

GROWTH POINTS

Annual report | 2019

**Sustainable Development and Environmental
Responsibility Report**

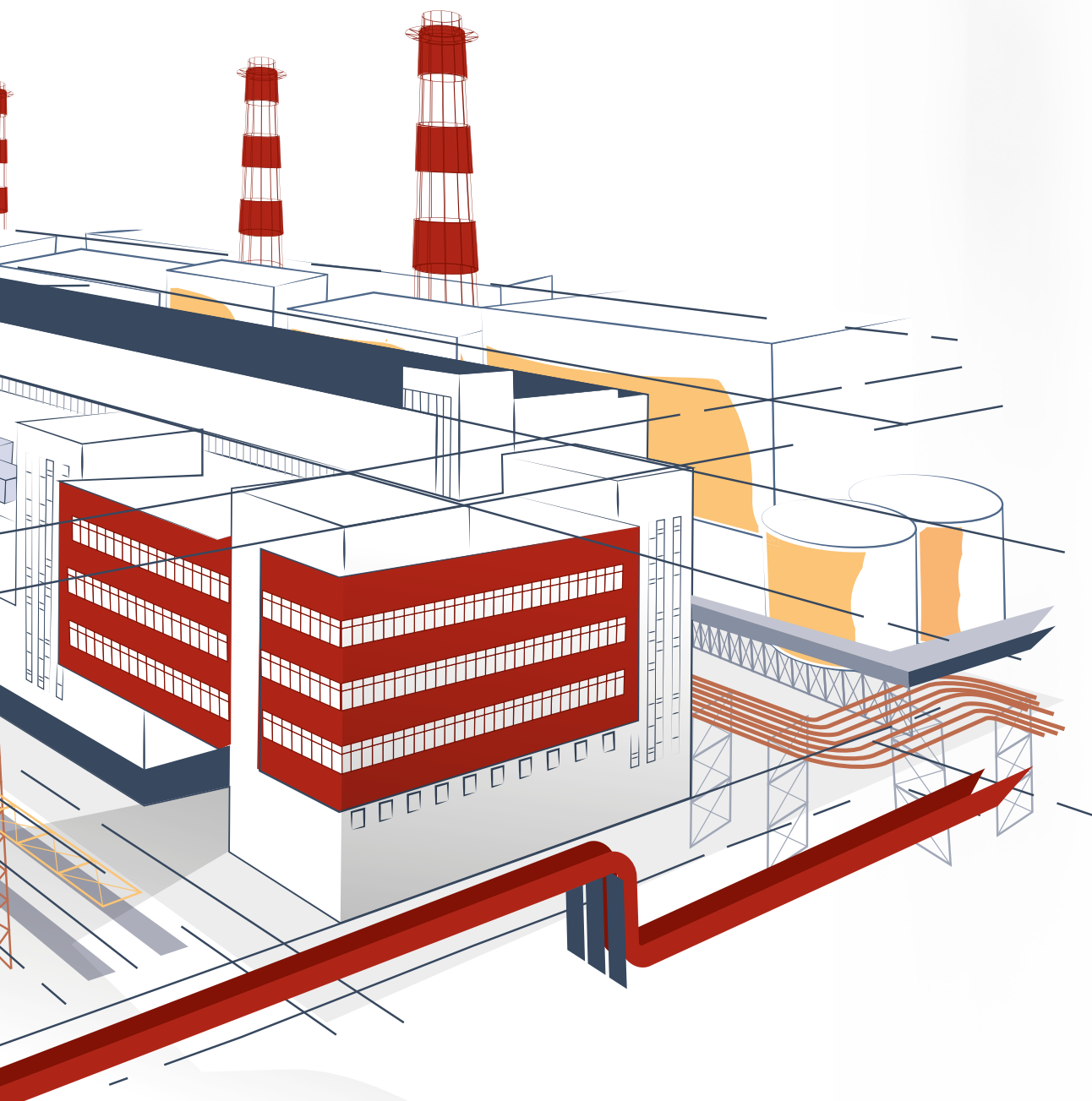


TABLE OF CONTENTS

About the Report	2
Energy for all	4
Energy of development	5
Energy of the future	5
Caring for the environment	6
Energy of people	7

STRATEGIC REPORT

Milestones and results	9
Message from the Chairman of the Board of Directors	14
Message from the CEO	16
Business model	20
Our locations	24
Company structure	26
Market overview	30
Development strategy	44
Investment Program	56
Risks and opportunities	58
Innovative activities management system	70
Procurement activities system	73
Financial results	78
Generation	87
Foreign Assets	103
Supply	108
Trading in the Russian Federation and Europe	115
Engineering	119

SUSTAINABLE DEVELOPMENT REPORT

Social responsibility principles and achievement of Sustainable Development Goals	123
Stakeholder engagement	131
Environmental protection	140
Occupational safety and preventing occupational diseases	159
HR policy and staff development	168
Charitable activities	178

123

CORPORATE GOVERNANCE REPORT

Message from the Chairman of the Board of Directors	185
Corporate Governance System	186
General Meeting of Shareholders	190
Board of Directors	192
Committees of the Board of Directors	211
Corporate Secretary	216
Executive management bodies	218
Remuneration for management bodies	225
Revision Commission	233
Internal audit	234
Risk Management and Internal Control Framework	236
Information security	240
Compliance system	241
External audit	249
Share capital	250
Dividend policy	252
Exchange information	254

185

APPENDIX

261

ABOUT THE REPORT

[GRI 102–1, 102–3, 102–5, 102–32, 102–46, 102–48, 102–49, 102–50, 102–51, 102–52, 102–53, 102–54, 102–56]

NAME

Public Joint-Stock Company Inter RAO UES [GRI 102–1]

PJSC Inter RAO was included in the list of strategic enterprises of the Russian Federation by Decree No. 1190 of the President of the Russian Federation dated September 30, 2010.

LOCATION

27 Bolshaya Pirogovskaya St., building 2, Moscow, Russia, 119435 [GRI 102–3]

INTERNET ADDRESS

<https://www.interrao.ru/en/contacts/>

TYPE OF OWNERSHIP

Mixed Russian ownership [GRI 102–5]

ABOUT THIS REPORT

This annual report of PJSC Inter RAO (the "Report"), which contains a Sustainable Development and Environmental Responsibility Report, was prepared for 2019 [GRI 102–50] based on an annual reporting cycle. [GRI 102–52] The previous annual report was released on April 19, 2019. [GRI 102–51]

The Report includes the performance results of PJSC Inter RAO and other companies that are part of the Inter RAO Group. Events after the reporting date are disclosed for the period until February 28, 2020.

The Report was prepared in accordance with GRI Standards (Core option) taking into account the recommendations of the Central Bank of the Russian Federation, the Federal Agency for State Property Management, and the Moscow Exchange. [GRI 102–54] The information presented in the Report has been confirmed by the Revision Commission, tentatively reviewed by the Board of Directors, and approved by the annual General Meeting of Shareholders of PJSC Inter RAO. [GRI 102–32] The appropriate reflection of the qualitative and quantitative information prepared in accordance with GRI Standards (sample information) has been verified in accordance with International Standard on Assurance Engagements (ISAE) 3000 (revised) 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.' An independent auditor's report on the results of the audit, which provides limited assurances regarding the sample information, is given in Appendix of this Report. The independent auditor was FBK Grant Thornton. The agreement with the audit organization was concluded after being tentatively reviewed by the Audit Committee of the Company's Board of Directors. [GRI 102–56]

SCOPE OF THE REPORT

For the purposes of this Report, the Inter RAO Group refers to all the companies that comprise PJSC Inter RAO and its subsidiaries. The scope of information disclosed in the Annual Report corresponds to the scope of IFRS consolidated reporting. The largest subsidiaries as of December 31, 2019 are listed in Section 'Company structure.' There were no significant changes in the scale, structure, or ownership of the Group or the supply chain during the reporting period.

BASIC TERMS AND DEFINITIONS

In this Report, the terms Inter RAO, the Group, and the Inter RAO Group in various forms refer to the Inter RAO Group. The term Company refers to PJSC Inter RAO.

WHAT'S NEW IN THE REPORT

The restatement of indicators given in previous reports resulted in the following: Fuel consumption [GRI 302–1] for 2017-2019 was cited for the Group (data was only given for Russian assets in the 2018 report). Due to changes in the methodology used, the data for economic value generated and distributed for the year 2018 was recalculated. [GRI 102–48]

DISCLAIMER

Based on all the available information, the management of PJSC Inter RAO confirms that this Report objectively reflects information about changes in and the results of the Group's activities, its current position as well as the main risks and uncertainties associated with the Group's operations.

The Report contains forward-looking statements concerning the production, financial, economic, and social indicators that describe the Company's further development. The Company's plans and intentions are directly related to the political, economic, social, and legal situation in the Russian Federation and around the world. In this regard, the actual results of the Company's operations in the future may differ from the projected results.

CONTACT PERSON FOR QUESTIONS REGARDING THIS REPORT OR ITS CONTENTS

Oleg Bocharov, Head of Shareholder and Securities Market Relations within the Corporate Relations and Antimonopoly Compliance Department. **[GRI 102-53]**

bocharov_oi@interrao.ru
+7 (495) 664-88-40 ext. 24-40

GUARANTEED SUPPLIERS

A survey of stakeholders was performed for the first time in order to identify the material (relevant) topics of the Report. The survey encompassed 34 representatives of eight stakeholder groups who rated the level of importance of the proposed topics for the Company, its regions of operation, and the environment. The survey also involved ten representatives of Inter RAO management who are responsible for working with different groups of stakeholders. They were asked to evaluate the impact that Inter RAO had on each sustainable development topic. This survey resulted in the identification of eight key topics:

1. The Company's financial performance results (financial indicators) and factors that have a direct impact on the Company's economic efficiency.
2. Issues associated with ethics and integrity, combating corruption, and abuse in procurement activities.
3. Compliance with environmental legislation and reducing the environmental impact of suppliers' products.
4. Quality of corporate governance.
5. Reducing emissions of greenhouse gases and pollutants. Development of energy efficiency.
6. Occupational health and safety.
7. Ensuring reliable consumer access to electricity and heat.
8. Resource conservation and efficient water use. Reducing discharges and waste.

Detailed information about stakeholder engagement during the process of identifying the Report's guaranteed suppliers is presented in the Sustainable Development Report section. For the first time, the Report also includes a description of Inter RAO's contribution to the achievement of four UN Sustainable Development Goals as well as the Group's sustainable development management system. **[GRI 102-49]**

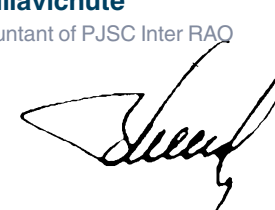
Approved by the Annual General Meeting of Shareholders of PJSC Inter RAO on May 19, 2020 (Minutes No. 20 dated May 20, 2020)

The accuracy of the data has been confirmed by the PJSC Inter RAO Revision Commission (opinion dated March 31, 2020).








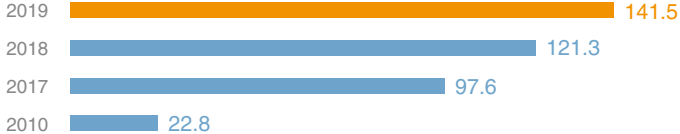

Boris Kovalchuk
CEO of PJSC Inter RAO



Alla Vainilavichute
Chief Accountant of PJSC Inter RAO



ENERGY FOR ALL

<p>PROMOTING SUSTAINABLE DEVELOPMENT IN ALL REGIONS OF OPERATION</p>	<p>Generation</p> 	<p>Power supply</p> 	<p>Engineering</p> 	<p>International trading</p> 	<p>Management of electric power networks abroad</p> 	<p>8 DECENT WORK AND ECONOMIC GROWTH</p> 	<p>PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT, AND DECENT WORK FOR ALL</p>									
<p>RELIABLE POWER SUPPLY</p>	<p>31.9 GW of installed capacity</p>		<p>18.3% share of the Russian retail market</p>			<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p>BUILD RESILIENT INFRASTRUCTURE, PROMOTE INCLUSIVE AND SUSTAINABLE INDUSTRIALIZATION, AND FOSTER INNOVATION</p>									
<p>DEVELOPMENT AND MODERNIZATION</p>	<p>More than RUB 400 bln invested since 2010</p>		<p>6.1¹ GW of new effective capacity introduced under CDA</p>													
<p>FINANCIAL RESULT</p>	<p>EBITDA growth of 520% since 2010</p>		<p>EBITDA², RUB bln</p>  <table><tr><th>Year</th><th>EBITDA, RUB bln</th></tr><tr><td>2019</td><td>141.5</td></tr><tr><td>2018</td><td>121.3</td></tr><tr><td>2017</td><td>97.6</td></tr><tr><td>2010</td><td>22.8</td></tr></table>			Year	EBITDA, RUB bln	2019	141.5	2018	121.3	2017	97.6	2010	22.8	<p>¹ Including re-marking and recertification of capacity.</p>
Year	EBITDA, RUB bln															
2019	141.5															
2018	121.3															
2017	97.6															
2010	22.8															
<p>DIVIDENDS FOR SHAREHOLDERS</p>	<p>25% of IFRS net profit Up from 1.2% of IFRS net profit in 2010</p>		<p>Dividend payments, RUB bln</p>  <table><tr><th>Year</th><th>Dividend payments, RUB bln</th></tr><tr><td>2019</td><td>20.5³</td></tr><tr><td>2018</td><td>17.9</td></tr><tr><td>2017</td><td>13.6</td></tr><tr><td>2010</td><td>0.2</td></tr></table>			Year	Dividend payments, RUB bln	2019	20.5 ³	2018	17.9	2017	13.6	2010	0.2	<p>² Information for the year 2010 is presented in accordance with the Group's IFRS financial statements for the year ended December 31, 2010 (prior to retrospective restatement due to the acquisition of entities under common control in 2011). Information for the year 2010 was not retrospectively restated due to the entry into force of new or revised IFRS standards for the period from 2013 to 2019 as well as changes to EBITDA calculation in 2015 and the acquisition of an entity under common control in 2016.</p> <p>³ Recommended dividends.</p>
Year	Dividend payments, RUB bln															
2019	20.5 ³															
2018	17.9															
2017	13.6															
2010	0.2															

ENERGY OF DEVELOPMENT

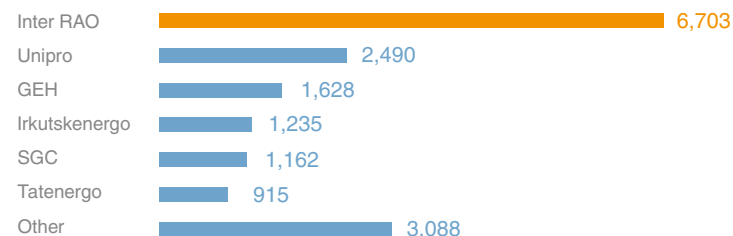
MODERNIZATION OF CAPACITY

Inter RAO is modernizing
6.7 GW
of capacity until 2025

NEW INVESTMENT CYCLE
WITH AN ESTABLISHED RETURN
ON INVESTMENT MECHANISM

REPLACEMENT OF BOILER EQUIPMENT OLDER
THAN 40 YEARS AND TURBINES WITH SIGNIFICANT
SERVICE TIME

Results of competitive capacity auction for modernization (2022–2025), MW



THE EQUIPMENT LOCALIZATION REQUIREMENT AIMS TO REDUCE
THE STRATEGIC RISKS OF THE RUSSIAN FEDERATION
AND ENSURE THE DEVELOPMENT OF LOCAL SUPPLIERS

7 AFFORDABLE AND CLEAN ENERGY



ENSURE ACCESS
TO AFFORDABLE, RELIABLE,
SUSTAINABLE, AND MODERN
ENERGY FOR ALL

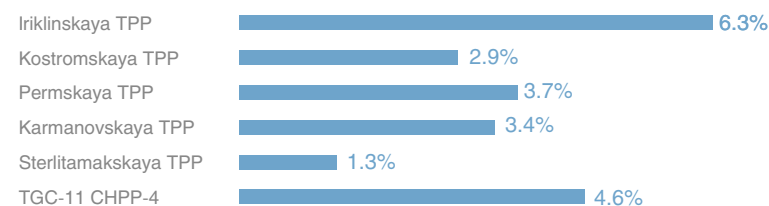
ENERGY OF THE FUTURE

MODERN TECHNOLOGIES

500,000
TONS PER YEAR
expected reduction
in greenhouse gas emissions
(CO₂-equivalent) upon
completion of the Inter RAO
modernization program in 2025

The main problems faced by thermal power plants (TPP) that require modernization are low efficiency from converting thermal energy into electrical energy when burning fuel and insufficient maneuverability (the inability to quickly change the power supplied to the network).

Expected reduction in greenhouse gas emissions upon completion of the modernization program for 2022–2025



New technologies and equipment can help overcome these shortcomings and significantly boost the efficiency of TPPs. Modern solutions during modernization will increase efficiency by at least 1.5%

and reduce the consumption of fuel equivalent.

Modern Russian-made equipment will be used during modernization.

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



BUILD RESILIENT
INFRASTRUCTURE, PROMOTE
INCLUSIVE AND SUSTAINABLE
INDUSTRIALIZATION,
AND FOSTER INNOVATION

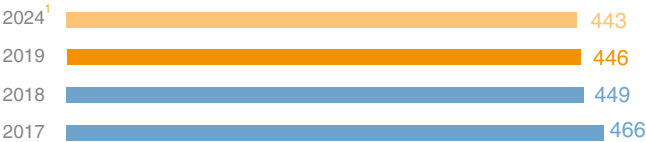
CARING FOR THE ENVIRONMENT

RESPONSIBLE PRODUCTION

Targeted environmental program

- Compliance with legal requirements
- Air protection
- Biodiversity conservation
- Noise reduction
- Careful use of water resources
- Innovative development

Reduction in CO₂ emissions per unit of electricity generated, gCO₂/kWh



IN 2019, THE GROUP VERIFIED THE INFORMATION ON DIRECT GREENHOUSE GAS EMISSIONS CONTAINED IN THE ANNUAL REPORT FOR 2018 FOR THE FIRST TIME AND PLANS TO DO THIS ANNUALLY.

BIODIVERSITY CONSERVATION: RESTORATION OF FISHERIES.

IN 2019, DIFFERENT SPECIES OF JUVENILE FISH WERE RELEASED INTO RIVERS AND RESERVOIRS AS PART OF COMPENSATORY STOCKING.



ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS



TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS

¹ Projected value.

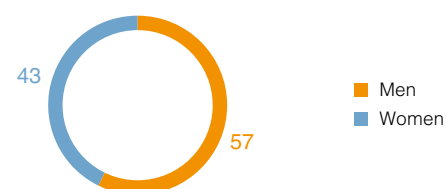
ENERGY OF PEOPLE

DEVELOPMENT,
ENGAGEMENT, SAFETY

OUR TEAM

48,500
people¹

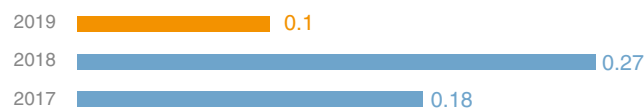
Gender diversity, %



Goals of HR Policy

- High labor productivity
- Retention of highly qualified specialists
- Continuous professional development of employees
- Development of corporate culture
- Bolstering staff engagement

Injury rate



Average hours of training per employee



Labor productivity², RUB mln/person



8 DECENT WORK AND ECONOMIC GROWTH



PROMOTE SUSTAINED, INCLUSIVE, AND SUSTAINABLE ECONOMIC GROWTH, FULL AND PRODUCTIVE EMPLOYMENT, AND DECENT WORK FOR ALL

4 QUALITY EDUCATION



ENSURE INCLUSIVE AND EQUITABLE QUALITY EDUCATION AND PROMOTE LIFELONG LEARNING OPPORTUNITIES FOR ALL

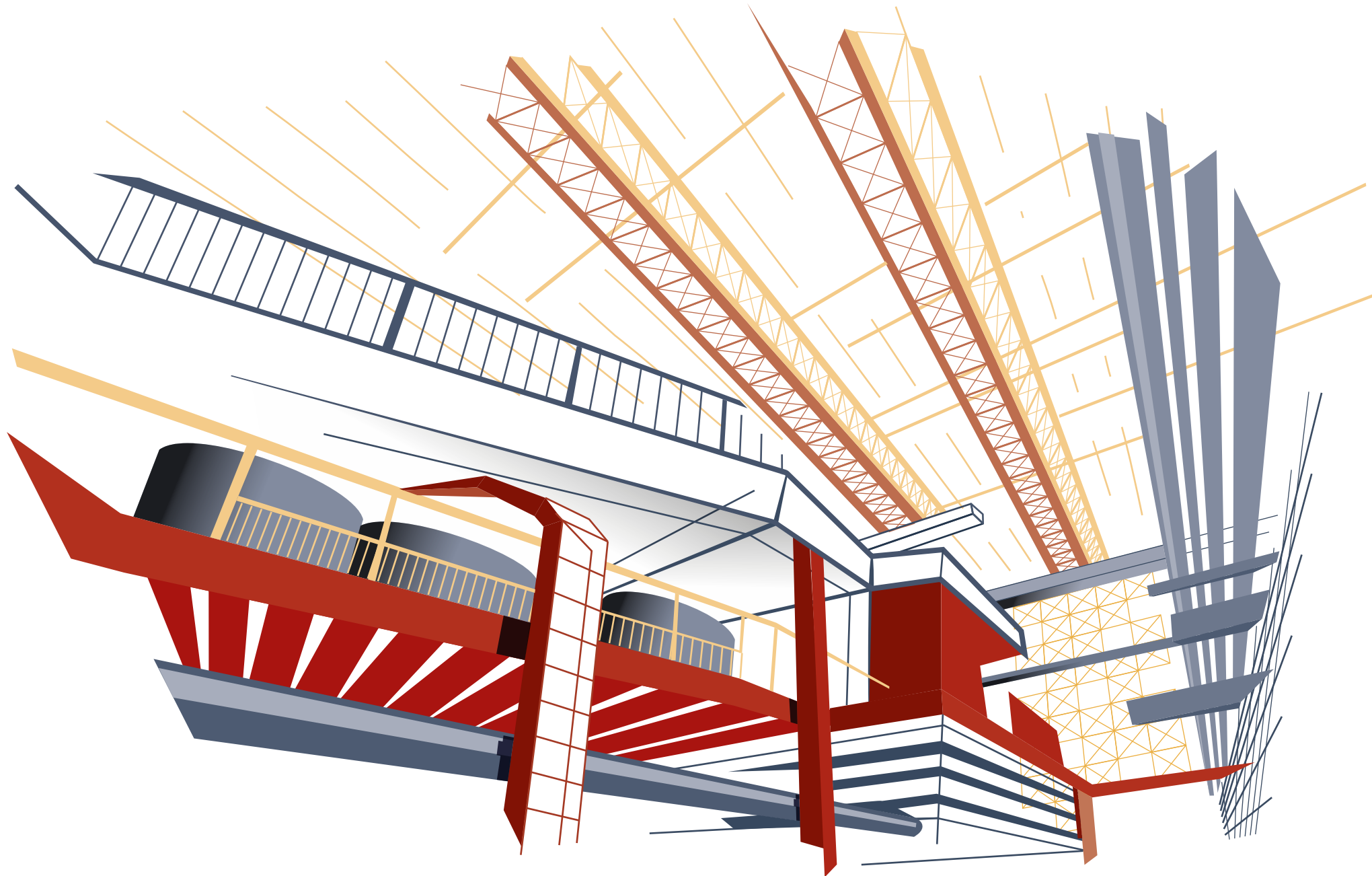
3 GOOD HEALTH AND WELL-BEING



ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES

¹ Average staff numbers taking into account jointly controlled companies (including JSC Ekibastuzskaya TPP-2).

² EBITDA per average number of employees (according to the perimeter used for the Group's business planning).



INNOVATIVE DEVELOPMENT
AND MODERNIZATION

6.7 GW OF CAPACITY

WILL BE RENOVATED AT THE
GROUP'S POWER PLANTS OVER
THE NEXT FIVE YEARS

STRATEGIC REPORT

MILESTONES AND RESULTS STRATEGY IMPLEMENTATION

The implementation cycle of the current Inter RAO Strategy will be completed in 2020. In 2019, the Company's management decided

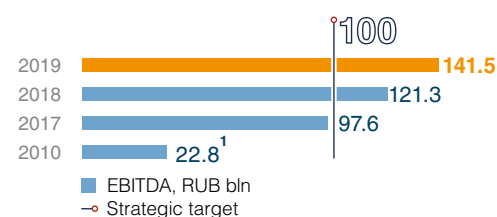
to start working on preparing an updated Inter RAO Strategy. The document is being drafted for the period until 2025 with a view to 2030.

The Strategy is expected to be submitted to the Board of Directors for consideration in May 2020.

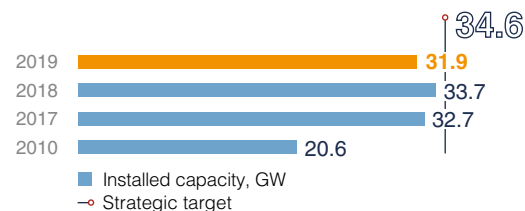
IN 2020 THE STRATEGIC TARGETS

**HAVE BEEN ACHIEVED
AS A WHOLE**

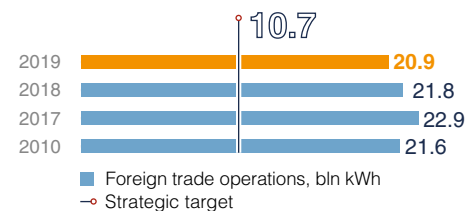
EBITDA target achieved



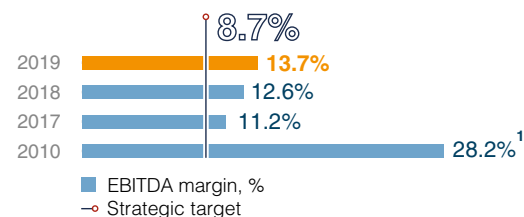
The target level of installed capacity was not achieved primarily due to changes in the Group's perimeter as regards foreign assets and the decommissioning of 3.7 GW of obsolete inefficient capacity from 2010 to 2019



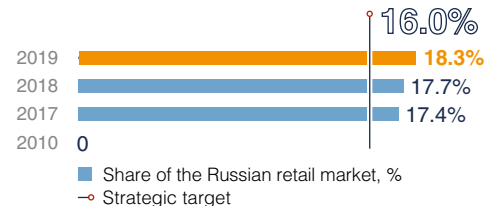
The target volume of foreign trade operations was achieved, and foreign trade operations remained at the same level despite an expected decline



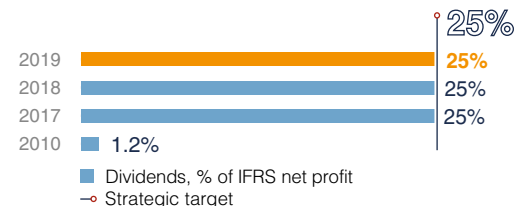
EBITDA margin target achieved



The target level for the share of the Russian retail market was achieved



The target level for the share of IFRS net profit allocated for dividend payment was achieved



¹ Information for the year 2010 is presented in accordance with the Group's IFRS financial statements for the year ended December 31, 2010 (prior to retrospective restatement due to the acquisition of entities under common control in 2011). Information for the year 2010 was not retrospectively restated due to the entry into force of new or revised IFRS standards for the period from 2013 to 2019 as well as changes to EBITDA calculation in 2015 and the acquisition of an entity under common control in 2016.

INTER RAO TODAY

[GRI 102-2, 102-7]

RUB **1.032**

trn

Consolidated revenue

RUB **84.8**

bln

Free cash flow

RUB **526.4**

bln

Market capitalization
as at December 31, 2019

0.4

Debt/EBITDA ratio

25%

Recommended
dividends of IFRS
net profit for 2019

130.2

bln kWh

Electric power generation
by the Group

40.3

mln Gcal

Thermal power output
by the Group

198.5

bln kWh

Net electric power supply
by the 'Supply in the Russian
Federation' segment

16.6

mln

Electric power consumers
on the retail market
in the Russian Federation

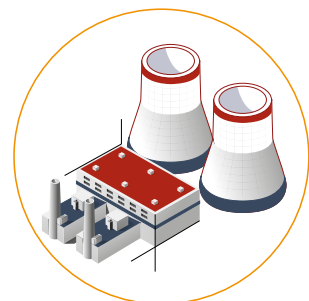
48,500

people

Average headcount¹

Activities

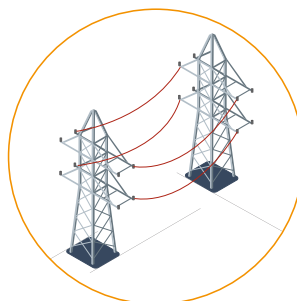
Electric power
generation



Heat output



Electric power supply
to consumers



Wholesale trade in electric power
and export-import operations



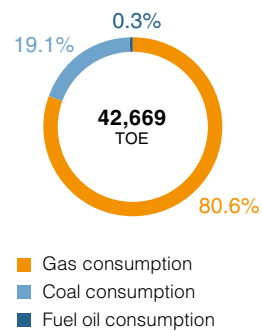
Engineering



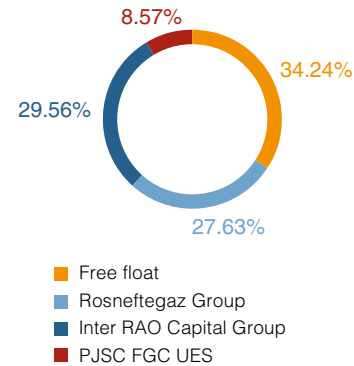
Location of assets



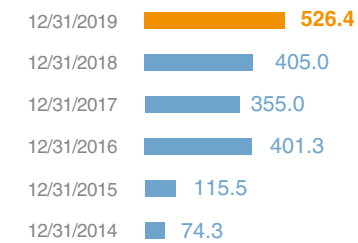
Structure of Inter RAO fuel balance for 2019



Share capital structure as of December 31, 2019



Capitalization, RUB bln



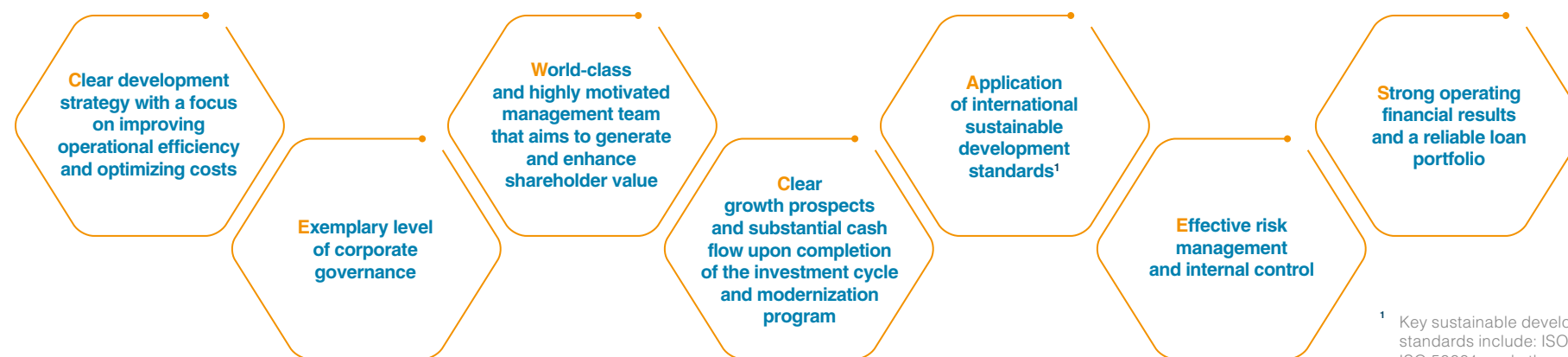
Over
Six-fold
growth in capitalization
since 2014

¹ Average staff numbers taking into account jointly controlled companies (including JSC Ekibastuzskaya TPP-2).

R&D



INVESTMENT APPEAL FACTORS



¹ Key sustainable development standards include: ISO 14001, ISO 50001, and other standards.

KEY EVENTS [102-10]

LAUNCH OF THE MODERNIZATION PROGRAM

In January 2019, the Russian Government approved a thermal power plant modernization program developed by the Russian Ministry of Energy. To date, two competitive capacity auctions for 2022–2025 have been held. The auctions resulted in the selection of 17.2 GW for modernization. Given the extreme competition and market mechanism for selecting modernization projects, Inter RAO received 38.9% of the total capacity (6,255 MW of the allocated quota and an additional 448 MW were selected by a government commission).

CONSTRUCTION OF A TPP IN KALININGRAD

The Pregolskaya TPP with capacity of 455.2 MW was commissioned in March 2019. As part of the project, four power plants with total installed capacity of 1 GW will be built in the region by 2021. Two of them – the Mayakovskaya TPP and Talakhovskaya TPP – were commissioned in March 2018. The core equipment used at the plants is 100% Russian-made. The project investor is JSC ROSNEFTEGAS, and total investment will amount to approximately RUB 100 bln. The TPPs will be operated by companies of the Inter RAO Group.

CONSOLIDATION OF JSC TOMSKENERGOSBYT

Inter RAO consolidated 100% of the shares in JSC Tomskenergosbyt on its balance sheet in May 2019 following the completion of the buyback process from minority shareholders. The company is a guaranteed supplier in the Tomsk Region, serving nearly 500,000 individual electric power consumers and more than 14,000 legal entities.

Prizes and awards

PJSC Inter RAO CEO Boris Kovalchuk was awarded the Order of Alexander Nevsky in August 2019 for his professional success, active public work, and many years of conscientious work.

Dmitry Filatov, a member of the Management Board, Head of the PJSC Inter RAO Supply Division, and CEO of LLC Inter RAO – Procurement Management Centre, was awarded the second-class Medal of the Order 'For Merit to the Fatherland' in August 2019.

Yury Sharov, a member of the Management Board, Head of the Engineering Unit, and CEO of LLC Inter RAO – Engineering, was awarded the fourth-class Medal of the Order 'For Merit to the Fatherland' in June 2019 for his professional success and many years of conscientious work.

The second-class Medal of the Order 'For Merit to the Fatherland' was awarded to Advisor to the Chairman of the PJSC Inter RAO Management Board Gennady Binko and two employees of the Kostromskaya TPP (branch of JSC Inter RAO – Electric Power

Generation) – leading metrology engineer Irina Kochneva and leading production engineer Alexander Shalayev for their many years of productive service. The title 'Honored Power Engineer of the Russian Federation' was awarded to Kostromskaya TPP Deputy Chief Engineer Alexander Smirnov.

The Russian Ministry of Energy awarded the title 'Honorary Power Engineer' to Advisor to the Chairman of the PJSC Inter RAO Management Board Gennady Binko and Head of Inter RAO's Assets Management Unit in Central Asia and the Caucasus Dmitry

Volkov. The award was granted "for his great personal contribution to the development of the fuel and energy industry and many years of conscientious work."

Tamara Merebashvili, Deputy CEO, Head of the Corporate and Property Relations Unit, and Corporate Secretary of PJSC Inter RAO, won the XIV 'Director of the Year' National Award in the category 'Corporate Governance Director / Corporate Secretary' in November 2019.

SALE OF EKIBASTUZSKAYA TPP-2

A deal was concluded in December to sell a 50% stake in JSC Ekibastuzskaya TPP-2, a joint venture in the Republic of Kazakhstan, to Samruk-Kazyna National Welfare Fund for USD 25 mln. As a result, ownership of 100% of the shares in the coal-fired power plant with installed capacity of 1000 MW was transferred to the Samruk Group, which also took over guarantees for the plant's debt obligations.

RECORD REVENUE

The Inter RAO Group's annual revenue topped RUB 1 trillion for the first time in the Company's history. EBITDA increased by 16.7% and amounted to RUB 141.5 bln.

NEW STRATEGY

In 2019, PJSC Inter RAO management began drafting an updated Development Strategy for the period until 2025 with a view to 2030. The document will seek to further grow the Group's key performance indicators in an effort to maintain its leading positions in the electric power industry of the Russian Federation and also support the Company's sustainable development and digital transformation.

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

[GRI 102-14]



Dear Shareholders,

The past year was a crucial period for coming up with new promising ways to further develop the Inter RAO Group, strengthen its position in matters concerning sustainable development, successfully build new facilities, and improve its financial and economic performance.

In 2019, the Company succeeded in meeting all of its goals in key areas of operations as part of the implementation of its global strategy until 2020. The Inter RAO Group maintains leading positions in the industry both in terms of its performance standards and production indicators.

The work performed by Inter RAO management to boost efficiency has resulted in annual growth in both financial and economic indicators.

As of the end of 2019, the Company's key indicator – EBITDA – stood at RUB 141.5 bln, an increase of 16.7% from the previous year. IFRS net profit grew by 14.3% and amounted to RUB 81.9 bln. Revenue was the highest ever in the Company's history and topped RUB 1 trillion for the first time, increasing by 7.2% compared with 2018 to RUB 1.032 trillion.

Focusing on business diversification, implementing a large-scale Investment Program, renovating the service term of our main equipment as well as consistently consolidating assets and developing potentially profitable segments of the industry all made it possible to achieve the goal of increasing the Company's shareholder value. In just ten years, EBITDA has expanded by thirteen-fold, revenue has skyrocketed by fifteen-fold, and net profit has grown from negative RUB 12.5 bln to RUB 81.9 bln. Inter RAO's capitalization has increased by 380% to RUB 526.4 bln since 2009.

Successfully implementing our Strategy has enabled the Company to consistently pay dividends to shareholders. As of the end of 2018, RUB 17.9 bln had been allocated for dividend payments, a 119 fold increase from the amount of the first dividend payments. In the coming year, dividend payments will grow by another 14.3% if the appropriate decision is adopted by the annual General Meeting of Shareholders.

Today, the Inter RAO Group faces new challenges. In addition to improving the efficiency of its operating activities, modernizing assets, and introducing new technologies in business management and digitalization, we need to start implementing the Company's Development Strategy for the period until 2030. I have no doubts that Inter RAO will take into account current trends in the development of the economy, industry, and society.

Environmental issues, climate change, and resource conservation are currently having a major impact on the business strategies of major players in different market segments around the world. The Group's strategy focuses on new business priorities and working in accordance with the principles of social responsibility and sustainable development.

In March 2019, Inter RAO joined the UN Global Compact and reaffirmed its commitment to the Ten Principles of sustainable development, human rights, labor relations, environmental protection, and anti-corruption. The Company intends to continue integrating the principles of the Global Compact into its Development Strategy, operational processes, and corporate culture in the interests of long-term sustainable development and will inform all stakeholders about the progress made in integrating the principles of the Global Compact.

I am certain that the experience we have accumulated and the exemplary expertise of the Company's management team and staff will enable the Inter RAO Group to appropriately meet the challenges of the times and strengthen its leadership on the Russian market and around the world.

Igor Sechin

Chairman of the Board of Directors



MESSAGE FROM THE CEO



Dear Shareholders,

Inter RAO is pleased to present its performance results for 2019. During the reporting period, the Company continued its commitment to improving efficiency, bolstering its financial, economic, and production results, introducing modern management technologies to ensure reliable power supply to consumers, increasing shareholder value, and maintaining a leading position in the Russian electric power industry. All the decisions and actions taken by management were implemented in accordance with the Company's strategic objectives and in the interests of shareholders.

MODERNIZING FACILITIES

In 2019, the Company's activities largely focused on preparations for a new investment cycle in the Russian electric power industry – the Thermal Power Plant Modernization Program Based on Capacity Delivery Agreements. Thanks to the timely and thorough preparation of projects for competitive capacity delivery as part of the modernization program for 2022-2025, the Group won almost half of the total capacity offered by the program. This means that more than 6.7 GW will be upgraded at eight of the Group's power plants over the next five years.

Inter RAO management also devoted a great deal of attention to developing and improving the quality of its assets, which had a major impact on growth in key performance indicators.

GENERATION IN THE RUSSIAN FEDERATION AND ENGINEERING

Electric power generation in 2019 amounted to 120.5 bln kWh, which is right around the same level as the previous year. The utilization rate of installed generating capacity at the Group's power plants in Russia continues to be among the highest in the industry at 47.4%. Thermal power output from collectors amounted to 40 mln Gcal/h, down by 3.6% compared with 2018. The implementation of the CDA Investment Program in previous years and the decommissioning of obsolete facilities significantly boosted the efficiency of the Group's key segment – its power generating assets in Russia.

A major state-sponsored project in partnership with the company ROSNEFTEGAZ to ensure energy security in the Kaliningrad Region resulted in the commissioning of the third and largest power plant of the project in 2019 – the Pregolskaya TPP with total capacity of 455 MW. This means that the construction of a gas-fired generating facility in the region has now been completed. The construction of the last coal-fired power plant – Primorskaya TPP with capacity of 195 MW – is currently proceeding as scheduled.

Installed capacity utilization factor in 2019, %



SUPPLY

There have been some major successes in supply activities. The Group has bolstered its leadership on the Russian retail electric power market and increased its share to 18.3%. This growth resulted from the effective work of new guaranteed suppliers in the Vladimir and Vologda Regions as well as the expansion of the customer base in the entire Inter RAO supply segment.

All the Group's supply companies implemented measures to improve services as part of requirements for the activities of guaranteed suppliers. This is the result of many years of systematic work to improve the efficiency of client services.

In an effort to increase the transparency of payments in the housing and utilities sector, Inter RAO and the regional executive authorities continued to set up unified information and settlement centers (UISCs). In addition to the UISCs that are already functioning in the Moscow and Leningrad Regions, new centers opened in the Tomsk Region and Republic of Bashkortostan.

TRADING

Significant achievements were also made in the trading segment, especially with respect to electricity exports. As a result of tactical advantages on the Russian and foreign electricity markets, the favorable pricing environment, and other factors, exports increased by 15.7% in 2019 and amounted to 19.3 bln kWh, primarily as a result of exports to such destinations as Lithuania and Georgia. Revenue in the segment topped RUB 77 bln for the first time.

TRANSACTIONS WITH RUSSIAN AND FOREIGN ASSETS

In 2019, Inter RAO effectively terminated its participation in Kazakhstan's Ekibastuzskaya TPP 2 as well as in Turkey's Trakya Elektrik project. In addition, the Group consolidated a 100% stake in JSC Tomskenergosbyt following the completion of the buyback process from minority shareholders.

FINANCIAL RESULT

Comprehensive efforts in all business segments over the course of the year helped push the Group's annual revenue over RUB 1 trillion for the first time in its history. EBITDA increased by 16.7% and amounted to RUB 141.5 bln. Net profit amounted to RUB 81.9 bln, an increase of 14.3% compared with the previous year.

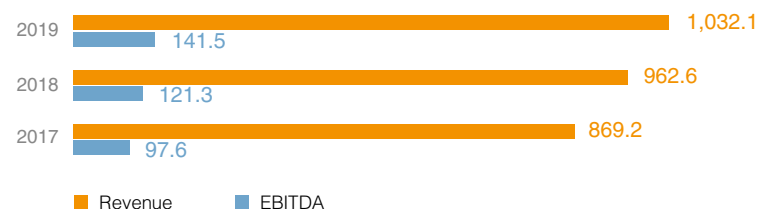
This year, the Company faces the challenge of boosting its key production and financial indicators.

STRATEGIC OBJECTIVES

In the medium term, Inter RAO will implement a new strategy until 2030 that is supposed to be approved in the first half of 2020. This document is based on the goal of maintaining leading positions in the Russian electric power industry and developing new businesses as well as digital business transformation.

These new challenges will be met by devoting special attention to matters concerning social responsibility and sustainable development, which will ensure the Company's further growth and effective work for the next decade.

Changes in key financial results, RUB bln



Boris Kovalchuk
Chief Executive Officer

ANSWERS TO KEY QUESTIONS FROM STAKEHOLDERS



When is the Company's new Strategy expected to be approved?

Inter RAO's Strategy was approved in 2014 for the period until 2020.

Given the pace of the Company's development, the fact that it has achieved and overfulfilled a number of the strategic indicators it set as well as significant changes in the external and internal environment, updates to the Strategy are on the agenda. By the time this Report is published, we expect an updated document will have already been drafted. The updated Strategy/Long-Term Development Program is scheduled to be submitted to the Board of Directors for consideration in May 2020.



Are there any plans to change the approach to Inter RAO's dividend policy?

The current dividend policy aims for dividend payments of up to 25% of IFRS net profit. The legislative requirements stipulating that dividend payments may not exceed the total amount of the Company's net profit under Russian Accounting Standards must also be taken into account.

Decisions on the amount of dividend payments or any changes in the approach to the dividend policy are adopted by the Company's Board of Directors.



Does the Company plan to take any steps to improve its position in the context of ESG? If so, what kind of measures?

In 2019, Inter RAO joined the UN Global Compact and committed to updating its business model and Strategy in favor of long-term sustainability, introduced a mechanism to analyze and assess climate risks, and verified its direct greenhouse gas emissions for the first time.

These achievements were the result of an upgrade in the Company's rating at the five largest international ESG agencies (CDP, Sustainalytics, ISS, FTSE4GOOD, and RobecoSam). The Group is making every effort to follow the global trends and practices of the best international companies in matters concerning sustainable development.

Plans for 2020 include:

- Verifying the Annual Report, including the Sustainable Development Report, in accordance with the methodology of GRI Standards
- Verifying direct greenhouse gas emissions for 2019
- Work to improve sustainable development indicators by drafting and implementing internal policies in matters concerning sustainable development



Is the Company planning any additional ESG disclosures?

In 2019, the Company conducted its first verification of the direct greenhouse gas emissions (Scope 1) of Inter RAO for 2018 in accordance with International Standard on Assurance Engagements (ISAE) 3410. Recommendations have been drafted to improve the accounting of greenhouse gas emissions as regards quantifying indirect energy emissions (Scope 2).

Sustainable development issues are expected to be included in Inter RAO's Long-Term Development Strategy, particularly with regard to the risks and opportunities associated with climate change. This includes identifying and assessing climate-related risks that could have a significant financial or strategic impact on the Company's business, and mitigating these risks by taking the appropriate measures.

When working on specific projects, the Company engages with local communities and stakeholders (community involvement) and improves the disclosure of the Supply Chain Policy in accordance with ESG standards.

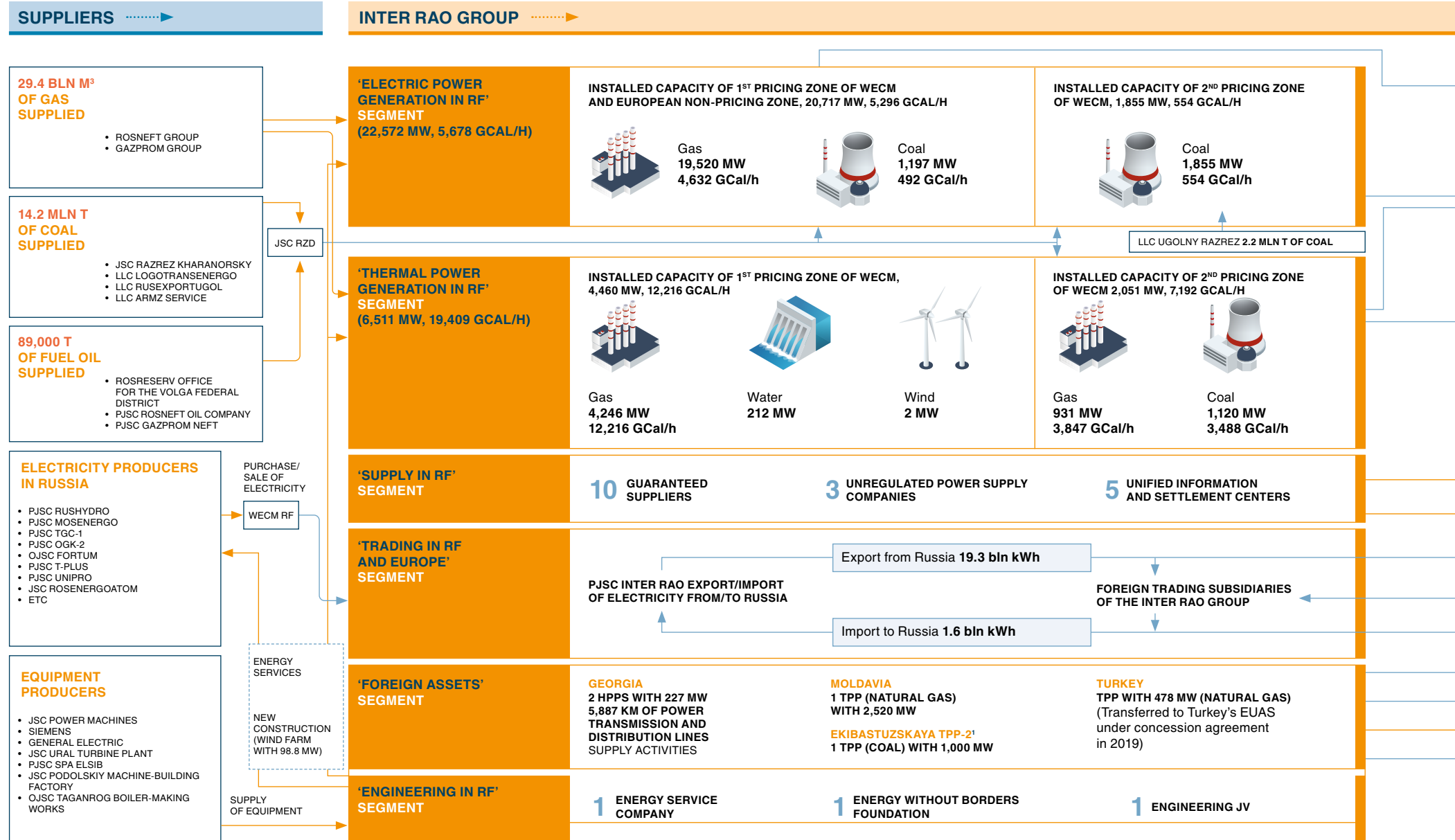


What economic effect will the modernization of units that have already been selected have on Inter RAO?

The modernization program will not only make it possible to renovate facilities and extend the life of power generating units, but will also increase installed capacity and boost fuel savings for a number of projects. Depending on the power generating capacity of units and technical capabilities, specific fuel equivalent consumption will decline in the range of 6–23 grams of standard fuel per kWh. In a number of cases, boiler steam production will be increased as equipment modernization projects are implemented.

BUSINESS MODEL

[GRI 102-7, 102-9]



CONSUMERS

GRID COMPANIES OF RUSSIA

Transmission and distribution electricity grid

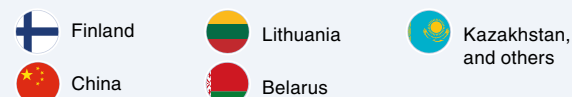
PJSC FGC UES PJSC Rosseti JSC BENC

Municipal heating networks

Electricity and heat consumers in Russia

- Housing and utility services, management companies, homeowners associations, housing cooperatives
- Population, with direct payments
- Industry
- Transport and communication
- Agriculture
- Other commercial enterprises
- Network organizations
- Publicly-funded institutions
- Heat supply organizations

Consumers 14 countries



1ST PRICING ZONE OF WECM EUROPE AND EUROPEAN NON-PRICING ZONES

Gas-fired generation of electricity and heat
80.685 bln kWh
3,611,000 Gcal

Gas-fired generation of electricity and heat
3.204 bln kWh
515,000 Gcal

II PRICING ZONE OF WECM SIBERIA

Gas-fired generation of electricity and heat
13.686 bln kWh
7,992,000 Gcal

Gas-fired generation of electricity and heat
1.966 bln kWh
8,039,000 Gcal

I PRICING ZONE OF WECM EUROPE

Gas-fired generation of electricity and heat in Bashkortostan (RF)
20.142 bln kWh
19,909,000 Gcal

Electricity generation at HPPs and WPP
837 mln kWh (water),
0.9 mln kWh (wind)

Serves **16.2 mln individuals** in Russia

Serves **332,000 legal entities** in Russia

Sale/purchase on foreign markets

Electricity and heat generation in Moldavia **4.244 bln kWh, 102,000 Gcal**

Electricity generation at HPPs in Georgia **442 mln kWh**

Serves **606,000 subscribers** in Georgia

Electricity generation in Kazakhstan **4.929 bln kWh**

¹ Ekibastuzskaya TPP-2 left the Inter RAO Group in December 2019.

CAPITAL CONCEPT BUSINESS MODEL

[GRI 102-7]

INCOMING CAPITAL 2019 (STAKEHOLDER RESOURCES)

FINANCIAL CAPITAL	Equity	Financial debt	CAPEX
	RUB 552.8 bln	RUB 3.3 bln	RUB 24.5 bln

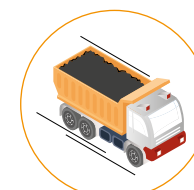
PRODUCTION CAPITAL	Installed capacity	
	31,860 MW	25,252 Gcal/h

NATURAL CAPITAL	FUEL CONSUMPTION:		
	Gas:	Other fuel:	Water intake
	29.4 bln m³	1,000 tons	4.660 bln m³
	Coal:	Fuel oil:	
	14.2 mln tons	88,000 tons	

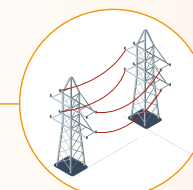
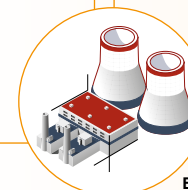
HUMAN CAPITAL	Average minimum wage per month in regions of operation:	Average employee headcount:
	Russia – RUB 11,280	48,502 people
	Georgia – RUB 4,500	Active staff turnover:
	Moldova – RUB 10,684	11.0%

INTELLECTUAL CAPITAL	Volume of R&D program
	RUB 359.37 mln

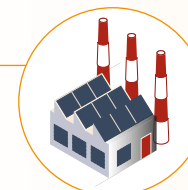
SOCIAL REPUTATION CAPITAL	Volume of products and services procured:	Charity:
	RUB 152.6 bln	RUB 1.1 bln



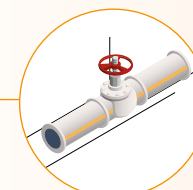
FUEL SUPPLY

ELECTRIC POWER
TRANSMISSION
AND DISTRIBUTIONELECTRICITY
GENERATION

ENGINEERING



HEAT GENERATION

EQUIPMENT
MANUFACTURINGHEAT POWER
TRANSMISSION
AND DISTRIBUTION

OUTGOING CAPITAL 2019 (RESULTS FOR STAKEHOLDERS)

Inter RAO ensures sustainable long-term shareholder value growth

Amount of dividends paid
grew by 32% to
RUB 17.9 bln

Free cash flow (FCFF)
grew by 26% to
RUB 84.8 bln

Inter RAO has a presence in various segments of the value chain in the energy sector, from the design and construction of energy facilities to the distribution and supply to ultimate consumers, thus achieving multiple synergies

Electricity generation:
130.203 bln kWh

Heat output
40,251,000 Gcal

New capacity commissioned
228 MW

Mitigating the negative environmental impact of production assets is a priority for Inter RAO

47,200 t of equivalent fuel saved
Decrease in SOx emissions by 7% to
136,000 t

Decrease in CO₂ emissions by 3% to
78.9 mln t
Decreased in water consumed from
external sources by **457 mln m³**

Boosting labor productivity, creating conditions to attract highly qualified specialists, and enhancing the professional level of workers are priority areas in Inter RAO's HR policy

The staff satisfaction index rose from 69.9% to **71.5%**

The injury frequency rate declined by 61% to **0.1031**

Workers hired: **8,773 people**

Average monthly salary of entry-level employees:

Russia – RUB 29,944
Georgia – RUB 17,075
Moldavia – RUB 11,692

Focusing on an innovative approach as a locomotive for the Company's development is detailed in the Inter RAO Development Strategy

Number of intellectual property items **31**

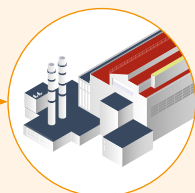
Inter RAO is actively involved in the economic and social life of all regions where it has a presence and pursues a policy of integrated social responsibility with the proper conditions of transparency

Share of products and services
from local manufacturers: **88.3%**

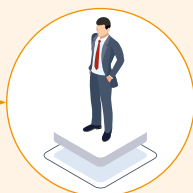
Number of beneficiaries:
1,158,685 people



TRADING



SALES TO MAJOR
CONSUMERS



END CONSUMERS



RETAIL SALES

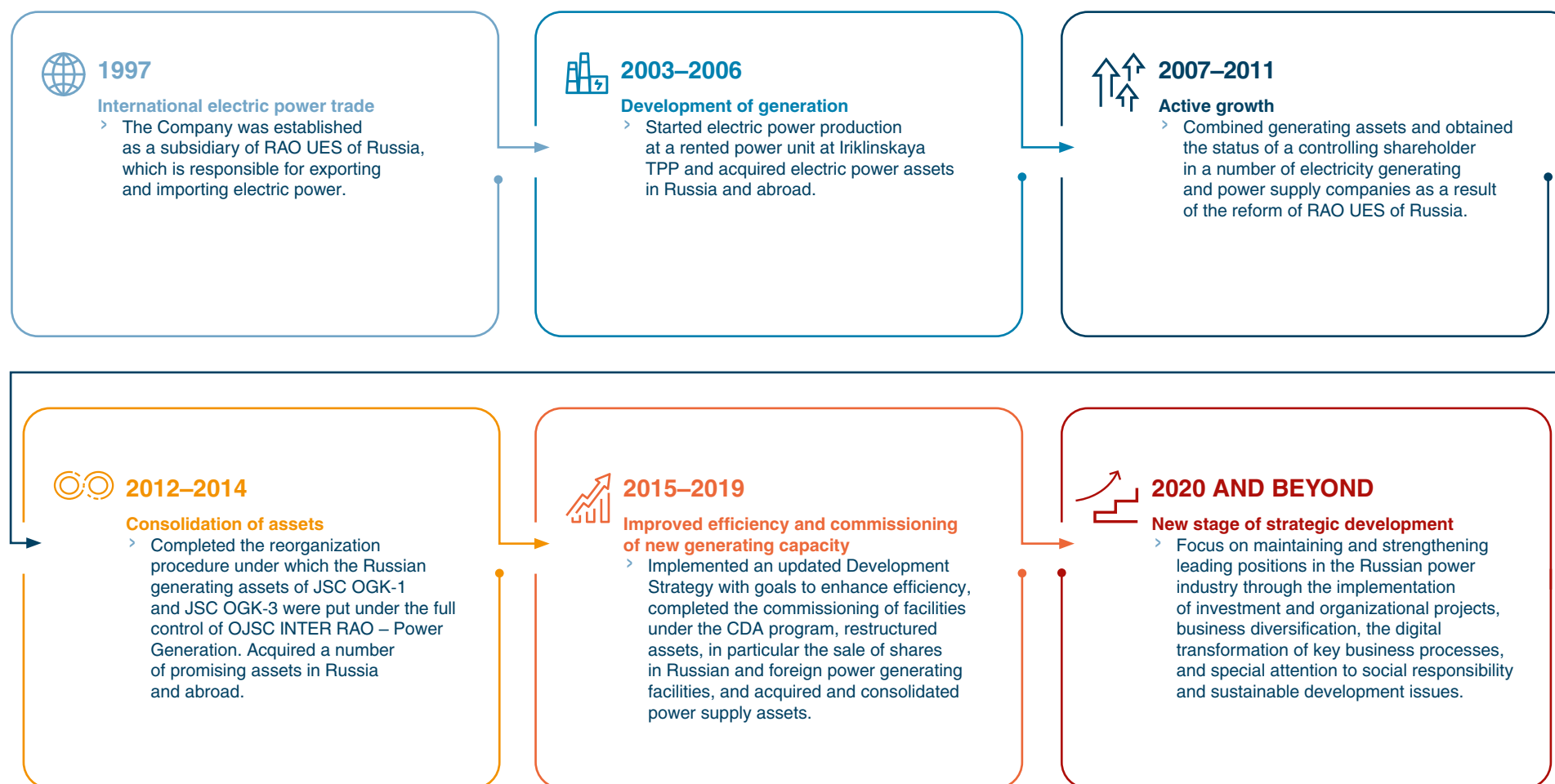
OUR LOCATIONS





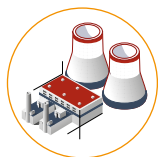
COMPANY STRUCTURE

MILESTONES



COMPANY STRUCTURE [GRI 102–45]

The Group is managed by the parent company PJSC Inter RAO.
As of December 31, 2019, the Group consisted of the following main companies by type of activity:



‘Electric Power Generation in the Russian Federation’ segment

JSC Inter RAO – Electric Power Generation:

- | | | |
|---------------------------|--------------------|-------------------------|
| > Verkhnetagilskaya TPP | > Kashirskaya TPP | > Urengoyskaya TPP |
| > Gusinoozyorskaya TPP | > Kostromskaya TPP | > Kharanorskaya TPP |
| > Dzhubginskaya TPP | > Permskaya TPP | > Cherepetskaya TPP |
| > Ivanovskiye CCGT | > Pechorskaya TPP | > Yuzhnouralskaya TPP |
| > Irikinskaya TPP | > Northwest CHPP | > Yuzhnouralskaya TPP-2 |
| > Kaliningradskaya CHPP-2 | > Sochinskaya TPP | |

JSC Nizhnevartovskaya TPP
(accounted for using the equity method)



‘Thermal Power Generation in the Russian Federation’ segment, including thermal power networks

TGC-11:

- > JSC TGC-11
- > JSC Tomsk Generation
- > JSC TomskRTS
- > JSC Omsk RTS

Bashkir Generation

(represented by Bashkir Generation Company (BGC) Group)

As of December 31, 2019, the Group consisted of the following main companies by type of activity (continued):



**‘Supply in the Russian Federation’
segment¹**

Guaranteed suppliers

- > JSC Mosenergosbyt
- > JSC Altayenergosbyt
- > JSC St. Petersburg Power Supply Company (Group of Companies)
- > PJSC Saratovenergo
- > PJSC Tambov Power Supply Company
- > JSC Tomskenergosbyt
- > LLC Energy Retail Company of Bashkortostan (LLC ERCB)
- > LLC INTER RAO – Orlov Power Supply Company
- > LLC ESV
- > LLC NSC

Unregulated power supply companies

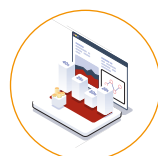
- > LLC RN-Energo
- > JSC Industrial Energy
- > LLC RT – Energotrading (accounted for using the equity method)

Information and Settlement Centers

- > JSC UISC of the Leningrad Region
- > LLC UISC of the Moscow Region
- > LLC UISC of the Republic of Bashkortostan (from July 2019)
- > LLC UISC of the Tomsk Region (from September 2019)

Other

- > LLC ERCB – Development
- > LLC Omsk Power Supply Company²



**‘Trading in the Russian Federation and Europe’
segment**

- > PJSC Inter RAO (trading activities)
- > RAO Nordic Oy
- > AB INTER RAO Lietuva and its subsidiary organizations
- > JSC Eastern Energy Company
- > LLC Inter RAO Georgia (accounted for using the equity method from May 2019)

¹ Represented by major representatives of the supply segment.

² Granted the status of a guaranteed supplier from January 1, 2020.



'Foreign assets' segment¹

Georgia

- › JSC Telasi
- › JSC Khrami HPP-I
- › JSC Khrami HPP II

Moldavia

- › CJSC Moldavskaya TPP

Turkey

- › Trakya Elektrik Uterim Ve Ticaret A.S.²



Corporate Center (main companies)

- › PJSC Inter RAO (excluding trading activities)
- › JSC Inter RAO Capital
- › LLC INTER RAO – Procurement Management Center
- › LLC Inter RAO – Information Technologies
- › JSC Elektroluch



'Engineering in the Russian Federation' segment

- › LLC Inter RAO – Engineering
- › LLC QUARTZ Group
- › LLC Inter RAO – Export
- › LLC Heston de Proektos
- › RUS Gas Turbines Holdings B.V. (accounted for using the equity method, since April 2019)
- › LLC Inter RAO Export – Project Management (since October 2019)

Innovation

- › Energy Without Borders Foundation

Energy efficiency

- › LLC INTER RAO UES Energy Efficiency Center (accounted for using the equity method)

¹ The financial results of JSC Ekibastuzskaya TPP-2 are not included in the Group's financial results due to the reclassification of a 50% stake in JSC Ekibastuzskaya TPP-2 to assets classified as held-for-sale in December 2016. The operating results of JSC Ekibastuzskaya TPP-2 are included in the Group's operating results 100% up to December 2019 inclusive. A transaction to sell the 50% stake in JSC Ekibastuzskaya TPP-2 was completed in the fourth quarter of 2019.

² Operated the Trakya Elektrik thermal power plant until June 5, 2019, when, according to the Concession Agreement, the plant was returned to the authorized organization – the Turkish state-owned company EUAS.

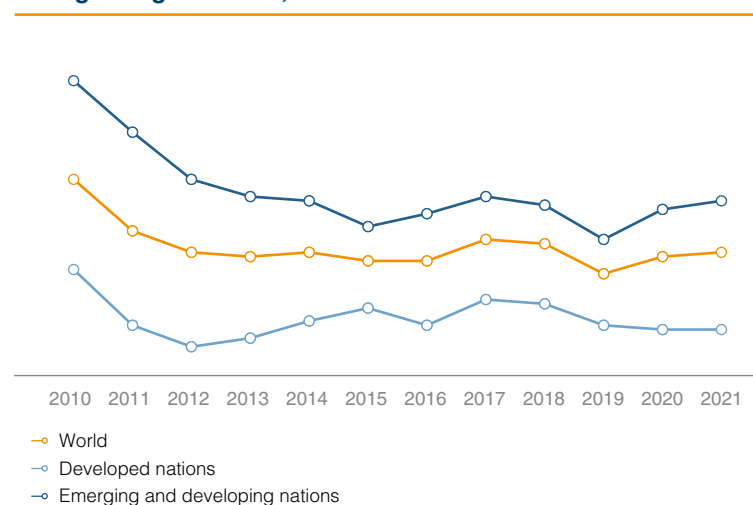
MARKET OVERVIEW

MACROECONOMIC SITUATION

In the first half of 2019, there were hopes that global economic growth rates would be higher than the long-term trend. But the situation changed in the second half of the year. The trade conflict between the United States and China worsened as the risk of currency wars increased. The IMF estimated that total damage from the use of import duties in the global economy would stand at USD 700 bln by 2020 (roughly 0.8% of global GDP). In the fall of 2019, the PMI¹ dropped to its lowest level since 2012.

