

CORPORATE GOVERNANCE REPORT

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MEMORANDUM OF PJSC ROSSETI, THE MAJOR SHAREHOLDER, REGARDING AFFILIATED ELECTRIC GRID COMPANIES

Ownership purpose and plans for controlling stakes

PJSC Rosseti is a public joint-stock company with a state share in the authorised capital of 88.04%, established in accordance with Decree of the President of the Russian Federation No. 1567 of 22 November 2012; the Company is aimed at increasing the efficiency and development of the electric grid complex of the Russian Federation, as well as coordinating work on the management of this complex through subsidiaries and affiliates.

PJSC Rosseti owns a controlling stake in 14 distribution grid companies⁸⁹ (PJSC Rosseti Kuban, PJSC Rosseti Lenenergo, PJSC Rosseti Moscow Region, PJSC Rosseti Volga, PJSC IDGC of North-West, PJSC Rosseti North Caucasus, PJSC Rosseti Siberia, JSC IDGC of Urals, PJSC IDGC of Centre, PJSC IDGC of Centre and Volga Region, PJSC Rosseti South, PJSC TDC, JSC Rosseti Tyumen, JSC Yantarenergo) and 1 backbone power grid company (PJSC FGC UES).

PJSC Rosseti considers the specified controlling stakes as strategic assets, the disposal of which is not planned.

Key tasks regarding the assets

PJSC Rosseti's key task in the management of these subsidiaries, according to the Development Strategy of Rosseti Group for the period up to 2030, approved by the Board of Directors of PJSC Rosseti (Minutes No. 388 of 26 December 2019), is the development of the electric grid complex based on advanced innovative technologies in order to meet the needs of consumers and the Russian economy, taking into account the increase in shareholders' profitability and the possibility of employees' professional growth.

PJSC Rosseti identified the strategic development goals of the Group:

- providing reliable, high-quality and affordable power supply in the new digital environment;
- ensuring further efficiency increase of the main electric power transmission business;
- promoting legislative initiatives aimed at developing the industry;
- maintaining a balance of interests for all parties: the state / consumers / shareholders / investors;
- developing new areas of activity, such as non-tariff and consumer services, through digital transformation to ensure the Company's resilience to changes in the industry;
- contributing to energy and environmental safety.

Corporate governance principles

PJSC Rosseti manages the companies of the Group in accordance with unified corporate standards aimed at ensuring the efficiency of business processes, controlling their quality and minimising corporate risks.

⁸⁹ PJSC IDGC of North-West provides services under the brand name Rosseti of North-West.

JSC IDGC of Urals provides services under the brand name Rosseti Urals.

PJSC IDGC of Centre provides services under the brand name Rosseti Centre.

PJSC IDGC of Centre and Volga Region provides services under the brand name Rosseti of Centre and Volga Region.

PJSC TDC provides services under the brand name Rosseti Tomsk.

JSC Yantarenergo provides services under the brand name Rosseti Yantar.

PJSC FGC UES provides services under the brand name Rosseti FGC UES.

We pay particular attention to the quality of corporate governance and its assessment, while continuing to improve the Company's corporate governance system. We follow Russian corporate governance standards, introduce global best practices, and make extensive use of high-end digital technologies.

Both internal assessments and independent experts confirmed the advanced level of development of the corporate governance system in Rosseti FGC UES.



GENERAL INFORMATION ON THE COMPANY'S CORPORATE GOVERNANCE

GRI [102-16]



The corporate governance model of Rosseti FGC UES provides an effective system of relations between shareholders, investors, the Board of Directors, the Company's management, local communities in the regions of presence and other stakeholders.

The Company's corporate governance aims for:

- sustainable development and strategy implementation;
- protecting the rights and interests of shareholders;
- maintaining trust relations with investors;
- creating long-term shareholder value and increasing investment attractiveness.

Corporate governance in the Company is based on the corporate governance principles set forth in the Corporate Governance Code of the Bank of Russia and the Corporate Governance Code of PJSC FGC UES⁹⁰.

Transparency	The Company provides timely disclosure of complete and reliable information about all significant facts relating to its activities, including the Company's financial position, performance results (both social and environmental), ownership and management structure, and ensures availability of such information to shareholders and stakeholders.
Accountability	The Company's Board of Directors reports to the Company's shareholders and fully complies with the Russian legislation and recommendations of the Corporate Governance Code of the Bank of Russia.
Fairness	The Company is obliged to ensure equal and fair treatment of all shareholders and protect their rights; it gives all shareholders the opportunity to receive effective protection if their rights are violated and considers the interests of other stakeholders.
Responsibility	The Company recognises and ensures the rights of shareholders and stakeholders stipulated by laws of the Russian Federation.

The Company abides the law, the Listing Rules of PJSC Moscow Exchange and corporate governance standards applied in Russian and international practice. It introduces necessary adjustments in the corporate governance practices in due course and ensures high efficiency of decisions made by the management. The Company conducts regular assessments of corporate governance and presents results to the Board of Directors (or a specific committee) for review.



For more information on the key elements of the Rosseti FGC UES corporate governance system, please see the Articles of Association and internal documents of PJSC FGC UES at www.fsk-ees.ru/eng, section Investors/Corporate Governance/Corporate Documents.

⁹⁰ Meeting Minutes of the Board of Directors of PJSC FGC UES No. 444 of 25 April 2019.

PJSC Rosseti, as the controlling shareholder, is fully aware of the importance of improving corporate governance across the Group and strives to ensure disclosure and transparency of its activities, as well as to implement the recommendations of the Corporate Governance Code of the Bank of Russia in the business practices.

Following the best corporate governance practices, PJSC Rosseti annually ensures the presence of independent directors on the Boards of Directors of Rosseti Group, whose shares are traded through on-exchange trading, in an amount sufficient to comply with the listing rules and corporate governance principles. For the Group's Boards of Directors to be independent and objective, it is planned to ensure that the number of independent directors do not fall below the current level.

Representatives of PJSC Rosseti also take part in annual general meetings of shareholders held by the Group to build a dialogue with minority shareholders on prospects of the Company's development.

PJSC Rosseti guarantees adherence by the Group to market principles in the conduct of its financial and economic activities.

PJSC Rosseti, as the controlling shareholder, supports initiatives of the Group to protect the rights and interests of minority shareholders.

PJSC Rosseti, pursuant to Order of the Government of the Russian Federation No. 1094-r dated 29 May 2017, undertakes to allocate no less than 50% of net profit, determined according to financial statements (including consolidated ones), compiled in accordance with the International Financial Reporting Standards (IFRS), taking into account the adjustment of the net profit provided for by the said Order, to pay dividends on the Group's shares.

FEDERAL AGENCY OF STATE PROPERTY
MANAGEMENT (ROSIMUSHCHESTVO)
0.59 % VOTING SHARES

Shareholders' agreement*

PJSC ROSSETI
VOTING SHARES 80.13 %

MINORITY
SHAREHOLDERS
19.28 % VOTING SHARES

GENERAL
MEETING OF
SHAREHOLDERS

INTERNAL AUDIT COMMISSION

COMMITTEES OF THE BOARD
OF DIRECTORS

INVESTMENT COMMITTEE

NOMINATION AND REMUNERATION
COMMITTEE

AUDIT
COMMITTEE

STRATEGY
COMMITTEE

HEAD

INTERNAL AUDIT DEPARTMENT

BOARD
OF
DIRECTORS

SOLE EXECUTIVE
BODY,
MANAGING
ORGANIZATION –
PJSC ROSSETI

EXTERNAL (INDEPENDENT) AUDITOR

HEAD
INTERNAL CONTROL
AND RISK MANAGEMENT
DEPARTMENT

CORPORATE SECRETARY

General information on the Company's corporate governance

Corporate governance structure

GRI [102-18]

Key participants of the Internal Control and Risk Management System

A balanced corporate governance structure ensures
efficiency and transparency of the Company's performance

* As of 31 December 2020, the Russian Federation represented by the Federal Agency of State Property Management (Rosimushchestvo) owns 0.59% of shares of PJSC FGC UES. An agreement has been signed between PJSC Rosseti, the controlling shareholder, and Rosimushchestvo on the management and voting of PJSC FGC UES shares, which regulates the relationship between shareholders on the issue of implementation of their rights in respect of PJSC FGC UES for the purposes set forth in Decree of the President of the Russian Federation No. 1567 of 22 November 2012. Interaction of the Company with the state as a shareholder has its procedural peculiarities set forth in the normative acts approved by the President and the Government of the Russian Federation. In particular, state representatives in the management bodies of the Company are obliged to vote on a certain range of issues in accordance with the directives of the Government of the Russian Federation (for more information, see the section on the work of the Company's Board of Directors)

Development of the corporate governance system

In order to improve the corporate governance system, the Company continues to implement and adapt the best corporate governance principles, taking into account the specifics and structure of Rosseti Group.

Area of improvement	Measures and actions in 2020
Protection of shareholder rights	<ul style="list-style-type: none"> Due to the critical epidemiological situation and in order to minimise the risks for shareholders related to the spread of COVID-19, the Company held the Annual General Meeting of Shareholders on the 2019 performance in absentia following Federal Law No. 115-FZ of 7 April 2020. The shareholders could read all the materials in advance and vote on the agenda issues via electronic bulletins at the website of JSC STATUS, who maintains the register of the Company's shareholders. Moreover, PJSC FGC UES shareholders were given the opportunity to send their questions related to the Annual General Meeting of Shareholders to a dedicated email address or ask them on the Shareholders Forum.
Management efficiency improvement	<ul style="list-style-type: none"> GRI [102-10] Following the resolution of the General Meeting of Shareholders dated 15 May 2020, powers of the sole executive body of PJSC FGC UES were transferred to the management company PJSC Rosseti. As a result of merging the management structures of the two companies, administrative expenses were optimised, including by means of limiting and combining support functions (treasury, accounting etc.), which is considered upon developing the Business Plan and budgets of both companies. The number of administrative and managerial personnel was reduced by 20.5%. The changes in the management structure resulted in the reduction of transaction costs, accelerated management processes in both companies and higher efficiency of electric grid complex management in general, namely: reduction of the document flow, faster decision-making, including in terms of cooperation between PJSC FGC UES and other SDCs of PJSC Rosseti, and increase of the management efficiency thanks to the best practices, consolidation of niche skills, unification of IT systems and elimination of duplicate functions.
Keeping our documents and policies up to date	<ul style="list-style-type: none"> The revised Articles of Association of PJSC FGC UES⁹¹ were approved. The following amendments were made: <ul style="list-style-type: none"> the issue of election of a sole executive body, previously reviewed by the General Meeting of Shareholders, was assigned to the Board of Directors. This amendment was introduced in line with the recommendations of the Corporate Governance Code of the Bank of Russia with a view to enabling the Board of Directors to maintain an effective control over activities of the sole executive body; the competence of the Board of Directors was supplemented with the approval of an internal document defining the Company's policy on risk management and internal control. This amendment was introduced in line with the recommendations of the Corporate Governance Code of the Bank of Russia with a view to building an effective risk management and internal control system in the Company. The revised Regulations on the Procedure for Preparing and Holding the General Meeting of Shareholders of the Company were approved. The amendments are aimed at bringing the document in compliance with the Federal Law "On Joint-Stock Companies" and Regulations of the Bank of Russia No. 660-P dated 16 November 2018, "On General Meetings of Shareholders". The revised Regulations on the Board of Directors of the Company were approved. The amendments define the election procedure and functions of the senior independent director. Participation of the Board members in a meeting held in the form of joint attendance, audio or video conference has been ensured. The revised Regulations on Payment of Remuneration and Compensation to Members of the Board of Directors were approved, according to which Company employees who serve on the Board of Directors shall receive no remuneration.

⁹¹ Minutes of the Annual General Meeting of Shareholders of PJSC FGC UES No. 24 dated 15 May 2020.



Does the Company use any digital technologies in its corporate governance model?

M. Tikhonova,
Deputy General Director for Corporate Governance

The Company introduces digital technologies in all areas of its operations, including corporate governance. In particular, at the Annual and Extraordinary General Meetings, all shareholders are enabled to vote via electronic bulletins at the registrar's website. Application of new technologies in 2020 was really important for

us, when the Annual General Meeting of Shareholders of Rosseti FGC UES was held in absentia due to the restrictions caused by the outbreak of COVID-19.

Besides, as per the Company's Regulations on the Board of Directors, the Board members are provided with the opportunity to discuss agenda issues and vote remotely at our audio or video conference calls.

Assessment of corporate governance quality

We pay a particular attention to the quality of corporate governance and assessment of its efficiency by analysing the level of development of the Company's management system as well as Russian and foreign trends and corporate governance practices on an ongoing basis. In order to receive an objective external assessment and keep track of the progress, we do both: involve external consultants and use tools and methods of internal self-assessment.

Independent corporate governance assessment

The Company constantly engages an external consultant on corporate governance issues as an independent expert; this allows to monitor ongoing changes and consistently introduce tools of management system improvement, as well as elements of best practices. For several years, the Russian Institute of Directors, which has a special methodology for analysing various practices, has been our external appraiser that monitors the development of the corporate governance system.

National Corporate Governance Rating 7++
Well-developed corporate governance practice

Only 5 out of 19 companies have a higher rating of the corporate governance quality among the rating participants who disclose information on the National Corporate Governance Rating.

General information on the Company's corporate governance

National Corporate Governance Rating 7++. Well-Developed Corporate Governance Practice



In December 2020, as a result of corporate governance quality assessment in PJSC FGC UES, the Russian Institute of Directors confirmed the rating assigned in 2017 at the level of 7++, which says the following of the corporate governance system:

"The Company observes the requirements of Russian legislation to corporate governance and follows a considerable number of recommendations of the Corporate Governance Code of the Bank of Russia. The Company is characterised by rather low risks of ownership loss associated with the quality of corporate governance"

The Russian Institute of Directors Assessment Methodology has 160 criteria for 4 components:

- shareholders' rights;
- activities of supervision and control authorities;
- information disclosure;
- corporate social responsibility and sustainable development

During the assessment, the Russian Institute of Directors noted positive aspects in the corporate governance and identified areas of the corporate governance improvement necessary for further increase in the rating.



For more information on the assessment methodology, please see the [Russian Institute of Directors website](http://rid.ru/).

General information on the Company's corporate governance

Positive aspects	Areas for improvement
<ul style="list-style-type: none"> • The new versions of the Company's Articles of Association were approved, as well as a number of key internal documents that are guided by the recommendations of the Corporate Governance Code of the Bank of Russia and legislative changes. • The powers of the Company's Board of Directors regarding decision-making on material transactions were extended. • The list of materials to prepare for the General Meeting of Shareholders was extended in compliance with the recommendations of the Corporate Governance Code of the Bank of Russia. • The Company has a good history of dividend payments. • The issues of monitoring material transactions by affiliated companies and nominating candidates to the boards of directors of such companies are attributed to the competence of the Company's Board of Directors. • The Company introduced practices for self-assessment and independent assessment of the Board of Directors' activities. • Institutions of corporate internal control and internal audit were developed. • The Company has approved the regulatory and methodological base of risk management and operates an internal unit that performs key risk management functions. • In the Annual Report, the Company discloses information on amounts of remuneration paid to members of the Board of Directors and the sole executive body, as well as gives the detailed review of the KPI system of the Company's top management. • The Company's website is highly informative for all stakeholders and includes information on resolutions of the General Meeting of Shareholders and the Board of Directors. • The Company runs various social projects for its employees, their family members and consumers, and actively participates in charitable and sponsorship activities. 	<ul style="list-style-type: none"> • Increase in the number of in-person meetings of the Board of Directors, the Audit Committee and the HR and Remuneration Committee. • Implementation of mechanisms to monitor voting with quasi-treasury shares by the Board of Directors.

The high quality of corporate governance in the Company was also noted by a number of other experts. Thus, according to the 2020 National Corporate Governance Index research, PJSC FGC UES is among the top 20 leaders by the completeness and quality of information disclosed on the principles of corporate governance.



For more information on the research, follow the <http://nid.ru/>.

Self-assessment of corporate governance quality

Along with the external assessment, the Company also carries out a self-assessment of the corporate governance. It is conducted in accordance with the Methodology for Self-Assessment of the Corporate Governance in PJSC FGC UES, based on the recommendations of the Bank of Russia on assessing the compliance with the Russian Corporate Governance Code. At the meeting on 25 March 2020, the Audit Committee of the Board of Directors reviewed and recommended an updated Methodology for Self-Assessment of the Corporate Governance in the Company.

General information on the Company's corporate governance

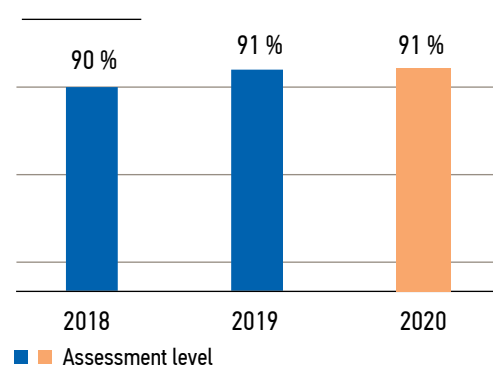
Assessment of the PJSC FGC UES corporate governance for the corporate year of 2019–2020 was conducted by the Company's Internal Audit Department with a breakdown into 6 components:

- Shareholders' Rights;
- Board of Directors;
- Executive Management;
- Transparency and Information Disclosure;
- Risk Management, Internal Control and Internal Audit;
- Corporate Social Responsibility, Business Ethics and Compliance.

The assessment of the Company's corporate governance by these components scored 91% out of 100% possible, which is in line with the assessment for the corporate year of 2018–2019.

The results of these assessments indicate the effectiveness of measures taken by the Company to develop its corporate governance system.

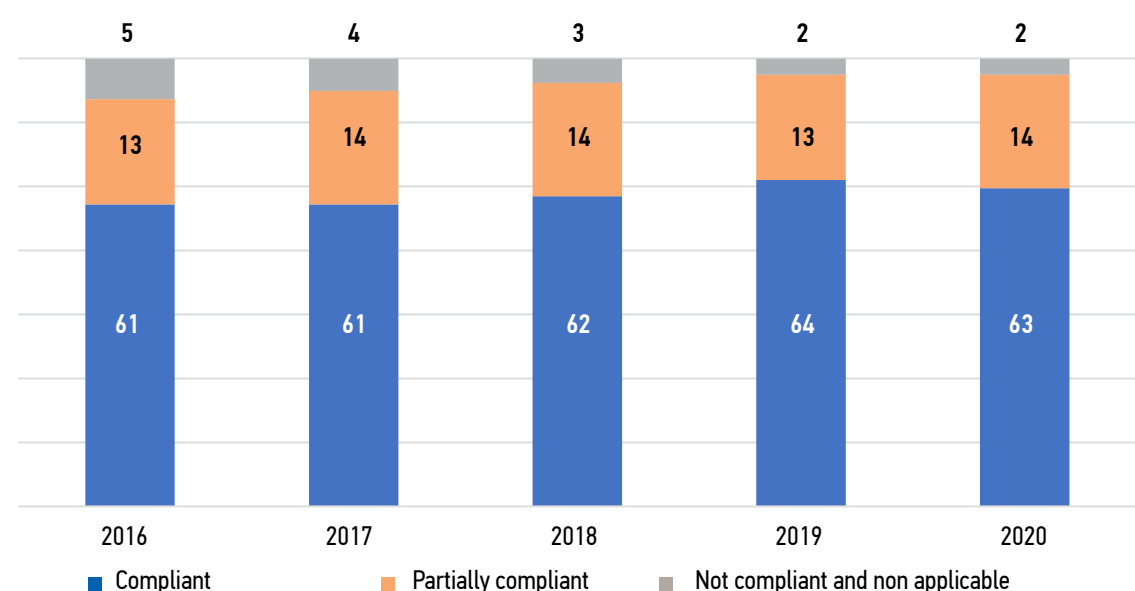
Results of self-assessment of the corporate governance



Statistics of compliance with the principles and recommendations of the Corporate Governance Code

Analysis of the Company's reports on compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia for 2016–2020 demonstrates a positive dynamics of implementing the Code in the Company. Compared to 2016, the number of principles and recommendations fully complied by the Company increased from 61 to 63.

Compliance with the principles and recommendations of the Corporate Governance Code



General information on the Company's corporate governance

Compliance with the principles and recommendations of the Corporate Governance Code of the Bank of Russia

Compliance with the principles and recommendations of the Corporate Governance Code	Observed			Partially observed			Not observed		
	2018	2019	2020	2018	2019	2020	2018	2019	2020
Year									
Rights of shareholders and equal opportunities for shareholders to exercise their rights	12	12	12	1	1	1	–	–	–
The Company's Board of Directors	25	26	27	10	10	9	1	–	–
The Company's Corporate Secretary	2	2	2	–	–	–	–	–	–
System of remuneration of the Company's Board of Directors, executive bodies and other key managers	8	8	8	–	–	–	2	2	2
Risk management and internal control system	6	6	6	–	–	–	–	–	–
Information disclosure in the Company; the Company's Information Policy	6	7	5	1	–	2	–	–	–
Material corporate actions	3	3	3	2	2	2	–	–	–

The Company fully complies with chapters III "Corporate Secretary of the Company" and V "Risk Management and Internal Control System".

Based on the results of the reporting period, the Company increased the number of fully observed principles of chapter II "Board of Directors of the Company" due to reassigning the issue of electing the Company's sole executive body to the Board of Directors (previously, the competence of the General Meeting of Shareholders).

At the same time, following the recommendations for public joint-stock companies to improve the assessment of compliance of their corporate governance practices with the Corporate Governance Code of the Bank of Russia, published on the Bank of Russia's website in March 2021, the Company changed the status of assessment of compliance with two recommendations of the Corporate Governance Code of the Bank of Russia — related to information disclosure and the Information Policy — from "observed" to "partially observed". As a result, the total number of the Code's principles fully observed by the Company slightly decreased against 2019.

The Company plans to ensure compliance with relevant recommendations of the Corporate Governance Code of the Bank of Russia by amending the Information Policy after the publication of comments by the Bank of Russia.



The Report on Compliance with the Principles and Recommendations of the Corporate Governance Code is presented in Appendix 2.

GENERAL MEETING OF SHAREHOLDERS



The General Meeting of Shareholders (hereinafter, the Meeting) is the supreme management body of the Company, ensuring that shareholders exercise their rights to manage the Company. It is responsible for making resolutions on the most pivotal and strategic issues of the Company's operations.

The PJSC FGC UES Regulations on the General Meeting of Shareholders⁹² provide clear procedures for its holding, including an opportunity for shareholders to ask questions on agenda issues (via the Secretary of the General Meeting of Shareholders). Shareholders can put their questions to members of the governing and control bodies, the Chief Accountant and the Company's auditor, who shall be mandatory invited to attend the Meeting.

The Company has a forum for PJSC FGC UES shareholders on its website, where they can submit questions related to the Meeting to a special email address. Also, right before the Meeting, shareholders can listen to voice messages about the upcoming event by calling PJSC FGC UES' main line.

