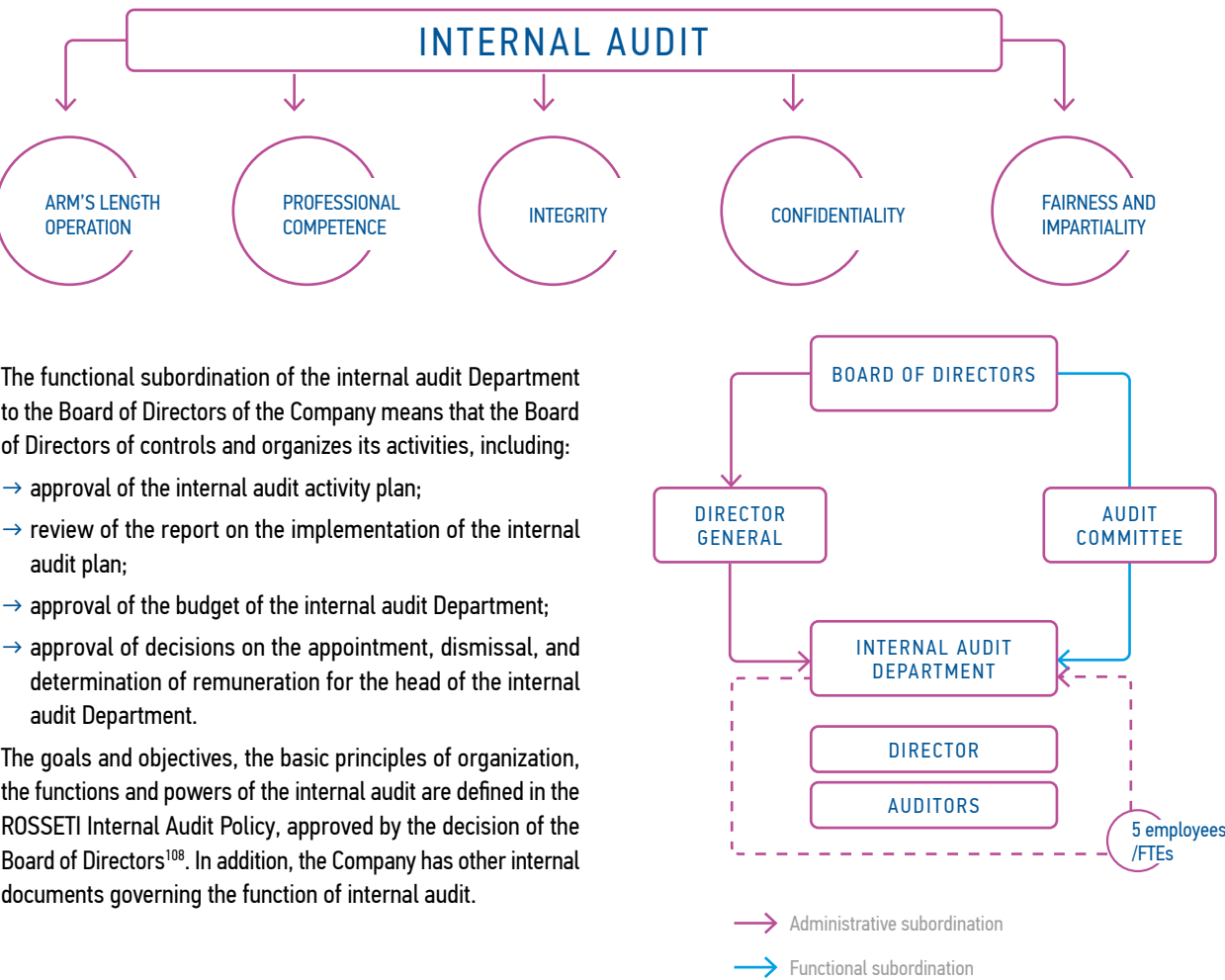
Internal Audit

ROSSETI has established an effectively functioning Internal Audit Department, which performs the functions of internal audit and reports to the Board of Directors of the Company.