As a result, the IMF slashed its estimate for the prospects of the global economy: global GDP growth in 2019 was estimated at 2.9%, the lowest level since the financial crisis a decade ago. The greatest pressure has been felt in the eurozone, where leading economies, particularly Germany, are on the verge of a recession. Furthermore, the IMF released its estimates before oil prices plunged and the global economy slowed as a result of the spread of coronavirus.

Changes in global GDP, %



Changes in global GDP, %

	Actual indicators									Estimate
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
World	5.1	3.9	3.4	3.3	3.4	3.2	3.2	3.7	3.6	2.9
Developed nations	3.0	1.7	1.2	1.4	1.8	2.1	1.7	2.3	2.2	1.7
Emerging and developing nations	7.4	6.2	5.1	4.7	4.6	4.0	4.3	4.7	4.5	3.7

Source:
IMF as of January 2020

¹ Purchasing Managers' Index of the Institute of Supply Management (ISM).

Russian economy

Economic growth rates in the Russian Federation

										Report					Estimate
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
GDP, %	4.5	4.3	3.7	1.8	0.7	-2.0	0.3	1.8	2.5	1.3	1.7	3.1	3.2	3.3	3.3
Industrial production, %	7.3	5.0	3.4	0.4	1.7	-3.4	1.1	2.1	2.9	2.4	2.4	2.6	2.9	3.0	3.1

Sources: Rosstat and Forecast for Russia's Socioeconomic Development of the Russian Ministry of Economic Development for the Period until 2024 dated September 30, 2019

According to the initial estimates of Rosstat, Russia saw its GDP expand by 1.3% in 2019. This figure was slightly lower than the preliminary estimates of the Ministry of Economic Development, which estimated that the Russian economy would grow by 1.4%. Russian GDP increased by 2.5% in 2018 (Rosstat adjusted the figure from 2.3%). The greatest impact on growth in the physical volume of GDP came from an increase in the added value of the mining and manufacturing industries, at 2.7% and 1.6%, respectively.

Industrial production increased by 2.4% in 2019. Positive trends were seen in all areas of industrial production, except for water supply, sanitation, and waste collection and disposal (down by 0.3% compared with the previous

year). The highest growth rates were seen in the raw materials industries (3.1%). The manufacturing sector expanded by 2.3%, while growth of 0.4% was seen in the electric power industry as well as gas and steam supply.

An unusually warm winter, including in December 2019, resulted in adjustments to the typical home heating system in certain regions of Russia. Given the observance of the temperature schedule for heat supplies to consumers and the temperature difference between the outside air and inside housing that is atypical for this time of year, heat production by thermal power plants and boiler houses in Russia decreased and amounted to 89.5% and 91.2% of the level from December of last year, respectively.

Russia's place in the global electric power industry

Global trends reflect electricity's growing role as one of the primary sources of energy. According to the **BP Statistical Review 2019**, global electricity production has grown by 71% over the past 20 years, while hydrocarbon consumption has only increased by 45%.

These trends are also typical for Russia. The main drivers of growth in electric power consumption in the country are the increased use of household appliances, electrification, a higher level of rail transport as well as the growing share of the service sector in GDP (which consumes more electricity than other energy sources).

Changes in global GDP, %

Ranking	Country	Electric power generation by energy source in 2018, bln kWh							Total
		Oil and petroleum products	Natural gas	Coal	Nuclear energy	Hydro power generation	Renewable energy sources	Other ¹	
1	China	10.7	223.6	4,732.4	294.4	1,202.4	634.2	14.0	7,111.8
2	USA	26.4	1,578.5	1,245.8	849.6	288.7	458.5	13.3	4,460.8
3	India	10.1	74.3	1,176.3	39.1	139.7	121.5	0.2	1,561.1
4	Russia	11.4	521.5	177.5	204.5	190.2	1.3	4.4	1,110.8 ²
5	Japan	60.0	386.9	347.2	49.1	81.0	112.1	15.3	1,051.6

Source:
BP Statistical Review 2019

¹ Includes pump storage stations, waste incineration, and statistical discrepancies.

² According to the System Operator, electric power generation in Russia amounted to around 1,092 bln kWh in 2018, including 1,071 bln kWh at power plants of the Unified Energy System (UES) of Russia.

ELECTRIC POWER IN RUSSIA [GRI 102–6]

Regulation

Russia currently operates a wholesale electricity and capacity market (WECM)¹ and a retail electricity and capacity markets in pricing and non-pricing zones. A regulated market has been set up in the non-pricing zones. Two types of products are traded on the wholesale market – electricity and capacity. Capacity is a special product whose purchase grants a wholesale market player the right to demand that the capacity seller ensure the availability of generating equipment to produce electricity of a specific quality in the amount required to meet said player's electric power needs.

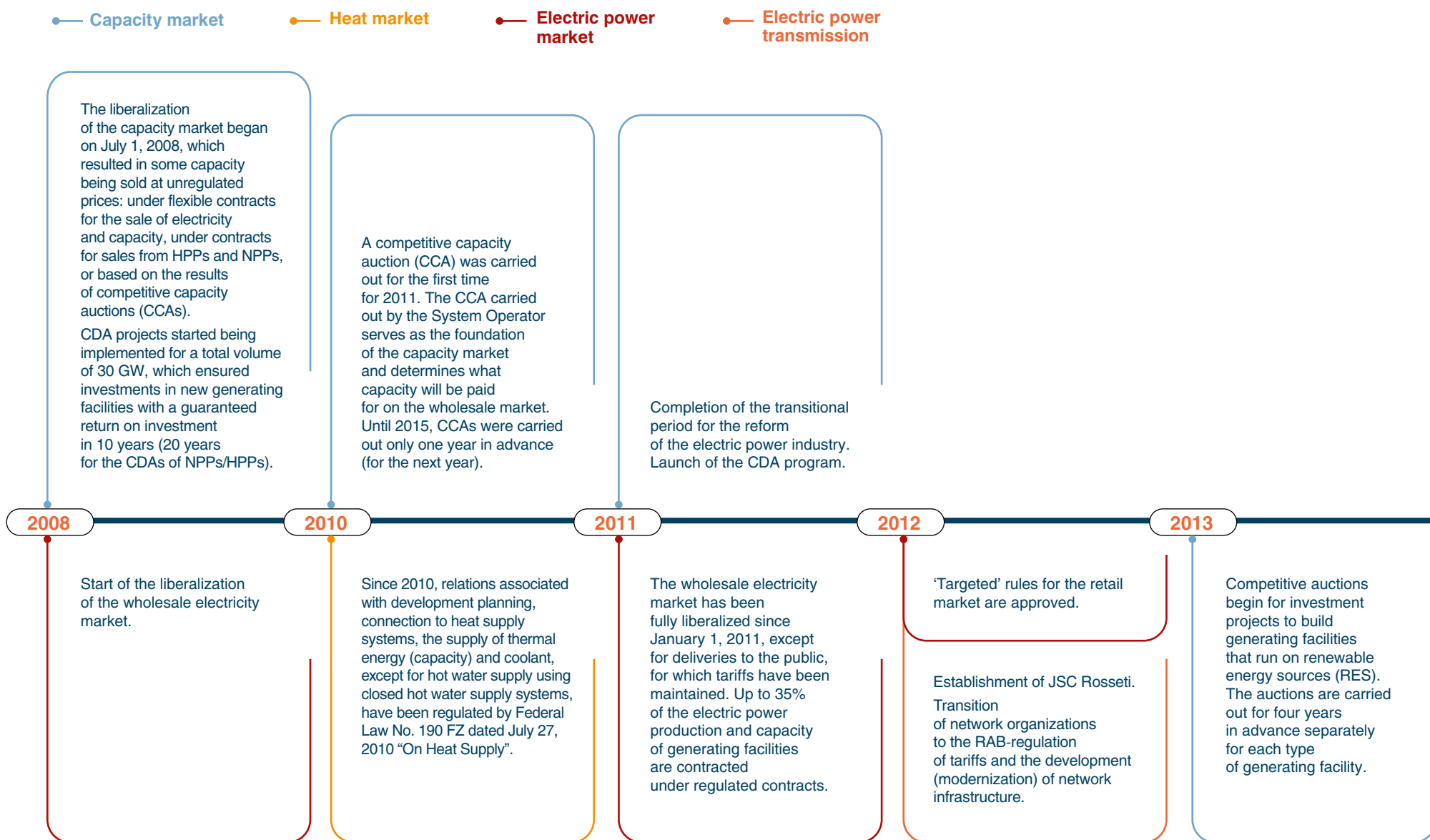
On the Russian electricity and capacity market, Inter RAO trades electric power and capacity on the WECM using regulated contracts and also at unregulated (flexible) prices. The price of electric power on the market is determined by the competitive selection of price bids from buyers and suppliers conducted a day before the start of delivery. In addition, in order to ensure a balance in the production and consumption of electric power, prices are also determined by the competitive selection of applications from suppliers and participants with regulated consumption that are conducted no later than one hour before the delivery of the electric power (balancing market).

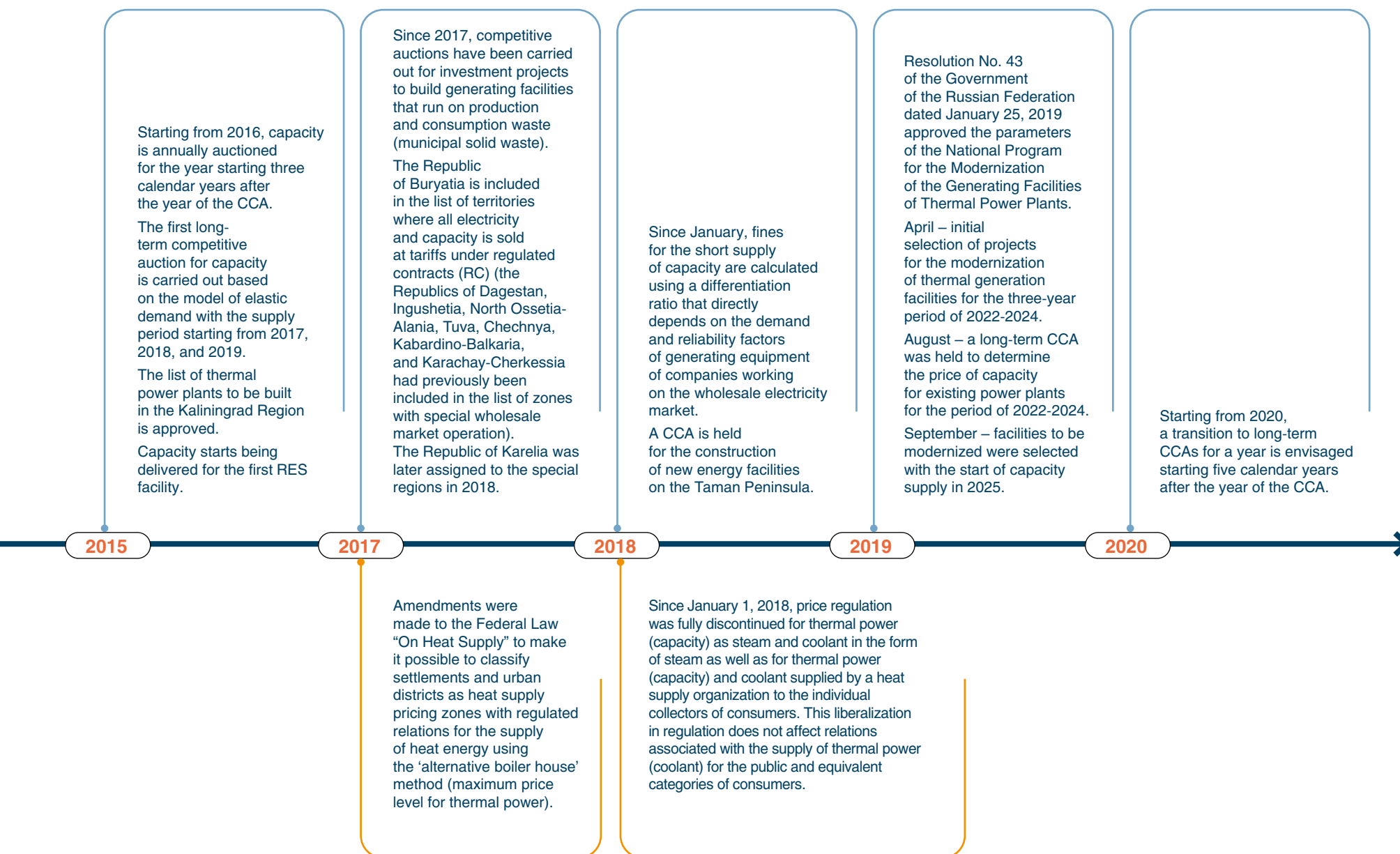
The market price for capacity is based on a competitive capacity auction (CCA) that is conducted according to pricing zones based on the model of elastic demand. Payment must be made regardless of the results of CCAs for capacity provided under CDAs, contracts with new NPPs and HPPs that are similar to CDAs, contracts for the provision of capacity by qualified generating facilities that run on renewable energy sources, sale and purchase (supply) contracts for the capacity of modernized generating facilities as well as generating facilities whose operation is essential to maintaining the operating schedules of the power system or the supply of thermal power (mandated generators).

These market segments operate using the unified computing model of the Unified Energy System of Russia (UES of Russia). Calculations of the physical and cost indicators of trade operations by players on the electric power and capacity market are carried out by a number of infrastructure organizations: JSC SO UES, JSC ATS, JSC CFR, and PJSC FGC UES).

Major regulatory and structural changes have occurred in the Russian electric power industry over the ten years that Inter RAO has been implementing its Strategy. During this period, the liberalization of the wholesale electricity market was completed (with the exception of deliveries to the public) and the mechanism of capacity delivery agreements (CDAs) was introduced, which secured investments for the construction of 30 GW of new heat generating capacity and mechanisms for the development and modernization of network infrastructure.

¹ The principles used for the functioning of the wholesale market are determined by the Rules for the Wholesale Electric Power and Capacity Market approved by Resolution No. 1172 of the Government of the Russian Federation dated December 27, 2010.

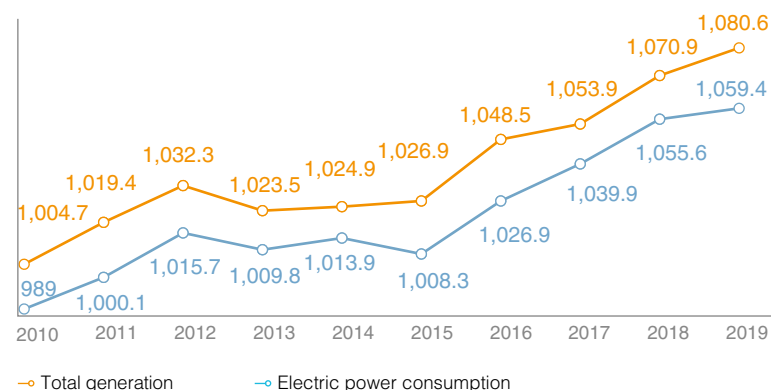




Russian electric power industry indicators

Electricity consumption and generation in the Unified Energy System of Russia has been growing steadily over the past ten years. Compared with 2018, production increased by 0.9% in 2019 to almost 1,081 bln kWh, while consumption grew by 0.4% to just over 1,059 bln kWh.

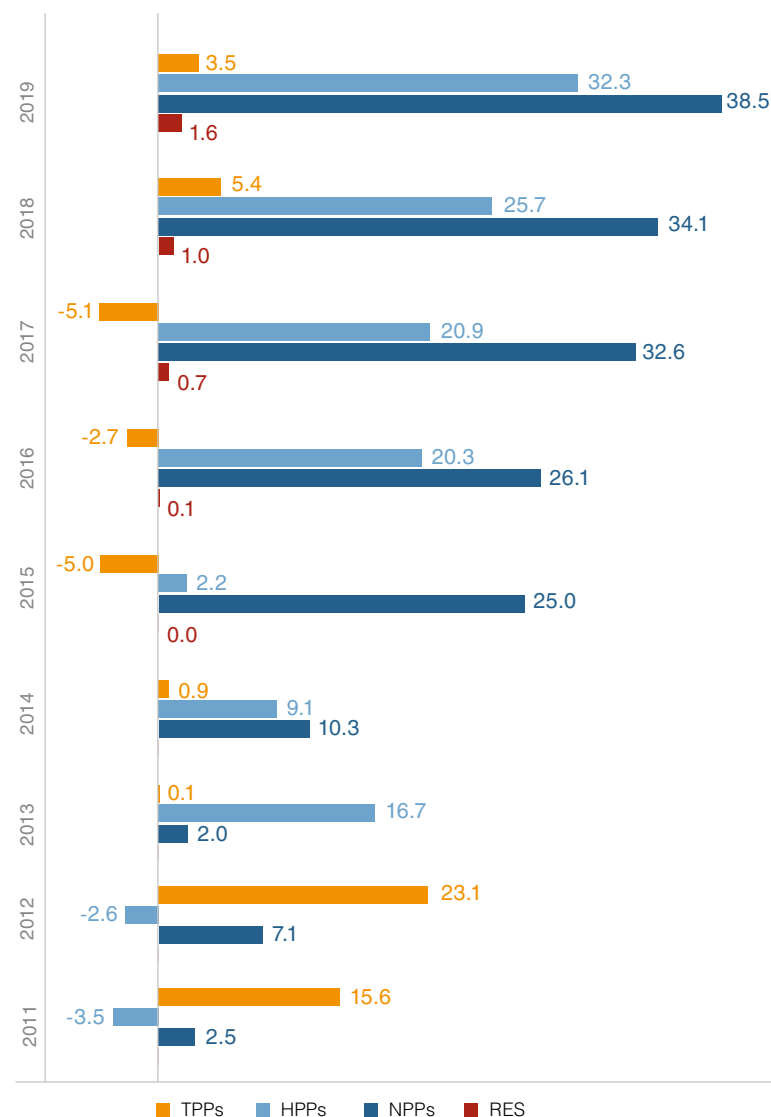
Electricity generation and consumption, bln kWh



Source: Reports on the operation of the UES of System Operator

Despite the large-scale program for the construction of new facilities (CDA projects), the volume of electricity generated by thermal power plants has not increased significantly over the last decade (an increase of 3.5 bln kWh in 2019 compared with 2010). This is due to the substantial decommissioning of the obsolete facilities of TPPs as well as reduced production at inefficient TPPs. The biggest increase in production has been seen at NPPs and HPPs. Solar and wind power plants have also demonstrated a significant increase in the last three years.

Change in the volume of electric power generated at various types of power plants vs. 2010, bln kWh



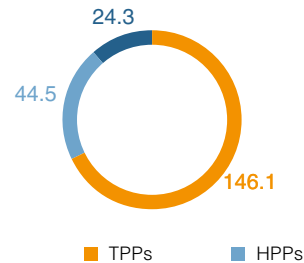
Source: Reports on the operation of the UES of System Operator

The power plants of the UES of Russia had installed capacity of 246,342.5 MW as of the end of 2019.

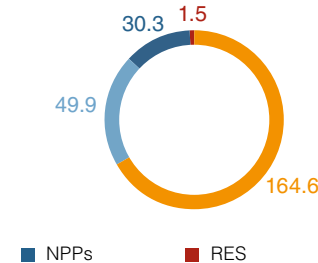
Over the period of the CDA program, over 36 GW of new capacity has been commissioned in Russia, including roughly 30 GW of thermal generating capacity. This has made it possible to decommission a number of obsolete facilities. In particular, more than 18 GW have been taken out of service since 2010.

Nevertheless, the problem of aging facilities remains relevant in the Russian energy sector. The average age of generating equipment at Russian power plants is more than 34 years, while over 30% of equipment is older than 45 years. The facilities modernization program aims to solve the problem of obsolete facilities.

Installed capacity as of December 31, 2010, GW

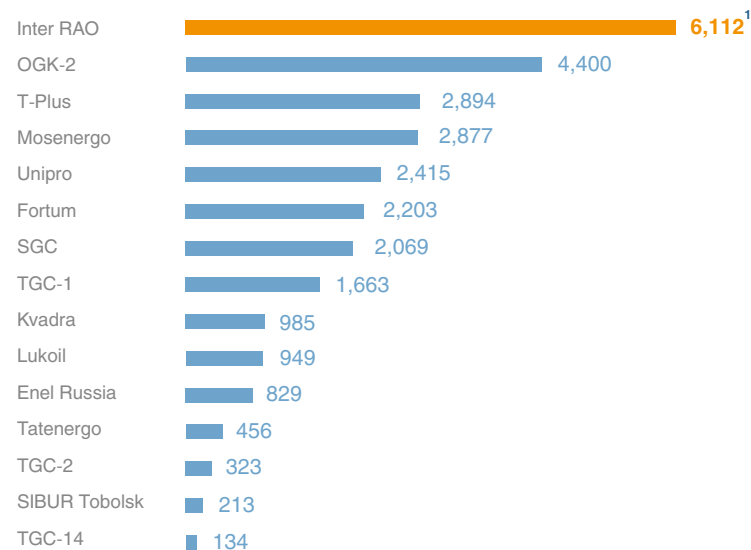


Installed capacity as of December 31, 2019, GW

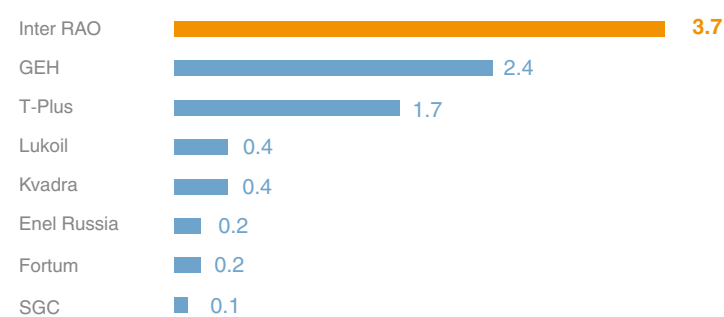


Source: System Operator

Commissioning of new CDA facilities, MW



Decommissioning of facilities since 2011, GW



Sources: System Operator, company data

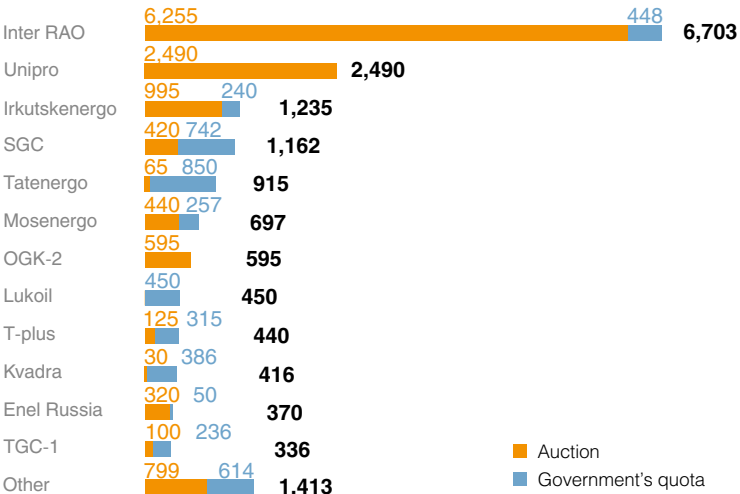
¹ Including re-marking.

Modernization program

In January 2019, the Russian Government approved a TPP modernization program for the period until 2031 to commission up to 41 GW of capacity, which is expected to attract RUB 1.9 trillion in private investment to the industry within ten years. Projects included in the TPP modernization program have a guaranteed return on investment of 15 years due to a special capacity tariff. As part of the TPP modernization program, 4 GW are to be selected annually: 85% of the annual volume for the total competitive selection where projects compete in terms of price, while another 15% are selected according to a special quota by a government commission in charge of developing the electric power industry.

In April 2019, 30 projects with total capacity of 8.61 GW were selected as part of the first three-year competitive auction for 2022-2024. Based on the government commission's quota, another 15 projects for 1.78 GW were selected in May 2019. In September 2019, 25 projects with total capacity of 4.02 GW were selected as part of the second competitive auction for 2025. According to the government commission's quota, another 16 projects for 2.81 GW were selected in February 2020. The modernization program for 2022-2025 added a total of 17.2 GW of capacity.

Facility modernization program for 2022–2025, MW



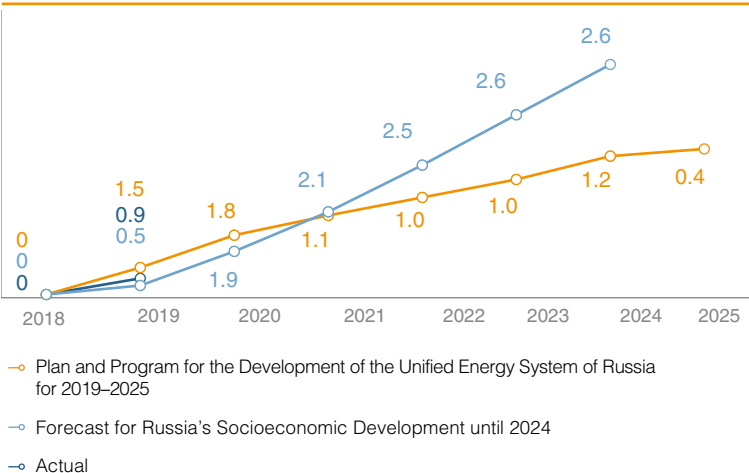
Industry trends and forecasts

In accordance with the Forecast for Russia's Socioeconomic Development until 2024 prepared by the Ministry of Economic Development, electricity consumption in 2024 is expected to increase to around 1,179 bln kWh, while generation is projected to total 1,193 bln kWh. TPPs will continue to bear the main load and are expected to increase electricity production by 10.4% in 2024 compared with 2019. The share of TPPs in the overall structure of electricity generation will increase to 65.9%, while the share of NPPs and HPPs will decrease to 16.9% and 16.3%, respectively.

The Plan and Program for the Development of the Unified Energy System of Russia for 2019-2025 approved by the Russian Ministry of Energy estimates that demand for electric power in the Unified Energy System of Russia in 2024 will amount to 1,139 bln kWh, while demand for electricity production is projected to be 1,153 bln kWh. The most significant factor in the increase in electricity consumption is expected to be the accession of the Western and Central Energy Districts of the Republic of Sakha (Yakutia) to the UES of the East.

Given the high level of dependence of energy consumption in the domestic market on temperatures, fluctuations in the rates of production and consumption may occur depending on temperature deviations from the mean annual values.

Forecast for increased electricity generation in the UES of Russia, %

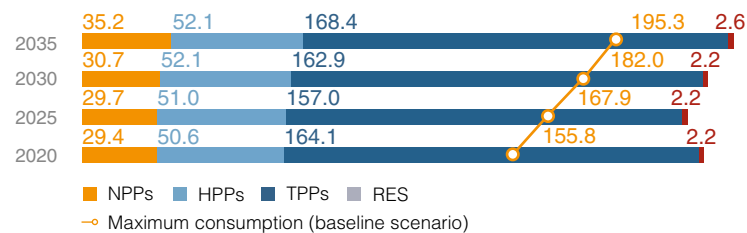


Sources: System Operator, Ministry of Economic Development, Ministry of Energy

A description of the future power and electricity balances across the UES of Russia is provided in the General Plan for the Siting of Electric Power Facilities until 2035, which was approved by the Government of the Russian Federation in 2017. Two scenarios for the long-term forecast are given in the document: a baseline scenario that envisages an average annual growth rate in electricity consumption of 1.3%, and a minimal scenario with a 1% growth rate in electricity consumption. The increase in electricity demand in 2035 under the baseline scenario is roughly 24% compared with 2020, while the minimum increase in demand is projected at 20%.

TPPs will handle the bulk of electricity demand in the period in question. The share of TPPs in the structure of electricity production will remain at 66%, the share of NPPs will be about 18%, the share of HPPs will be about 15%, and the share of renewable energy sources will be no more than 0.5%. [\[EU10\]](#)

Expected maximum consumption and planned capacity by generation mode in the UES of Russia, mln kW



Source: General Plan for the Siting of Electric Power Facilities until 2035

Given that the rate of change in the installed capacity of generating facilities lags behind the rate of growth in energy consumption, capacity utilization will have to be increased to cover the demand for electricity. Thermal power generation facilities will see the biggest increase in the overall load. In particular, depending on the forecast scenario, the average installed capacity utilization factor of TPPs is projected to be around 45–46% in 2020 and increase to 60% by 2035. Also, under both scenarios, electricity generated at CHPPs slightly predominates in the generation structure of all thermal power plants.

Price and tariff forecast

In accordance with the Forecast for Russia's Socioeconomic Development until 2024, the indexation of electricity tariffs for the public will remain at 5.0% annually in order to reduce the amount of cross-subsidization. The change in unregulated prices for end consumers, except for the public, on the retail market will average 5.6% in 2020 and will not exceed the target inflation parameters contained in the scenario in the period of 2021-2024 and will range from 2.9% to 3.5%.

INTERNATIONAL ELECTRIC POWER MARKETS [GRI 102–6]

Excluding Russia, Inter RAO delivers its products to 14 countries. The Company carried out trading operations in Finland, Lithuania, Poland, Georgia, Azerbaijan, Kazakhstan, Mongolia, and China, among other countries in 2019.

The main countries that Russia exports to are Finland, Lithuania, China, and Kazakhstan. The Company's main import trading activities are with Kazakhstan.

Trading operations are carried out based on the existing technical capabilities of the UES of Russia and energy systems of other countries, including the throughput capacity of interstate electrical connections of countries with which the Company trades electricity, taking into account the specifics of the actual technological process of electricity production and consumption. One of the essential technological conditions for ensuring the export/import of electricity supplies by Inter RAO is the parallel work of the UES of Russia with the electric power systems of neighboring countries.

EAEU common energy market

In May 2019, five Eurasian Economic Union (EAEU) member states (Russia, Armenia, Belarus, Kazakhstan, and Kyrgyzstan) signed the Protocol on the Establishment of a Common Electricity Market. Its goal is to ensure free trade in electricity, its transit through EAEU countries, the distribution of throughput capacity of interstate power transmission lines, and the exchange of information on the market.

All EAEU countries, except Kyrgyzstan, have excess capacity and are net energy exporters. Belarus is expected to significantly increase its export potential after the commissioning of the Belarusian NPP in 2020. However, legal regulation in the electric power industry is different in each country.

Whereas the market in Russia is liberalized, regulated tariffs apply in most EAEU countries. Under the current conditions, the unimpeded supply of electricity from countries with lower prices threatens to cut into the market share of Russian companies. In addition, due to the inequality of regulatory rules, Russia will have to act as a balancing system (regulating the frequency of electric current). Consequently, the Russian power generation industry may suffer additional losses due to the fact that it will be involved in balancing the active power that is generated and consumed in a single energy system with other members of the union.

Strategic risks and opportunities

The launch of the common energy markets of EAEU member states and the Union State of the Republic of Belarus is among the strategic risks faced by Inter RAO, which are monitored by the Board of Directors. Measures to manage strategic and sustainable development risks have been incorporated into the Company's Strategy.

A legal framework for the market's operation is currently being developed. The Eurasian Energy Commission plans to submit a plan for the adoption of the documents required for the market's operation to the EAEU heads of state for approval. A draft plan was endorsed at a meeting of the Advisory Committee in 2019. It was also announced at the meeting that the common electricity market needs to be launched no later than January 1, 2025. Until the related tariff and technological issues of the EAEU countries are resolved, national regulators will operate on the common market, after which access is expected to be open to everyone.

COMPETITIVE OVERVIEW

Inter RAO has a strong presence on the markets where it operates. Its strategy aims to make the Group a leader on the Russian market that ensures its assets are managed in the most efficient manner possible.

Inter RAO's ranking among heat generating companies in terms of installed capacity utilization factor (ICUF in 2019, %)



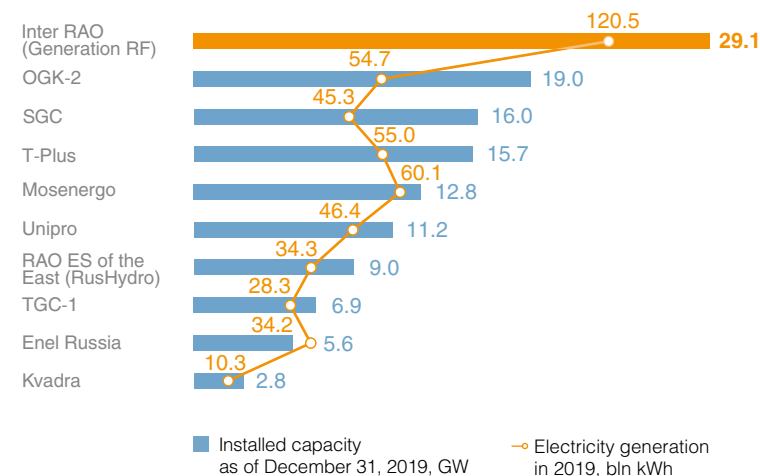
Sources: Inter RAO, company data

Inter RAO's share of electricity generation in Russia

	2017	2018	2019
Electric power generation in Russia, bln kWh (Source: Russian Ministry of Energy)	1,053.9	1,070.9	1,080.6
Electric power Generation by the Inter RAO Group (in Russia), bln kWh	122.1	121.8	120.5
Inter RAO's share of generation in Russia	11.6%	11.4%	11.2%

Sources: Inter RAO, company data

Heat generating companies, 2019 results




INTER RAO RANKS THIRD IN THE RUSSIAN INDUSTRY IN TERMS OF INSTALLED CAPACITY AND GENERATES OVER 11% OF THE COUNTRY'S ELECTRICITY.

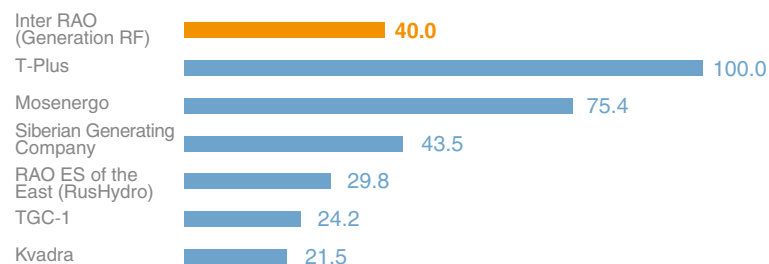
THE GROUP'S SUPPLY OPERATIONS ACCOUNT FOR MORE THAN 18.3% OF RETAIL ELECTRICITY SUPPLIES ON THE RUSSIAN MARKET.

INTER RAO IS THE ONLY COMPANY INVOLVED IN ELECTRICITY EXPORT-IMPORT OPERATIONS IN RUSSIA.

Inter RAO's share of thermal power generation in Russia

	2017	2018	2019
Thermal power generation in the UES of Russia, mln Gcal 			
Source: Russian Ministry of Energy	1,316.0	1,371.9	1,323.4 ¹
Output from the Inter RAO Group's collectors in Russia, mln Gcal	39.8	41.6	40.1
Share of the segment	3%	3%	3%

Inter RAO's ranking among heat generating companies in Russia in terms of heat output in 2019, mln Gcal



Sources: Inter RAO, company data

Share of Inter RAO's supply business on the Russian market

	2017	2018	2019
Electric power consumption in Russia, bln kWh	1,059.5	1,076.1	1,075.2
Net supply of electric power by the 'Supply in the Russian Federation' segment, mln kWh	184,069	191,908	198,456
Inter RAO's share of the Russian retail market ² , %	17.4%	17.7%	18.3%

Main competitors in the supply business on the Russian market in 2019

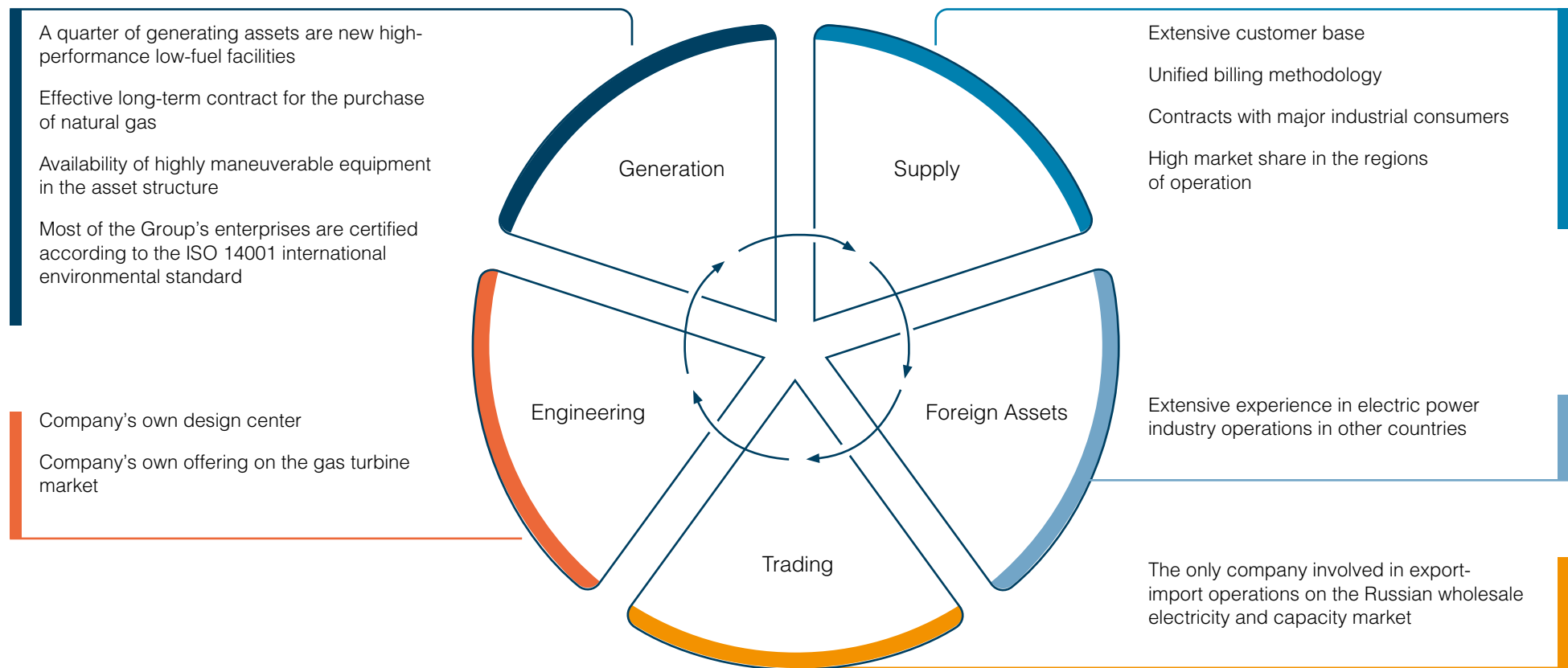
Supply company	Sales volume, bln kWh	Supply company	Sales volume, bln kWh
Guaranteed suppliers		Independent supply companies	
Tatenergosbyt	19.4	Rusenergoresurs	12.0
Irkutskenergosbyt	19.3	EES-Garant	5.4
Novosibirskenergosbyt	14.8	Transneftenergo	3.0
TNS Energo Kuban	14.0	ESK RusHydro	2.5
Krasnoyarskenergosbyt	12.6		

¹ Forecast for thermal power generation calculated based on the Company's market share in 2018.

² Excluding operations on the wholesale market.

COMPETITIVE ADVANTAGES OF INTER RAO

Expertise and experience in effectively working in a broad range of segments of the electric power industry and the markets of different countries



DEVELOPMENT STRATEGY

COMPANY'S MISSION

Inter RAO's mission is to promote sustainable economic development and improve the quality of life in all regions where the Company operates by ensuring reliable energy supplies, meeting the growing demand for electricity, and using innovative energy efficiency and conservation technologies.

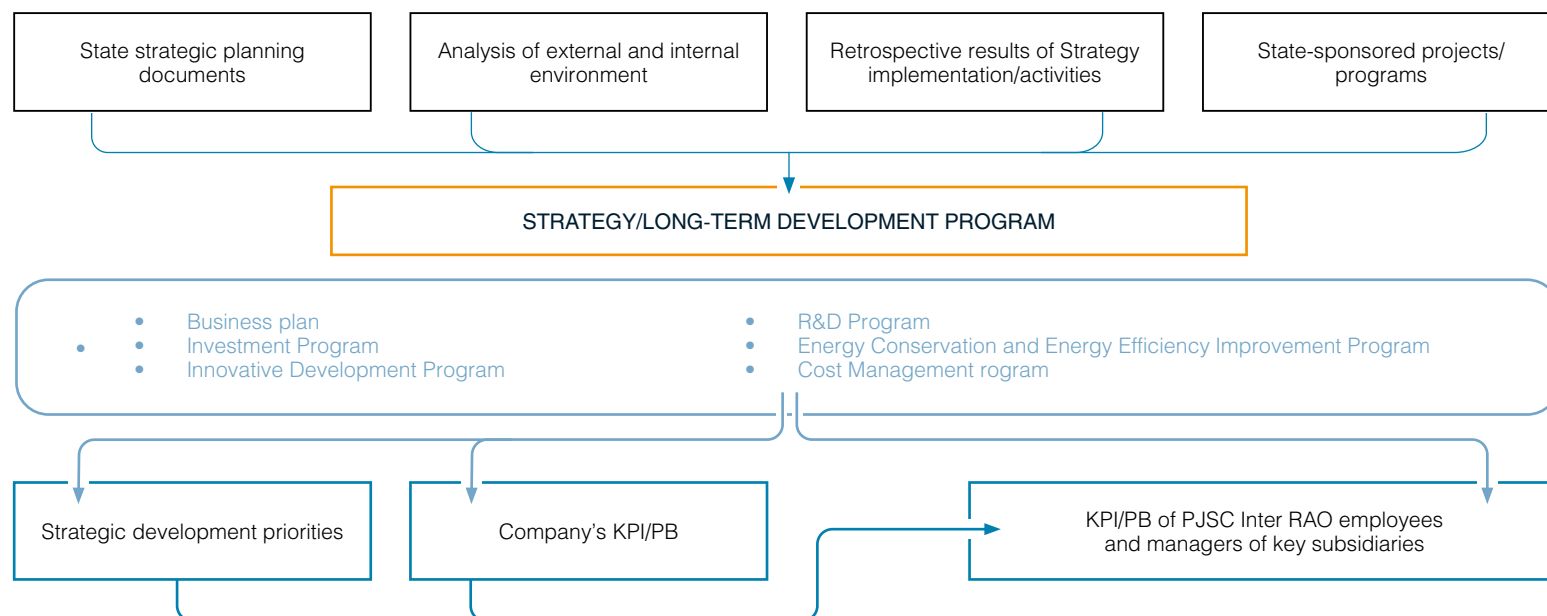
STRATEGIC PLANNING SYSTEM

In 2010, the Inter RAO Board of Directors approved the Group's Development Strategy, which aims to ensure the Group attains leading positions in the Russian energy sector by 2020 and expands its presence on international markets.

The updated Inter RAO Development Strategy until 2020 (hereinafter the Strategy) was approved by a resolution of the PJSC Inter RAO Board of Directors on March 13, 2014¹. In December 2014, the Strategy was submitted for review to the Government Commission on the Development of the Electric Power Industry as a Long-Term Development Program and approved without changes².

The Strategy includes the Group's target vision, mission, strategic goals, and consolidated indicators for the period until 2020 as well as a list of priority development areas, key measures, strategic objectives, and their values within these development areas.

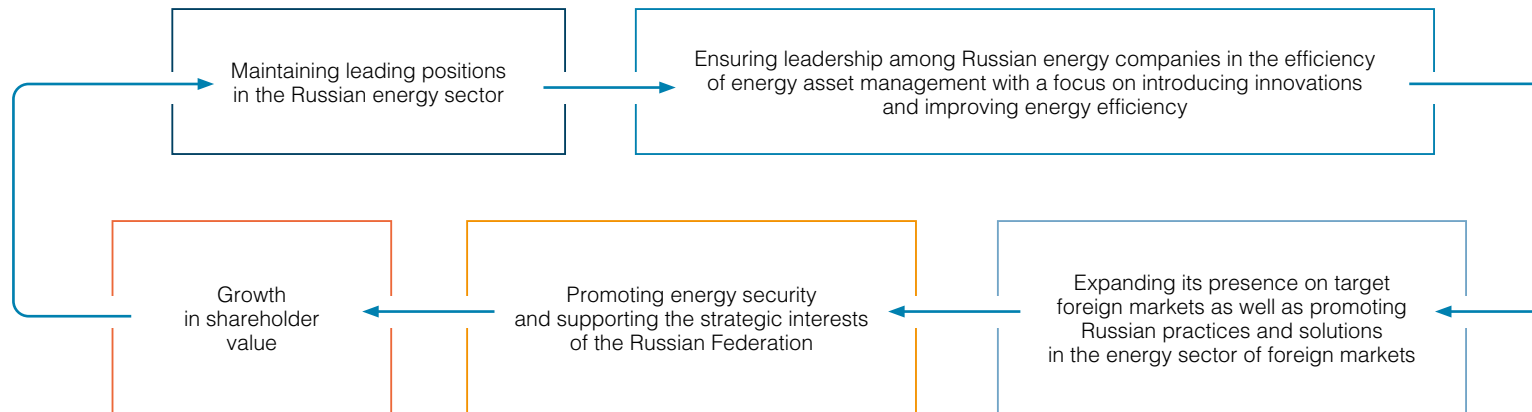
The goal of Inter RAO's Strategy is to become a global company, one of the key players on the global energy market, and a leader in the energy industry of the Russian Federation by 2020 by providing the most efficient asset management possible.



¹ Minutes No. 110 dated March 17, 2014.

² Minutes No. 18 dated December 27, 2014.

Group's strategic goals



Strategy implementation results

The key strategic indicators of the 2020 Strategy have now been achieved overall. During its previous stage of development, Inter RAO transitioned from a foreign trade operator on the electricity (capacity) market to a diversified energy holding that owns and manages various types of assets on the domestic and foreign markets. In 2010, Inter RAO shareholders voted to issue a large number of additional shares, which laid the foundation for a new stage in the Company's development.

In 2010-2014, the Company significantly bolstered its assets as part of an ambitious consolidation program and M&A activities, including:

- Since 2011, Inter RAO has acquired a number of power supply companies. The biggest transactions were for: JSC Mosenergosbyt, LLC RN-Energo, and JSC St. Petersburg Power Supply Company
- In 2012, the Inter RAO Group consolidated the generating and heating grid assets of the Republic of Bashkortostan (LLC BGC and LLC BashRTS)
- In 2013, together with regional authorities, the Group established settlement centers in the largest regions of the Russian Federation: LLC UISC of the Moscow Region and JSC UISC of the Leningrad Region

In 2014–2019, Inter RAO increased its presence on the retail electricity and capacity market:

- JSC St. Petersburg Power Supply Company was granted the status of a guaranteed electric power supplier in the Omsk Region
- LLC Oryol Energosbyt was granted the status of a guaranteed electric power supplier in the Oryol Region
- A guaranteed electric power supplier was acquired in the Republic of Bashkortostan (LLC ERCB)
- The status of guaranteed electric power supplier was granted in the Vladimir and Vologda Regions

**IN 2020 THE STRATEGIC
TARGETS**

**HAVE BEEN ACHIEVED
AS A WHOLE**

The Company put together a management team that ensured the effective management of its activities with a focus on improving operational efficiency, optimizing the scope of assets, and increasing the Company's capitalization:

- Approximately 6.5 GW of new effective capacity has been commissioned since 2010, including the commissioning of about 5.7 GW under CDAs
- Effective participation in competitive auctions for modernization projects to build generating facilities of thermal power plants
- Some 3.7 GW of inefficient power was decommissioned from 2010 to 2019
- A project to ensure the energy security of the Kaliningrad Region is in its final stage
- Implementation of a program to reduce costs and increase the operational efficiency of assets
- A long-term gas supply contract was concluded
- Effective interaction was established with the Russian federal authorities, and the Group is actively involved in drafting a regulatory framework for the industry in key areas of its operations
- The Company had established a strong financial position as of the end of 2019 and has access to debt and equity capital markets
- The sale of minority blocks of shares in companies worth more than RUB 130 bln was secured in 2011-2018, and a transaction was concluded to sell a block of shares in Irkutskenergo worth about RUB 70 bln

- The Company withdrew from assets in Armenia, Georgia, Kazakhstan, and Turkey as part of asset optimization
- The Company's capitalization has increased by more than six-fold since 2014

Investment appeal factors

- Clear development strategy with a focus on improving operational efficiency and optimizing costs
- World-class and highly motivated management team that aims to generate and enhance shareholder value
- Application of international sustainable development standards
- Strong operating financial results and a reliable loan portfolio
- Exemplary level of corporate governance
- Clear growth prospects and substantial cash flow upon completion of the investment cycle and modernization program
- Effective risk management and internal control

Name	2010	2014	2019	Goals of 2020 Strategy
EBITDA, RUB bln	22.8 ¹	56.3 ²	141.5	> 100
EBITDA margin, %	28.2 ¹	7.6 ²	13.7	> 8.7
Installed electric power capacity, MW	20.6	35.0	31.9	> 34.6
Share of the Russian retail market, %	0	15.8	18.3	> 16.0
Volume of foreign trade transactions, bln kWh	21.6	17.5	20.9	> 10.7
Dividends, % of IFRS net profit	1.2	1.1	25	≥ 25

¹ Information for the year 2010 is presented in accordance with the Group's IFRS financial statements for the year ended December 31, 2010 (prior to retrospective restatement due to the acquisition of entities under common control in 2011). Information for the year 2010 was not retrospectively restated due to the entry into force of new or revised IFRS standards for the period from 2013 to 2019 as well as changes to EBITDA calculation in 2015 and the acquisition of an entity under common control in 2016.

² Information for the year 2014 was not retrospectively restated due to the acquisition of an entity under common control in 2016 and due to the entry into force of new IFRS standards from 2018.

Development priorities for 2019 and 2020 [GRI 103¹]

The implementation of the Strategy is monitored by annually preparing Strategic Development Priorities that consist of a set of high-level strategically important and priority tasks, including quantitative indicators and policy measures within the context of Inter RAO's activities. The Strategic Development Priorities also help to establish a correlation between the incentive of the CEO and members of the Management Board and the strategic management system. The Board of Directors assesses

the extent to which the Strategy was implemented in the reporting period by approving an annual report on the implementation of the Company's Strategic Development Priorities that is then audited by an independent auditor. The strategic priorities for 2019 were approved by the PJSC Inter RAO Board of Directors on December 21, 2018². The strategic priorities for 2020 were approved by the PJSC Inter RAO Board of Directors on December 17, 2019³ and remained virtually unchanged compared with the priorities for 2019.

The strategic priorities for 2020

Reliable and accident-free operation as well as improved operating and energy efficiency of production assets	Improving investment appeal and ensuring financial stability	Improving the efficiency of foreign trade operations
Enhancing the efficiency of engineering activities as well as repair and maintenance services	Developing international operations	Improving the efficiency of the management system
Developing the retail business	Improving labor productivity and developing the Group's human resources	Developing procurement activities and import substitution

¹ Management Approach: Short and medium-term development plans.

² Minutes No. 237 dated December 21, 2018.

³ Minutes No. 261 dated December 17, 2019.

Strategy implementation in 2019

Business	Key strategic initiatives	Main achievements in 2019
Generation and the thermal power business	Ensuring reliability, safety, and technological development	The necessary measures were implemented for modernization, reconstruction, repairs, and maintenance for 2019 in order to ensure the reliability and safety of production assets.
	Decommissioning inefficient generating facilities	Inter RAO projects with capacity of 6.7 GW were chosen based on the selection of modernization projects for 2022-2025.
	Improving the operational efficiency of production assets	Obsolete and inefficient generating equipment with installed capacity of roughly 600 MW was decommissioned.
Fuel supply	Fuel supply for the Group's generating facilities	The measures of the Energy Conservation and Energy Efficiency Improvement Program for 2019 were implemented.
	Expansion in the Group's area of operations	Coal supplies by LLC Ugolny Razrez to the Gusinoozyorskaya TPP branch of JSC Inter RAO – Electric Power Generation were increased to 2.2 mln tons, an increase of 10.4% versus 2018.
Retail business in Russia	Proposals to draft a regulatory framework for the retail market model	LLC Northern Supply Company was integrated into the Inter RAO Group in the Vologda Region. The Group's share of the Russian retail market stood at 18.3% as of the end of the year.
	Achieving synergies for power supply companies in the regions where the Group's generating assets are located	Proposals have been drafted for by-laws due to changes in electricity metering in apartment buildings. Experts are taking part in the drafting/adjustment of regulatory acts regarding the development of demand aggregators, the development of electric car markets, etc.
	Expansion of the list of additional services	USICs were established in the Tomsk Region and the Republic of Bashkortostan to perform the function of face-to-face and remote customer service for individuals as an integrated client network in the regions of the Company's operation.
		The Group's power supply companies carried out measures to develop and promote additional services. Profit from these services increased by 16.7% compared with 2018.

Business	Key strategic initiatives	Main achievements in 2019
Foreign trade activities	Consolidating its existing positions as the sole Russian export/import operator	The total volume of PJSC Inter RAO's foreign trade operations amounted to roughly 20.9 bln kWh taking into account agency agreements with JSC EEC (a wholly owned subsidiary of PJSC Inter RAO).
		In 2019, Inter RAO established a company that purchases electricity from Russia as a player on the Georgian energy market and subsequently sells it on the Georgian domestic market.
International activities	Ensuring a presence on foreign markets	An agreement was signed with Cuban state-owned electricity company Energoimport on a roadmap for a project to conduct major overhauls on ten units with 100 MW capacity each at three Cuban TPPs.
Engineering	Developing expertise in: general contracting, design activities, and commissioning	A TPP construction project is underway in the Kaliningrad Region. The construction and commissioning of the Pregolskaya TPP with capacity of 455.2 MW was completed in 2019.
		LLC Inter RAO – Engineering, as part of a consortium with LLC Integrated Energy Solutions, is building the Gukovskaya Wind Farm in the Krasnosulinsky District of the Rostov Region with capacity of 98.8 MW.
Innovation	Implementing the Innovative Development and R&D Program	The PJSC Inter RAO Board of Directors approved a new Innovative Development Program for 2020-2024 with a view to 2029 on December 20, 2019.
		As part of the Innovative Development and R&D Program, the Group implemented measures in the following areas: improving energy efficiency and the eco-friendliness of production, developing new production technologies, introducing quality control systems, improving the organization of innovative activities, and developing collaboration with companies in the innovative environment.
Optimization of asset structure		PJSC Inter RAO completed the sale of a 50% stake in JSC Ekibastuzskaya TPP-2, a joint venture in the Republic of Kazakhstan, to the Samruk-Kazyna National Welfare Fund for a total of USD 25 mln.
		Inter RAO consolidated a 100% stake in PJSC Tomskenergosybt.

Strategy implementation audit

The audit firm LLC Ernst & Young conducted an audit of the Report on the Implementation of the Inter RAO Group's Strategic Development Priorities for 2019 and provided the Inter RAO Group with an Audit Report on the Implementation of the Inter RAO Group's Strategic Development Priorities for 2019, which confirmed that no facts were found that would suggest that the following information in the Report was not accurately reflected in all material aspects based on the procedures that were carried out:

- The results of the Group's activities to implement the Strategic Development Priorities and to meet the strategic indicators for 2019
- Reasons for the failure to meet the indicators and objectives included in the Strategic Development Priorities, and deviations of the actual values of the Group's performance results from those envisaged in the Strategic Development Priorities for 2019

Overall, Inter RAO deems the Strategic Development Priorities to have been implemented.

New Long-Term Development Strategy

The strategic objectives in the current Inter RAO Strategy for the period until 2020 have been achieved in full and its strategic cycle is close to being complete.

In 2019, the Company's management decided to launch work on an updated Inter RAO Strategy. The document is being drafted for the period until 2025 with a view to 2030. The Strategy is expected to be submitted to the Board of Directors for review in May 2020.

The updated Strategy/Long-Term Development Program will reflect the following current factors and events in the industry:

- The current technological development of the energy industry
- The thermal power plant modernization program approved by the Government of the Russian Federation
- The trend being pursued by the government of digitalizing the economy, including in the energy sector, and the potential for improving the efficiency of business processes within the Group using digital technologies
- The Company's accession to the UN Global Compact and the promotion of sustainable development goals within the Inter RAO Group and beyond
- The significant financial resources accumulated by the Group.

Comparison of KPI achievement level

Annual KPIs	Indicator/goal achievement rate for 2017	Indicator/goal achievement rate for 2018	Indicator/goal achievement rate for 2019	Change vs. 2018, %
Return on equity (ROE)	1.2	1.2	1.2	0
EBITDA/person	1.1	1.2	1.2	0
Operating cash flow	1.09	1.2	1.2	0
Implementation of Investment Program	1.2	1.2	1.2	0
Implementation the integral innovation indicator	1.19	1.14	1.13	−0.88%
Total shareholder return (TSR)	1.0	1.2	1.0	−20%

Report on key performance indicators

A system of key performance indicators (KPIs) is one of the mechanisms used to implement Inter RAO's strategic goals. The main objectives of the KPI system are to assess the achievement of the Company's strategic goals, monitor and control the implementation of the Strategy, and create the proper motivation for the Company's management taking into account the focus on achieving the strategic goals.

The list and values of KPIs are determined based on an approved business plan and the Strategic Development Priorities. The KPI target values for the Company's CEO and members of the Management Board are approved by the Board of Directors. At the end of the year, the Company's Board of Directors reviews the implementation of KPIs and performance benchmarks (PBs) for the relevant period based on the recommendations of the Nomination and Remuneration Committee. Detailed information about the KPI system is presented in the Corporate Governance Report of the Annual Report.

Innovative Development Program [GRI 103¹]

Based on Inter RAO's current management system, the strategic management system has been integrated with business planning systems, including through the detailed elaboration of the Strategy as part of the relevant key programs.

The Innovative Development Program of PJSC Inter RAO is a long-term planning and management document that is integrated into the Company's strategic planning and development system. The Innovative Development Program for the period until 2020 with a view to 2025 was approved by the Board of Directors on October 28, 2016².

The KPIs were all met in 2019.

¹ Management Approach: Short and medium-term development plans.

² Minutes No. 183 dated October 31, 2016.

Assessment of the achievement of the planned KPIs in the Innovative Development Program in 2017-2019

KPI, measurement unit		Actual for 2017	Actual for 2018	Plan for 2019	Actual for 2019
1	CO ₂ emissions per unit of electricity generated, g CO ₂ /kWh	582.55	575.17	575.77	551.83
2	Specific fuel consumption for electric power output, g/kWh	307.74	302.0	305.45	297.06
3	Specific fuel consumption for thermal power output, kg/Gcal	144.13	144.36	143.30	144.9
4	Percentage of completed R&D projects recommended for introduction at the Group's facilities, %, no less than	100	100	85	100
5	Percentage of innovative solutions introduced by the Group's companies of the total number of innovative solutions recommended for introduction ¹ , %, no less than	10	11.0	12.1	13.8
6	Number of intellectual property items (IPI), units, no less than	22	30	24	31
7	Number of applications proposed in the R&D Program, units	241	246	250	259
8	Number of staff per 1 MW of installed capacity, people/MW	0.705	0.6	0.78	0.50 ²
9	Profit from sales of additional paid services on the retail market, RUB thousand/year	942,075	1,091,675	593,563	1,269,177 ³
10	Share of R&D expenses vs. the Group's revenue, %	0.03	0.05	0.39	0.03
11	Group's income per employee, RUB thousand/year	28,214	26,957	24,890	28,901 ²
12	Average operational efficiency, %	40.22	40.66	40.22	41.36 ²
13	Percentage of the capacity of new advanced technologies in the total capacity of the Group's TPPs, %	18.76	19.5	17.48	22.08 ⁴
KPIs within the integral key efficiency target of innovative activities					
1	Number of intellectual property items (IPO), units, no less than	22	30	29	31
2	Percentage of R&D expenses vs. the revenue of the Group's generating assets, %	0.11	0.14	0.1	0.12
3	Percentage of the capacity of new advanced technologies in the total capacity of the Group's TPPs, %	18.76	19.5	20.41	22.08 ⁴
4	Quality of design work development (updating)/fulfillment, %	81.2	88.36	100	>90 ⁵

¹ Indicator is indicative.

² Excluding Ekibastuzskaya TPP 2.

³ Excluding LLC ERCB, LLC Petroelektrosbyt, LLC Energosbyt Volga, and LLC NSC. The companies were not part of the approved design work circuit in 2019.

⁴ Including the commissioning of the Kaliningrad generating facility and the decommissioning of Ekibastuzskaya TPP 2.

⁵ Forecast value.

On December 20, 2019, the Board of Directors approved a new Innovative Development Program for 2020–2024 with a view to 2029 that was updated taking into account a comparison of the level of the Company's technological development with its leading peer companies, including those overseas.

The main goals of the Program are to:

- Create competitive advantages for Inter RAO in order to maintain leading positions in the Russian energy sector and ensure growth in the Company's value
- Promote the innovative development of the Russian energy sector
- Improve the reliability, safety, and quality of energy supply to consumers and the customer focus of the services offered.

Science and innovation are highly important for the Group's development

Risk appetite: Inter RAO funds research and development

The program also calls for:

- The development of partnerships in science and education
- The development of collaboration with third-party organizations and the use of the 'open innovation' principle
- The development of foreign economic activities and international cooperation in innovation
- The development of social responsibility mechanisms
- Conceptual provisions for the digital transformation of PJSC Inter RAO

The updated KPI system and target values of the Innovative Development Program for 2020–2024 with a view to 2029 are determined based on the results of a process audit and benchmarking and also taking into account the requirements of the policy documents of the Russian Federation. The profile of the updated Innovative Development Program for 2020–2024 with a view to 2029 is available here https://www.interrao.ru/upload/Pasport_PIR_IRAO_05.022020.pdf.

As in previous years, one of the tools that ensured the implementation of the Innovative Development Program in 2019 was Inter RAO's R&D Program.

The main goals of the R&D Program are to provide the Group with competitive advantages and achieve scientific and technological leadership in the industry through the development and introduction of advanced technologies and innovative solutions that are consistent with the global level and the state policy of the Russian Federation in the energy sector.

In 2019, the following results of the R&D Program ensured that two of the four targets included in the integral key efficiency target of the Group's innovative activities (hereinafter IKET) were met:

- The amount of financial resources disbursed
- The number of intellectual property items (IPI) or the results of intellectual activity (RIA)

In order to achieve these goals in 2019, as in previous years, R&D projects were implemented in the following areas:

1. Development of advanced energy technologies that measure modern scientific and technological progress in the industry:
 - Development and introduction of a system to analyze and forecast the technical condition of the equipment of the power unit of Station No. 2 at the Permskaya TPP in order to improve the quality of planning technological impacts on equipment (maintenance, repair, reconstruction, and modernization)
2. Enhancing the energy efficiency of existing equipment as well as its reliability and safety, and improving environmental indicators:
 - Feasibility study on replacing chemical reagents and oils used at the Group's power facilities manufactured in Europe and the United States with materials produced in Russia as well as BRICS and SCO member countries
 - Drafting of instructions to repair the welded joints of pipe systems of boilers and pipelines made of steel grades Rya 91/DI 82 by welding
 - Development of instructions to assess the condition of metal and extend the service life of the metal of the main components of foreign power gas turbine plants
 - Conducting research to develop innovative technical solutions for the reconstruction of the IMV 50 unit of Ufimskaya CHPP-2 in order to reach productivity of at least 60 tons/hour of demineralized water (Ufimskaya CHPP-2 of LLC BGC)
 - Conducting research to develop innovative technical solutions for technology to clean the heating surfaces of high-pressure heaters of turbine units taking into account the chemical composition of the deposits (Sterlitamanskaya CHPP of LLC BGC)

3. Development of organizational and marketing innovations as well as human capital as a factor to measure the progress of innovative development:
 - Development and introduction of simulator complexes at plants with mathematical models imitating the operation of TPP equipment

Information technologies development and management

Inter RAO develops information technologies and digitalization in an effort to support the achievement of its strategic goals by creating a corporate IT management system that encompasses all business processes in an integrated digital information environment and has a production asset as central client objects.

The technical IT policy, which was approved on February 9, 2017, specifies the principles for expanding the use of domestic IT solutions and reducing technological dependence on imports. Given the policy that has been adopted for import substitution and the transition to domestic software, the targeted IT landscape is being built as a set of unified information systems that complement each other with respect to functionality, are compatible in terms of the basic data used (reference books and classifiers), and are united by a single analytics and forecasting system as well as a unified approach/technology for data exchange.

In order to ensure overall reliability, the target IT landscape is being built from corporate systems and integrated divisional systems, including elements of the corporate information security system. Integration is ensured by using a single set of directories and classifiers, typical integration solutions as well as unified methods for collecting and processing primary data.

Training the Board of Directors

A seminar on digitalization was held for members of the Board of Directors as part of the Training and Development Program in 2019. Information was presented on the digitalization of the energy industry, digitalization at Inter RAO, key project achievements in terms of optimizing the collection of receivables from individuals as well as the cyber security risks posed by digital transformation.