The PJSC FGC UES Regulations on the General Meeting of Shareholders defines a list of additional materials to be provided to Company shareholders so they would make more informed decisions. The materials include the position of the Board of Directors regarding the Meeting's agenda, expanded information about candidates for the governing and control bodies, tables with comparison of current revisions and amendments to the Company's internal documents. All materials are published on the Company's website in English and Russian not later than 30 days prior to the date of the General Meeting of Shareholders.

Organisation of General Meetings of Shareholders

The General Meeting of Shareholders is one of the Company's key events. The Meeting is carefully organised by the Company, who strives to ensure maximum comfort and preparedness of its shareholders. Besides, during the organisation, we take additional measures in the interests of our shareholders and investors, such as:

- ensuring the participation of representatives of key stakeholder groups in the Meeting;
- providing complete and valuable information, including recommendations of the Company's Board of Directors, background information about candidates for the governing and control bodies, detailed reports and demonstration materials;
- placement and storage of information in the public domain on the Company's website for several years;
- holding Meetings in convenient locations in Moscow with the opportunity of unhindered access for all shareholders;
- implementation and active development of remote services.

⁹² Minutes of the Annual General Meeting of Shareholders of PJSC FGC UES No. 24 of 15 May 2020.

General Meetings of Shareholders in 2020	Resolutions taken
General meeting type: Annual	<ul style="list-style-type: none"> • The Annual Report of PJSC FGC UES for 2019 was approved. • The annual accounting (financial) reporting of PJSC FGC UES for 2019 was approved. • The distribution of the Company's profit and loss according to the results of the 2019 reporting year was approved. • The amount of dividends, the term and form of their payment based on the results of work for 2019 are determined and the date is set on which persons who are entitled to receive dividends are determined. • The payment of remuneration for work on the Board of Directors to members of the Board of Directors who are not civil servants was approved in the amount established by the internal documents of PJSC FGC UES. • The payment of remuneration for work in the Audit Commission to members of the Audit Commission who are not civil servants in the amount established by the internal documents of PJSC FGC UES was approved. • The Board of Directors of PJSC FGC UES was elected. • The Audit Commission of PJSC FGC UES was elected. • The auditor of PJSC FGC UES was approved. • The powers of PJSC FGC UES sole executive body were terminated early. • The powers of PJSC FGC UES sole executive body were transferred to the management company PJSC Rosseti. • The revised Articles of Association of the Company were approved. • The revised internal documents of the Company were approved.
Form: Absentee vote	
Date: 15 May 2020	

To prevent the spread of the coronavirus infection, the Annual General Meeting of Shareholders of PJSC FGC UES was held in the form of absentee voting in 2020

Governing Bodies of the Company

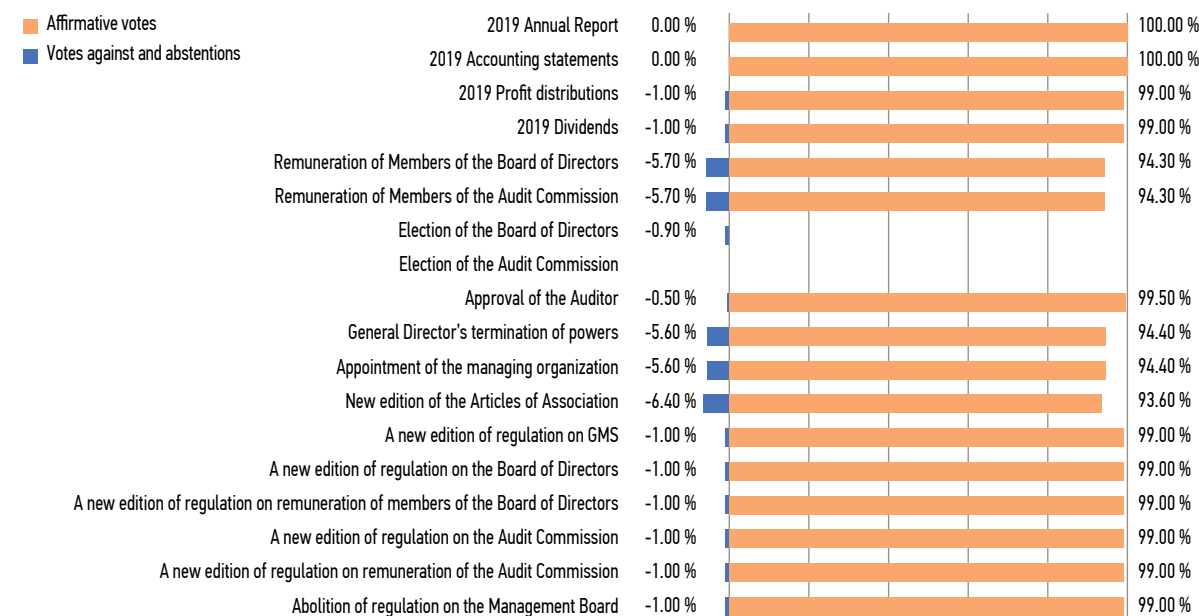
[GENERAL MEETING OF SHAREHOLDERS]

Meeting results and interests of minority shareholders

As a rule, most issues included in the agenda of the General Meeting of Shareholders by the Board of Directors are approved and relevant resolutions are taken. It is mostly due to both the high quality of materials prepared for the Meeting and the consistency of resolutions made by the Board members representing the largest shareholders, as well as due to a controlling share of the major shareholder and related persons. In accordance with the Russian legislation, the total share of PJSC Rosseti and the Russian Federation (80.7%) allows for resolution-making on most agenda issues of the Meeting.

In 2020, a substantial number of dissenting votes was received when considering the issues connected with the remuneration paid to members of the Board of Directors and the Audit Commission, delegation of powers to the management company and approval of the Company's Articles of Association (the revised version).

Voting results at the Annual General Meeting of Shareholders 2020



Payment of remuneration in state-owned companies is regulated following the regulatory acts of the Government of the Russian Federation and federal executive bodies. The Company ensures compliance with these acts in strict accordance with the established principles.

Delegation of powers of the executive body to the management company will optimise administrative expenses in the mid- and long term, which will eventually be a boon to the Company's financials.

Revision of the Articles of Association is caused by the need to update the provisions to comply with the legislative requirements and due to the changes in the Company's management structure.

Governing Bodies of the Company

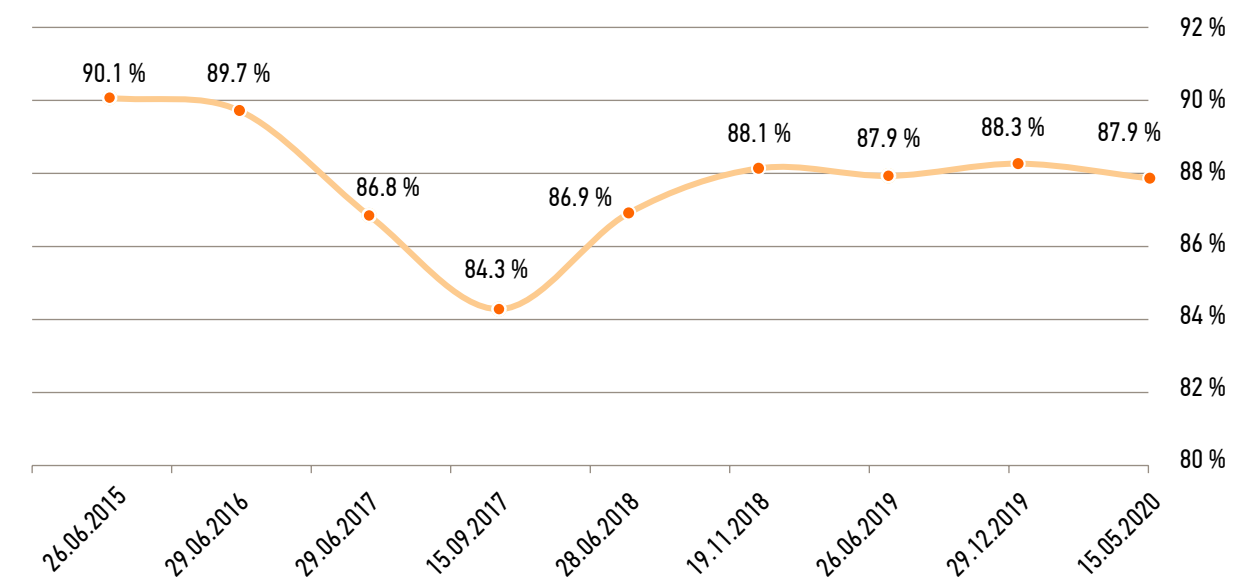
[GENERAL MEETING OF SHAREHOLDERS]

Quorum of General Meetings of Shareholders

The quorum of General Meetings of Shareholders for several years has been around 88%, which, taking into account the share of controlling shareholders (PJSC Rosseti and the Russian Federation own about 80.7% of voting shares), means participation in meetings of about 40% of the total number of minority shareholders is a fairly high indicator, given the federal scale and geography of the Company's minority shareholders.

The Company conducts a deliberate and consistent policy of abstaining from voting on quasi-treasury shares (1.07% of voting shares) owned by a 100% subsidiary FGC – Asset Management LLC. Since quasi-treasury shares are not used in voting at General Meetings, the Company considers the interests of minority shareholders and increases their importance in managing the Company.

Quorum of General Meetings of Shareholders in 2015–2020



Governing Bodies of the Company

[THE BOARD OF DIRECTORS]

REPORT OF THE COMPANY'S BOARD OF DIRECTORS

GRI [102-26]



The PJSC FGC UES Board of Directors plays a key role in the management system ensuring its consistent and effective development in the interests of the Company. The powers of the Board of Directors are determined by the requirements of federal legislation and additionally substantially expanded by the Company's Articles of Association. In particular, the Board of Directors is responsible for the strategic development of the Company, approval and monitoring of its budget and investment programme, review of reports on their implementation, monitoring of how tasks set by the Company's management are executed, and also for the availability of resources necessary to achieve the Company's strategic objectives.

Board of Directors

Functions	General strategic management in the Company, ensuring equal guarantees of the interests of shareholders and investors.
Accountability	Accountable to the Company's General Meeting of Shareholders.
Appointment/election procedure	Members of the Board of Directors are elected by the General Meeting of Shareholders from candidates proposed by shareholders who own at least 2% of the Company's voting shares, as well as from those included in the list of candidates by the Board of Directors of the Company at its discretion. The Chairman of the Board of Directors is elected by majority vote of the formed Board of Directors.
Term of office	Until the next Annual General Meeting of Shareholders. All members of the Board of Directors can be re-elected at the Extraordinary General Meeting of Shareholders.
Composition	Members elected to the Board of Directors have the following status: <ul style="list-style-type: none"> • executive director (the Company's sole executive body); • independent director (meets the independence criteria); • non-executive director (other directors).

In accordance with the Company's Articles of Association, three categories of issues are considered by the Board of Directors:

Mandatory issues	Issues that are of the exclusive competence of the Company's Board of Directors in accordance with the Federal Law "On joint-stock companies".
Additional issues	Issues that are of the competence of the General Meeting of Shareholders but assigned to the Board of Directors in accordance with the Company's Articles of Association and the Federal Law "On joint-stock companies": <ul style="list-style-type: none"> • election (appointment) of the Company's General Director and early termination of his powers; • increase in the Company's authorised capital due to an issue of additional shares within the number and categories (types) of authorised shares.
Extended competence	Issues that are of the competence of the Board of Directors in accordance with the Company's Articles of Association, internal documents and decisions of the Board of Directors of PJSC FGC UES in addition to the issues provided for by the Federal Law "On joint-stock companies": <ul style="list-style-type: none"> • finance and investments; • management of key business processes; • subsidiaries management on key business issues; • control over significant projects and transactions; • control over activities of the management; • remuneration of the management; • internal control, audit and risk management; • internal documents and policies; • other issues.

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]



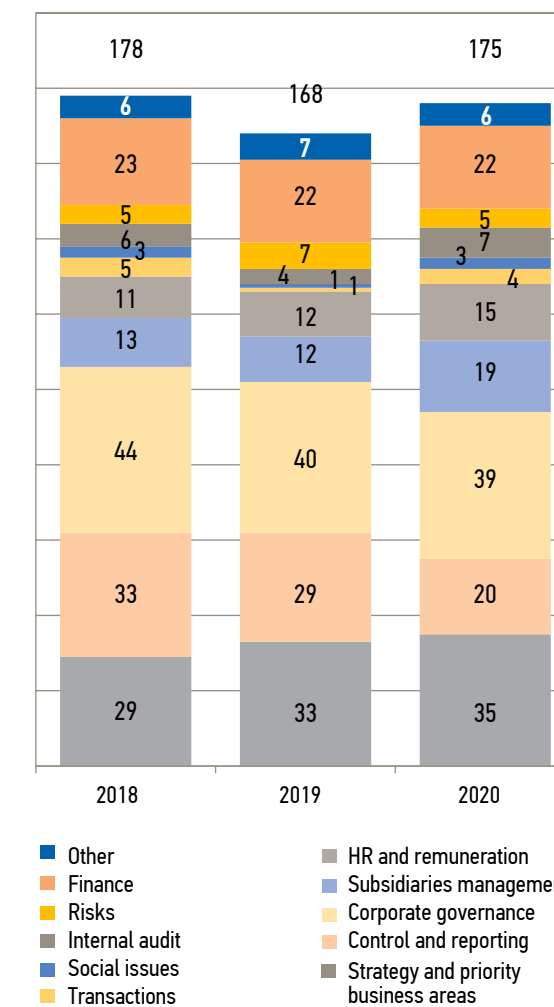
The revised Regulations on the Board of Directors of PJSC FGC UES were approved by the Annual General Meeting of Shareholders of PJSC FGC UES on 15 May 2020⁹³

The text of the Regulations on the Board of Directors is available on the website at www.fsk-ees.ru/eng_section/CorporateGovernance/BoardofDirectors.

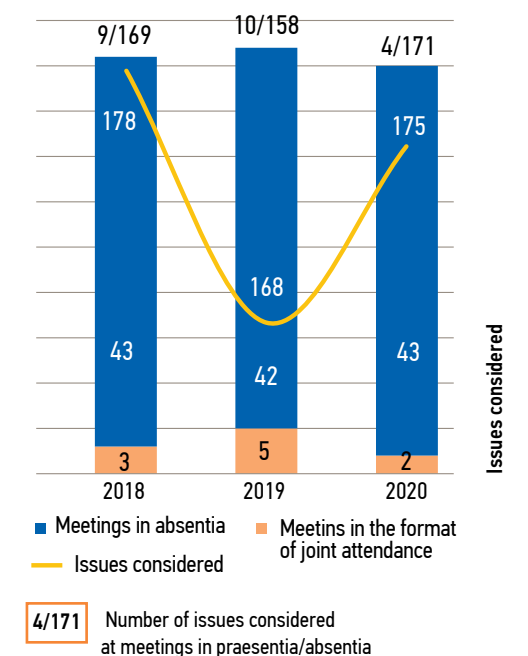
Performance of the Board of Directors in 2020

In total, 45 meetings were held in 2020, two of them in the form of joint attendance. 175 issues were considered, of which a quarter were issues of corporate governance.

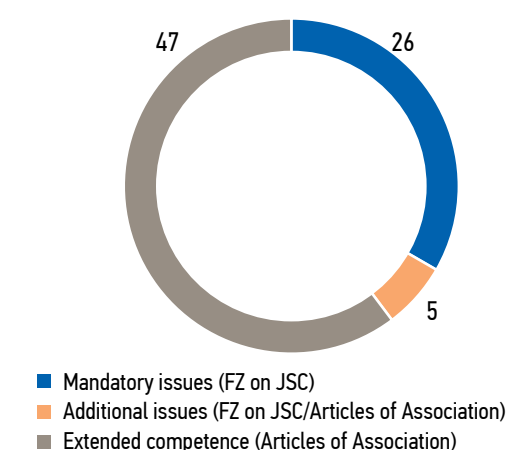
Categories of issues considered



Performance statistics of the Board of Directors



Distribution of competences of the Board of Directors when considering the issues



⁹³ Minutes of the Annual General Meeting of Shareholders of PJSC FGC UES No. 24 dated 15 May 2020.

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]

Attendance of meetings of the Board of Directors and its Committees during 2020

	Board of Directors		Investment Committee	Strategy Committee	HR and Remuneration Committee	Audit Committee
Members of the Board of Directors acting during the whole year 2020:						
P. Grachev	45/45	100 %			100 %	100 %
I. Kamenskoy	45/45	100 %	100 %		100 %	100 %
A. Murov	45/45	100 %				
P. Grebtsov	45/45	100 %		100 %		
P. Livinsky	45/45	100 %				
N. Roshchenko	42/45	93 %				
E. Ferlenghi	45/45	100 %	100 %	95 %	100 %	100 %
V. Furgalsky	45/45	100 %		100 %		
Members who left the Board of Directors in 2020:						
S. Sergeev	24/24	100 %				
O. Sergeeva	24/24	100 %		100 %		
P. Snikkars	22/24	92 %		85 %		
Members elected to the Board of Directors in 2020:						
Y. Manevich*	21/21	100 %		100 %		
L. Neganov*	21/21	100 %				
L. Romanovskaya*	21/21	100 %		83 %		

* During the membership of Y. Manevich, L. Neganov and L. Romanovskaya on the Board of Directors of PJSC FGC UES in 2020, 21 meetings were held. They were elected to the Board of Directors at the Annual General Meeting of Shareholders held in 2020 (Minutes No. 24 of 15 May 2020).

To ensure the safety of the Board members during the spread of COVID-19, all meetings were held in the form of a video conference call. The interaction took place mainly via electronic channels and the telephone line. The Board members were provided with the opportunity to undergo preliminary and periodic medical examinations






Governing Bodies of the Company

[THE BOARD OF DIRECTORS]

The report of the Board of Directors on results of the Company's development in priority business areas

GRI [102-34]

In 2020, the Board of Directors continued to work on the Company's development in priority business areas

Strategic objective		Resolutions taken
	Reliability of energy supply	<ul style="list-style-type: none"> The Long-Term Development Programme for 2020–2024, which sets new goals and objectives for the Company's development, and the forecast up to 2030 were approved.
	Customer satisfaction	<ul style="list-style-type: none"> Information about the indicators of reliability and quality of services provided by the Company, subject to tariff regulation based on long-term parameters of activity regulation, for 2019, was considered. The actual value of the indicator of quality of services provided is higher than the target set by the regulator for 2019. The Report on consideration of applications for technological connection and execution of agreements on technological connection of power receivers of electrical energy consumers, electricity generation facilities, and electric grid facilities owned by network organisations and other entities to the electric grid facilities of PJSC FGC UES for 2019 and for the first half of 2020 was taken into account. According to results for the specified periods, the actual value of KPI defining the quality of technological connection services provided is better than the target value.
	Technological and innovative development	<ul style="list-style-type: none"> The Digital Transformation Programme of PJSC FGC UES for 2019–2030 was approved, which is a key document in the process of practical implementation of innovative digital technologies in the activities of the Company. The Environmental Policy of the electric grid complex was approved, which defines dynamic development with the most rational use of natural resources and preservation of the environment as the principle of Rosseti FGC UES.
	Effective governance	<ul style="list-style-type: none"> The Company approved an Action Plan to maintain the efficiency and develop the risk management and internal control systems of PJSC FGC UES. The Board of Directors considered the issues related to business planning and financing: <ul style="list-style-type: none"> the FGC UES business plans for 2021 and forecast indicators for 2022–2025 were approved; the issues of the impact of the new coronavirus infection on the Company's indicators and measures taken in this regard were considered; the list of priority anti-crisis measures in the current economic situation was approved; the new version of the Business Planning Standard was approved.
	Development of the UNEG	<ul style="list-style-type: none"> Quarterly reports on implementation of the Company's investment programme were considered, including for federal facilities. In order to update the Company's investment programme in the current macroeconomic environment, an adjustment to the draft investment programme of PJSC FGC UES for 2020–2024 was approved, which was subsequently adopted by the Company's management.

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]

Planning the work of the Board of Directors

The work of the Board of Directors, in general, is built on a target basis in terms of key issues of strategic, investment and business management. A target approach helps to form the necessary position in advance, take into account the existing comments and submit the worked out materials for consideration by the Board of Directors, which is an important condition for the quality of decisions made. At the same time, unscheduled activities, such as transactions, issues of subsidiaries and other key issues arising in the course of the Company's current activities, may be submitted during the year for consideration by the Board of Directors as necessary.

The PJSC FGC UES Board of Directors Action Plan for the second half of 2020 and for the first half of 2021 was approved at the Meeting of the Board of Directors on 13 August 2020⁹⁴.



The Meeting Minutes of the Board of Directors are available on the website at www.fsk-ees.ru/http://www.fsk-ees.ru/shareholders_and_investors/corporate_governance/decisions_of_the_board/2013/

Members of the Board of Directors

In the reporting year, there were two compositions of the Board of Directors: members elected by the Annual General Meeting of Shareholders on 26 June 2019⁹⁵, and members elected by the Annual General Meeting of Shareholders on 15 May 2020⁹⁶. As per results of the Meeting held in 2020, the composition was renewed by 27%: S. Sergeev, O. Sergeeva, and P. Snikkars left the Board of Directors, while Y. Manevich, L. Neganov and L. Romanovskaya were elected as new members of the Board of Directors.

In the reporting year, the Board members of the Company hold no shares and bonds of the Company or its controlled companies and made no transactions with the mentioned securities.

In the reporting year, the Board members received no loans from the Company, nor had any other contractual relations with the Company and/or its controlled organisations, except for employment agreements/contracts (Andrey Murov) and agreements related to the status of members of the Company's Board of Directors.

Competence and diversification of the Board of Directors

GRI [102-22]

In accordance with the Company's Articles of Association, at least 11 members shall be elected to the Board of Directors. This makes it possible to form a balanced composition in terms of professional qualifications, experience and business skills of members of the Board of Directors, to ensure a high level performance, and to meet the needs of the Company and the interests of shareholders.

Due to inclusion of the Company in a special list approved by Order of the Government of the Russian Federation No. 91-r of 23 January 2003, nomination of candidates to the Company's Board of Directors is carried out in accordance with the Order.

Candidates to the Board of Directors are selected and evaluated by the Federal Property Management Agency Committee on selection of independent directors and representatives of the interests of the Russian Federation for governing and control bodies of joint-stock companies considering suggestions of the Russian Ministry of Energy and PJSC FGC UES; the candidates are preliminary surveyed and evaluated in terms of their experience, knowledge, business reputation, absence of conflicts of interest, etc.

In 2020, candidates for election to the Board of Directors of PJSC FGC UES were nominated by Order of the Government of the Russian Federation No. 805-r dated 30 March 2020.

⁹⁴ Meeting Minutes of the Board of Directors of PJSC FGC UES No. 512 of 14 August 2020.

⁹⁵ Minutes of the Annual General Meeting of Shareholders of PJSC FGC UES No. 22 of 28 June 2019.

⁹⁶ Minutes of the Annual General Meeting of Shareholders of PJSC FGC UES No. 24 of 15 May 2020.

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]

The composition of the Board of Directors is balanced in terms of its members having the core competencies necessary for the effectiveness and duration of their work on the Board. Members of the Board of Directors have skills in the field of strategic management, corporate governance, corporate finance, risk management, accounting, as well as knowledge and working experience in the field of the electric power industry.