The key function of the internal audit is to assist the Board of Directors and executive bodies of the Company in improving

the efficiency of the Company's management and its financial and economic activities by a systematic and consistent approach to the analysis and evaluation of risk management systems, internal control and corporate governance as tools that ensure reasonable assurance in achieving the goals set for the Company.

ROSSETI internal audit priorities



The functional subordination of the internal audit Department to the Board of Directors of the Company means that the Board of Directors of controls and organizes its activities, including:

- approval of the internal audit activity plan;
- review of the report on the implementation of the internal audit plan;
- approval of the budget of the internal audit Department;
- approval of decisions on the appointment, dismissal, and determination of remuneration for the head of the internal audit Department.

The goals and objectives, the basic principles of organization, the functions and powers of the internal audit are defined in the ROSSETI Internal Audit Policy, approved by the decision of the Board of Directors¹⁰⁸. In addition, the Company has other internal documents governing the function of internal audit.

The Audit Committee provides feedback to the head of the internal audit Department in the course of his interaction with the Audit Committee, by means of an analysis of the decision/recommendations of the Audit Committee on issues related to the competence of the internal audit, as well as through a survey of members of the Audit Committee.

In 2019, an external independent assessment of the internal audit function of ROSSETI Group¹⁰⁹, which in compliance with the internal audit policy should be conducted at least once every 5 years, was carried out for the first time. Based on the results of an independent assessment, the Company received the opinion of an external expert (KPMG JSC), according to which the activities of the internal audit of the Company were recognized as

'generally consistent' with the requirements of the International Professional Standards for Internal Auditing, the Code of Ethics, and the Internal Audit Policy.

On the basis of the results of the internal audit self-assessment and recommendations of the external independent expert the Company developed an Action Plan for the Development and Improvement of Internal Audit Activities in the ROSSETI Group for the Period from 2020 to 2024 that contains measures aimed at further enhancing the role of internal audit as a strategic business partner, and provides for an increase in the frequency of consultations.

At the end of the reporting period, the head of ROSSETI Internal Audit Department was Irina Olegovna Posevina.

POSEVINA Irina Olegovna

Born in 1970 in Moscow
In 1994 – Plekhanov Russian Academy of Economics, degree in 'accounting, control and analysis of economic activity'.
PROFESSIONAL EXPERIENCE
From 2010 to 2016 — Director of Internal Control and Risk Management - Chief Auditor of PJSC RusHydro.
From 2017 to 2018 — Director of Internal Control and Risk Management - Chief Auditor of LLC RT-Capital.
From 2018 to 2019 — Financial Director of LLC Eco-Mechanics.
Since May 2019 — Head of the Internal Audit Directorate, Director of the ROSSETI Internal Audit Department.

External audit

To ensure an independent assessment of the reliability of financial statements, the Company annually engages an external auditor to review the accounts prepared in accordance with IFRS and RAS. External auditors are involved on the basis of tender procedures that ensure objective selection according to criteria that take into account the volume and time of work, as well as the business specifics of the Company. The candidacies of the auditors of the Company, as well as its subsidiaries (including the main terms of the contracts on the basis of which the auditors are contracted) are preliminary considered by the Audit Committee of the Board of Directors of the Company to develop recommendations for further approval of external auditors.

The candidacy of the Company's auditor was determined based on the results of an open tender for the right to conclude contracts for the mandatory annual audit of ROSSETI reporting for 2018-2020, carried out in the manner prescribed by the Federal Law No. 44-FZ dated April 05, 2013 'On contract system in the field of procurement of goods, works and services to ensure state and municipal needs'. The offer of the auditor RSM RUS LLC was previously recommended by the Audit Committee, the Board of Directors of the Company¹¹⁰ and approved by the decision of the ROSSETI Annual General Meeting of Shareholders held on June 27, 2019.