In 2019, the project 'Replication of the 1C System: Salary and Staff Management' was completed for 22 of the Group's companies and took second place in the nomination 'Best Project of the Year 2019' in the category 'Large and Megaprojects' at the Project Olympus competition held annually by the Analytical Center under the Government of the Russian Federation. The project 'Transition of Automated Data Management System Components to Import-Substitute Configuration' won the competition in the category 'Project Management in Digitalization and Information Technologies.'

IT infrastructure continued to be centralized based on the Group's specialized IT company in 2019. Eighty percent of the Company's subsidiaries have been integrated into a single directory and email service system. Particular attention is paid to further developing the centralization of network and server equipment management. The IT infrastructure of companies that integrated into the Group in 2019 is managed centrally by a specialized IT company.

Cost Management Program

Inter RAO's Cost Management Program for 2019–2023 was approved by the Board of Directors¹. The program contains a detailed breakdown of the Strategy's measures to reduce operating costs in the medium and short term.

The list of measures contained in the Cost Management Program aims to conserve resources (cut costs) and ensure the maximum efficiency of their use in operational activities. It also pays special attention to maintaining a high level of reliability and the fail safe operation of assets.

Based on the performance results of the Group's companies, the economic effect from the implementation of the program's measures amounted to RUB 3.08 bln in 2019 and RUB 3.1 bln in 2018.

Specific managed operating expenses decreased by 2.12% versus the average annual consumer price index in 2019, which is within the target range (2–3%).

The list of measures in the program's focal points is updated annually. The Cost Management Program for 2020–2024 has been approved by the Board of Directors². The economic effect from measures to optimize operating expenses is projected at RUB 13.9 bln in the period until 2024.

¹ Minutes No. 236 dated December 24, 2018.

² Minutes No. 262 dated December 23, 2019.

INVESTMENT PROGRAM

The Investment Program for 2019 was approved by the Board of Directors as part of the Group's business plan.

Capital expenditures on the Group's main activities, RUB mln, including VAT

			Actual	Plan
	2017	2018	2019	2020
Generation in the Russian Federation	29,079	17,298	15,786	27,196
Supply assets in the Russian Federation	1,213	1,523	2,825	1,677
Other Russian assets	2,357	8,218	1,544	1,555
Foreign assets	1,531	1,974	2,481	2,297
Total for the Group's companies	34,180	29,013	22,636	32,725

Amount of capital expenditures on retooling, reconstruction, and new construction, RUB mln, including VAT

			Actual	Plan
	2017	2018	2019	2020
Funding, including:	34,180	29,013	22,636	32,725
New construction	18,037	5,123	1,695	3,626
Retooling, reconstruction, and other investment	16,143	23,890	20,941	29,099

The structure of capital investments changed due to the completion of the CDA program in 2018 and the shift in the focus of investments to retooling and reconstruction in 2019 (including the modernization program).

In 2018, the Group successfully wrapped up a multi-year state program for the construction of new facilities as part of the CDA. In accordance with Resolution No. 43 of the Government of the Russian Federation dated January 25, 2019, the Company began implementing a program to modernize existing generation facilities (modernization program) in 2019.

The Inter RAO Group's Investment Program in 2019 aimed to:

- Ensure the implementation of the modernization program (making advance payments under equipment supply agreements)
- Implement measures to improve the reliability and safety of production facilities through the modernization of equipment
- Enhance the efficiency of monitoring and diagnosing equipment condition as well as minimize specific fuel consumption for the production of electric and thermal power by introducing modern, high performance equipment
- Increase the level of production automation
- Carry out environmental measures to reduce the environmental impact of generating equipment

Key investment projects

The most significant investment projects in 2019–2020 involve modernizing power units as part of the modernization program for 2022–2025. They will ensure the increased capacity and efficiency of the Group's assets with a guaranteed rate of return.

The projects include the reconstruction of core equipment based on the results of the selection of projects to modernize the generating facilities of thermal power plants in the period from January 1, 2022 until December 31, 2025 (Directives of the Government of the Russian Federation No. 1713-r dated August 2, 2019 and No. 232-r dated February 7, 2020) at the following power plants:

- Gusinoozyorskaya TPP
- Irlinskaya TPP
- Karmanovskaya TPP
- Kostromskaya TPP
- Nizhnevartovskaya TPP
- Permskaya TPP
- Omskaya CHPP-4
- Sterlitamakskaya CHPP

Project implementation period – 2019–2025. Total investment in projects in 2019 amounted to RUB 4.2 bln. Funding for 2020 is planned in the amount of RUB 7.5 bln. The anticipated profitability of projects is envisaged by the modernization program with a basic rate of return of 14%, adjusted for the yield of long-term government obligations.

Information about investments with expected return of over 10 percent per year

There were no investments funded in 2019 with an estimated return of more than 10% per annum (IRR > 10%) that are valued at more than 1% of the Group's total assets under IFRS (RUB 7.5 bln as of December 31, 2019). The absence of any investments with a return of more than 10% is due to the fact that the main obligations for the construction of the Group's CDA facilities have been fulfilled.

A total of 75 projects valued at less than 1% of the Group's total assets under IFRS and with a return of more than 10% per annum (IRR > 10%) were carried in 2019 for a total of RUB 2.3 bln, including VAT. The projects were financed using the Company's own funds in 2019.

RISKS AND OPPORTUNITIES

Risk management framework

The Group has a Risk Management and Internal Control Framework (RMICF) that encompasses its major assets, business processes, lines of business, and management levels.

Inter RAO's RMICF was established based on the principles of and approaches to the construction and operation of an effective risk management system described in the following documents:

- Model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 'Internal Control. Integrated Framework'
- Model of the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 'Enterprise Risk Management – Integrating with Strategy and Performance'
- ISO/GOST R 31000
- Corporate Governance Code recommended for use by Letter No. 06-52/2463 of the Bank of Russia dated April 10, 2014
- Guidelines for the Preparation of Regulations on the Risk Management System approved by an order of the Government of the Russian Federation dated June 24, 2015
- Federal Law No. 208-FZ dated December 26, 1995 "On Joint-Stock Companies"

Goals and objectives of the RMICF

The goals, basic principles, and common approaches to the organization of the RMICF are enshrined in the PJSC Inter RAO Risk Management and Internal Control Policy.

The RMICF ensures:

- An objective, fair, and clear view of the Group's current state and prospects
- Reasonable confidence in achieving the goals set for the Group
- A high level of trust among shareholders and investors in the Company's management bodies
- The protection of investments and assets and keeping risks within acceptable limits

Priorities of risk management and internal control in achieving the Group's long-term and medium-term goals

Risk management and internal control activities are systematic, comprehensive, and integrated into strategic and operational management at all levels, covering all departments and employees as they perform their functions within any of the Group's business processes or activities.

The effectiveness of risk management and internal control is attained by prioritizing risk management efforts and implementing control procedures taking into account the criticality of risks and factors. Priority is given to risks that can have the greatest impact on deviations from targets and create the risk of failure to achieve the Group's goals. The Group strives for an optimal balance in the range of response measures and control procedures and the magnitude of risk, i.e. it avoids 'excessive' control and management.

	Risk category	Potential impact	Risk management measures
	STRATEGIC RISKS	STRATEGIC GOALS AND TARGETS	Measures to manage strategic risks and sustainable development risks as part of the Strategy
	CRITICAL RISKS	ANNUAL CYCLE PLANNING INDICATORS	Action plan to measure critical risks
	PROJECT MANAGEMENT RISKS	PROJECT IMPLEMENTATION AND INVESTMENT PROGRAM	Project risk management measures recorded in Project Data Sheets

Scope

Decisions are adopted based on the scale of the RMICF being introduced at controlled entities taking into account the contribution of subsidiaries to the achievement of the Group's overall indicators. Risk management and internal control procedures are introduced while taking into consideration their economic efficiency (correlation of the result of their introduction and the cost of resources (financial, managerial, or labor)). Currently, the scope of the RMICF covers 26 of the Group's companies, which account for 96% of the Group's IFRS revenue.

Risk management training

The Group attaches great importance to risk management training.

In 2019, more than 100 of the Group's representatives involved in strategic and business planning as well as project management were trained at the Corporate Energy University. The training program 'Organizing Risk Management in the Energy Sector' was conducted in four cascades of one week each and included a quantitative risk assessment, specific aspects of risk management in the energy sector, the basics of project risks, and internal control methods. Upon completion of the exams, the students in the program were issued state certificates in risk management and internal control.

Role of the Board of Directors

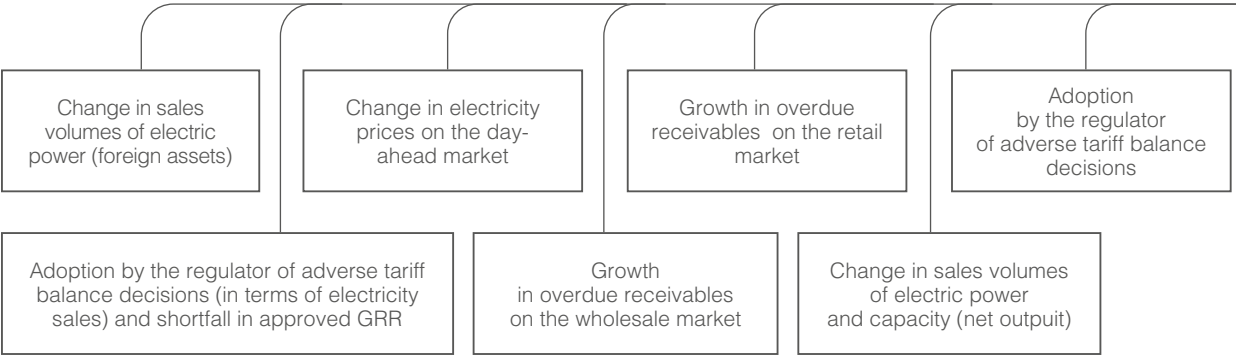
The Board of Directors determines the principles and approaches used to organize the RMICF and approve risk management and internal control policies, approves the amount of risk appetite for a planned period, critical risk maps, and critical risk management action plans, and also reviews reports on the functioning of the RMICF and reports evaluating the effectiveness of the RMICF on an annual basis.

Incentive system for identifying and monitoring risks [GRI 102–30]

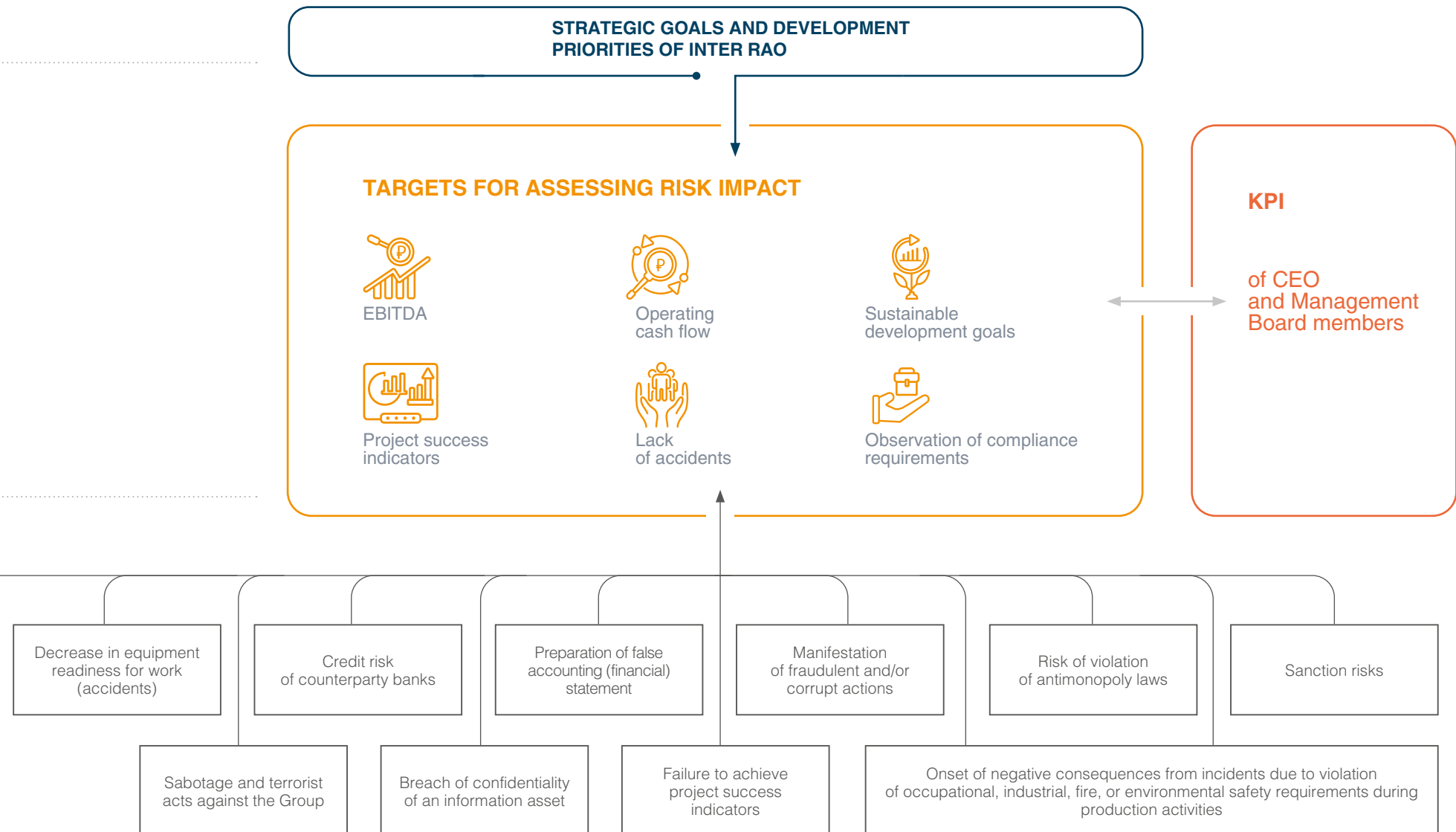
The PJSC Inter RAO Board of Directors approved strategic development goals and priorities on the relationship between risk management and internal control and the Group's Development Strategy (see the 'Strategic Priorities' section). Goals are set at the operational level to assess the achievement of strategic priorities and are included in the KPIs and PBs of the Company's CEO and members of the Management Board (see the 'Key Performance Indicators System' section of this Report). A list of typical risks inherent in the Group's activities is specified as part of the targets for the RMICF, and targets are set for which the impact of risks is assessed. A detailed breakdown of the Group's strategic priorities on operational indicators and an assessment of the impact of risks on these indicators ensures the RMICF is integrated with the management incentive system and helps to effectively manage the Group's companies taking into account their inherent risks.

► Strategic level

► Operational level



Link of risk management and internal control to the Group's Development Strategy



Risk appetite

Risk appetite consists of rules that must not be violated to provide reasonable assurance about the achievement of the Group's strategic goals. Risk appetite expresses the unanimous opinion of the Group's management about what is permissible, acceptable, or unacceptable to achieve business goals.

Group's risk appetite (approved by the Board of Directors in December 2019):

- 1 Breach of equipment breakdown susceptibility criteria is unacceptable due to the failure to implement the repair program or investment program
- 2 The operation of a power unit (power plant) may not be resumed at generating facilities following repairs unless an assessment of the repair quality "meets the requirements of the repair documentation" or "meets the requirements of repair documentation with restrictions"¹
- 3 The number of electricity supply points may not be reduced at the supply assets of the Inter RAO Group² at the end of the year³
- 4 The Inter RAO Group may not implement projects in high-risk countries (sanctioned countries) without the prior decision of the Group's management bodies
- 5 The Inter RAO Group shall provide R&D funding at a rate of at least 0.1% of the revenue of its Russian generating assets
- 6 The Inter RAO Group shall not accept the use of intangible assets (as regards its own developments) without the proper documentation of intellectual property rights when collaborating (concluding contracts, transactions, etc.) with third parties outside the Inter RAO Group
- 7 There must be candidates from the talent pool to fill the vacant positions of Group leaders⁴
- 8 The Inter RAO Group shall not make additional borrowings when its debt/EBITDA ratio exceeds 3.05⁵
- 9 The criteria for the implementation of the corporate import substitution plan must be met
- 10 The Inter RAO Group shall annually provide funding for measures to improve occupational safety amounting to at least 0.2% of the total cost of product manufacturing (works, services)
- 11 The Inter RAO Group shall annually provide assurances regarding carbon reporting (verification) on direct greenhouse gas emissions, including CO₂
- 12 The Inter RAO Group shall not tolerate a single case of corruption or other willful misconduct that runs counter to the law⁶

¹ For equipment to be replaced or decommissioned within the next 5 years from the period in question.

² Supply assets of the 'Supply in the Russian Federation' segment.

³ Except for the bankruptcy of consumers or the termination of economic activities.

⁴ For senior executives.

⁵ Does not apply to the Group's assets that are planned for sale.

⁶ Such a case is recorded when a court convicts an employee of a company of the Inter RAO Group or a former employee (if the offense was committed while the employee worked at a company of the Inter RAO Group) of committing fraud and/or corruption offenses associated with the performance of their official duties, if during the investigation of these criminal cases the company of the Inter RAO Group or the employer of the defendant fails to provide the necessary assistance to law enforcement agencies.

Strategic risks [GRI 102–15]

A list of strategic risks was prepared in 2019 with an implementation timeframe that is commensurate with the new strategy that the Group is drafting. The Board of Directors reviewed the list of strategic risks at an in-person meeting in December 2019 and took the scope of the risks under advisement. The strategic risk management measures will be part of the Group's new strategy.

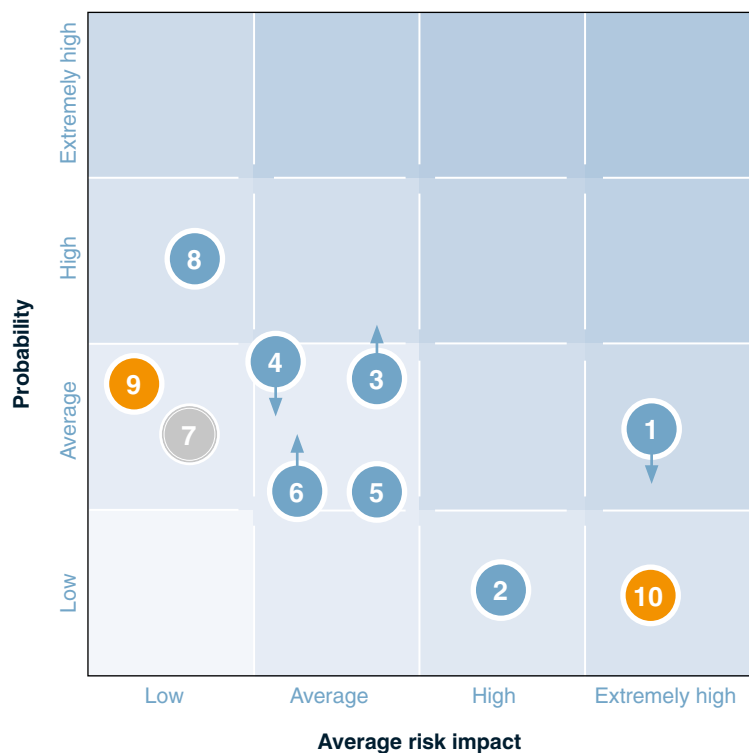
Strategic risks	Specific strategic goals		
	Strategic interests of the Russian Federation	Shareholder value	Position on the market of the Russian Federation
Intensification of geopolitical differences between the Russian Federation and Western countries and pressure from sanctions	+	+	+
Changes in the rules for regulating electric power, capacity, and thermal power markets		+	+
Tighter environmental and climate standards	+	+	+
Lower demand for electric and thermal power		+	+
Launch of the common energy markets (including electricity and gas) of EAEU member countries and the Union State of the Republic of Belarus and the Russian Federation	+	+	+
Increased competition on the retail electricity market from digital service providers		+	+
Decreased reliability of power supplies and increased likelihood of accidents due to the ageing rate of fixed assets exceeding the renovation rate	+	+	+
Increase in the scope and scale of the consequences of information security breaches	+	+	+
Rising energy costs ahead of schedule		+	+
Growth in uncontrolled overdue debt		+	+
Lack of qualified human resources	+	+	+
Failure to fulfill the conditions for the implementation of the capacity modernization program	+	+	+

Analysis of critical risks. Risks and opportunities [GRI 102–15]

Inter RAO prepares a critical risk map each year. The document reflects the results of the critical risk assessment, including a graphical display, a list of critical risks, and the disclosure of information on them. Critical risks are regarded as risks that

pose a threat of deviations from the Group's goals and require priority control and management in order to maintain an acceptable level of risk.

Map of critical risks that impact EBITDA and operating cash flow



Critical risks (impact on EBITDA and operating cash flow)

1. Adoption by the regulator of adverse tariff balance decisions (in terms of electricity sales) and shortfall in approved GRR
2. Change in sales volumes of electric power (foreign assets)
3. Growth in overdue receivables on the wholesale electricity and capacity market
4. Growth in overdue receivables on the retail electricity and capacity market
5. Change in electricity prices on the day-ahead market
6. Change in sales volumes of electric power and capacity (net output)
7. Adoption by the regulator of adverse tariff balance decisions (thermal power)
8. Reduced availability of equipment for work (accidents in the electric power industry)

New risks

9. Change in foreign exchange rates
10. Changes in the rules of the wholesale electricity and capacity market and/or the introduction of restrictive measures by the government

- Risks impacting EBITDA and operating cash flow targets
- Risks excluded from critical risk list in 2019
- Risks included in critical risk list in 2019
- ↓↑ Decrease/increase in risk assessment based on 2019 results

Risks that materialized in 2019

Risk	Comments
Manifestation of fraudulent and/or corruption actions	Two court convictions were handed down for fraud and corruption offenses in criminal cases previously initiated by the Group's companies against former Inter RAO employees
Risk of violation of antimonopoly laws	The Inter RAO Group paid roughly RUB 15 mln in fines to the Moscow Office of the Federal Antimonopoly Service in 2019 for various violations
Changes in foreign exchange rates	The risk impacts the Group's business plan due to deviations in the actual prevailing foreign exchange rates in which the Group's income and expenses are denominated versus the forecast rates adopted when preparing the Group's business plan

Opportunities that materialized in 2019

Risk	Comments
Change in electricity prices on the day-ahead market	The increase in day-ahead market prices in 2019 had a positive impact on the Group's business plan
Risks not included in the list of critical risks for 2019 for which opportunities led to an increase in EBITDA or operating cash flow in 2019	
Price risk (foreign economic activities)	The risk's positive impact on the Group's business plan is due to favorable pricing environment on the Nord Pool Spot exchange

Risk management measures

As a diversified energy holding, Inter RAO is exposed to a large number of risks whose effective management is a fundamental element of the Strategy and an integral component of the Group's successful operations.

Risk management measures are prepared by specialized units at the Company based on their functional responsibilities, the specifics of each individual risk, its assessment, and the potential to mitigate the probability or consequences of the risk. The measures are included in key management documents such as the Group's Strategy, risk management plans within the Group's business plans, the work plans of special commissions and working groups, and project data sheets. In addition, when the Company conducts a detailed analysis of its key business processes and identifies all possible causes (factors) for risk materialization, measures are drafted, documented in the form of control procedures, and embedded in the operational activities of units.

The Inter RAO Group has a more detailed description on [its website](#) of the measures taken to manage its key risks.

Risk management in sustainable development [103¹, 102–15]

The Risk Management and Internal Control Framework employed by Inter RAO identifies, monitors, and manages sustainable development risks, among other things. Risk assessment and management in matters concerning sustainable development is carried out at all levels of the Group's corporate governance.

At the highest level of management, the Board of Directors reviews sustainable development risks as part of the Group's five-year strategy and also each year when approving the Group's critical risk map. Sustainable development risks are also incorporated into the risk appetite of the Inter RAO Group, which contains regulations on occupational safety, climate change, and responsible business. The Company monitors the implementation of risk management measures in matters concerning sustainable development, updates risk assessments, and also confirms that the risk appetite has not been exceeded on a quarterly basis when preparing management reports.

As a member of the UN Global Compact, PJSC Inter RAO makes every effort to comply with the fundamental principles of the UN Global Compact in such areas as human rights, labor relations, environmental protection, and anti-corruption. The Inter RAO Group shares the UN Sustainable Development Goals (SDGs) and contributes to their achievement, in part through timely identifying, assessing, and responding to sustainable development risks.

¹ Management approach: Disclosure of ESG risks and the system for managing these risks at the Company.



RISKS ASSOCIATED WITH CLIMATE CHANGE

Risks associated with climate change are among the top priorities when preparing the Inter RAO Group's plans and development strategies.

Climate change could primarily affect the production and output of thermal and electric power.

Impact of climate change on performance indicators

As the average annual air temperatures increase in regions where the Company's power plants are located, the length of the heating season will decline, which will result in a reduction in the supply of thermal power and lower revenue for heat supply companies compared with previous periods. At the same time, high temperatures during the summer will increase demand for electric power and boost the revenue of the Group's generating companies.

The impact of climate change on production indicators cannot be accurately predicted. But a steady increase in average annual temperatures will most likely lead to a redistribution of electricity generation throughout the year due to increased demand for air conditioning during the warmer seasons and decreased demand for heat in the winter. Considering that the Group's assets consist of both thermal and electric power generating assets, this situation does not pose any significant risks (according to expert estimates).

Regulatory control

There is currently a trend in Russia and around the world to toughen legislation regulating greenhouse gas emissions as countries are using more and more renewable energy sources, which may entail financial risks for the Group's companies.

The Inter RAO Group is proactively responding to risks associated with the regulation of greenhouse gas emissions both in and outside of the Russian Federation, including by:

- Conducting measures to take inventory and reduce greenhouse gas emissions in accordance with the approved international standards for global corporate carbon reporting
- Voluntarily disclosing information about greenhouse gas emissions by the Group's companies
- Declaring the need to verify carbon reporting in the Group's risk appetite
- Monitoring international and Russian initiatives as well as changes in legislation concerning climate regulation
- Assessing the potential for reducing greenhouse gas emissions
- Improving energy efficiency and ensuring the technological renovation of equipment (including within the framework of the capacity modernization program, CCAs for new energy facilities, etc.) in order to ensure significant energy savings and reduce greenhouse gas emissions as a result.



OCCUPATIONAL HEALTH AND SAFETY RISKS

The Company views its employees as its number one asset, which is one of the key principles of its corporate policy. In this regard, the Group's companies attach great importance to occupational safety issues to ensure the maximum protection and safety of their employees involved in production. The Group has Occupational Safety Committees that are in charge of improving methods for the safe organization of work and verifying workplace conditions.

The Inter RAO Group's list of critical risks includes the risk of negative consequences resulting from incidents due to the violation of occupational, industrial, fire, or environmental safety requirements during production activities. The Company pays special attention to critical risks and also regularly monitors and reports on the effectiveness of critical risk management on a quarterly basis.

The Group also takes into account occupational safety and health risks when preparing its strategy. The Group's strategic priority in occupational safety and health (OSH) is to continuously improve processes that ensure the safe performance of work and are inextricably linked to adapting the best world practices in occupational safety. The Group's risk appetite also determines the minimum threshold for funding measures to improve working conditions and occupational safety.

Continuously reducing the level of industrial injuries and accidents is also a priority focus of occupational and industrial safety.



RISKS OF AFFORDABLE AND CLEAN ENERGY

The Inter RAO Group is committed to ensuring the uninterrupted supply of low-cost, reliable, and clean electric and thermal power to all consumers.

The Inter RAO Group views the following as risks that could affect its goal of providing affordable and clean energy:

- Change in sales volumes of electric power and capacity (net supply)
- Diminished readiness of equipment for work (accidents in the electric power industry)
- Negative consequences from incidents due to violations of occupational, industrial, fire, or environmental safety requirements during production activities
- Failure to achieve project success indicators (including construction and commissioning deadlines)

Key measures implemented by the Group to manage the risk of clean and affordable energy:

- Support and implementation of measures to enhance the reliability of electric and thermal power supply to consumers and prevent shortages of electric and thermal power from expanding
- Implementation of comprehensive measures to conserve energy and improve energy efficiency at enterprises, publicly funded institutions as well as housing and public utility facilities, including through participation

in working groups on energy and engineering within the regional authorities, and to increase the availability of energy infrastructure in the regions by organizing and conducting practical exercises on the basics of energy conservation for school and university schools and employees at enterprises

- Collaboration with the regional authorities and local governments on solving environmental problems and creating conditions to improve people's quality of life, including participation in the work of regional coordination councils for environmental protection and sustainable nature management

Information about possible circumstances that objectively impede activities

In the course of its operations, Inter RAO has to deal with a number of circumstances that objectively have the ability to impede the Group's activities (including earthquake-prone zones, seasonal flooding areas, terrorist acts, and other circumstances). As part of corporate risk management, the Group closely monitors the impact these factors have on the results of operations in the Russian Federation and in the regions where the Group has assets. The majority of these factors are beyond the control of the Group's management (including natural disasters, terrorist acts, and other force majeure circumstances) and, if the likelihood of these factors increases, management will take all possible measures to limit their negative impact and prevent possible losses.

INNOVATIVE ACTIVITIES MANAGEMENT SYSTEM [GRI 103¹]

The innovation management system focuses on forecasting and setting goals for innovative development, implementing complex innovative projects, and creating tools to reduce the time required to develop and launch new products on the market. The system is being developed to bolster the synergistic effect of innovation and more flexibly respond to the rapidly emerging challenges posed by innovative development.

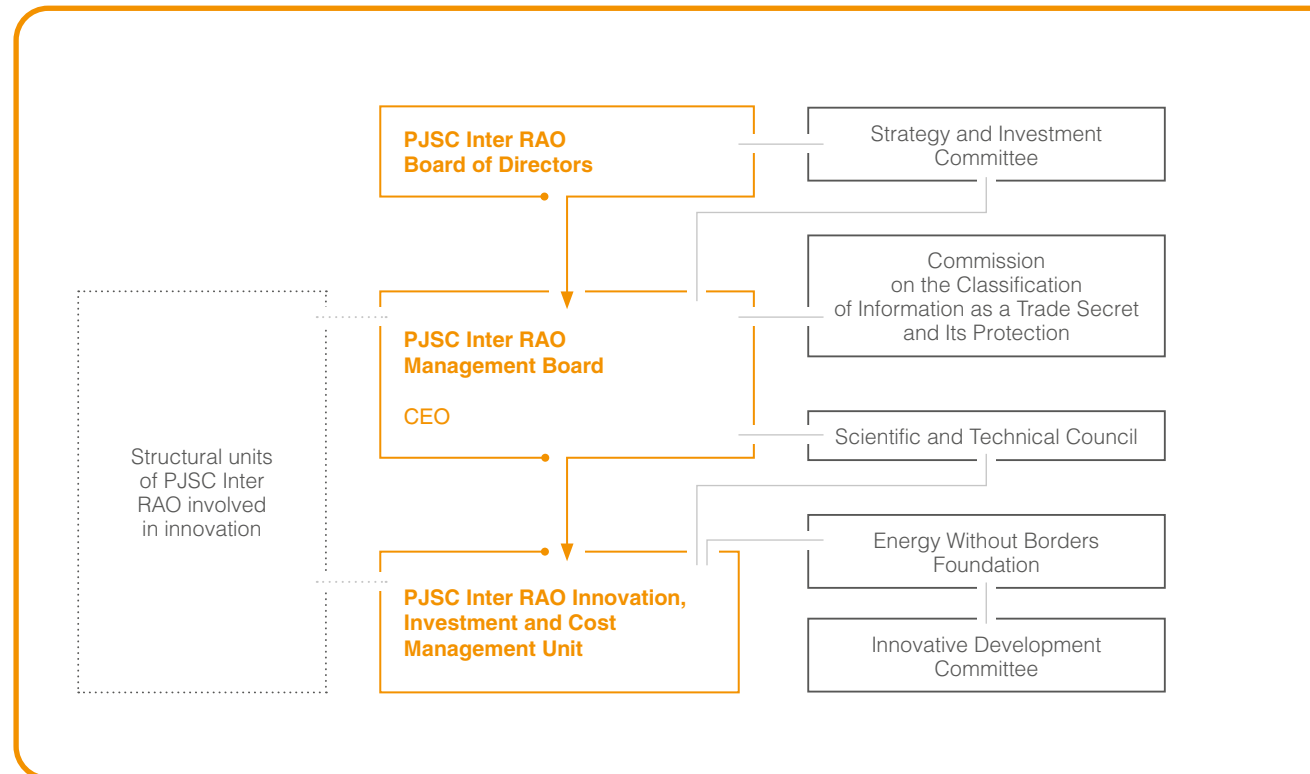
The innovation management system has the following objectives:

- To systematically organize and coordinate innovation at all levels of management
- To identify the requirements for planning and implementing innovations as well as monitoring and analyzing their results
- To ensure integration with the overall management system of PJSC Inter RAO
- To monitor, analyze, and forecast the market and environment in terms of the development of technologies and the impact of environmental factors on the current activities of PJSC Inter RAO
- To plan innovations and rank them by business, strategic and operational focus, and other parameters
- To ensure the management of innovative projects, including planning, budgeting, monitoring, control, accounting, and analysis

Treating intellectual property responsibly

Risk appetite: Inter RAO registers the Group's intellectual property rights in a timely manner.

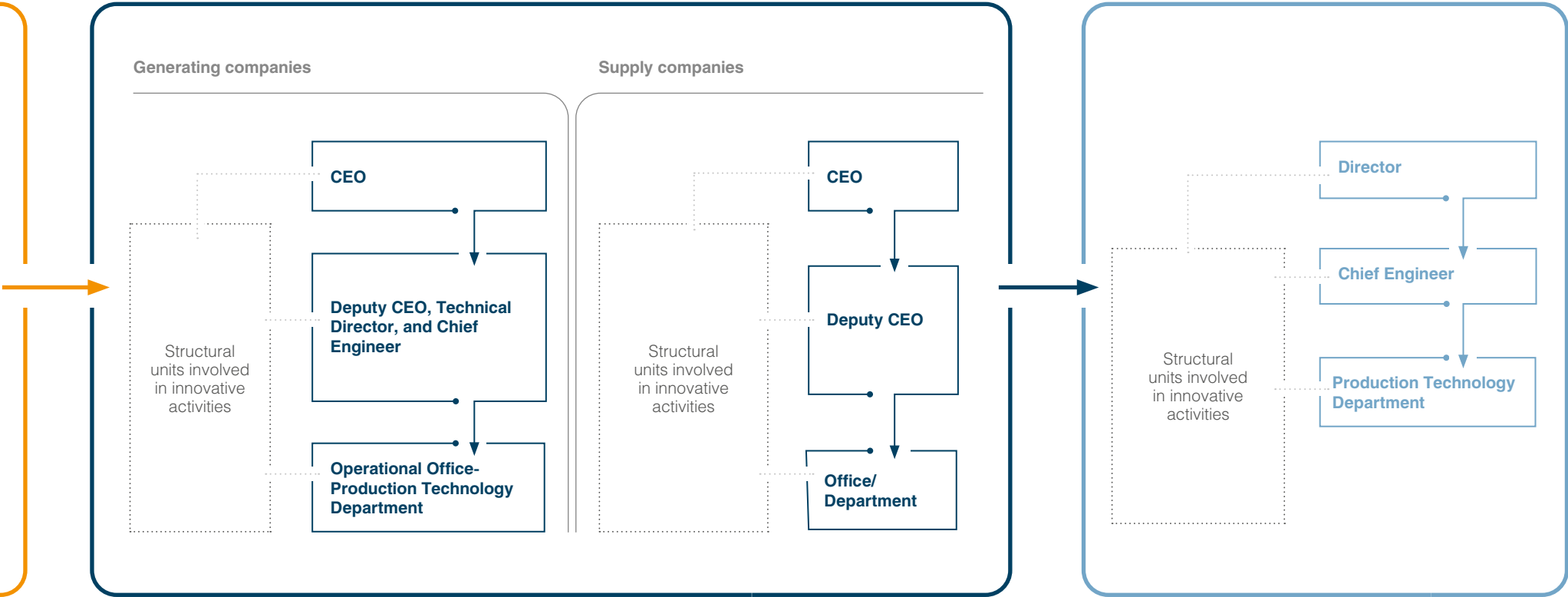
PJSC INTER RAO



¹ Management Approach: Innovative development and application of new technologies, including digital technologies.

SUBSIDIARIES OF PJSC INTER RAO

BRANCHES OF GENERATING COMPANIES



Innovation at the Group's companies is managed within the existing organizational units of Inter RAO and in accordance with the following documents:

- The PJSC Inter RAO Innovative Development Program for 2020-2024 with a view to 2029¹
- The Inter RAO UES (PJSC Inter RAO) Intellectual Property Rights Management Program for 2019-2023²
- The Policy on Managing Intellectual Property Rights³
- The Regulation on the Drafting and Implementation of the PJSC Inter RAO Innovative Development Program⁴
- The Regulation on the Procedure and Rules for Implementing Innovative Solutions in the Activities of the Inter RAO Group's Companies⁵
- Regulations on the Business Process for Managing the Register of Innovative Solutions When Introducing Innovative Products and R&D results⁶
- Regulations on the Process 'Management of the Program for the Scientific Research, Developmental, Experimental, and Technological Work of the Inter RAO Group'⁷
- Methodology for Assessing the Effectiveness of R&D at the Stages of the Product Life Cycle in Innovative Activities⁸
- Methodology 'Management of Intellectual Property Rights' approved by Order No. IRAO/495 of PJSC Inter RAO dated September 27, 2017.

In accordance with the Regulation on the Delineation of Powers⁹, the Group appoints the Member of the Management Board and Head of the Innovation, Investments, and Costs Management Unit as the person responsible for innovative development. This individual directly reports and is personally responsible to the CEO of PJSC Inter RAO for the effectiveness of the following functional areas of the Inter RAO Group, including:

- Innovative activities and energy management
- Project management
- Management of rights to intellectual property rights and means of individualization

The incentive system in place at the Company focuses on existing mechanisms used to conduct an intensive search for innovative solutions and achieving current indicators that reflect the Company's innovative performance. The list, target values, and methods for assessing the achievement of key innovative performance indicators are established by a resolution of the PJSC Inter RAO Board of Directors, and for subsidiaries – by a decision of the management bodies of subsidiaries. The incentive system at the Group's companies as regards innovation is reflected as follows:

- Incentives for the CEO and members of the Management Board of PJSC Inter RAO aim to achieve an integrated innovation indicator that reflects productivity and efficiency in innovation, was developed in 2016, and is annually approved by the PJSC Inter RAO Board of Directors
- Incentives for the sole executive bodies of generating subsidiaries and their deputies for achieving the integrated innovation indicator that reflects productivity and efficiency in innovation¹⁰
- Incentives for the sole executive bodies of supply subsidiaries and their deputies for achieving the key performance indicator of design and survey work 'Profit from sales of additional paid services on the retail market, RUB thousand/year'
- Remuneration to employees of the Group's companies for coming up with streamlining proposals and ideas to improve operations in accordance with the Regulations of the Process 'Work with the Proposals of Employees of RP 107-1'.¹¹ Remuneration for the authors of streamlining proposals is paid on a one-off basis and their amount or remuneration is determined depending on the extent of the economic effect of the streamlining proposal.

¹ Resolution No. 262 of the PJSC Inter RAO Board of Directors dated December 23, 2019.

² Resolution No. 233 of the PJSC Inter RAO Board of Directors dated October 17, 2018.

³ Order No. IRAO/375 of PJSC Inter RAO dated June 27, 2019.

⁴ Order No. IRAO/605 of PJSC Inter RAO dated November 13, 2015.

⁵ Order No. IRAO/656 of PJSC Inter RAO dated November 27, 2015.

⁶ Order No. IRAO/503 of PJSC Inter RAO dated October 1, 2015.

⁷ Order No. IRAO/539 of PJSC Inter RAO dated November 1, 2018.

⁸ Order No. IRAO/653 of PJSC Inter RAO dated December 17, 2018.

⁹ Order No. IRAO/420 of PJSC Inter RAO dated July 22, 2019.

¹⁰ Calculated in accordance with the 'Methodological Guidelines for Assessing the Degree of Implementation of the Inter RAO Group's Strategy Implementation Plan' approved by PJSC Inter RAO Order No. IRAO/689 dated December 27, 2018.

¹¹ Order No. IRAO/119 of PJSC Inter RAO dated March 27, 2017.

PROCUREMENT ACTIVITIES SYSTEM [GRI 103¹]

Inter RAO's Procurement Policy is determined by the Company's Board of Directors. The basic principles of procurement activities are approved in the Regulation on the Procedure for Conducting the Regulated Procurement of Goods, Work, and Services for the Needs of PJSC Inter RAO². A collective body, the Central Procurement Committee (CPC), coordinates the supply system at the Company's units.

The Group has a Specialized Procurement Organization (SPO) called LLC Inter RAO – Procurement Management Center that is authorized to conduct procurements and/or organize the supply of goods, perform work, and render services. The SPO ensures uniform demand for the same type of products and creates a unified information space for the supply system, which plans, accounts for, conducts, and monitors procurements. Modern information and telecommunication technologies as well as e-commerce and electronic document management tools are used in conjunction with other information systems to organize procurements.

The SPO sets up an accreditation committee that serves as the Group's specialized accrediting body. The Committee accredits suppliers and contractors in order to certify their expertise and compliance with the set requirements for the quality and safety of products, production processes, work, and services.

Supplier Day

Inter RAO annually holds a 'Supplier Day' that is dedicated to making procurements more accessible to organizations and entrepreneurs, involving domestic manufacturers in the high-tech equipment production program, developing cooperation in industry and science for the application of innovative solutions, import substitution, and raising awareness about measures to support small and medium business.

The Group employs electronic trading platforms to ensure it meets the requirements of the laws of the Russian Federation and other regulatory legal acts of the Russian Federation, the Procurement Regulation as well as corporate standards concerning procurement, and also complies with the laws of the countries where foreign subsidiaries operate.

The Company ensures the rational and justified use of measures to support subsidiaries that are specifically established to perform maintenance, repair, innovation, and engineering tasks as well as tasks to ensure energy efficiency, and gives preferences to suppliers and contractors taking into account the requirements of the laws of the Russian Federation and the legislation of the countries where foreign subsidiaries operate.

Transparency of procurement activities

The high level of transparency in procurement activities at the Group has been confirmed by the National Procurement Transparency Rating, an independent analytical center that specializes in the economic and legal analysis of the Russian state and corporate procurement market.

Since 2015, Inter RAO has had an advisory body on the efficiency of procurements by the Group's companies, which includes representatives of regional authorities, public organizations, and other members. The advisory body drafts proposals that aim to improve the efficiency of procurement activities, including expanding the access of small and medium-sized enterprises (SMEs) to procurements conducted by Inter RAO companies.

¹ Management Approach: Procurement system.

² Minutes No. 262 dated December 23, 2019.

Corporate Online Store

The Inter RAO Corporate Online Store (COS) functions on the basis of the Unified Electronic Trading Platform (Roseltorg) for procurements of up to RUB 500,000. The Company views the development of the COS service as a promising way to simplify procurement procedures.

Conducting procurements through the COS ensures a high level of transparency and the effectiveness of procurement activities and significantly reduces labor costs for certain procurement activities in the interests of the Group's companies.

In 2018, Order No. IRAO/247 of PJSC Inter RAO dated June 7, 2018 approved the regulations for the simplified procurement procedure. Revisions were made to the Regulations on the CPC regarding the use of the electronic document management system and process automation. Utilizing a unified process resulted in improvements in indicators, namely a decrease in the overall duration of the CPC's work.

Requirements for contractors regarding management systems, industrial safety, and environmental protection

As part of their proposals, procurement participants must provide valid certificates confirming that their enterprises have the following:

- A procurement participant and/or producer of the procured goods
- A properly organized quality control system
- Compliance with technological processes (input control, a control system during production processes, output control, a certified quality management system based on ISO 9001 standards, an ISO 14001 certified environmental management system, an OHSAS 18001 certified occupational safety system, and an ISO 50001/GOST R ISO 50001 certified energy management system)

The guidelines for the conclusion of EPC (engineering, procurement, and construction) agreements for the construction of Inter RAO energy generating facilities contain provisions on contractors' obligations to comply with all requirements of regulatory acts related to industrial, environmental, and fire safety during the performance of contractual work.

Contractors are also required to comply with applicable laws, including environmental laws and legislation on environmental protection.

Procurement assessment system

Pursuant to Directives of the Federal Agency for State Property Management No. DP 11/17668 dated May 5, 2016 and June 29, 2016, the PJSC Inter RAO Board of Directors¹ approved the Action Plan for the Standardization of the Procurement of Goods, Work, and Services to Meet the Needs of PJSC Inter RAO (hereinafter the Plan).

In accordance with item 4 of the Plan, monitoring of the Company's procurement activities has been conducted annually starting from 2017 (including as regards compliance with the approved annual comprehensive procurement program (ACPP) and standard costs for certain types of goods, work, and services for the needs of PJSC Inter RAO), with the subsequent inclusion of information about the monitoring results in the Company's annual report.

¹ Minutes No. 173 dated July 4, 2016.

Procurements by the Company during the 2019 reporting year were carried out in accordance with the approved standards and established limits

Procurement statistics	2019, RUB thousand
Tenders, other procurement methods (lots), and procurements from a sole supplier (contractor), including:	152,555,827
> Tenders and other procurement methods (lots), including:	121,804,478
– Services	103,123,662
– Materials and resources	18,680,816
– Contracts concluded	142,479,480
Information about suppliers	2019
Total number of suppliers applying to take part in the Group's procurement procedures	9,944
Number of suppliers accredited in accordance with the 'Regulation on the Procedure for Accrediting Suppliers of Goods, Work, and Services' at the end of the period	81

Value of procurements, excluding agency commissions and intra-group procurements, RUB bln



Reduction in expenses on the ACPD compared with the planned expenses, %

	2017	2018	2019
PJSC Inter RAO	5.5	3.2	4.6
Generating assets	4.8	4.6	5.0
Supply assets	6.5	3.7	3.9
Other assets	4.0	5.5	4.2

Import substitution [GRI 204–1]

The Group's companies that are subject to Federal Law No. 223-FZ have prioritized goods of Russian origin as well as work and services performed by Russian entities in the procurement of goods, work, and services through a tender, auction, or other procurement method, except for procurements from a sole supplier (contractor) for goods originating from a foreign state or work or services performed by foreign entities.

In 2017, according to Directive No. 830p-P13 of the Government of the Russian Federation dated February 6, 2017, PJSC Inter RAO finalized and approved the Inter RAO Group's Corporate Import Substitution Plan¹, which is an integral part of the Strategy/Long-Term Development Program.

Indicator	Planned value, %			Actual value, %		
	2017	2018	2019	2017	2018	2019
Integral indicator describing the share of foreign products in procurements	16.57	21.38	13.80	12.95	15.77	11.77

In an effort to develop cooperation in such areas as industry and science for the import substitution of equipment and technologies in the energy sector, PJSC Inter RAO signed agreements with the Governments of the Tomsk, Yaroslavl, and Sverdlovsk Regions.

The Ecosreda functional services project was launched within a special section of the Inter RAO electronic platform in 2019. Ecosreda will help develop new solutions for general market problems, offer the professional community the best procurement practices, and promote the development of domestic production and the economy as a whole.

Import substitution: The responsible choice

Risk appetite: Inter RAO strictly adheres to the import substitution program.

Starting from 2017, the fulfillment of the approved plan is evaluated on the basis of an integral indicator² that specifies the share of foreign products in procurements. Based on the 2019 procurements results, the actual value of the integral indicator did not exceed the planned value, which indicates that the Group's dependence on foreign products declined. In addition, the proportion of foreign products in the total volume of procurements decreased in 2019 compared with 2018, both during the procurement planning stage and upon completion of the procurement procedures.

Manufacturing of power equipment in Russia

Inter RAO is involved in a joint venture called LLC Russian Gas Turbines between the Inter RAO Group and General Electric for the manufacturing of gas turbine units in the Russian Federation. The joint venture is implementing a program to increase the degree of localization of gas turbine production with features that correspond to the best world analogues.

¹ Minutes No. 208 dated September 18, 2017.

² The integral indicator is calculated in accordance with the Guidelines for the Preparation of KPI approved by Order 219R-AU of the Russian Ministry of Economic Development dated August 11, 2016.

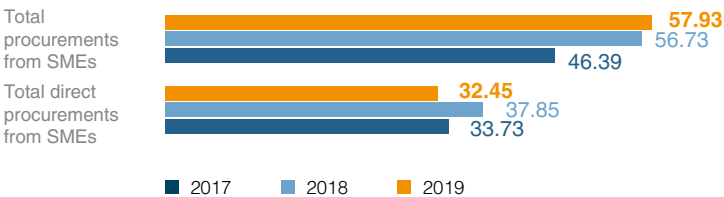


Cooperation with small and medium-sized businesses

In 2019, LLC Inter RAO – Procurement Management Center carried out work to achieve the target indicators for the implementation of the Strategy for the Development of Small and Medium Enterprises in the Russian Federation until 2030, which was approved by Decree No. 1083-r of the Government of the Russian Federation dated June 2, 2016.

Agreements were concluded with the administrations of the Altai, Primorsky, and Khabarovsk Territories as well as the Kaliningrad Region in 2019 to provide support measures to SMEs, including the targeted acceleration of SMEs that manufacture domestic products, stimulate the innovative and import-substituting activities of SMEs, and develop competitive manufacturing SMEs.

Procurements from small and medium-sized enterprises, %



Analysis of operating results

FINANCIAL RESULTS

	2017	2018	2019
Revenue, RUB mln	869,204	962,582	1,032,120
Other operating income, RUB mln	8,817	10,492	12,162
Operating expenses, RUB mln	(821,779)	(885,785)	(945,975)
Operating profit, RUB mln	56,242	87,289	98,307
EBITDA, RUB mln	97,645	121,300	141,547
EBITDA margin, %	11.2%	12.6%	13.7%
Free cash flow, RUB mln	50,919	67,144	84,849
Net profit, RUB mln	54,662	71,675	81,930
Capital expenditures, RUB mln	31,508	25,770	24,466
Net assets, RUB mln	461,503	485,478	552,779
Intangible assets, RUB mln	13,183	13,849	9,804
Return on assets, %	9.25%	10.48%	11.07%
Return on invested capital (ROIC), %	11.02%	13.02%	13.14%
Return on equity (ROE), %	11.84%	14.76%	14.82%
Current liquidity ratio	2.07	2.02	2.99
equity concentration ratio	0.72	0.67	0.74
Equity-to-loans ratio	2.60	2.00	2.79
Net cash flow from operating activities, RUB mln	88,759	95,033	105,347
Loans and borrowings, RUB mln	16,154	9,738	3,316
Short-term, RUB mln	11,479	8,353	2,842
Long-term, RUB mln	4,675	1,385	474
Lease liabilities ¹ , RUB mln	12,698	50,093	57,530
Debt ² / EBITDA	0.3	0.5	0.4
Net debt ² , RUB mln	-135,495	-166,706	-196,525
Net debt ² / EBITDA	-1.4	-1.4	-1.4

¹ Including the share in lease liabilities of joint ventures.

² Including lease liabilities and the share in lease liabilities of joint ventures.

Key factors affecting financial results

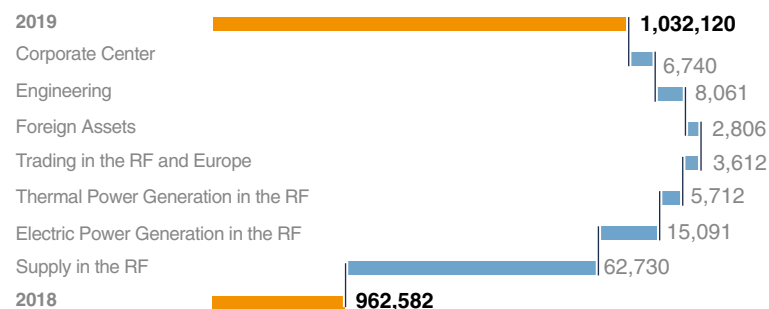
Changes in the Group's financial results were significantly influenced by the following key factors and events:

- The commissioning of leased stations in the Kaliningrad Region in 2018 and 2019: the Mayakovskaya TPP with installed capacity of 160 MW, Talakhovskaya TPP with installed capacity of 161 MW, and Pregolskaya TPP with installed capacity of 455 MW
- The commissioning of the Zatonskaya CHPP with installed capacity of 440 MW in the Republic of Bashkortostan in March 2018 as part of a CDA
- An increase in capacity charges under CDAs as a result of a CDA delta being included in capacity payment price for a number of generating facilities
- Price conditions on the day-ahead market: growth in the first pricing zone
- Growth in average selling prices for end consumers in the 'Supply in the Russian Federation' segment
- An increase in sales value in the 'Trading in the Russian Federation and Europe' segment due to favorable market conditions in the Nord Pool zone and, accordingly, growth in sales volumes for export from the Russian Federation
- The start of operating as guaranteed suppliers in the Vologda and Vladimir Regions by LLC NSC and LLC ESV, respectively
- The termination of the contract with Turkey in June 2019 for the operation of the Trakya Elektrik station and the transfer of the station to the authorized organization – the Turkish state-owned company EUAS
- The completion of major contracts in the 'Engineering' segment related to the construction of generating facilities in the Kaliningrad Region

Revenue analysis

The Group's revenue grew by 7.2%¹ (RUB 69.5 bln) and exceeded the RUB 1 trillion mark at RUB 1.032 trillion.

Change in revenue by segment in 2019 compared with 2018, RUB mln



Revenue in the 'Supply in the Russian Federation' segment increased by RUB 62.7 bln (9.9%) to RUB 695.1 bln due to growth in the average selling prices of guaranteed suppliers for end consumers, the launch of new guaranteed suppliers in the Vologda and Vladimir Regions as well as the acquisition of new customers for maintenance by guaranteed suppliers and unregulated supply companies.

Revenue in the 'Electric Power Generation in the Russian Federation' segment increased by RUB 15.1 bln (8.5%) to RUB 192.4 bln primarily due to the commissioning of the Pregolskaya TPP that the Group is leasing in the Kaliningrad Region. A CDA delta being included in capacity payment price and growth in electricity prices in the first pricing zone also generated an additional positive effect.

¹ Percentage ratios on financial indicators are calculated based on the data from the IFRS consolidated financial statements expressed in million rubles.

Revenue in the 'Thermal Power Generation in the Russian Federation' segment increased by RUB 5.7 bln (6.3%) to RUB 96.0 bln due to the commissioning of the Zatonskaya CHPP as part of a CDA in March 2018, an increase in electricity generation at the Karmanovskaya TPP as well as an increase in selling prices on the day-ahead market.

Revenue in the 'Trading in the Russian Federation and Europe' segment increased by RUB 3.6 bln (4.9%) to RUB 77.1 bln in 2019 compared with the previous year. Sales volumes increased in Lithuania and Poland.

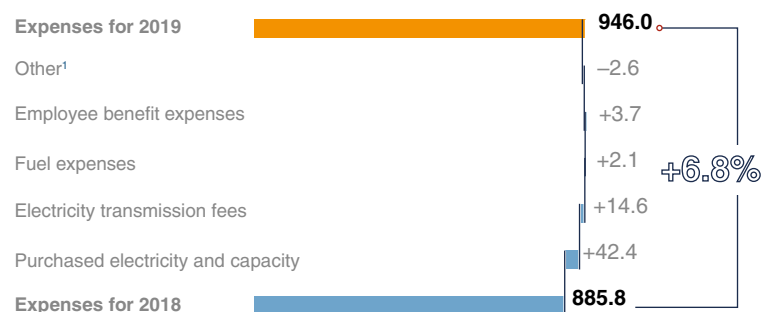
In the 'Foreign Assets' segment, revenue declined by RUB 2.8 bln (10.5%) to RUB 24.0 bln. The negative effect in this segment resulted from the Trakya Elektrik station in the Republic of Turkey shutting down virtually all generation in accordance with an order from the power system operator and also due to the fact that one of the largest consumers of JSC Telasi switched to direct deliveries from the Georgian energy market. Meanwhile, the Moldavskaya TPP showed positive trends due to an increase in exports to the Republic of Moldavia and average selling prices and also due to a 3.2% increase in the average USD exchange rate versus the ruble compared to the previous period.

Revenue in the 'Engineering in the Russian Federation' segment decreased by RUB 8.1 bln (26.3%) to RUB 22.6 bln in 2019 compared with 2018. The completion of the construction of energy facilities in the Kaliningrad Region was the main reason for this decrease in the segment.

Operating expenses

Operating expenses increased by RUB 60.2 bln (6.8%) and amounted to RUB 946.0 bln in 2019, which is slightly lower than the growth rate in revenue.

Changes in operating expenses, RUB bln



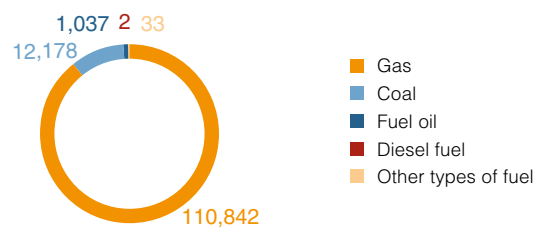
¹ Other expenses include depreciation and amortization, provisions for the impairment of accounts receivables, other provisions, and other operating expenses.

Expenses on purchased electricity and capacity increased by RUB 42.4 bln (11.4%) compared with the previous year to RUB 414.2 bln due to the growth in capacity prices primarily on account of the CDA sector, increase in the volume of purchased electricity and electricity prices, including the indexation of the price of CCAs and a higher premium over the CCA price, and due to guaranteed suppliers having started operations in the Vologda and Vladimir Regions, and a significant rise in the volume of deliveries to Poland

Electricity transmission fees grew by RUB 14.6 bln (6.4%) to RUB 241.8 bln primarily on account of companies in the 'Supply in the Russian Federation' segment, an increase in the volume of electricity sold, and the indexation of tariffs for electricity transmission services.

Fuel expenses increased by RUB 2.1 bln (1.7%) to RUB 124.1 bln. The biggest increase occurred at the BGC Group due to higher generation levels at the Zatonskaya CHPP, which was commissioned in March 2018, and also at the Karmanovskaya TPP. The Moldavskaya TPP saw expenses rise due to an increase in electricity output for export to the Republic of Moldavia and higher gas tariffs. The growth at these plants was partially offset by a reduction in expenses at Trakya Elektrik on account of the almost complete lack of output during the reporting period due to a surplus of supply on the Turkish market.

Fuel expenses of Inter RAO in 2019, RUB mln¹



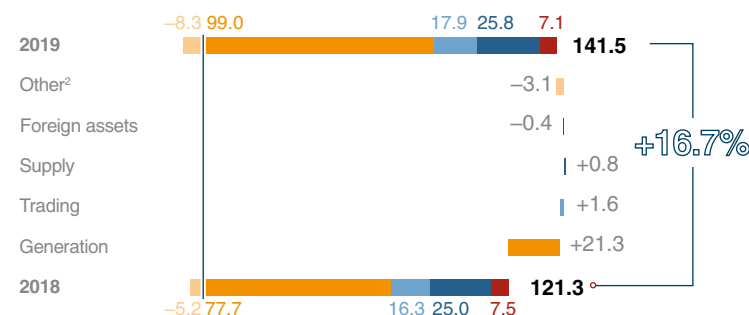
EBITDA

EBITDA amounted to RUB 141.5 bln in 2019, an increase of 16.7% compared with 2018.

The 'Electric Power Generation in the Russian Federation' segment accounted for the bulk of growth. EBITDA in the segment increased by RUB 19.4 bln (32.4%) to RUB 79.4 bln.

Changes in revenue and operating expenses led to the changes in EBITDA in different segments.

Changes in EBITDA, RUB bln



¹ Information is presented based on the Group's IFRS financial statements for the year 2019. The Group's operating expenses do not include the expenses of JSC Ekibastuzskaya TPP-2 and JSC Nizhnevartovskaya TPP. A 50% stake in JSC Ekibastuzskaya TPP-2 was reclassified to assets classified as held-for-sale in December 2016. JSC Nizhnevartovskaya TPP is accounted for using the equity method.

² Includes the 'Engineering in the Russian Federation' and 'Corporate Center' segments.

Net profit

Net profit amounted to RUB 81.9 bln in 2019, an increase of RUB 10.3 bln (14.3%) compared with 2018.

Profit generation in 2019, RUB mln

	2019
EBITDA of the reportable segments	141 547
Depreciation and amortization	(28,002)
Interest income	14,580
Interest expenses	(626)
Interest expense on lease liabilities	(5,569)
Foreign currency exchange loss, net	(4,139)
Other finance expenses	(1,182)
Provisions charge	(10,580)
Gain from disposal of Group entities, net	66
Loss from sale of asset classified as held-for-sale	(148)
Other	(1,422)
Share of loss of associates	(744)
Profit before tax	103,781
Income tax expense	(21,851)
Profit for the reporting period	81,930

Net assets

The value of the Group's net assets increased by RUB 67.3 bln (13.9%) to RUB 552.8 bln due to the accumulation of cash from operating activities.

Changes in net assets, RUB mln

2019	552,779
2018	485,478
2017	461,503

Direct economic value generated, distributed, and retained [GRI 201–1]

RUB mln	2018 ¹	2019
Revenue	962,582	1,032,120
Income from financial investments	10,693	15,058
Other income	10,199	13,938
Direct economic value generated	983,474	1,061,116
Operating expenses (excluding employee benefit expenses and payroll taxes and taxes other than income tax)	792,622	846,434
Employee benefit expenses and payroll taxes	51,935	55,666
Payments to capital providers	16,531	19,829
Payments to the government (excluding VAT and payroll taxes)	20,892	24,532
Local community investments	748	1,107
Economic value distributed	882,728	947,568
Economic value retained	100,746	113,548

Financial assistance received from the government [GRI 201–4]

The Group received a budget allocation of RUB 1.385 bln from state export credit funds based on an Intergovernmental Agreement between the Russian Federation and the Republic of Cuba dated October 22, 2015 and Financing Agreement No. 01-01-06/04-16 with the Ministry of Finance of the Russian Federation dated February 7, 2017 as part of a project to build four new units with installed capacity of 200 MW each in the Republic of Cuba.

The Group's companies also received subsidies in the amount of RUB 584 mln as well as tax benefits and preferences totaling RUB 3.504 bln in 2019.

Financial assistance received from the government in 2019, RUB mln

	2019
State Export Intergovernmental Credit	1,385
Subsidies, including	584
Compensation for the lost income of resource supplying organizations	354
Reimbursement of lost income due to the preferential tariff for the public	225
Other	5
Tax incentives and preferences (savings) received by the Group's companies, including	3,504
Corporate property tax	1,047
Corporate profit tax	2,346
Insurance premiums	111

¹ Information for the year 2018 was recalculated due to change in methodology of calculation.

Cash flow

Net cash flow from operating activities amounted to RUB 105.3 bln in 2019 versus RUB 95.0 bln in 2018. This 10.9% increase was mainly due to growth in revenue outpacing operating expenses.

The net cash flow used for investing activities amounted to RUB –98.7 bln in 2019 compared with RUB –58.1 bln in 2018. The RUB –40.6 bln change in this indicator was primarily the result of an increase in the volume of free cash placed in deposit accounts with a net impact taking into account returns of RUB 38.2 bln.

The net cash flow used for financing activities amounted to RUB –63.7 bln in 2019 versus RUB –26.1 bln in 2018. The RUB –37.6 bln change in this indicator was mainly caused by:

- An increase in expenses on acquisition of treasury shares by RUB 33.4 bln
- A decrease in the Group's loan portfolio by RUB 6.4 bln
- An increase in the amount of dividends paid by RUB 2.1 bln

Free cash flow amounted to RUB 84.8 bln in 2019, up by 26.4% from 2018 (RUB 67.1 bln), due to growth in EBITDA and reduced funding for the Investment Program.

Debt obligations

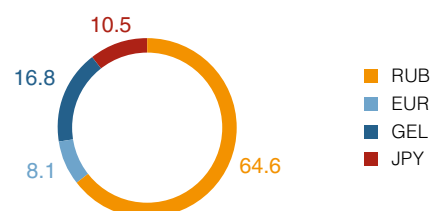
The Group's debt burden (excluding liabilities recognized under IFRS 16 'Leases') decreased by RUB 6.4 bln (65.9%) in 2019 and stood at RUB 3.3 bln as at December 31, 2019, primarily because of planned and early repayments by the Group's companies.

A RUB 7.4 bln increase in lease liabilities (including share in lease liabilities of joint ventures) (growth of 14.8%), mainly resulted from the commissioning of Power Units No. 3 and No. 4 at the Pregolskaya TPP in the first half of 2019.

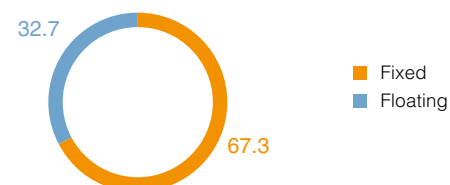
Monitoring the debt burden

Risk appetite: Inter RAO does not take on obligations that exceed its income by three-fold.

Debt structure by currency, %



Debt structure by interest rate type, %



Russian rubles account for 64.6% of the Group's loan portfolio, Georgian lari – 16.8%, Japanese yen – 10.5%, and euro – 8.1%.

The ratio of the long-term to short-term loans and borrowings amounted to 14.3% versus 85.7% as at December 31, 2019 (14.2% versus 85.8% at December 31, 2018).