The Board of Directors of PJSC FGC UES includes three independent directors; the Audit Committee and the HR and Remuneration Committee are formed exclusively of independent directors, which is consistent with the recommendations of the Bank of Russia's Corporate Governance Code and requirements of the Listing Rules of PJSC Moscow Exchange

GRI [102-24]

Candidates to the Board of Directors are elected based on their personal and professional skills and in accordance with the independence criteria specified by the Listing Rules of PJSC Moscow Exchange.

When forming the Company's Board of Directors, the following criteria are taken into account:

- members of the Company's Board of Directors shall meet the requirements with respect to their skills, experience, knowledge and reputation in business;
- election to the Company's Board of Directors of at least three independent directors and one representative from the Association NP Market Council;
- executive directors may not comprise more than 25% of the composition of the Company's Board of Directors.

GRI [102-22]

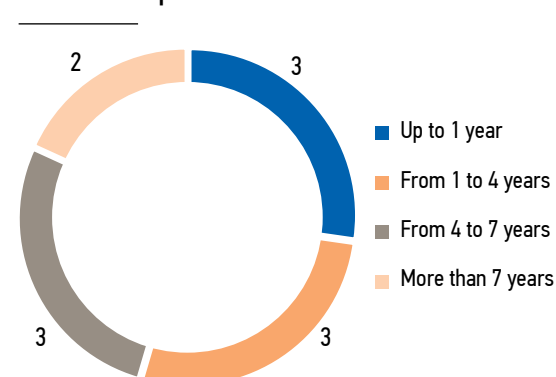
Competences and industry-specific experience of members of PJSC FGC UES Board of Directors

Board member	Status	Length of service, years	Length of service on the Board, years	Education and skills						
				Strategy	Finances, risks and audit	Industry	IT/innovations	HR/SR/HSE	GR	Corporate management and law
Pavel Livinsky	Non-Executive Director	17	2.5	++	++	++		++	++	+
Pavel Grachev	Independent Director	7	6.5	++	+	+	++	++	++	++
Pavel Grebtsov	Non-Executive Director	20	1.5	++	++	++			++	
Igor Kamenskoy	Independent Director	5	4.5	++	++		+		++	+
Yuri Manevich	Non-Executive Director	16	0.5	++	++	++	++		++	
Andrey Murov	Executive Director	9	7.5	++	++	++		++	++	++
Leonid Neganov	Non-Executive Director	16	0.5	++	++	++	+		++	
Larisa Romanovskaya	Non-Executive Director	4	0.5	+	++	+		++		
Nikolay Roshchenko	Non-Executive Director	12	4.5	+		++				++
Ernesto Ferlenghi	Independent Director	12	10	++	++	++		++		+
Vladimir Furgalsky	Non-Executive Director	10	1.5	+	++	++			++	++

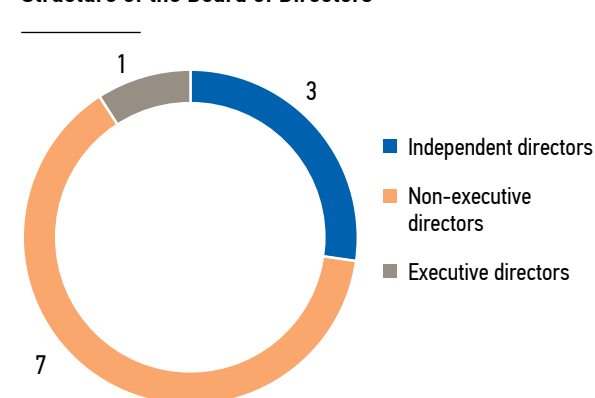
Governing Bodies of the Company

[THE BOARD OF DIRECTORS]

Structure of the Board of Directors by term of membership



Structure of the Board of Directors



Chairman of the Board of Directors

The Chairman of the Board of Directors plays a key role in the organisation of the Board of Directors activities, therefore, additional rights and responsibilities formalised in the Provision on the Board of Directors have been given to him. In particular, a Chairman of the Board of Directors has the following functions:

- ensuring an open discussion of agenda issues and taking into account the opinions of all members of the Board of Directors;
- determination of key issues to be considered by the Board of Directors and selection of the optimal form of the meeting to discuss the issues;
- representation of the Board of Directors in relations with shareholders, management and other stakeholders;
- creation of proposals for the distribution of tasks among the members of the Board of Directors and committees of the Board of Directors, as well as consideration of issues of engaging external consultants and experts;
- coordination and maintenance of the dynamics of the work of the Board of Directors.

GRI [102-23]

Until 15 May 2020, the Chairman of the Board of Directors of the Company was non-executive director P. Livinsky not belonging to any of the Committees of the Board of Directors. During the specified period P. Livinsky was the General Director of PJSC Rosseti, the main shareholder of PJSC FGC UES, and also a member of the governance bodies of a number of other organisations⁹⁷. Since 27 May 2020, A. Murov not belonging to any of the Committees of the Board of Directors was elected as the Chairman of the Board of Directors of the Company. A. Murov is the First Deputy General Director – Executive Director, member of the Management Board of PJSC Rosseti.

Managing the work of the Board of Directors by a representative of the main shareholder is a common management practice among companies that are a consolidated group. This allows to coordinate the cycles and processes of corporate governance and ensure the necessary degree of cooperation. At the same time, the instruments for ensuring the balance of interests established in the Company make it possible to effectively control the activities of the Chairman in the interests of all shareholders, as well as ensure the necessary level of accountability to the Board of Directors, including through:

- the possibility of electing the Chairman exclusively by the decision of the Board of Directors;
- the established practice of taking into account the opinions of the members of the Board of Directors when making decisions, even in cases where this could not affect the voting results (search for optimal decisions);
- the existence of rules for determining the quorum and the procedure for making decisions, including special provisions on unanimity and accounting for votes of independent / disinterested members of the Board of Directors on a number of issues;
- reporting of the Chairman to the Board of Directors and to the General Meeting of Shareholders on business issues.

⁹⁷ In January 2021, P. Livinsky was appointed to the position of Director of the Department of Energy of the Government of the Russian Federation.

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]

Role of independent directors

All members of the Company's Board of Directors shall, while performing their duties, consider the importance of taking professional, reasonable and informed decisions which contribute to development and effectiveness of the Company's activities.

Furthermore, in order to provide an objective analysis of the issues reviewed and consider different factors in the Company's interests, at least 3 independent directors are involved in the work of the Board of Directors who meet the substantive criteria of independence specified by the recommendations of the Corporate Governance Code of the Bank of Russia and the Listing Rules of stock exchanges, to which admitted securities of the Company.

In the reporting year, members of the Board of Directors P. Grachev, I. Kamenskoy and E. Ferlenghi were the Company's independent directors.

During 2020, the Company's Board of Directors took decisions on recognition of the members of the Board of Directors of PJSC FGC UES as independent members. Ferlenghi by the criterion of relatedness with the issuer and P. Grachev by the criterion of a connection with a significant counterparty⁹⁸. In accordance with the decisions taken, the Company's Board of Directors determined that the connection of E. Ferlenghi with PJSC FGC UES and P. Grachev's connection with significant counterparties of the Company is formal in nature and does not affect independence in forming a position on the agenda of the Board of Directors, the ability to make objective and fair judgements, independent of the influence of the executive bodies of the Company, individual groups of shareholders, counterparties, competitors of the Company and the state.

The role of independent directors is of special importance in a number of critical processes and procedures which directly affect the efficiency of the Company's management system, in particular:

- equal expression and the protection of the rights and lawful interests of all the groups of shareholders;
- the organisation of the operations of the Board Committees responsible for reliable control of financial reporting, the risk, internal control and audit management system, selection of auditors, anti-corruption, as well as motivation and control of the Company's management (Audit Committee and HR and Remuneration Committee);
- consideration of transactions and projects that have elements of conflict of interests of other parties;
- interaction and involvement in issues arising from stakeholders and the industry community (counterparties, clients, minority shareholders, investors, creditors, employees, authorities, mass media and others);
- the organisation of the development and implementation of the motivation and remuneration policies of management;
- ensuring the transparency of the Company's information;
- the objective consideration of all aspects when performing material corporate actions (reorganisation, M&A projects).

The Corporate Governance Code and the Regulation on the Board of Directors of PJSC FGC UES, approved by the Annual General Meeting of Shareholders on 15 May 2020⁹⁹, specified that a Senior Independent Director may be appointed from among the elected independent members of the Board of Directors of the Company. Senior Independent Director is nominated by independent directors.

Currently, there is no Senior Independent Director position in the Company due to the high workload on each of the existing Independent Directors and the difficulty of assigning additional responsibilities. At present, the absence of the Senior Independent Director does not entail additional risks for the Company and stakeholders. Independent directors express their opinions on their own and equally and are able to cooperate directly both with the Chairman of the Board of Directors and the Company's management, when necessary.

⁹⁸ Paragraph 6 of the PJSC FGC UES Board of Directors Meeting Minutes No. 506 dated 15 May 2020, paragraph 1 of the PJSC FGC UES Board of Directors Meeting Minutes No. 509 dated 8 July 2020.

⁹⁹ Minutes of the Annual General Meeting of Shareholders of PJSC FGC UES No. 24 dated 15 May 2020.

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]

Biographies of members of the Board of Directors¹⁰⁰

As of 31 December 2020, the composition of the Board of Directors of PJSC FGC UES was elected by the Annual General Meeting of Shareholders on 15 May 2020¹⁰¹. The information regarding the participation in management bodies of other organisations is listed as of 31 December 2020, and the experience of the members of the Board of Directors is indicated for the last five years and at present.



LIVINSKY
Pavel

Chairman
of PJSC FGC UES Board of Directors (till 15 May 2020)
Board member since 28 June 2018

Born in 1980.

Graduated from Lomonosov Moscow State University, majoring in Economics. In 2003, he was awarded a master's degree in Management.

Experience:

- 2013–2017 — Head of the Department of Fuel and Energy Economy of Moscow.
- 2017 – Head of the Department of Housing and Communal Services of Moscow.
- 2017–2021 — General Director, Chairman of the Management Board, Member of the Management Board of PJSC Rosseti.
- 2021–present — Director of the Department of Energy of the Russian Government.

External appointments:

Board Member, Chairman of the Board of Directors of PJSC Rosseti Moscow Region, Chairman of the Board of Directors of PJSC Rosseti Lenenergo; Member of the Board of Directors of PJSC RusHydro, JSC SO UES, PJSC Rosseti; Member of RSPP; Member of the Board of Trustees of FSBEI of HE NIU MEI, the Foundation of the Cathedral of Christ the Saviour, All-Russian Public Sports Organisation Modern Pentathlon Federation of Russia; Member of the Presidium of the Association RNC WEC, Association RNC CIGRE; Member of the Supervisory Board of NP NTS UES, Association of organisation of digital development Digital Energy; President and Member of the Presidium of the RPO Sports Federation of Fire-fighters and Rescuers, Member of the Board of Trustees of the Foundation of the Cathedral of Christ the Saviour; Chairman of the Serbian Business Council.

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]



GRACHEV
Pavel

Independent Director
Member of the Audit Committee
Member of the HR and Remuneration Committee
Board member from 27 June 2013 to 27 June 2014, re-elected in 2015

Born in 1973.

Graduated from the Saint Petersburg State University and the University of Trieste (Italy), majoring in Law. J.D.

Experience:

- 2014–2016 — President of JSC Polyus Krasnoyarsk (JSC Polyus before renaming).
- 2014–2016 – Senior Executive Director of Polyus Gold International Limited.
- 2014–present — General Director of PJSC Polyus.
- 2016–present — General Director of MC Polyus LLC.

External appointments:

Member of the Board of Directors of PJSC Polyus, PJSC RusHydro; Member of the Board of Directors, Chairman of the Board of Directors of SL Zoloto LLC.



GREBTSOV
Pavel

Non-Executive Director
Member of the Strategy Committee
Board member since 2019

Born in 1976.

In 1994, he graduated from the Chelyabinsk Law School of the Russian Ministry of Health, majoring in Law and Accounting in the Social Security System.

In 1998, he graduated from Lomonosov Moscow State University, majoring in Management.

In 2000, he graduated from Plekhanov Russian University of Economics, majoring in Management.

Experience:

- 2011–2015 – Deputy Chairman, First Deputy Chairman, Chairman of the Regional Energy Commission of Moscow in the Moscow Government.
- 2018–present – Director of the Tariff Policy Department, Acting Deputy General Director for Economic Affairs and Finance, Deputy General Director for Economic Affairs and Finance (since 24.04.2020), Member of the Management Board of PJSC Rosseti (since 29.05.2020).
- 2020–present – Deputy Chairman of the Management Board (since 24.04.2020 until 17.05.2020), Deputy General Director for Economic Affairs and Finance (since 18.05.2020) of PJSC FGC UES (since 18.05.2020).

External appointments:

Member of the Board of Directors of PJSC Rosseti Volga, PJSC IGDS of North Caucasus, PJSC MOESK, PJSC Rosseti Lenenergo, PJSC Rosseti Siberia; Chairman of the Board of Directors of PJSC Rosseti South.

¹⁰⁰ Here and elsewhere, personal information about members of PJSC FGC UES governing and control bodies is disclosed with their consent.

¹⁰¹ Minutes of the Annual General Meeting of Shareholders of PJSC FGC UES No. 24 dated 15 May 2020.

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]



KAMENSKOY
Igor

Independent Director
Chairman of the Audit Committee
Chairman of the Investment Committee
Member of the HR and Remuneration Committee
Board member since 2016

Born in 1968.

Graduated from Lenin Moscow State Pedagogical Institute, majoring in Russian Language and Literature.

Experience:

- 2014–present – Managing Director of Renaissance Broker LLC.
- 2019–present – Advisor to the President of the All-Russian Public Organisation The Football Union of Russia.

External Appointments:

Member of the Board of Directors of SC Soglasie LLC, PJSC Aeroflot, PJSC Corporation VSMPO-AVISMA.



MUROV
Andrey

Chairman of the Board of Directors (since 15 May 2020)
Chairman of the Management Board (till 15 May 2020).
Board member since 2013

Born in 1970.

Graduated from the Saint Petersburg State University, majoring in Jurisprudence; underwent the Financial Management retraining programme at the Interdisciplinary Institute of Executive Staff Refresher Training and Retraining. Doctor of Economic Science.

Experience:

- 2012–2020 – Member of FGC UES Management Board.
- 2013–2020 – Chairman of the Management Board of PJSC FGC UES.
- 2013–present – Member of the Board of Directors, Chairman of the Board of Directors of PJSC FGC UES (since 2020).
- 2013–present – Member of the Board of Directors of PJSC Rosseti.
- 2015–present – Chairman of the RNC CIGRE.
- 2020–present – First Deputy General Director, Executive Director, Member of the Management Board of PJSC Rosseti.

External Appointments:

Member of the Board of Directors of PJSC Inter RAO, JSC SO UES; Member of the Board of Trustees of FSBEI of HE NIU MEI, FSBEI HE SPbSU, FSBEI HE SPbGEU; Member of the Supervisory Board of the Association for the Development of International Energy Research and Projects "Global Energy"; Non-Profit Partnership "Scientific and Technical Council of the Unified Energy System"; Member of the Central Council and the Bureau of the Central Council of The Union of machine engineers of Russia LLC, Member of the Board of Trustees of the All-Russian public organisation Rugby Union of Russia.

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]



ROSHCHENKO
Nikolay

Non-Executive Director
Board member since 2016

Born in 1981.

Graduated from Tax Academy of the Russian Federation, majoring in Jurisprudence.

Experience:

- 2008–present – Head of the Legal Department of the Association NP Market Council.
- 2014–present – Member of the Management Board of the Association NP Market Council.
- 2017–present – Deputy Chairman of the Management Board, Member of the Management Board of JSC TSA.

External Appointment:

Member of the Board of Directors of JSC TSA, Chairman of the Board of Directors of JSC FSC.



MANEVICH
Yuri

Non-Executive Director
Board member since 2020

Born in 1972.

Graduated from the Saint Petersburg State University of Economics and Finance, majoring in Economics and Industrial Management.

Experience:

- 2010–2019 – General Director, President of Rosproject CJSC.
- 2019–2020 – Deputy Minister of Energy of the Russian Federation.

External Appointments:

Member of the Board of Directors of PJSC Rosseti, PJSC RusHydro, JSC SO UES; Member of the Supervisory Board of the Association NP Market Council.

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]



NEGANOV
Leonid

Non-Executive Director
Board member since 2020

Born in 1972.

In 1995, graduated from the Moscow Engineering Physics Institute (Technical university), majoring in Solid state Physics. Qualification – Engineer Physicist.

In 2001, graduated from the Higher School of Economics, majoring in Management.

Experience:

- 2013–2019 – Minister of Energy of the Moscow Region.
- 2019–2020 – Deputy General Director for Investments and Capital Construction of PJSC Rosseti.
- 2020–2021 – Advisor to the General Director of PJSC Rosseti.

External Appointments:

Member of the Board of Directors of JSC TCC.



ROMANOVSKAYA
Larisa

Non-Executive Director
Board member since 2020

Born in 1972.

Graduated from the Samara State Academy of Economics, majoring in Economics.

Experience:

- 2014–2017 – General Director of Ensol LLC.
- 2017–2021 – Adviser, Chief Adviser, Acting Deputy General Director for Human Resources and Government and Media Relations, First Deputy Director General (until 20.05.2021).
- 2020–present – Member of the Management Board of PJSC Rosseti (since 29.05.2020).
- 2020–2021 – First Deputy Chairman of the Management Board (since 24.04.2020 until 17.05.2020), First Deputy Director General of PJSC FGC UES (since 18.05.2020 until 20.05.2021).

External Appointments:

Member of the Board of Directors of PJSC IDGC of Centre, PJSC MOESK, PJSC Rosseti Lenenergo; Member of the Management Board of the Association of organisation of digital development Digital Energy; Member of the Supervisory Board of NP "CTSCenter UES".

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]



FERLENGHI
Ernesto

Independent Director
Chairman of the HR and Remuneration Committee
Member of the Audit Committee
Member of the Strategy Committee
2008–2014 — Member of the Board of Directors
Re-elected in 2016

Born in 1968.

Graduated from the University of Tor Vergata (Rome), Faculty of Mathematics, Physics and Natural Sciences.

Experience:

- 2014–2017 — Senior Advisor for Russia of Eni S.p.A.
- 2014–2015 — Advisor for Business Development of Maire Tecnimont S.p.A.
- 2015–2017 — Senior Advisor for Business Development of Saipem S.p.A.
- 2015 — Consultant at SIIRTEC NIGI S.p.A.
- 2016–2017 — Consultant at SIAD RUS LLC.
- 2016–2017 — Senior Advisor at Snam S.p.A.
- 2013–present — Sole proprietor.
- 2015–2020 — President of the Association of Italian Industrialists "Confederation of Italian Industry".
- 2017–2020 — Executive Vice President on Market Development in Russia and Central Asia at Eni S.p.A.
- 2018–present — Chairman of the Energy Committee of the Association of European Businesses (AEB).
- 2018–present — General Director of Eni Energhia LLC.
- 2019–present — Co-chairman of the Russia-Italy Dialogue Forum on Civil Societies.
- 2020–present — Head of Eni in the Russian Federation, Head of Market Development in Russia and Central Asia.



FURGALSKY
Vladimir

Non-Executive Director
Board member since 2019

Born in 1977.

In 2000, he graduated from the Saint Petersburg State University of Economics and Finance, majoring in Finance and Credit. Qualification: Economist.

Experience:

- 2014–2015 — Director of the International Cooperation Department of the Ministry of North Caucasus Affairs of the Russian Federation (Minkavkaz of Russia).
- 2015–2018 — Chief Advisor, Head of the Fuel and Energy Expert Center, Russian Energy Agency of the Ministry of Energy of Russia.
- 2018–2020 — Chief Advisor, Deputy General Director for Corporate Governance of PJSC Rosseti.
- 2020–present — Director of the Department for Corporate Policy and Property Relations in Fuel and Energy Industries of the Ministry of Energy of the Russian Federation.

External appointments:

Member of the Board of Directors of PJSC Rosseti Siberia, JSC Zarubezhneft and PJSC Rosseti.

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]

Composition of the Board of Directors valid from 26 June 2019 to 15 May 2020

PAVEL LIVINSKY	General Director, Chairman of the Management Board of PJSC Rosseti. Born in 1980. Education: University degree
Chairman of PJSC FGC UES Board of Directors	
PAVEL GRACHEV	General Director of MC Polyus LLC, General Director of PJSC Polyus. Born in 1973. Education: University degree
Independent Director	
Pavel Grebtsov	Director of the Tariff Policy Department, Deputy General Director for Economics of PJSC Rosseti. Born in 1976. Education: University degree
Non-Executive Director	
IGOR KAMENSKOY	Managing Director of Renaissance Broker LLC. Born in 1968. Education: University degree
Independent Director	
ANDREY MUROV	Chairman of the Management Board of PJSC FGC UES, Chairman of RNC SIGRE. Born in 1970. Education: University degree
Executive Director Chairman of the Management Board	
NIKOLAY ROSHCHENKO	Deputy Chairman of the Management Board, Member of the Management Board of JSC TSA. Born in 1981. Education: University degree
Non-Executive Director	
OLGA SERGEEVA	Adviser, Chief Adviser, Deputy General Director — Chief of Staff of PJSC Rosseti. Born in 1984. Education: University degree
Non-Executive Director	
SERGEY SERGEEV	General Director of PJSC Kubanenergo. Born in 1976. Education: University degree
Non-Executive Director	
PAVEL SNIKKARS	Director of the Electric Power Industry Development Department of the Ministry of Energy of Russia. Born in 1978. Education: University degree
Non-Executive Director	
ERNESTO FERLENGHI	General Director of Eni Energhia LLC, Executive Vice President for Market Development in Russia and Central Asia at Eni S.p.A., President of the Association of Italian Industrialists "Confederation of Italian Industry". Born in 1968. Education: University degree
Independent Director	
VLADIMIR FURGALSKY	Director of the Department for Corporate Policy and Property Relations in Fuel and Energy Industries of the Ministry of Energy of the Russian Federation. Born in 1977. Education: University degree
Non-Executive Director	

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]

Introduction to the post of new members of the Board of Directors

At the Annual General Meeting of Shareholders in 2020, 3 new members of the Board of Directors of the Company were elected (Yu. Manevich, L. Neganov, L. Romanovskaya). The current policies of the Company provide for a special procedure of "introduction to the post" of new members of the Board of Directors in order to involve them in the work of the Board of Directors and its committees as soon as possible, to become acquainted with production and financial-economic activities, which ultimately ensures more effective performance of the Board's functions.

As part of the "introduction to the post", the following events were organised for new Board members:

- providing information on key management and activity issues of the Company — development strategy, long-term development programme, Company's business model, budget and investment programme, risk management and internal control system, controlled organisations, management and motivation system, organisational structure, main operational and financial results of the last 3 years;
- referral of internal documents and key policies of the Company regulating relations, control and supervision over their implementation, which is the responsibility of the Board of Directors;
- information on obligations and powers of the Board of Directors members, their status, anticipated time expenditure, and necessary resources to performing their duties on the Board;
- information on key events involving the Company's Board members planned for 2020–2021.