	2017	2018	2019
Auditor (RAS and IFRS)	RSM RUS LLC	RSM RUS LLC	RSM RUS LLC
Cost of Financial Statements Audit Services	5,000 thsd rubles	4,034 thsd rubles	4,068 thsd rubles
Cost of services other than the statutory audit (provision of audit-related services)	not provided	not provided	not provided

In April 2019, the Audit Committee of the Board of Directors reviewed the results of the audit of the Company's reporting for the previous reporting period (2018), as well as the comments of the external auditor, no problems or issues related to reporting were noted.

In addition, by decision of the Board of Directors, the ROSSETI External Auditor Rotation Policy¹¹¹, was approved, which sets out the main approaches to selection and requirements for the Company's external auditors.

¹⁰⁷ Resolution of Board of Directors on February 14, 2020 (minutes of meeting of February 17, 2020 №394).
¹⁰⁸ Resolution of Board of Directors on July 27, 2019 (minutes of meeting of July 29, 2019 №368).

¹⁰⁹ The results of the external independent evaluation of the Company's Internal Audit were reviewed by the Audit Committee (Minutes of 16.01.2020 № 113).
¹¹⁰ Resolution of Board of Directors on March 05, 2020 (minutes of meeting of March 06, 2020 №399).
¹¹¹ Resolution of Board of Directors on May 27, 2019 (minutes of meeting of May 27, 2019 №356).

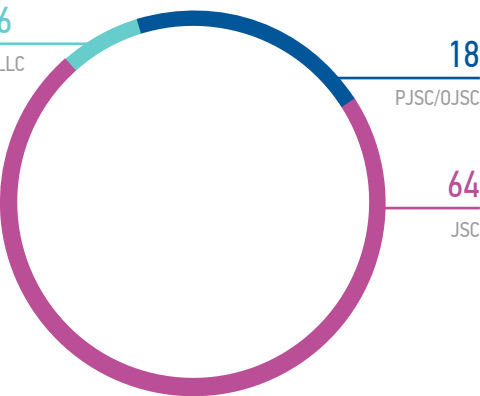
Governance Mechanisms of the ROSSETI Group. Subsidiary Control

ROSSETI corporate governance model includes a number of instruments to influence and control at the parent company level and in respect to controlled companies. At the end of the reporting period, ROSSETI controlled 88 organizations operating in 80 regions of the Russian Federation.

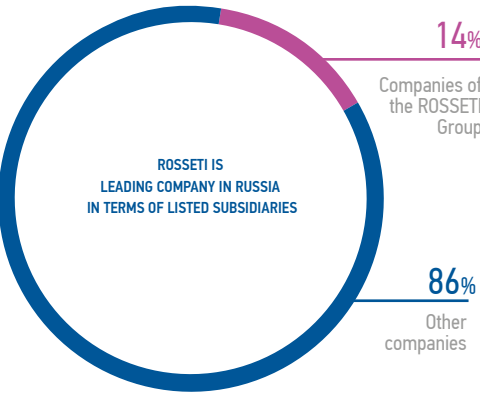
The specific approaches to governance of controlled companies are determined by the specifics of the ROSSETI business model and the structure of the group, and are reflected in the following:

- ROSSETI does not carry out any operational activities in the electric power market, while acting as a coordinator of the activities of subsidiaries and a center for the development of a unified management policy;
- ROSSETI is responsible for the implementation by controlled organizations of the instructions of the President of the Russian Federation, Government of the Russian Federation, federal executive bodies of the Russian Federation;
- special authority with respect to FGC UES as the largest transmission system operator.

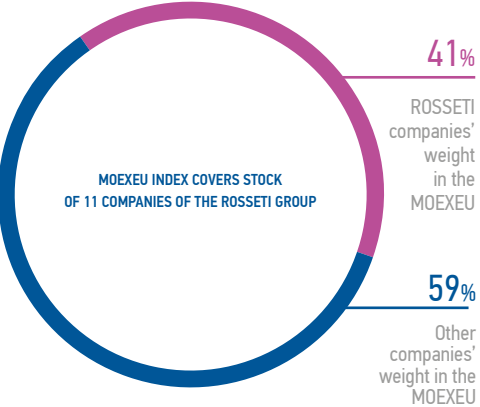
Legal entity types of organizations controlled by ROSSETI