Structure of loans and borrowings by maturity, RUB bln



As a result, the Group's Debt (including liabilities recognized under IFRS 16 'Leases' and share in lease liabilities of joint ventures) to EBITDA ratio amounted to 0.4x in the reporting period, which indicates the Group has a high level of financial stability. The threshold level of the debt burden for the Company set by the Board of Directors is a Debt/EBITDA ratio of no more than 3.0. The Company aims to maintain/increase its credit ratings from leading international rating agencies and will thus fully comply with the metrics established by the relevant rating methodologies.

At the same time, the Group's net debt (including liabilities recognized under IFRS 16 'Leases' and share in lease liabilities of joint ventures) amounted to RUB -196.5 bln versus RUB -166.7 bln at the end of 2018. The change in this indicator is attributable to the receipt of funds from the operating activities of the Group's subsidiaries along with a planned reduction in the debt burden of a number of Group companies.

The Group has no bonded loans. No bond placements are planned at the moment due to the lack of a need for long-term debt financing.

Financial ratios

Increasing trends were seen in **profit margins** in 2019. The primary factor that had a major impact on the growth in profit margins was the Group's net profit of RUB 81.9 bln versus RUB 71.7 bln in 2018, which can mainly be attributed to revenue growth of RUB 69.5 bln (7.2%).

The growth in the **Current liquidity ratio** (2.99 at the end of 2019 versus 2.02 at the end of 2018) was due to an increase in current assets and a decrease in short-term liabilities.

The allocation of cash from operating activities in short-term deposits had the biggest impact on the growth in current assets.

Short-term liabilities decreased due to the repayment of debt for the purchase of PJSC Inter RAO's own shares as well as the offsetting of advances received from LLC Kaliningrad Generation as part of the Pregolskaya TPP construction project.

The **equity concentration ratio**, which reflects the proportion of the Company's assets that are covered by equity, amounted to 0.74 at the end of the reporting period. This indicates a high level of financial resiliency, stability, and independence from external creditors.

Credit ratings

FitchRatings

On August 15, 2019, Fitch upgraded PJSC Inter RAO's global credit rating from BBB- with a positive outlook to BBB with a stable outlook.

MOODY'S

On February 15, 2019, Moody's affirmed the corporate credit rating of PJSC Inter RAO at Baa3 with a stable outlook.

Key financial results by segment in 2019

			Electric Power Generation in the Russian Federation		Thermal Power Generation in the Russian Federation							
		Supply				Trading		Foreign Assets	Engineering			
	RUB mln	The Russian Federation	Inter RAO – Electricity Generation Group ¹	TGC-11 ²	Bashkir Generation ³	The Russian Federation and Europe	Georgia	Moldavia	Turkey	The Russian Federation	Corporate Center	Total
Total revenue		695,098	192,449	33,943	62,022	77,107	10834	10,391	2,786	22,613	(75,123)	1,032,120
Share of the Segment's revenue in total		67%	19%	3%	6%	8%	1%	1%	0%	2%	−7%	100%
Operating expenses, including												
Purchased electricity and capacity		(412,102)	(6,852)	(2,702)	(4,563)	(53,340)	(5,668)	−	−	−	71,011	(414,216)
Electricity transmission fees		(233,393)	−	−	(4)	(6,659)	(1,636)	(78)	−	−	−	(241,770)
Fuel expenses		−	(77,501)	(12,446)	(31,913)	−	−	(5,688)	(18)	−	3,474	(124,092)
Share in profit/(loss) of joint ventures		−	3,125	−	−	(1)	−	−	−	30	−	3,154
EBITDA		25,807	79,440	7,702	11,892	17,915	1,591	3,136	2,333	(513)	(7,756)	141,547
EBITDA margin ⁴		4%	56%	26%	25%	24%	15%	30%	84%	−3%	−	14%
Share of the Segment's EBITDA in total		18%	56%	5%	8%	13%	1%	2%	2%	0%	−5%	100%

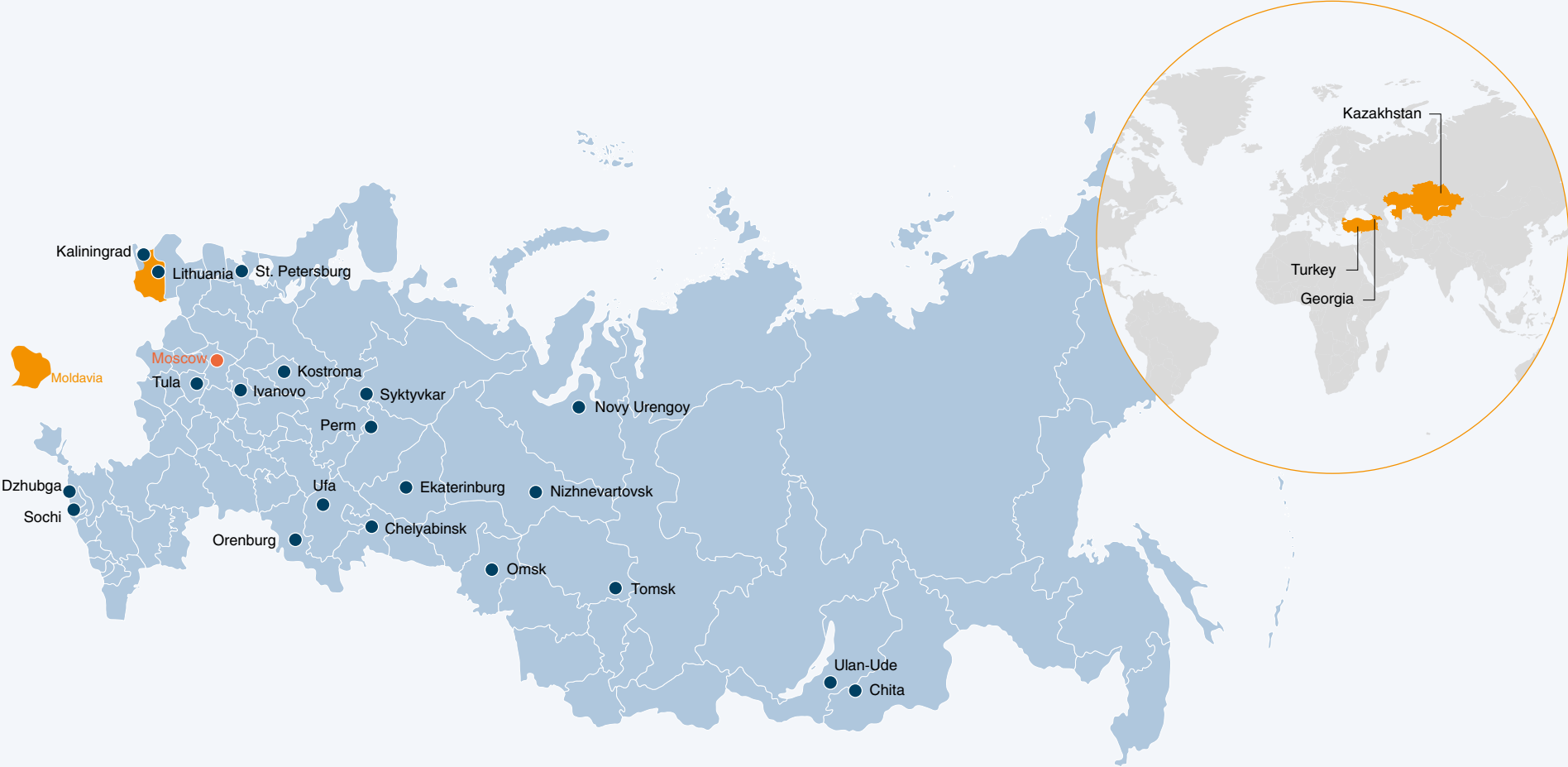
¹ Represented by the Inter RAO – Electric Power Generation Group, including JSC Nizhneartovskaya TPP (equity accounted investee).

² Represented by JSC Tomsk Generation, JSC TGC 11, JSC Omsk RTS, and JSC TomskRTS.

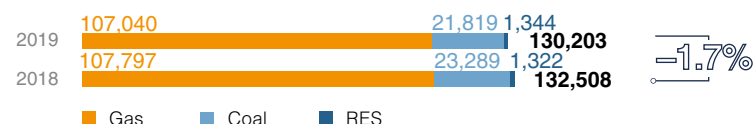
³ Represented by Bashkir Generation Company Group, including LLC BashRTS.

⁴ EBITDA margin was calculated taking into account the exclusion of inter-segment revenue in the 'Supply in the Russian Federation' segment in the amount of RUB 1.758 bln, the 'Electric Power Generation in the Russian Federation' segment in the amount of RUB 50.502 bln, the 'Thermal Power Generation in the Russian Federation' segment in the amount of RUB 17.592 bln (including TGC-11 in the amount of RUB 3.999 bln and Bashkir Generation in the amount of RUB 13.593 bln), the 'Trading in the Russian Federation and Europe' segment in the amount of RUB 1.424 bln, and the 'Engineering in the Russian Federation' segment in the amount of RUB 4.645 bln.

GENERATION



Electricity generation by Inter RAO by energy source, mln kWh [EU2]



The main challenges Inter RAO faces in developing the Generation sector in the context of strategic priorities are:

- Ensuring the reliability, safety, and technological development of existing production assets
- Improving the operational, energy, and environmental efficiency of generating assets and maintaining leading positions in the Russian electric power industry
- Further growth in the heat generation segment
- Drafting and promoting proposals for the development of a regulatory framework in the industry

At the end of 2019, a number of important changes took place in the electric and thermal power generation sectors within the Group as a whole, which led to a reduction in installed electric power capacity by 5.5% to 31,860 MW and electricity generation by 1.7% to 130,203¹ mln kWh. Such changes mainly include:

- The commissioning of two power units at the Pregolskaya TPP in Kaliningrad that run on natural gas with total capacity of 228 MW
- The withdrawal of the coal-fired Ekibastuzskaya TPP-2 with installed capacity of 1,000 MW and 514 Gcal/h from the Group's structure in order to reduce greenhouse gas emissions
- The termination of a concession agreement between Trakya Elektrik and the Ministry of Energy of Turkey under which TPK Trakya with installed capacity of 478 MW was returned to the Turkish state company EUAS²

Installed electric power capacity of Inter RAO by energy source, MW [EU1]



- The decommissioning of inefficient equipment at two power units of the Kashirskaya TPP with total capacity of 600 MW and a turbine unit at the Ufimskaya CHPP-1 with capacity of 9 MW.

As a result of these changes, the share of coal generation within the Group's installed capacity decreased by 18% and amounted to 14%.

Use of co-generation technology

Co-generation is the joint generation of electrical and thermal power in a single device, which allows for releasing both electric and thermal power to the consumer with a low level of specific fuel consumption. An increase in the supply of thermal power from the unit increases its efficiency factor, which not only reduces fuel consumption for energy generation but also emissions of harmful substances and greenhouse gases into the atmosphere. The effect from the use of co-generation primarily depends on whether consumers have thermal power, so energy facilities with co-generation energy production are located in large cities.

Energy facilities³ operating with a co-generation cycle that are part of the Group are located in the cities of Ufa, Tomsk, Omsk, Kaliningrad, St. Petersburg, and Sochi, among others. In 2019, these plants generated **25%** of electric power and **79%** of thermal power in co-generation mode.

¹ The financial results of JSC Ekibastuzskaya TPP-2 are not included in the Group's financial results due to the reclassification of a 50% stake in JSC Ekibastuzskaya TPP-2 to assets classified as held-for-sale in December 2016. The operating results of JSC Ekibastuzskaya TPP-2 are included in the Group's operating results 100% up to December 2019 inclusive. A transaction to sell the 50% stake in JSC Ekibastuzskaya TPP-2 was completed in the fourth quarter of 2019.

² The financial results of Trakya Elektrik Üretim ve Ticaret A.Ş. are presented in the 'Foreign Assets' segment.

³ Power facilities with co-generation include facilities with 100% extraction turbines, CCGT, and GTU operating in a closed cycle that supply thermal power to consumers.

Electricity production using renewable energy sources

Inter RAO supports the use of alternative energy sources in economically and technically justified situations, in particular in remote or technologically isolated areas. This is consistent with the provisions of Federal Law No. 261 FZ of the Russian Federation dated November 23, 2009 "On Energy Conservation and Energy Efficiency Improvement and Amendments to Certain Legislative Acts of the Russian Federation."

Inter RAO utilizes power generation systems that run on renewable energy sources (RES) with total installed capacity of **471 MW**, which produced **1.344 bln kWh** of electric power for its own needs and for sale to outside consumers. Such facilities include:

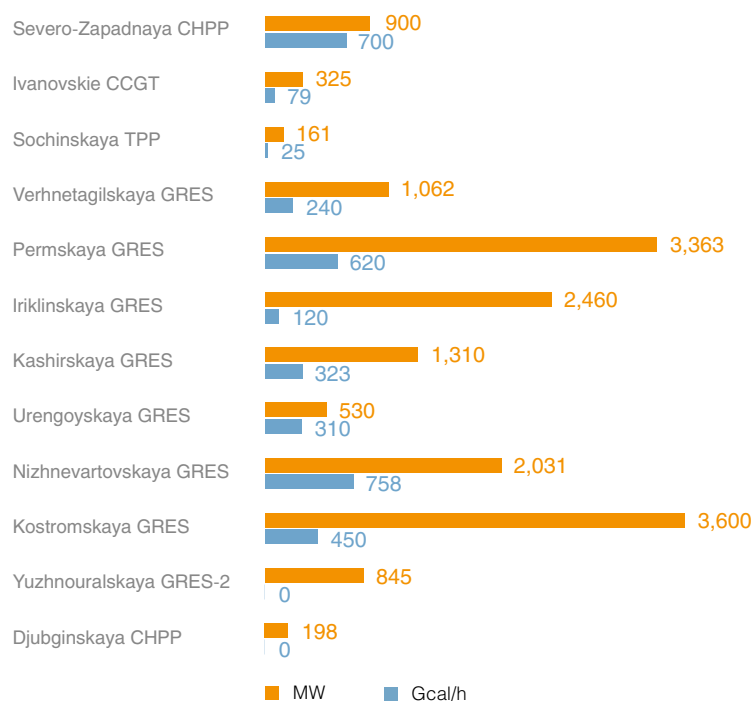
- Hydroelectric power plants with total installed capacity of **438 MW**: Pavlovskaya HPP (166.4 MW) and Yumaguzinskaya HPP (45 MW) in the Republic of Bashkortostan (RF) as well as Khrami HPP-I (113 MW) and Khrami HPP-II (114 MW) in the Republic of Georgia¹
- Small and micro hydroelectric power plants with total installed capacity of **0.75 MW**: Mechetlinskaya and Slakkaya MHPPs (0.55 MW) as well as Avzyanskaya, Uzyanskaya, and Kaginskaya MHPPs (0.2 MW) in the Republic of Bashkortostan (RF)
- Wind power plants with total installed capacity of **31.7 MW**: Vydmantai² wind park (30 MW) in the Republic of Lithuania and the Tyupkilda wind farm (1.65 MW) in the Republic of Bashkortostan (RF)

Within the Inter RAO Group, the 'Generation in Russia' business includes two operating segments: 'Electric Power Generation in the Russian Federation' and 'Thermal Power Generation in the Russian Federation' with total installed capacity of 29,083 MW and 25,086 Gcal/h. The two segments make up 11.2% of the total installed electric power capacity of the Russian Federation. The 'Generation in Russia' business generated a total of 120.522 bln kWh in 2019 (down 1% compared with 2018), while heat output decreased by 3.6% to 40,067,000 Gcal.

Installed capacity of the 'Electric Power Generation in the Russian Federation' segment [EU1]

The segment is managed by JSC Inter RAO – Electric Power Generation, which unites 20 of the largest power plants in Russia with total installed capacity of 22,572 MW and 5,678 Gcal/h.

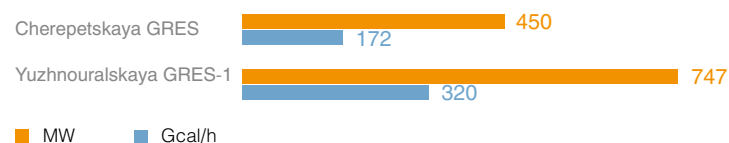
Installed capacity of gas-fired power plants in the 1st pricing zone of the WEPM in 2019 [EU1]



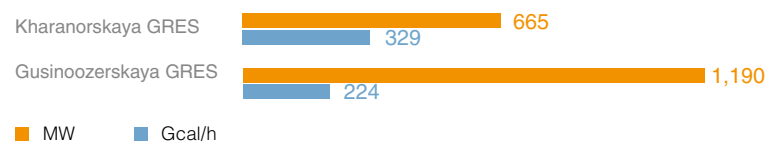
¹ The financial results of Khrami HPP-I and Khrami HPP-II are presented in the 'Foreign Assets' segment.

² A subsidiary of AB INTER RAO Lietuva, which is part of the 'Trading in the Russian Federation and Europe' segment.

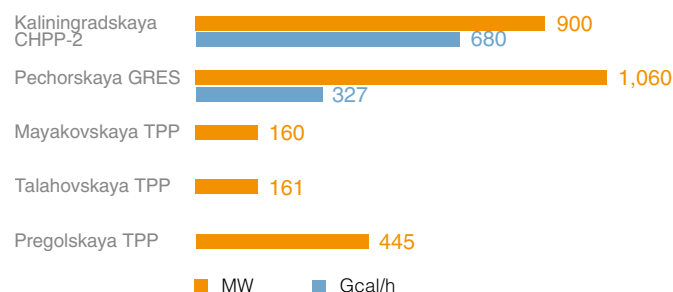
Installed capacity of coal-fired power plants in the 1st pricing zone of the WEPM [EU1]¹



Installed capacity of coal-fired power plants in the 2nd pricing zone of the WEPM [EU1]



Installed capacity of gas-fired power plants in non-pricing zones in 2019 [EU1]



Power plants in the 'Electric Power Generation in the Russian Federation' segment in the 1st pricing zone primarily run on natural gas (1,716 MW). In addition to natural gas, the Pechora TPP (1,060 MW) also runs on associated gas. The Yuzhnouralskaya TPP in the UES of the Urals uses coal and natural gas as fuel, while the Cherepetskaya TPP (450 MW) in the UES of the Center runs on coal. In the 2nd pricing zone, the 'Electric Power Generation in the Russian Federation' segment has two coal-fired power plants – Kharanorskaya TPP (665 MW) and Gusinoozyorskaya TPP (1,190 MW). LLC Ugolny Razrez supplies coal for the Gusinoozyorskaya TPP.

Commissioning and decommissioning of facilities

In 2019, Kaliningrad Generation, a joint venture of JSC ROSNEFTEGAS and PJSC Inter RAO, completed construction on the Pregolskaya TPP and commissioned the plant with installed capacity of 455.2 MW on March 6, 2019. The power plant was built as part of a project to ensure energy security in the Kaliningrad Region, which is being implemented based on instructions from the President of the Russian Federation and in accordance with the orders of the Government of the Russian Federation. The Pregolskaya TPP includes four combined cycle plants. All the main equipment installed at the plant is Russian-made: four PG6111 (FA) gas turbines manufactured by LLC Russian Gas Turbines; four TF 90G 2U3 generators manufactured by CJSC ELSIB; four K 38-8.0 steam turbines manufactured by OJSC Power Machines; and four waste heat boilers manufactured by OJSC Machine-Building Factory of Podolsk.

The installed capacity of the Mayakovskaya TPP (+2.65 MW) and Talakhovskaya TPP (+2.1 MW) also increased in 2019 due to re-certification starting from August 1.

The inefficient equipment of two power units at the Kashirskaya TPP with total capacity of 600 MW was decommissioned on January 1, 2019.

¹ The Yuzhnouralskaya TPP includes units 9 and 10 with 200 MW each, which run on gas but are on standby, and coal-fired turbine generators 5–8 with 347 MW each, which handle the bulk of generation at the plant.

Installed capacity of the 'Thermal Power Generation in the Russian Federation' [EU1]

The segment includes three major heat generating companies (JSC TGC-11, JSC Tomsk Generation, and LLC BGC with total installed electric power capacity of 6.51 GW and installed thermal power capacity of 19,408 Gcal/h). The segment also includes heating networks with a total length of 2,449 km in the Omsk and Tomsk Regions as well as in the Republic of Bashkortostan of the Russian Federation.

Installed capacity of the Bashkir Generation sub-segment

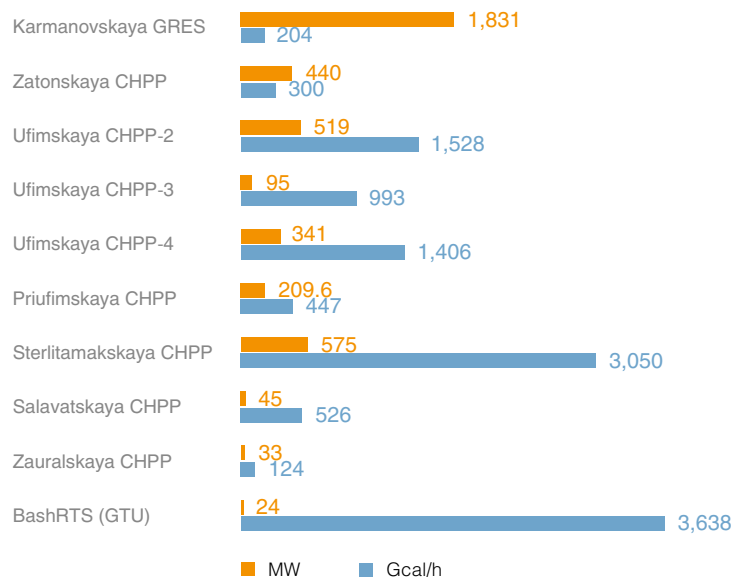
The Bashkir Generation sub-segment includes LLC Bashkir Generating Company (LLC BGC) and LLC Bashkir Heat Distribution Networks (LLC BashRTS), which manage generating assets in the Republic of Bashkortostan with total installed capacity of 4,460 MW and 12,216 Gcal/h. In total, the Bashkir Generation sub-segment manages the operation of ten major thermal power plants (one TPP and nine CHPPs) that run on natural gas, seven hydroelectric power plants (including five small micro hydroelectric power plants), one wind power plant, and 27 boiler houses that run on natural gas, including three mini-gas turbine power plants (CHPPs).

At the end of 2018, the installed thermal power capacity of LLC BGC and LLC BashRTS made up more than 95%¹ (12,245 Gcal/h of 12,570.9 Gcal/h) of the total heat supply sources in the Republic of Bashkortostan, which meets almost all the republic's energy needs (95% of heat).

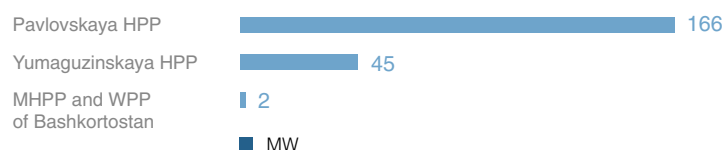
The sub-segment's installed capacity remained virtually unchanged in 2019, except for the decommissioning of a turbine unit at the Ufimskaya CHPP-1 with capacity of 9 MW.

The BGC Group saw installed heat capacity decrease by 30 Gcal/h due to the influence of various factors: the decommissioning of Turbine Unit No. 5 at the Ufimskaya CHPP-1 production site of the Ufimskaya CHPP-4 branch (-72 Gcal/h) as of March 1, 2019, the lease of eight boiler houses in Sterlitamak (+22.5 Gcal/h) starting from August 8, 2019, and the commissioning of the VK 4 KT 1 hot water boiler at the BashRTS-Ufa branch starting from November 22, 2019 following reconstruction.

Structure of installed capacity in the Bashkir Generation sub-segment



Installed capacity of RES in 1st price zone of WECM [EU1]



¹ http://bashstat.gks.ru/wps/wcm/connect/rosstat_ts/bashstat/ru/statistics/.

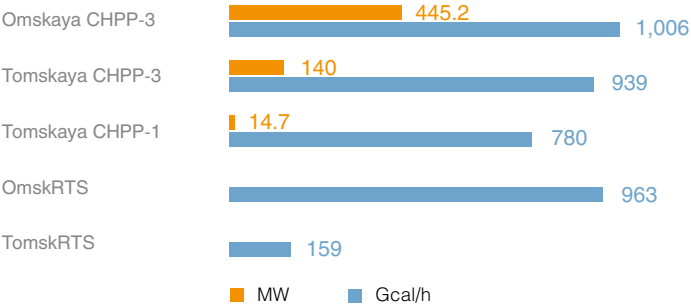
Installed capacity of TGC-11 sub-segment

The TGC-11 sub-segment includes JSC TGC-11, JSC Omsk RTS, JSC Tomsk Generation, and JSC TomskRTS with total installed capacity of 2,051 MW and 7,192 Gcal/h, which fall within the Siberia 2nd pricing zone.

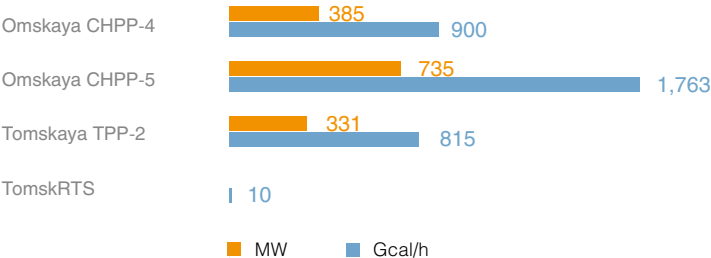
The power facilities of JSC TGC-11 and JSC OmskRTS are located in Omsk. JSC OmskRTS combines the heat network, heat supply business, and thermal energy generation in Omsk with its boiler sources. The enterprise includes the structural units Heat Networks, Teploenergosbyt, Thermal Inspectorate and Energy Audit, CHPP-2, and Kirov District Boiler House. The production facilities of JSC TGC-11 include CHPP-3, CHPP-4, and CHPP-5. Omsk power plants and boiler houses primarily run on coal and natural gas.

JSC Tomsk Generation and JSC Tomsk Heat Distribution Networks (JSC TomskRTS), a subsidiary of JSC Tomsk Generation, generate electricity and heat and also transmit and sell heat in Tomsk. JSC Tomsk Generation has total installed capacity of 485.7 MW and 2,390.5 Gcal/h. It includes one TPP that runs on coal as the main fuel, two CHPPs that run on natural gas, and heating systems with a total length of 638 km. JSC Tomsk Generation also includes the structural units Teploenergosbyt and Thermal Inspectorate and Energy Audit.

Installed capacity of the gas-fired power plants and boiler houses in the 2nd pricing zone of the WECM in 2019 [EU1]



Installed capacity of the coal-fired power plants and boiler houses in the 2nd pricing zone of the WECM in 2019 [EU1]



Operating results of the 'Electric Power Generation in the Russian Federation' segment [EU2]

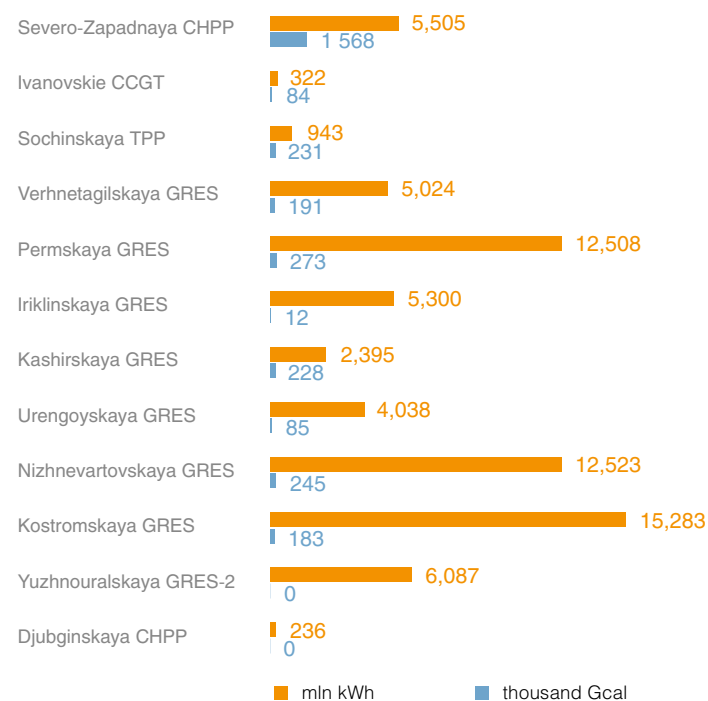
The generating facilities of the 'Electric Power Generation in the Russian Federation' segment reduced electricity generation by 2.7% to 92.068 bln kWh in 2019. The installed electric capacity utilization factor of the segment's plants decreased by 0.9 percentage points to 46.6%.

Power generation primarily declined due to the lower profit margins of electricity sales at the Permskaya TPP, Irikliinskaya TPP, and Gusinoozyorskaya TPP during periods when sale prices were lower than fuel costs on the day-ahead market as well as longer periods of repair work in 2019 compared with 2018 at the Kaliningrad CHPP-2, Northwest CHPP, and Verkhnetagilskaya TPP. These negative factors were partially offset by an increase in production at the Kostromskaya TPP and Kharanorskaya TPP as a result of increased demand and the profit margins of generation in the power system, a shorter repair period at the Urengoykaya TPP in 2019 compared with the previous year as well as the commissioning of new facilities at the Pregolskaya TPP.

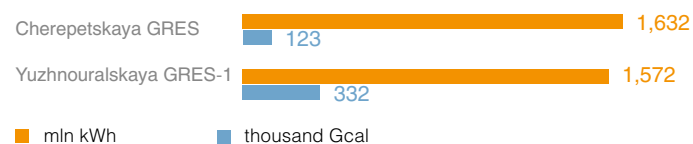
Thermal power output in the 'Electric Power Generation in the Russian Federation' segment amounted to 4,488,000 Gcal, up 5.9% as a result of lower average outdoor temperatures in summer in the regions where the Group's generating assets operate (mainly the Northwest CHPP).

The specific fuel consumption for the supply of electricity from busbars fell by 2.1 g of fuel equivalent/kWh, or by 0.7%, due to the optimization of generating equipment that was engaged into operations. Specific fuel consumption for thermal power supply decreased by 0.6 kg of fuel equivalent/Gcal, or 0.4%.

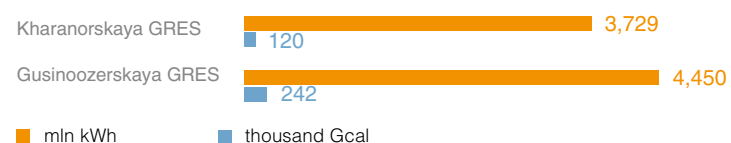
Electric power generation and thermal power output at gas-fired thermal power plants of the 1st pricing zone of the WECM in 2019 [EU2]



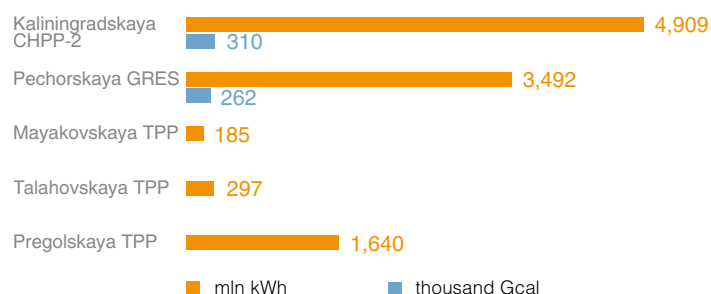
Electric power generation and thermal power output at coal-fired thermal power plants of the 1st pricing zone of the WECM in 2019 [EU2]



Electric power generation and thermal power output at coal-fired thermal power plants of the 2nd pricing zone of the WECM in 2019 [EU2]



Generation by gas-fired power plants in the 1st non-pricing zone in 2019 [EU2]



Financial results of the 'Electric Power Generation in the Russian Federation' segment

Indicator	'Electric Power Generation in the Russian Federation' segment			
	2017	2018	2019	2018/2019
Revenue, RUB mln	165,690	177,358	192,449	8.5%
Share in Revenue of Inter RAO Group, %	19%	18%	19%	1 p.p.
Operating expenses, including				
Purchased electricity and capacity, RUB mln	(7,006)	(6,999)	(6,852)	-2.1%
Fuel expenses, RUB mln	(76,559)	(76,490)	(77,501)	1.3%
Share in the profit/(loss) of joint ventures, %	2,704	(3,057)	3,125	202.2%
EBITDA, RUB mln	57,058	59,998	79,440	32.4%
EBITDA margin, % ¹	46%	46%	56%	10 p.p.
Share in EBITDA of Inter RAO Group, %	58%	50%	56%	6 p.p.

¹ EBITDA margin was calculated excluding inter-segment revenue in the 'Electric Power Generation in the Russian Federation' segment in the amount of RUB 50.502 bln for 2019, RUB 46.037 bln for 2018, and RUB 41.911 bln for 2017.

Revenue in the 'Electric Power Generation in the Russian Federation' segment increased by RUB 15.091 bln (+8.5%) during the reporting period primarily due to growth in revenue from sale of capacity by JSC Inter RAO – Electric Power Generation as a result of higher sale prices for CDA facilities in connection with the start of payment for the 'CDA 10/15 Delta' at a number of facilities and the commissioning of the Pregolskaya TPP.

Expense on purchased electricity and capacity decreased by RUB 147 mln (–2.1%) versus 2018, while fuel expenses increased by RUB 1.011 bln (+1.3%).

EDITDA in the segment increased by RUB 19.442 bln (+32.4%) due to increased selling prices for capacity in the CDA sector and the commissioning of new equipment at the Pregolskaya TPP.

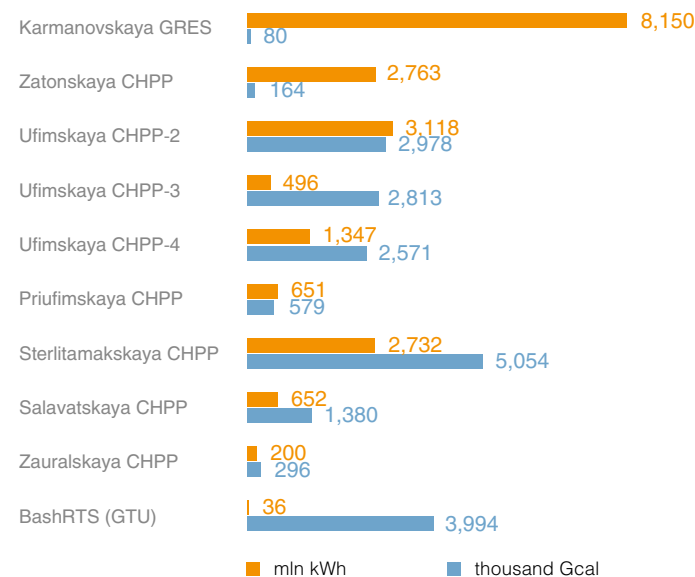
Operating results of the 'Thermal Power Generation in the Russian Federation' segment [EU2]

Generating facilities in the 'Thermal Power Generation in the Russian Federation' segment increased electricity generation by 4.7% to 28.453 bln kWh in 2019. The installed electric capacity utilization factor of the segment's plants stations increased by 1.6 percentage points to 49.9%. Generation increased due to a higher load at the BGC Group's plants as a result of favorable pricing on the market in the region where the plants operate as well as the commissioning of the first phase of the Zatonskaya CHPP's power units starting from March 2018 and the second phase starting from April 1, 2018.

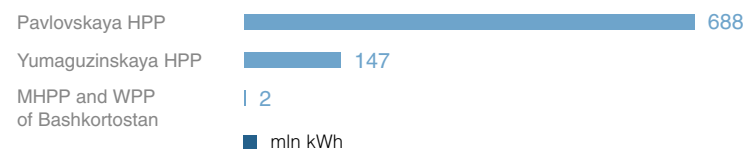
Thermal power output from collectors decreased by 4.6% as a result of higher average outdoor temperatures during the heating season in 2019 compared with 2018 in the regions where the Group's generating assets operate.

Specific fuel consumption for electric power supply from busbars decreased by 2.0 g of fuel equivalent/kWh, or 0.7%, due to the optimized workload of generating equipment and a decrease in condensation output at a number of plants. Specific fuel consumption for the supply of thermal energy increased by 0.4 kg of fuel equivalent/Gcal, or 0.3%.

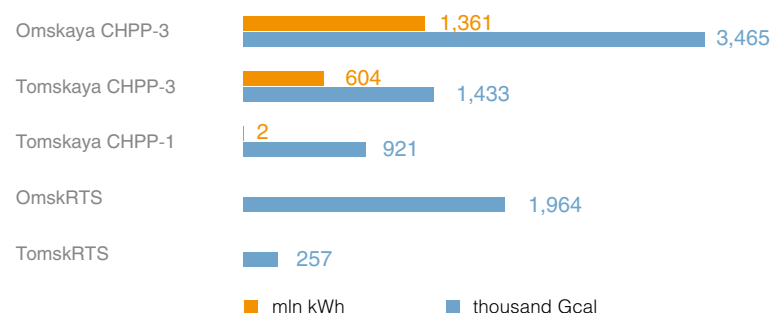
Electricity generation and thermal power output at gas-fired power plants and boiler houses in the 1st pricing zone of the WECM in 2019 [EU2]



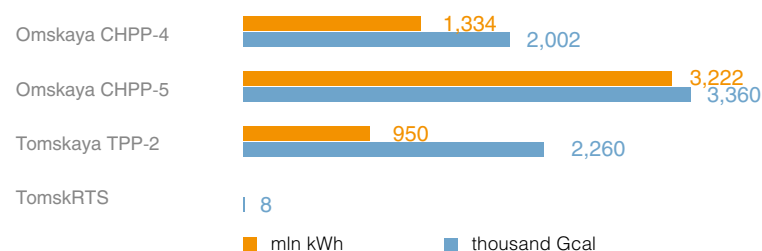
Electricity generation at HPPs, MHPPs, and WPPs of the 1st pricing zone of the WECM in 2019 [EU2]



Electricity generation and thermal power output at gas-fired power plants and boiler houses in the 2nd pricing zone of the WECM in 2019 [EU2]



Electricity generation and thermal power output at coal-fired power plants and boiler houses in the 2nd pricing zone of the WECM in 2019 [EU2]



Financial results of the 'Thermal Power Generation in the Russian Federation' segment

Indicator	'Thermal Power Generation in the Russian Federation' segment			
	2017	2018	2019	2018/2019
Revenue, RUB mln	84,847	90,253	95,965	6.3%
Share in Revenue of Inter RAO Group, %	10%	9%	9%	0 p.p.
Operating expenses, including				
Purchased electricity and capacity, RUB mln	(6,643)	(6,606)	(7,265)	10.0%
Fuel expenses, RUB mln	(40,668)	(41,968)	(44,359)	5.7%
EBITDA, RUB mln	13,889	17,670	19,594	10.9%
EBITDA margin, % ¹	20%	24%	25%	1 p.p.
Share in EBITDA of Inter RAO Group, %	15%	14%	13%	-1 p.p.

¹ EBITDA margin was calculated excluding inter-segment revenue in the 'Thermal Power Generation in the Russian Federation' segment in the amount of RUB 17.592 bln for 2019, RUB 15.388 bln for 2018, and RUB 13.693 bln for 2017.

Revenue in the 'Thermal Power Generation in the Russian Federation' segment grew by RUB 5.712 bln (6.3%) during the reporting period mainly due to increased revenue from sale of electricity and capacity by the BGC Group (RUB 4.805 bln), which resulted from higher electricity generation due to equipment at the Zatonskaya CHPP working at full power in 2019, increased production at the Karmanovskaya TPP, higher prices on the day-ahead market and the sale of capacity at the Zatonskaya CHPP under CDAs. Revenue from the sale of electricity and capacity as a result of the TGC-11 Group's operations grew by RUB 907 bln due to higher prices on the day-ahead market and the CDA of CCGT 90 at CHPP-3 and higher prices at CCA amid decreased production due to changes in network restrictions, namely an increase in the maximum allowable flow of electricity into the power system of the Omsk Region after the full commissioning of the Voskhod substation with capacity of 500 kV. The indexation of tariffs for thermal energy also had an impact on the growth in revenue at JSC OmskRTS (+9.1%).

Expenses on purchased electricity and capacity increased by RUB 659 mln (10.0%), while fuel expenses grew by RUB 2.391 bln (5.7%) due to higher production levels compared with the previous year.

EDITDA in the 'Thermal Power Generation in the Russian Federation' segment grew by RUB 1.924 bln (10.9%) due to equipment at the Zatonskaya CHPP working at full power in 2019, higher prices for electricity sold on the day-ahead market, an increase in average selling prices for thermal power in the Omsk and Tomsk Regions, and also because of rising prices and supply volumes in the CCA and CDA segments for JSC TGC 11.

Facilities under the CDA program

Information about Inter RAO facilities built as part of the CDA program

Plant	Unit	Actual installed capacity under CDA, MW	Total cost of CDA projects, RUB bln including VAT	Actual commissioning date	Period when capacity tariff granted under CDA ¹
Kashirskaya TPP	Unit No. 3	330	11	12/31/2009	01/01/2010–04/30/2019
Tomskaya TPP-2	TG-2	50	1.9	11/30/2009	12/01/2009–12/31/2019
Sochinskaya TPP	Unit No. 3	82.5	4	12/25/2009	01/01/2010–12/31/2019
Omskaya CHPP-3	Turbine Unit PT 60-130, Station No. 11	60	0.1	12/30/2010	01/01/2011–12/31/2016
Omskaya CHPP-3	Turbine Unit PT 60-90, Station No. 9	60	0.2	12/31/2010	01/01/2011–12/31/2017

¹ In accordance with Resolution No. 1172 of the Government of the Russian Federation dated December 27, 2010.

STRATEGIC REPORT

Plant	Unit	Actual installed capacity under CDA, MW	Total cost of CDA projects, RUB bln including VAT	Actual commissioning date	Period when capacity tariff granted under CDA ¹
Ivanovskiye CCGT	Unit No. 2 of Ivanovskiye CCGT	325	11	06/04/2012	07/01/2012–01/01/2022
Kharanorskaya TPP	Unit No. 3	235	11	11/01/2012	12/01/2012–12/31/2021
Urengoyanskaya TPP	Unit No. 1	505.7	24	11/30/2012	12/01/2012–09/30/2022
Tomsk branch of TGC-11	No. 1 GTU 16 (PRK)	14.7	1	12/20/2012	01/01/2013–12/31/2022
Omskaya CHPP-3	CCGT 90 (Unit No. 1)	85.2	6	06/18/2013	07/01/2013–12/31/2022
Gusinoozyorskaya TPP	Unit No. 4	210	8	10/31/2013	11/01/2013–12/31/2021
Omskaya CHPP-3	Turbine, Station No. 12	60	0.2	09/30/2013	10/01/2013–10/31/2017
Dzyubginskaya TPP	Units No. 1 and 2	198	17	10/31/2013	11/01/2013–10/31/2023
Yuzhnouralskaya TPP-2	Unit No. 1	422.1	20	02/14/2014	03/01/2014–12/31/2022
Nizhnevartovskaya TPP	Unit No. 3.1	431	20	03/14/2014	04/01/2014–09/30/2023
Omskaya CHPP-3	Turbine, Station No. 13	60	0.3	11/30/2014	12/01/2014–12/31/2023
Cherepetskaya TPP	Unit No. 8	450	35	12/18/2014	01/01/2015–12/31/2022
Cherepetskaya TPP	Unit No. 9	450	35	03/27/2015	04/01/2015–12/31/2023
Yuzhnouralskaya TPP-2	Unit No. 2	422.4	16	11/21/2014	12/01/2014–12/31/2023
Omskaya CHPP-5	Turbine, Station No. 1	100	0.4	12/21/2014	01/01/2015–12/31/2017
Omskaya CHPP-5	Turbine, Station No. 2	100	0.4	10/23/2015	11/01/2015–12/31/2017
Omskaya CHPP-3	No. 10 (Turbine T-120)	120	3	12/22/2016	01/01/2017–12/31/2025
Verkhnetagilskaya TPP	Unit No. 12	447.2	26	05/31/2017	06/01/2017–11/01/2027
Permskaya TPP	Unit No. 4	903	40	07/31/2017	08/01/2017–06/30/2027
Zatonskaya CHPP	Unit No. 1	440	22	02/27/2018	03/01/2018–12/31/2026
Zatonskaya CHPP	Unit No. 2	440	22	03/12/2018	04/01/2018–12/31/2026
TOTAL		6,111.8	278.5	–	–

¹ In accordance with Resolution No. 1172 of the Government of the Russian Federation dated December 27, 2010.

Repair activities and breakdown susceptibility

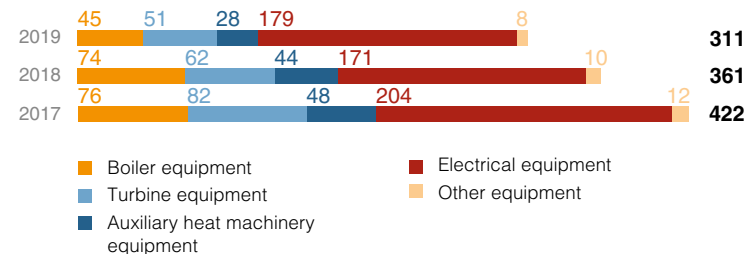
Inter RAO's production asset repair programs for 2019 were compiled taking into account such technical needs for the repair of fixed assets as:

- The technical condition of equipment, buildings, and structures
- The need to ensure the reliable and safe operation of energy facilities
- The availability of cost-effective repair actions

The number of emergency shutdowns at generating facilities decreased by 14% compared with 2018 to 311 cases due to the timely and effective implementation of plans and programs for the repair, reconstruction, and modernization of equipment and technical devices, stricter quality control of work performed by repair organizations during major and routine repairs as well as the prevention of violations of the rules for the repair, maintenance, and commissioning of equipment.

The accidents that occurred at the Group's power facilities in 2019 were investigated. Investigation reports were prepared and subsequently recorded in the Accident Database in the Electric Power Industry automated information system of the System Operator. Corrective and preventive measures were issued for each case involving emergency shutdowns in accordance with established and approved deadlines.

Number of emergency shutdowns at generating facilities



Repair and reconstruction activities in the 'Electric Power Generation in the Russian Federation' segment [EU30]

In 2019, the average operational availability factor¹ for power plants in the 'Electric Power Generation in the Russian Federation' segment was 85.8%. This was down 6 percentage points from 2018 due to repair work at power units of the Kaliningradsкая CHPP-2, Verkhnetagil'skaya and Nizhnevartovskaya TPPs as well as Northwest CHPP. The following are highlights of some of the most important events implemented in 2019:

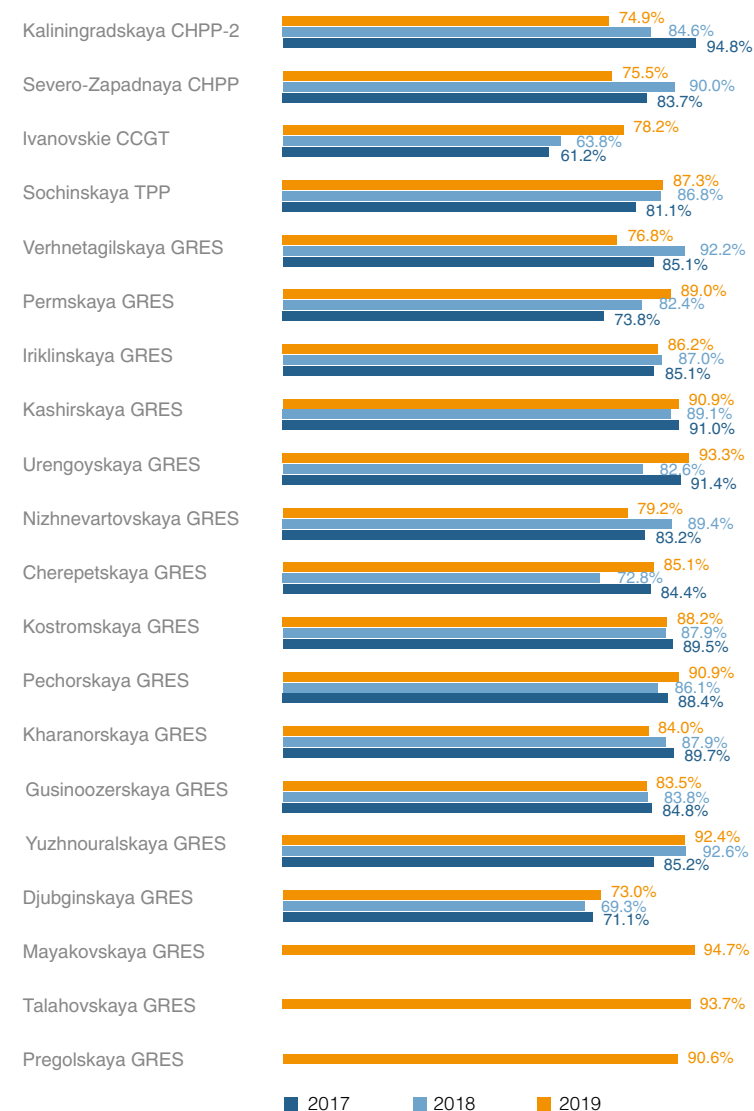
- Overhauls of gas turbines at Power Unit No. 1 (450 MW) of Kaliningradsкая CHPP-2, which was commissioned in 2005
- Modernization of the TVV-230-2UZ generator at Power Unit No. 8 of the Kostromskaya TPP, which was commissioned in 1973
- Retooling of the G-6 generator of Northwest CHPP with the complete replacement of the stator winding and the use of modern insulation with increased thermal conductivity

Effective and accident-free equipment operation

Risk appetite: Inter RAO implements repair and investment programs to prevent accidents.

¹ The factor is calculated as the ratio of a power plant's total number of hours of operation versus the number of hours in the period (as a percentage).

Average operational availability factor of the 'Electric Power Generation' segment [EU30]



Overhauls of gas turbines at Power Unit No. 1 (450 MW)

of the Kaliningradskaya CHPP-2 were carried out in order to extend the fleet life (100,000 equivalent operating hours). The repairs included the replacement of the moving and fixed turbine blades, the bottoms of the fire tubes, mixers, inner casings, all compressor blades, the front hollow shaft, gas distributors, GT-11 burners, middle hollow shafts, couplers and rotor nuts, compressor bearings, end caps of inner casings, and the pipe fittings of the GT-11 and 12 gas distribution systems.

This measure ensured that the GTE-160 gas turbines at Stations No. 11 and 12 of the Kaliningradskaya CHPP-2 branch of JSC Inter RAO – Electric Power Generation can reliably operate up to 200,000 operating hours, i.e. the equipment will operate for a minimum of 13-14 years.

The TVV-230-2UZ generator of Power Unit No. 8 at the Kostromskaya TPP,

which was manufactured by the Electrosila plant in 1972, was modernized due to the technical condition of the generator. The work that was performed increased the generator's capacity from 320 to 350 MW, which eliminates restrictions during the subsequent modernization of power heat mechanical equipment (as part of the capacity modernization program) in order to extend the unit's service life and increase its installed capacity.

The G-6 generator at the Northwest CHPP was retooled

with the complete replacement of the stator winding due to the vibrational spark erosion of the semiconductor coating in the area where the rod exits the socket, which led to the premature aging of the insulation. As part of this work, the stator winding was completely replaced and the type of stator winding insulation was switched from Global VPI to Resin Rich. The retooling of the G-6 generator with the complete replacement of the winding not only left the generator in better condition with an extended service life, but also improved the insulation properties of the winding and the thermal features and also made it possible to conduct operational testing and measurements of the generator in full.

Repair and reconstruction activities in the 'Thermal Power Generation in the Russian Federation' segment [EU30]

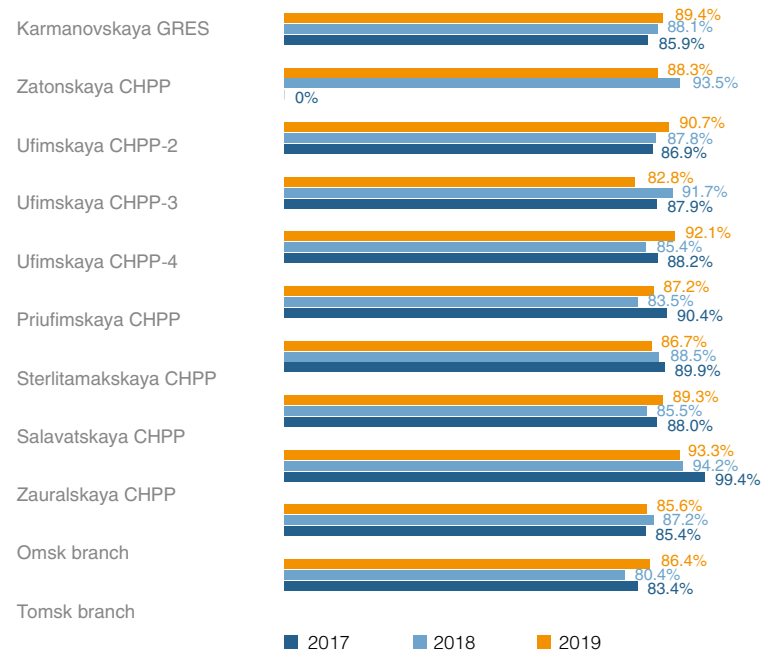
In 2019, the average operational availability factor of the power plants of the Bashkir Generation sub-segment edged up slightly compared with the previous year and amounted to 88.8%, while this indicator for the TGC-11 sub-segment increased by 2.2 percentage points for the year, reaching 86%. Highlights of the work include:

- A 'C' level technical inspection was conducted of the GTU Siemens SGT-800 at Ufimskaya CHPP-2 of LLC BGC and modernization measures were carried out
- Treatment facilities were built at the Omskaya CHPP-5 with capacity of 6,000 m³/day

A 'C' level technical inspection was conducted of the GTU Siemens SGT-800 at Ufimskaya CHPP-2 as part of the timely performance of technical inspections according to the corresponding program developed by the manufacturer under the titles A, B, C, and D since the gas turbine could not operate without technical inspections. The decision was made to modernize the gas turbine in order to achieve the maximum economic effect from its operation, with a shift to longer intervals for the main 'C' and 'B' inspections (from 20,000 equivalent operating hours to 30,000 equivalent operating hours) and the addition of the low-cost 'A' inspection and the abolition of the expensive 'D' inspection. Per the approved plan, the 'C' inspection of the Siemens C SGT-800 inspection was carried out in the fourth quarter of 2019, including a visual inspection, technical monitoring using special control tools, and the replacement of parts having a limited resource with new ones or those that were restored after disassembly.

Wastewater treatment plants at the Omsk CHPP-5 were built to ensure the plant's water consumption and wastewater systems comply with the requirements of existing regulatory acts concerning environmental protection and nature management and reduce any harmful effects on open water bodies in the Omsk Region (Om River).

Average operational availability factor of the 'Thermal Power Generation in the Russian Federation' segment [EU30]



The production level at the treatment facilities of 6,000 m³/day (250 m³/h) was determined taking into account the need to treat water that is discharged into the Om River according to the required standards for fishery reservoirs that form during floods from the adjacent territory of the ash dump according to the flood hydrograph. In terms of construction and installation works, equipment was installed on lines 1, 2, and 3, supports were installed, and engineering systems were installed.

Ensuring reliable quality control of service and repairs

Risk appetite:
Refusal to operate until compliance with technical documentation requirements is confirmed.

Development prospects of the 'Generation in the Russian Federation' business

In the near future, one of Inter RAO's focuses in the 'Generation in the Russian Federation' business will be to implement measures to modernize generating facilities selected as part of the National Program for the Modernization of the Generating Facilities of Thermal Power Plants, which was approved by Resolution No. 43 of the Government of the Russian Federation dated January 25, 2019, with capacity starting to be supplied in 2022–2025, which will improve the reliability of generating assets and production efficiency and also ensure competitiveness on electricity markets and the required level of cash flow on the capacity market.

As regards thermal power output in the combined cycle, it remains crucial to attract new consumers as well as switch to the heat balance method of calculating performance indicators starting in 2020, which will reduce the cost of electricity production and compensate for the increased cost of thermal power in the near future by systematically raising the tariff for coolant.

In an effort to improve its position in the industry, Inter RAO is taking the following measures:

- Implementation of projects to improve the reliability of generating equipment, including the modernization of process control systems and measures to improve the reliability of generators
- Implementation of measures to increase the thermal efficiency of existing equipment that were identified as part of a factor analysis of deviations in actual fuel consumption values from the original nominal values
- Retooling of steam-gas units by replacing and installing gas turbines that differ from the initial design solutions and ensure reliable and cost-effective operation
- Continuation of effective work to optimize the load configuration and profile of generating equipment given the actual price situation on the electricity markets in order to achieve maximum marginal profit values
- Continued optimization of the hours of repair sites without reducing the workload and the postponement of repairs of high-performance equipment from periods when margins are high
- Continued work to minimize fuel costs

Among risk factors, Inter RAO is examining the following aspects that may adversely affect the pace of development:

- The existence of a portion of obsolete and inefficient TPP equipment that has been in service for 50-60 years
- The existence of power plants with low installed capacity that are unable to cover their conditionally fixed costs for CCAs
- An increase in the share of electricity generated by hydropower plants and nuclear power plants
- Forced utilization rate through the cogeneration of equipment with a negative margin
- Restrictions in the maximum growth of thermal power tariffs
- The departure of major consumers and climate warming, which result in decreased heat output
- An increase in non-payments for heat
- A high level of wear on heating network pipelines and a risk of technological disruptions as a result

In order to reduce the impact of the abovementioned negative factors, a number of measures have been proposed for implementation, including:

- Replacement or new construction of generating facilities that run on modern technologies (provided there is a return on these investments)
- Periodically conducting a comprehensive assessment of the feasibility of decommissioning obsolete and inefficient equipment that requires significant investment to maintain its operation and/or modernization, and updating its fleet life
- Conducting cost-effective and technically sound modernization and extending the service life of facilities that are in high demand
- Carrying out work to amend legislation within a working group that is in charge of preparing and promoting the Inter RAO Group's proposals for the regulatory framework governing relations between market entities in the electricity and heat supply sector

FOREIGN ASSETS



Description of business [EU1,2,4]

Country	Asset	Specialization	Installed electric power capacity	Installed thermal power capacity	Electricity generation in 2019, mln kWh	Heat output in 2019, thousand Gcal	Share of generation in country, %
Power plants							
Georgia	JSC Khrami HPP-I	Hydroelectric power plant	113	–			
	JSC Khrami HPP-II	Hydroelectric power plant	114	–	442	–	3.7%
Pridnestrovian Moldavian Republic	CJSC Moldavskaya TPP	Thermal power plant	2,520	166	4,244	102	89.3%
Turkish Republic	Trakya Elektrik Uretim Ve Ticaret A.S. ¹	Thermal power plant	478	–	2	–	negligible
Kazakhstan	Ekibastuzskaya TPP ²	Thermal power plant	1,000	514	4,929	83	
Lithuania	Vydmantai Wind Park UAB ³	Wind farm	30	–	65	–	2.1%
Network assets			Length of networks	Electricity sales in 2019, mln kWh	Market share in country, %		
			5,887 km				
			OL 2,316 km ⁴				
Georgia	JSC Telasi	Distribution Grid	CL 3,571 km ⁵	2,747	20.7%		

JSC Khrami HPP-I and JSC Khrami HPP-II

JSC Khrami HPP-I and JSC Khrami HPP-II form a cascade of hydroelectric power plants on the Khrami River. Annually they produce more than 3% of all electricity produced in Georgia. The total installed capacity of the two hydroelectric power plants is 227.2 MW. The electricity is sold under contracts with JSC Telasi.

JSC Telasi

JSC Telasi is the largest power grid and retail company in Georgia and employs 2,066 people. Its main activities include the purchase and sale of electricity, maintenance and operation of power networks, electricity transit services, maintenance services for subscribers, and the administration of a unified integrated and coordinated system for the supply of electricity and water as well as water treatment in Tbilisi. JSC Telasi purchases electricity (capacity) on the wholesale power (capacity) market and also under direct contracts with electricity producers in order to serve consumers in Tbilisi and nearby villages.

¹ The plant was returned to the Turkish state company EUAS on June 5, 2019 under a Concession Agreement.

² The financial results of JSC Ekibastuzskaya TPP-2 are not included in the Group's financial results due to the reclassification of a 50% stake in JSC Ekibastuzskaya TPP-2 to assets classified as held-for-sale in December 2016. The operating results of JSC Ekibastuzskaya TPP-2 are included in the Group's operating results 100% up to December 2019 inclusive. A transaction to sell the 50% stake in JSC Ekibastuzskaya TPP-2 was completed in the fourth quarter of 2019.

³ A subsidiary of AB INTER RAO Lietuva, which is part of the 'Trading in the Russian Federation and Europe' segment.

⁴ OL – overhead power transmission lines with voltage ranging from 5 volts or less to 110 kV.

⁵ CL – cable power transmission lines ranging from 5 volts or less to 35 kV.

Total length of JSC Telasi power lines, km [EU4]

Length of power lines, including	5,886.9
Overhead power lines (in chains), total	2,316.1
110 kV voltage	249.6
35 kV voltage	88.8
10 kV voltage	112.9
6 kV voltage	196.8
500 volts or less	1,668
Cable power lines, total	3,570.8
35 kV voltage	101.5
10 kV voltage	331.3
6 kV voltage	1,382.7
500 volts or less	1,755.4

CJSC Moldavskaya TPP

CJSC Moldavskaya TPP is one of the largest thermal power plants of this type on the European continent and provides electricity to Transnistria and Moldavia. As a generating unit, the Moldavia TPP is an integral part of the unified energy system of Moldavia and Ukraine. Its open switchgears play a crucial role in the transmission of electricity for Moldovan consumers and potential transmission to EU countries.

Turkey

The Inter RAO Group operated the Trakya Elektrik thermal power plant with installed capacity of 478 MW until June 2019. On June 5, 2019 (upon expiration of the initial period for the management of Trakya Elektrik in accordance with the Concession Agreement dated May 28, 1993 and the Protocol on Amendments to the Concession Agreement dated February 16, 1996), the plant was returned to the Turkish state company EUAS as the authorized organization.

Vydmantai Wind Park UAB

The 30 MW wind farm is one of the largest in the Baltic states. Fifteen E 70 model wind power plants with installed capacity of 2 MW each produce electric power in the wind farm. In 2019, the wind park produced 65.00 GWh of electricity. In 2018, production amounted to 50 GWh. The park was included in the segment of transmission networks of Lithuania's Palanga-Sventoji energy system with capacity of 110 kW.

Results of operating activities [EU4 12, 28, 29]

Georgia

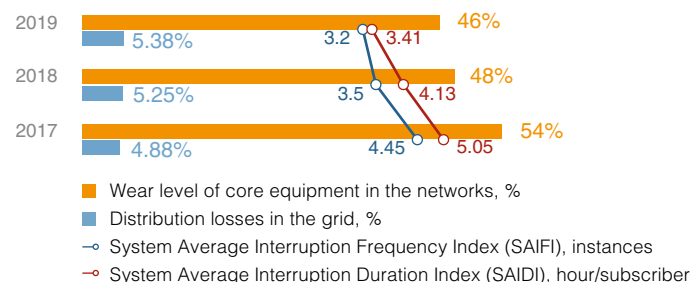
The installed electric power capacity of generating assets remained unchanged in the reporting period at 227.2 MW. Total electricity production decreased by 12.5% in 2019 due to a lower level of inflow water balance.

In 2019, the net supply of purchased electricity by JSC Telasi was 2.6% lower than the previous year's level due to reduced consumption in the commercial sector after a major consumer switched to direct consumption from the Georgian wholesale market on May 1, 2018. Organizational, technical, and repair work helped to keep electricity losses in networks at the level of 5.38%, which is below the standard level; taking into account transit, standard losses amount to 5.85% from September 1, 2018 (5.27% prior to May 1, 2018 and 5.88% from May 1, 2018 to August 31, 2018). The total length of power lines increased by 4.6% to 5,887 km [EU4] due to the construction of lines for new consumers and new cable lines for network protection as well as the reconstruction and modernization of networks.

Reliable funding ensures the success of international projects

Risk appetite: Inter RAO does not implement international projects without state support or confirmed funding sources.

Operating indicators of the JSC Telasi power grid [EU12, 28, 29]



Moldavia

The installed electric power capacity CJSC Moldavskaya TPP remained unchanged in the reporting period. The total amount of electricity generated in 2019 increased by 8.0% compared with the previous year and amounted to 4.244 bln kWh (89.3% of total electricity generation in the country), which can be attributed to an increase in electricity output for export to Moldavia and growing demand for electricity from consumers on the domestic market of the Pridnestrovian Moldavskaya Republic. The installed capacity utilization factor increased by 1.4 percentage points compared with 2018, while the specific fuel consumption for the supply of electricity from busbars remained at virtually the same level as in 2018. The main type of fuel used in 2019 was natural gas, which made up 99.9% in the plant's fuel balance.

Turkey

Trakya Elektrik A.S. generated 2 mln kWh of energy in 2019, which is 99.7% lower than the production volume in 2018. The decrease in generation in the reporting period is due to the electric load dispatch schedule set by the system operator.

Financial results by segment

Indicator	'Foreign Assets' segment			
	2017	2018	2019	2018/2019
Revenue, RUB mln	26,762	26,817	24,011	−10.5%
Share in Revenue of Inter RAO Group, %	3%	3%	2%	−1 p.p.
Operating expenses, including				
Purchased electricity and capacity, RUB mln	−5,448	−6,607	−5,668	−14.2%
Electricity transmission fees, RUB mln	−1,060	−1,779	−1,714	−3.7%
Fuel expenses, RUB mln	−9,929	−6,456	−5,706	−11.6%
EBITDA, RUB mln	6,082	7,491	7,060	−5.8%
EBITDA margin, %	23%	28%	29%	1 p.p.
Share in EBITDA of Inter RAO Group, %	6%	6%	5%	−1 p.p.