Assessment of performance of the Board of Directors

GRI [102-28]

In accordance with the recommendations of the Corporate Governance Code of the Bank of Russia, monitoring of the corporate governance quality is carried out in the Company annually, including assessment of the activities of the Company's Board of Directors and its committees. The assessment results are submitted to the Board of Directors, as a rule, before the Annual General Meeting of Shareholders, in order to consider the aspects detected in planning of further activities of the Board of Directors and its committees.

In 2016–2017, the Company has annually involved an external consultant for the Board of Directors assessment, which helped to ensure the independence of the analysis of the activities of the Board of Directors and its committees. Due to the adoption of a restated version of the Corporate Governance Code of PJSC FGC UES¹⁰² in 2019, the assessment of the Board of Directors is conducted in the form of self-assessment or the assessment with an external consultant (at least every three years).

The information on the assessments of the Board of Directors and its committees for the past 5 years

Assessment period	2016	2017	2018	2019	2020
Assessment format	With involvement of an external consultant: JSC VTB Registrar	With involvement of an external consultant: TopCompetence LLC	With involvement of an external consultant: JSC VTB Registrar	Self-assessment	Self-assessment

In 2021, an external consultant will be hired for the assessment of activities of the Board of Directors and its committees.

¹⁰² The resolution of PJSC FGC UES's Board of Directors dated 23 April 2019 (Minutes No. 455 dated 25 April 2019).

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]

Results of self-assessment of the Board of Directors

In the year under review, the efficiency of activities carried out by the Board of Directors and its committees in 2019 was evaluated in the form of self-assessment¹⁰³. The methodology have been determined by the Provision on Conducting Assessment of the Activities of the Board of Directors of PJSC FGC UES approved by the decision of the Company's Board of Directors¹⁰⁴. In early 2021, evaluation of the efficiency of the Board of Directors' and its committees' work in 2020¹⁰⁵ was conducted (also in the form of self-assessment).

Self-assessment activities:

- overall performance of the Board of Directors;
- performance of the Committees under the Board of Directors;
- performance of each member of the Board of Directors (individual assessment);
- performance of the Chairman of the Board of Directors;
- performance of the Chairmen of the Committees under the Board of Directors;
- ensuring performance of the Board of Directors and Committees under the Board.

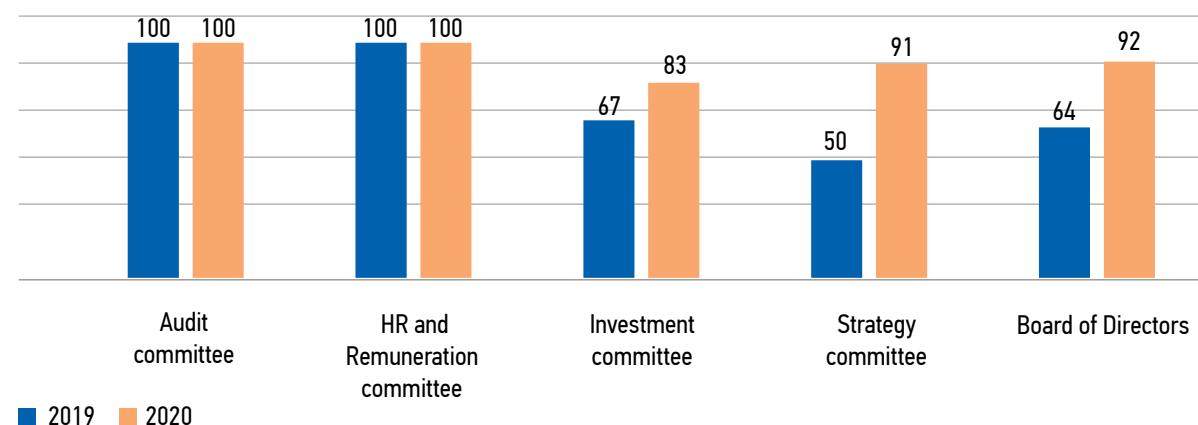
The assessment of the Board of Directors performance includes the analysis of the four components:

- Board of Directors as a governance body;
- composition and structure of the Board;
- management of the Board of Directors performance;
- Chairman of the Board of Directors.

Assessment of the activities of the Committees under the Board of Directors consisted of an analysis of criteria that are common to all Committees under the Board of Directors, as well as specific ones based on the specialisation of each Committee.

Self-assessment was conducted by means of questioning. Respondents taking part in the assessment included members of the Board of Directors and its committees, as well as the Corporate Secretary. In total, 62% of respondents took part in self-assessment in 2020 and 88% of respondents participated in it in 2021.

Statistic of participation in questioning(%)



The respondents consider that the Board of Directors needs to pay more attention to risk management issues in the course of the Company's operations, their target and current values, risk management methods, approval of the development strategy and its implementation plan as well as the introduction of the motivation system for top managers. The respondents also noted that the Board of Directors needs to review the issue of establishing a talent pool for top management positions in the Company.

¹⁰³ The Report on Self-assessment of PJSC FGC UES Board of Directors and Its Committees for 2019 was reviewed by the Board of Directors of PJSC FGC UES on 14 May 2020 (Minutes No. 504 dated 14 May 2020).

¹⁰⁴ Minutes of the Board of Directors of PJSC FGC UES No. 355 of 20 February 2017 and No. 459 of 18 July 2019.

¹⁰⁵ The Report on Self-assessment of PJSC FGC UES Board of Directors and Its Committees for 2020 was reviewed by the Board of Directors of PJSC FGC UES on 30 April 2021 (Minutes No. 537 dated 30 April 2021).

Governing Bodies of the Company

[THE BOARD OF DIRECTORS]

At the same time, the following activities of the Board of Directors are highly appreciated: implementation of the Company's strategy (Long-Term Development Programme), safeguarding of assets, internal audit, functioning of the internal control system and the system of monitoring and preventing a possible conflict of interest at the Company's top management level.

According to the results, respondents, among other things, focus on whether it is reasonable to enable the Board of Directors to attract external experts for assistance using the Company's funds, on the fact that the procedure for inducing newly elected members of the Board of Directors as per the Company's Corporate Governance Code (CGC) is partially implemented, as well as (taking into account objective factors caused by the epidemiological situation) on a small number of in-person meetings of the Board of Directors in 2020.

Although the practice of attracting external experts to assist the Board of Directors is absent in the Company, experts are actively involved in the Committees' activities, including in the preliminary elaboration of the issues to be considered by the Board of Directors.

On all hands, the respondents commended the issues related to providing (including organising) activities of the Board of Directors, the level of interaction of the Board of Directors with the Company's management, high level of implementing the Action Plan by the Board of Directors, availability of the information between the Board's meetings, and the degree of cooperation of the Board of Directors with its Committees.

Results of assessment of Company Board of Directors' activities in 2019–2020

CRITERIA AND INDICATORS	Score	
	2019	2020
1. Assessment of the Board of Directors' performance as a governance body		
Formation and control of the Company's development strategy implementation	4.8	4.9
Development of effective internal audit, internal control and risk management systems	4.8	4.8
Assessment of the Company's management performance, development of an efficient system of its motivation	4.6	4.3
Safeguarding of assets	5.0	4.9
2. Assessment of the composition and structure of the Board of Directors		
Quantitative composition of the Board is optimal	5.0	4.96
The structure of the Board of Directors is balanced and optimal in terms of the ratio of executive, non-executive, independent members of the Board	5.0	4.9
The composition of the Board is balanced in terms of the combination of knowledge, experience and competencies of Board's members and is optimal	5.0	4.9
Independent directors belonging to the current composition of the Board of Directors are fully objective and independent in decision-making	5.0	5.0
Independent directors make a significant contribution to the work of the Board of Directors and discussion of agenda issues of the Board's meeting	5.0	5.0
3. Assessment of Management of the Board's performance		
Ensuring performance of the Board	5.0	4.8
Infrastructure availability	4.3	4.7
The Board's interaction with the Company's management	4.8	4.8
The Board's interaction with its Committees	5.0	4.9
4. Assessment of the Chairman of the Board of Directors		
The Chairman of the Board of Directors ensures the effective organisation of the work of the Board, preparation and holding of Board's meetings	5.0	5.0
Members of the Board of Directors freely interact with the Chairman of the Board	5.0	5.0
The Chairman of the Board of Directors provides a constructive and open atmosphere during discussions of issues at the meetings of the Board	5.0	5.0
The Chairman of the Board of Directors provides and encourages discussions of controversial and disputable issues among the members of the Board	5.0	5.0



For assessment of the performance of Committees of the Company Board of Directors, see [Appendix 1](#).

Liability Insurance of Directors and Officials

With the scale of the Company's activities, changes in the regulatory environment, number of contractors and a comprehensive nature of contractual relations taken into account, a practice for liability insurance of directors and officials both of the Company and its subsidiaries (D&O insurance certificate) was introduced in Rosseti FGC UES Group.

The liability insurance is aimed at:

- protecting directors and officials in case of claims submitted by third parties;
- guaranteed protection of Company shareholders' proprietary interests and ensuring a source of reimbursement for possible Company losses and/or insured parties in insurance cases.

Main insurance parameters and the extent of insurance correspond to the size of business and possible risks, as well as the liability insurance practice of other companies working in the industry.

Main parameters of insurance conditions under the D&O certificate

Period	June 2017–June 2018	June 2018–December 2019	2020
Insurer	JSC SOGAZ	JSC SOGAZ	JSC SOGAZ
Contract price, RUB	4,700,000	5,767,000	5,000,000
Insured parties	Members of the Board of Directors and executive bodies, individual categories of management of the Company (chief accountant, general counsel, risk manager) and its subsidiaries.		
Liability limit, incl.			
General limit	RUB 3 bln		
Additional limit	For independent directors — RUB 30 mln, but no more than RUB 150 mln for all independent directors		
Insurance geography	Global		

CORPORATE SECRETARY

The Corporate Secretary is responsible for organising the work of the Board of Directors, shareholder engagement and controlling the protection of shareholders' and investors' rights.

The principal powers of the Corporate Secretary are the following:

- organisation and holding of the Board's meetings, participation in the preparation and holding of general meetings of shareholders;
- preparation of conclusions, explanations on the requests of the Chairman and members of the Board of Directors regarding the issues under consideration;
- control of instructions of the Board of Directors;
- interaction with shareholders and members of the professional community, disclosure of information;
- participation in the control of information policy, implementation of measures to prevent conflict of interest.

Appointment and termination of the Company's Corporate Secretary falls within the exclusive competence of the Board of Directors with preliminary consideration by its HR and Remuneration Committee. The Corporate Secretary is functionally subordinate to the Board of Directors and is administratively subordinate to the General Director ensuring his sufficient independence from the Company's management.

Since 15 May 2020, the duties of the Corporate Secretary of the Company are performed by Olga Sergeeva.

The Regulation on the Corporate Secretary of PJSC FGC UES was approved by the Board of Directors on 21 July 2015 (with further revisions)



**SERGEEVA
Olga**

Corporate Secretary of PJSC FGC UES
(since 15 May 2020)

Born in 1984.

Graduated from the Plekhanov Russian University of Economics in 2006, majoring in Economics and Business Management. Construction services.

Experience:

- From 2009 to 2010 she held the position of Leading Specialist of the Department of Organisational and Regulatory Support of the Operations Coordination Office of the Complex of Urban Planning Policy and Construction of Moscow, in 2009 she was awarded with the class rank of civil service – the 3rd class referent of the state civil service of Moscow of the Mayor's Office and Moscow's Government.
- From 2010 to 2017 she held the position of Consultant of the General Department of Business Administration, in 2011 she was awarded with the class rank of civil service – the 3rd class Advisor of the state civil service of Moscow, Advisor of the General Department of Business Administration, Deputy Head of the Business Administration, Head of the Business Administration.
- In 2013 she was awarded with the class rank of civil service – the 3rd class state Advisor of Moscow, held the position of Head of the Organisational and Legal Department, in 2015 she was awarded with a class rank - the 2nd class state Advisor of Moscow, was Deputy Head of the Department of Fuel and Energy of Moscow and Deputy Head of the Department of Housing and Communal Services of Moscow.
- Since 2017 – Advisor, Chief Advisor of PJSC Rosseti.
- In 2018 she held the position of Deputy General Director – Chief of Staff.
- Since 2019 to the present – Chief Advisor of PJSC Rosseti.



**OZHERELYEV
ALEKSEY**

Corporate Secretary of PJSC FGC UES
(till 15 May 2020)

Born in 1986 in Moscow.

Graduated from the Moscow State University of Economics, Statistics, and Informatics in 2006, majoring in Finance and Credit.

Experience:

- From 2017 to the present day he holds the position of Head of the Directorate for Operation of Management Bodies of PJSC Rosseti.
- From 2016 to 2020 — Corporate Secretary of PJSC FGC UES.
- From 2013 to 2016 — Head of the Directorate for Operation of Management Bodies of PJSC Rosseti.
- From 2011 to 2013 — Deputy Head of the Corporate Governance Department with PJSC FGC UES.
- From 2009 to 2011 — Advisor, Deputy Head of the Department, Head of the Department of Economic Regulation and Property Relations with FEC under the Ministry of Energy of Russia.

During the reporting period from 1 January 2020 to 15 May 2020, the duties of Corporate Secretary of the Company were performed by Aleksey Ozherelyev.

COMMITTEES OF THE BOARD OF DIRECTORS

Committees of the Board of Directors are consultative advisory bodies of the Board of Directors of PJSC FGC UES.

In 2020, four Committees worked to increase the effectiveness of the resolutions taken by the Board of Directors by providing preliminary consideration of the most important issues and preparing respective recommendations under the Board, including:

- Audit Committee;
- HR and Remuneration Committee;
- Strategy Committee;
- Investment Committee.

The key role of each Committee is to provide preliminary consideration of the most important issues related to the competence of the Company's Board of Directors and to develop recommendations that the Board of Directors follows when taking resolutions on relevant issues.

The Committees are completely subordinate to the Company's Board of Directors.

In accordance with the best practice and requirements of the Moscow Exchange Listing Rules, the compositions of the Audit Committee and the HR and Remuneration Committee include independent members of the Board of Directors, and if that is not possible due to objective causes, then members of the Board of Directors not belonging to the sole executive body. This contributes to objective and balanced recommendations.

The compositions of the Strategy Committee and Investment Committee include the members of the Board of Directors and persons suggested by the members of the Board of Directors whose competence and experience are essential to the work of the Committees.

The Company follows the practice of involving independent experts to the work of the Audit Committee of the Company's Board of Directors, introduced in 2016.

Approach to Membership in the Committees of the Company's Board of Directors

With a view to ensuring the efficient work of and preparation of well-considered and objective resolutions/recommendations by the Committees, the Company consistently uses the following main approaches:

- the Audit Committee and the HR and Remuneration Committee are composed solely of independent directors, who have the necessary competencies and experience, no conflicts of interest regarding items under consideration, and do not hold the position of Chairman of the Board of Directors;
- workload of the members of the Board of Directors as the Company's directors, as well as their external appointments and objective ability to make educated decisions on agenda items are taken into account;
- existence of specialised committees dealing with material issues, essential to the Company's sustainability and development (investment, key projects);
- the Committees are remunerated and provided with necessary resources at the Company's expense; external experts are involved in the Committees' activities (both on a paid and free-of-charge basis);
- possibility to consider issues not only in the framework of the Board's recommendations, but in certain areas the Committees are responsible for;
- the Committees are managed exclusively by the Board members and report to them on a regular basis.

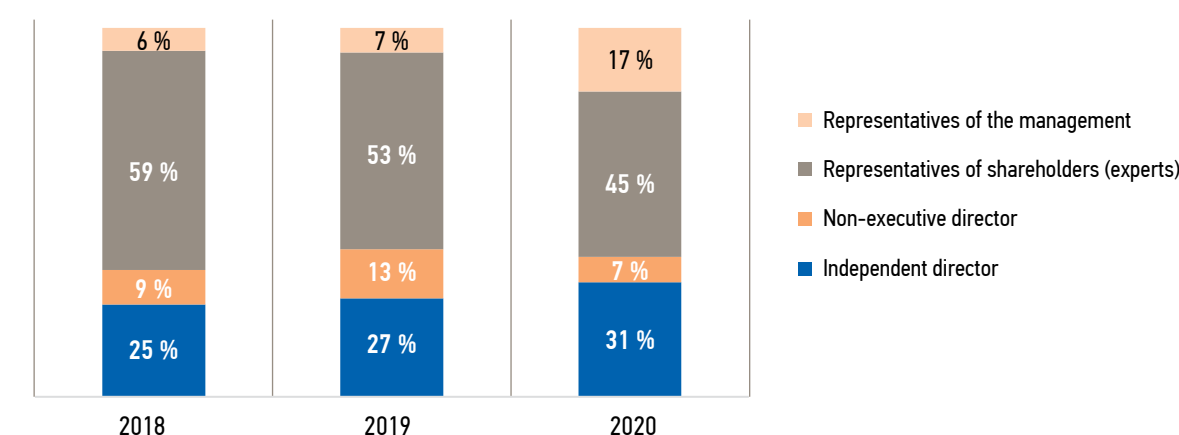
Management of the Committees' activities

When assessing the Committees' efficiency, the following elements are used as our core metrics:

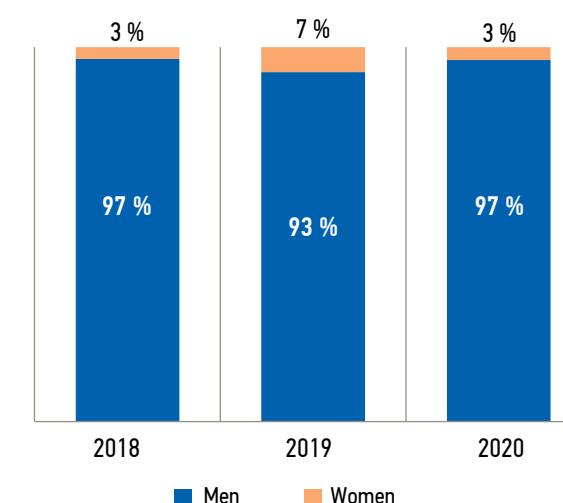
- balance in the composition;
- number and categories of meetings and issues under consideration;
- quality of planning and arrangement of the Committees' activities;
- compliance with recommendations and generally approved management practices.

The Board of Directors of PJSC FGC UES reviewed and approved the reports of the Audit Committee, Strategy Committee, HR Committee, Investment Committee for the 2019–2020 corporate year¹⁰⁶

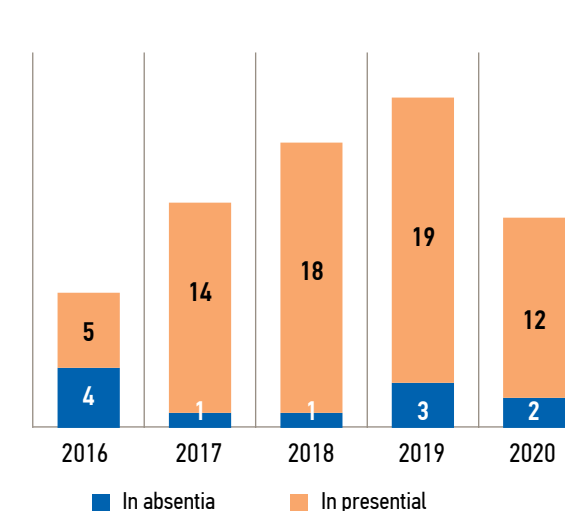
Composition of the committees



Gender composition



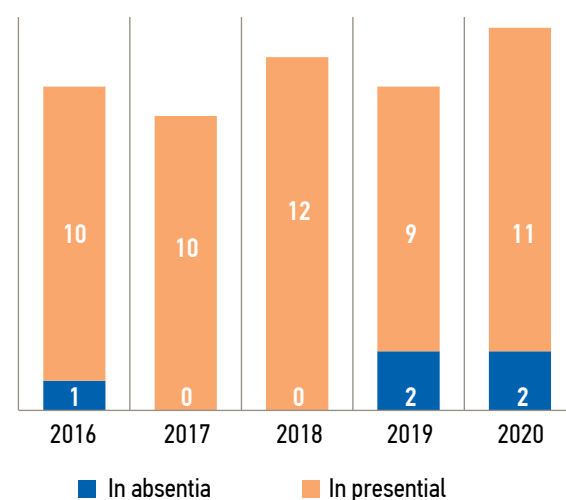
Meetings of Audit Committee



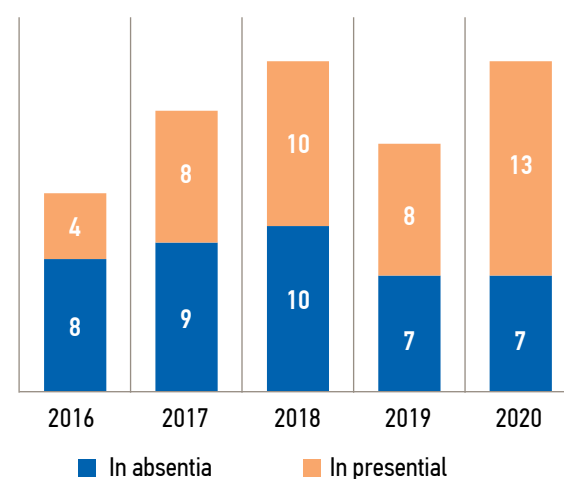
¹⁰⁶ Meeting Minutes of the Board of Directors No. 505 dated 14 May 2020.

Committees of the Board of Directors

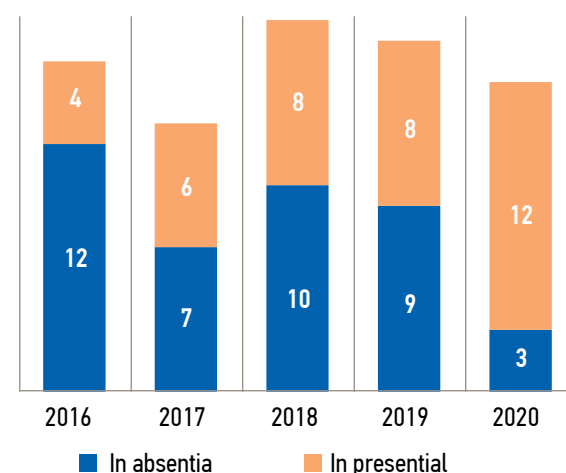
Meetings of HR and Remuneration Committee



Meetings of Strategy Committee



Meetings of Investment Committee



In the reporting year, the Committees considered 121 issues at 62 meetings. In the meantime, taking into account the restrictions related to holding in-person meetings amidst the coronavirus infection pandemic, the Company actively held the joint meetings of the Committees via video conferences. In 2020, the share of in-person meetings of the Committees amounted to 23%, and the share of issues considered thereat – 28%.

Committee	Audit Committee	HR and Remuneration Committee	Strategy Committee	Investment Committee
Affirmative votes	100 %	100 %	97.8 %	94.6 %
Dissenting votes	–	–	0.6 %	1.8 %
Abstained	–	–	1.6 %	3.6 %

* Information is provided according to the voting results recorded in the Committees' Meeting Minutes.