Percentage of the ROSSETI Group entity issuers listed in the MICEX Quotation Lists 1 and 2



Share of companies of the ROSSETI Group in the MOEXEU as of December 30, 2019



Material controlled entitites material importance to ROSSETI

- "FGC UES" PJSC
- "Kubanenergo" PJSC
- "Lenenergo" PJSC
- "IDGC of Centre" PJSC
- "IDGC of Center and Volga Region" PJSC
- "MOESK" PJSC
- "IDGC of Urals" JSC
- "Rosseti South" PJSC
- "IDGC of the North-West" PJSC
- "IDGC of Siberia" PJSC
- "IDGC of Volga" PJSC
- "Rosseti North Caucasus" PJSC
- "TRK" PJSC
- "Rosseti Tyumen" JSC
- "Yantarenergo" JSC

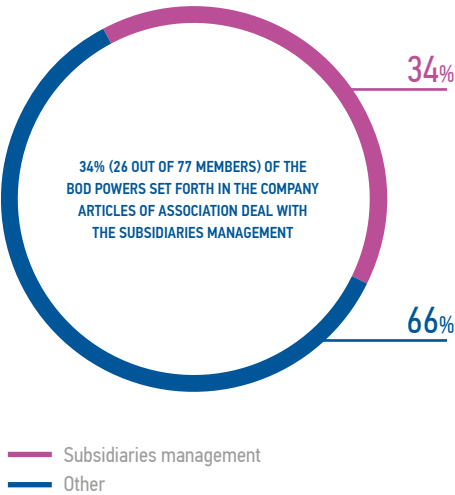
The governance of such a large number of SDCs with various business specifics is achieved through the implementation of effective methods of coordination and control of their activities by ROSSETI. The Board of Directors of the Company plays the key role in determining the management policy of SDCs, as well as as makes decisions on certain issues related to the activities of SDCs.

The following governance approaches and measures ensure the effective management of the ROSSETI Group's companies:

- extended authority of the boards of directors of SDCs, that exclude the possibility of unauthorized decision-making by heads of SDCs on key issues without the approval by the general meeting / board of directors;
- extended governance authority of the Board of Directors and the Management Board of ROSSETI regarding decision-making in SDCs, i.e. "definition of SDCs strategy/approach" by ROSSETI as the key approach;
- alignment of the provisions of the articles of association, internal policies of the SDCs with the decisions and policies at the ROSSETI level SDCs;
- active role in the development of strategy of SDCs;
- coordination of financial, investment and HR activities of SDCs;
- information exchange between the Company and its SDCs.

Procedure for Interaction of ROSSETI with the Economic Entities Whose Shares (Equities) Are Owned by ROSSETI, approved by the Board of Directors on April 22, 2011.

Board of Directors Subsidiary Management Competence



Matrix of Corporate Governance Instruments of Controlled Entities

SDC Category	Governance Tool	Decision-making Level at ROSSETI
The share of ROSSETI in SDCs is 100% (8 companies)	Authority of general meetings of shareholders/participants of SDCs	Management Board of ROSSETI
The share of ROSSETI in SDCs is less than 100%, while: (25 companies)		
It is possible to determine the decision of SDCs (control)	Determining the position of ROSSETI representatives at the General Meetings of Shareholders and on the Board of Directors of SDCs on key issues SDCs	Board of Directors of ROSSETI
It is not possible to determine the decision of SDCs (control)	Decision of a ROSSETI representative without the need for position determination and approval	-
SDCs in relation to ROSSETI SDCs (level 'ROSSETI minus 2'), while: (more than 60 companies)		
It is possible to determine the decision of SDCs (control)	Determining the position of ROSSETI's SDCs representatives at the General Meetings of Shareholders and on the Board of Directors of these organizations on key issues SDCs	Board of Directors of ROSSETI with aligned position of GMS/ boards of directors of SDCs
It is not possible to determine the decision of SDCs (control)	Decision of a ROSSETI representative without the need for position determination and approval	-