Revenue in the 'Foreign Assets' segment decreased by RUB 2.806 bln (–10.5%) in the reporting period. The main reasons for the decline were:

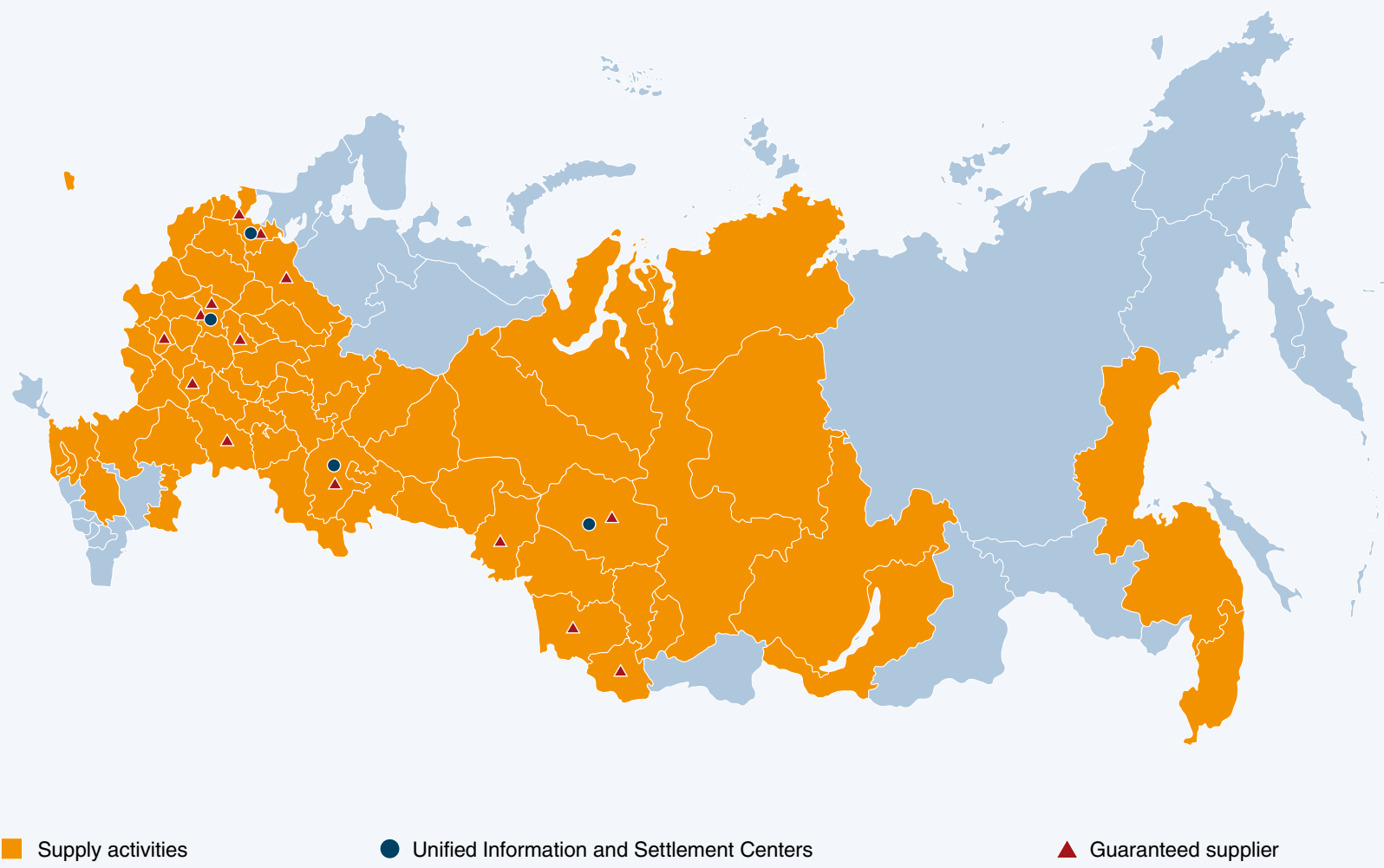
- A decrease in the Georgia sub-segment's revenue by RUB 1.753 mln (–13.9%) due to lower supplies of electricity to the commercial sector, the fact that a major consumer of JSC Telasi switched to direct purchases of electricity on the Georgian wholesale market as well as a lack of sales to external counterparties for JSC Khramhesi HPP-I and JSC Khramhesi HPP-II in 2019
- An increase in the Moldavia sub-segment's revenue by RUB 1.901 bln (22.4%) due to an increase in the total supply of electricity, growth in the supply tariff to Moldavia as well as the effect of the devaluation of the Pridnestrovian ruble versus the US dollar
- A decrease in revenue from the sale of electricity (capacity) in the Turkey sub-segment by RUB 2.954 bln (–51.5%) due to a decrease in paid contracted capacity in 2019 and the number of days paid (155 days in 2019 versus 273 days in 2018) and the electric load dispatch schedule set by the system operator

JSC Telasi's operations are heavily tied to purchased electricity and capacity and transmission fees. The reduction in expenses is due to the decreased volume of purchased energy and the influence of changes in the lari's exchange rate versus the ruble.

Fuel expenses in the Moldavia sub-segment grew by RUB 1.405 bln (32.8%) due to an increase in the fuel component as regards gas as a result of more exports to Moldavia. In 2019, fuel oil was used as a reserve fuel during the repair of gas distribution plants and the commissioning of units. Fuel expenses in the Turkey sub-segment decreased by RUB 2.155 bln (99%) due to a negligible amount of electricity generation.

EDITDA in the segment declined primarily due to a decrease in EBITDA of the Georgia sub-segment by RUB 630 mln. JSC Telasi (at which EBITDA decreased by RUB 481 mln) showed marginal profit fall due to an increase in the weighted average tariff for purchased electricity combined with a reduction in the average tariff for electricity sales and the volume of electricity sales. Generating assets (JSC Khramhesi HPP-I, at which EBITDA decreased by RUB 41 mln, and JSC Khramhesi HPP-II, at which recorded a RUB 108 mln decrease) showed marginal profit decrease due to a decrease in electricity sales resulting from the deterioration of the water balance in 2019 compared with 2018. EBITDA in the Moldavia sub-segment increased by RUB 332 mln (11.8%) primarily due to growth in marginal profit as well as the devaluation of the Pridnestrovian ruble. Reduced revenue factors decreased EBITDA in the Turkey sub-segment by RUB 133 mln (–5.4%).

SUPPLY



Description of business

The 'Supply in the Russian Federation' segment unites companies of the Inter RAO Group whose main business involves the supply (sale) of electric power (capacity). In 2019, the Group's power supply companies had an 18.3% share of the retail electric power market, while the customer base expanded to 16.8 mln customers. A higher level of market penetration, expansion in specialized services, and the enlargement of the product portfolio all combined to have a positive impact on the profit margins of this segment. Inter RAO sees great potential for business diversification in the segment through the development of additional customer services.

The segment is comprised of:

- 10 power supply companies (PSCs) that are guaranteed suppliers (GS) operating within 14 regions of the Russian Federation
- 5 Unified Information and Settlement Centers (UISCs) that provide face-to-face customer service for individuals
- 3 independent (unregulated) power supply companies (IPSCs) that supply electric power to major industrial consumers in 62 regions of the Russian Federation

One of the Group's key focuses is the development of additional paid services, such as the supply of goods and the provision of services related to the supply of electric power to consumers, for example, entering the electrical installation market for legal entities and individuals.

Results of operating activities [EU3]

In 2019, electricity sales by companies in the 'Supply in the Russian Federation' segment exceeded the 2018 level by 3.4% and amounted to 198.456 mln kWh. The following factors had the biggest impact on this increase:

- Electricity sales increased by 4.199 mln kWh due to the launch of operating activities by LLC NSC as a guaranteed supplier in the Vologda Region starting from January 1, 2019
- Electricity sales by the PSK Group grew by 1.827 mln kWh, or 4.9%, due to a 3.9% increase in the customer base, including the conclusion of an electric power supply agreement with a major consumer in the Leningrad Region at the end of December 2018
- LLC Energobytt Volga boosted sales by 943 mln kWh (36.4%) after it started working as a guaranteed supplier in the Vladimir Region starting from April 1, 2018
- Electricity sales by the MES Group remained virtually unchanged versus the previous period
- The companies PJSC Saratovenergo, JSC Altayenergosbyt, JSC Tomskenergosbyt, LLC ERCB, and LLC Oryol Energobytt all saw a cumulative decrease in electricity sales of 952 mln kWh. A decrease in sales by PJSC Saratovenergo (–634 mln kWh, or –9.5%) due to lower consumption among major large consumers as well as the climatic factor had the biggest impact on this change

Unregulated supply companies demonstrated a combined increase in electricity sales of 460 mln kWh primarily because of positive dynamics at LLC RN-Energo resulting from the conclusion of contracts with a number of network organizations as well as the enlistment of new consumers as part of a project to attract and maintain a customer base on the basis of fixed prices and other measures.

STRATEGIC REPORT

	2017	2018	2019	2018/2019
Net supply in Russia, bln kWh	1,059.5	1,076.1	1,075.2	-0.1%
Net supply by segment, mln kWh	184,069	191,908	198,456	+3.4%
Share of the segment's net supply in Russia ¹ , %	17.4%	17.7%	18.3%	0.6 p.p.

The bulk of electricity sales by companies in the segment during the reporting period came from MES Group (44.8%), PSK Group (19.7%), LLC RN-Energo (14.8%), and LLC ERCB (7.0%).

The Group's customer base was expected to grow by 208,000 customers in 2019 compared with 2018, which would have resulted in 15.7 mln

total customers. However, the actual growth was 1.301 mln customers, which pushed the total number up to 16.8 mln customers, including 16.433 mln individuals and 387,000 legal entities. The main factor that influenced the increase in the customer base was that LLC NSC obtained the status of a guaranteed supplier in the Vologda Region starting from January 1, 2019.

Number of customers served [EU3]

	2017	2018	2019	2018/2019,%
Population, housing and utility services, management companies, homeowners associations, housing cooperatives and equivalent organizations	14,342,430	15,212,591	16,488,029	+8.4%
Industry	13,413	13,814	14,875	+7.7%
Transport and communication	325	335	588	+75.5%
Other commercial enterprises	236,850	247,503	268,638	+8.5%
Agriculture	9,219	9,620	10,195	+6.0%
Publicly-funded institutions	34,603	34,932	37,554	+7.5%
Total	14,636,840	15,518,795	16,819,879	+8.4%

¹ Excluding operations on the wholesale market.

Financial results by segment

Indicator	'Supply in the Russian Federation' segment			
	2017	2018	2019	2018/2019
Revenue, RUB mln	580,846	632,368	695,098	9.9%
Share in Revenue of Inter RAO Group, %	67%	66%	67%	1 p.p.
Operating expenses, including				
Purchased electricity and capacity, RUB mln	(340,249)	(368,026)	(412,102)	12.0%
Electricity transmission fees, RUB mln	(201,689)	(218,047)	(233,393)	7.0%
EBITDA, RUB mln	19,086	24,960	25,807	3.4%
EBITDA margin ¹ , %	3%	4%	4%	0 p.p.
Share in EBITDA of Inter RAO Group, %	19%	21%	18%	-3 p.p.

Revenue in the segment increased by RUB 62.730 bln (9.9%) mainly due to increased revenue from electricity sales based on the tariff-and-balance decision approved for 2019, higher electricity sales volumes, including due to the launch of operations as a guaranteed supplier in the Vologda and Vladimir Regions, as well as the servicing of new consumers.

Expenses on purchased electricity and capacity grew by RUB 44.076 bln (12.0%) due to both an increase in purchase volumes (3.1%) and the weighted average price for purchased electricity and capacity (8.7%).

An increase in electricity consumption and transmission tariffs resulted in the cost of electricity transmission services growing by RUB 15.346 bln (7.0%).

EBITDA in the segment grew by RUB 847 mln (3.4%).

Principles of power supply activities

The ideology behind Inter RAO's power supply activities is to improve the quality of customer service through competition in the power supply sector of the electricity business. In this regard, a power supply organization is a representative of customers' interests in the electric power industry (an agent) via the activities of guaranteed suppliers, independent power supply companies, and Unified Information and Settlement Centers, and releases enterprises from the burden of interacting with other energy companies (suppliers and network organizations) and infrastructure organizations (ATS, Market Council, and SO UES).

¹ EBITDA margin was calculated excluding inter-segment revenue in the 'Supply in the Russian Federation' segment in the amount of RUB 1.758 bln for 2019, RUB 1.674 bln for 2018, and RUB 1.533 bln for 2017.

In order to expand the areas of activities of the retail business, the Group is actively developing the following additional services:

- Installation and maintenance of electricity meters and other resources (including automated commercial electricity metering systems)
- Electrical, plumbing, and construction work
- Sales of electrical products
- Preparation of technical documentation and integrated solutions in such areas as energy conservation and energy efficiency
- Provision of consulting services on energy conservation matters
- Generation of a unified/single payment document

The Group's power supply assets and UISCs increased revenue from additional paid services by 4.1% in 2019 compared with 2018 to RUB 5.509 bln. The higher revenue was driven by growth in sales of basic services as well as the development of new businesses. The main additional paid service is the installation and maintenance of electricity metering devices, however its share decreased in 2019 primarily due to the introduction of the new service of a unified payment document at a number of the Group's energy retail companies. Electrical work and expert services also demonstrated growth in 2019.

Development of electronic services

In 2019, the retail business devoted special attention to the development of the range and capacity of interactive customer services, such as IVR (interactive voice response), video consultants, and chat bots, and improving the quality of their work. Effective solutions have also been incorporated into replication projects for all companies in the retail business.

Existing services based on companies' official websites:

- Personal accounts
- Online consultation
- Transfer of meter readings
- Printing of receipts for cash payments
- Face-to-face consultation

The Group's companies are constantly working to develop services for customers to allow consumers to save time and utilize services remotely online. All companies have significantly expanded the capacity and features of the One-Stop Shop service when providing face-to-face services to individuals, individual entrepreneurs, and major customers. The features of retail asset mobile applications for individual and business customers have also been expanded. In addition, retail assets have successfully launched projects to introduce legally significant electronic document workflow with consumers and grid organizations.

Cybersecurity [GRI 418¹]

In order to improve information security mechanisms, projects are being implemented to update the personal data protection system. The Company has designated individuals responsible for ensuring the protection of confidential information. Commissions have been created to determine the level of protection required for personal data when it is processed in the information system used to manage power supplies to residential consumers.

Companies in the Supply segment use a multi-level software and hardware system to protect information. In addition to technical measures, employees regularly monitor security vulnerabilities. Additional information about information security risk management is provided in the Corporate Control section of this Report.

Customer service assessment [GRI 103²]

Inter RAO devotes significant attention to building trusting relationships with its customers. The Company regularly verifies the level of quality of service and organizes training for employees. In an effort to identify customer needs, the Company regularly conducts surveys and research on its own and with the involvement of third-party organizations.

¹ Management Approach: Personal data protection system.

² Management Approach: Quality of customer relations.

A customer satisfaction survey was conducted for the first time in 2019 among individuals at all UISCs and Inter RAO power supply companies using the international methods TLR¹ (a combined assessment of the level of customer engagement and loyalty) and NPS (likelihood to recommend a company), which were adapted to the specifics of the Group's operations. The survey covered a total of 13,900 respondents.

The overall level of engagement and loyalty (TLR) among customers of the Group's power supply companies and UISCs amounted to 59%. This value is consistent overall with the average level of global companies working in the energy and utilities sector (the average TLR in 2018 was 65%).

The Customer Loyalty Index (NPS) of Inter RAO's power supply companies and UISCs was 19%. For global energy and utilities companies, the average NPS was 15% in 2018.

Fulfillment of contractual obligations [EU27]

Inter RAO is working to improve customer payment discipline.

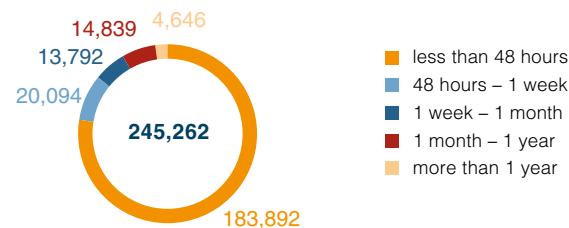
Collections improved in 2019 due to the partial repayment of debts for past periods by housing and utility service companies on the retail market (including the federal publicly funded enterprise Central Housing and Utility Service Office).

In its work with debtors, the Group pays particular attention to effective methods of influence, such as imposing restrictions on power consumption and litigation. Soft collection also increased in 2019, including through telephone calls to consumers and the sending of complaints.

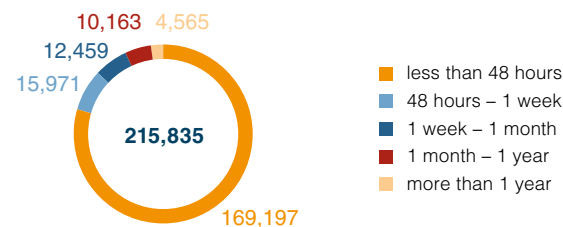
Payment collection for electricity supplied

	2017	2018	2019
Payment collection for electricity supplied in the retail segment	99.2%	98.8%	99.6%

Number of disconnections among residential subscribers for non-payment with a breakdown of the duration of disconnections in 2019 [EU27]²



Number of disconnections among residential subscribers for non-payment with a breakdown of the duration of disconnections in 2018 [EU27]



Each electricity consumer is our customer

Risk appetite:
A reduction in the number of electricity customers is not an option.

¹ The Temkin Loyalty Rating (TLR), now the Temkin Loyalty Index (TLI), developed by the Temkin Group (now Qualtrics XM Institute), to determine the level of loyalty and customer engagement at companies working in various businesses. Using this technique makes it possible to compare the results of the survey with similar companies at the international level.

² There is no accounting conducted for the length of time between debt settlement and a consumer's reconnection.

The number of disconnections increased in 2019 compared with 2018 due to growth in the number of non-paying consumers, which in turn led to an increase in the number of planned measures to partially (fully) restrict (restore) power consumption mode.

Factors affecting the industry's development

The main changes in marketing activities include:

Smart electric power metering systems (SEPMU). Starting from July 1, 2020, responsibility for the installation, replacement, and operation of metering devices will pass from consumers to professional market participants – network organizations and guaranteed suppliers. Starting from January 1, 2022, guaranteed suppliers are required to provide access to the minimum set of SEPMU functions, which will be approved by the Government of the Russian Federation.

Maximum capacity reserve (MCR). A new obligation will be introduced for consumers to pay for electricity transmission services as regards payment for MCR. The obligation to pay for MCR will arise if the volume of MCR in an annual period was more than 40% of the maximum capacity in each consecutive month of the year (provided that the consumer did not redistribute the capacity to other consumers and/or did not sign over the available reserves to a network organization). MCR will be subject to payment taking into account a decreasing coefficient with the prospect of gradual transitioning to full payment for capacity.

'Regulatory Guillotine.' Plans are in the works to repeal obsolete regulatory legal acts of the USSR, the RSFSR, and the Government of the Russian Federation and also abolish regulatory legal acts containing mandatory requirements that are assessed for compliance during state control measures over the activities of companies (including energy sales).

Unified Tariff Law. A Unified Tariff Law is slated to be adopted in matters concerning tariff regulation. The law envisages methods of state regulation of prices (tariffs), requirements for the structure of the required gross revenue (RGR) of regulated entities, and a unified procedure for setting prices (tariffs).

Consumer Debt. There are plans to change the parameters for working with receivables through legislative amendments regarding the collection of commissions and the organization of out-of-court and judicial work for the recovery of overdue debts. Regulatory acts have been adopted restricting the ability to conduct judicial work without providing information on the identification data of debtors in addition to a ban on the transfer (concession) of citizens' debts for electricity to third parties (including collectors). A number of draft laws that restrict the rights of payment agents and bank payment agents, in particular, are under consideration by the state authorities and the expert community concerning the collection of fees from citizens for making payments for housing and utility services as well as a ban on involving third parties in work with citizens' debts (including making phone calls, the introduction of a mode limiting energy consumption, judicial protection, etc.). These changes may adversely affect the 'Sales in the Russian Federation' segment.

TRADING IN THE RUSSIAN FEDERATION AND EUROPE

Description of business

PJSC Inter RAO is the sole participant in export and import operations on the Russian Wholesale Electricity and Capacity Market. The Company also provides electricity supplies abroad from the subsidiary JSC Eastern Energy Company and a third-party company as an agent. The Group's trading companies in the countries of Northern Europe and the Baltic States carry out trading operations for the purchase and sale of electricity on the unified exchange platform Nord Pool and Nasdaq OMX Commodities and on the national exchange PolPx in Poland.

The 'Trading in the Russian Federation and Europe' segment consists of eight companies that trade in electricity and capacity. Electricity is supplied under commercial agreements, including supplies under agreements/contracts on parallel work with foreign energy systems and emergency mutual assistance agreements.

In May 2019, the trading Company LLC Inter RAO Georgia was registered.

Competitive advantage

Several years of experience in conducting foreign economic activities on the markets, a well-established system of interaction with partners, and the optimal structuring of proposals for contracts that take into account the demands of counterparties as much as possible.

State of the segment on the Trading Operations market of the 'Trading' segment in 2019, mln kWh

RAO Nordic Oy

Purchase of electricity from PJSC Inter RAO for its subsequent sale to countries in Northern Europe

INTER RAO Eesti OU

Electricity sales on the Estonian energy market

AB INTER RAO Lietuva

One of the largest independent electricity suppliers in Lithuania and a leading player on the Baltic electricity market

SIA INTER RAO Latvia

An independent electricity supplier on the Latvian energy market

IRL Polska Sp. z o.o.

Carries out electricity trading activities in Poland

Other countries



Total exports

1 461

Total imports

300

PJSC Inter RAO

Electricity export and import operator in the Russian Federation

JSC EEC

Supplies electricity to China and Mongolia and is involved in joint projects that aim to develop Russian electricity exports to China and Mongolia as well as cooperation in the energy sector with other countries in Asia and the Asia-Pacific region



Electricity sales in the segment during the reporting period were 696 mln kWh lower than the 2018 level (2.9%), which can primarily be attributed to a decrease in electricity sales in the Russian Federation (-3.519 bln kWh) due to the lack of commercial supplies from Kazakhstan. At the same time, positive trends were seen in the sale of electricity in Lithuania (+1.112 bln kWh) and other supply lines, including to Kazakhstan and Georgia (+1.924 bln kWh).

The main destinations for Inter RAO's exports across the border of the Russian Federation in 2019 were Finland (36.3% of total exports), Lithuania (32.5%), China (16.0%), and Kazakhstan (7.4%).

The total volume of trade-based export-import operations by Inter RAO amounted to 21 bln kWh.

Trading segment operations, mln kWh¹

	2017	2018	2019	2018/2019, %
Electricity sold, including	25,108	24,195	23,499	-2.9%
Russian Federation	6,230	5,122	1,603	-68.7%
Finland	5,578	7,476	7,291	-2.5%
Lithuania	3,698	5,315	6,428	20.9%
Belarus	2,733	49	31	-37.0%
China	3,319	3,109	3,099	-0.3%
Other countries	3,550	3,123	5,047	61.6%
Electricity export via the Russian border				
Total exports, including:	16,699	16,712	19,338	15.7%
China	3,319	3,109	3,099	-0.3%
Finland	5,040	6,903	7,023	1.7%
Lithuania	3,131	4,415	6,286	42.4%
Belarus	2,733	49	31	-37.0%
Kazakhstan	1,294	1,347	1,437	6.7%
Other countries	1,182	889	1,461	64.4%
Electricity import via the Russian border				
Total imports, including:	6,230	5,122	1,603	-68.7%
Kazakhstan	5,736	4,825	1,243	-74.2%
Georgia	262	97	59	-38.9%
Other countries	232	200	300	49.7%

¹ Data on destinations presented as rounded figures.

Revenue in the segment grew by 4.9% mainly due to the performance of IRL Polska and IRAO Lietuva due to favorable price conditions on the Nord Pool power exchange in Lithuania, growth in exports from Russia, an increase in sales in Poland and Georgia as well as the impact of selling prices in all destinations expressed in ruble terms as a result of growth in the euro in the first half of 2019 compared with 2018.

The 10% growth in electricity purchase costs in the segment was mainly due to increase in the volume of electricity sales in Lithuania, Poland, and Georgia, which was partially offset by a decrease in import purchases by PJSC Inter RAO from Kazakhstan.

The 10% decrease in electricity transmission fees in the segment can be attributed to a decrease in expenses in ruble terms by RAO Nordic Oy due to a reduction in the tariff for electricity transmission and an increase in PJSC Inter RAO's expenses as a result of an increase in electricity exports.

The 9.8% increase in the segment's EBITDA resulted from an increase in margin profit, primarily in Lithuania, Poland, and Georgia due to growth in the volume of electricity sales, an increase in market prices in the Nord Pool market as well as the ruble equivalent of the export electricity sale price due to growth in the euro and the U.S. dollar against the Russian ruble in the first half of 2019 compared with 2018.

Expectations for demand, volume, and price conditions

In 2020, there may be changes in volume, price conditions, and demand trends in certain markets where the Company operates compared with 2019. For example, there has been a significant decrease in prices on the NordPool market in the Finnish and Baltic zones in early 2020, which is mainly due to a decrease in consumption and growth in renewable energy production in the NordPool regions resulting from the influence of weather factors (unusually high temperatures, strong winds, and a large amount of precipitation). In general, prices and demand for 2020 are expected to be at the level of the average annual indicators for the period of 2015–2019. As regards Lithuania's announced closing of the Lithuania-Belarus section

Financial results by segment

Indicator	'Trading in the Russian Federation and Europe' segment			
	2017	2018	2019	2018/2019
Revenue, RUB mln, including	58,618	73,495	77,107	4.9%
Finland	11,134	24,824	21,876	−11.9%
Lithuania	8,818	18,163	20,466	12.7%
China	8,315	8,755	8,736	−0.2%
Russian Federation	13,956	11,898	8,217	−30.9%
Poland	793	1,356	6,841	404.5%
Latvia	861	795	897	12.8%
Belarus	7,557	137	89	−35.0%
Other	7,184	7,567	9,985	32.0%
Share in Revenue of the Inter RAO Group, %	7%	8%	8%	0 p.p.
Purchased electricity and capacity, RUB mln	(44,890)	(48,496)	(53,340)	10.0%
Electricity transmission fees, RUB mln	(5,537)	(7,402)	(6,659)	−10.0%
EBITDA, RUB mln	7,445	16,309	17,915	9.8%
EBITDA margin, % ¹	13%	23%	24%	1 p.p.
Share in EBITDA of Inter RAO Group, %	8%	13%	13%	0 p.p.

for commercial electricity supplies, it is worth noting that after the position stated by the Cabinet of Ministers of the Republic of Latvia on transferring electricity trade with third countries (Russia, Belarus) to the Latvia-Russia border and after the closing of the Lithuania-Belarus border, we plan to maintain the share of electricity exports from Russia to the Baltic region. Given the favorable pricing environment, sales volumes to Georgia may also grow.

¹ EBITDA margin was calculated excluding inter-segment revenue in the 'Trading in the Russian Federation and Europe' segment in the amount of RUB 1.424 bln for 2019, RUB 2.053 bln for 2018, and RUB 2.268 bln for 2017.

ENGINEERING

Description of business

The Engineering segment is primarily responsible for implementing projects to build, modernize, and reconstruct electric power facilities.

LLC Inter RAO – Engineering is the key company in the segment and specializes in the management of energy construction projects in Russia and abroad. It provides a wide range of services for the implementation of energy construction projects, including project management on EPC/EPCM terms, the design of electric power facilities, and the supply of basic and auxiliary equipment.

LLC Inter RAO – Engineering is involved in implementing a program for the construction of new generating capacities in order to ensure the energy security of the Kaliningrad Region. In 2019, the Pregolskaya TPP was commissioned with capacity of 455.2 MW, while the construction of the coal-fired Primorsky TPP with capacity of 196 MW is ongoing.

The company manages projects as part of the of the Inter RAO thermal power plant capacity modernization program.

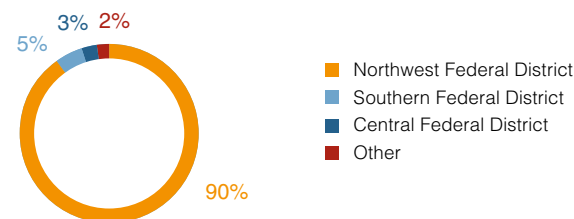
A wind farm with capacity of 98.8 MW is under construction in the Rostov Region. The customer is LLC Third Vetropark FRV, a portfolio company of the Wind Energy Development Fund (a joint investment fund created on a parity basis by PJSC Fortum and JSC RUSNANO).

LLC Inter RAO – Engineering represents the Group's interests in a joint venture with General Electric (GE) called LLC Russian Gas Turbines for the production and maintenance of 6F.03 gas turbine units in Russia.

Results of operating activities

In 2019, LLC Inter RAO – Engineering completed construction on the Pregolskaya TPP and wrapped up a number of foreign projects (in Afghanistan and Bangladesh). The contract for the construction of the Primorskaya TPP in the Kaliningrad Region was the main project in the Group's project portfolio in 2019 (78% of revenue). The company is also implementing a number of projects for third-party customers and is studying the parameters of acting as an agent in projects to modernize the Group's generating assets in 2020–2024.

Location of projects being implemented in Russia in terms of revenue in 2019



LLC Inter RAO – Export did not start work on a large-scale international project to build four 200 MW power units in Cuba in 2019. The company conducted design and survey work and a technical audit of the project cost, and is carrying out procurement procedures to establish the final cost without signing legally binding documents for a number of the main lots. In 2019, projects to supply turbines to Venezuela and the first stage of the Floating TPP project were completed. No final decisions were made on projects in Ecuador during the reporting year.

LLC QUARTZ Group's performance indicators are based on the completion of construction of the Pregolskaya TPP as well as production programs for customers under contracts within the Group and for the Group's external contractors.

All the key projects carried out by Inter RAO's Engineering companies primarily use Russian-made equipment. In particular, the generation facilities in Kaliningrad were built using steam coal-fired boilers manufactured by OJSC Machine-Building Factory of Podolsk, steam turbines manufactured by CJSC Ural Turbine Plant (Yekaterinburg), generators produced by OJSC NPO ELSIB (Novosibirsk), a huge fleet of pumping equipment manufactured by JSC Gidromashservis (Moscow), shut-off and control valves made by LLC SaratovEnergomash (Saratov) and JSC PenTyazhprom (Penza), and lifting equipment by LLC Optim-Kran (Kaliningrad). Russian-made equipment was employed for at least 80% of the construction project in Cuba for four new units with capacity of 200 MW each.

Financial results by segment

Revenue in the segment decreased by 26.3% compared with 2018 and amounted to RUB 22.613 bln. This change relative to 2018 can be attributed to:

- A decrease in revenue at LLC Inter RAO – Engineering from external customers by RUB 5.117 bln for projects involving the construction of generating facilities in Kaliningrad (mainly due to the commissioning of the Pregolskaya TPP)
- A decrease in revenue at PJSC Inter RAO by RUB 3.144 bln due to the sale of equipment for export during the previous year
- A decrease in revenue at LLC Inter RAO – Export by RUB 774 mln due to the various effects of decreased revenue from equipment sales by RUB 1.293 bln and increased revenue from contracts in the Republic of Cuba by RUB 587 mln
- An increase in LLC QUARTZ Group's revenue by RUB 172 mln resulting from work under external contracts

EDITDA in the segment decreased by RUB 776 mln and reached a negative value of RUB -513 mln. This is primarily due to losses incurred by LLC Inter RAO – Engineering for some construction projects and was partially offset by positive trends in the margin profits of LLC Inter RAO – Export associated with the performance of work stages under a contract to implement a project to increase thermal power plant capacity in the Republic of Cuba.

Indicator	'Engineering' segment			
	2017	2018	2019	2018/2019
Revenue, RUB mln	15,100	30,674	22,613	–26.3%
Share in Revenue of Inter RAO Group, %	2%	3%	2%	–1 p.p.
Share in the (loss)/profit of joint ventures, %	(28)	(55)	30	154.5%
EBITDA, RUB mln	(143)	263	(513)	–295.1%
EBITDA margin, % ¹	–1%	1%	–3%	–4 p.p.
Share in EBITDA of Inter RAO Group, %	0	0	0	–

¹ EBITDA margin was calculated excluding inter-segment revenue in the 'Engineering in the Russian Federation' segment in the amount of RUB 4,645 bln for 2019, RUB 3,793 bln for 2018, and RUB 3,356 bln for 2017.

Development prospects

The strategic priorities for the development of the Engineering segment are as follows:

- Improving the quality of services taking into account best international practices in quality management, environmental safety, and occupational safety
- Increasing the supply of products (equipment, work, and services) for the construction of energy facilities, including innovative/energy-efficient products for the Group's enterprises

The main objective of LLC Inter RAO – Engineering in 2020–2021 is to ensure the implementation of all the Group's new construction and modernization projects as well as projects being implemented with the Group's involvement (the construction of generating facilities in the Kaliningrad Region).

The Company has the potential opportunity to enhance the competitiveness of the engineering business and expand its presence on the Russian and foreign markets in the medium term due to several key EPC players leaving the Russian market, the availability of sustainable financial resources, the prospects of the generating capacity modernization program in Russia, its own offerings on the gas turbine market, and its extensive experience in the design and construction of turnkey power facilities.

JOINING THE UN GLOBAL
COMPACT IN 2019
WAS A MAJOR
INITIATIVE IN TERMS
OF SUSTAINABLE
DEVELOPMENT

An abstract architectural illustration featuring a complex arrangement of geometric shapes and lines. Several thick, grey, 3D rectangular beams are positioned at various angles, creating a sense of depth and structure. A large, solid red curved shape, resembling a thick 'C' or a partial cylinder, is prominent in the lower-left. Overlaid on this and other elements are intricate wireframe structures in red and yellow, consisting of many overlapping circles and lines. The background is filled with a dense network of thin, dark blue and grey lines, some straight and some curved, creating a technical or architectural drawing feel. The overall composition is dynamic and layered.

SOCIAL RESPONSIBILITY,
PARTNERSHIP, CONSCIENTIOUSNESS,
INTEGRITY

SUSTAINABLE DEVELOPMENT REPORT

SOCIAL RESPONSIBILITY PRINCIPLES AND ACHIEVEMENT OF SUSTAINABLE DEVELOPMENT GOALS

CORE PRINCIPLES OF SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY [GRI 102-12]

Inter RAO Group carries out its activities in accordance with generally accepted business standards and strives to comply with best international standards in corporate social responsibility and sustainable development.

Social responsibility¹ is one of the key principles of corporate governance at the Inter RAO Group and plays an important role in all stages of preparing and adopting management decisions. This principle aims to satisfy the needs of all stakeholders for the Group's comprehensive economic, social, and environmental development, which should meet the demands of the present and not jeopardize the opportunities and aspirations of future generations.

The Group's corporate social responsibility activities are systematic and result-oriented. The Company not only cares about protecting the environment and providing financial assistance to certain categories of citizens and institutions, but is also building a system in which all activities become as effective as possible.

Inter RAO adheres to the following principles in matters concerning sustainable development:

- Enhancing economic efficiency in the interests of shareholders
- Responsibility for the quality, reliability, and safety of operations
- Taking into account the public's needs when compiling the business development strategy

- Promoting the sustainable functioning of the economy and social sector in the regions where the Company operates
- Promoting the development and dissemination of efficient, eco-friendly, and resource-saving technologies
- Preserving the life, health, labor activities, and professional longevity of employees
- Respect for human rights and non-discrimination in all its manifestations
- Ensuring the work safety of employees
- Enhancing the wellbeing of workers
- Creating conditions for continuous professional growth and enhancing the professional knowledge and skills of employees
- Support for young families
- Care for children of employees and retirees
- Developing the institution of social partnership
- Anti-corruption
- Disseminating sustainable development principles in the business community
- Interaction with internal and external stakeholders for the purpose of maintaining a balance of interests and mutually beneficial cooperation

The Company devotes special attention to ensuring safe production processes. This applies to both the accident-free operation of equipment and environmental standards as well as the safety of personnel. One of the Group's main objectives is to promote the sustainable development of the regions in which its production assets are located, which involves both achieving economic growth and ensuring favorable environmental conditions for daily living.

¹ According to GOST R ISO 26000-2012 "Social responsibility: An organization's responsibility for the impact of its decisions and activities on society and the environment through transparent and ethical behavior, which:

- Contributes to sustainable development, including the health and wellbeing of society
- Takes into account the expectations of stakeholders
- Complies with applicable law and is consistent with international standards of conduct
- Is integrated into the activities of the entire organization and applied in its relationships."

SUSTAINABLE DEVELOPMENT REPORT

In addition, one of the key principles of Inter RAO's corporate policy is that its employees are the Company's most essential asset. In this regard, the Group's companies attach great importance to occupational safety issues and ensuring the maximum protection and safety of employees engaged in production.

Accession to the UN Global Compact

In 2019, Inter RAO joined the United Nations Global Compact, the United Nations' largest international initiative in corporate social responsibility and sustainable development. The UN Global Compact unites businesses that are committed to responsible business practices and maintaining a good reputation on a global scale.

By joining the UN Global Compact, the major diversified energy holding Inter RAO has become part of the corporate responsibility and sustainable development community. This step signifies the Company's desire to integrate global standards of corporate and social responsibility into its sustainable long-term business development.

As a party to the UN Global Compact, Inter RAO has undertaken voluntary commitments to comply with the fundamental principles of the Global Compact in its activities: the Company pledges to update its business model and strategy in favor of long-term sustainability, integrate UN principles in human rights, labor relations, environmental protection, and anti-corruption into its strategy, management system, and corporate culture, and also publish information on the results of its sustainable development activities on an annual basis.

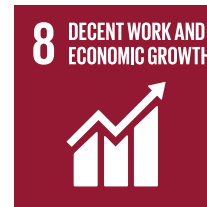
CONTRIBUTION TO ACHIEVING UN SUSTAINABLE DEVELOPMENT GOALS [GRI 102-15]

PJSC Inter RAO is actively involved in finding solutions to current global problems and carries out its activities in accordance with the UN Sustainable Development Goals (SDGs).

The Company is committed to all 17 SDGs and has identified four priority SDGs which will contribute to implementing its core business if achieved. The strategic priority goals were determined taking into account the nature of the Company's operations, the regions where it has a presence, the scale of its activities, and also taking into account its ability to effectively contribute to building a society that meets the needs of the present and does not jeopardize the ability of future generations to satisfy their needs.

The Company's strategic priority goals include:

**AFFORDABLE
AND CLEAN ENERGY**



**DECENT WORK
AND ECONOMIC
GROWTH**



**INDUSTRY, INNOVATION,
AND INFRASTRUCTURE**



CLIMATE ACTION

Goals and programs for achieving SDGs

Projects and measures implemented in 2019

**SDG No. 7. Ensure access to affordable, reliable, sustainable and modern energy for all**

Inter RAO Group is a diversified energy holding that manages electric power assets in Russia as well as in Europe and the CIS. The Company provides the population in the regions where it operates with a reliable and affordable source of energy.

Access to affordable, reliable, and modern energy

The goal of providing access to affordable, reliable, and modern power supplies is part of the Company's mission along with promoting sustainable economic development and improving people's quality of life. Given the planet's ever-growing population and, consequently, the ever-growing demand for electricity, Inter RAO is committed to becoming a leader in providing organizations and households with affordable and reliable energy.

Inter RAO's participation in 2019 in the competitive selection of a program to modernize generating facilities, which will be implemented in Russia in 2022-2025, will significantly increase the efficiency and reliability of thermal power plants with installed capacity of 6.7 GW and ensure the stability of heat supply to consumers for many years to come.

Use of renewable energy sources

The Company is already working to develop the use of renewable energy sources (RES) in electricity production and is also committed to further increasing the capacity of renewable energy sources.

Inter RAO operates the largest wind farm in the Baltic states, Vydmantai, with installed capacity of 30 MW, which helps the Company build unique expertise in the management and development of wind-based renewable energy.

In Georgia, Inter RAO operates Khrami HPP-I (113 MW) and Khrami HPP-II (114 MW).

LLC BGC (Bashkortostan) uses RES to produce energy for internal needs and sale to third-party consumers.

- > Hydroelectric power plants (Pavlovskaya HPP with 166.4 MW and Yumaguzinskaya HPP with 45 MW)
- > Small and micro hydroelectric power plants (Mechetlinskaya and Slaskaya MHPPs with 0.55 MW and the Avzyanskaya, Uzyanskaya, and Kaginskaya micro HPPs with 0.2 MW)
- > Wind power plant (Tyupkildy WPP with 1.65 MW)

In the Rostov Region, LLC Inter RAO – Engineering is building a wind farm with capacity of 98.8 MW. The customer is a company that was established on a parity basis by PJSC Fortum and JSC RUSNANO.

Increased energy efficiency

The Company is implementing a large-scale Energy Conservation and Energy Efficiency Improvement Program for the Russian generating assets of the Inter RAO Group. The Company plans to consistently reduce specific fuel consumption at generating facilities.

In 2019, specific fuel consumption used to generate electricity for Inter RAO's Russian assets amounted to 295 g of fuel equivalent/kWh, or 2 g of fuel equivalent/kWh less than in 2018, due to an increase in the share of the load borne by more efficient equipment, a higher proportion of co-generation as well as the implementation of measures to improve energy efficiency.

Goals and programs for achieving SDGs

Projects and measures implemented in 2019

**SDG No. 8. Promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all**

The Company recognizes its important role in creating safe jobs and ensuring inclusive economic growth.

Economic growth and increased productivity in the economy

The Company continuously improves its economic and production efficiency and also makes a significant contribution to GRP growth in the regions where it operates. In an effort to boost productivity and the efficient use of resources, Inter RAO devotes much attention to modernizing its business units and introducing innovations, thereby optimizing the capacity of its power plants. The main objectives of the Inter RAO strategy are sustainable economic growth and increased operational efficiency.

In 2019, the Inter RAO Group had capital expenditures of RUB 24.5 bln (according to the Group's consolidated statement of cash flows). In 2019, the Group's IFRS revenue grew by 7.2%, EBITDA increased by 16.7%, and the EBITDA margin topped 13%.

Full and productive employment and decent work for all women and men as well as equal pay for work of equal value

The Company makes a significant contribution to providing the regions with decent jobs, including for people with average incomes.

Inter RAO is a major regional employer. The Group's average headcount is 48,500 people¹. Measures to increase labor productivity enable Inter RAO to pay entry-level workers salaries that usually exceed the minimum wage by about 2.3 times on average depending on the region of operation.

In 2019, Inter RAO commenced the process of drafting a corporate policy on HR management, a policy to diversify staff, a human rights policy, a policy for interaction with local communities, and a code of conduct for suppliers. These activities help ensure equal rights for all employees regardless of gender, age, and physical ability and prevent forced and child labor, slavery, and human trafficking.

Creating decent and safe jobs

Inter RAO recognizes its important role in creating safe jobs.

One of the Company's top priorities enshrined in the KPI of management is to reduce the rate of occupational injuries and ensure decent working conditions for the Group's employees.

Inter RAO met its KPI 'Injury Frequency Ratio' for 2019 with a rate of 0.1031, which is 61% lower than in 2018.

In 2019, all employees of the Inter RAO Group, with its average headcount of 48,500 people, were covered by the occupational health and safety system, which provides for an internal audit of the occupational safety system.

In 2019, 45% of the Group's staff (21,7000 people) underwent free occupational safety training and a test of their knowledge of occupational safety requirements. All the Group's employees underwent initial training on occupational safety.

Youth engagement

Inter RAO devotes much attention to supporting young staff, including cooperation with universities, providing training for young professionals and attracting qualified personnel. The main goals of having young people as an asset are to promote the professional growth and development of young professionals, involve employees in sports, maintain a healthy lifestyle, create an active lifestyle among the young generation, and solve social, economic, and cultural issues in the interests of the energy industry.

Inter RAO management is interested in attracting young specialists and thus pays significant attention to the advanced training and professional development of young workers and the development of production initiatives. The Group's enterprises have a mentoring system and special adaptation programs.

A total of 2,405 employees under the age of 30 were hired in 2019.

¹ Average staff numbers taking into account jointly controlled companies (including JSC Ekibastuzskaya TPP-2).

Goals and programs for achieving SDGs

Projects and measures implemented in 2019

**SDG No. 9. Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation**

Inter RAO's activities, specifically providing the public with affordable and stable electricity supplies, would not be possible without sustainable infrastructure and the introduction of the latest technological solutions.

Development of infrastructure

Given the specifics of its activities, the Company's primary goal in this regard is to develop energy infrastructure. Inter RAO collaborates with various stakeholders to implement energy conservation and energy efficiency projects for enterprises, publicly funded institutions, and housing and utility services.

Inter RAO has concluded cooperation agreements on the development of energy infrastructure with the governments of the Kaliningrad, Yaroslavl, Sverdlovsk, and Tomsk Regions as well as the Altai and Khabarovsk Territories in the Russian Federation.

In 2019, the length of power lines in Georgia increased by 250 km as a result of the construction of lines for new consumers in Tbilisi and new cable lines for network redundancy.

Representatives of Inter RAO also took part in working groups to increase the availability of energy infrastructure in the regions by organizing and conducting practical classes on the basics of energy conservation for students at schools and universities as well as employees of enterprises.

Through innovation and the use of the latest technology, the Inter RAO Group strives to achieve scientific and technological leadership in the industry by implementing an R&D program that aims to develop and introduce innovative solutions and advanced technologies. Achieving the integral innovation indicator is one of the priority KPIs of Inter RAO management.

In 2019, Inter RAO managed to exceed its intellectual deliverables indicator by registering 10 patents for inventions and 6 patents for a utility model, having received 15 certificates for the state registration of computer programs.

The indicator for the share of capacity of new advanced technologies in the Group's total TPP capacity increased by 9% compared with 2018 to 21.3%.

**SDG No. 13. Take urgent action to combat climate change and its impacts**

Inter RAO recognizes the seriousness of the problem of climate change, its consequences, and is ready to take serious measures to reduce its impact on the climate. Inter RAO plans to develop measures to prevent, adapt, and mitigate the impact of the climate crisis in order to promote international efforts to combat global climate hazards and natural disasters.

Greenhouse gas emission reduction

As an energy company, Inter RAO recognizes its responsibility to combat climate change.

Risks associated with climate change are one of the top priorities for the Inter RAO Group when preparing its plans and development strategies.

Reducing specific CO₂ costs through the commissioning of new highly efficient equipment and the decommissioning of obsolete equipment is one of the KPIs of Inter RAO's Innovative Development Program.

The Company plans to further develop the practice of accounting for direct and indirect greenhouse gas emissions in order to obtain reliable and timely data on its climate impact.

Inter RAO's Energy Conservation and Energy Efficiency Improvement Program also aims to limit greenhouse gas emissions by improving fuel efficiency and reducing nitric oxide emissions.

Thanks to a wide range of measures taken, Inter RAO reduced direct greenhouse gas emissions by 15.3% and 2.9% compared with the 2014 level (adopted as the baseline) and the 2018 level, respectively. The Group's gross greenhouse gas emissions amounted to 78.9 mln tons in 2019.

Specific greenhouse gas emissions amounted to 446 g of CO₂/kWh in 2019, down by 0.67% compared with 2018.

The Group verified information on direct greenhouse gas emissions contained in the annual report for 2018 for the first time in 2019 and plans to do this annually.

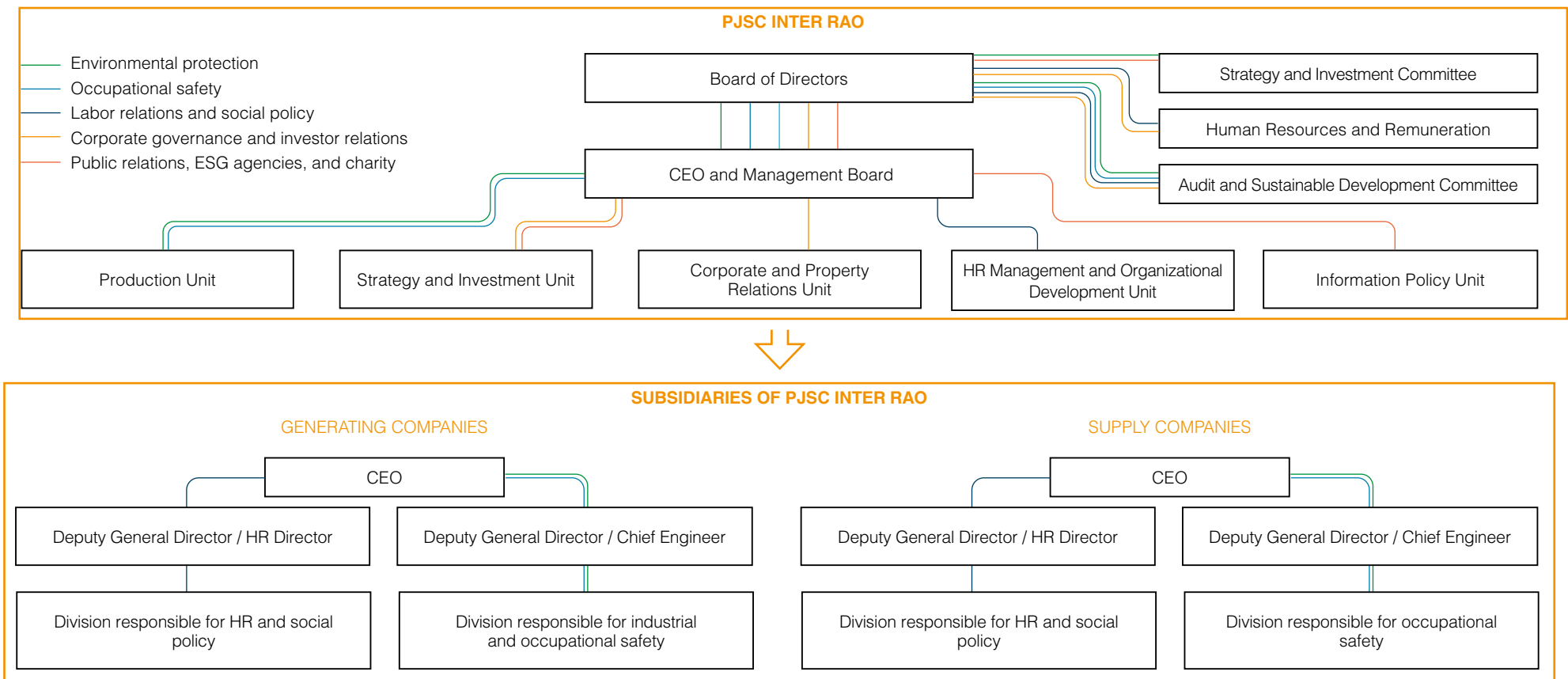
Transition to less carbon-intensive energy sources

In 2019, Inter RAO sold a 50% stake in Ekibastuzskaya TPP2 (1 GW), which primarily runs on coal. Selling a key coal consumption asset will not only change the balance of fuel consumed by the Company, but will also help to concentrate on upgrading equipment on the Russian market and introduce less carbon-intensive technical and technological solutions.

SUSTAINABLE DEVELOPMENT MANAGEMENT SYSTEM [GRI 102-19, 102-20]

The Group's companies manage sustainable development within the framework of the existing organizational units of PJSC Inter RAO and the companies of the Inter RAO Group. The Strategy and Investment Unit coordinates the process related to ensuring the Group's sustainable development and organizes a comprehensive system to manage sustainable development throughout the Group.

At Inter RAO, responsibility for certain aspects of sustainable development is governed by in-house regulations and policies that are mostly approved by the PJSC Inter RAO Board of Directors or Management Board. Policies, codes, and declarations generally establish the basic principles, goals, objectives, and key activities related to sustainable development issues. These regulations govern the distribution and delegation of authority for the implementation of policies. In addition to setting goals and objectives, the programs also contain more detailed measures that specify the amount of funding for each of them.



Key corporate documents of PJSC Inter RAO in 2019

Strategies, Policies, Codes, and Declarations

Regulations and programs

Strategy and sustainable development

The Group's Long-Term Development Strategy for the Period until 2025 with a View to 2030

Business Strategy for Electricity Generation and Reliability and Safety Management

Strategic priorities for 2019

Guidelines for Assessing the Degree of Fulfillment of the Inter RAO Group's Strategy Implementation Plan

Environmental protection

Declaration of environmental responsibility

Targeted Environmental Program

Regulation on the Management System for the Occupational, Industrial, Fire, and Environmental Safety of Production Activities of the Inter RAO Group

Innovative Development Program

Energy Conservation and Energy Efficiency Improvement Program

Occupational safety

Inter RAO Technical Policy

Regulation on the Management System for the Occupational, Industrial, Fire, and Environmental Safety of Production Activities of the Inter RAO Group

Work and Workers' Life Safety Program

Workers' Health and Active Life Program

Occupational Safety Policy

Charity

Regulation on Charity and Sponsorship

Network social projects

Charity projects

Corporate volunteering projects

Ethics, anti-corruption, and compliance

Code of Ethics

Anti-Fraud and Anti-Corruption Policy

Compliance Policy

Antimonopoly Compliance Policy

Internal Audit Policy

Risk Management and Internal Control Policy

External Auditor Engagement Policy

Regulation on Insider Information

Regulation on Insurance Coverage

Regulation on the Internal Audit Unit

Strategies, Policies, Codes, and Declarations

Regulations and programs

Corporate governance

Organizational Development Policy
Information Policy Regulation
Dividend Policy Regulation (with amendments)

Regulation on the Provision of Information to Shareholders
Regulation on the General Meeting of Shareholders
Regulation on the Board of Directors
Regulation on the Management Board
Regulation on the Audit Commission
Regulation on the Payment of Remuneration and Compensation to Members of the Board of Directors
Regulation on the Nomination and Remuneration Committee of the Board of Directors
Regulation on the Corporate Secretary
Regulation on the Audit and Sustainable Development Committee of the Board of Directors
Regulation on the Procedure for Considering Significant Corporate Actions
Regulation on the Assessment of the Activities of the Board of Directors
Main approaches to hiring an independent appraiser when PJSC Inter RAO concludes major related-party transactions

In 2020, the Company plans to amend the Code of Corporate Ethics and also finish drafting and approve the following internal regulatory documents concerning sustainable development, which envisage or include the Company's obligations in such areas as:

- Human rights
- Staff diversification and management
- Local community engagement
- Social responsibility of suppliers

SUSTAINABLE DEVELOPMENT RATINGS

As a result of close cooperation with international rating agencies, a set of measures is being implemented to introduce global standards in the Group's activities in an effort to improve sustainable development indicators. In 2019, the Company saw a significant increase in its sustainability ratings from such ESG agencies as Sustainalytics, RobecoSAM and CDP, and also maintained the highest rating among Russian A-rated companies according to MSCI ESG.

STAKEHOLDER ENGAGEMENT

MAP OF STAKEHOLDERS AND CORE PRINCIPLES AND THEMES OF ENGAGEMENT [GRI 102-40, 102-42, 102-43]

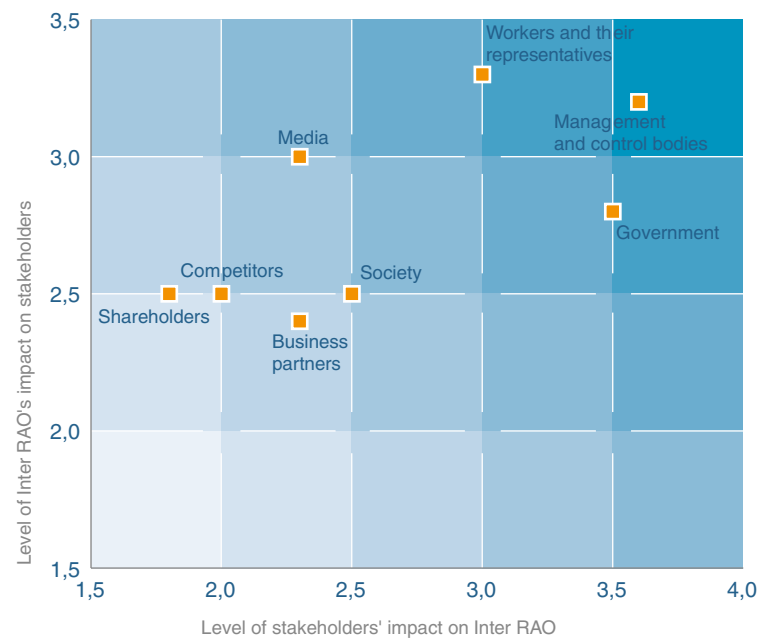
Inter RAO strives to maintain an ongoing dialogue with stakeholders. The concept of 'stakeholders' encompasses organizations, communities, and individuals that form a system of expectations and, consequently, affect decisions by the Company's management and, in turn, are influenced by these decisions.¹

Inter RAO recognizes its high level of responsibility to all stakeholders. This is why the Inter RAO business management concept focuses on meeting the expectations of all stakeholders for the Company's comprehensive sustainable economic, social, and environmental development that meets the needs of the present and does not jeopardize the opportunities and aspirations of future generations. [GRI 102-43]

All concerned parties are divided into internal and external stakeholders. During the preparation of the Annual Report for 2019, a ranking map of Inter RAO stakeholders was compiled for the first time based on a survey of 34 representatives of external stakeholders. The ranking map of stakeholders took into account both the economic, social, and environmental impact of Inter RAO's activities on various categories of stakeholders as well as the reverse impact of stakeholders on the Company's activities. [GRI 102-42] The survey results showed that three groups of stakeholders have the highest level of mutual influence:

- Management and control bodies
- The government
- Workers and their representatives

Map of Inter RAO's stakeholders [GRI 102-40]



The Company actively interacts with all representatives of stakeholders and uses such forms of interaction as briefings and meetings of working bodies, seminars and thematic conferences, one-on-one meetings, press conferences, official correspondence, telephone conversations, the organization of joint actions as well as surveys and perception research.

¹ In accordance with clause 2.6 of the Code of Corporate Ethics of Public Joint-Stock Company Inter RAO UES, which was approved by a resolution of the Board of Directors dated November 30, 2018 (Minutes No. 235 dated December 3, 2018).

PRIMARY FORMS, CHANNELS, PRINCIPLES, AND THEMES OF ENGAGEMENT WITH STAKEHOLDERS [GRI 102-43, 102-44]

Stakeholders	Forms and frequency of engagement	Main communication channels	Principles of engagement with a group of stakeholders	Main themes of engagement in 2019
Internal stakeholders				
Workers and their representatives	<ul style="list-style-type: none"> > More than 268 meetings of occupational safety committees > Meetings of workers' associations > Joint communications with company employees and the review of employees' requests and proposals from primary trade union organizations > Study of staff satisfaction > Staff award ceremonies at which 5,259 employees were awarded 	<ul style="list-style-type: none"> > Management's address to employees, including through corporate media and video messages > Emailing > Corporate publications > Internet portal > Review of internal regulations 	<ul style="list-style-type: none"> > Relations at Inter RAO are built on the basis of mutual responsibility, respect for the individual, and a focus on results, and aim to promptly and successfully solve problems and build constructive relationships in the workforce > The Company builds relations with employees based on the principles of long-term cooperation, mutual respect, and the strict fulfillment of mutual obligations > The Company respects the rights of workers established by law and respects personal freedom and human dignity > The Company does not allow any manifestations of discrimination against employees on political, religious, national, or other similar grounds in the workplace and provides each employee with equal opportunities to develop an effective professional career 	<ul style="list-style-type: none"> > Conclusion of collective bargaining agreements and industry agreements between representatives of employers and workers > Holding cultural and sports events
Management and control bodies	<ul style="list-style-type: none"> > 68 meetings of the Board of Directors and its committees > 59 meetings of the Management Board 	<ul style="list-style-type: none"> > Management and financial reporting > Ongoing interaction as part of business processes 	<ul style="list-style-type: none"> > Members of the Company's Board of Directors, Management Board, and Revision Commission are required to conscientiously, responsibly, and reasonably fulfill their duties in the interests of Inter RAO, while demonstrating loyalty. This means that these individuals must exercise their powers in the interests of Inter RAO and its shareholders as a whole, and must not allow their personal interests to prevail over the Company's interests. 	<ul style="list-style-type: none"> > Quality of corporate governance and the activities of the Board of Directors > The Company's Development Strategy as part of the Board of Directors > Assessment of the work of management and the Board of Directors > Risk management and risk appetite > Sustainable development issues

Stakeholders	Forms and frequency of engagement	Main communication channels	Principles of engagement with a group of stakeholders	Main themes of engagement in 2019
External stakeholders				
Shareholders and the investment community	<ul style="list-style-type: none"> › Meetings and presentations › Investor Days and Analyst Days › Meetings with investors at road shows and conferences › Conference calls and video calls › Webcasts › Visits to enterprises › Official correspondence and telephone conversations › General Meeting of Shareholders and meetings with minority shareholders 	<ul style="list-style-type: none"> › Specialized events (telephone conferences, meetings, and Investor Days) › Specialized materials for the investment community (Analyst's Handbook, etc.) › Disclosure of information per the legislation of the Russian Federation › Voluntary disclosure of additional information › PJSC Inter RAO hotline for shareholders › Call center of the Company's Registrar › Publications in the news agency LLC Interfax – CIDC › Corporate publications › Websites of the Group's companies 	<ul style="list-style-type: none"> › PJSC Inter RAO assures its shareholders that is strictly observes all rights envisaged by law as well as those arising from obligations in connection with the circulation of securities on stock exchanges › The Company is attentive to the information and other requests of its shareholders › The Company is committed to corporate governance and applying the experience of best international practices › The Company refrains from actions that could mislead shareholders or investors › The Company ensures the timely, full, and reliable disclosure of information as envisaged by law, the requirements of securities market regulators, and the Listing Rules of stock exchanges on which PJSC Inter RAO securities are traded 	<ul style="list-style-type: none"> › Level of dividend payments › Targets for the use of idle funds › Use of the treasury block of shares › Results of the modernization program › Financial and operational results of Inter RAO and the forecast for financial indicators › Enhancing ESG standards › Approval of incentive strategies and programs › Sustainable development of the Inter RAO Group › Amount of capital expenditures › Potential M&A deals › Regulation of electricity and capacity markets
Government (including government authorities in other countries of operation)	<ul style="list-style-type: none"> › Measures to draft regulations and strategies for the development of the energy industry as part of working groups, collegiums, and committees › Meetings of intergovernmental commissions › Response to requests from the public authorities › Conducting four selections for modernization › Meetings of specialized associations 	<ul style="list-style-type: none"> › Provision of financial, statistical, and environmental reporting to the regulatory authorities › Publication of reports on the Company's activities 	<ul style="list-style-type: none"> › Inter RAO recognizes the high degree of corporate social responsibility to the government and the public › Engaging in activities both in Russia and abroad, Inter RAO adheres to the principle of strictly observing the norms of Russian and international law as well as the legislative requirements of foreign states in which Inter RAO operates › The Company precludes 'unofficial' communication with representatives of the government authorities in its work › The Company avoids any actions that could be construed as patronage or other measures that provide benefits or preferences to an individual organization or its employees 	<ul style="list-style-type: none"> › Regulation of electricity and capacity markets › Putting forward legislative initiatives concerning modernization › Revision of water rates › Settlement of the debts of consumers in the North Caucasus › Implementation of the agency-wide project 'Digital Energy'

SUSTAINABLE DEVELOPMENT REPORT

Stakeholders	Forms and frequency of engagement	Main communication channels	Principles of engagement with a group of stakeholders	Main themes of engagement in 2019
Society (including consumers)	<ul style="list-style-type: none"> › More than 300 charity events and socioeconomic development projects in the regions › Public hearings held on three occasions › Environmental volunteer activities 	<ul style="list-style-type: none"> › Social media websites and pages of the Group's companies › Customer hotlines › The Group's public reporting 	<ul style="list-style-type: none"> › The Company is aware of its high degree of corporate social responsibility to the government and the public › Inter RAO recognizes its responsibility for environmental protection, the efficient use of natural resources, and the minimization of and compensation for its impact 	<ul style="list-style-type: none"> › Implementation of the SDG agenda › Risks associated with climate change › Environmental issues and creating conditions for improving people's quality of life › Advanced training of athletes and the promotion of sports culture and a healthy lifestyle for young people › Assistance to children with disabilities › Assistance to orphans and children › Assistance to veterans of World War II, blockades, labor front workers, and concentration camp prisoners
Business partners and the industry community	<ul style="list-style-type: none"> › Meetings of the Advisory Body on Procurement Efficiency of the Inter RAO Group › Participation in more than 30 training seminars/roundtables for suppliers on issues concerning the involvement of SMEs › One Supplier Day and one Presentation Day for suppliers were organized › Participation in more than 5 thematic industry conferences › 9 agreements were concluded with the regions of the Russian Federation to provide support measures to SMEs and to facilitate import substitution › Meetings of specialized associations 	<ul style="list-style-type: none"> › Posting information about the Company's activities on the corporate website and specialized procurement websites › Publication of the industry magazine Energy Without Borders › Mass media 	<ul style="list-style-type: none"> › The key principles of interaction between PJSC Inter RAO and its counterparties are: › Conscientious fulfillment of contractual obligations › Settlement of disputes through negotiations in order to find compromises acceptable to all parties involved in a legal relationship › Refusal to use informal relations with counterparties in order to obtain personal benefits to the detriment of the Company's interests › Respect for information owned by business partners and also maintaining the trade secrets of such partners 	<ul style="list-style-type: none"> › Supply of equipment and services › Implementation of measures to provide support measures to SMEs › Import substitution of equipment and technologies in the energy sector › Improving the efficiency of procurement activities

Stakeholders	Forms and frequency of engagement	Main communication channels	Principles of engagement with a group of stakeholders	Main themes of engagement in 2019
Competitors	Meetings of the Market Council to establish rules for the wholesale and retail electricity and capacity markets	Public reporting by the Group Official websites of the Group's companies	The Company respects all players in its professional environment, including competitors, and complies with the principles of open, fair, and conscientious competition in any jurisdiction in which the Company operates Inter RAO does not tolerate actions (inaction) that could potentially lead to a violation of competition laws, including unfair competition, the restriction of competition, or the abuse of a dominant position on the market through discreditation, manipulative deception, incorrect comparisons, the illegal use of exclusive rights to means of individualization or intellectual property, creating confusion, illegally obtaining, using, or disclosing information that constitutes a commercial or other secret protected by law, or concerted actions	Industry-wide interaction and interaction within professional associations Completion of settlements under a purchase and sales contract for a block of shares in PJSC Inter RAO in favor of the Inter RAO Group
Customers and consumers	Meetings with the Consumer Council on the development of the wholesale and retail electric and thermal power markets Conducting customer satisfaction surveys	Online consultations on the websites of supply companies Confidential hotline Mobile service centers Virtual reception office Contact center Personal accounts of consumers	Inter RAO recognizes its responsibility to maintain energy security and to meet the growing demand for electric and thermal power	Activities that contribute to improving energy efficiency Development of paid services: installation of electricity meters, electrical work, and the wholesale and retail sale of electrical goods Introduction of unified billing for legal entities of Inter RAO supply companies
Media	Press conferences Press tours and blog tours Press lunches and breakfasts	The Group's website Corporate media Mass media Blogosphere	The principle of regular, consist, and efficient information disclosure by the Company means ensuring the continuity of the information disclosure process, the shortest possible time for information disclosure as well as synchronous and equivalent information disclosure The principle of accessibility to information that has been disclosed by using a variety of information disclosure channels and methods. The principle of the reliability, completeness, and comparability of information	New strategy Financial and operating results M&A transactions Modernization program Reduction in receivables

MATERIAL TOPICS OF THE REPORT AND KEY CONCERNS OF STAKEHOLDERS [GRI 101, 102-46, 102-47, 102-49]

In order to ensure that the Annual Report complies with the principles of international GRI standards and integrated reporting standard, a procedure was conducted to identify material topics based on the following fundamental principles [GRI 101]:

- **Stakeholder engagement** – identifying Inter RAO stakeholders and meeting their reasonable expectations and interests regarding the content of the Annual Report
- **Sustainable development context** – Inter RAO's performance results should be material topics in the broad context of sustainable development
- **Materiality** – the themes that are identified should reflect the significant economic, environmental, and social impact of the Inter RAO Group and/or have a significant impact on the assessments and decisions of stakeholders
- **Completeness** – the coverage of significant topics and indicators as well as the boundaries of reporting should be sufficient to reflect their significant impact on the economy, the environment, and society and provide stakeholders with an opportunity to evaluate Inter RAO's performance results for the reporting period

In 2019, the Company employed a step-by-step methodology for the first time to identify material topics, which includes the following steps:

- **Preparation of a basic list of material topics by** the working group in charge of preparing the Annual Report that was compiled based on the list of themes of GRI standards as well as an analysis of frequently asked questions when dealing with stakeholders
- **Assessment of the materiality of topics by** stakeholder representatives via questionnaires on such criteria as Inter RAO's level of impact on a particular sustainable development theme as well as the level of materiality of the theme (problem) for society, the regions where the Company operates, and the environment
-

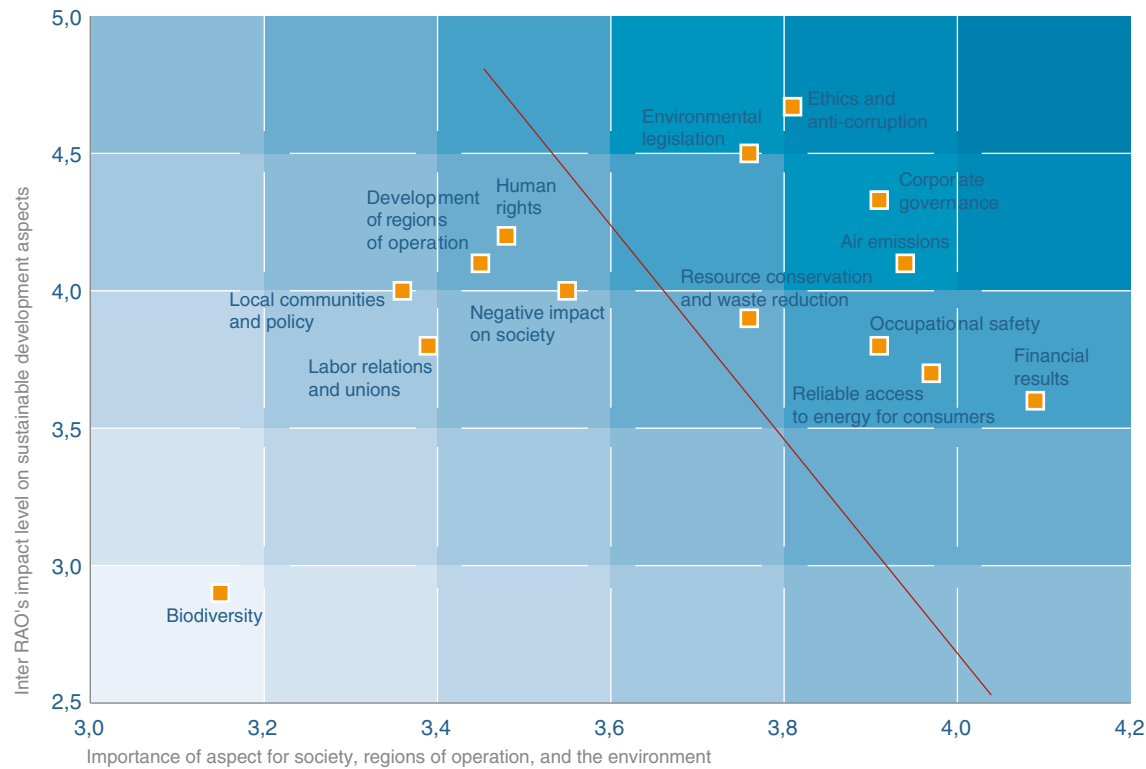
- **Analysis of stakeholder proposals** and the identification of significant new themes for the Report as well as the compilation of a final matrix of material topics in the Report
- **Compilation of the final rating of topics** taking into account the prioritization procedure, the distribution of themes as major ones and secondary ones, and their alignment with GRI Standards

The survey was conducted among 34 representatives of eight groups of external and internal stakeholders who assessed the level of significance of the proposed themes for society, the regions where the Company operates, and the environment. The survey also involved ten representatives of Inter RAO management who are responsible for working with different groups of stakeholders. They were asked to evaluate the level of impact that Inter RAO has on each sustainable development theme. This procedure resulted in the identification of eight key aspects¹ whose disclosure in this Report will seek to cover all GRI requirements to the fullest extent as well as the requirements of ESG agencies:

- The Company's financial performance results (financial indicators) and factors that have a direct impact on the Company's economic efficiency.
- Issues associated with ethics and integrity, combating corruption, and abuse in procurement activities.
- Compliance with environmental legislation and reducing the environmental impact of suppliers' products.
- Quality of corporate governance.
- Reducing emissions of greenhouse gases and pollutants. Development of energy efficiency.
- Occupational health and safety.
- Ensuring reliable consumer access to electricity and heat.
- Resource conservation and efficient water use. Reducing discharges and waste.