Committees of the Board of Directors

Audit Committee



I. Kamenskoy,
Chairman of the Audit Committee,
Independent Director

both social and economic sectors of life as early as March 2020.

Throughout the year, our Audit Committee focused on sustainability and risk control issues and the impact of the current situation on the Company's performance and reporting as well as the measures taken. We devoted several meetings to organisation and functioning of internal control, key operational risks and activities of the Internal Audit Department.

I am convinced that the intensive work of the Committee, among other things, enabled us to take control of this uncertain situation and ensure the necessary dynamics of the Company's development in the environment completely new for us".

"Last year was a milestone year for a lot of companies and raised the issue of developing point-in-time risk management approach and the need to timely response to completely uncertain situations and pursue our activity. We faced the global impact of the pandemic in all areas of life which seemed to become a science fiction at the beginning of 2020 but heavily affected

The role of the Audit Committee is to assist the Board of Directors in providing efficient control of the Company's financial and business operations.

The committee performs important functions in the Company's corporate governance system in terms of monitoring the completeness, accuracy and reliability of financial statements, the efficiency and reliability of the risk management, internal control and corporate governance system, as well as ensuring the objectivity and independence of the internal and external audit functions.

The activities of the Audit Committee are governed by the Regulations on the Audit Committee of the Board of Directors of PJSC FGC UES, approved by the Board of Directors on 16 November 2015¹⁰⁷

Given the nature of their responsibilities, the members of the Audit Committee have sufficient relevant financial experience and skills necessary to work with financial statements, business analysis and financial management. None of the Company's top managers is included in the Audit Committee.

¹⁰⁷ The Resolution of PJSC FGC UES's Board of Directors dated 16 November 2015 (Minutes No. 291 dated 19 November 2015).

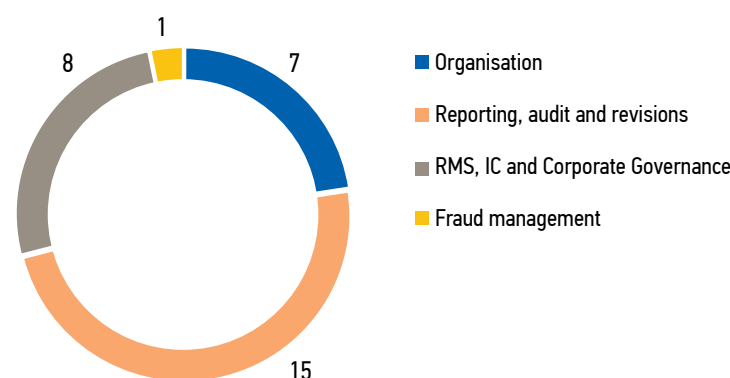
Committees of the Board of Directors

GRI [102-22] Composition of the Audit Committee

	Composition of the Committee from 1 Jan 2020 to 15 May 2020	Composition of the Committee from 15 May 2020 to 31 Dec 2020	Participation in the Committee meetings
I. Kamenskoy, Chairman of the Committee , Independent Director	+	+	14/14
P. Grachev, Independent Director	+	+	14/14
E. Ferlenghi, Independent Director	+	+	14/14

Activities in 2020

Structure of issues, considered by the Audit Committee in 2020



IN 2020, THE AUDIT COMMITTEE HELD

14
MEETINGS
(INCLUDING 2
MEETINGS HELD VIA
VIDEO CONFERENCES),
AND CONSIDERED
31 ISSUES

Key areas of the Audit Committee's activities	Items considered in 2020
<ul style="list-style-type: none"> control of the accounting (financial) statements drafting; risk management, internal control and corporate governance; internal and external audit; anti-fraud, compliance. 	<ul style="list-style-type: none"> Financial statements and recommendations to the General Meeting of Shareholders; audit reports on annual and interim financial statements provided by the Company's external auditors; candidates for the Company's external auditors and their remuneration; reports on activities of the Internal Audit Department; reports on the results of the corporate governance self-assessment; methodology of the corporate governance self-assessment; risk management items; results of anti-corruption monitoring.

Committees of the Board of Directors

HR and Remuneration Committee



E. Ferlenghi,
*Chairman of the HR and Remuneration Committee,
Independent Director*

The Committee regularly reviewed the status of the management's KPI performance and took an active part in elaborating proposals for improving the motivation system and its connection with the Company's strategic development goals.

In 2020, the Company updated a number of policies: remuneration of members of the Board of Directors and the Audit Commission and self-assessment of the Board of Directors. In addition, the Committee was directly involved in the project for phased implementation of professional standards aimed at enhancing the performance of specific employee categories.

The measures taken in terms of HR policy enabled the Company to retain an absolute majority of its employees, which ensured ongoing operations of Rosseti FGC UES and deep involvement of the staff into solving key issues".

"In 2020, we paid more attention to the efficiency of the staff motivation system, taking into account both unprecedented impact of the restrictions related to the coronavirus infection and profound changes in the management system of PJSC FGC UES caused by delegating authorities of the Company's sole executive body to the management company.

The HR and Remuneration Committee is responsible for ensuring the necessary expertise in such areas as motivation and nomination, as well as development and implementation of the personnel continuity policies.

GRI [102-22]

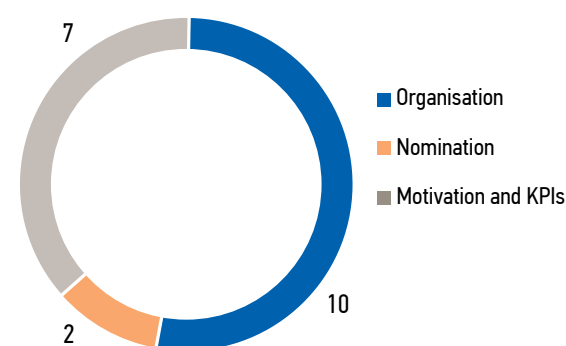
Composition of the HR and Remuneration Committee

	Composition of the Committee from 1 Jan 2020 to 15 May 2020	Composition of the Committee from 15 May 2020 to 31 Dec 2020	Participation in the Committee meetings
E. Ferlenghi, Chairman of the Committee , Independent Director	+	+	13/13
P. Grachev, Independent Director	+	+	13/13
I. Kamenskoy, Independent Director	+	+	13/13

The HR and Remuneration Committee does not include any representatives of the Company's top management and consists entirely of independent directors.

Activities in 2020

Structure of issues considered by the HR and Remuneration Committee in 2020



IN 2020, THE HR AND REMUNERATION COMMITTEE CONDUCTED

13 MEETINGS
(2 OF WHICH WERE HELD IN THE FORM OF JOINT ATTENDANCE), AND CONSIDERED 19 ISSUES

Key areas of the HR and Remuneration Committee's activities	Items considered in 2020
<ul style="list-style-type: none"> development of policies on remuneration of the Board members and senior officials, and supervision of their implementation and compliance; preliminary assessment of the Company's key employees at the end of the year; preparation of provisions of labour contracts concluded with members of the Management Board and the Company's key employees; development of recommendations for the Board of Directors in terms of determination of the remuneration amount and bonus system for the Company's Corporate Secretary; assessment of performance of the Board of Directors and its members, selection of priority areas to strengthen the Board's composition; preparation of recommendations for shareholders regarding election to the Board of Directors; development of the continuity policies for top management; planning on staff appointment (employee pool) of senior officials, drafting recommendations for the Board of Directors regarding candidates for the positions of senior officials and Corporate Secretary. 	<ul style="list-style-type: none"> approval and methodology of KPI assessment of the Company's top management; reports on achievement of quarterly and annual KPIs by the Company's top management; results of self-assessment of the Company's Board of Directors and its Committees; recommendations to the introduction of professional standards into the Company's operations.

Investment Committee



I. Kamenskoy,
*Chairman of the Investment Committee,
Independent Director*

important to develop the investment programme in details and take effective control of its implementation.

Throughout 2020, the Investment Committee ensured proper consideration of the most vital capital investment issues including monitoring of the status of major projects, assistance in enhancing the effectiveness of investment activities, analysis of shortcomings and evolution of the Company in this direction.

The Company also focused on the modernisation of backbone infrastructure, technological connection under federal projects and improvement of the procurement activities. Thanks to intensive work of the Committee, the Company's Board of Directors provided timely and professional resolution-making related to the Company's investment activities."

"Balanced investment policy and approach to implementing capital-intensive projects are one of the key success factors of Rosseti FGC UES. Financing investment activities requires significant funds of the Company, which predetermines that it is extremely

The role of the Investment Committee is to assist the Board of Directors in improving and developing the Company's investment policy.

GRI [102-22]

Composition of the Investment Committee*

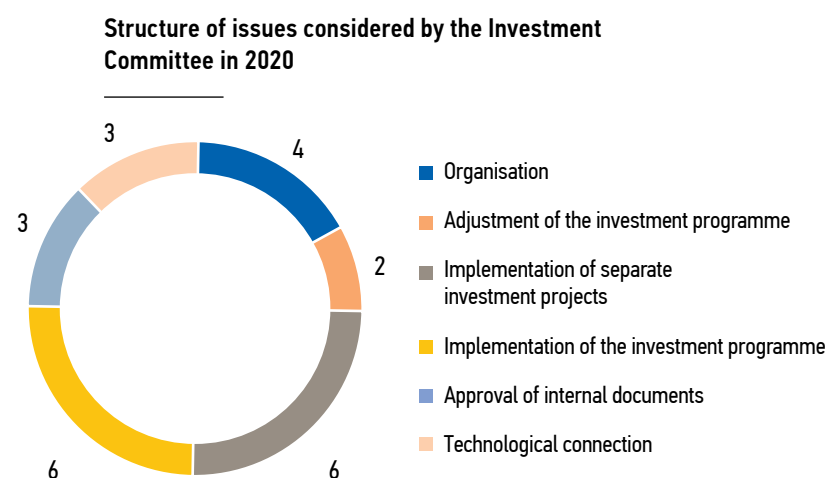
	Composition of the Committee from 1 Jan 2020 to 13 July 2020	Composition of the Committee from 13 Jul 2020 to 31 Dec 2020	Participation in the Committee meetings
I. Kamenskoy, Chairman of the Investment Committee , Member of the Board of Directors of PJSC FGC UES, Managing Director of Renaissance Broker LLC (Independent Director)	+	+	15/15
M. Bychko, Head of the Design and Estimate Control Department of PJSC FGC UES	+	+	15/15
G. Gladkovsky, Deputy Chief Engineer of PJSC FGC UES	No	+	5/5
V. Gritsenko, Member of the Presidium of NP OPORA ROSSII	+	+	15/15
A. Ilienکو, Member of the Management Board, Director for UES Development of JSC SO UES	+	+	15/15
A. Kaplun, Director of the Energy Industry Development Department of MC Polyus LLC	+	+	15/15
V. Kiselev, Chairman of the Consumer Council of the Government Commission for the Electric Power Industry	+	+	15/15

Committees of the Board of Directors

	Composition of the Committee from 1 Jan 2020 to 13 July 2020	Composition of the Committee from 13 Jul 2020 to 31 Dec 2020	Participation in the Committee meetings
A. Molsky, Deputy General Director for Investment, Capital Construction and Sales of Services of PJSC FGC UES	+	+	15/15
I. Selivakhin, Financial Director of JSC TSA, Advisor of the Chairman of the Management Board of the Association NP Market Council	+	+	14/15
P. Snikkars, Deputy Minister of the Ministry of Energy of the Russian Federation	+	+	12/15
E. Ferlenghi, Member of the Board of Directors of PJSC FGC UES, Executive Vice President of Eni for Market Development in Russia and Central Asia (Eni S.p.A.) (Independent Director)	No	+	5/5
M. Yusubov, Head of the Financial Analysis and Corporate Assistance Department of the Russian Energy Agency of the Ministry of Energy of Russia	No	+	5/5
A. Mayorov, Deputy General Director — Chief Engineer of PJSC Rosseti	+	No	7/10
L. Neganov, Acting Deputy General Director of Investment Activities and Capital Construction of PJSC Rosseti	+	No	10/10
A. Pyatigor, Deputy General Director of Service Sales of PJSC Rosseti	+	No	3/10

* The positions are as at the date of election.

Activities in 2020



IN 2020,
THE INVESTMENT
COMMITTEE HELD

15
MEETINGS
(3 OF WHICH WERE HELD
IN THE FORM OF JOINT
ATTENDANCE),
AND CONSIDERED
24 ISSUES

Key areas of the Investment Committee's activities	Items considered in 2020
<ul style="list-style-type: none"> Consideration of the investment programme and reports on its implementation; consideration of the innovative development, R&D, and technological development programmes; development of the UES of Russia and programmes of the distribution grids development; consideration of the maintenance programme and reports on its implementation; consideration of certain key operational projects. 	<ul style="list-style-type: none"> Adjustment of the Company's Investment Programme and reports on its implementation; key programmes and projects of the Company; infrastructure upgrade plan, as well as reports on the programme implementation for development of grid facilities; issues related to ensuring technological connection; reports on implementation of key projects as well as results of technological and price audits of projects; changes in the Company's Procurement Policy.

Committees of the Board of Directors

Strategy Committee



Yu. Manevich,
*Chairman of the Strategy Committee,
Non-Executive Director*

development and approval of the Company's new Long-Term Development Programme for 2020–2024 and forecast up to 2030 and to synchronise all major documents based on the Development Programme (the Company's business plan, key programmes and policies).

During challenging 2020, the Committee carried out intensive work aimed at achieving all the objectives. We regularly held joint meetings of the Committee where we managed to discuss further development of the Company and its business prospects in line with the required measures aimed at increasing the effectiveness of the Company's operations.

All of the above resulted in an updated Long-Term Development Programme which is to ensure the achievement of objectives set for the Company by shareholders and the Board of Directors".

"Strategic development, analysis of competitive advantages and introduction of innovative technologies in Rosseti FGC UES have always been among priority areas which are under the spotlight of both the Board of Directors and the Strategy Committee.

In the reporting year, the Committee had to solve an ambitious issue, namely, to provide coordinated

GRI [102-26]

The role of the Strategy Committee is to assist the PJSC FGC UES Board of Directors in improving the Company's performance efficiency in the long term.

GRI [102-22]

Composition of the Strategy Committee*

	Composition of the Committee from 1 Jan 2020 to 13 Jul 2020	Composition of the Committee from 13 Jul 2020 to 31 Dec 2020	Participation in the Committee meetings
Yu. Manevich, Chairman of the Committee , Member of the Board of Directors of PJSC FGC UES	No	+	14/14
A. Germanovich, General Director of AG Ventures LLC	+	+	20/20
P. Grebtsov, Deputy General Director of Economics and Finance of PJSC FGC UES	+	+	20/20
A. Kaplun, Director of the Energy Industry Development Department of MC Polyus LLC	+	+	20/20
B. Livshits, Deputy Head of the Competitive Pricing Development Department of the Association NP Market Council	+	+	19/20
A. Molsky, Deputy General Director for Investment, Capital Construction and Sales of Services of PJSC FGC UES	No	+	14/14

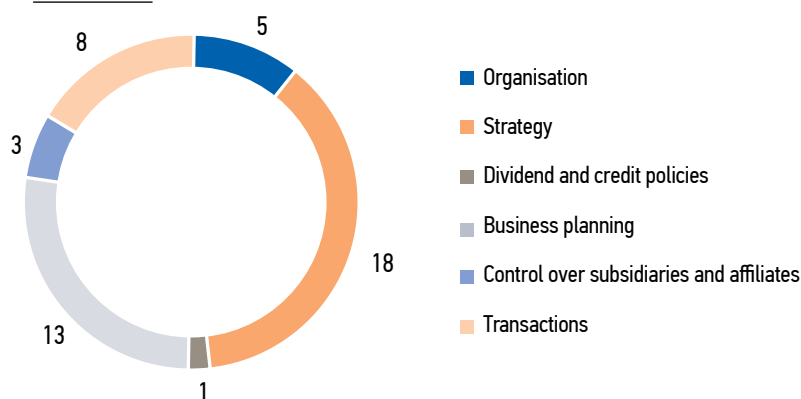
Committees of the Board of Directors

	Composition of the Committee from 1 Jan 2020 to 13 Jul 2020	Composition of the Committee from 13 Jul 2020 to 31 Dec 2020	Participation in the Committee meetings
S. Pikin, Member of the Board of Directors of PJSC Lenenergo	No	+	14/14
P. Snikkars, Deputy Minister of the Ministry of Energy of the Russian Federation	+	+	17/20
M. Tikhonova, Deputy General Director for Corporate Governance of PJSC FGC UES	+	+	20/20
E. Ferlenghi, Member of the Board of Directors of PJSC FGC UES, Executive Vice President of Eni for Market Development in Russia and Central Asia (Eni S.p.A.) (Independent Director)	+	+	19/20
M. Yusubov, Head of the Financial Analysis and Corporate Assistance Department of the Russian Energy Agency of the Ministry of Energy of Russia	No	+	14/14
E. Prokhorov, Acting Deputy of the General Director for Strategy of PJSC Rosseti	+	No	6/6
L. Romanovskaya, Deputy General Director for Engagement with Public Authorities of PJSC Rosseti	+	No	5/6
V. Furgalsky, Deputy General Director for Corporate and Legal Affairs of PJSC Rosseti	+	No	6/6
A. Erdyniev, Deputy Director of the Electric Power Industry Development Department of the Ministry of Energy of Russia	+	No	6/6
V. Yavorsky, General Director of Tori-Audit LLC	+	No	6/6

* The positions are as at the date of election.

Activities in 2020

Structure of issues considered by the Strategy Committee in 2020



IN 2020,
THE STRATEGY
COMMITTEE CONDUCTED

20
MEETINGS
(8 OF WHICH WERE
HELD IN THE FORM
OF JOINT ATTENDANCE),
AND CONSIDERED
48 ISSUES

Key areas of the Strategy Committee's activities	Items considered in 2020
<ul style="list-style-type: none"> Consideration of strategic areas, Long-Term Development Programme of the Company, long-term financial model and reports on the results achieved; consideration of issues of business planning and reports on implementation of the Business Plan; assessment of M&A projects; consideration of issues related to the dividend policy; consideration of key items related to activities of the Company's affiliates; consideration of items related to the Company's performance improvement; consideration of items regarding the PJSC FGC UES Group corporate structure, including participation (cessation of participation in other organisations); consideration of material transactions. 	<ul style="list-style-type: none"> The Long-Term Development Programme Project of the Company for 2020–2024 (and forecast up to 2030); implementation of anti-crisis measures amidst the coronavirus infection; non-core assets management; conclusion of transactions to be approved by the Board of Directors; Business Plan of the Company and reports on its implementation; issues of improving the Procurement Policy; participation in other organisations.

Governing Bodies of the Company

[EXECUTIVE GOVERNANCE BODIES]



EXECUTIVE GOVERNANCE BODIES

MANAGEMENT COMPANY

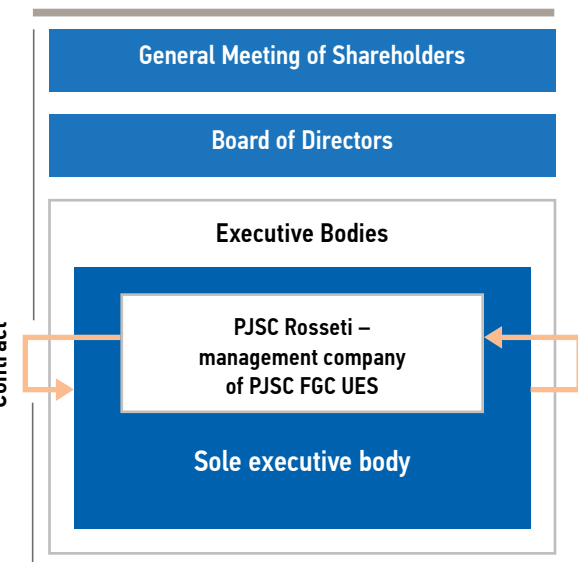
The Annual General Meeting of Shareholders of PJSC FGC UES dated 15 May 2020¹⁰⁸ approved significant changes in the Company's operational management system:

- the powers of the sole executive body were transferred to the PJSC Rosseti – management company;
- new versions of the Company's Articles of Association and Regulations on governance bodies were approved taking into account the specifics of performing the functions of the sole executive body by the governing organisation and the abolition of the collegial executive body – the Management Board.

Till 15 May 2020



After 15 May 2020



The change in the management system of PJSC FGC UES is intended to improve the quality of the Company's manageability and the speed of decision-making, optimise the cost structure, reduce the costs of the management staff, eliminating duplication of functions.

The transfer of powers of the sole executive body to a management company is a common practice for groups of companies, which allows a significant increase in the quality of management processes and a simultaneous reduction in costs.

The conditions, rights and obligations of the parties to exercise the powers of the sole executive body of PJSC FGC UES by the management company (PJSC Rosseti) are determined on the basis of the agreement on the transfer of powers of the sole executive body of PJSC FGC UES dated 15 May 2020 No. 5765/660884 to PJSC Rosseti and approved by the Board of Directors of the Company¹⁰⁹.

¹⁰⁸ Minutes of the Annual General Meeting of Shareholders of PJSC FGC UES No. 24 dated 15 May 2020.

¹⁰⁹ Meeting Minutes of the Board of Directors of PJSC FGC UES No. 506 dated 15 May 2020.

Governing Bodies of the Company

[EXECUTIVE GOVERNANCE BODIES]

Information about the management company

Full corporate name	Rosseti Public Joint-Stock Company
Abbreviated corporate name	PJSC Rosseti
Powers transfer grounds	Agreement on the transfer of powers of the sole executive body of PJSC FGC UES to PJSC Rosseti No. 5765/660884 dated 15 May 2020
Address	Moscow, Russia
Taxpayer Identification Number (INN)	7728662669
OGRN	1087760000019
Telephone	+7 (495) 995-5333
E-mail	info@rosseti.ru
Information on the license for the management of investment funds, unit investment funds and non-state pension funds	The specified license is missing



In 2020, the powers of the sole executive body (SEB) of Rosseti FGC UES were transferred to the management company – Rosseti. What are the positive effects of this decision?

M. Tikhonova,
Deputy General Director for Corporate Governance

The decision to transfer the powers of the SEB to the management company, adopted by the Annual General Meeting of Shareholders of Rosseti FGC UES, shall provide a reduction in transaction costs and acceleration of management processes in both companies. Application of the best management practices, consolidation of narrow competencies, unification of IT systems, and the elimination of duplicate functions ultimately lead to an improvement in the efficiency and quality of corporate governance, and an increase in the investment attractiveness of the Rosseti Group.

Reduction in document circulation, accelerated decision-making are among the positive results that have already been achieved not only in terms of interaction with Rosseti, but also with other Group's organisations.

Governing Bodies of the Company

[EXECUTIVE GOVERNANCE BODIES]

Management Board of PJSC FGC UES¹¹⁰

The Management Board Structure

In accordance with the Regulation on the Management Board of PJSC FGC UES, valid until 15 May 2020, the quantitative composition of the Company's Management Board was determined by resolution of the Board of Directors of PJSC FGC UES. As at 14 May 2020, the Management Board of PJSC FGC UES included 6 people.

In accordance with the resolution of the Board of Directors of PJSC FGC UES¹¹¹, the powers of all members of the Company's Management Board were early terminated on 15 May 2020.

Members of the Management Board of PJSC FGC UES in 2020	
MUROV ANDREY	Chairman of the Management Board (till 15 May 2020)
VODENNIKOV DMITRY	Deputy Chairman of the Management Board — Chief Engineer (till 24 April 2020)
ZARAGATSKY Aleksandr*	First Deputy Chairman of the Management Board (till 15 May 2020)*
MOLSKY ALEKSEY	First Deputy Chairman of the Management Board (till 15 May 2020)
TEREBULIN SERGEY	Deputy Chairman of the Management Board (till 15 May 2020)
TIKHONOVA MARIA	Deputy Chairman of the Management Board (till 15 May 2020)

* Zaragatsky A. does not work in the Company since 21 May 2021.



For more information on the biographies of the members of the Management Board of PJSC FGC UES, see [Appendix 1](#).

Report on the activities of the Management Board of PJSC FGC UES

From 1 January 2020 to 14 May 2020 (inclusive), the Management Board of PJSC FGC UES held 23 meetings, including 1 meeting in praesentia and 22 meetings in absentia, considered 125 issues. The most important ones are presented in the table below.

Subject	Item
Production activity	<ul style="list-style-type: none"> The annual report on technological and price audits of investment projects of PJSC FGC UES in 2019 was considered. The list of investment projects of PJSC FGC UES being subject to public technological and price audits in 2020 was approved. A Consolidated Annual Report on the implementation of the plan of maintenance and repair work of PJSC FGC UES for 2019 was considered.
Social and HR Policy	<ul style="list-style-type: none"> The Report of the sole executive body (Chairman of the Management Board) of PJSC FGC UES on the provision of insurance coverage for the first quarter of 2020 was considered. The internal document of PJSC FGC UES was approved: Policy in the field of Sustainable Development and Corporate Social Responsibility of the Company.

¹¹⁰ Information on the composition and performance results of the PJSC FGC UES Management Board is presented as of 14 May 2020.

¹¹¹ Paragraph 5 of Meeting Minutes of the Board of Directors of PJSC FGC UES No. 506 dated 15 May 2020.

Тема	Наименование вопроса
Financial and economic activities	<ul style="list-style-type: none">● PJSC FGC UES's report on performance on capital markets and interaction with rating agencies in 2019 was considered.● The report on the results of calculating the actual limits of the debt position at the end of 2019, as well as the forecast limits of the debt position at the end of the first quarter of 2020 was considered.● Reports on the implementation of PJSC FGC UES's Business Plan for 2019 were considered.
Internal control and risk management	<ul style="list-style-type: none">● The Action Plan for Managing Key Operational Risks in 2020 was approved.● The report of PJSC FGC UES's internal auditor on the assessment of efficiency of the Company's internal control and risk management system based on 2019 results was considered.● The Action Plan for Developing and Improving the Risk Management System of PJSC FGC UES was considered.● The report of the Chairman and members of PJSC FGC UES's Management Board on the organisation, functioning and efficiency of the risk management system in 2019 was considered.● The report of the Chairman and members of PJSC FGC UES's Management Board on the organisation and functioning of the internal control system in 2019 was reviewed.● The report on PJSC FGC UES's key operational risks in 2019 was considered.● Quarterly reports on operational risks with a "Critical" rating were considered.

REMUNERATION SYSTEM FOR THE MEMBERS OF THE COMPANY'S GOVERNANCE BODIES

GRI [102-35]

The Remuneration Policy for members of the Company's governance bodies was developed on the basis of the principles and recommendations of the Bank of Russia Corporate Governance Code and the Company's remuneration and compensation practice.

The Board of Directors and the HR and Remuneration Committee of the Board of Directors play a key role in the formation of the remuneration system for members of the Company's governance bodies, which carries out preliminary consideration of issues related to the formation of an effective and transparent remuneration practice in the Company. The HR and Remuneration Committee annually analyses the Company's remuneration system, and also monitors the current regulatory framework in order to provide the Board of Directors with appropriate recommendations.

The purpose of the remuneration system for members of the Company's governance bodies is attraction, motivation and long-term retention in the governance bodies of members with the competence and qualifications necessary for effective management of the Company, achievement of the established strategic goals and fulfilment of tasks.

The procedure for determining remuneration and compensation to members of the Board of Directors, as well as the payment procedure, is set forth in the Regulations on Payment of Remuneration and Compensation to Members of the Board of Directors of PJSC FGC UES¹¹². The practices applied in the Company for determining remuneration and compensation payable to members of the Board of Directors comply with the efficiency, transparency, sufficiency and reporting principles and consider the role of the above-stated persons in performance of the Company.

The procedure for remuneration of persons included in committees of the Board of Directors, but not belonging to the

¹¹² Approved by the Annual General Meeting of Shareholders of PJSC FGC UES on 15 May 2020 (Minutes No. 24 dated 15 May 2020).

Board of Directors, is determined by the Regulations on Payment of Remuneration and Compensation to Members of the Committees of the Board of Directors of PJSC FGC UES¹¹³.

The Regulations on the Conditions of Labour Contracts and Determination of the Amount of Remuneration and Compensation Payable to Senior Management of JSC FGC UES¹¹⁴ regulate the system of remuneration of the top management of the Company.

The Company does not involve consultants to determine the amount of remuneration and compensation to members of the governance bodies.

In 2020, the Regulations on Payment of Remuneration and Compensation to Members of the Board of Directors of PJSC FGC UES was supplemented with a provision prohibiting the payment of remuneration to members of the Board of Directors belonging to the Company's employees. No other changes were made to the Company's Remuneration Policy in the reporting year.

Remuneration of Members of the Board of Directors

Key aspects of the remuneration system for members of the Board of Directors:

- remuneration is paid as a lump-sum payment following the results of work of the Company's Board members for the corporate year since their election until termination of their powers;
- the decision to pay remuneration is made by the Annual General Meeting of Shareholders of the Company.

The Regulations on Payment of Remuneration and Compensation to Members of the Board of Directors of PJSC FGC UES also contain a number of conditions under which remuneration is not paid in the following cases:

- a member of the Company's Board of Directors skips more than half of meetings of the Board of Directors held during their membership on the Board of Directors;
- lack of net profit for the reporting year preceding the year of payment of remuneration;
- a member of the Board of Directors of the Company is simultaneously a member of the Management Board of the Company;
- a member of the Company's Board of Directors is a person in respect of whom the laws of the Russian Federation foresee restrictions and prohibitions on receiving any payments from commercial organisations.

Internal documents and the policy of PJSC FGC UES on remuneration of members of the Board of Directors do not provide for the provision of shares of the Company to members of the Board of Directors.

The Company's remuneration system does not envisage the payment of bonuses or any other payments of a social nature to members of the management bodies, and also does not establish additional privileges, including any types of insurance (with the exception of liability insurance for members of the Board of Directors).

In the event of early termination of powers of a member of the Board of Directors, as well as in the event of election of a member of the Board of Directors at the Company's Extraordinary General Meeting of Shareholders, the remuneration of such person is calculated taking into account the actual time they fulfil their duties as a member of the Board of Directors.

Additional payments or compensations in case of early termination of powers of members of the Board of Directors due to the transfer of control over the Company or other circumstances in the Company are not provided

¹¹³ Approved by the Board of Directors of PJSC FGC UES (Minutes No. 280 dated 24 August 2015).

¹¹⁴ Approved by the Board of Directors of PJSC FGC UES (Minutes No. 105 dated 17 June 2010).

Governing Bodies' Remuneration

Calculation of remuneration

GRI [102-36]

To increase involvement of the Board members into the Company's operation and motivation to achieve high financial indicators by the Company, the amount of remuneration payable to members of the Board of Directors depends on the Company's financial results. Remuneration is calculated taking into account the fixed part of remuneration determined depending on the Company's¹¹⁵ revenue for the reporting year preceding the year of payment of remuneration.

Revenue for the financial year	Amount of the fixed part of remuneration
Over RUB 200 bln	RUB 1,000,000
Over RUB 30 bln	RUB 900,000
Over RUB 10 bln	RUB 800,000
Over RUB 1 bln	RUB 700,000
Over RUB 600 mln	RUB 600,000
Below RUB 600 mln	Remuneration is not paid

The **fixed amount** of remuneration of members of the Board of Directors in the 2019–2020 corporate year was RUB 900,000.

Board member's remuneration is formed on the following principles:

- the total amount of remuneration of a member of the Company's Board of Directors **shall not exceed** RUB 900,000 in the corporate year;
- remuneration for participation in the meetings of the Board of Directors** is formed based on the amount of the **fixed amount** of remuneration and the actual attendance of the meetings of the Board of Directors;
- the increases are determined in the amount:**
 - +30% of remuneration for participating in the meetings of the Board of Directors for the Chairman of the Board of Directors;
 - +20% of remuneration for participation in the meetings of the Board of Directors for the Chairman of the Committee of the Board of Directors;
 - +10% of remuneration for participating in the meetings of the Board of Directors for a member of the Committee of the Board of Directors.



More information on the formula for calculating remuneration for participation in meetings of the Board of Directors can be found in the Regulations on Payment of Remuneration and Compensation to Members of the Board of Directors of PJSC FGC UES.

Compensations

The Regulations on Payment of Remuneration and Compensation to Members of the Board of Directors of PJSC FGC UES foresee reimbursement of actual expenses to Board members, including the cost of the transportation to the location of the meeting of the Board of Directors and Committees and back, accommodation costs, as well as other expenses related to the Company's operations.

¹¹⁵ In accordance with the annual accounting (financial) statements of the Company as per RAS for the corresponding period.

Governing Bodies' Remuneration

Remuneration paid in the reporting year

It was decided to pay remuneration to members of the Board of Directors at the General Meeting of Shareholders of PJSC FGC UES, held following the 2019–2020 corporate year, due to the receipt of net profit as of the results of 2019 in the amount of RUB 59.5 bln following the results of the Company's activities.

Fixed annual remuneration was the only monetary form of remuneration of Board members for serving on the Board of Directors in the reporting period.

Remuneration for Board membership		Additional remuneration	
$R_{\text{actual}} = R_{\text{base}} \times 100/130 \times (a/b)$		Remuneration to the Chairman of the Board of Directors*	$R_{\text{actual}} \times 30\% / 100\%$
$R_{\text{base}} = \text{RUB } 900,000$		Remuneration to the Chairman of the Committee*	$R_{\text{actual}} \times 20\% / 100\%$
a – number of meetings of the Board of Directors in which the member participated		Remuneration for Committee membership*	$R_{\text{actual}} \times 10\% / 100\%$
b – total number of meetings of the Board of Directors held in the reporting period			

*Bonus payments for chairmanship and membership in the Committee of the Board of Directors are not paid if the Committee held less than 3 meetings in the corporate year	Information on the number of the meetings of the Committees of the Board of Directors	
	Audit Committee	12
	HR and Remuneration Committee	11
	Investment Committee	12
	Strategy Committee	9

No	Name of the Board member	a	b	Remuneration (R_{actual}), RUB	Information on the membership in the Committees of the Board of Directors	Additional remuneration, RUB			Total, RUB	Max payment, RUB	Limitations on the payments	Total payable, RUB
						Chairman of the Board of Directors	Chairman of the Committee of the Board of Directors	Member of the Committee of the Board of Directors				
1	P. Grachev	51	51	692,307.69	AC	0	0	69,230.77	830,769.23	900,000.00	No	830,769.23
					HRRC	0	0	69,230.77				
2	P. Grebtsov	51	51	692,307.69	SC	0	0	69,230.77	761,538.46	900,000.00	No	761,538.46
3	I. Kamenskoy	51	51	692,307.69	AC	0	138,461.54	0	1,038,461.54	900,000.00	No	900,000.00
					HRRC	0	0	69,230.77				
					IC	0	138,461.54	0				
4	A. Murov*	51	51	–	–	–	–	–	–	–	Yes	–
5	P. Livinsky	51	51	692,307.69	–	207,692.31	0	0	900,000.00	900,000.00	No	900,000.00
6	N. Roshchenko	48	51	651,583.71	–	0	0	0	651,583.71	900,000.00	No	651,583.71
7	O. Sergeeva	51	51	692,307.69	–	0	0	0	692,307.69	900,000.00	No	692,307.69

Governing Bodies' Remuneration

No	Name of the Board member	a	b	Remuneration (R _{actual}), RUB	Information on the membership in the Committees of the Board of Directors	Additional remuneration, RUB			Total, RUB	Max payment, RUB	Limitations on the payments	Total payable, RUB
						Chairman of the Board of Directors	Chairman of the Committee of the Board of Directors	Member of the Committee of the Board of Directors				
8	S. Sergeev	51	51	692,307.69	IC	0	0	0	692,307.69	900,000.00	No	692,307.69
9	P. Snikkars**	46	51	–	IC	–	–	–	–	–	Yes	–
					IC	–	–	–				
10	E. Ferlenghi	50	51	678,733.03	AC	0	0	67,873.30	950,226.24	900,000.00	No	900,000.00
					HRRC	0	135,746.61	0				
					SC	0	0	67,873.30				
11	V. Furgalsky**	51	51	–	SC	0	0	–	–	–	Yes	–
Total:												6,328,506.8

* Remuneration was not paid due to the fact that the Board member was simultaneously the Chairman of the Company's Management Board.

** Remuneration was not paid due to the fact that the Board member was a public officer.

Members of the Board of Directors A. Murov, P. Snikkars, V. Furgalsky elected by the Annual General Meeting of Shareholders on 15 May 2020 were not paid any remuneration in the reporting year. The issue of paying the remuneration on the results of 2020 is to be considered at the Annual General Meeting of Shareholders of the Company planned for 2021.

In 2020, the members of the Board of Directors received no loans from the Company

Total (aggregated) remuneration paid to members of the Board of Directors, RUB thousand

Type (element) of remuneration	2018	2019	2020
Fixed			
Remuneration for participation in work of the governance body	5,942.3	5,921.8	5,484.2
Additional remuneration to the Chairman of the Board of Directors	207.7	207.7	207.7
Additional remuneration for participation in the Committees of the Board of Directors	801.9	830.7	887.7
Other fixed remuneration	0	0	0
Total amount of fixed part of remuneration	6,951.9	6,960.2	6,328.5
Variable			
Bonuses accrued	Such remuneration types are not considered in the Company's Remuneration Policy for the Members of the Board of Directors		
Accrual of remuneration paid on the basis of shares			
Other variable remuneration (non-monetary remuneration and compensation), including:	Not paid		
Cost of travel to location of meetings of the Board of Directors and the Committees and back			
Living cost			
Other expenses related to the Company's activities			
Total accrued size of the variable part of remuneration			
Severance allowances, compensations and other payments in connection with early termination of powers			

Governing Bodies' Remuneration

Remuneration system for executive governance bodies

GRI [102-36]

The remuneration system of the Company's executive bodies underwent significant changes in the reporting year due to the transfer of the powers of the sole executive body to the management company since 15 May 2020.

Basic principles of the remuneration system for the period from 1 January 2020 to 15 May 2020

The remuneration system for members of the Company's executive bodies was in effect until 15 May 2020 in order to improve management efficiency, ensure the implementation of tasks, develop priority, strategic areas of activity, and provide an integrated approach to financial incentives for the work of the Chairman of the Management Board and members of the Management Board.

One of the main principles of the remuneration system for the Chairman of the Management Board and the members of the Management Board was to balance the interests of the members of the executive bodies and the shareholders of the Company. In accordance with the best practice, the system of remuneration of the members of the Company's executive bodies was comprised of fixed and variable parts linked to meeting KPIs by the top managers.

The remuneration was comprised of fixed (salary) and variable (bonuses) parts. The variable part was comprised of quarterly and yearly bonuses (following the fulfilment of quarterly and yearly KPI, correspondingly). Amount of bonus predominantly depended on following the fulfilment of KPIs approved by the Board of Directors. If any KPI was not fulfilled, bonuses of all members of the Management Board, including the Chairman of the Management Board, got reduced by a certain per cent depending on the KPI's weight.



For more information about the KPI system, KPI fulfilment in the reporting year, and goals for 2021, see the [Key Performance Indicators section](#).

Remuneration paid in the reporting year

Total (aggregated) remuneration paid to the Chairman and members of the Management Board, RUB thousand

Type (element) of remuneration	2018	2019	2020
Fixed part			
Salary (attached to the position)	112,484	95,452	35,122
Total fixed part of remuneration	112,484	95,452	35,122
Variable part			
Bonuses accrued in accordance with employment contract	184,683	186,443	134,543
Other types of remuneration	41,590	43,125	19,547
Severance allowances, compensations and other payments accrued due to early termination of powers	259	8,622	42,933
Total variable part of remuneration	226,532	238,190	197,023
Total remuneration	339,016	333,642	232,145

Governing Bodies' Remuneration

Amount of remuneration of the Chairman of the Management Board, RUB thousand

Type (element) of remuneration	2018	2019	2020
Fixed part			
Salary (attached to the position)	25,277	28,330	10,936
Total fixed part of remuneration	25,277	28,330	10,936
Variable part			
Bonuses accrued in accordance with employment contract	53,010	42,085	46,041
Other types of remuneration	43	12,052	7
Severance allowances, compensations and other payments accrued due to early termination of powers	–	–	30,375
Total variable part of remuneration	53,053	54,137	76,415
Total remuneration	78,330	82,467	87,359

Members and the Chairman of the Management Board were not paid other fixed remuneration, share remuneration (or accrued remuneration on the basis of shares), or granted options to acquire shares, other variable remuneration in 2018–2020

Principles of the remuneration system for the period from 15 May 2020

The remuneration of the Company's management company (PJSC Rosseti) is determined in accordance with the Agreement on the transfer of powers of the sole executive body of PJSC FGC UES to PJSC Rosseti No. 5765/660884 dated 15 May 2020.

During the management company's service in the reporting year (from 15 May 2020 to 31 December 2020), the amount of remuneration amounted to RUB 557,537,671.85.

Providing Control and Risk Management System

RISK MANAGEMENT SYSTEM, INTERNAL CONTROL AND INTERNAL AUDIT

GRI [102-15; 102-30]



I.V. Feoktistov,
Director for Internal Control and Risk Management –
Head of the Internal Control and Risk Management Department

The internal control system and the risk management system are integral parts of the management system in the Company as a whole. The systems functioning is linked inextricably with all business processes in the Company and makes it possible to identify cases that may lead to the realization of risks and deviations from the target values of key performance indicators, and, thereby, to minimize the financial losses of the Company and negative reputational consequences.

Internal Control System

The Company's internal control system (hereinafter, the ICS) is an element of the Company's overall management system aimed at providing reasonable guarantees of achieving the goals in the following areas:

- the efficiency and overall performance of the Company, including the achievement of financial and operational indicators, as well as the safety of the Company's assets;
- compliance with the requirements of the legislation and local regulations of the Company applicable to the Company;
- ensuring the accuracy and timeliness of reporting.

In order to ensure the implementation and maintenance of an effective internal control system that complies with generally accepted practices and standards of internal control, as well as regulatory requirements, and contribute to the achievement of the Company's objectives, the Company applies the Regulations on Internal Control System of PJSC FGC UES¹¹⁶. It defines the objectives, principles of operation and elements of the Company's internal control system, the main functions and responsibility of participants in the internal control system, and the procedure for evaluating its effectiveness.

The Company has an Order for the fulfilment of requirements of the Regulations on the Internal Control System¹¹⁷, which reveals the applied aspects of the application of the standards set out in the Regulations on the Internal Control System.

The control procedures for the processes and subprocesses of the core and supporting activities, as well as the Company's management processes are documented in the risk matrices and control procedures.

¹¹⁶ Approved by the Board of Directors of PJSC FGC UES on May 31, 2017 (Minutes No. 369 dated June 2, 2017).

¹¹⁷ Approved by Order of PJSC FGC UES dated March 18, 2020 No. 100.

Providing Control and Risk Management System

The Company's ICS operates in accordance with the "three lines of defence" model. This model means the implementation of internal control in the Company at three levels:

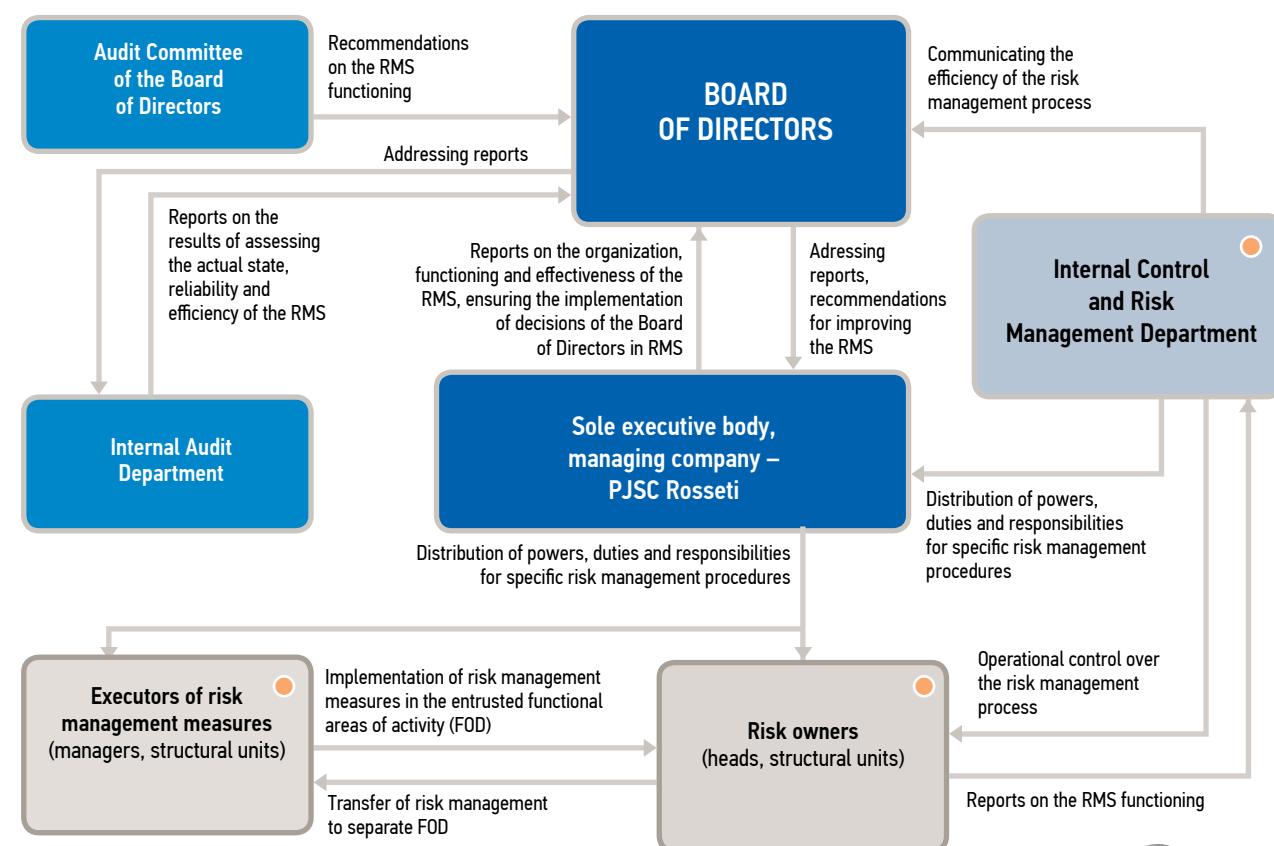
- **1st defence line** – the level of governance bodies and the Company's units and divisions implementing control procedures by virtue of their responsibilities and job duties;
- **2nd defence line** – the level of control units of the Company;
- **3rd defence line** – the level of the Internal Audit Department.