¹ The material topics were selected based on the average rating value of the themes (see the matrix of material topics).

Materiality matrix of sustainable development topics for Inter RAO [GRI 102–47]



The remaining themes are also covered, but with less detail due to the fact that they are not as important to stakeholders. Aspects that individual stakeholder representatives also considered important beyond the basic list were also added to the secondary themes. These themes included:

- Development plans for the short and medium term.
- Disclosure of ESG risks and a system for managing these risks at the company.
- Innovative development and the use of new technologies, including digital ones.
- The development of new business lines.
- The quality of communication with consumers.
- Participation in social projects and charity.

Topics materiality rating [GRI 102-47, 102-49]

		Level		
		5 – critically important 4 – very important 3 – notable 2 – insignificant 1 – N/A		
Rating ¹	Aspect of the Company's activities	Inter RAO Group's impact on the aspect	Importance for society, regions of operation, and the environment	Standards/GRI indicators
Material topics				
6.49	The Company's financial performance results (financial indicators) and factors that have a direct impact on the Company's economic efficiency.	4.80	4.09	201
6.15	Issues associated with ethics and integrity, combating corruption, and abuse in procurement activities.	4.67	3.81	102-16-17, 102-25, 205, 206
6.08	Quality of corporate governance.	4.33	3.91	102-18-20, 102-22-28, 102-30-36
6.01	Compliance with environmental legislation and reducing the environmental impact of suppliers' products.	4.50	3.76	307, 308
5.99	Reducing emissions of greenhouse gases and pollutants. Development of energy efficiency.	4.10	3.94	302, 305
5.82	Ensuring reliable consumer access to electricity and heat.	3.70	3.97	EU 1,2,3,4, 12, 21, 27, 28,29, 30
5.81	Occupational health and safety.	3.80	3.91	403
5.71	Resource conservation and efficient water use. Reducing discharges and waste.	3.90	3.76	303, 306

¹ The rating of themes is calculated as the sum of the average rating of 34 responses from stakeholders to each question about the significance of the theme and the average rating of the responses of ten Inter RAO managers who estimated the Group's impact on each theme, adjusted by a factor of 0.5.

Level

5 – critically important
 4 – very important
 3 – notable
 2 – insignificant
 1 – N/A

Rating ¹	Aspect of the Company's activities	Inter RAO Group's impact on the aspect	Importance for society, regions of operation, and the environment	Standards/GRI indicators
Secondary topics				
5.58	Human rights development and promotion	4.20	3.48	408, 409, 410, 411, 412, 414, EU22
5.55	Reducing the negative impact on the health and wellbeing of the population in regions where the Company operates. Issues involving violations of the law and the dissemination of personal data.	4.00	3.55	416, 417, 418, 419
5.50	The Company's impact on the development of the regions where it operates, including the creation of highly paid jobs and procurements from local suppliers.	4.10	3.45	202, 203, 204
5.36	Interaction with communities in the regions where the Company operates as well as the impact on local and federal policies.	4.00	3.36	413, 415
5.29	Development of the trade union movement and labor relations that meet the requirements of Russian and international laws.	3.80	3.39	401, 402, 404, 405
4.60	Biodiversity protection.	2.90	3.15	304

ENVIRONMENTAL PROTECTION

ENVIRONMENTAL POLICY, ENVIRONMENTAL MANAGEMENT SYSTEM, AND COMPLIANCE WITH ENVIRONMENTAL LEGISLATION

Environmental policy [GRI 102-11]

Management's priority objectives within the Inter RAO Group's Environmental Policy are: mitigating the negative environmental impact of industrial enterprises, including decreasing emissions of pollutants into the atmosphere and water bodies, the sustainable use of water resources by thermal power plants, and reducing the production of industrial waste.

The Company's commitment to sustainable development and the integration of the electricity markets of Russia, the CIS countries, and the European Union heighten the importance of the environmental aspects of the Company's activities in order to achieve its strategic goals. The degree to which production activities affect the environment and the risks associated with environmental aspects have an increasing impact on the level of market capitalization and the availability and cost of credit resources, constitute an important feature of sustainable development and the extent of business's social responsibility to society, and have become a real factor in the Company's development.

In planning and implementing its activities, the Group is guided by the precautionary principle, which was approved at the 1992 United Nations Conference on Environment and Development¹ [GRI 102-11]

The strategic goals of PJSC Inter RAO as regards environmental protection and the sustainable use of natural resources are detailed in the Company's Declaration of Environmental Responsibility². In an effort to achieve the joint sustainable development of the Group and its regions of operation, obtain economic benefits and advantages, while acknowledging its share of responsibility for the environment, the Company has set the following environmental goals for itself:

- Ensuring that the production activities of the Group's enterprises comply with regulatory requirements and obligations
- Reduce the environmental impact of the Group's enterprises to the minimum level that is technically and economically feasible
- Consistently reduce economic costs and risks associated with the environmental aspects of production activities
- Reach a consensus among stakeholders

The main mechanism for achieving environmental goals and reducing the significance of the environmental aspects of the Group's production assets is the phased implementation of the Environmental Target Program³ in the following areas:

- **Compliance with regulations and obligations**
 - Reduce the portion of polluted wastewater discharged into natural water bodies
 - Equip all water intakes with means to prevent damage to hydrobiological resources in accordance with national regulatory requirements
- **Mitigate the environmental impact**
 - Increase the share of coal-fired boiler plants with specific emissions of solid particles that meet the best available technologies
 - Increase the share of power plants that meet the target values for nitrogen oxide emissions
 - Equip all category I power plants with measuring instruments for the continuous monitoring of emissions by 2030

Environmentally sustainable production is a key principle

Risk appetite:
Inter RAO verifies
greenhouse gas
emissions

¹ "Where there are threats of serious or irreversible damage, lack of full scientific certainty shall not be used as a reason for postponing cost-effective measures to prevent environmental degradation." (Rio Declaration on Environment and Development, 1992).

² Approved by the Board of Directors (Minutes No. 64 dated April 2, 2012).

³ Order No. IRAO/37 dated February 3, 2017.

- **Lower economic costs and environmental risks**
 - Maximize the proportion of useful ash and slag materials
 - Reduce the average annual consumption of fresh water for industrial needs
- **Achieve agreement between stakeholders on environmental issues**
 - Introduce an environmental management system certified by an independent organization at all generating production subsidiaries by the end of 2030

Key measures in environmental protection activities¹

In an effort to reduce atmospheric emissions, a number of measures are being taken to improve flue gas cleaning technologies and conduct continuous

environmental monitoring and control. The use of advanced technologies makes it possible to ensure that permissible standards for emissions of harmful substances into the atmosphere are not exceeded.

Another important aspect of environmental protection is minimizing polluted wastewater discharges and increasing the proportion of recycled water use. As regards optimizing the waste management process at the Group's facilities, waste is collected separately with the mandatory disposal of hazardous waste. Part of the waste is reused.

In addition, the facilities carry out measures to reduce the level of noise exposure, increase the energy efficiency of production, and prevent emergency situations.

Results of key environmental protection measures

No.	Goal	Description of measures	Results
1.	Compliance with regulations and obligations		
1.1.	Reduce the share of polluted wastewater discharged into natural water bodies	<p>A plan has been developed to transfer used water after the cooling of equipment at Ufimskaya CHPP2 and Priufimskaya CHPP for further water supply to other enterprises in the region</p> <p>Construction of treatment facilities with capacity of 6,000 m3/day at Omskaya CHPP5 (JSC CHPP11)</p>	<p>Discharge of 1.9 mln tons of wastewater per year was eliminated</p> <p>Pollutants in flood and industrial runoff to be discharged into the Om River were reduced to the standard values of the maximum permissible concentrations</p>

¹ The environmental protection indicators only include companies in the 'Generation' segment that were selected based on the principle of their significant environmental impact.

SUSTAINABLE DEVELOPMENT REPORT

No.	Goal	Description of measures	Results
2. Mitigate the environmental impact			
2.1.	Increase the share of coal-fired boiler plants with specific emissions of solid particles that meet the best available technologies	Reconstruction of the EB 1 and 2 pulverizing fans with the introduction of fabric expansion joints at Kharanorskaya TPP	Emissions of solid substances to the atmosphere was reduced by 3.7% to 52,000 tons
2.2.	Increase the share of power plants that meet the target values for NOx and SOx emissions	Implementation of the Energy Conservation and Energy Efficiency Improvement Program and changes to the fuel balance structure.	SOx emissions were reduced by 7% to 136,000 tons
2.3.	Reduce greenhouse gas emissions	Implementation of the Energy Conservation and Energy Efficiency Improvement Program	CO2 emissions were reduced by 3% to 78.9 mln tons
3. Lower economic costs and environmental risks			
3.1	Conserve energy resources	Implementation of the Energy Conservation and Energy Efficiency Improvement Program	Use of fuel equivalent was reduced by 47,200 tons of fuel equivalent
3.2	Reduce the average annual consumption of fresh water for industrial needs	LLC BGC implemented a plan to collect and reuse wastewater at Ufimskaya CHPP4	Savings of 108,000 tons of natural water
		A plan was implemented to run cooled water at the Kostromskaya TPP through cooling water recirculation channels	Savings of 693 mln tons of natural water in Gorky Reservoir
		Decommissioning of inefficient equipment with a direct-flow cooling system at Kashirskaya TPP	Savings of 34 mln tons of natural water in the Oka River (Volga tributary)
4. Achieve agreement between stakeholders on environmental issues			
4.1	Introduce an environmental management system certified by an independent organization at all generating production subsidiaries by the end of 2030	Certification of the environmental management system of CJSC Nizhnevartovskaya TPP by the international certification center British Standards Institute – BSI	Receipt of certificate No. EMS 718352 dated November 12, 2019 with validity from November 10, 2019 to November 11, 2022
		Recertification carried out for the transition to ISO14001: 2015 at JSC TG	Receipt of Afnor Certification No. 2016/70863.3 with validity from May 6, 2019 to March 23, 2022
		Recertification carried out at JSC Omsk RTS	Receipt of Afnor Certification No. 2016/70827.3 with validity until March 21, 2022
		Recertification carried out at JSC TomskRTS	Receipt of certificate No. 2016/70869.3 with validity from March 30, 2019 to March 29, 2022

Environmental protection expenses

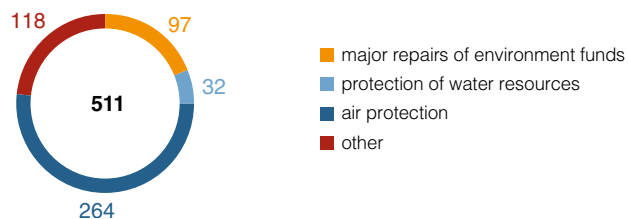
Environmental protection expenses depend on such factors as the need to comply with environmental requirements for the repair and modernization of gas treatment equipment and treatment facilities, depending on the condition of the equipment. This work also includes the drafting of regulatory and authorization documentation, which depend on the legislatively approved validity of the documentation (five years in most cases).

Total environmental protection expenses amounted to RUB 1.288 bln in 2019 (50% of the expenses in 2018).

Investment in traditional areas of environmental protection measures, including the protection of water resources and air, amounted to RUB 414 mln (26% of the investment in 2018). Expenses on major repairs of fixed assets for environmental protection amounted to RUB 97 mln (38% of the expenses in 2018).

Current expenses for environmental protection decreased by 47% in the reporting year to RUB 778 mln.

Structure of investment in environmental protection in 2019, RUB mln.

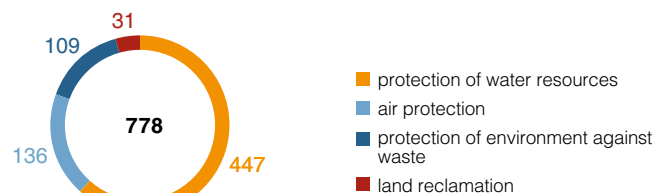


Plans for environmental protection measures in 2020

In an effort to further reduce the level of solid emissions, the Group's Investment Programs for generating assets include measures to modernize ash collection systems, reconstruct silencers, and modernize cooling towers as well as other measures to reduce emissions of pollutants and atmospheric emissions.

In October 2019, the leaders of JSC Inter RAO – Electric Power Generation, the Russian Federal Agency for Fisheries, and the federal publicly funded institution Glavrybvod held a meeting at which they decided to conclude a long-term cooperation agreement in order to develop long-term, effective cooperation and coordinate actions concerning the conservation of aquatic biological resources and their habitats during the construction and operation of TPPs and CHPPs. As part of this collaboration, a number of measures will be implemented to monitor the current state of aquatic biological resources as well as draw up compensatory measures for each individual water body in the regions where the Group has production assets.

Structure of expenses on environmental protection in 2019, RUB mln.



ENVIRONMENTAL MANAGEMENT AND MONITORING SYSTEM FOR COMPLIANCE WITH ENVIRONMENTAL LEGISLATION

Environmental management system [GRI 103¹]

Inter RAO has a multi-stage internal monitoring and analysis system for managing the occupational, industrial, fire, and environmental safety of production activities. The Occupational, Industrial, Fire, and Environmental Safety Management System (OIFESMS) establishes a uniform procedure for all the Group's companies to organize and conduct work in accordance with applicable laws and scientific achievements in occupational, industrial, fire, and environmental safety.

The system is built based on the following basic principles:

- Leadership by the managers of the Group's companies in charge of occupational, industrial, fire, and environmental safety
- Engagement of staff from all levels in work to mitigate production risks and improve the system
- Personal responsibility of each employee of the Group's companies for compliance with requirements to minimize production risks that could harm the health and life of employees, the environment, and property of the Group's companies
- Motivating staff to identify potential areas for improving occupational safety, industrial, fire, and environmental safety
- Priority of preventive measures over reactive measures
- Continuous improvement of the system

The main principle of internal control within the OIFESMS is regular inspections by managers and specialists of different levels, from the heads of the lower structures of production facilities to the heads of management companies and the holding, followed by an analysis of what caused violations of the requirements of the OIFESMS and the adoption of measures to eliminate them.

Environmental impact management is carried out based on the requirements of the international standard ISO 14001:2015, which have been integrated into the OIFESMS. In 2014, Inter RAO's Environmental Management System was certified for the first time according to the international standard ISO 14001:2004. In 2017, certification was carried out according to the new version of the international standard ISO 14001:2015. In 2019, a supervisory audit conducted by DQS GmbH confirmed that the Environmental Management System complied with the international standard ISO 14001:2015. Since 2019, all the Group's generating assets have been certified for compliance with the international standard ISO 14001:2015.

Compliance practices with legislative requirements for environmental protection [GRI 307-1]

In order to meet the changing requirements of the environmental legislation of the Russian Federation and achieve the goals of the Target Environmental Program, Inter RAO is constantly improving its system of in-house rules and policies concerning environmental protection and environmental safety. The Group monitors changes in environmental legislation and analyzes draft regulations regarding ecology and nature management, and its employees take part in public discussions of draft documents.

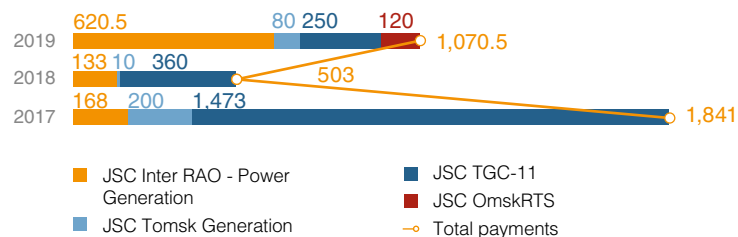
During the construction and operation of facilities, draft standards are developed for permissible emissions and discharges of pollutants into the environment and waste disposal limits along with sections of project documentation for environmental protection, including measures to reduce the negative impact on the environment and preserve biodiversity.

¹ Management Approach:
Environmental Management System

Information about inspections by oversight authorities

Subsidiary	Scheduled inspections by oversight authorities	Unscheduled inspections
JSC Inter RAO – Power Generation	12 (no violations found in 4 of them)	24 (no violations found in 14 of them)
LLC BGC	1 (no violations found)	
JSC Tomsk Generation	1 (no violations found)	3 (no violations found in 2 of them)
JSC OmskRTS	2	-
JSC TGC11	2	5 (no violations found in 4 of them)

Changes in environmental fines and claims payments, RUB thousand [GRI 307–1]



The amount of fees for negative environmental impact as well as the existence of penalties largely depends on the natural and climatic specifics of the area where facilities are located, the presence of major industrial plants nearby as well as atmospheric and seasonal phenomena (such as frequent adverse weather conditions, floods, etc.).

Effective mechanisms for managing environmental impacts include claims and public statements by third parties. The Company records, monitors, and analyzes claims and allegations. Similar work is performed with respect to oversight inspections. In 2019, the oversight authorities conducted 50 inspections, of which 18 were scheduled and 32 were unscheduled (including complaints, claims, media reports, and follow-ups on previously issued instructions). In 52% of the cases, no violations were detected.

The most substantial fines were imposed on companies in the Generation segment. The total amount of fines and lawsuits paid in 2019 due to the violation of environmental legislation is negligible considering the scale of the Company's operations and amounted to just under RUB 1.07 mln. The main factors behind the increase in the penalties imposed on JSC Inter RAO – Power Generation compared with 2018 can be attributed to the combination of an increased number of inspections along with a significant change in the system of penalties:

- The expansion and detailed elaboration of administrative offenses (10 articles were added to Chapter 8 in 2019), and the amount of penalties was increased for certain articles.
- A 64% increase in the number of inspections (from 22 in 2018 to 36 in 2019), while the number of unscheduled inspections doubled (from 12 to 24), although no violations were found in 58% of them.

In 2019, the Company was not subjected to any non-financial sanctions for violating environmental laws or regulations besides fines.

Monitoring compliance with environmental protection legislation by suppliers and contractors [GRI 308-1¹]

Inter RAO strives to ensure that its suppliers, contractors and subcontractors comply with environmental laws, primarily by including a clause on the need to comply with environmental legislation in the text of the agreements it concludes. The contractor is liable in the form of fines for violations of environmental standards. Individuals standard contract forms contain a section on environmental requirements. For example, the standard form of a contract for repair work contains Section 16 'Environmental Requirements', which regulate, among other things, waste management activities.

In an effort to monitor compliance with environmental legislation and the environmental conditions of contracts, Inter RAO experts conduct technical audits of suppliers during which they determine whether suppliers have ISO 14001 certification, among other things. During audits conducted both by a commission or solely by environmental specialists, the activities of contractors are checked for compliance with environmental laws when conducting work on the territory of a separate facility, in particular. If violations are found, the inspectors record them in their inspection report, which is sent to the head of the workshop responsible for the site at which the work was performed. The Company does not keep records of all suppliers that have undergone an environmental audit.

GREENHOUSE GAS AND AIR POLLUTANT EMISSIONS

Policy to reduce greenhouse gas and air pollutant emissions

The assessment of greenhouse gas emissions and harmful emissions into the atmosphere is an integral part of the industrial environmental control system for atmospheric air and is carried out on an annual basis for all the Group's generating facilities.

The data on greenhouse gas emissions contained in the 2018 annual report was certified by an international auditor for the first time in accordance with International Standard 3410 'Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board, and an opinion on the certification was received on December 20, 2019².

Environmentally sustainable production is a key principle

Risk appetite: Inter RAO annually provides assurances regarding carbon reporting (verifies) direct greenhouse gas emissions, including CO₂

In late 2019, the Board of Directors approved the PJSC Inter RAO Innovative Development Program for the Period of 2020-2024 with a View to 2029³ in which one of the key efficiency targets for innovative development is to ensure that specific CO₂ emissions per unit volume of production does not exceed 445.3 g of CO₂/kWh by 2020 and does not exceed 441 g of CO₂/kWh by 2029.

¹ Management Approach: Monitoring compliance with environmental legislation by suppliers and contractors

² https://www.interrao.ru/upload/Zakluchen_deloyd_vibros_PG_IRAO_2018.pdf

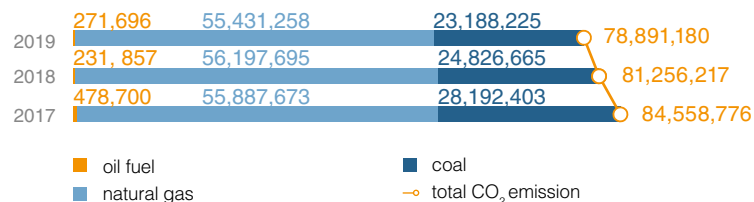
³ Approved by a resolution of the Board of Directors (Minutes No. 262 dated December 23, 2019).

Greenhouse gas emissions [GRI 305-1, 305-4]

Greenhouse gases are measured in accordance with the Guidelines and Manual for the Quantification of Greenhouse Gas Emissions by Organizations Operating in Russia, which was approved by Order No. 300 of the Russian Ministry of Natural Resources dated June 30, 2015.

Thanks to a wide range of measures taken, Inter RAO reduced direct greenhouse gas emissions by 15.3% and 2.9% compared with the 2014 level (adopted as the baseline)¹ and the 2018 level, respectively. The Group's gross greenhouse gas emissions² amounted to 78.9 mln tons³ in 2019. Specific greenhouse gas emissions amounted to 446 g of CO₂/kWh in 2019, down by 0.67% co

Structure of direct CO₂ emission by the fuel burned, t [GRI 305-1]⁴



Main reasons for a reduction in greenhouse gas emissions:

- An economically justified increase in the share of medium and high power condensing and co-generation CCGTs and gas turbines in the structure of gas generation generating capacities (including using Russian gas turbine engines) with energy efficiency (efficiency rate or specific fuel consumption) and environmental safety indicators (specific emissions) at the level of the best world analogues.
- Improving the energy efficiency of equipment as part of the Energy Conservation and Efficiency Improvement Program.

In 2020, the sale of the coal-fired Ekibastuzskaya TPP2 with installed capacity of 1,000 MW in December 2019 will be one of the additional factors for reducing greenhouse gas emissions within the Group.

Specific greenhouse gas emission per unit of energy produced, g CO₂ / kWh [GRI 305-4]



¹ 2014 was taken as the baseline year for calculating the decrease in greenhouse gas emissions since in 2015 direct greenhouse gas emissions were measured for the first time in accordance with the Guidelines and Manual for the Quantification of Greenhouse Gas Emissions by Organizations Engaged in Economic and Other Activities in the Russian Federation, which was approved by Order No. 300 of the Russian Ministry of Natural Resources dated June 30, 2015. Direct CO₂ emissions by Inter RAO facilities amounted to 93.149 million tons.

² When referring to greenhouse gas, the company only means carbon dioxide. Emissions of other greenhouse gases are not taken into account due to their insignificance.

³ Including CO₂ emissions by Ekibastuzskaya TPP-2.

⁴ Gross greenhouse gas emissions from fixed fuel combustion sources underwent the procedure of external certification for 2018 and 2019 in accordance with International Standard on Assurance Engagements 3410.

Air pollutant emissions [GRI 305-7]

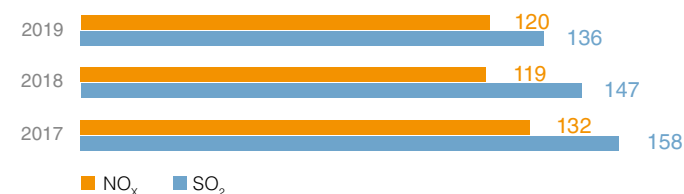
Among all types of power generation, coal generation during the combustion of coal fuel produces the largest amount of air pollutant emissions. It should be noted, however, that there has been a change in the fuel balance structure of the Group's generating assets as the share of gas fuel has increased.

The modernization of generating facilities has contributed to a reduction in air pollutant emissions. In an effort to reduce air pollutant emissions, the Inter RAO Group has taken measures to increase the efficiency of dust extraction plants, which has helped to capture solid particles more efficiently. Moreover, generating facilities are equipped with continuous emission control systems in order to prevent negative effects.

As a whole, the level of various pollutant emissions has decreased compared with 2018. Only the level of NO_x emissions increased slightly in 2019, up by 1.4% to 120,000 tons, while the level of SO_x emissions decreased by 7.2% to 136,000 tons. Despite localized cases, there has been a positive trend overall in greater fuel efficiency. Decreased production of electricity and coal-fired heat was the main factor in the reduction of specific air pollutant emissions.

The mass of pollutant emissions has also declined due to the systematic implementation of the Energy Conservation and Energy Efficiency Improvement Program, as evidenced by the reduction in specific fuel consumption per unit of electric and thermal power generated. A 3.7% reduction in solid emissions in 2019 resulted from such activities as the maintenance of dust extraction plants, for example, at the Kharanorskaya and Gusinoozyorskaya TPPs, and the reconstruction of the dust extraction plant with the installation of second generation emulsifiers at Tomskaya TPP-2.

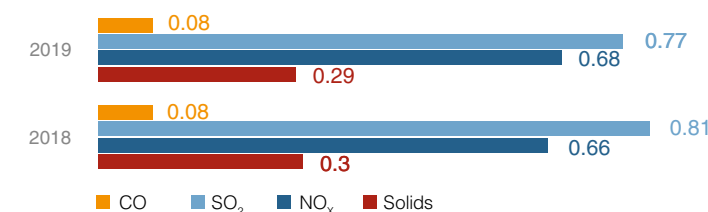
Air emission of NO_x and SO_x, thousand t [GRI 305-7]



GRI305-7. Air emissions of other significant pollutants

Pollutant type	2017	2018	2019	Change vs. 2018, %
Persistent organic pollutants (PCB emissions) ¹	-	-	-	-
Volatile organic compounds, thousand tons	0.24	0.27	0.21	-21.6%
Hazardous air pollutants (benzo[a]pyrene), kg	54.4	49.8	37.6	-24.6%
Solids, thousand tons	54	54	52	-3.7%
CO (carbon monoxide), thousand tons	14	15	15	-4.2%

Specific pollutant emissions vs. energy production



¹ No substances containing PCBs were found on the Group's equipment. Inter RAO conducted an inventory based on the Guidelines for the Inventory of Equipment, Materials, and Waste Containing Polychlorinated Biphenyls, which was approved by Order No. IRAO/8-r dated May 27, 2015.

ENERGY EFFICIENCY AND RESOURCE CONSERVATION

Energy Conservation and Energy Efficiency Improvement Program (ECEEIP)

Inter RAO Group is constantly optimizing business processes to manage energy conservation and improve energy efficiency at all its Russian and foreign generating assets.

Projects to improve energy efficiency are highly innovative and based on the best world practices. In addition to its own research and development, the Company also collaborates with Russian and foreign industry leaders.

The Energy Conservation and Energy Efficiency Improvement Program (ECEEIP) for 2019-2023, one of the Group's targeted programs, was drafted to achieve the goals within the Energy Management System. The Commission on Energy Conservation and Energy Efficiency Improvement of the Company and its subsidiaries is involved in the process of establishing the program and reporting on its implementation.

Measures to enhance the energy efficiency of production and reduce specific fuel consumption as well as the introduction of new highly efficient equipment and the decommissioning of obsolete equipment are the main tools that Inter RAO uses to reduce the volume and intensity of greenhouse gas emissions. The measures of the ECEEIP are divided into two blocks:

- Measures with a 'direct' energy effect, which account for more than 80% of the total economic effect from the implementation of measures. These measures must be economically justified, and their economic efficiency must be calculated in accordance with the Methodology for Assessing the Economic Efficiency of Investment Projects in the Form of Capital Investments.
- Measures with a 'concomitant' energy effect.

In 2019, the following key measures were implemented to improve energy efficiency:

- Modernization of the vacuum system in the turbine of Steam Station No. 10 at the Verkhnetagilskaya TPP with the replacement of the ejector
- Upgrading of the turbine vacuum system with a ball cleaning system in Power Unit No. 3 at the Irklinskaya TPP and the modernization of the TGMP-114 steam boiler of Power Unit No. 3
- Introduction of a variable frequency drive for the gas recirculation fans of Unit No. 2 at the Nizhnevartovskaya TPP
- Retooling of the water treatment plant with the introduction of a reverse osmosis plant at Ufimskaya CHPP3
- Installation of a ball cleaning system for the condenser of Station No. 8 at Ufimskaya CHPP4
- Installation of variable frequency drives at the Salavatskaya CHPP

Strategic objectives to enhance the efficiency of generating facilities:

- Implementing the main provisions of the Energy Strategy of Russia and the State Energy Efficiency and Energy Development Program
- Achieving the goals enshrined in the Inter RAO Strategy
- Achieving the targets for energy conservation and energy efficiency envisaged by the Inter RAO Innovative Development Program
- Ensuring the sustainable use of energy resources through the implementation of measures to conserve energy and improve energy efficiency
- Improving energy efficiency indicators of both individual energy-intensive production assets and the Group as a whole while minimizing operation and development costs
- Creating and improving a holistic and effective system to manage energy conservation and energy efficiency (development of an energy management system)
- Mitigating the Company's negative environmental impact

Results of ECEEIP program measures [GRI 302-1, 302-4]

In 2019, the implementation of the ECEEIP at Inter RAO resulted in the following savings:

- Equivalent fuel – 46,877 tons
- Thermal power – 39,002 Gcal
- Electric power – 3.699 million kWh
- Water – 19.69 million m³

The economic effect from the implementation of the ECEEIP measures in 2019 amounted to RUB 224 mln, while expenses on implementing ECEEIP measures totaled RUB 4.044 bln, taking into account the commissioning of new capacities.

These results were achieved through ECEEIP measures that led to the following results:

- The fuel heat utilization factor (FHUF) increased by 0.06 p.p. to 49.54%
- Specific excess fuel consumption was reduced to 1.5 g/kWh
- Specific fuel consumption of electricity was slashed by 0.31 g/kWh to 295.22 g/kWh

Volume of energy consumed for internal needs [GRI 302-1]

Type of fuel/energy	Measurement unit	Total fuel consumption in physical terms		
		2017	2018	2019
Volume of energy consumed for internal needs	mln kWh	5,751	5,646	5,498
	TJ	20,704	20,327	19,792
for electricity	mln kWh	4,708	4,509	4,459
	TJ	16,949	16,233	16,054
for heat	mln kWh	1,043	1,137	1,038
	TJ	3,755	4,094	3,738
Purchased electric power	mln kWh	441	403	399
	TJ	1,588	1,451	1,437
Purchased thermal power	Gcal	39	45	41
	TJ	0,16	0,19	0,17

Energy savings [GRI 302-4]

Types of energy saved	Measurement unit	2017	2018	2019	Change vs. 2018, %
Total reduction in fuel and energy consumption that was achieved as a direct result of energy conservation and energy efficiency initiatives					
Fuel	thousand tons of fuel equivalent	134.8	105.7	46.9	-56%
	TJ	3,951	3,098	1,374	
Electricity	mln kWh	14.2	15.1	3.7	-76%
	TJ	51.0	54.2	13.3	
Heat	thousand Gcal	22.4	7.5	39.0	423%
	TJ	93.9	31.2	163.2	
Water	mln m3	0.0	4.7	19.7	317%

Energy intensity indicators [GRI 302-3]

	Measurement unit	2017	2018	2019	Change vs. 2018
Specific fuel consumption for electric power output	g of fuel equivalent/kWh	303.14	296.99	295.22	-0.6%
Specific fuel consumption for thermal power output	kg/Gcal	143.90	144.36	144.79	0.3%
FHUF	%	48.35	49.49	49.5	0.0%
Specific overconsumption (overburning) of fuel equivalent	g/kWh	1.75	1.935	1.5	-22.5%
Total relative heat losses during transmission via heat networks	%	17.05	18.61	18.31	-1.6%
Relative electricity costs for the transmission of heat via heat networks	kWh/Gcal	6.51	6.125	6.49	6.0%

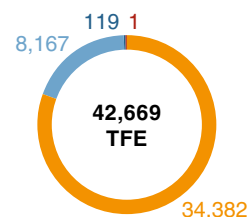
Fuel consumption [GRI 302-1]

Natural gas and coal are the main non-renewable energy sources for the thermal power plants of Inter RAO's generating assets. The share of coal in the energy balance has been steadily decreasing and edged down to 19.1% in 2019 from 20.1% in 2018. In 2020, another additional factor that will reduce coal consumption will be the sale of the coal-fired Ekibastuzskaya TPP2 with installed capacity of 1,000 MW in December 2019.

Total fuel consumption in physical terms¹

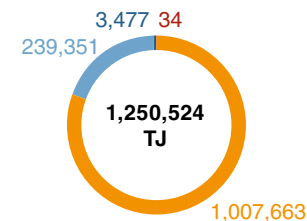
Type of fuel/energy	2017	2018	2019	Change, %
Total gas, mln m3	29,448	29,593	29,375	-0.7%
natural	25,811	25,878	25,761	-0.4%
associated	3,620	3,664	3,564	-2.7%
Industrial enterprises	17	51	50	-0.3%
Coal, thousand tons	15,875	15,188	14,244	-6.2%
bituminous	5,621	8,848	8,085	-8.7%
brown	10,254	6,340	6,159	-2.8%
Oil fuel, thousand tons	155	78	88	13.7%
heating oil	153	77	87	13.7%
diesel fuel	2	1	1	12.9%

Fuel balance structure of Inter RAO in 2019, thousand tons of fuel equivalent



- Gas consumed
- Coal consumed
- Fuel oil consumed
- Other fuel consumed

Fuel balance structure of Inter RAO in 2019 TJ



- Gas
- Coal
- Fuel oil
- Total

¹ Taking into account fuel consumption at Ekibastuzskaya TPP-2 for the full years 2017-2019. The operational results of JSC Ekibastuzskaya TPP-2 are not included in the Group's financial results due to the reclassification in December 2016 of a 50% stake in JSC Ekibastuzskaya TPP-2 as assets classified as held for sale. The data for 2019 does not include the consumption of 19 mln m3 of natural gas during the testing of the GTD-110M gas turbine engine at Ivanovskiye CCGT.

WASTE GENERATION AND UTILIZATION

Waste treatment policy and measures [GRI 103]

In accordance with legislative requirements, Inter RAO develops draft standards for waste generation and the limits of its disposal. Solid residue from coal firing is the most widespread type of waste from the Group's energy facilities. Ash and slag waste, which account for the bulk of waste generated by the Group, are classified as hazard class 5, which means they have a minimal impact on the environment.

In order to achieve its environmental goals in terms of sustainable waste management, the Group engages in the following activities:

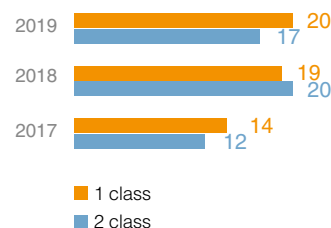
- Improving the energy efficiency of production, energy and resource conservation, and technological discipline
- Organizing separate waste collection and the beneficial use of any production waste to the extent that it is possible
- Eliminating environmentally hazardous, harmful substances, and high-waste technological processes from production where possible and monitoring the environmental features of energy fuels, materials, and equipment that are purchased and used

Systematic work is underway to reduce the volume of industrial waste sent to landfills for disposal, including similar municipal solid waste, by organizing selective waste collection and sending it off for utilization.

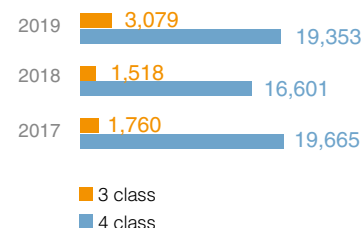
Waste generation [GRI 306-2]

Inter RAO companies transfer the waste they generate under contracts to specialized organizations that have licenses to transport, collect, and further handle waste. The Group's power plants have organized the selective collection of certain types of waste that are then transferred for disposal. Inter RAO does not transport waste on its own. The waste it generates is transferred to specialized organizations that have licenses for the right to collect and further handle waste. [GRI 306-4]

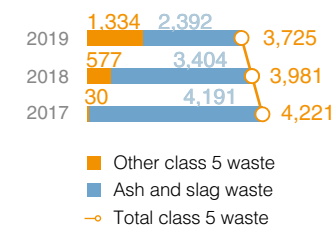
Class 1 and 2 waste generation, t [GRI 306-2]



Class 3 and 4 waste generation, t [GRI 306-2]



Class 5 waste generation, thousand t [GRI 306-2]



Solid substances generated during coal firing (ash and slag waste) are the primary type of waste produced at the Group's power facilities, accounting for roughly 96% of the total volume of all waste generated by the Group. Based on the extent of their environmental impact, ash and slag waste is classified as hazard class 5 (minimal environmental impact). In 2019, total ash and slag waste generation decreased by 42% compared with 2018 to 2,392,000 tons. The main reasons for this are a decrease in coal production and an increase in its efficiency.

In an effort to reduce the formation of oily waste, oil circuit breakers are being replaced by gas-insulated and vacuum circuit breakers. In accordance with legislative requirements, draft standards for waste generation and the limits of its disposal are being developed at all the Group's Russian production assets.

Waste disposal and recycling [GRI 306-2, 306-3, 306-4]

Due to production specifics, the most high-volume waste at the Group's facilities is ash and slag waste (ASW), which can create adverse environmental situations in the event of dusting or if ash components are washed away and possibly enter the soil and aquifers. The ash and slag waste generated at the Group's enterprises is classified as hazard class 5 (practically non-hazardous) and their environmental impact is minimal. In an effort

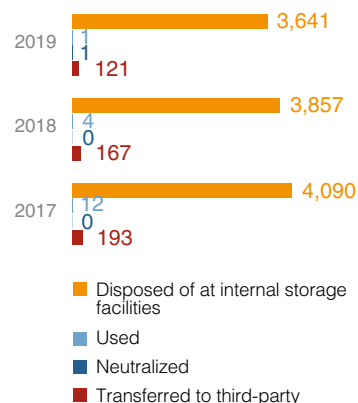
to eliminate the chance of chemical components from the ash dump entering the environment, the Group's facilities utilize the best available technologies for creating protective screens. In order to minimize dusting, ash and slag waste is stored at the Group's ash dumps in a flooded state. In some cases, when necessary, the Group's facilities employ such measures as placing bonding agents, such as bischofite, an environmentally friendly natural material that is capable of forming a mineral polymer that prevents dusting, on the surface of the dumps.

Given that Russia does not have a permanent developed market for supplying ash and slag waste, no predictions can currently be made about how ash and slag waste and other types of waste will be utilized going forward. However, some of the Group's coal generating assets have reached a high degree of readiness for marketing various types of ash and slag materials and are equipped with dry ash shipment systems.

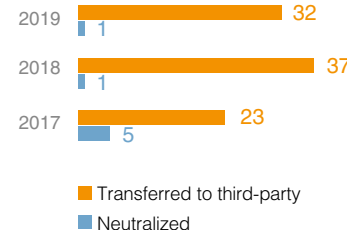
Inter RAO facilities reuse a portion of their waste:

- 80% of the assets of JSC Inter RAO – Electric Power Generation organized recycling with the subsequent disposal of paper, cardboard, and plastic waste in 2019.
- The Kharanorskaya TPP is using floating petroleum products and sludge as a fuel additive when firing boilers with fuel oil (specifications have been developed for use).
- The Kostromskaya TPP is utilizing sludge from the sludge lagoons of treatment facilities: the sludge is held in the lagoons for 2-3 years and then the dry sludge is shipped for use as fertilizer (compost) for subsoil placement.
- The facilities of LLC BGC in 2019 fully discontinued the removal of such waste as oil-containing oils, scrap metal, paper, cardboard, cullet, plastic and polyethylene wastes, soil, and used filter materials.

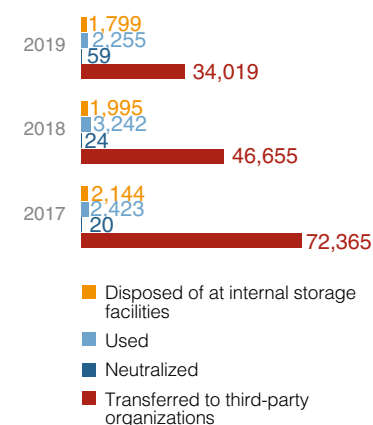
Class 5 waste disposal, thousand t [GRI 306–2].



Class 1 and 2 waste disposal [GRI 306–2, 306–4]



Class 3 and 4 waste disposal [GRI 306–2, 306–4]



- Equipment installed at the enterprises of LLC BGC for sludge dewatering during mechanical treatment of natural waters made it possible to minimize the negative environmental impact due to the elimination of slime water disposal facilities. The solid fraction from mechanical treatment was converted to a soil by-product that is sold on a contractual basis.

The Moldavskaya TPP is actively reusing oil-containing waste as fuel (oil sludge, used motor, compressor, and industrial oils). Used turbine oils are partially returned to the cycle after treatment. Babbit waste is remelted to make bearings. Worn-out work clothes are used as rags. The plant is also recycling their own electrolyte batteries (150 kg) and shipping them off for disposal and providing assistance to the public in organizing the recycling and disposal of batteries (35.5 kg).

No emergency (significant) spills of chemicals, oils, or fuel occurred at Inter RAO facilities in 2019. [GRI 306–3]

EFFICIENT WATER USAGE

Approaches to water management [GRI 303-1, 303-2, 303-5]

In accordance with the approved Declaration of Environmental Responsibility¹, Inter RAO carries out measures that aim to reduce the volume of water resources by introducing anhydrous technologies and systems for water reuse and recycling, the metering of for water usage, the elimination of losses, and improvements to the quality of operation and repair of engineering networks as appropriate.

The Group's thermal power plants take a significant amount of water from surface sources to meet the basic needs for cooling generating and auxiliary equipment, to compensate for losses in process cycles, and to supply district heating supply systems.

In the regions where Inter RAO operates, there are no areas with a shortage of water sources, and Inter RAO's water intake from water bodies does not have a significant impact on water sources. All the water used by the Group's enterprises is classified as fresh water (1000 mg/l of the total amount of dissolved solids).

The Group's power plants conduct measures each year to increase the share of industrial water reuse and reduce wastewater. Such activities include:

- Measures to rebuild and modernize cooling towers in order to increase the share of recycled water in the production process
- The use of clean-contaminated sewage disposal pumps
- The implementation of wastewater reusage plans and engagement methods
- The application of correctional modes for cooling towers using scale inhibitors, taking into account the rejection of the use of low-effective reagents under current conditions
- The Group's heating network assets reduce water consumption by decreasing supplies to the heating network while reducing losses in the heating network

¹ Approved by the Board of Directors (Minutes No. 64 dated April 2, 2012).

Water consumption and intake volume [GRI 303-3, 303-4, 303-5]

Inter RAO increased the gross amount of water used (including water from circulating systems) by 11.3% in 2019 compared with 2018 to 15.184 bln m3. The share of recycled water supply increased from 66% in 2018 to 69% in 2019 (10.5 mln m3) and comes from recycling systems (cooling towers) and other reuse systems. The total volume of water taken from external sources in 2019 amounted to 4.660 bln m3, including 4.502 bln m3 (97%) from surface water bodies, 151 mln m3 from such sources as the surface runoff of storm and melt water as well as city water supply and other enterprises, and 7 mln m3 from underground water bodies.

Total volume of water consumed, mln m³ [GRI 303-5]



Wastewater discharge volume [GRI 303-2, 306-1]

Wastewater and drainage water generated at Inter RAO facilities is discharged in strict accordance with Russian law on the basis of properly issued permits by the executive authorities that grant the right to use water bodies for wastewater and drainage water as well as standards for permissible discharges. The quality of wastewater is regulated by standards for the permissible discharge of pollutants and microorganisms into a water body, as agreed in the prescribed manner.

Total wastewater discharged in 2019 amounted to 4.354 bln m3, down by 31% compared with 2018, partly due to an increase in the share of recycled water supply. The share of standard-compliant clean water in the total volume of water disposal is at least 99.2%.

Total volume of wastewater discharged with a breakdown of the quality of wastewater, the receiving facility, and the treatment method [GRI 306-1]

	Water disposal, mln m3			
	2017	2018	2019	Change. %
Wastewater disposal, including:	5,962	5,717	4,354	-31%
Disposed to third-party companies	5	5	5	-12%
Disposed to surface water bodies, including:	5,957	5,712	4,349	-31%
standard-compliant clean	5,941	5,672	4,313	-32%
treated to standard quality	3	4	4	8%
insufficiently treated	4	3	5	42%
polluted untreated	9	33	26	-23%
Share of standard-compliant clean water in total water disposal, %	99.7%	99%	99.2%	-0.04%

PROTECTING BIODIVERSITY

Inter RAO carries out biodiversity conservation measures in five key areas:

- Compensatory and ameliorative fish stocking
- Modernization of fish protection devices
- Conducting studies of the effectiveness of fish protection devices
- Environmental volunteering

Inter RAO's generating facilities are not located within any nature reserves and do not border on territories with a high value of diversity or protected natural areas. **[GRI 304-1]**

Protection and replenishment of fish resources

The most significant impact that power plants have on biodiversity is the potential risk of aquatic organisms dying in the water intake facilities of TPPs. In order to reduce these risks, all water intake facilities are equipped with fish protection facilities and the Company restocks water bodies with fish.

The goals of fish stocking are to comply with environmental legislation, reproduce fish stocks in water bodies, and maintain the power plant's high technical and economic indicators by preventing the reservoir from becoming overgrown.

Considering that no fish protection technologies can fully prevent the death of fish during the construction or operation of fence structures, work is being carried out with stakeholders to develop long-term, effective cooperation to determine and coordinate actions for ensuring the conservation of aquatic biological resources and their habitat during the construction and operation of TPPs and CHPPs, and compensatory measures are being adopted to preserve and maintain biological resources. **[GRI 304-2]**

Inter RAO spent a total of RUB 20.1 mln on projects to protect biodiversity in 2019.

Inter RAO Group's projects to protect biodiversity

Project description	Region	2019 results	Plans for 2020	Total funding in 2019, RUB thousand
Study of the actual effectiveness of the fish protection device	Sverdlovsk Region	-	Studies completed. Cost – RUB 422,000	401.15
Calculation of damage to aquatic biological resources	Sverdlovsk Region	-	Calculation made. Cost – RUB 1,500,000	-
Study of the actual effectiveness of the fish protection device	Republic of Buryatia	Interim report on the actual effectiveness of the fish protection device and the state of aquatic biological resources	Final report on the actual effectiveness of the fish protection device and the state of aquatic biological resources Cost – RUB 1,210,000	2,160.00

Project description	Region	2019 results	Plans for 2020	Total funding in 2019, RUB thousand
Release of carp fry into Lake Gusinoye	Republic of Buryatia	Release of 49,600 carp fry into Lake Gusinoye	Release of carp fry into Lake Gusinoye. Cost – RUB 558,000	446.40
Study of the actual effectiveness of the fish protection device and calculation of damage to aquatic biological resources	Ivanovo Region	-	Studies conducted. Cost – RUB 1,077,000	-
Release of silver carp fry into Irikliinskoye Reservoir	Orenburg Region	Release of 145,215 silver carp fry into Irikliinskoye Reservoir	Release of 145,215 silver carp fry into Irikliinskoye Reservoir	550.00
Study of the actual effectiveness of the fish protection device and calculation of damage to aquatic biological resources	Kostroma Region	Interim report on the actual effectiveness of the fish protection device and the state of aquatic biological resources	Continued monitoring. Cost – RUB 5,750,000	2,760.00
Study of the actual effectiveness of the fish protection device and calculation of damage to aquatic biological resources	Perm Territory	Final report on the actual effectiveness of the fish protection device and the state of aquatic biological resources. Calculation of damage to aquatic biological resources	Monitoring the condition of aquatic biological resources	5,107.60
Release of sterlet fry into the Kamskoye Reservoir	Perm Territory	Release of 400,000 sterlet fry with weight of 3-5 g into the Kamskoye Reservoir	Release of 362,000 sterlet fry with weight of 3-5 g into the Kamskoye Reservoir	6,241.60
Study of the actual effectiveness of the fish protection device	Yamalo-Nenets Autonomous District	-	Studies conducted. Cost – RUB 5,123,000	-
Calculation of damage to aquatic biological resources	Yamalo-Nenets Autonomous District	-	Calculation made. Cost – RUB 1,500,000	-
Calculation of damage to aquatic biological resources	Zabaykalsky Territory	-	Calculation made. Cost – RUB 1,500,000	-
Release of juvenile silver carp and carp	Tula Region	Release of 1,500 juvenile silver carp and 2,500 carp	Release of 1,500 juvenile silver carp and 2,500 carp. Cost – RUB 420,000	413.00
Confirmation of the effectiveness of the fish protection device completed	Tula Region	Monitoring conducted	Confirmation of the effectiveness of the fish protection device completed. Cost – RUB 2,540,410	564.00
Study of the actual effectiveness of the fish protection device	Chelyabinsk Region	-	Studies conducted. Cost – RUB 1,500,000	0.00

SUSTAINABLE DEVELOPMENT REPORT

Project description	Region	2019 results	Plans for 2020	Total funding in 2019, RUB thousand
Calculation of damage to aquatic biological resources	Chelyabinsk Region	-	Calculation made. Cost – RUB 1,500,000	0.00
LLC BGC				
Ameliorative stocking with herbivorous fish species	Republic of Bashkortostan	8,000 kg	8,000 kg	240.00
Artificial reproduction of aquatic biological resources to compensate for damage caused to aquatic biological resources and their habitat	Republic of Bashkortostan	12,776 kg	-	177.458
JSC Tomskaya Generation				
Modernization of fish protection devices at water intakes of the onshore pump stations of TPP2	Tomsk	Design work performed in 2018	Implementation of a project to modernize fish protection devices at water intakes of the onshore pump stations of TPP2	
CJSC Moldavskaya TPP				
Ameliorative stocking with herbivorous fish species	Transnistria	8,000 kg	8,000 kg	964.6
Compensatory and ameliorative stocking with larva of commercial fish species	Transnistria	9,850,000 fish	at least 1,340,371 fish	using its own resources

Environmental volunteering

Inter RAO is cultivating respect among employees for nature and biodiversity. To this end, one-off events are held that aim to preserve and reproduce biodiversity.

At Gusinoozyorskaya TPP, the primary union organization and the heads of the plant's structural units conducted an environmental campaign to clean up the banks of the Selenga River near the village of Novosyolenginsk in which the plant's employees and members of their families took part.

At JSC Altayenergosbyt, a group of young people along with activists from Greenpeace and the Takiye Dela portal organized a campaign titled 'Plastic Watching' as part of World Cleanup Day, during which they cleaned up the banks of the Barnaulka River in the Altai Territory village of Bulygino, which is inhabited by several different types of animals: fish, muskrats, ducks, gulls, and cranes. Employees from JSC TGC11 took part in a campaign titled 'Give Us Your Waste and Get a Tree in Omsk' during which 4.5 tons of waste paper were handed over in exchange for 22 seedlings of 130-150 cm Siberian spruce, which the campaign participants planted on the territory of the CHPP. An alley of 14 seedlings (Canadian maple, spruce, cherry, and mountain ash) was planted at JSC Omsk RTS as part of the same campaign.

OCCUPATIONAL SAFETY AND PREVENTING OCCUPATIONAL DISEASES

OCCUPATIONAL SAFETY AND HEALTH POLICY AND SYSTEM

Health and safety policy and requirements [GRI 103, 403-9, EU25]

One of Inter RAO's top priorities is managing occupational, industrial, fire, and environmental safety in the course of production activities by the Group's energy companies.

The main goals in the organization of occupational, industrial, fire, and environmental safety are:

- Preventing injuries and occupational diseases among employees of the Group's companies during all stages of production processes
- Minimizing the negative impact on humans and the environment as a result of the production and business activities of the Group's companies
- Preventing accidents, fires, and process disruptions during the operation of the technological equipment, buildings, and structures of energy facilities
- Ensuring the compilation and use of uniform requirements to organize the industrial monitoring of compliance with the requirements and training of workers in occupational, industrial, fire, and environmental safety

The fundamental document that lays out the principles of occupational safety at the workplaces of Inter RAO is the Regulation on the Management System for the Occupational, Industrial, Fire, and Environmental Safety of Production Activities of the Inter RAO Group¹ (hereinafter the Regulation). Industrial relations in the management system for occupational, industrial, fire, and environmental safety are governed by the principle that human safety and the environment take priority over the criteria of economic efficiency.

Safe working conditions are the key to success

Risk appetite: Inter RAO regularly and appropriately funds measures to improve working conditions and occupational safety.

The Regulation specifies the conditions for multi-level control over compliance with production safety requirements at Inter RAO and applies to:

- The technological processes involving the production, transportation, and distribution of energy and the equipment, buildings, and structures of the Group's energy facilities
- Employees of the Group's companies and contracting organizations who work within the area of responsibility of the Group's companies
- Production processes for the construction of the Group's new energy facilities and the reconstruction and expansion of existing facilities as regards monitoring compliance with requirements for occupational safety, technical operation as well as industrial, fire, and environmental safety

The Group's long-term goals in occupational safety through 2020 include not having any fatal accidents or group accidents involving Inter RAO employees due to the employer's fault and reducing the target value of the injury frequency rate. The target value of the injury frequency rate is set in the Business Strategy for Electricity Production and Reliability and Safety Management² and has steadily edged down from 0.39 in 2013 to 0.35 in 2020. As a result of the measures taken in 2019, the overall injury frequency rate among the Group's employees did not exceed the target value (≤ 0.3530)² and came to 0.1031. There were no instances of third parties being injured from interaction with the Company's assets. [EU25]

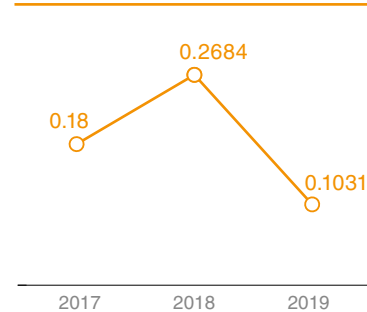
¹ Order No. IRAO/102 dated February 22, 2013

² Approved by the JSC Inter RAO Management Board (Minutes No. 421 dated January 25, 2013)

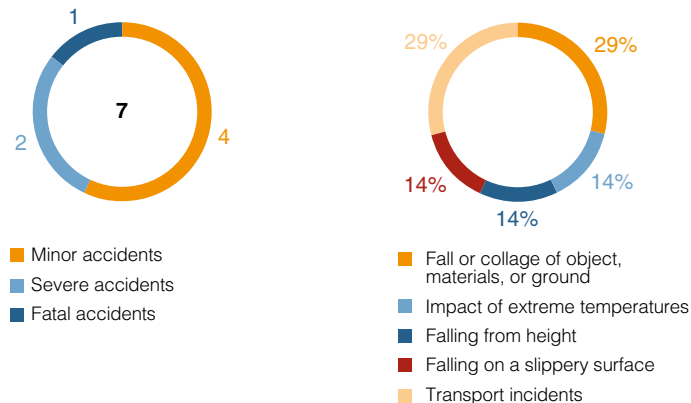
Results of the implementation of occupational safety goals in 2019

The actual value of the injury frequency rate was 0.1031 in 2019, down by 61% from the 2018 indicator.¹

Changes in the injury frequency rate



Breakdown of accidents by severity and type of injury in 2019



Inter RAO recorded a total of five accidents in which workers were at fault and two accidents in which no fault was found. All the types of incidents that resulted in injuries to employees of the Group's companies can be broken down as follows:

- **Transport incidents** – 29% (two minor incidents as a result of a traffic accident: one minor accident that occurred when a private vehicle collided with an employee walking along a road, and one minor accident that occurred when a private vehicle collided with a bus carrying the plant's shift workers)
- **Falling or collapse of objects or materials** – 29% (one severe accident as a result of the unsatisfactory organization of work, the absence of safety measures in the Labor Code and a work permit ensuring the stability of equipment components following its dismantling, violation by the victims of occupational safety requirements, and one minor accident as a result of the victim not being trained in safety measures during the installation of thermal insulation on a boiler, and the absence in the work permit, design project, and occupational safety instructions of safety measures for installing thermal insulation on the boiler)
- **Exposure to extreme temperatures** – 14% (one fatal accident occurred as a result of work to remove heating networks for repair without the issuance of a work permit as well as the employee's failure to perform a task given by his immediate supervisor – the duty service dispatcher (to only inspect the accident site))
- **Falling from height** – 14% (one severe accident occurred as a result of the unsatisfactory organization of work and the victim's negligence)
- **Falling on a slippery surface** – 14% (one minor incident occurred as a result of the unsatisfactory maintenance of a territory (absence of anti-icing reagent being applied to an icy surface and a lack of monitoring of the territory))

¹ The Guidelines for Assessing the Degree of Fulfillment of the Inter RAO Group's Strategy Implementation Plan state that the injury frequency rate = the number of accidents in which investigation reports established the fault of the employer and/or the Company's employees x 1,000 / average number of employees.

² The target value of the BP 'Injury frequency rate' is set by the Business Strategy for Electricity Production and Reliability and Safety Management (approved by the OJSC Inter RAO Management Board (Minutes No. 421 dated January 25, 2013)) and has decreased from 0.39 in 2013 to 0.37 in 2015 and to 0.35 in 2020. The target value of the 'Injury frequency rate' for 2019 is 0.3530, as established by the Methodological Guidelines for Assessing the Degree of Implementation of the Inter RAO Group's Strategy Implementation Plan' approved by PJSC Inter RAO Order No. IRAO/689 dated December 27, 2018.

Occupational health and safety management system [GRI 403-1, 403-8]

In accordance with the targets of the Inter RAO Technical Policy¹ corporate standard, the Group has introduced and is employing the Occupational, Industrial, Fire, and Environmental Safety Management System² (OIFESMS). The OIFESMS prescribes a uniform procedure for all the Group's companies to organize and conduct work in matters concerning occupational, industrial, fire, and environmental safety.

The OIFESMS applies to all technological processes involving the production, transportation, and distribution of energy, the equipment, buildings, and structures of the Group's energy facilities, company employees, and production processes involving the construction of the Group's new energy facilities and the reconstruction and expansion of existing facilities.

Ensuring multi-level monitoring of compliance with production safety requirements at Inter RAO's energy facilities is a strategic task for which the Group has drafted the corporate standard 'Methodology for the Internal Control and Analysis of the Occupational, Industrial, Fire, and Environmental Safety Management System in the Inter RAO Group's Production Activities'. The methodology establishes the requirements for the internal control and analysis of the functioning of the OIFESMS at the Group's companies.

The responsibilities and powers of the employees of the Inter RAO Group's companies as regards ensuring and observing occupational, industrial, fire, and environmental safety requirements are determined by job descriptions, regulations on structural divisions, in-house rules and policies, and the corporate standards of the Company and the Inter RAO Group's companies.