The functions of the ICS participants are enshrined in the Regulations on the Company's Internal Control System, the provisions on structural divisions and job descriptions.

Risk Management System

The Company operates a risk management system (hereinafter referred to as RMS), the purpose of which is to ensure sustainable continuous operation and development of the Company through timely identification, assessment and effective management of risks that pose a threat to the effective implementation of economic activities and the reputation of the Company, employee health, the environment, and property interests of shareholders and investors. The Company has the Regulation on the Risk Management System approved by the Board of Directors¹¹⁸.

The Company's RMS is based on generally accepted concepts and practices in the field of risk management.



● Key participants in the risk management system

¹¹⁸ Decision of the Board of Directors of PJSC FGC UES on November 16, 2015 (minutes of November 19, 2015 No. 291), subject to changes approved by the Board of Directors of PJSC FGC UES on December 12, 2016 (minutes of December 13, 2016 No. 347) On March 11, 2021, the Board of Directors of PJSC FGC UES approved the Regulations on the Risk Management System of PJSC FGC UES in a new edition (Minutes No. 530 dated March 13, 2021).



For information on the ICS participants and their functions, see [Appendix 1](#).



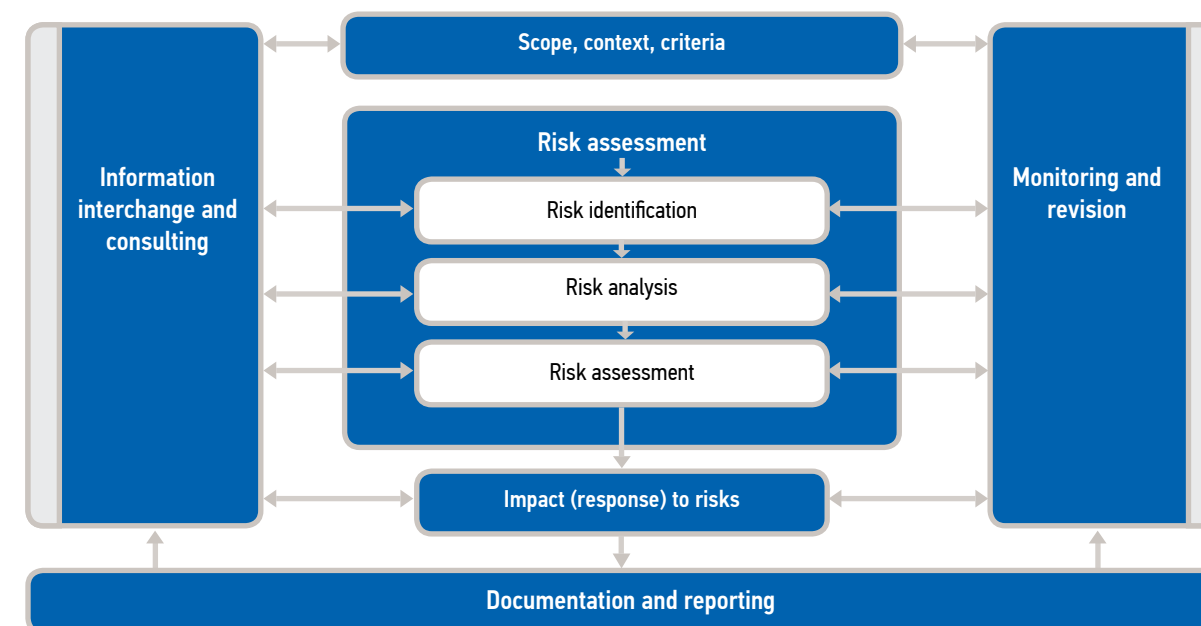
The Company's Regulations on the Risk Management System in force is available on the corporate site www.fsk-ees.ru in section *Constituent and Corporate Documents*.



For information on the ICS participants and their functions, see [Appendix 1](#).

Providing Control and Risk Management System

The stages of the risk management process and their relationship are presented in the following diagram:



The Company implements three methods to respond to risks:

- risk avoidance;
- risk acceptance or increase in order to implement favourable opportunities;
- risk mitigation or assignment.

The choice of response depends on the risk significance, the influence on the likelihood and impact of risks, costs of implementation, and benefits obtained.

Key operational risks

PJSC FGC UES has approved a register¹¹⁹ of 16 key operational risks (KOR) and evaluates their impact on the achievement of the Company's target performance indicators, and annually updates the materiality level and takes measures related to risk management.



For key operational risks, see [Key Risks](#).

Evaluation of ICS&RM efficiency

To ensure that the ICS&RM is efficient and meets objectively changing requirements and conditions, the Company's internal auditor assesses ICS&RM efficiency.

¹¹⁹ Decision of PJSC FGC UES's Board of Directors dated 27 January 2015 (Minutes No. 248 dated 29 January 2015).

The Company's internal auditor conducted a comprehensive assessment of the internal control and risk management system and its compliance with the target state and level of maturity. The Company defines 6 levels of maturity. The internal auditor's report on the results of 2020 was reviewed by the Board of Directors on 03.06.2021¹²⁰ with a preliminary consideration of this issue by the Audit Committee of the Board of Directors¹²¹. Based on the results of the assessment, the maturity level of the ICS&RM was assessed at 5.1 points.

The maturity level of the Company's ICS&RM in 2020 increased by 0.1 points compared to 2019

Directions for further improvement of ICS&RM

In 2021, the following measures aimed at maintaining the efficiency and ICS&RM development are planned to be implemented:

- Updating the regulatory and methodological framework in internal control and risk management;
- Integration of the current anti-corruption compliance system into the overall ICS&RM;
- Automation of the stages of risk assessment, monitoring and preparation of risk reporting;
- Conducting training events for management and employees on the ICS&RM organization and functioning;
- Development of a financial stability control mechanism, support for liquidation and bankruptcy procedures of counterparties.

Events after the reporting date

In March 2021, the Board of Directors of the Company approved¹²² the Regulations on the Risk Management System of PJSC FGC UES in a new version. Key changes made to the document:

- the principles of the RMS functioning were updated taking into account the COSO Concept "Organization Risk Management. Integrating with Strategy and Performance" and national standard GOST R ISO 31000-2019 "Risk Management. Principles and Guidelines";
- the functions and responsibilities of the RMS participants were brought in line with the new organizational structure of the executive office of the Company;
- the stages of the risk management process were updated in accordance with the international standard ISO 31000-2018 "Risk Management – Guidance".

In March 2021, the Board of Directors of the Company¹²³ approved a new Plan for maintaining the efficiency and development of the Internal Control System And Risk Management System, prepared taking into account the recommendations brought forward by the letter of the Bank of Russia dated October 1, 2020 No.IN-06-28/143 "On Recommendations for organization of risk management, internal control, internal audit, the work of the audit committee of the board of directors (supervisory board) in public joint-stock companies" that includes measures to ensure the reliability, efficiency and improvement of risk management and internal control systems at different levels of management. In order to implement practice-oriented measures, the Plan for maintaining the effectiveness and development of the internal control system and the risk management system includes measures aimed at introducing mechanisms for monitoring financial stability, liquidation and bankruptcy procedures of counterparties for timely management decisions, minimizing the risks of financial losses, ensuring protection economic interests of PJSC FGC UES.



The Company has implemented an antimonopoly compliance function. For more details, see [Appendix 1](#).

Internal Audit

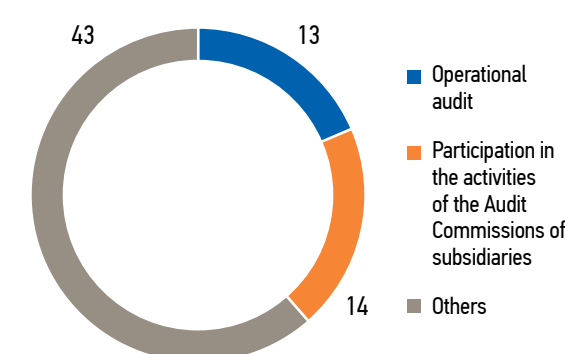
Internal audit is an activity for provision of independent and objective guarantees and consultations to the Board of Directors and the sole executive body of PJSC FGC UES aimed at improving the Company's management efficiency. Internal audit procedure was established with the aim of a systematic independent assessment of the reliability and efficiency of the ICS&RM and the practice of corporate governance.

The Internal Audit Department is a unit responsible for internal audit functions in the Company. Administratively, the Internal Audit Department is subordinate to the sole executive body of the Company, and functionally to the Board of Directors of the Company.

The indicator of satisfaction of the Audit Committee of the Board of Directors of the Company with the results of the work of the Internal Audit Department at the end of 2020 was assessed as "consistent".

70 audit activities were performed by the internal auditor in 2020.

Control activities carried out by internal audit in 2020



Based on the results of an internal assessment of the quality of the activities of the Internal Audit Department of PJSC FGC UES¹²⁴ at the end of 2020, it was noted:

- internal audit activities in 2020 meet the expectations of the members of the Audit Committee of the Board of Directors of PJSC FGC UES;
- compliance with the requirements of documents regulating the activities of internal audit in the Company in 2020;
- the Internal Audit Department of PJSC FGC UES uses International Professional Standards for Internal Auditing in its work;
- the work plan of the Internal Audit Department of the Company for 2020 is implemented in full;
- continuous monitoring of internal audit activities is performed;
- the activities of the Internal Audit Department are generally in line with best practices.

¹²⁰ Decision of the Board of Directors of PJSC FGC UES dated 03.06.2021 (minutes dated 04.06.2021 No. 543).

¹²¹ Decision of the Audit Committee of the Board of Directors of PJSC FGC UES dated 14.05.2021 (minutes dated 14.05.2021 No. 126).

¹²² Decision of the Board of Directors of PJSC FGC UES dated 11.03.2021 (minutes dated 11.03.2021 No. 530).

¹²³ Decision of the Board of Directors of PJSC FGC UES dated 11.03.2021 (minutes dated 11.03.2021 No. 530).

¹²⁴ The report on the results of the internal assessment of the quality of the internal audit of PJSC FGC UES following the results of 2020 was preliminarily considered at the meeting of the Audit Committee of the Board of Directors of PJSC FGC UES (minutes dated 20.04.2021 No. 125), considered at the meeting of the PJSC FGC UES Board of Directors (minutes dated 27.05.2021 No. 541).



S.N. Kovaleva,
Internal Audit Director and Head
of the Internal Audit Department

What are the main advantages of automating internal audit functions?

Key effects are associated with systematizing processes, reducing the share of manual routine operations, and significantly accelerating reporting preparation. Automation will play a huge role in organizing continuous monitoring of the implementation of internal audit recommendations. And another important advantage is increasing information security and data security.

It should be noted that digitalization also has an important role for further internal audit development. In particular, this means integration with other Company information systems for rapid decision-making and reducing labour costs when transferring data between different divisions, and automation and robotization of routine audit operations. This is also due to continuous internal audit regarding the use of control markers, in case of violation of which notifications for prompt verification and decision-making are received online.

Developing these areas is one of the priorities within the digital transformation of the internal audit function.

INTERNAL AUDIT COMMISSION

The Internal Audit Commission is a permanent body exercising control over the financial and economic activities of PJSC FGC UES and its governance bodies. The Audit Commission is elected annually by the General Meeting of Shareholders.

The activities of the Audit Commission are governed by the Articles of Association and the Regulations on the Audit Commission of PJSC FGC UES¹²⁶.

The main functions of the Audit Commission are as follows:

- To confirm reliability of the data contained in the Annual Report, the annual accounting (financial) statements of the Company, the report on concluded related-party transactions;
- To analyse the Company's financial position, discover ways for improving thereof, and develop recommendations to the governance bodies;
- To organise and perform audits (revisions) of the Company's financial and business operations.

Composition of the Audit Commission of the Company acting in the reporting year

The composition of the Audit Commission¹²⁷ of PJSC FGC UES elected by the annual General Meeting of PJSC FGC UES shareholders as of May 15, 2020¹²⁸:

Full name	Year of birth	Education	Position
Tatiana Zobkova Chairman of the Audit Commission	1976	Higher	Deputy Director of the Department for Corporate Governance, Pricing Environment and Auditing in Fuel and Energy Industries of the Russian Ministry of Energy
Bordyashov Evgeny	1983	Higher	Head of the Federal Property Management Agency
Andrey Gabov	1981	Higher	Deputy Director of the Department of State Regulation of Tariffs and Infrastructure Reforms of the Ministry of Economic Development of Russia
Svetlana Kim	1981	Higher	Head of the Governance Department of PJSC Rosseti
Dmitry Ponomarev	1978	Higher	Head of the Governance Department of PJSC Rosseti

Composition of the Audit Commission¹²⁹ of PJSC FGC UES elected by the annual General Meeting of PJSC FGC UES shareholders as of June 26, 2019¹³⁰:

Full name	Year of birth	Education	Position
Tatiana Zobkova Chairman of the Audit Commission	1976	Higher	Deputy Director of the Department for Corporate Governance, Pricing Environment and Auditing in Fuel and Energy Industries of the Russian Ministry of Energy

¹²⁶ The Annual General Meeting of Shareholders of PJSC FGC UES on May 15, 2020 (minutes of May 15, 2020 No. 24) approved a new version of the Regulations on the Audit Commission of PJSC FGC UES.

¹²⁷ Positions of the Audit Commission members are stated at the time of election. None of the Audit Commission members holds shares of PJSC FGC UES or positions in its governance bodies.

¹²⁸ Minutes of the Annual General Meeting of Shareholders of PJSC FGC UES No. 24 dated 15 May 2020.

¹²⁹ Positions of the Audit Commission members are stated at the time of election. None of the Audit Commission members holds shares of PJSC FGC UES or positions in its governance bodies.

¹³⁰ Minutes of the Annual General Meeting of Shareholders of PJSC FGC UES No. 22 of 28 June 2019.

¹²⁵ Minutes of the PJSC Rosseti Board of Directors meeting dated May 22, 2020, No. 415.

Full name	Year of birth	Education	Position
Andrey Gabov	1981	Higher	Deputy Director of the Department of State Regulation of Tariffs and Infrastructure Reforms of the Ministry of Economic Development of Russia
Svetlana Kim	1981	Higher	Head of the Governance Department of PJSC Rosseti
Dmitry Ponomarev	1978	Higher	Head of the Governance Department of PJSC Rosseti
Ekaterina Snigireva	1991	Higher	Head Deputy of the Department of Property Relations and Privatisation of the Federal Agency for State Property Management (Rosimushchestvo)

Policy in determining the amount of remuneration to members of the Audit Commission

The remuneration policy for the members of the Audit Commission is determined by the Regulations on the payment of remuneration and compensation to the members of the Audit Commission of FGC UES, PJSC¹³¹. The amount of remuneration depends on the revenue indicator of the Company for the last reporting year and the degree of involvement in the work of the Audit Commission during the corporate year, as well as the performance of additional duties by the members of the Audit Commission – the Chairman or the Secretary.

Remuneration to the members of the Audit Commission is paid by the decision of the General Meeting of Shareholders. At the same time, remuneration is not paid to persons in respect of whom there is a legislative restriction or prohibition on receiving payments from commercial organizations.

Remuneration Amount Paid to Audit Commission Members in 2020

Full name of the Internal Audit Commission member	Amount of remuneration, RUB
Andrey Gabov	–
Tatiana Zobkova	–
Svetlana Kim	178,050
Dmitry Ponomarev	162,450
Ekaterina Snigireva	–

EXTERNAL AUDITOR

The Company annually engages an external auditor to perform an independent and unbiased assessment of quality of its RAS and IFRS accounting (financial) statements. The candidacy of the external auditor of the financial statements is approved by the Annual General Meeting of Shareholders of the Company. Candidacy is determined on the basis of competitive procedures that provide an objective choice. Selection of an audit organisation for the implementation of the mandatory audit of PJSC FGC UES' financial statements for 2018–2020 in the form of an open one-stage competition without preliminary qualification selection was conducted by PJSC Rosseti.

The Annual General Meeting of Shareholders of the Company¹³² decided to approve Ernst & Young Limited Liability Company as the auditor of PJSC FGC UES. The Board of Directors of the Company¹³³ decided to determine the amount of payment for the services of the auditor of PJSC FGC UES for the audit of financial statements for 2020 in the amount of 22,175,308 RUB and 08 kopecks, including VAT.

On April 7, 2020¹³⁴, the Audit Committee of the Board of Directors considered the issue of assessing the effectiveness of the external audit process of the accounting (financial) statements of PJSC FGC UES for 2019. Taking into account the assessment of the effectiveness of the external audit process of the accounting (financial) statements of the Company carried out by the internal auditor, the Audit Committee of the Board of Directors of PJSC FGC UES, noted the compliance of the external audit of the Company's statements for 2019 with the main conditions of the concluded contracts. In addition, the Audit Committee of the Board of Directors approved the opinion on the assessment of the external audit process and the auditor's opinion on the accounting (financial) statements of PJSC FGC UES for 2019.

Ernst & Young LLC did not provide non-audit services to the Company in 2020.

Information on payment for the auditor's services - Ernst & Young LLC	Price including VAT
Audit of financial statements under RAS and IFRS for 2020	22,175,308 RUB and 08 kopecks
Other services	Not provided

Reporting auditor of PJSC FGC UES

Full corporate name: **ERNST AND YOUNG Limited Liability Company**

Short corporate name: **ERNST AND YOUNG LLC**

Address: **77 Sadovnicheskaya Emb., Build. 1, Moscow, Russia, 115035**

INN: **7709383532**

OGRN: **1027739707203**

Phone: **7 (495) 648 96 42; 7 (495) 641 29 07**

E-mail: **Tatyana.Okolutina@ru.ey.com; Elena.Kovalchuk@ru.ey.com**

Data on the membership of the auditor in self-regulatory organisations of auditors: **Self-regulating organisation of auditors "Russian Union of Auditors" (Association)**

SRO address: **8 Petrovsky Lane, Build. 2, Moscow, 107031**

¹³² Minutes of the Annual General Meeting of Shareholders of PJSC FGC UES No. 24 dated May 15, 2020.

¹³³ Minutes of the meeting of the Board of Directors dated April 10, 2020 No. 497.

¹³⁴ Minutes of the meeting of the Audit Committee of the Board of Directors dated April 7, 2020 No. 114.

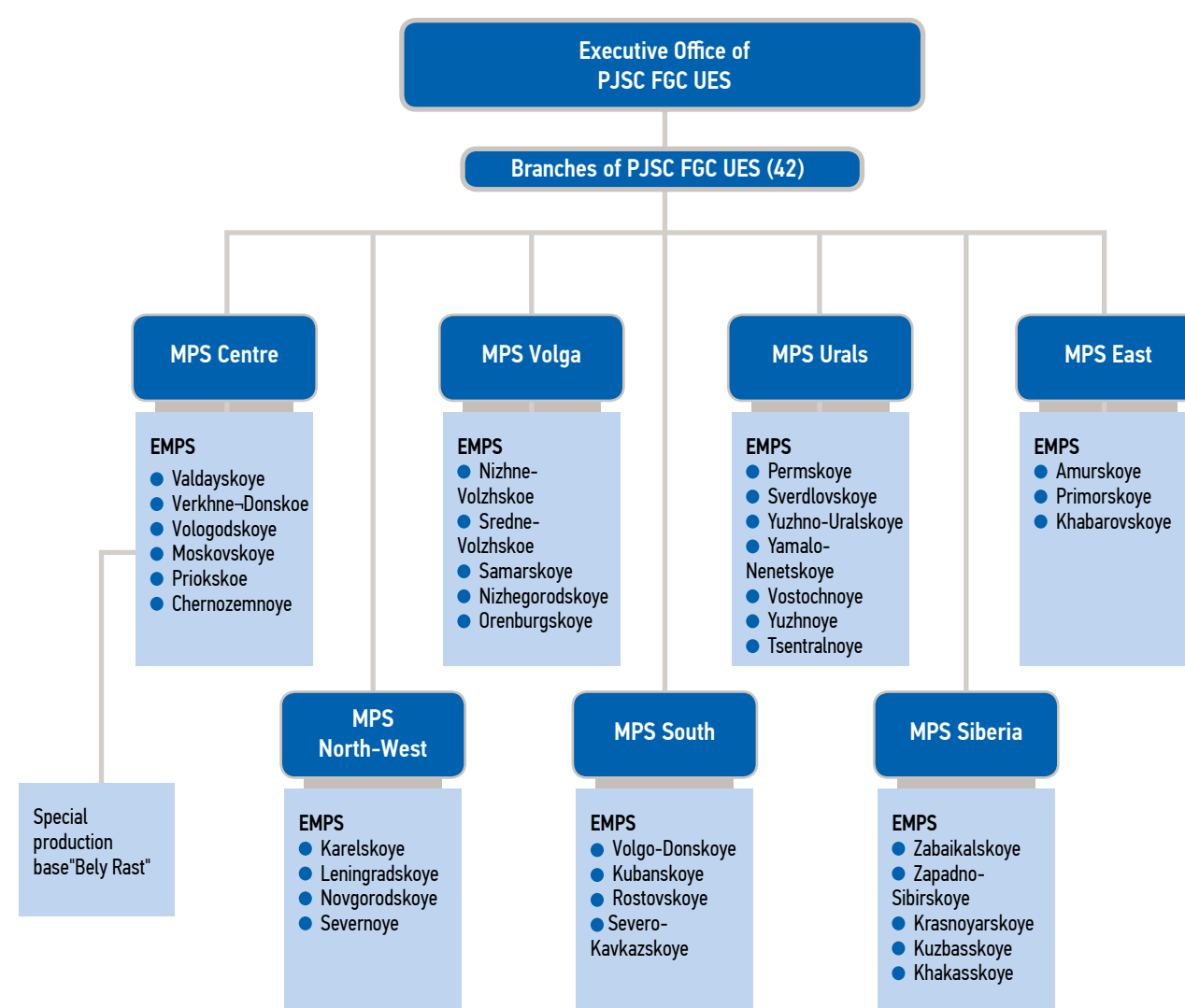
¹³¹ Approved by the Annual General Meeting of Shareholders of PJSC FGC UES on 15 May 2020 (Minutes No. 24 dated 15 May 2020).

MANAGEMENT OF THE GROUP

Structure of Rosseti FGC UES

GRI [102-7]

PJSC FGC UES includes 42 regional branches, including 7 branches of Main Power Systems (MPS), 34 branches of the Enterprise of Main Power Systems (EMPS) and the Specialized Production Base "Bely Rast".