All of the Inter RAO Group's employees (full-time and non-staff) with an average headcount of 48,502 people were covered by the occupational safety and professional health system in 2019. The occupational safety system has an internal audit procedure. The OIFESMS does not provide for an external certification/audit procedure.

Plans to improve occupational safety in 2020

In 2020, the Group plans to develop and implement special comprehensive programs to improve working conditions and prevent injuries in accordance with working conditions at each facility based on the results of the internal control of the OIFESMS as well as the requirements of existing regulatory documents concerning occupational safety.

Inter RAO also plans to develop uniform standards to ensure the safe operation of vehicles and work on equipment at the branches of JSC Inter RAO – Electric Power Generation, the performance of high-risk work at the thermal power plants of JSC TomskRTS, and the introduction of video recording systems for routine switching within electrical installations and at the thermal power plants of generating and heating network companies.

The target injury frequency rate has been set at 0.35³.

¹ Order No. IRAO/453 dated September 14, 2018 (updated version)

² Order No. IRAO/102 dated February 22, 2013

³ Established by the Guidelines for Assessing the Degree of Fulfillment of the Inter RAO Group's Strategy Implementation Plan (Order No. IRAO/727 dated December 31, 2019).

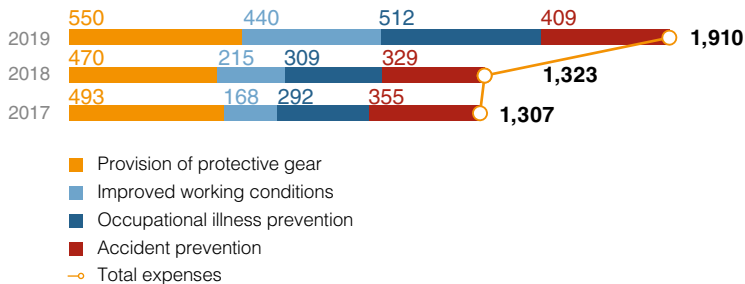
MAIN OCCUPATIONAL SAFETY AND HEALTH FOCUSES, EXPENSES, AND MEASURES

General safety focuses and expenses [GRI 403-2]

In an effort to reduce the level of injuries and occupational diseases among workers, Inter RAO employs the programs 'Work and Workers' Life Safety' and 'Workers' Health and Active Life'. These programs feature the following measures that help to prevent and reduce injuries and occupational diseases among workers:

- A set of measures to ensure the safety of production activities at the Group's facilities
- Equipment for workplaces and support for employees' working conditions
- Technical safety audits of production activities at the Group's companies
- Compensation for harmful factors in the workplace
- Worker accident insurance
- Additional compensation in the event of an employee's on-the-job injury or death in the workplace through the fault of the employer
- Compulsory and voluntary medical insurance for employees (CMI and VMI)
- Ergonomic measures to ensure workplace safety for the Company's employees
- Additional leave for workers with special working hours and special working conditions
- A flexible schedule (atypical working hours) for certain categories of the Company's employees
- Collective sports and recreational activities for the Company's employees
- Payment for renting a sports facility for collective sports and the payment of wellness services
- Compensation for the temporary disability of a Company employee due to illness
- A medical rehabilitation program for the Company's employees

Focal points of occupational health and safety expenses, RUB mln



- Organization of internal corporate professional excellence competitions as well as meetings and conferences on occupational safety, industrial safety at hazardous production facilities, and fire and environmental safety
- Briefings on occupational and fire safety for employees
- Training on environmental safety, first aid methods, and the testing of workers' knowledge of occupational safety, technical operation rules, and industrial and fire safety
- Investigation of accidents and the causes of accidents, fires, and process disruptions that occurred during the operation of equipment, buildings, and structures at the Group's facilities
- Compilation of KPIs to ensure the safety of energy production
- Drafting of regulatory documents governing relations as regards occupational, industrial, fire, and environmental safety

Inter RAO has increased its investment in occupational safety in an effort to maintain a high level of occupational and production safety. Funds allocated for this purpose in 2019 increased by 44% compared with 2018 and amounted to RUB 1.91 bln, or RUB 39,000 per employee. This increase in expenses can be attributed to more proactive measures to improve working conditions as well as the implementation of additional sanitary and hygienic measures to prevent disease in the workplace.

Hazard identification, risk assessment, and accident investigation [GRI 403-2]

To reduce injuries, a risk-based approach is taken when planning and conducting extraordinary technical inspections. The Group conducts real-time monitoring of occupational, fire, industrial, and environmental safety management systems as well as targeted, comprehensive, scheduled, and extraordinary audits of the technical safety of production activities.

Workplace incidents are registered in accordance with the requirements of the Labor Code of the Russian Federation and Resolution No. 73 of the Ministry of Labor and Social Development of the Russian Federation dated October 24, 2002 "On the Approval of the Forms of Documents Required to Investigate and Record Workplace Accidents, and Regulations on Special Aspects of Investigations into Workplace Incidents at Individual Industries and Organizations."

An internal analysis of the causes of accidents is submitted to the heads of the relevant segments of Inter RAO. After the accidents are investigated, measures are developed to prevent similar incidents in the future. Based on an assessment of the causes of the accidents, additions (changes) are made to the standards for providing employees with personal protective equipment, adjustments are made to staff training programs, internships, briefings, testing, piggyback training (for operational workers), and advanced training is offered.

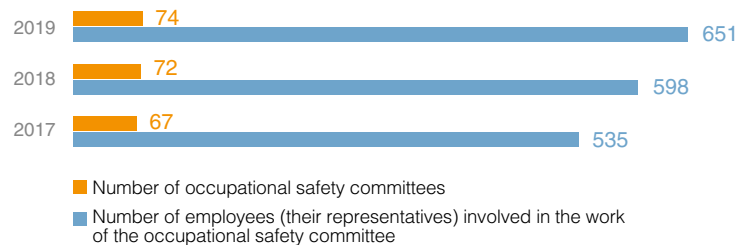
A special assessment of working conditions is conducted to identify the actual levels of harmful production factors. In 2019, Inter RAO conducted a special assessment of working conditions (SAWC or workplace assessment) at 12,434 work stations, which was in line with its target. Based on the assessment results within the Group, most of the work stations are classified as class 2 (permissible) and class 3.1 and 3.2 (harmful). In 2020, SAWCs will be conducted at 6,607 work stations in order to improve working conditions in the workplace.

Thematic lectures, talks, seminars, meetings, training, and thematic sessions are held for employees on how to handle equipment breakdowns, the proper actions to take when dealing with emergencies, industrial process safety violations, overviews of injuries, training on risk identification in the workplace, and the review of occupational safety issues.

Workers' participation in consultation and communication on occupational health and safety [GRI 403-4]

Other important components for identifying harmful and dangerous factors include holding talks with employees and reviewing proposals from employees and the elected body of the primary trade union organization in order to develop recommendations for improving working conditions and occupational safety. The Group's companies have created occupational safety committees (commissions) that include an equal number of representatives of the employer and representatives of the elected body of the primary trade union organization. The committee is an integral part of the occupational safety management system and is also one of the forms whereby employees take part in occupational safety management. The Committee operates based on the principles of a social partnership. In 2019, the occupational safety committees included 651 employees, held 268 meetings, and adopted 487 decisions.

Headcount and number of occupational safety committees [GRI 403–4]



In accordance with the Labor Code of the Russian Federation, the Group's companies conclude collective bargaining agreements that govern social and labor relations between employees and the employer. Such agreements address:

- Work and rest schedule, working conditions, benefits, guarantees and compensation, and the obligations of the employer in terms of ensuring occupational safety requirements
- Standards for the issuance of special gear (footwear) and personal protective equipment (PPE)
- Standards for issuing flushing and neutralizing agents
- The employer's obligations regarding training and staff development
- An action plan to improve working conditions at the organization

Prevention and mitigation of occupational health and safety impacts directly linked by business relationships [GRI 403-3, 403-7]

In an effort to minimize injuries, Inter RAO regularly evaluates the effectiveness of the measures it has taken to prevent incidents, occupational diseases, and accidents, and also takes corrective and preventive measures, including ones that aim to improve safety levels. The OIFESMS establishes

a uniform procedure for all the Group's companies to organize and engage in occupational, industrial, and fire safety work, including a five-stage control system that not only helps verify the activities of departments but also contractors in terms of ensuring the protection of the safety and health of employees and third parties. Special comprehensive programs are developed at each subsidiary and their branches to improve working conditions and prevent injuries in accordance with working conditions at each facility.

Personal protective equipment (PPE) is provided to the Group's employees based on the established requirements of regulatory legal acts of the Russian Federation. A clear list with the names of the PPE for each profession and position has been established. PPE is provided in accordance with the Methodology for the Provision of Personal Protective Equipment. Additional requirements have been imposed on suppliers and manufacturers of PPE for continuous improvements to the quality of the products and the use of new technologies.

In order to prevent and detect occupational diseases in a timely manner, in-process monitoring is carried out to ensure compliance with sanitary rules and the fulfillment of sanitary and anti-epidemic (preventive) measures (laboratory studies and tests of environmental factors).

Employees are regularly vaccinated in order to prevent viral and infectious diseases. Enterprises also carry out pest control. Staff is provided with flushing and neutralizing agents in accordance with applicable standards.

In jobs with harmful working conditions, workers are provided with milk or equivalent products as well as effective PPE.

All production and office premises have quick access to first-aid kits that are regularly replenished as well as access to drinking water.

Worker training on occupational health and safety [GRI 403-5]

Occupational safety training is provided in accordance with the Procedure for Occupational Safety Training and Testing the Knowledge of Occupational Safety Requirements for Employees of Organizations, which was approved by Decree No. 1/29 of the Ministry of Labor and Social Development and the Ministry of Education dated January 13, 2003, as well as the Rules for Work with Personnel at Electric Power Industry Organizations of the Russian Federation, which was approved by Order No. 49 of the Ministry of Fuel and Energy dated February 19, 2000. Worker training programs are free of charge for workers and are conducted both off-the-job (at training schools) and on-the-job (not directly at the enterprise). Employee training time is paid by the employer in the prescribed manner and is considered official work time.

In 2019, 21,721 employees underwent free occupational safety training and knowledge testing of occupational safety requirements for employees and occupational safety commissioners.

Inter RAO regularly implements occupational safety training programs for staff, including:

- Employee training for new positions with an internship and on-the-job training, piggyback training (for operational employees), knowledge testing, and advanced training
- Emergency and fire-fighting exercises
- All types of safety training for the Group's staff and the personnel of contracting organizations
- Special training for employees and advanced training
- Holding monthly occupational safety days
- Thematic video lessons, including on the prevention of injuries when working with electrical installations, working at height, working in confined spaces, working on pressurized equipment, performing construction work, during loading and unloading, and working with lifting constructions, devices, and mechanisms
- Training workers on safe working methods and the proper use of tools, devices, and personal protective equipment

Newly hired employees are trained for their new positions according to the plans and programs approved by the organization's senior executive. In the process of training for a new position, electrical engineers, drivers, as well as blue-collar workers undergo internships at the workplace. The internship is conducted under the guidance of a responsible trainer, and employees must undergo a test of their knowledge upon completion of the internship.

The Group provides internal and external training on occupational safety. Internal training programs include:

- First aid training program for on-the-job accidents.
- Staff training programs for specific professions and types of work that include materials on the rules, instructions, and regulatory documents on possible risks that lead to injuries in the workplace as well as safety measures to eliminate such risks.

For II-V group electrical personnel, external training programs on electrical safety are held at specialized training centers on the following topics:

- Basic requirements for ensuring the safe operation of electrical installations.
- Electrical safety at existing electrical installations of up to 1,000 Volts and work performance.
- Rules for the use of protective equipment used in electrical installations.
- Staff requirements and training. The procedure and conditions for safe work in electrical installations. Technical measures to ensure work safety in electrical installations.
- General information about electrical installations. Wiring diagrams, equipment layouts, and manufacturing processes. Grounding and protective measures. Lightning protection.
- Occupational safety rules during the operation of electrical installations.
- Rules for the use and testing of protective equipment used in electrical installations.
- Rules for the release of people hurt by electric current and first aid. Practical methods for providing first aid to people injured on-the-job.

Upon conclusion of the course 'Rules of Working with Electrical Installations for Electricity Consumers,' a special commission holds an exam for students. If the employee passes the exam, he/she is assigned the corresponding electrical safety group.

Emergency response training

Employees are provided with training on what to do in an emergency in accordance with the corporate training program on civil defense and emergency protection.

The Sochinskaya TPP of JSC Inter RAO – Electric Power Generation (CTPP) is home to an advanced training complex that trains staff on how to act in emergency situations. The software and hardware platform fully reproduces the algorithms of the entire production process. The simulator created specifically for the Sochinskaya TPP at the generating facilities of the Krasnodar Territory is one of a kind. In the new training class, CTPP employees receive advanced training and hone their emergency response skills. They can simulate any abnormal situation on computer monitors, whether it is a shutdown of a pump, electric motor, or turbine. Special training classes for the personnel of electrical, heat engineering, and chemical workshops on a unique simulator are held regularly. The complex will help eliminate emergency situations that arise through the fault of operational staff.

Training simulators for the operational staff of power plants based on innovative Russian information technologies are equipped as part of the R&D program (for more details, see the 'R&D Projects' section).

Worker health protection programs [GRI 403-3, 403-6]

Inter RAO devotes serious attention to the treatment and wellness of its employees, the provision of high-quality medical care, and the organization of health resort treatment for workers. The Group's companies regularly conduct screenings and periodic medical checkups as well as pre-shift and post-shift examinations of employees who work in harmful and dangerous production environments. For most employees, the Company ensures long-term voluntary medical insurance (VMI) agreements are concluded with an insurance organization that offer a wide range of insurance coverage. VMI provides outpatient services, emergency and planned inpatient treatment, emergency medical care, and insurance for employees traveling abroad. Treatment for occupational diseases is generally not included in the VMI insurance program. The Group's enterprises have approved the following processes to ensure the prevention and earlier detection of occupational diseases:

- **Preliminary medical examinations of** newly hired employees.
- **Mandatory psychiatric examinations** for employees who perform certain types of jobs, including activities that involve hazards (with harmful substances and adverse production factors), as well as those working in dangerous conditions.
- **Mandatory periodic medical checkups in** order to monitor the health of workers, ensure the timely detection of diseases and early signs of exposure to harmful and/or hazardous production factors, and to provide timely preventive and rehabilitation measures that aim to preserve the health and rehabilitate workers.¹
- **Vaccinations** in accordance with the national vaccination calendar, seasonal immunization as well as tetanus and rabies shots.

¹ On the basis of lists, a healthcare organization's medical commission determines the list of medical specialists and the types of laboratory and functional studies. Workers are referred for medical examinations with a list of doctors and studies. Based on the examinations results, a treatment group is determined, if necessary, with recommendations for disease prevention, including occupational diseases. If it is difficult to determine an employee's professional suitability, the healthcare organization sends the employee to a professional occupational pathology center or a specialized medical organization, which may conduct an examination regarding the connection of the disease with the employee's profession and whether or not the employee is fit for work.

- **Pre-shift medical examinations of** operating staff are conducted by the assistant paramedic or therapists at the health center prior to the start of shifts in order to exercise workers' rights to health and safe working conditions. The pre-shift examinations determine whether an employee is ready to work. Medical assistants from the health centers report the results of the pre-shift examinations to the shift supervisors each shift as well as prepare monthly reports. [GRI 403-3]
- **First-aid kits with medicines** are available at all structural units.
- **Organization of health resort treatment** for employees for whom such treatment is recommended based on the results of an annual medical examination (at least 7 days) or employees of pre-retirement age (at least 14 days).

Medical confidentiality

In accordance with Federal Law No. 323 "On the Fundamentals of Protecting the Health of Citizens in the Russian Federation" dated November 21, 2011, information about an employee's health and diagnosis as well as other information obtained during a medical examination and treatment constitute privileged medical information. The only result of the physical examination sent to the employer is an indication of whether or not the employee is fit for work. This condition is thoroughly detailed in medical examination contracts.

VMI contracts require the insurer to ensure confidentiality in accordance with the legislation on public health. The insurer receives written consent from the insured persons under the VMI program for the insurer and organizations that provide medical services to process the personal data of the insured persons, including personal data of special categories as well as data constituting privileged medical information, in accordance with the requirements of the current legislation of the Russian Federation. As part of the program, when traveling outside their permanent place of residence, insured persons exempt attending physicians from the obligation to preserve medical confidentiality and agree to provide the treatment company or insurer with treatment documentation as well as documentation of their health condition prior to the occurrence of an insured event, if necessary.

Combatting health discrimination

The Inter RAO Code of Ethics does not tolerate any form of discrimination against employees, including discrimination based on health, and requires each employee to be granted equal opportunities to develop an effective professional career.

In order to combat discrimination against employees based on their health, the 'Work and Workers' Life Safety Program' that has been made a part of the collective bargaining agreement for 2018-2020 at many of the Group's companies provides a package of guarantees and compensation in the event that an employee goes on disability as a result of an injury through the fault of the employer or occupational disease. The collective bargaining agreement also provides salaries for people working with disabilities in accordance with the current wage system and also observes the rights of persons with disabilities to shorter working hours without reducing the set level of wages.

Employees are selected and hired in accordance with the requirements of the Labor Code of the Russian Federation. At certain companies of the Group, jobs for persons with disabilities are allocated in accordance with a set quota in order to fulfill the constitutional principles of equality and freedom of labor in employment relations.

Workers who need to be transferred to another job for health reasons are relocated to another job that is available to the employer and is not contraindicated for the employee due to health reasons with the employee's written consent.

HR POLICY AND STAFF DEVELOPMENT

HR POLICY AND STAFF DEVELOPMENT [GRI 103¹]

Inter RAO has a balanced staff in terms of structure, experience, and professional skills, which makes it possible to effectively resolve operational and strategic tasks. The Group develops its HR policy based on a unified management system in which corporate values comprise the core. The Inter RAO Group is guided in its activities by the international conventions of the International Labour Organization (ILO) that have been ratified by the Russian Federation.

Goals of staff development in relation to strategic priorities

The main goals in human capital management in 2019 involved increasing work productivity, creating conditions to attract highly trained specialists, altering the approach to developing training programs, improving the professional level of the Group's employees, developing a corporate culture and internal corporate communications, and modifying work methods concerning the job satisfaction of personnel.

The goals of staff development are linked to Inter RAO's strategic priorities and the need to modernize the technological and organizational environment, which dictates new requirements for the professional skills of employees. Given the Company's development prospects, advanced training for personnel in the 'Generation' segment as well as the hiring of staff that are capable of building and maintaining plants with modern, more high-tech, and innovative equipment will be essential over the next ten years.

In the 'Supply' segment, the introduction of innovative technologies such as intelligent metering systems, the development of additional paid services

as well as the development of functions at unified settlement and information centers on the basis of guaranteed suppliers will determine the main areas of work with staff in the medium term, including training and development in matters concerning regulatory support.

Primary focuses and results of HR policy

The priority measures and focuses of the HR policy in 2019 were:

- Development of social programs
- Spinning off certain HR functions to a common service center
- Conducting a staff audit
- The introduction of corporate competence models at the Group for four levels of employees: from senior management to ordinary employees
- The introduction of objective personnel assessment tools (competency interviews) to improve the quality of personnel decisions
- The concept of working with the talent pool was developed
- The methodology of the PJSC Inter RAO personnel training system that governs key principles and rules for staff development was approved

Plans to improve HR policy in 2020

In 2020, the Group plans to further develop the HR policy in the following areas:

- Development of corporate social responsibility and youth policy
- Introduction of the Corporate University
- Revision of the grading system
- Development of operational efficiency
- Automation of HR processes based on Mirapolis HCM
- Qualitative changes in the approach to forming a talent pool

Employees are the Company's core value

Risk appetite: Preparing
the talent pool
of managers

Results of HR policy implementation in 2019

- Active staff turnover decreased from 11.22% to 11.0%
- The Employee Satisfaction Index (ESI) increased compared with the 2018 results from 69.9% to 71.5%.

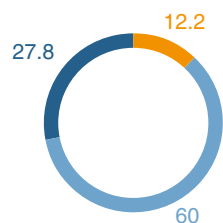
¹ Management Approach: HR policy and staff development.

STAFF STRUCTURE AND MANAGEMENT OF STAFF MOVEMENT

Overall staff structure [GRI 102-7, 102-8, GRI 405-1]

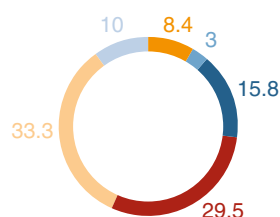
The Group had 48,689¹ employees as of December 31, 2019. More than 72.2% of the Group's staff are under the age of 50. Even though the gender breakdown in the power industry traditionally favors male employees, the proportion of women in the Company's staff structure is relatively high at 42.6%. Indefinite employment contracts have been concluded with 94.3% of all workers, and 97.5% of employees work full-time. Both indicators have continued to see positive trends in recent years.

Staff structure by age [GRI 405-1] %



■ under 30 years old
■ 30-50 years old
■ over 50 years old

Staff structure by gender and age [GRI 405-1] %



■ Managers (m)
■ Managers (f)
■ Specialists (m)
■ Specialists (f)
■ Workers (m)
■ Workers (f)

¹ The indicator includes 82 Inter RAO enterprises. Twenty-three of the Group's enterprises that did not fall within the scope of personnel indicators are special purpose vehicles (SPV).

Staff structure by category, gender, and age group [GRI 405-1]

	Managers		Specialists and employees		Workers	
	M	F	M	F	M	F
< 30 years old	110	41	1,117	1,926	2,422	347
30-50 years old	2,719	1,057	4,782	9,727	8,330	2,589
> 50 years old	1,250	370	1,791	2,739	5,447	1,925
TOTAL	4,079	1,468	7,690	14,392	16,199	4,861

Staff numbers with a breakdown by country, employment type, and employment contract as of December 31, 2019 [GRI 102-8]

	Country	Gender	Full-time employment	Part-time employment	Indefinite contract	Temporary contract
Russian Federation		M	24,666	124	23,941	849
		F	19,104	650	18,143	1,611
		Total	43,770	774	42,084	2,460
Georgia		M	1,270	367	1,449	188
		F	455	59	448	66
		Total	1,725	426	1,897	254
Moldavia		M	1,541	0	1,520	21
		F	453	0	437	16
		Total	1,994	0	1,957	37
Total		M	27,477	491	26,910	1,058
		F	20,012	709	19,028	1,693
		Total	47,489	1,200	45,938	2,751

Staff turnover [GRI 401-1]

An effective HR policy and the wide range of recruitment methods traditionally used at the Inter RAO Group make it possible to keep the staffing level at a high rate of 92%. The staff turnover rate for dismissed employees amounted to 11.0 in 2019.

When hiring staff, the Group fully adheres to approaches that preclude any kind of discrimination in accordance with the law. The Group's internal regulatory documents reflect the provisions on not permitting any forms of discrimination or harassment at the Group's companies for any reason, including based on nationality, gender, or age. Special gender targeting policies were not used in the reporting year.

Total number of employees hired and dismissed in 2019 with a breakdown by age group, gender, and region [GRI 401-1]

Region	<30 years old		30-50 years old		>50 years old		Total
	M	F	M	F	M	F	
Hired							
Russian Federation	1,341	995	2,206	2,620	674	713	8,549
Georgia	10	4	7	17	4	6	48
Moldavia	49	6	43	18	49	11	176
Total	1,400	1,005	2,256	2,655	727	730	8,773
Staff hiring rate ¹ , %	38%	43%	14%	20%	9%	15%	18.0%
Dismissed							
Russian Federation	783	621	1,971	1,810	1,163	1,179	7,527
Georgia	5	1	18	16	23	39	102
Moldavia	37	3	85	57	132	51	365
Total	825	625	2,074	1,883	1,318	1,269	7,994
Staff retirement rate ² , %	22.6%	27.0%	13.1%	14.1%	15.5%	25.2%	16.4%
Dismissed on their own volition or for violating labor discipline							
Russian Federation	660	529	1,442	1,293	582	651	5,157
Georgia	5	1	18	16	23	39	102
Moldavia	33	2	50	9	19	2	115
Total	698	532	1,510	1,318	624	692	5,374
Staff turnover rate ³ , %	19%	23%	10%	10%	7%	14%	11.0%

¹ The staff hiring rate is calculated as the ratio of employees who were employed in 2019 versus the payroll number of employees at the end of the reporting period.

² The staff retirement rate is calculated as the ratio of dismissed workers in 2019 versus the payroll number of employees at the end of the reporting period.

³ The staff turnover rate is calculated as the ratio of employees dismissed on their own volition and for violation of labor discipline in 2019 versus the payroll number of employees at the end of the reporting period.

Talent management

The Group plans to develop internal hiring and rotations as part of a horizontally oriented career path for employees due to industry specifics: in conditions where people work with complex equipment and the majority of employees have unique knowledge.

In 2019, Inter RAO prepared a Concept for Training the Talent Pool that regulates the following aspects:

- A nomination campaign and an improved selection procedure for the talent pool
- A collective decision-making format on the inclusion of employees in the talent pool and on measures to increase the security of positions held by the talent pool
- The statuses of readiness of talent pool members for appointment
- A systematic approach to the training of talent pool members for targeted positions, including the development of individual development plans, training in a corporate format, mentoring, and the regular monitoring of development to track dynamics

In 2019, a number of subsidiaries implemented the ROST project (Development and Improvement of Existing Technologies), which is designed to improve key end-to-end business processes at companies.

Stages of the ROST project:

- **Training for project participants** (project management, lean manufacturing, and the business game 'Modeling Project Activities in Changing Conditions')
- **Rotation of project participants.** The rotation program included an audit of business processes and the creation of a portfolio of projects that aim to improve the Company's operational efficiency
- **Development and implementation of a roadmap** for the implementation of projects and to obtain the desired effect.

In 2020, the ROST project will be expanded and implemented at the Group's other subsidiaries.

Improving organizational structure efficiency

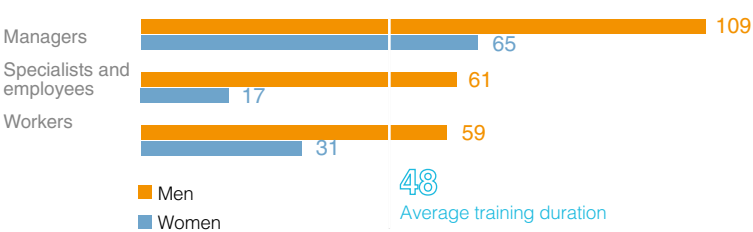
The main goal of work in ensuring organizational structure efficiency in 2019 is to increase labor productivity, with an emphasis on the redistribution of staff and the outsourcing of service functions.

For workers who are transferred, the usual conditions of financial and non-financial incentives remained in place. Various conditions of employment were also developed for downsized personnel: options were proposed at other companies of the Group and negotiations were held with energy companies outside the Group on further job opportunities for staff who had been dismissed.

STAFF TRAINING [GRI 103¹, 404-1, 404-2]

Inter RAO management is interested in recruiting both highly skilled personnel and young professionals. The Company devotes considerable attention to the advanced training and professional growth of young professionals and the development of production-based initiatives. The Group's enterprises have a mentoring system and special adaptation programs in place. Mentoring reduces the job adaptation period and helps employees assimilate and adopt the existing standards and rules at the Group. This all combines to create an atmosphere of trust in the workforce. In the reporting year, the programs that were developed for staff adaptation after the induction period began to work more efficiently, which reduced turnover among young professionals.

Average hours of training per employee per year [GRI 404-1]²



In 2019, Inter RAO staff were trained in the most pressing areas for the Group's companies (in addition to mandatory programs), including:

- Additional professional training (improving and maintaining employees' professional skills)
- Simulation training for operational personnel
- Training sessions to develop a range of non-specialized, cross-cutting skills that promote their successful participation in the work process and a high level of productivity (project management, planning, time management, and situational leadership)
- Training programs for the talent pool (development of managerial skills among talent pool members)

Staff training is conducted in various forms, including full-time training, on-the-job training, and internships. Remote formats such as webinars, online courses, and microteaching are also actively used. Each employee has an opportunity to choose external and internal courses when preparing a training plan for the next calendar year. [GRI 404-2]

Training for employees is provided to continuously develop their professional knowledge, skills, and expertise. Inter RAO is further developing the Company's existing system of continuing education for staff by increasing the number of employees who receive training as part of continuing education programs at universities as well as participating in the modernization of the actual continuing education and retraining programs.

The continuing education system in place at Inter RAO ensures the effective management of staff knowledge and the creation of HR potential that can ensure the achievement of the Company's innovative development goals.

¹ Management Approach: Staff training

² Calculated as the ratio of the total number of training hours for a category of employees versus the number of employees in this category.

As part of the HR-evolution educational project, employees worked on various professional themes while teaching and learning from each other. In 2019, the following themes were covered: Inter RAO corporate competencies, corporate competency interviews, individual development plans (IDP), an assessment center, youth assets, staff rotation, potential assessment, and a 360 assessment.

The effectiveness of the curriculum is evaluated in three ways:

- **With the help of a commission set up by the employer during the certification** (oral questioning) of employees after self-training along with an analysis of the learning materials (answers to questions) and the opinions of employees about how useful and interesting the material was.
- **Computer testing** after undergoing remote learning.
- **Questioning of staff upon completion of training.** Employees evaluate the usefulness of the material they studied, the quality of teaching and the educational materials, the relevance of the knowledge they gained, the training methods, and general aspects of training.

Inter RAO annually hosts professional skills competitions and contests.

Professional skills competitions are specially organized events that aim to assess the level of professional proficiency of staff and improve the quality of work. Competitions facilitate the process of improving software and hardware tools for training the staff of energy enterprises.

Professional skills contests are organized specifically to identify the best employees in a particular profession. They may seek to single out individual achievements in a particular profession or group achievements (best shift, branch team, etc.). The events assess both the level of technical training of specialists as well as individual and collective skills

The Group's companies currently hold the following professional skill contests and competitions:

- Annual open competitions among integrated teams of Inter RAO operational personnel. The competitions are designed to develop professional skills among operational personnel in order to ensure the reliable and safe operation of energy facilities. The tenth competition was held in 2019.
- Annual open professional skills competitions among the staff of Inter RAO heating network organizations. These competitions are designed to exchange best practices in the operational management of equipment and fine tune the forms and methods of work that aim to ensure the quality and safety of equipment maintenance. The competition has been held since 2018.
- An annual professional skills contest among shift electricians of the branches JSC Inter RAO – Electric Power Generation and JSC Nizhnevartovskaya TPP. The contest uses modern software and hardware training and distance technologies to test the knowledge of operational personnel and provide them with and simulator training.
- Annual contests at JSC Altayenergosbyt: 'Best Dispatcher', 'Best Client Office Director', and 'Best Senior Agent for Work with Receivables'. The contests are held to ensure the professional development and motivation of the company's employees and the continuous improvement of employees' knowledge, practical skills, and professional development.

SOCIAL SUPPORT

Social policy principles [GRI 102-12]

The corporate culture at the Inter RAO Group is based on the principles of prioritizing the overall result, mutual assistance, and mutual respect for employees regardless of position, gender, or any other attributes.

In its social policy, Inter RAO adheres to international standards and best practices in such areas as human rights, labor relations, environmental protection, anti-corruption, and stakeholder engagement. The Company is guided by the Guidance on Social Responsibility (International Standard ISO 26000) and the universal principles of the UN Global Compact concerning human rights, labor relations, environmental protection, and anti-corruption, the Social Charter of Russian Business as well as the Sectoral Tariff Agreement in the Electric Power Industry of the Russian Federation. [GRI 102-12]

The Company strives to create a common space of values among employees, an atmosphere of honesty and openness, and a favorable psychological climate that contributes to the achievement of the Group's strategic goals and also increases the efficiency of operations.

Social benefits and guarantees are an important tool in the Group's HR policy.

The Inter RAO corporate standard stipulates that issues concerning the creation of a social package for employees be included in the Regulation on Remuneration at all the Group's subsidiaries.

Key focuses of social programs:

- The work safety of employees
- The health and activeness of employees
- Support for young professionals
- Career development
- Support for the best employees and work with the talent pool

- Assistance to young families
- Improving the welfare of workers
- Support for retirees
- Maintaining a high level of production culture

The Group's companies provide comprehensive support to employees in different life situations and pay serious attention to the treatment and wellness of staff and the provision of high-quality medical care and health resort treatment for employees. The Company takes care of its employees' children by providing material assistance to large and single-parent families, orphans, and children with disabilities. In addition, each year children vacation at children's health centers, participate in corporate festive and sporting events, and take tours of the Group's facilities.

Tangible incentives [GRI 202-1, 404-3]

In 2019, the 'Supply' segment continued implementing projects to improve the financial incentive system for staff: remuneration for employees of PJSC Mosenergosbyt and JSC St. Petersburg Power Supply Company (approximately 5,500 people) were increased to the 75th percentile of the corresponding regional labor market, which means there should be a higher level of staff satisfaction with the wage system and a decrease in the staff turnover.

The 'Benefits Cafeteria' continued to be a success at the power supply companies LLC Energy Retail Company of Bashkortostan and OJSC Tomskenergosbyt in 2019. The 'Benefits Cafeteria' includes voluntary health insurance, the payment of trip vouchers, health resort treatment, the training of staff and education of children, and reimbursement of gym fees, among other things. The benefit system is tied to the Company's existing payroll system. This makes it possible to select benefits online from a suggested list on corporate Internet portals based on limits that are determined by points in accordance with an employee's grade.

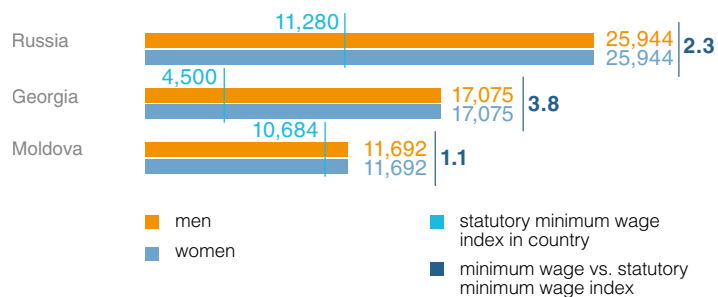
In the remaining segments, remuneration is higher than the median of the market in all categories, which makes the Group a competitive employer in most of the regions where it operates.

The main priority of HR in terms of remuneration for the next reporting period is to develop social programs for non-financial incentive.

The measures taken by Inter RAO to increase labor productivity have enabled the Company to pay entry-level workers salaries that are usually above the minimum wage, on average 2.3 times higher, depending on the region of operation, which makes it possible to quickly fill vacant positions and effectively solve the problem of replacing retired employees.

The Group has a staff assessment system based on a combination of key performance indicators (KPIs) and skills, which is a good motivational factor for employees since it allows them to not only focus on improving their work efficiency, but also on developing key professional skills that help to achieve the required results.

Ratio of standard entry-level wages of employees of different genders vs. the set minimum wage in significant regions of operations [GRI 202-1]



Key goals of the assessment:

- Identification of the needs for the professional training and personal development of employees
- Identification of efficient and highly efficient employees
- Revision of worker salaries within the approved budget
- Overall monitoring of the efficiency of staff performance

A periodic performance assessment is carried out for all employees that directly affects incentive payments to enhance their interest and responsibility for the results of their work. [GRI 404-3].

Intangible incentives

In 2019, 5,259 employees of the Group received special recognition: 30 employees were granted state awards, another 181 received in-house awards, and 5,048 were given corporate awards from PJSC Inter RAO.

In October 2019, a survey was conducted on employee satisfaction with work, particularly such factors as:

- Salary
- Intangible incentives
- Working conditions
- Opportunity for self-fulfillment
- Corporate communications
- Psychological climate
- Career opportunities
- Management
- Confidence in the future, stability, and loyalty

The survey was conducted in October 2019 and was completed by 91% of the Group's employees. For comparison's sake, this indicator amounted to 84% in 2018. It is also worth pointing out that the ESI-Employee Satisfaction Index increased from 69.9% in 2018 to 71.5% in 2019.

INTERACTION WITH TRADE UNIONS AND HUMAN RIGHTS

Interaction with trade unions [GRI 103, 102-41, 402-1, 407-1]

Inter RAO employees have the opportunity to fully exercise their right to freedom of association. In 2019, a primary trade union organization was set up at LLC UEC. Trade unions have been established and freely operate at most enterprises, and in 2019 the Group had 22,607 members of trade union organizations, or 59.8% of its average headcount. [GRI 102- 41]. Inter RAO has not found any entities at which the right to exercise freedom of association and collective bargaining may have been violated or at substantial risk. [GRI 407-1].

Primary trade union organizations primarily represent the interests of workers in the 'Generation' segment. In 2019, trade union conferences were held at several branches and subsidiaries of Inter RAO in addition to meetings of standing commissions and committees of trade union branches during which discussions were held together with management on issues of particular concern to employees, such as the conclusion of a new collective bargaining agreement, the transition to a new remuneration payment system, pay for work on weekends and overtime, and consideration of candidates for health resort treatment using VMI funds.

Extensive work is being conducted with young people: training sessions were held on various topics at regional trade unions with young power engineers, and young professionals were involved in various socially significant events.

Inter RAO management encourages collective bargaining in all segments of the Group since collective bargaining agreements not only contain all the employer's mandatory labor rights and obligations, but also significantly expand them, allowing employees to be confident in their future, plan and build their career and personal life, and take care of their families.

As of December 31, 2019, the share of employees of Inter RAO enterprises that have a collective bargaining agreement in place stood at 84%, and in the 'Generation' segment this indicator is 96.5%. [GRI 102-41]

In the 'Generation' and 'Engineering and Services' segments, the Group's enterprises build partnerships with employees on the terms of collective bargaining agreements, which are based on a unified approach and a specific procedure for providing benefits, guarantees, and compensation that determine their scope. The agreements are valid for the medium term. All the obligations undertaken by the employer and enshrined in collective bargaining agreements were fully implemented in 2019.

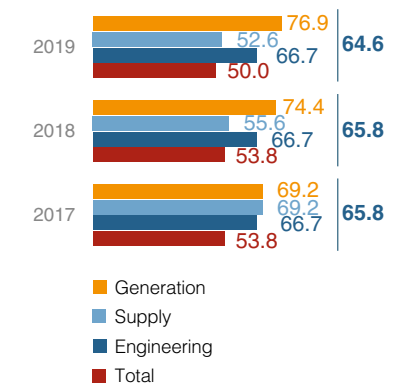
In accordance with Article 74 of the Labor Code of the Russian Federation concerning changes (to organizational or technological working conditions) and Article 75 of the Labor Code of the Russian Federation (when changes are made to the ownership of an organization's property altering the organization's jurisdiction or reorganization), an employee must be notified about any changes in the essential conditions of an employment contract in simple written form at least two months in advance. [GRI 402-1].

Commitment to human rights [GRI 405, 406, 408, 409]

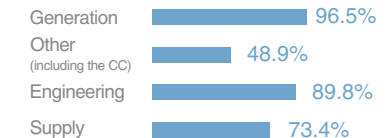
Inter RAO adheres to the principles for the protection of human rights set forth in the following international documents:

- The Universal Declaration of Human Rights
- The International Covenant on Civil and Political Rights
- The International Covenant on Economic, Social, and Cultural Rights
- Declaration of the International Labor Organization on Fundamental Principles and Rights at Work
- Constitution of the Russian Federation

Share of enterprises with collective bargaining agreements [GRI 102-41]



Share of staff at Inter RAO enterprises with collective bargaining agreement as of December 31, 2019 [GRI 102-41]



- Labor Code of the Russian Federation
- United Nations Guiding Principles on Business
- UN Global Compact

The Company supports and respects the protection of internationally proclaimed human rights and advocates for not being complicit in human rights abuses, thereby expressing its support for the first and second principles of the UN Global Compact.

Inter RAO does not tolerate any form of discrimination and advocates for equal rights, regardless of gender, race, nationality, language, social origin, property and official status, religion, membership in public associations, or any other grounds.

In 2019, the Company commenced the process of developing policies on human rights and interaction with local communities as well as a Code of Conduct for Suppliers. Implementing these internal regulatory documents will build a foundation for further bolstering practices in terms of interaction with employees, local residents, and other stakeholders, both directly through the Company's actions and indirectly through the Company's partners.

The Human Rights Policy that has been drafted will officially enshrine the following obligations of Inter RAO:

- Respect a person's right to life, freedom, and personal integrity
- Prevent the use of any form of forced or child labor
- Guarantee the right to fair and decent remuneration, safe and healthy working conditions, the right to rest and leisure, as well as the necessary social support, including in cases of illness, disability, loss of the breadwinner, old age, and other losses of livelihood due to circumstances beyond an employee's control

- Recognize the right to freedom of association, the right to collective bargaining, and the right to create and participate in trade unions to protect their interests
- Respect the right of local communities to favorable living conditions while helping reduce the negative impact on the regions where the Company operates with respect to economic, environmental, social, and cultural aspects
- Develop and support sociocultural diversity
- Interact with stakeholders in order to provide reliable and comprehensive information about the Company's activities in matters concerning the protection of human rights

The Company has proposed introducing a new Human Rights Policy by conducting the following measures:

- Organizing training for members of governing and control bodies concerning human rights
- Conducting a human rights risk assessment
- Drafting an action plan to mitigate risks and/or eliminate the negative consequences of human rights abuses
- Informing employees and business partners about the need to strictly observe the basic principles of human rights and to provide notification about any human rights abuses that have occurred or are being planned in writing or through the PJSC Inter RAO Unified Hotline with guaranteed confidentiality

CHARITABLE ACTIVITIES¹

POLICY AND MAIN FOCUSES OF CHARITABLE ACTIVITIES

Inter RAO continued work in 2019 to effectively implement charitable projects and disseminate best practices to the Group's companies in order to solve social problems in a particular region.

The Group's charitable activities policy when selecting projects is determined based on the following principles:

- **Targeted nature** – the allocation of monetary and other funds to an individual or legal entity for specific purposes with the subsequent monitoring of their targeted spending
- **Effectiveness** – the achievement of a specific result, including an impact on the core business (supporting corporate values, promoting the implementation of a strategy, etc.)
- **Objectivity** – the evaluation of programs and projects in terms of their social efficiency and compliance with the goals, priorities, and principles of charitable and sponsorship activities
- **Efficiency** – the achievement of the desired results using the smallest amount of funds
- **Territoriality** – the implementation of charitable and sponsorship projects in the territories where the Company has production, commercial, or other interests related to business development
- **Viability** – investments in the future of regions that the Company views as promising in terms of business development
- **Accessibility and transparency** – ensuring a transparent and effective system for monitoring the targeted spending of funds.

When determining the priority focuses of its charitable activities, Inter RAO takes into account the relevance of issues based on decrees of the President of the Russian Federation, instructions of the Government of the Russian Federation, and other state programs.

Improving the mechanisms used to monitor the implementation of charitable projects has enhanced the effectiveness of charitable activities and sponsorship as well as the transparency of expenses. In addition to working with legal and accounting reporting documents as well as video and photographic materials, representatives of the Group's companies also personally monitor project implementation, travel to event venues, interact with beneficiaries, collect information from third parties, verify beneficiaries with internal security staff, and monitor the information field and the media. The Company's Board of Directors considers the use of charitable funds by the Company as well as its subsidiaries and affiliates when reviewing reports on the implementation of the business plan.

Scope of socially beneficial investments

Indicator	2017	2018	2019	Change vs. 2018, %
Budget of charitable programs, RUB bln	1.1	0.8	1.1	27.3%
Number of charity projects implemented	400	305	300	-1.7%
Number of recipients, people	1,169,317	1,149,134	1,158,685	0.8%

¹ Management Approach: Involvement in social projects and charity

PJSC Inter RAO is actively involved in the economic and social life of all the regions where it has a presence and does not restrict itself to one-time donations, but pursues a policy of integrated social responsibility with all the conditions required for transparency. The Company traditionally supports and implements projects in seven key areas:

- Support for industry veterans, war veterans, and disabled veterans
- Support for vulnerable social groups
- Support for educational institutions, health facilities as well as grassroots and youth sports

LONG-TERM SOCIALLY BENEFICIAL PROJECTS

Main focuses for development of regions of operation [GRI 103¹]

Inter RAO continued to prioritize interaction with the authorities and public organizations in the regions where its subsidiaries operate in 2019. Such interaction was based on the principles of openness, dialogue, and partnership as well as cooperation agreements that establish the general framework and principles for joint activities.

The Company engaged in cooperation in the following key areas:

- Implementing measures to improve the reliability of electric and thermal power supplies to consumers and prevent further shortages of heat and electricity
- Carrying out energy conservation and energy efficiency measures at enterprises, publicly funded institutions, and housing and utility facilities, including by participating in the working groups of the regional authorities on energy and engineering as well as increasing the availability of regional energy infrastructure by organizing and conducting practical exercises on the fundamentals of energy conservation for students at schools and universities as well as company employees

- Support for environmental organizations and nature reserves
- Assistance to cultural figures
- Support for cultural events
- Funding for sites with historical and cultural value

In 2019, Inter RAO prioritized projects that aim to support educational institutions and healthcare facilities as well as grassroots and youth sports. The Company also paid serious attention to supporting industry veterans, war veterans, and disabled people.

- Initiatives that aim to ensure the socioeconomic development of the regions, contribute to their industrial potential, increase their investment appeal, create new jobs, and create conditions for additional taxes to be paid to regional budgets
- Cooperation on ways to solve environmental problems and create conditions for improving people's quality of life, including participating in the work of regional coordination councils on environmental protection and the sustainable use of natural resources
- Cooperation with the regional scientific and technical community and providing advanced training for employees at regional universities and staff training
- Setting tariffs and reducing receivables

Inter RAO continued signing agreements with the governments of Russia's regions in 2019. In March, PJSC Inter RAO and the Government of the Kaliningrad Region signed a cooperation agreement on the development of the region's fuel and energy industry.

¹ Management approach: Markets of operation

In April 2019, PJSC Inter RAO and the Administration of the Tomsk Region signed an action plan to create a Unified Information and Settlement Center in the Tomsk Region. The establishment of the center ensures the transparency of relations between entities working on the housing and utility services market and increases the availability and convenience of various payment mechanisms for services.

Also in April 2019, PJSC Inter RAO and the Government of the Sverdlovsk Region signed a roadmap on the implementation of a cooperation agreement that was concluded in 2018. In particular, the agreement stipulates that PJSC Inter RAO will have access to procurements by small and medium-sized enterprises in the region for its needs.

In June 2019, as part of the implementation of an agreement between PJSC Inter RAO and the Administration of the Ivanovo Region, a service center for the Group's companies was opened in Ivanovo to unify and centralize three areas of the Company's activities: HR management, accounting and tax accounting, and treasury payment transactions. The opening of the center resulted in the creation of 255 jobs in the Ivanovo Region. This number is expected to triple by 2021. In addition to infrastructure projects, the Company plans to develop scientific and technical cooperation together with universities in Ivanovo.

Measures to reduce receivables is an essential part of work to stabilize payment discipline and make it possible to maintain the level of tax revenue to regional budgets. The effectiveness of such measures directly depends on regular interaction with the regional authorities and the territorial representative offices of the federal executive authorities (the Federal Bailiffs Service). Each of the Group's supply companies has a receivables management committee, and the relevant regulatory documents have been adopted.

The platforms set up by state and public organizations and institutions to protect the rights of entrepreneurs (employment centers, regional commissioners for the protection of entrepreneurs, chambers of commerce, branches of OPORA RUSSIA, etc.) are a key channel of interaction between the Group and the business community in the regions. The Group's subsidiaries in the regions regularly participate in roundtables, seminars, and conferences on changes to legislation, tariff policies, staff training, energy conservation, and energy efficiency.

Major regional initiatives in 2019

The Group's network-based social projects are being implemented simultaneously in several regions where the Company operates and thus provide a significant social effect while also being adapted to the needs of specific regions.

'Energy of Remembrance and Kindness'. This project has taken on special significance in the run-up to the 75th anniversary of victory in World War II. The aim of the project is to provide charitable assistance to veterans of World War II, blockades, labor front workers, and concentration camp prisoners. In 2019, the project was implemented in 22 regions where the Group operates. Projects were implemented to restore and fix up memorials and monuments to World War II soldiers. Veterans in the regions where the Group operates were provided with targeted financial assistance, household appliances, foods, and basic necessities. The Group's employees took part in large-scale municipal and regional events and celebrations dedicated to Victory Day and the International Day for Older Persons.

'Ray of Hope'. The project focuses on providing assistance to children with disabilities and their families. The Group implemented a total of 32 projects over the course of the year. As part of the project, funds were allocated for the purchase of rehabilitation equipment and medical

equipment, training parents of children with disabilities in behavioral therapy techniques as well as the purchase of medicines, food, and household appliances. Numerous rehabilitation, sports, and cultural events were organized and held for the disabled.

‘Energy of Sport’. The goal of the project is to support youth sports and promote a culture of sports and healthy lifestyle among young people. In 2019, the Group implemented 46 projects, which included: major repairs of an indoor hockey rink at the ice arena of the Sports and Recreation Complex in Verkhny Tagil, the construction of an indoor hockey rink in Novy Urengoy, and the purchase of sports equipment and gear for youth sports schools. The Group also provides targeted assistance to Paralympic athletes in order to create favorable conditions for training and providing athletes with the equipment they need.

‘Light and warmth for children’. The goal of the project is to provide assistance to orphans and children left without parental care through the purchase of essential goods, medicines, medical equipment, and sports equipment as well as organizing sports and creative events for children. Assistance was provided to 31 institutions in 2019.

‘The Brightest Christmas Tree’. Per tradition, employees from Inter RAO companies organized and held festive events on New Year’s Eve for orphans and children in difficult situations at 28 orphanages, boarding schools, and specialized medical institutions. One of the most memorable celebrations was organized at the Russian Children’s Clinical Hospital in Moscow for more than 300 children with serious illnesses getting treatment.

The Company also implements a number of social programs outside the Russian Federation:

Lithuania. AB INTER RAO Lietuva supports projects that aim to improve the skills of athletes and train a new generation of professionals in several different kinds of sports, conducts educational projects on art and culture for the public, allocates investments for the promotion and development of motor sports in Lithuania, organizes international competitions, holds sporting events for children with disabilities and children from orphanages, provides assistance to children from orphanages as they prepare for final school exams, takes part in social projects at a rehabilitation center for low-income families and people with disabilities, including assistance with staging performances and conducting tours by a theater of disabled people, and supports a project to search for and rescue people, among other things.

Georgia. JSC Telasi supports major social projects that benefit society and attract public attention to particular social problems, for example, projects of the Lazarus Charitable Fund of the Georgian Patriarchate, which aim to help preserve the national and cultural identity of young representatives of Georgian diasporas, and supports projects organized by the Union of God – Children of the Whole of Georgia for people with disabilities in order to help improve their quality of life. In addition, the Company annually provides support to churches and cathedrals as well as charitable organizations of Georgia by offsetting the cost of the electricity they use.

Moldavia. CJSC Moldavskaya TPP, as the largest enterprise in the region, is actively involved in the social sector in the region, hosts local educational projects in sports, general education, and boarding schools, provides support to socially vulnerable groups (material assistance, health resort trips, funeral services for pensioners, and assistance to WWII veterans, orphans, and disabled people). CJSC Moldavskaya TPP also takes part in funding and organizing cultural events for residents of the region each year.

Sponsoring of major forums and conferences

In 2019, the Company became a partner of and provided financial support to such leading business events as the Russian Investment Forum, St. Petersburg International Economic Forum, Krasnoyarsk Economic Forum, and St. Petersburg International Legal Forum. Total expenses on support

for these and other major business events amounted to RUB 24 mln (including VAT) in 2019 and has exceeded RUB 54.1 mln (including VAT) over the past three years (2017-2019). The events at which the Company serves as a partner are traditionally attended by a representative delegation of the heads of the Company's key business segments. Sponsorship expenses are consistent with the targets in this regard.

CORPORATE VOLUNTEERING

Employees from the Group's companies serve as volunteers at various social organizations and charitable foundations, participate in volunteer events, and organize special environmental days and trips to orphanages and nursing homes.

Inter RAO organizes work to promote corporate volunteering in an effort to systematize and develop public and voluntary activities. Corporate volunteering is one of the most important tools for supporting the social activities of Inter RAO and creating sustainable relations with the state and local communities. Corporate volunteering is also a key tool, both for major social changes and for building corporate communications. The provision of gratuitous assistance lies at the heart of corporate volunteering. Inter RAO employees as well as their family members can obtain corporate volunteer status. The goals of corporate volunteering are to strengthen the corporate culture, develop professional and personal skills among employees, and introduce intangible incentives for employees who are actively involved in volunteering.

The main priorities for volunteering at Inter RAO are to help children and the elderly, environmental protection, education, promotion of a healthy lifestyle, and the preservation of cultural and historical heritage. Inter RAO is building an effective system of social programs that primarily focus on improving the quality of life of its employees. The variety of social policy programs and their diversity underscore the importance of workers and workers' families for Inter RAO.

In addition to charity and sponsorship projects, Inter RAO is quite active in various volunteer initiatives. The number of such initiatives is growing every year, which indicates a greater awareness and personal desire among employees to make their own contribution to solving social problems. The main focuses of volunteer projects in 2019 were targeted support for people in difficult life situations as well as environmental projects. Some RUB 3.5 mln in funds have been collected with the help of Inter RAO employees for projects.

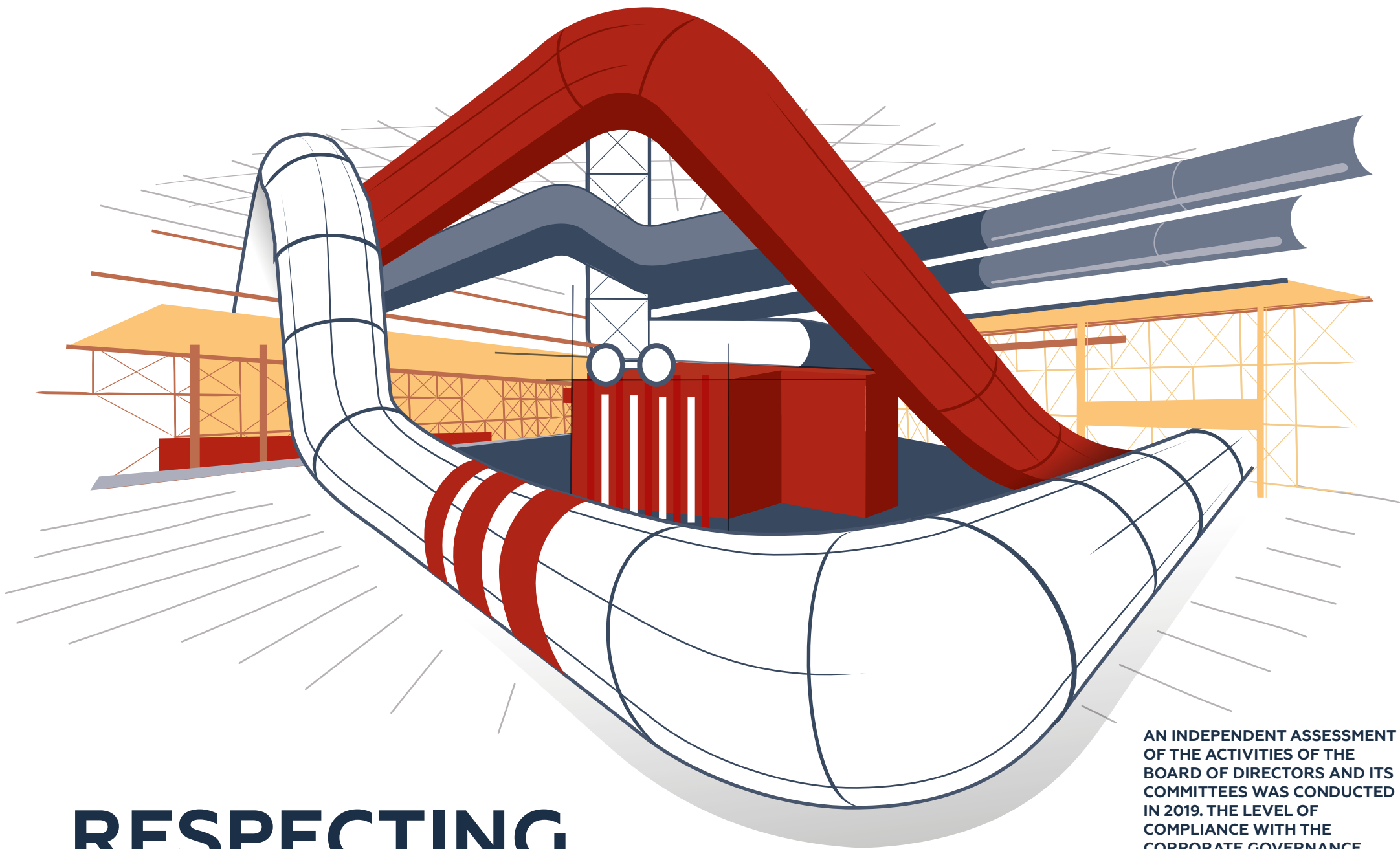
Over the course of the reporting year, several urgent charitable social events were organized at the Group's companies to raise funds for people in need, including employees who found themselves in difficult situations. Employees donated roughly RUB 2 mln for these causes.

In 2019, several of the Group's companies held traditional Donor Days during which several hundred employees donated more than 250 liters of blood.

A number of Inter RAO companies took part in independent or regional environmental projects. The Group's employees devote much attention to taking a responsible approach to the consumption of resources and the separate collection of waste. In total, the Group has collected more than 15,000 tons of recycled paper and also held events involving neighborhood cleanups, tree planting, and landscaping of parks and squares.

The Group's employees took part in events dedicated to Victory Day (such events as 'Gift to a Veteran' and 'St. George Ribbon') and the 'Memorial March' national campaign and also organized meetings and celebrations for veterans. As part of educational projects, youth activists and volunteers from the Group's companies organized projects related to energy conservation and energy efficiency in addition to preventing childhood injuries, promoted the idea of responsible consumption, and conducted career guidance events.

At the All-Russian #BrighterTogether Festival alone, Inter RAO employees held more than 50 events, such as thematic quizzes, quests and intellectual tournaments, excursions to power plants, drawing contests on energy conservation, energy efficiency lectures as well as a series of lessons titled 'Ecology and Energy Conservation' at schools and secondary special educational institutions in the regions where the Company operates.



RESPECTING SHAREHOLDERS' INTERESTS

AN INDEPENDENT ASSESSMENT
OF THE ACTIVITIES OF THE
BOARD OF DIRECTORS AND ITS
COMMITTEES WAS CONDUCTED
IN 2019. THE LEVEL OF
COMPLIANCE WITH THE
CORPORATE GOVERNANCE
CODE INCREASED

TO **96.2** %

CORPORATE GOVERNANCE REPORT

MESSAGE FROM THE CHAIRMAN OF THE BOARD OF DIRECTORS

Dear Shareholders,

In 2019, the Board of Directors primarily focused on ensuring development and continued growth and making the most important decisions for the effective and stable functioning of the Company in accordance with the best corporate governance standards. Over the course of the year, the Board of Directors adopted decisions on strategic and day-to-day issues in the Company's activities. For the first time, we introduced the practice of approving semi-annual and annual management reports on sustainable development and on the risks faced by Inter RAO. Also for the first time, cyber risks were insured as part of the Inter RAO Group's Insurance Coverage Program based on a decision by the Board of Directors. In addition, the Board of Directors approved the business plan prepared by management, including the Investment Program, as well as innovative development, modernization, and reconstruction programs, and made a number of other decisions that aim to enhance the sustainable development of Inter RAO.

The Company continued to make strides in corporate governance during the reporting year. This resulted in a further increase in the level of corporate governance: Inter RAO now observes 76 out of 79 principles (or 96.2%), partially observes two principles, and has not observed only one principle. Thus, the indicator used to gauge compliance with the recommendations of the Corporate Governance Code grew compared with 2018: full compliance with recommendations rose from 93.7% to 96.2%, while compliance to a varying degree edged up to 98.7% from 97.4%.

Chairman of the Board of Directors

Igor Sechin

A stylized blue ink signature of Igor Sechin.

CORPORATE GOVERNANCE SYSTEM

[GRI 102-16]

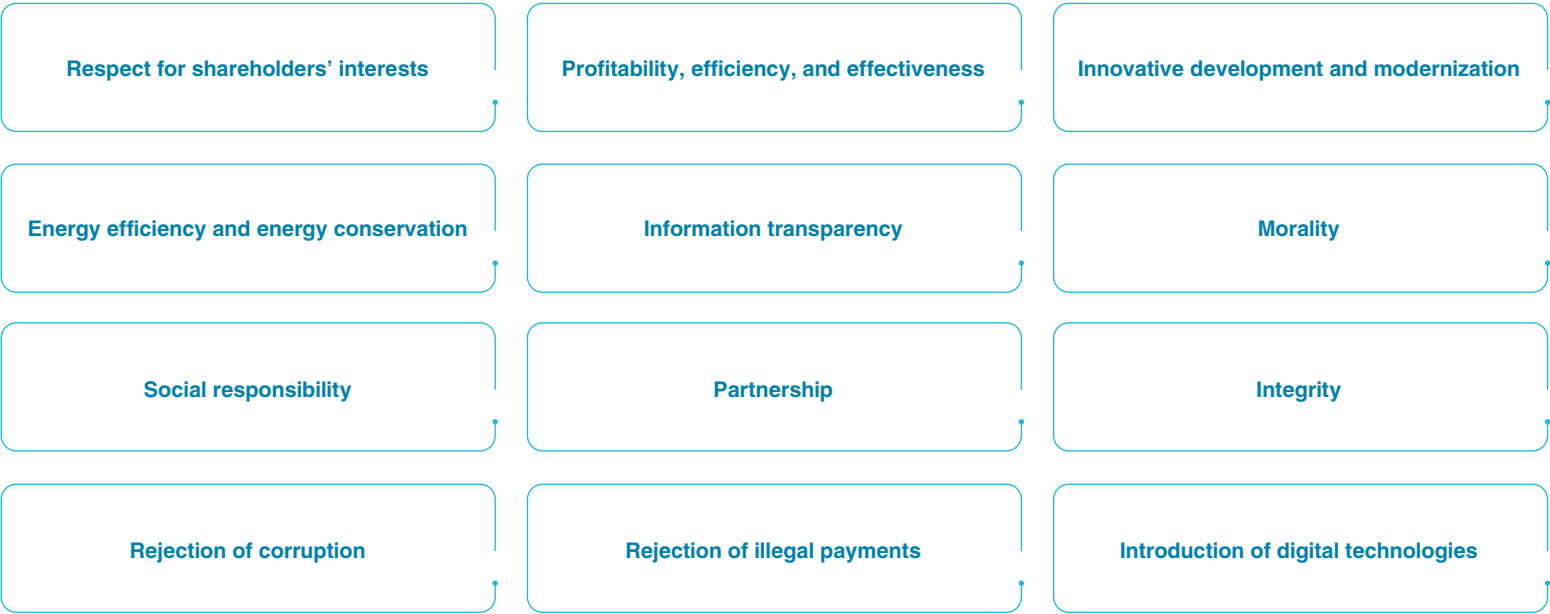
In terms of corporate governance, PJSC Inter RAO is guided by the requirements of the law, the Listing Rules of PJSC Moscow Exchange (hereinafter the Listing Rules), the recommendations of the Corporate Governance Code of the Bank of Russia (hereinafter the Corporate Governance Code or Code), which is the document that defines corporate governance standards in accordance with a decision of the Board of Directors dated November 24, 2014¹, as well as recognized standards of corporate governance and information disclosure in Russian and international practice.

The fundamental requirements for ethical corporate conduct are set forth in the PJSC Inter RAO Code of Corporate Ethics. [GRI 102-16]

In its interaction with external stakeholders, PJSC Inter RAO is guided by the principles of courtesy, correctness, and accuracy.