PJSC FGC UES takes part in the work of 21 business entities that operate in various industries, including ensuring the functioning of the power grid. PJSC FGC UES participates in the authorized capital of 15 subsidiaries and one dependent company. The Company's share in the authorized capital of 5 other organizations is less than 10%.

Subsidiaries, dependent, and other companies in the work of which PJSC FGC UES participates in

Share in the authorized capital – 100%	75% < Share in authorized capital < 100%	50% < Share in authorized capital < 75%	Dependent and other companies with a share of participation in the authorized capital < 50%
JSC MUS Energetiki	OJSC Tomsk transmission network (90.48% of authorized capital)	JSC UES SakRusenergo (50% of the authorized capital)	PJSC Inter RAO (8.57% of the authorized capital)
JSC R&DCentre of FGC UES	LLC IT Energy Service (80.001% of the authorized capital)	JSC Nurenergo (77.00% of the authorized capital)	JSC ACRA (3.7% of the authorized capital)
JSC Centre for Engineering and Construction Management of UES			PJSC Rosseti (0.151% of the authorized capital)
JSC Elektrosetservis UNEG			CJSC TaigaEnergoStroy (0.00067%)
JSC ESSK UES			JSC ENIN (38.24% of the authorized capital)
LLC Energy Index - FGC UES			CJSC EnergoRynok (8.5% of the authorized capital)
FGC – Asset Management LLC			
JSC Kuban transmission network			
JSC Mobile GTES			
JSC APBE			
JSC ChitaTechEnergo			

Core companies
Non-core companies

Key mechanisms for managing subsidiaries and affiliates

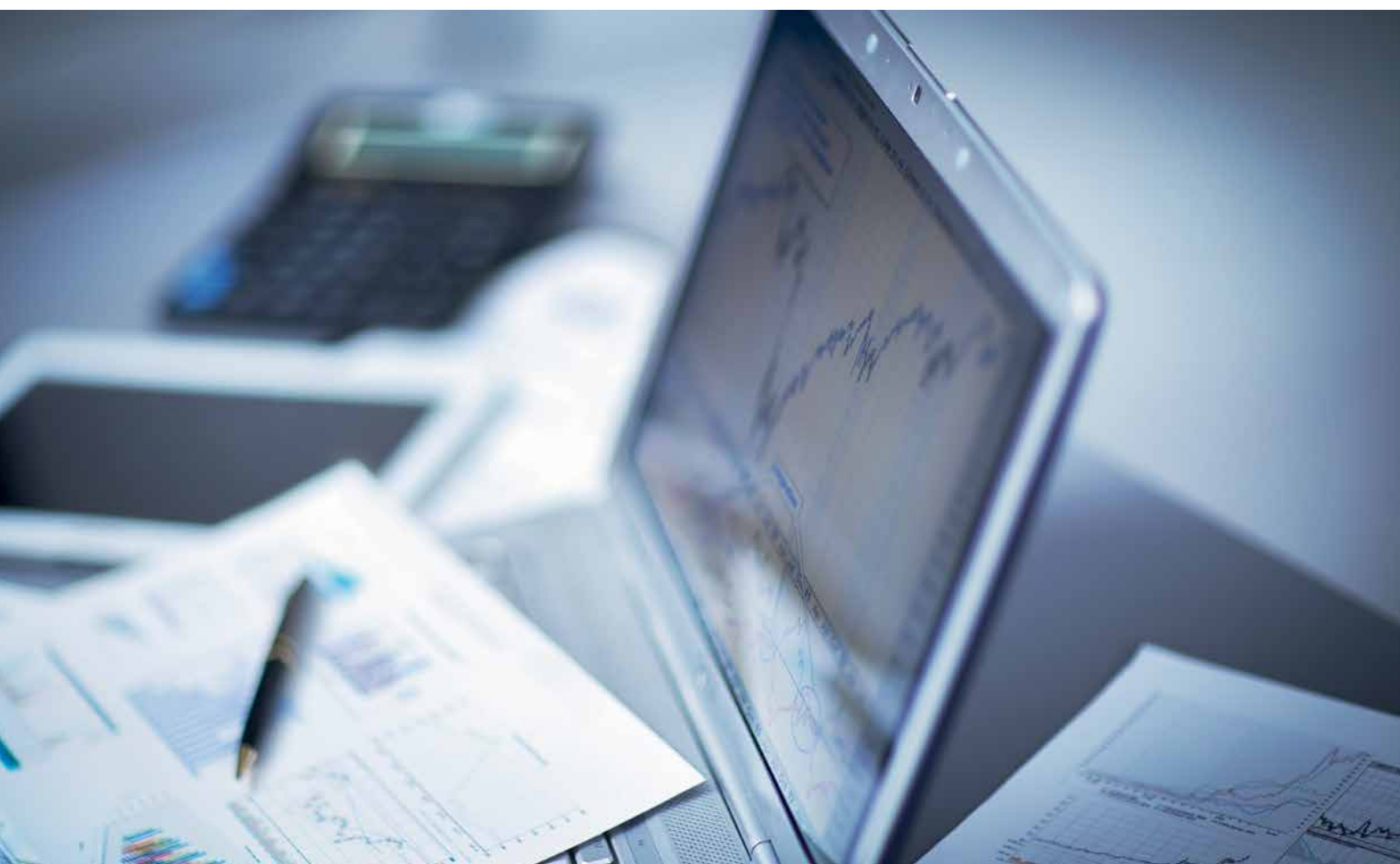
The main mechanisms of interaction between PJSC FGC UES and its subsidiaries and dependent companies are the determination by the Company of a position for voting on the agenda items of the management bodies of subsidiaries and dependent companies of the Company, as well as making 100% decisions as the sole shareholder of subsidiaries. The listed tools allow PJSC FGC UES to control the decision-making made by the management bodies of subsidiaries and dependent companies on key issues of their activities. The list of issues is determined by the charters of PJSC FGC UES and its subsidiaries (dependent) companies.

In 2020, the Board of Directors of PJSC FGC UES addressed 17 issues (10% of the total number of issues considered) on determining the position on the agenda items of General Meetings of Shareholders and Boards of Directors of subsidiaries.

PJSC FGC UES policies on management of subsidiaries and affiliates

Managing subsidiaries and business entities in which PJSC FGC UES participates is regulated by the following Company's internal documents:

- Regulations on Managing PJSC FGC UES Subsidiaries, Affiliates and Other Business Entities in which PJSC FGC UES Participates;
- Procedure for Calculating and Evaluating KPIs Achievement by Subsidiaries and Other Entities in which PJSC FGC UES Participates;
- Order of PJSC FGC UES "On Approval of Standards and Model Regulations for the Management of Subsidiaries and Affiliates", which approved, in particular:
 - Standard for Drawing Up Summary Instructions for Representatives of PJSC FGC UES on Issues Included in Agendas of General Meetings of Shareholders/Participants and Meetings of the Boards of Directors (Supervisory Boards) of Entities in which PJSC FGC UES Participates;
 - Business Planning Procedure for PJSC FGC UES Subsidiaries and Affiliates;
 - Regulation on ensuring the financial stability of subsidiaries and dependent companies of FGC UES;
- Order of PJSC FGC UES on Organisation of Work of PJSC FGC UES Representatives on the Boards of Directors and Committees of Organisations that are not PJSC FGC UES Subsidiaries;
- Other organisational and administrative documents of PJSC FGC UES.



AVOIDING CONFLICT OF INTERESTS

GRI [102-25]

The Company strives to prevent and minimise any consequences of possible conflict of interests among members of the Company's governance bodies. The Company has a comprehensive system of dealing with any conflict of interest between members of the governance bodies of the Company providing for reasonable assurance that any conflict will be settled at an early stage and the Company's interests will not be infringed. Conflicts of interest are addressed on the basis of the Code of Corporate Ethics and Official Conduct of FGC UES employees, the Code of Corporate Governance of the Company and the Regulations on the Board of Directors of the Company.

Members of the Company's governance bodies shall take reasonable and effective actions, and in particular make decisions considering all available information in the absence of any conflict of interests, treating shareholders of the Company equally, and assuming standard risk levels.

The Company performs regular analysis of information received from members of the Company's governance bodies for the presence of a potential conflict of interests.

The internal documents of the Company provide for efficient mechanisms aimed at identifying a potential conflict of interests of members of the management bodies of the Company, including, in particular, in the establishment of the obligation of members of the management bodies to notify the Company of the occurrence of such a conflict and its basis, as well as to inform in advance on holding positions in other legal entities. In 2020, the Company received no notification of any conflict of interests.

Significant attention in the Company is paid to control over the identification of conflict of interests in the course of transactions. For the purpose of exercising such control, the internal documents of the Company stipulate the obligation of the members of the management bodies to inform the Company about the occurrence of circumstances due to which they may be recognized as interested in the transactions made by the Company.

All members of the Company's management bodies have met the requirements of Art. 82 of the Federal Law "On Joint Stock Companies" on sending notifications to the Company regarding the presence of a possible interest in the Company's transactions.

In order to exercise additional control over the occurrence of a conflict of interests, the Company has developed a questionnaire for members of the Board of Directors and senior management, which they submit on a quarterly basis and indicate all the necessary information in it. The questionnaires are analysed by the Corporate Secretary, which makes it possible to timely identify a potential conflict of interests and, thus, minimize the probability of negative consequences for the Company.

The Company on an ongoing basis discloses information to stakeholders related to the conflict of interests of members of the management bodies, in particular, information on the combination of positions, interest in the Company's transactions, and ownership of the Company's shares.



Information on the positions of members of the Board of Directors held in the governance bodies of other organisations and on the ownership of the Company's securities is disclosed on the website www.fsk-ees.ru in section [About the Company/ Governance Bodies/Board of Directors](#), and in the issuer's quarterly reports and annual reports posted at www.fsk-ees.ru in section [Investors/Financial Disclosure](#).

ANTI-CORRUPTION POLICY AND ECONOMIC SECURITY



Social and relationship

GRI [103-2]

Rosseti FGC UES declares zero tolerance towards corruption in any of its forms and aspects, meaning a total ban for all managers, employees and other persons acting on behalf of and/or for the benefit of the Company, directly or indirectly, personally or through any intermediary, to take part in any corrupt practices

Anti-corruption activities in the Company are aimed at reducing the risks of material and reputation damage to the Company as a result of corruption.

GRI [102-12, 205-1]

Since 2012, the Company has been operating and constantly improving its Anti-Corruption Policy. This reflects adherence to high ethical standards of running an open and honest business, the principle of zero tolerance in relation to manifestations of corruption, in connection with which all corruption risks of the Company are assessed as critical.

In 2015, the Company joined the Anti-Corruption Charter of Russian Business, thereby declaring its compliance with its requirements. Every two years, the Company confirms its compliance by conducting a self-assessment of the implemented anti-corruption measures. Rosseti FGC UES plans to reaffirm its compliance with the requirements of the Anti-Corruption Charter in 2021.

To ensure an integrated approach, anti-corruption measures have been introduced into the Company's business processes at all levels of activity. Corruption risks probability is assessed on a quarterly basis. Information on corruption risks is submitted for consideration by the executive governance bodies of the Company.

GRI [103-3, 205-3]

In total, in 2020, law enforcement agencies opened three corruption-related criminal cases against employees of Rosseti FGC UES. Two cases are under investigation, one is in court.

Anti-corruption control of the stages of procurement activities and counterparties

When considering issues submitted to the Central Tender Commission, the Company checks procurement participants for signs of a possible conflict of interest. In addition, timely receipt of information about changes in the chain of owners of counterparties and the inclusion of the Anti-Corruption Clause and other mandatory conditions in the contracts is ensured.

Counterparties are monitored on a daily basis for signs of deterioration in financial stability; if necessary, decisions are made to initiate/introduce liquidation and bankruptcy procedures. In relation to such counterparties, a check is performed for the presence/absence of signs of affiliation, possible corruption ties with the employees of the Companies. With respect to counterparties of debtors with the introduced bankruptcy procedure, control was exercised over the timely filing of claims for inclusion in the register of creditors' claims.

- 1,880 issues submitted to the Central Competition Commission were addressed;
- 1,555 participants in procurement procedures were checked by the security departments of the Company;
- various types of risks were identified in 325 issues submitted to the Central Tender Commission members;
- the formation of the initial (maximum) purchase price was monitored, the cost of purchases was reduced by a total amount of more than RUB 2 billion;
- an anti-corruption expert examination of 7,801 materials prepared for the conclusion of contracts was performed. Based on the examination results, 405 materials were sent for revision to eliminate comments;
- the affiliation of the Company's employees with counterparties undergoing bankruptcy proceedings has not been established

Identification and settlement of conflicts of interest

In 2020, the conflict of interests of employees for the previous year and candidates for vacant positions were declared. All pre-conflict situations have been resolved.

In accordance with internal regulatory documents, interviews were conducted with the use of the "polygraph" device of candidates hired, and employees when they were transferred to positions from the head of the department and above, as well as interviews during official checks. 36 candidate polls were conducted, 10 candidates were not recommended (6 of them due to the identification of corruption-generating factors); 9 interviews during service checks were taken, 1 case of employee involvement in the events being checked was confirmed.

Consideration and resolution of appeals about possible corruption in Rosseti FGC UES

Anti-corruption hot lines function in the subdivisions of Rosseti FGC UES. Their functioning is monitored on a quarterly basis.

To protect employees who have provided information on possible facts of corruption, there is a special Procedure for resolving appeals about facts of corruption, which provides for measures to prevent any form of pressure on these employees (including dismissal, harassment, and discrimination).

Informing and training employees on anti-corruption issues, shaping anti-corruption behaviour of employees

In order to inform the employees of Rosseti FGC UES, distance learning and testing were performed, covering the following numbers:

- 12.9 thousand employees under the training programme in prevention and combating corruption of PJSC Rosseti;
- 21.8 thousand employees under the corruption prevention training programme of PJSC FGC UES using the Olympoks training and monitoring system.

Corruption Risks and Compliance with Corporate Ethics

GRI [205-1]

In 2020, an assessment of corruption risks was performed in relation to 41 divisions of the executive office (85% of the total number of divisions).

The Department of Internal Control and Risk Management implements timely prevention of compliance risks, their minimisation, identification and elimination of causes and conditions; organises and carries out effective control over compliance of the Company's employees with the legislation of the Russian Federation in counteraction of corruption, applicable norms of international law, local normative legal acts and organisational and administrative documents of the Company, decisions of the collegial bodies of the Company's management; ensures implementation and control over compliance of Anti-Corruption policies in S&A of the Company. The Company has implemented procedures to identify non-compliances.

The company monitors employees' compliance with the Code of Corporate Ethics and Official Conduct of FGC UES employees and identifies any inconsistencies. To resolve conflict situations, the Company has established and operates the Company's Central Commission for Compliance with Corporate Ethics and Settlement of Conflicts of Interest.



For details on judicial work on the collection of receivables from counterparties and the results of this work for the reporting period, as well as the amount of claims in pending litigation, in which PJSC FGC UES acts as a plaintiff, and pending litigation, in which PJSC FGC UES acts as a defendant, see Appendix 1.

Economic Security

As part of the implementation of measures to protect the economic interests of the Company in 2020, the following results were achieved:

- economic damage to the interests of the Company in the amount of RUB 2.1 billion was prevented;
- criminal cases were initiated on 82 materials sent to law enforcement agencies. At the same time, more than 90% of criminal cases are related to the theft by third parties of products made of ferrous and non-ferrous metals from electric power facilities, electrical equipment;
- measures were taken to collect accounts receivable for the services rendered in the transmission of electricity. Based on the results of the work performed, RUB 1.2 billion were reimbursed to the Company.

Protecting against Terrorism and Crime

The anti-terrorist policy of the Company is carried out in strict accordance with the requirements of federal legislation, the requirements of decrees of the Government of the Russian Federation and consists in organizing and carrying out measures aimed at strengthening the engineering and technical and anti-terrorist security of the Company's facilities.

Organizational and planning measures taken in the reporting period made it possible to maintain at the proper level the protection of the Company's facilities from acts of unlawful interference with respect to them.

The activities carried out by the security units contributed to minimising the risks of terrorist acts as a result of unauthorised intrusions into the Company's guarded facilities.

In the reporting period, there were no criminal incidents or blackouts as a result of unlawful actions.

Ensuring Information Security and Preventing Cyber Threats Risks

According to the Doctrine of Energy Security of the Russian Federation¹³⁵, threats to information security for the electric grid complex are:

- threat of unlawful use of information and telecommunication technologies, including the implementation of computer attacks on objects of critical information infrastructure and communication networks used to organize their interaction;
- threat of unauthorized access to the processed control and measuring information, the destruction of such information, its modification, blocking, copying, as well as other illegal actions in relation to such information.

These risks are managed within the framework of the risk management system, taking into account the provisions of the Risk Management Policy of PJSC Rosseti. The level of significance of the consequences of the implementation of information security risks is assessed as "critical", the level of materiality of risks is assessed as "significant".

During the coronavirus pandemic, the Company took all the necessary measures to ensure the safe work of employees transferred to a remote mode of work. Rosseti FGC UES carried out in advance the necessary set of organizational and technical measures to maximize the protection of the information infrastructure of the Company.

In 2020, the corporate cybersecurity center of PJSC FGC UES prevented multiple attempts to disrupt the functioning of the Company's infrastructure.

¹³⁵ Approved by the Decree of the President of the Russian Federation of May 13, 2019 No. 216.



Tell us about the most dangerous cyber threats that are relevant to the Company. How does Rosseti FGC UES confront them?

V.N. Palagin,
Deputy General Director for Security

The Energy Security Doctrine¹³⁶ contains an exhaustive list of threats to the grid complex. They are the illegal use of IT technologies, including computer attacks on critical infrastructure and communications networks, as well as illegal access to the processing control-and-measuring information and destruction, modification, blocking, and copying of data.

In accordance with Article 2 of the Law "On the Security of Critical Information Infrastructure of the Russian Federation"¹³⁷, the Company is implementing a Programme of Measures to equip facilities with the technical means to protect information, organize

continuous monitoring, and respond to computer incidents related to all critical information infrastructure facilities.

An information security system is created taking into account the critical infrastructure facilities operated in branches, representative offices, and S&A, and includes a set of necessary measures. The ultimate goal is to ensure the continual functioning of the Company's infrastructure.

There were no significant information on incidents in 2020. However, the Rosseti FGC UES Corporate Cyber Security Centre prevented more than 15,000 attempts to disrupt the functioning of critical infrastructure facilities.

SHARE CAPITAL AND SECURITIES TRADING

Equity holding structure

	As at the end of 2020
Number of shareholders	Over 498,000
Major shareholder	80.13%
Free-float ¹³⁸	18.2%
Cross holding ¹³⁹	1.077%

As of 31 December 2020, PJSC FGC UES authorised capital was RUB 637,332,661,531.50, consisting of 1,274,665,323,063 ordinary registered uncertified shares with a nominal value of RUB 0.50 each. No preferred shares were placed as of the above date.

In accordance with the Company's Articles of Association, the number of authorised shares is 72,140,500,768 ordinary registered shares with a nominal value of RUB 0.50 each and a total nominal value of RUB 36,070,250,384. Authorised ordinary shares have the same rights as outstanding ordinary shares. In 2020, there were no issues or placements of additional shares by PJSC FGC UES.

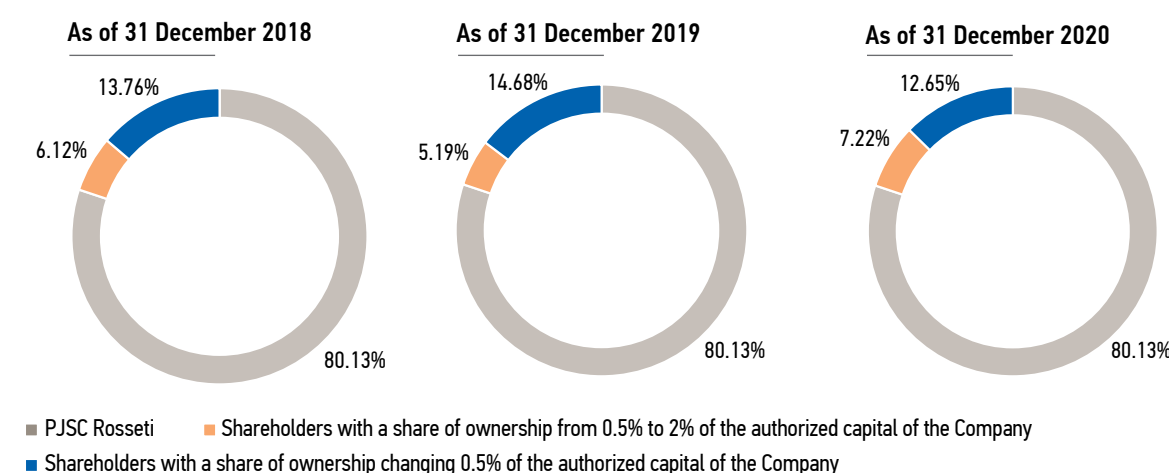
As of 31 December 2020, the list of shareholders included:

- 496,432 individuals;
- 2,434 legal entities, 426 of which were trustees.



Information on the Company's share capital history can be found on our corporate website www.fsk-ees.ru/eng, section Investors/Share Information/Share Capital History. Information on allocated issues of shares is available on the website www.fsk-ees.ru/eng, section Investors/Share Information.

Changes in PJSC FGC UES shareholding structure

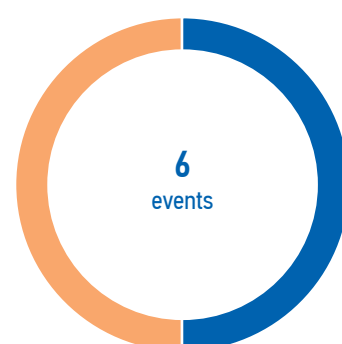


There is no evidence of other shareholdings exceeding 5%.

¹³⁸ Free-float is calculated as a percentage of PJSC FGC UES shares, which are in free circulation as of 31 December 2020, excluding shares owned by PJSC Rosseti, the State, municipalities and quasi-treasury shares.

¹³⁹ Owned by FGC – Asset Management LLC.

Network attacks



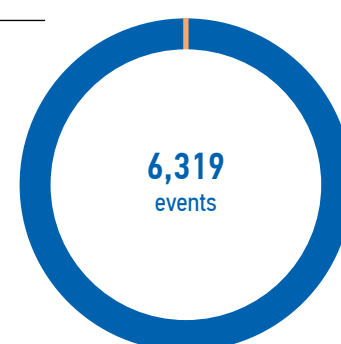
- Attempts to brute-force password key information 50% (3 cases)
- ITS scanning 50% (3 cases)

Phishing and SPAM mailings



- Phishing mailings 0.7% (9,146 cases)
- SPAM mailings 99.3% (1,201,418 cases)

Malicious software and Internet resources



- Malicious software 99.8% (6,307 cases)
- Outgoing network calls to malicious Internet resources 0.2% (12 cases)

¹³⁶ Decree of the President of the Russian Federation dated May 13, 2019, No. 216. ¹³⁷ Federal Law of July 26, 2017, No. 187-FZ.