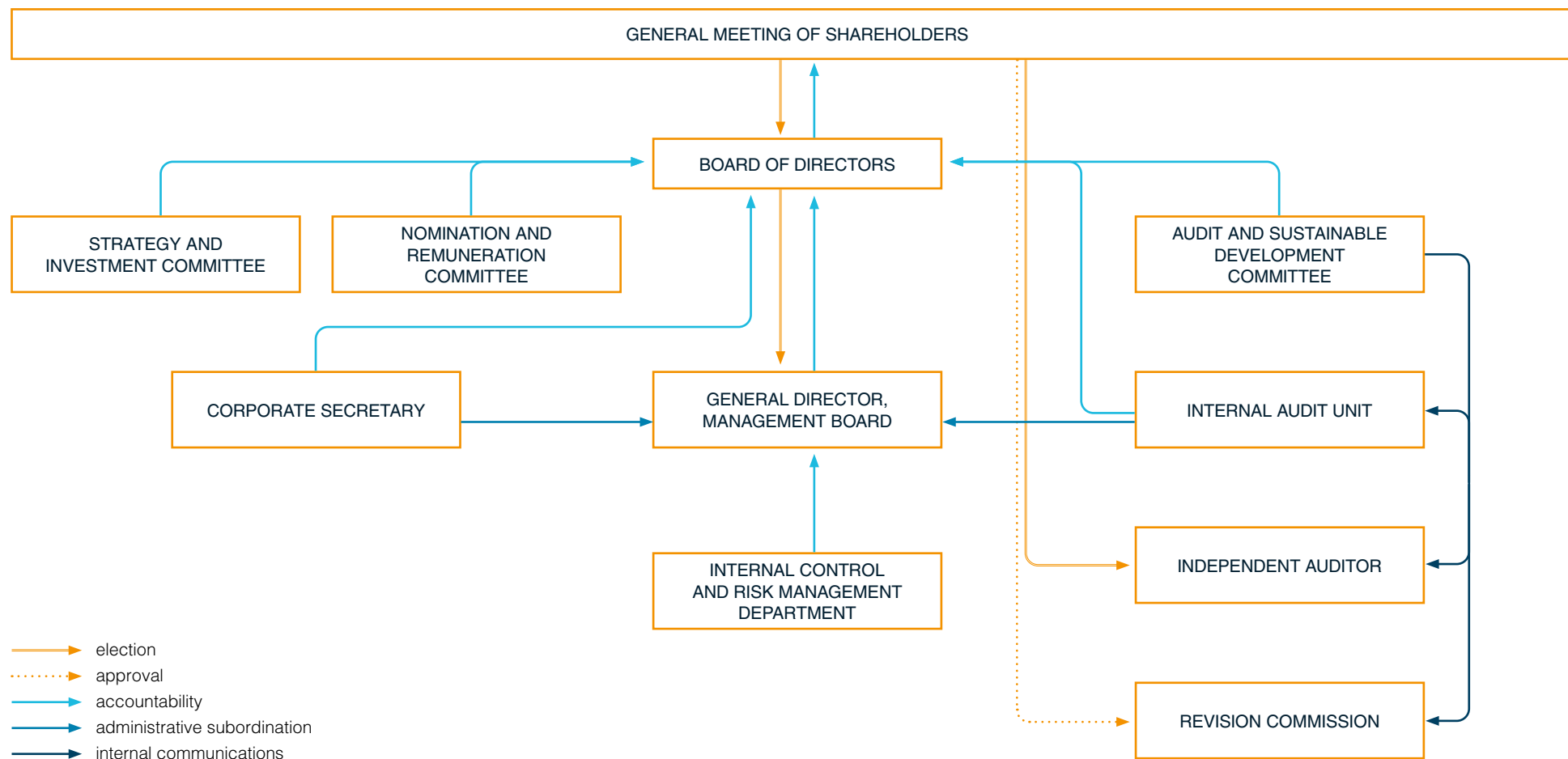
PJSC Inter RAO's corporate governance system is fully compliant with legal requirements and the Listing Rules. Management believes that it provides the required degree of confidence for shareholders and investors in terms of the consistency of the strategy being implemented by the Company and the decisions it makes.

Fundamental corporate principles and values of the Company



¹ Minutes No. 128 dated November 26, 2014.

CORPORATE GOVERNANCE STRUCTURE [GRI 102-18]



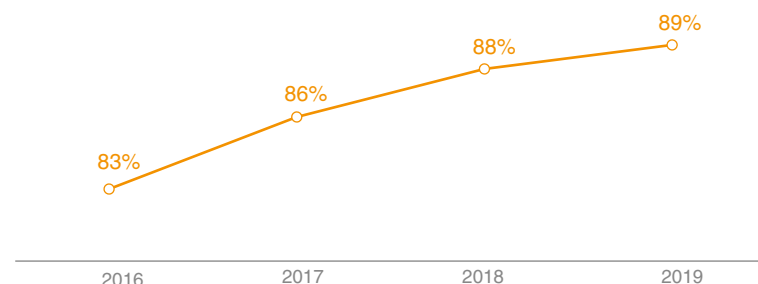
ASSESSMENT OF CORPORATE GOVERNANCE LEVEL

According to the [report of the 2019 National Corporate Governance Index](#), Inter RAO is among the top ten leaders in terms of managing the quality of information disclosed on the corporate governance principles that it follows.

An independent assessment of the performance of the PJSC Inter RAO Board of Directors in 2019 offered the following general description of corporate governance:

- The position of the major shareholders and management aims to support the public status of PJSC Inter RAO, which has a positive impact on the dynamics of its corporate governance practice
- The corporate governance system is well described in the Company's internal documents, is regularly updated, and complies with the recommendations of the Corporate Governance Code
- The PJSC Inter RAO Board of Directors is represented by directors with extensive experience in managing business, investments, and a deep understanding of government tasks and priorities
- PJSC Inter RAO holds a leading position among Russian public companies in terms of corporate governance and ESG, as confirmed by the rating agencies ACRA (1st place) and Bloomberg (12th place)

Self-assessment of corporate governance according to the methodology of the Federal Agency for State Property Management



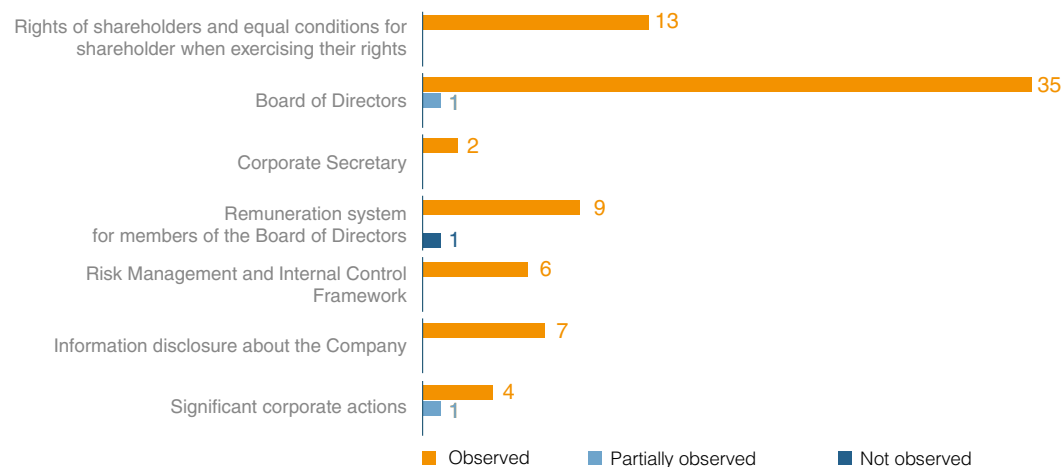
PJSC Inter RAO carries out a self-assessment of its level of corporate governance each year according to the methodology of the Federal Agency for State Property Management approved by Order No. 306 of the Federal Agency for State Property Management dated August 22, 2014. The results indicate a systematic improvement in the quality of corporate governance. In 2019, the compliance rate was 89%.

Compliance with corporate governance principles

According to a decision adopted by the Board of Directors in 2014, the Company is guided by the recommendations of the Corporate Governance Code as the document that defines corporate governance standards.

Of the 79 principles of the Code, the Company complies with 76, or 96.2%, partially observes two of the principles, and does not observe only one of the principles. In 2018, two principles were not observed and three principles were partially observed. Thus, the Company complies to a varying degree with 78, or 98.7%, of corporate governance principles and increased the level of compliance with the recommendations of the Code compared with 2018.

Observation of recommendations of the Corporate Governance Code in 2019



Principles observed starting from 2019

The Company has observed the recommendation of clause 1.3.2 as regards its absence and abstention in voting with quasi-treasury shares (shares owned by subsidiaries) during the reporting period. In order to prevent any conflict of interest when voting with quasi-treasury shares, the PJSC Inter RAO Board of Directors issued a recommendation to the CEO of JSC Inter RAO Capital, a subsidiary that owns shares in the Company, to abstain from voting on the agenda of the Annual General Meeting of Shareholders (AGM), except for when there is no quorum for adopting a decision without taking into account the shares owned by JSC Inter RAO Capital. In the event of voting on the election of members of the Board of Directors in order to elect the required number of independent directors, it was recommended to vote for independent directors. Based on this recommendation, JSC Inter RAO Capital did not vote on any issue on the agenda at the AGM.

The Company's Charter was amended in 2019 in accordance with recommendation 1, clause 2.1.1 of the Code on whether the Board of Directors has the power to appoint and dismiss the CEO.

Principles not observed

Principle 4.3.2 of the Code on the Introduction of a Long-Term Incentive Program for members of the executive bodies using the Company's shares was not observed. This is a temporary issue. The previous Option program (long-term incentive system) approved by the Board of Directors on February 16, 2016¹ was executed in 2018. The basic principles of the new long-term incentive program are expected to be presented as part of the updated PJSC Inter RAO Strategy/ Long-Term Development Program for a new medium-term/long-term period, which means that this discrepancy is limited in time.

The review of the updated Strategy/Long-Term Development Program is included in the work plan of the PJSC Inter RAO Board of Directors for May 2020. When developing a new long-term incentive program, the Company will consider the recommendations of the Code.

Partially observed principles

Recommendation 1 of clause 2.8.5 as regards the management of the Committees of the Board of Directors by independent directors, namely the Strategy and Investment Committee was partially not observed.

This Committee was created based on the need to achieve the Company's strategic goals and to conduct a deeper analysis of issues falling within its competence, mainly at in-person meetings.

In 2019, the Strategy and Investment Committee, whose formation is not mandatory in accordance with Russian regulatory and exchange requirements, included three independent members of the Board of Directors. On May 20, 2019, a person who was not a member of the Board of Directors was elected as the Chairman of the Committee in order to ensure the most practical distribution of the resources of independent directors and provide them with the opportunity to focus on their work in the Audit Committee and the Nomination and Remuneration Committee. The fulfillment of this recommendation is scheduled for review in 2020-2021 following the election of the Board of Directors.

Recommendation 3 of clause 7.2.2 on the existence of an expanded list of grounds based on which members of the Board of Directors are recognized as interested parties in the Company's transactions was partially not observed. In particular, the Charter stipulates that executive directors should not vote on matters related to their employment contracts and the determination of their remuneration.

As for other affiliation, in practice members of the Board of Directors do not vote if there is any conflict of interest that does not constitute interest within the meaning of Chapter XI of the Federal Law "On Joint-Stock Companies". The question of expanding the list of grounds for recognizing interest may be considered during the next update of internal documents in 2020-2021.

A detailed Report on Compliance with the Principles and Recommendations of the Corporate Governance Code is provided in Appendix of this Report.

¹ Minutes No. 161 dated February 18, 2016.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the supreme governing body of PJSC Inter RAO. The purview, timeframe, and procedure for preparing for and holding the General Shareholders Meeting are defined in the Company's Charter and the Regulation on the General Meeting of Shareholders of PJSC Inter RAO.

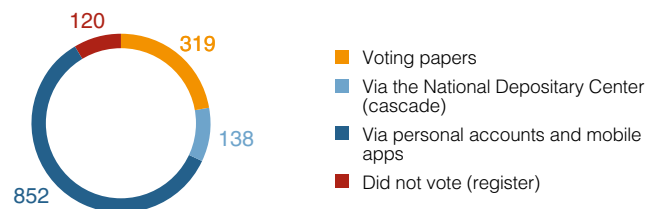
The Annual General Meeting of Shareholders of PJSC Inter RAO was held in the form of a meeting (joint attendance) on May 20, 2019¹.

The following items were considered at the annual General Meeting of Shareholders in 2019²:

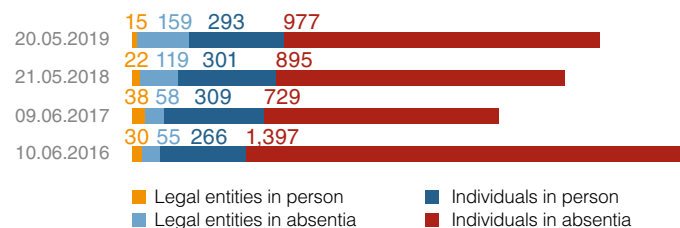
- Approval of the Annual Report
- Approval of the Company's annual accounting (financial) statements
- Distribution of the Company's profits (including the payment (declaration) of dividends) and losses based on the results of 2018
- Approval of the new version of the Charter
- Approval of the new version of the Regulation on the General Meeting of Shareholders
- Approval of the new version of the Regulation on the Board of Directors
- Approval of the new version of the Regulation on the Payment of Remuneration and Compensation to Members of the Board of Directors
- Approval of the new version of the Regulation on the Management Board
- Payment of remuneration to members of the Board of Directors
- Payment of remuneration to members of the Revision Commission
- Election of members of the Board of Directors
- Election of members of the Revision Commission
- Approval of the auditor
- Participation in financial and industrial groups, associations, and other unions of commercial organizations.

Total number of persons who participated in the General Meeting of Shareholders (as of April 26, 2019): 1,429, including 159 legal entities and 1,270 individuals and general accounts.

70% of the 2019 AGM participants used the remote voting option



Participation of shareholder in Annual General Meetings



Information about the Annual General Meeting of Shareholders in 2020

- Date of the PJSC Inter RAO General Meeting of Shareholders: May 19, 2020
- The meeting will be held in the form of absentee voting
- Deadline for accepting voting ballots: May 19, 2020

Link to materials for the meeting:



¹ Minutes No. 19 dated May 20, 2019.

² All materials of the General Meeting of Shareholders, including resolutions, minutes, and voting reports, are posted on the Company's website in the 'Annual Meetings of Shareholders' section <https://www.interrao.ru/en/investors/ik/meetings/2019/AGSM2019/>



The Company's General Meeting of Shareholders in 2019 was held using electronic voting technology. This opportunity was available to shareholders from the time the notice of the meeting was sent out until the end of the discussion on the agenda at the meeting. In 2019, 990 shareholders took advantage of this opportunity compared with 428 shareholders a year earlier.

The Company is analyzing new opportunities for engagement with shareholders in order to increase their involvement in the Company's activities within the framework of their rights. The further introduction of remote technologies and greater financial and computer literacy of citizens will contribute to an increase in the number of people participating in the meeting. In 2019, the number of votes among shareholders participating in the meeting decreased due to the abstention at the meeting of JSC Inter RAO Capital with its quasi-treasury shares.

The Company did not hold any extraordinary General Meetings of Shareholders in 2019.

Quorum of annual general meetings of shareholders, %



BOARD OF DIRECTORS [GRI 102-26]

The PJSC Inter RAO Board of Directors handles the strategic management of the Company, determines the basic principles and approaches for organizing the Risk Management and Internal Control Framework at the Company, monitors the activities of the Company's executive bodies, monitors the execution of the resolutions adopted at the General Meeting of Shareholders, and also performs other key functions.

In its activities, the Board of Directors is guided by the Federal Law "On Joint-Stock Companies", other regulatory legal acts of the Russian Federation, the Company's Charter, and the Regulation on the Board of Directors¹.

Goals and objectives of the Board of Directors



¹ The Regulation on the PJSC Inter RAO Board of Directors was approved by the Annual General Meeting of Shareholders of PJSC Inter RAO on May 20, 2019 (Minutes No. 19 dated May 20, 2019).

Performance assessment of the Board of Directors [GRI 102-28]

According to the Regulation on the Board of Directors and clause 2.9.2 of the Corporate Governance Code, the performance of the Board of Directors as well as its committees and members should be evaluated on a regular basis at least once a year. In addition, it is recommended to periodically hire an external organization (consultant) – at least once every three years – to conduct an independent assessment of the quality of work by the Board of Directors.

In 2019, both a self-assessment and an independent assessment of the activities of the Board of Directors and its committees were conducted. The Association of Independent Directors (IDA), which is a reputable organization in matters concerning corporate governance and represents Russia in the GNDI Global Network of Director Institutions, was hired as an independent consultant.

The assessment process included questionnaires and individual interviews with directors as well as an analysis of self-assessment materials and internal documents governing corporate governance issues. The assessment results were reviewed by the Nomination and Remuneration Committee and also at a meeting of the Board of Directors.

The results of the assessment and self-assessment were reviewed at an in-person meeting of the PJSC Inter RAO Board of Directors on June 28, 2019¹ with a preliminary discussion of the issue at an in-person meeting of the Nomination and Remuneration Committee².

Based on the results of the self-assessment, the average score in 2019 did not change significantly compared with 2018 and amounted to 4.6 points (out of a possible 5 points).

The external assessment confirmed that the Company's corporate governance complies with the recommendations of the Corporate Governance Code. The external assessment noted improvements in the Company's management in terms of the balance of the Board of Directors since the last external

Key findings of the independent (external) performance assessment of the PJSC Inter RAO Board of Directors (including self-assessment results) for 2018:

Committees	The assessment noted the active work performed by the committees (audit, nomination and remuneration, and strategy and investment) to prepare decisions for review by the Board of Directors
Board of Directors and Management Board	A high level of professional interaction and culture and management's quick response to requests from the Board of Directors
Succession	A succession plan was drawn up for members of the Board of Directors and the Management Board with a training and development program, and a talent pool policy was adopted
Risks	A separate risk management and internal control unit was established and regularly cooperates with the Board of Directors and the Audit Committee
Occupational health and safety	The Company's high standards in these areas were noted
Ethics	The Code of Corporate Ethics was approved based on best international standards
Materials	Positive dynamics in work performed by management to improve the quality of materials and reports at meetings of the Board of Directors

assessment in 2016 as well as the greater role played by the committees of the Board of Directors, the training of members of the Board of Directors, and a higher level of efficiency in the processes of preparing for and conducting meetings.

Following the external performance assessment of the PJSC Inter RAO Board of Directors for 2018 that was carried out simultaneously with a self-assessment, the Nomination and Remuneration Committee prepared recommendations in 2019 on ways to improve the activities of the Board of Directors, which were approved as instructions of the Board of Directors and were taken into account when drafting the work plan of the Nomination and Remuneration Committee and the Board of Directors for the 2019/2020 corporate year³.

¹ Minutes No. 252 dated June 28, 2019.

² Minutes No. 102 dated June 5, 2019.

³ Minutes No. 252 of the meeting of the Board of Directors dated June 28, 2019.

Key recommendations for improving the activities of the Board of Directors and its committees:

Recommendations	Plans and results
Propose including an item on the preliminary consideration of the updated Strategy/Long-Term Development Program of PJSC Inter RAO (Inter RAO Group) in the work plan of the Strategy and Investment Committee and the Audit Committee.	Executed. Issue included in the work plan. The Strategy/Long-Term Development Program of PJSC Inter RAO (Inter RAO Group) for the period until 2025 with a view to 2030 was tentatively reviewed at a joint meeting of the Strategy and Investment Committee and the Audit Committee on February 11, 2020.
Propose including an item on the structure, main focuses, and strategic risks of the updated Strategy/Long-Term Development Program of PJSC Inter RAO (Inter RAO Group) in the work plan of the Strategy and Investment Committee and the Audit Committee.	Executed. Issue included in the work plan. A report on the structure, main focuses, and strategic risks of the updated Strategy/Long-Term Development Program of PJSC Inter RAO (Inter RAO Group) was reviewed at a joint in-person meeting of the Strategy and Investment Committee and the Audit Committee on November 26, 2019.
Propose including an item on the status of risk management work with a detailed analysis of individual risks based on a proposal by members of the Board of Directors in the work plan of the Board of Directors following preliminary review by the Audit Committee.	Executed. The issue was included in the work plan of the Board of Directors and reviewed by the Board of Directors in absentia on September 19, 2019 with preliminary in-person review by the Audit Committee on September 10, 2019.
Review reports on sustainable development management (ESG) at meetings of the Board of Directors following preliminary review at a joint meeting of the Audit Committee and the Strategy and Investment Committee.	Executed. The report by Company management on the sustainable development of the Inter RAO Group was reviewed by the Board of Directors in absentia on September 19, 2019 with preliminary in-person review by the committees on September 10, 2019 (joint meeting).
Review items concerning the Company's investment appeal, including its dividend policy and the balanced distribution of profits, at a meeting of the Board of Directors following preliminary review at a meeting of the Strategy and Investment Committee as part of the Investor Relations Report.	Executed. The report by Company management on the sustainable development of the Inter RAO Group was reviewed by the Board of Directors in absentia on September 19, 2019 with preliminary in-person review by the committees on September 10, 2019 (joint meeting).
Continue the practice of conducting specialized workshops to update the knowledge of members of the Board of Directors.	Executed. The Company held a seminar on digitalization in 2019.

Report by the Board of Directors on the Company's development in priority areas of business [GRI 102-26, 102-28, 102-31, 102-34]

In 2019, the Board of Directors primarily focused on issues concerning strategy, sustainable development, risk management, stakeholder engagement, the planning and monitoring of financial and economic activities, investment, and improving the quality of corporate governance.

Strategy

A detailed plan was approved in 2019 for the drafting and review of the Company's updated Strategy. As the document was being drafted, the Board of Directors separately considered an item on the structure of the future Strategy and strategic risks. The draft of the updated Strategy has a separate section on sustainable development. In May 2020, the work plan of the Board of Directors includes the review of the Company's new Strategy, which replaces the ten-year strategic cycle that has been completed.

In late 2019, strategic development priorities and annual key performance indicators (KPIs) and performance benchmarks (PBs) for 2020 were approved.

A report on the implementation in 2018 of the PJSC Inter RAO Innovative Development Program until 2020 with a view to 2025 was reviewed, and the Innovative Development Program for 2020-2024 with a view to 2029 was approved.

All the documents were preliminarily reviewed by the Strategy and Investment Committee.

Sustainable development and risk management

In the first half of the year, the Board of Directors reviewed a report on the functioning of the Risk Management and Internal Control Framework for 2018 as well as a report on the introduction, discipline of execution, and operational effectiveness of procedures to organize Risk Management and Internal Control Frameworks to combat and prevent corruption for 2018.

Following an independent assessment of the Board of Directors, the decision was made to review the management report on sustainable development (ESG) and the risk management report on a semi-annual basis. These reports were reviewed by the Board of Directors for the first time in September 2019.

The Group's risk appetite, critical risk map, and critical risk management action plan for 2020 were approved. The insurance coverage program for 2020 was approved.

Risk issues submitted to the Board of Directors are subject to preliminary review by the Audit and Sustainable Development Committee. The Committee consists solely of independent directors.

Planning and monitoring of financial and economic activities	<p>The implementation of the business plan was monitored on a quarterly basis. Information on the materialization of risks during the reporting period was considered as part of the quarterly report on the implementation of the business plan.</p> <p>At the end of the year, the Board of Directors approved the business plan of PJSC Inter RAO and the Inter RAO Group for 2020.</p> <p>The implementation of the construction schedule for Kaliningrad generation facilities was under the special control of the Board of Directors. In 2019, two power units with total capacity of 455 MW were commissioned at Pregolskaya TPP.</p> <p>The consolidated cost management program for the Group's key companies was approved.</p>
Stakeholder engagement	<p>The Board of Directors reviewed and approved the Investor Relations Report for 2018.</p> <p>The Management Board reviewed a report on the implementation of the Program for Engagement with Minority Shareholders of PJSC Inter RAO for 2019.</p>
Remuneration	<p>The Board of Directors reviewed an item on determining the amount of remuneration and compensation paid to the CEO and members of the Management Board of PJSC Inter RAO as well as items on determining the amount of remuneration for the Corporate Secretary and the head of the Internal Audit Unit, which are functionally accountable to the Board of Directors.</p> <p>The Nomination and Remuneration Committee reviewed the practical implementation of the principles of the remuneration policy and the use of an effective ratio of fixed and variable parts of remuneration. The Committee consists solely of independent directors.</p>
Corporate governance	<p>Key issues of corporate governance included an assessment of the activities of the Board of Directors, the review of a report on the results of the assessment of the activities of the Board of Directors, and the determination of the status of members of the Board of Directors.</p> <p>The succession plan for members of the Company's Board of Directors and Management Board for 2018-2019 was approved (with a training and development program).</p> <p>The Corporate Secretary's report on corporate governance practices was reviewed, and a new Regulation on the Corporate Secretary was approved.</p> <p>In addition, the Board of Directors reviewed items concerning internal audit, preparations for the annual General Meeting of Shareholders, the approval of transactions, and other corporate governance issues.</p>

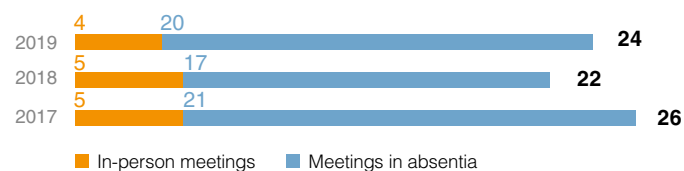
In 2019, the Board of Directors held 24 meetings, including 4 in person and 20 in absentia. A total of 92 items were considered at the meetings, including 10 policy items.

Member of the Board of Directors	Director's status	Board of Directors			Audit and Sustainable Development Committee 15 meetings	Nomination and Remuneration Committee 18 meetings	Strategy and Investment Committee 11 meetings
		24 total meetings	4 in-person meetings	20 meetings in absentia			
Boris Ayuyev	Non-executive	24	4	20	X	X	X
Andrey Bugrov	Independent	24	4	20	15	18	X
Anatoly Gavrilenko	Non-executive	21	2	19	X	X	X
Boris Kovalchuk	Executive	24	4	20	X	X	X
Alexander Lokshin	Independent ¹	22	4	18	15	X	X
Andrey Murov	Non-executive	24	4	20	X	X	X
Ronald (Ron) J. Pollett	Senior independent	24	4	20	15	18	11
Yelena Sapozhnikova	Independent	24	4	20	15	18	11
Igor Sechin	Non-executive	23	3	20	X	X	X
Denis Fedorov	Non-executive	24	4	20	X	X	X
Dmitry Shugayev	Non-executive	23	4	19	X	X	X

The minutes of meetings of the Board of Directors are available at:
<http://www.interrao.ru/investors/corporate-governance/management/minutes/>.

When planning its work and in its activities, the Board of Directors focuses on priority issues that are most important for the successful current and future development of PJSC Inter RAO.

Number of meetings of the Board of Directors

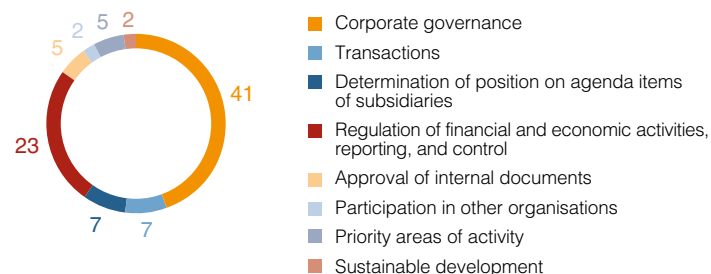


¹ According to a resolution of the Board of Directors dated May 20, 2019 (Minutes No. 249 dated May 24, 2019)

Structure of items reviewed by the Board of Directors

	2017	2018	2019
Total items reviewed	151	113	92
including policy items	18	5	10
Item group, %			
Corporate governance	39	43	44
Transactions	9	7	8
Determination of position on agenda items of subsidiaries	8	8	8
Regulation of financial and economic activities, reporting, and control	21	29	25
Approval of internal documents	8	5	5
Participation in other organizations	6	3	2
Priority areas of activity	6	1	5
Sustainable development	1	1	3
Other	3	3	-

Structure of items reviewed in 2019



Orders of the CEO prepared by the Corporate Secretary are used to monitor the execution of the instructions of the Board of Directors. Failure to comply with the instructions of the Board of Directors is one of the indicators for the cancellation of the bonus of the CEO. Failure to comply with the orders of the CEO on the fulfillment of the decisions and instructions of the Board of Directors is one of the indicators for the cancellation of the bonus es of members of the Management Board and other direct subordinate managers.

A total of 28 instructions of the Board of Directors were executed over the course of 2019. The report for 2018 was considered at an in-person meeting of the Board of Directors¹. There were no violations of the deadlines for the execution of the decisions of the Board of Directors and committees.

SENIOR INDEPENDENT DIRECTOR RON JAMES POLLETT TOOK PART IN THE INTER RAO INVESTOR DAY AT SESSIONS ON CORPORATE GOVERNANCE AND KEY FACTORS OF INVESTMENT APPEAL. THE MOST COMMON QUESTIONS ASKED BY INVESTORS AND SHAREHOLDERS ARE PRESENTED IN THE STRATEGIC REPORT. [GRI 102-33, 102-34]

Current Board of Directors [GRI 102-22, 102-23, 405-1]

The PJSC Inter RAO Charter stipulates that the Board of Directors must have 11 members. Members of the Board of Directors are elected annually by the General Meeting of Shareholders through cumulative voting.

The size of the Board of Directors best suits the Company's current goals and objectives as well as industry practices and ensures the requisite balance of expertise among the members of the Board of Directors. In addition, the Board of Directors is well balanced in terms of its independence, which provides an effective system of checks and balances in the corporate governance model of PJSC Inter RAO.

In order to achieve a balance of interests, the Board of Directors may include members who are recognized as:

- Executive directors
- Non-executive directors
- Independent directors

¹ Minutes No. 242 dated March 18, 2019.

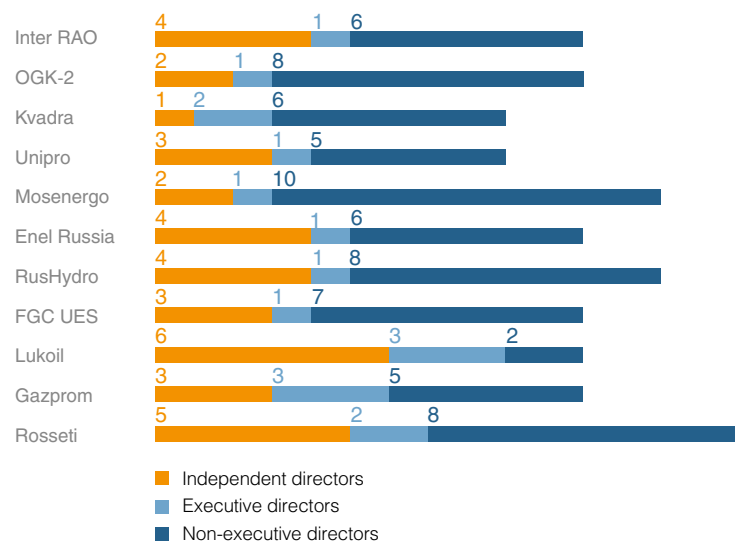
Composition of the Board of Directors

	2017	2018	2019	Fulfillment of the target value of the Moscow Exchange Listing Rules and the Corporate Governance Code
Executive directors	1	1	1	Target: no more than ¼. Fulfilled: yes, 1 of 11
Non-executive directors	6	6	6	–
Independent directors	4	4	4	Target: 3 of 11 Fulfilled: yes, 4 of 11

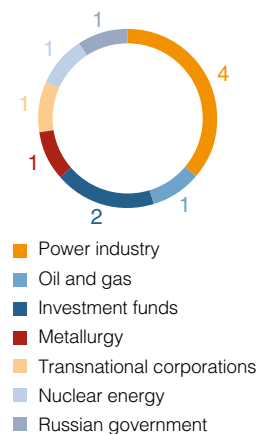
There were no changes to members of the Board of Directors in 2019.

The results of the external independent assessment and self-assessment of the members of the Board of Directors conducted in 2019 show that the Board of Directors is balanced in terms of the required expertise and professional experience based on the current structure of the share capital and the tasks facing the Company. The members of the Board of Directors have expertise in such key areas as energy, industry, investment, information technology, economics and finance, law, and corporate governance.

Structure of the Board of Directors of comparable companies



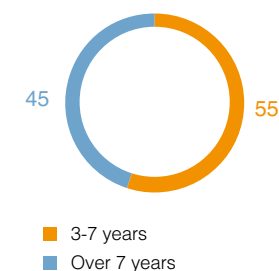
Scope of industry representation on the Board of Directors



Gender makeup of the Board of Directors



Tenure on the PJSC Inter RAO Board of Directors, years



Conditions for assembling the Board of Directors and candidate selection criteria [GRI 102-24]

The Board of Directors should be formed¹ in such a way so as to ensure a balance of professionalism, knowledge, and experience in order to properly fulfill the duties of the members of the Board of Directors in the Company's interests taking into account the Company's Development Strategy. Members of the Company's Board of Directors should have a renowned high reputation, including among investors, and should not have a conflict of interest with the Company.

Candidates for the Board of Directors must meet at least one of the following criteria:

- Be recognized as experts in such fields as the power industry, finance, law, strategic management, audit, risk management, HR management, corporate governance, production modernization, innovation, or investment
- Have experience working on boards of directors or in senior positions at other joint-stock companies whose shares are traded on organized trading floors (stock exchanges), including at international companies

Members of the Board of Directors must have an impeccable reputation. One of the factors that negatively affects a member's reputation would be an economic crime, a crime against public order, the interests of public service, or service in local authorities, or an administrative offense, especially in business, finance, taxes and fees, or the securities market.

Each year, the Nomination and Remuneration Committee conducts an assessment of all candidates nominated for the Board of Directors in terms of their compliance with the established criteria as well as the independence criteria defined by the securities market regulator and PJSC Moscow Exchange.

Independent directors

The participation of independent directors on the Board of Directors provides an independent and balanced perception based on their knowledge, experience, and qualifications. The objectivity of independent directors and their constructive criticism are of great value for the Board of Directors and the Company as a whole. The contribution made by independent directors facilitates the adoption of decisions that take into account the interests of various groups of stakeholders and improves the quality of management decisions.

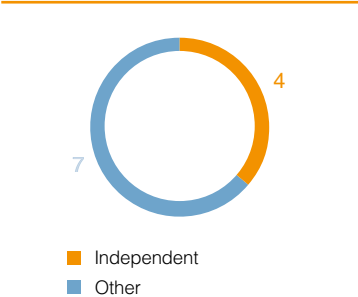
The current Board of Directors has four independent directors, which exceeds both the target value of the Listing Rules² as well as the number established by the Corporate Governance Code recommended for use by the Bank of Russia.

Target levels of independence of Board of Directors

Inter RAO (actual)	Listing Rules of the Moscow Exchange. First-tier	Corporate Governance Code of the Bank of Russia
4 of 11 members of the Board of Directors (36%) are independent	✓ at least 1/5 and no fewer than 3 members of the Board of Directors are independent	✓ at least 1/3 of the members of the Board of Directors are independent

PJSC Inter RAO supports the practice that was introduced in 2017 of independent directors preliminarily considering significant corporate actions. The Company engages in the practice of holding business meetings with independent directors for a preliminary discussion of key issues that are submitted to the Board of Directors for review.

Number of independent directors on the Board of Directors



¹ Clause 2.1 of the Regulation on the PJSC Inter RAO Board of Directors.

² Listing Rules of the PJSC Moscow Exchange registered by the Central Bank of the Russian Federation (Bank of Russia) on October 2, 2018.

AS OF THE END OF THE REPORTING YEAR, THE COMPANY'S BOARD OF DIRECTORS INCLUDED THREE INDEPENDENT MEMBERS WHO FULLY COMPLY WITH THE INDEPENDENCE CRITERIA DEFINED BY THE CORPORATE GOVERNANCE CODE AND LISTING RULES OF PJSC MOSCOW EXCHANGE (ANDREY BUGROV, RON POLLETT, YELENA SAPOZHNIKOVA) AND ONE INDEPENDENT DIRECTOR RECOGNIZED AS SUCH BY A RESOLUTION OF THE COMPANY'S BOARD OF DIRECTORS (ALEXANDER LOKSHIN)¹.

Independence criteria

In order to monitor the compliance of members of the Board of Directors with the criteria for independence, the Nomination and Remuneration Committee of the Board of Directors analyzes such compliance on a quarterly basis. In the event of a change in the status of the independence of the members of the Board of Directors, the issue is submitted for consideration by the Board of Directors.

Based on the Committee's recommendations of March 26, 2019², the Board of Directors on March 29, 2019 considered the issue of granting Alexander Lokshin the status of an independent director³.

Senior independent director

According to the Regulation on the Board of Directors, if the Board includes at least three independent directors, it may elect a senior independent director from among them.

Ron James Pollett was re-elected as the senior independent director at an in-person meeting of the Board of Directors on May 20, 2019.

At PJSC Inter RAO, the senior independent director provides support to the Chairman of the Board of Directors in achieving his goals and, in addition to performing the functions specified in the Corporate Governance Code, monitors relations between the Chairman of the Board of Directors and the CEO, and also chairs the Nomination and Remuneration Committee of the Board of Directors.

Succession planning on the Board of Directors [GRI 102-24]

In an effort to maintain a balance of qualifications and experience among directors and consistently update the members of the Board of Directors taking into account its need for independent directors, the Board of Directors annually updates the Succession Plan of the Board of Directors and the Management Board in accordance with the recommendations of the Nomination and Remuneration Committee. Over the course of 2018, the Succession Plan for the Members of the Board of Directors and the Management Board was updated along with the Training and Development Program.

Training and development of members of the Board of Directors [GRI 102-27]

The Company annually organizes training for members of the Board of Directors. The themes and areas for training are determined as part of procedures for evaluating the performance of the Board of Directors and also during a survey of members of the Board of Directors regarding the most interesting themes. Training is conducted in accordance with the Training and Development Program for members of the Board of Directors, which is part of the Succession Plan for members of the Board of Directors and the Management Board⁴ (hereinafter the Succession Plan) approved annually by the Board of Directors.

The Nomination and Remuneration Committee discusses the program of training events at an in-person meeting in order to tentatively study the issue⁵.

Inter RAO organizes training events for members of the Board of Directors in the form of workshops and also provides them with regular informational mailings. These activities involve immersion in a particular area of the Group's activities with the involvement of well-known market specialists and key managers who are employees of the Group.

Stakeholder engagement

In 2019, investors who attended events associated with PJSC Inter RAO Investor Day greatly appreciated the senior independent director's participation in these events.

¹ Resolution of the Board of Directors dated May 20, 2019 (Minutes No. 259 dated May 20, 2019).

² Minutes No. 96 dated March 26, 2019.

³ Minutes No. 243 dated April 1, 2019.

⁴ Approved by the Board of Directors on September 30, 2019 (Minutes No. 257 dated October 2, 2019).

⁵ Decision of the Nomination and Remuneration Committee dated September 10, 2019 (Minutes No. 106 dated September 10, 2019).

In 2019, a seminar on digitalization was held for members of the Board of Directors as part of the Training and Development Program. The workshop provided information on the digitalization of the energy industry, digitalization at Inter RAO, the key achievements of a project to optimize the collection of receivables from individuals as well as the cyber security risks of digital transformation.

In accordance with the Succession Plan, all newly elected members of the PJSC Inter RAO Board of Directors undergo an induction program that involves a meeting (or a series of meetings) with executive management and key employees of the Company, during which PJSC Inter RAO management presents reports to members of the Board of Directors and others necessary materials concerning the Company's main areas of business.

No induction meetings were held in 2019 since no changes were made to the members of the Company's Board of Directors.

Preventing conflicts of interest on the Board of Directors [GRI 102-25]

The PJSC Inter RAO Code of Corporate Ethics contains a list of measures to prevent potential or actual conflicts of interests among members of the Board of Directors with the Company's interests, specifically not only with the Board member's interests, but also with the interests of family, friends, and other personal relationships, financial relations, receiving gifts, services, or other benefits, using the Company's property, and disclosing information. Members of the Board of Directors are also required to refrain from having labor or civil law relations with a competitor or participating in a competing organization.

[GRI 102-25]

The Regulation on the Board of Directors requires a candidate for the Board of Directors to submit a questionnaire and notification about signs of a potential interest in transactions when being nominated and also a notification about changes in information about possible interests each time such signs appear in the future.

The Code of Corporate Ethics contains a policy for members of the Management Board and the Board of Directors (including independent members) to perform transactions with the Company's shares. In order to conclude such a transaction, the CEO and members of the Board of Directors must first obtain the prior written consent of the Chairman of the Board of Directors, and it is recommended to refrain from performing any transactions with the Company's securities within the 30 calendar days preceding the publication of the interim or annual consolidated financial statements of PJSC Inter RAO (IFRS). The Chairman of the Board of Directors is required to obtain the prior written consent of the Company's CEO. Members of the Management Board are required to obtain the prior written consent of the CEO prior to any transaction with the Company's securities.

Members of the Board of Directors performed transactions with the Company's securities in 2019, and the procedure for obtaining consent for the transactions was observed.

No notices about conflicts of interest within the Company were received in 2019. The Corporate Secretary's division monitors the possibility of a conflict of interest on a quarterly basis by analyzing the updated profiles of members of the Board of Directors.

Liability insurance

Based on best practices and recommendations of the Code, PJSC Inter RAO has provided liability insurance at its own expense for members of the Board of Directors, members of the Management Board, officials and companies, and officials and companies of the Group since 2011 (D&O). Insurance aims to compensate potential losses resulting from damages to the Company or third parties by the actions of the insured persons when they carry out their management activities.

The insurer's liability limit (insured amount) under the existing liability insurance policy of directors, officers, and companies is USD 250 mln. The contract is valid from July 15, 2019 until July 14, 2020. The insurance premium for the year is USD 249,000.

Biographies of members of the Board of Directors^{1,2} [GRI 102-23]



Boris AYUYEV

Status	Non-executive director
First elected to the Board of Directors	June 10, 2016
Year of birth	1957
Nationality	Russian Federation
Education	1979: He graduated from Ural Polytechnic Institute with a degree in electric power plants. Doctor of Technical Sciences
Positions held over the last five years	<p>2015 until present: Member of the Executive Committee of the Russian National Committee of the International Council on Large Electric Systems Non-Profit Partnership (Chairman from 2009 to 2015)</p> <p>2004 until present: Chairman of the Management Board of JSC SO UES</p>
Membership on the boards of directors (supervisory boards) of other organizations	Member of the Board of Directors (Supervisory Boards) of JSC SO UES PJSC Rosseti, and the 'Digital Energy' Association of Industry Digital Development Organizations

Awards:

- › 2017: He was awarded the title 'Honored Worker of the Fuel and Energy Sector' under Order No. 21p of the Ministry of Energy of the Russian Federation dated March 10, 2017 for his invaluable personal contribution to the development of the fuel and energy sector and his many years of diligent work
- › 2017: He was awarded the first-class medal 'For Merit in the Development of the Fuel and Energy Sector' under Order No. 39p of the Minister of Energy of the Russian Federation dated April 6, 2017 for his invaluable personal contribution to the development of the fuel and energy sector and many years of diligent work
- › 2014: He was awarded the Order of Friendship under Decree No. 593 of the President of the Russian Federation dated September 1, 2014 for his invaluable contribution to preparing for and holding the 2014 Winter Olympics and Winter Paralympics in Sochi
- › 2013: He received commendation from the President of the Russian Federation under Decree No. 484-gr of the President of the Russian Federation dated December 25, 2013 for his invaluable contribution to clean-up operations following an accident at the Sayano-Shushenskaya HPP
- › 2012: He was awarded the Order of Honor under Decree No. 746 of the President of the Russian Federation dated May 30, 2012 for labor success and many years of diligent work
- › 2008: He was awarded the second-class Medal of the Order 'For Merit to the Fatherland' under Decree No. 329 of the President of the Russian Federation dated March 8, 2008 for his invaluable contribution to the development of the fuel and energy sector and many years of diligent work

Share ownership and transactions

He owns 7,306,329.79 shares in PJSC Inter RAO (0.0069984% of the Company's charter capital), but did not perform any share transactions

¹ Full biographical information disclosed by the Company in quarterly reports.

² Members of the Board of Directors as of December 31, 2019. At the Annual General Meeting of Shareholders on May 20, 2019, the members of the Board of Directors were all re-elected (Minutes No. 19 dated May 20, 2019).

**Andrey BUGROV**

Status	Independent director
First elected to the Board of Directors	May 25, 2014
Year of birth	1952
Nationality	Russian Federation
Education	1974: He graduated from the Moscow State Institute of International Relations (University) of the Ministry of Foreign Affairs of the Russian Federation with a degree in international economic relations. Candidate of Economic Sciences
Positions held over the last five years	<p>2018 until present: Chairman of the Non-Financial Reporting Council of the Russian Union of Industrialists and Entrepreneurs</p> <p>2018 until present: Member of the Expert Council on Corporate Governance at the Ministry of Economic Development of the Russian Federation</p> <p>2016 until present: Senior Vice President at PJSC MMC Norilsk Nickel (his primary place of employment)</p> <p>2016 until present: Chairman of the Committee of Share Issuers of PJSC Moscow Exchange</p> <p>2016 until present: Member of the Expert Council on Corporate Governance at the Bank of Russia</p> <p>2015-2016: Member of the Investment Committee of PJSC RusHydro</p> <p>2015-2016: Vice President of PJSC MMC Norilsk Nickel</p> <p>2014 until present: Member of the Expert Council under the Office of the President of the Russian Federation on Anti-Corruption Affairs</p> <p>2013 until present: Member of the Management Board of PJSC MMC Norilsk Nickel</p> <p>2013 until present: Vice President of CJSC INTERROS Holding Company</p> <p>2013 until present: Vice President of the Russian Union of Industrialists and Entrepreneurs</p> <p>2006 until present: Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs All-Russian Association of Employers and the Russian Union of Industrialists and Entrepreneurs All-Russian Public Organization</p> <p>2002 until present: Member of the Foreign and Defense Policy Council non-governmental public association</p>

Membership on the boards of directors (supervisory boards) of other organizations

Deputy Chairman of the Board of Directors of PJSC MMC Norilsk Nickel

Awards:

- › 2017: Winner of the XII National Award 'Director of the Year' in the category 'For Contribution to the Development of the Institute of Independent Directors'
- › 2015: He was awarded the Certificate of Honor of President of the Russian Federation Vladimir Putin on May 25, 2015 for his contribution to the socioeconomic development of Russia, labor successes, active public activities, and many years of diligent work
- › 2013: Winner of the VIII National Award 'Director of the Year' in the category 'Independent Director'
- › 2012: He was awarded the Order of Honor for labor successes and many years of diligent work under Decree No. 857 of the President of the Russian Federation dated June 14, 2012

Share ownership and transactions	He does not own shares in PJSC Inter RAO and did not conduct any transactions with shares in the reporting year
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**Anatoly GAVRILENKO**

Status	Non-executive director
First elected to the Board of Directors	May 29, 2015
Year of birth	1972
Nationality	Russian Federation
Education	1995: He graduated from Lomonosov Moscow State University with a degree in economic cybernetics and a qualification as a mathematical economist 2001: He graduated from Lomonosov Moscow State University with a degree in law and a qualification as a lawyer

Positions held over the last five years

2004 until present: CEO of CJSC Leader (a pension fund asset management company) (his primary place of employment)

Membership on the boards of directors (supervisory boards) of other organizations

Member of the Board of Directors of CJSC Leader, JSC Gazprombank, PJSC GAZKON, PJSC GAZ-Service, PJSC Moscow United Electric Grid Company, PJSC GAZ-Tek, PJSC Mosenergo, JSC NPF GAZFOND Pension Savings, JSC Gazprombank-Fund Private Pension Fund, and JSC GAZFOND Private Pension Fund

Share ownership and transactions He does not own shares in PJSC Inter RAO and did not conduct any transactions with shares in the reporting year

**Boris KOVALCHUK**

Status	Executive director
First elected to the Board of Directors	June 25, 2009
Year of birth	1977
Nationality	Russian Federation
Education	1999: He graduated from St. Petersburg State University with a degree in law and a qualification as a lawyer

Positions held over the last five years

2010 until present: Chairman of the PJSC Inter RAO Management Board and CEO of PJSC Inter RAO from May 20, 2019 (per his employment contract his term in office runs until June 25, 2020)

2010 until present: Member of the Management Board of the Russian Union of Industrialists and Entrepreneurs All-Russian Association of Employers and the Russian Union of Industrialists and Entrepreneurs All-Russian Public Organization

2018 until present: CEO of JSC Inter RAO Capital

2018-2019: CEO of JSC Sever

Membership on the boards of directors (supervisory boards) of other organizations

Member of the Boards of Directors (Supervisory Boards) of JSC Inter RAO Capital, LLC Professional Hockey Club CSKA, JSC All-Russian Regional Development Bank, the 'Digital Energy' Association of Industry Digital Development Organizations, and RIG RESEARCH PTE. LTD

Awards:

- > 2019: He was awarded the Order of Alexander Nevsky
- > 2017: He was awarded the Certificate of Honor of JSC SO UES
- > 2017: He was awarded the first-class Medal of the Ministry of Energy of the Russian Federation 'For Merit in the Development of the Fuel and Energy Sector'
- > 2015: He was awarded the Silver Medal 'For Collaboration' (by the Ministry of Justice of the Russian Federation)
- > 2014: He was awarded the merit badge '10 years of the Federal Tariff Service'
- > 2014: He was awarded a commemorative medal and the State Award 'Order of Friendship' for his invaluable contribution to preparing for and holding the 2014 Winter Olympics and Winter Paralympics in Sochi
- > 2012: He was awarded the State Award 'Order of Honor'
- > 2011: He was awarded the title 'Honorary Power Engineer'

Share ownership and transactions He does not own shares in PJSC Inter RAO. Information about transactions with the Company's shares in the reporting year is presented in the section 'Share ownership by members of management bodies.'

**Alexander LOKSHIN**

Status	Independent director (in accordance with the decision of the Board of Directors as of May 20, 2019)
First elected to the Board of Directors	First elected to the Board of Directors on October 23, 2008 and served as a member of the Board of Directors until June 25, 2009 Re-elected to the Board of Directors on June 25, 2010
Year of birth	1957
Nationality	Russian Federation
Education	1980: He graduated from Kalinin Leningrad Polytechnic Institute (currently St. Petersburg State Polytechnic University) with a degree in thermal physics 2001: He studied in the President program at the Academy of National Economy under the Government of the Russian Federation

Positions held over the last five years

2018 until present: President of JSC ASE Engineering Company

2012 until present: First Deputy CEO for Operations Management at ROSATOM State Atomic Energy Corporation (his primary place of employment)

2008 until present: Member of the Management Board of ROSATOM State Atomic Energy Corporation

Membership on the boards of directors (supervisory boards) of other organizations

Chairman of the Boards of Directors of JSC Atomredmetzoloto and JSC Rosenergoatom Concern

Awards:

- > 2018: He was awarded the fourth-class Order 'For Merit to the Fatherland'
- > 2012: He was awarded the Order of Honor
- > 2000: He was awarded the title 'Honored Power Engineer of the Russian Federation'

Share ownership and transactions He does not own shares in PJSC Inter RAO and did not conduct any transactions with shares in the reporting year

**Andrey MUROV**

Status	Non-executive director
First elected to the Board of Directors	May 25, 2014
Year of birth	1970
Nationality	Russian Federation

Education

1993: He graduated from St. Petersburg State University with a degree in law

1998: He underwent professional retraining under the financial management program at the Interdisciplinary Institute for Advanced Studies and Retraining of Managers

2009: He graduated from Saint Petersburg State University of Civil Aviation with a degree in transportation organization and management (air transport)

Doctor of Economic Sciences

Positions held over the last five years

2015 until present: Chairman of the Russian National Committee of the International Council on Large Electric Systems Non-Profit Partnership

2013 until present: Chairman of the Management Board of PJSC FGC UES (his primary place of employment)

2012 until present: Member of the Management Board of PJSC FGC UES

2012-2013: First Deputy Chairman of the Management Board and Acting Chairman of the Management Board of PJSC FGC UES

Membership on the boards of directors (supervisory boards) of other organizations

Member of the boards of directors (supervisory boards) of PJSC Rosseti, PJSC FGC UES, JSC SO UES, the Global Energy Association for the Development of International Research and Projects in Energy, and the Scientific and Technical Council of the Unified Energy System non-commercial partnership, and a member of the Central Council and the Bureau of the Central Council of LLC Russian Union of Mechanical Engineers

Awards:

- He was awarded the second-class Medal of Order 'For Merit to the Fatherland,' the Order of Honor, and the Order of Friendship, and he has certificates and letters of gratitude from the Governor and Administration of St. Petersburg as well as the lapel pin 'Honorary Transport Worker of Russia'
- He was awarded the title 'Honorary Power Engineer'

Share ownership and transactions He does not own shares in PJSC Inter RAO and did not conduct any transactions with shares in the reporting year

**Ronald (Ron) James POLLETT**

Status	Senior independent director
First elected to the Board of Directors	June 25, 2013
Year of birth	1969
Nationality	USA
Education	1991: He graduated from Colgate University (New York) with a degree in Soviet studies

Positions held over the last five years

2015 until present: Vice President of General Electric (GE), President and CEO of GE in Russia and the CIS

2008 until present: Director of the branch office of General Electric International Corporation, Inc. (USA) in Moscow

2003 until present: CEO of LLC GE Rus

Membership on the boards of directors (supervisory boards) of other organizations

Member of the Board of Directors of RIG RESEARCH PTE.LTD

Share ownership and transactions He does not own shares in PJSC Inter RAO and did not conduct any transactions with shares in the reporting year

**Elena SAPOZHNIKOVA**

Status	Independent director
First elected to the Board of Directors	June 10, 2016
Year of birth	1978
Nationality	Russian Federation
Education	2000: She graduated from Lomonosov Moscow State University with a degree in law

Positions held over the last five years

2019 until present: Partner at LLC Digital Horizon Ventures

2017 until present: Partner at LLC United Capital Partners Advisory Group (UCP)

2013-2017: Executive Director of the UCP Group

Membership on the boards of directors (supervisory boards) of other organizations

Member of the Board of Directors of LLC Digital Horizon Ventures

Share ownership and transactions She does not own shares in PJSC Inter RAO and did not conduct any transactions with shares in the reporting year



Igor SECHIN
Chairman of the Board
of Directors of PJSC Inter RAO

Status	Non-executive director
First elected to the Board of Directors	He was first elected to the Board of Directors on October 23, 2008 and served as a member of the Board of Directors until June 24, 2011 He was re-elected to the Board of Directors on June 25, 2013
Year of birth	1960
Nationality	Russian Federation
Education	1984: He graduated from Leningrad State University. Candidate of Economic Sciences

Positions held over the last five years

2012 until present: CEO and Chairman of the Management Board of PJSC Rosneft Oil Company (his primary place of employment)

Membership on the boards of directors (supervisory boards) of other organizations

Chairman of the Board of Directors of JSC ROSNEFTEGAZ
Deputy Chairman of the Board of Directors of PJSC Rosneft Oil Company
Chairman of the Supervisory Board of LLC Professional Hockey Club CSKA
Chairman of the Board of Directors of LLC National Oil Consortium

Share ownership and transactions He does not own shares in PJSC Inter RAO and did not conduct any transactions with shares in the reporting year



Denis FEDOROV

Status	Non-executive director
First elected to the Board of Directors	June 24, 2011
Year of birth	1978
Nationality	Russian Federation
Education	2001: He graduated from Bauman Moscow State Technical University with a degree as a manager economist 2003: He completed graduate school at the Moscow Energy Institute (Technical University) with a degree in economics and industrial heat and power. Candidate of Economic Sciences.

Positions held over the last five years

2019 until present : Member of the Board of Trustees of Moscow Power Engineering Institute National Research University

2017: CEO of LLC Adlerskaya TPP

2009 until present: CEO of LLC Gazprom Energoholding

2014 until present: Head of the Administration of PJSC Gazprom (his primary place of employment)

2014 until present: CEO of PJSC Centrenergoholding

Membership on the boards of directors (supervisory boards) of other organizations

Chairman of the boards of directors of PJSC Moscow United Energy Company (PJSC MOEK), LLC GEH Engineering, JSC Gazprom Energosbyt Tyumen (JSC Tyumen Power Supply Company until 2018), and PJSC OGK-2
Member of the board of directors of LLC Svobodnenskaya TPP (formerly LLC Amurskaya TPP), PJSC Mosenergo, PJSC Centrenergoholding, and PJSC TGC-1

Chairman of the Strategy and Investment Committee of the Board of Directors at PJSC Mosenergo

Share ownership and transactions He does not own shares in PJSC Inter RAO and did not conduct any transactions with shares in the reporting year

**DMITRY SHUGAEV**

Deputy Chairman of the Board of Directors

Status	Non-executive director
First elected to the Board of Directors	June 24, 2011
Year of birth	1965
Nationality	Russian Federation
Education	1987: He graduated from Moscow State Institute of International Relations of the USSR Ministry of Foreign Affairs with a degree in international journalism Candidate of Economic Sciences
Positions held over the last five years	2017 until present: Director of the Federal Service for Military-Technical Cooperation (his primary place of employment) 2008-2017: Deputy General Director of Rostec State Corporation
Membership on the boards of directors (supervisory boards) of other organizations	Member of the Board of Directors of JSC Rosoboronexport

Awards

- › 2020: He was awarded the Order of Alexander Nevsky under Decree No. 104 of the President of the Russian Federation dated February 14, 2020
- › 2018: He was awarded a lapel pin of the Ministry of Foreign Affairs of the Russian Federation 'For Contributing to International Cooperation'
- › 2018: He was awarded the Medal of the Federal Service for Technology and Export Control of Russia 'For Strengthening the State Information Protection System,' 1st degree
- › 2017: He was awarded the Medal of Honor by the General Director of Rostec State Corporation 'For Merit'
- › 2012: He was awarded the Order of Honor under Decree No. 1407 of the President of the Russian Federation dated October 16, 2012
- › 2005: He was awarded the second-class Medal of Order 'For Merit to the Fatherland' under Decree No. 1248 of the President of the Russian Federation dated November 2, 2005

Share ownership and transactions He does not own shares in PJSC Inter RAO and did not conduct any transactions with shares in the reporting year

THE COMPANY DID NOT ISSUE ANY LOANS (CREDITS) TO THE CHAIRMAN OR MEMBERS OF THE BOARD OF DIRECTORS IN THE REPORTING YEAR.

COMMITTEES OF THE BOARD OF DIRECTORS [GRI 102-22]

The Board of Directors has established the Audit and Sustainable Development Committee¹, Nomination and Remuneration Committee, and the Strategy and Investment Committee² in order to tentatively consider key issues concerning the activities of PJSC Inter RAO. The activities of the committees are governed by the relevant regulations of the Board of Directors.

**THE STRUCTURE
OF THE COMMITTEES OF THE BOARD
OF DIRECTORS REFLECTS A HIGH
LEVEL OF CORPORATE GOVERNANCE**

Committees of the Board of Directors	Independent directors	Inter RAO management	Third parties ³
Audit and Sustainable Development Committee	100%	–	–
Nomination and Remuneration Committee	100%	–	–
Strategy and Investment Committee	18%	9%	73%

Committee	Key functions	Committee members and attendance of meetings	Work statistics
Audit and Sustainable Development Committee	<ul style="list-style-type: none"> > Assessment of the Company's auditor candidates > Assessment of the auditor's opinion > Assessment of the effectiveness of internal control, risk management, and corporate governance procedures and the drafting of recommendations for the Board of Directors to improve these procedures > Ensuring the independence and objectivity of the external and internal audit functions > Monitoring the completeness, accuracy, and reliability of financial statements and also drafting recommendations for the Board of Directors regarding the Company's audit and reporting. 	<ul style="list-style-type: none"> > Andrey Bugrov (Chairman) (15/15) > Alexander Lokshin (15/13) > Ronald (Ron) James Pollett (15/15) > Yelena Sapozhnikova (15/15) 	Meetings: 15 =7 (in person)+8 (in absentia) Items considered: 39 =26 (in person)+12 (in absentia)

¹ Renamed in accordance with a resolution of the Board of Directors dated February 14, 2020. Previously called the Audit Committee.

² Minutes No. 249 dated May 20, 2019.

³ Representatives of companies from the electric power, oil, and gas industries, investment funds, and the Ministry of Energy of the Russian Federation.

CORPORATE GOVERNANCE REPORT

Committee	Key functions	Committee members and attendance of meetings	Work statistics
Nomination and Remuneration Committee	<ul style="list-style-type: none"> › Drafting of recommendations for the Board of Directors on the principles and criteria used to determine the amount of remuneration paid to members of the Company's Board of Directors and Management Board as well as the person performing the functions of the sole executive body › Drafting of essential contract terms with members of the Management Board and the CEO as well as conditions for the early termination of employment contracts with them › Drafting of recommendations for the Company's Board of Directors to determine the amount of remuneration and principles for bonus payments to the Corporate Secretary and proposals on bonuses for the Corporate Secretary › Analysis of the professional qualifications and independence of all candidates nominated to the Company's Board of Directors and the preparation of recommendations for the Company's shareholders regarding voting on the election of candidates to the Company's Board of Directors › Approval of the target values (adjusted values) of KPIs and BPs for the CEO and members of the Company's Management Board, reports on their implementation, and the methods used to calculate and evaluate their implementation 	<ul style="list-style-type: none"> › Ronald (Ron) James Pollett (Chairman) (18/18) › Andrey Bugrov (18/18) › Yelena Sapozhnikova (18/18) 	<p>Meetings: 18 =6 (in person)+12 (in absentia)</p> <p>Items considered: 33 =9 (in person)+24 (in absentia)</p>
Strategy and Investment Committee	<ul style="list-style-type: none"> › Drafting of recommendations for the Board of Directors concerning the Company's priority activities and strategic goals › Drafting of recommendations for the Board of Directors concerning the adoption of investment decisions 	<ul style="list-style-type: none"> › Viktor Khmarin (Chairman) (11/11) › Andrey Marchenko (11/11) › Yevgeny Miroshnichenko (10/11) › Alexey Molsky (9/11) › Sergey Nikitin (10/11) › Vasily Nikonov (11/11) › Fedor Opadachiy (11/11) › Ronald James Pollett (11/11) › Yelena Sapozhnikova (11/11) › Pavel Snikkars (6/11) › Charlotte Philipps (7/11) 	<p>Meetings: 11 =7 (in person)+4 (in absentia)</p> <p>Items considered: 23 =17 (in person)+6 (in absentia)</p>

Audit and Sustainable Development Committee¹

Sustainable development

Based on a resolution adopted by the Board of Directors on February 14, 2020, the Audit Committee was renamed the Audit and Sustainable Development Committee and a Regulation on its activities was approved. According to the new Regulation, the Committee is in charge of monitoring the implementation of sustainable development principles at Inter RAO and obligations to comply with the principles of the UN Global Compact.

Message from the Committee Chairman

The priority objectives of the Audit and Sustainable Development Committee are to ensure the independence and objectivity of internal audits and monitor the reliable and efficient functioning of the corporate governance system and the Risk Management and Internal Control Framework. In order to meet these objectives, the Committee continued the practice of meeting in person to review and discuss reports on the functioning of these systems during the reporting year.

An independent external assessment of the Company's internal audit functions was carried out for the first time in 2019. Members of the Audit and Sustainable Development Committee were actively involved in the audit process about which a report was also considered at an in-person meeting.

Pursuant to the instructions of the Nomination and Remuneration Committee, the Audit and Sustainable Development Committee introduced the practice of in-person reviews of the status of the Company's risk management work during the reporting year. In addition, the Audit and Sustainable Development Committee held joint meetings with the Strategy and Investment Committee during which a report on sustainable development as well as the structure of the updated Inter RAO Strategy/Long-Term Development Program were considered for the first time.

Andrey Bugrov,
Committee Chairman

Committee structure

The size of the Committee is determined by a resolution of the Board of Directors and may range from three to seven people. According to the Regulation on the Audit and Sustainable Development Committee², this Committee should be solely comprised of independent directors. If this is impossible for objective reasons, the majority of the Committee members should be comprised of independent directors, while the rest of the committee members may be members of the Board of Directors who are not the Chairman or members of the Company's Management Board. The Committee may only be chaired by an independent director.

Most important items considered in 2019

In 2019, the top priorities of the Audit and Sustainable Development Committee were to monitor the reliable and efficient functioning of the corporate governance system, the Risk Management and Internal Control Framework, and sustainable development.

The Committee issued recommendations on the approval of the auditor and the cost of its services, and also reviewed a report about the independence, objectivity, and the lack of a conflict of interest for the Company's external auditors (Minutes No. 128 dated February 28, 2019).

The results of a review of the consolidated IFRS financial statements (Minutes No. 128 dated February 28, 2019, No. 134 dated June 21, 2019, No. 137 dated September 10, 2019, and No. 140 dated December 11, 2019) were reviewed on a quarterly basis.

Items considered:

- The consideration of the annual accounting (financial) statements of PJSC Inter RAO for 2018 (Minutes No. 127 dated February 27, 2019)
- The conclusion of a contract with the auditor of the Long-Term Development Program and the approval of the cost of its services (Minutes No. 127 dated February 27, 2019)
- The consideration of a sustainable development report prepared by the Company's management (Minutes No. 137 dated September 10, 2019)
- The status of risk management work performed by the Company (Minutes No. 137 dated September 10, 2019)

¹ The Audit Committee prior to February 14, 2020.

² Approved by a resolution of the Board of Directors dated February 14, 2020 (Minutes No. 264 dated February 17, 2020).

Nomination and Remuneration Committee

Message from the Committee Chairman

Dear Shareholders,

The key event in the Nomination and Remuneration Committee's activities in 2019 was an independent assessment of the Board of Directors and its committees, which is carried out once every three years.

The Committee was actively involved in the evaluation procedure: the Committee held an in-person meeting during which questionnaires were developed to survey members of the Board of Directors and committees and the methodology for conducting the independent evaluation was reviewed. All the Committee members took part in face-to-face interviews with independent evaluators. Upon conclusion of the evaluation procedure, our Committee drafted recommendations on ways to improve the activities of the Board of Directors and committees and submitted them to the Board of Directors for approval, which I, as Chairman of the Committee, reported at an in-person meeting of the Board of Directors in June 2019. As a result, the Board of Directors decided to review management's report on sustainable development (ESG) and a risk management report on a semi-annual basis. A detailed plan for preparing and reviewing the Company's draft updated Strategy was also approved.

In addition, the Committee conducted an annual analysis of the professional qualifications and independence of the candidates nominated for the Company's Board of Directors in 2019 and prepared recommendations for the Company's shareholders. In June 2019, the Committee considered certain key personnel issues related to the appointment of the deputy CEOs of PJSC Inter RAO.

The Committee proposed approaches to drafting a training and development program for members of the Board of Directors based on a survey of members of the Board of Directors about the themes which they found to be the most interesting. The themes of the training seminars (workshops) selected by the members of the Board of Directors focus on digitalization, climate risks, and the development of ESG at the Group.

Ron Pollett,

Committee Chairman

Committee structure

The size of the Committee is determined by a resolution of the Company's Board of Directors within a range of three to seven people. According to the Regulation on the Nomination and Remuneration Committee, this Committee¹ should be solely comprised of independent directors.

Most important items considered in 2019

In 2019, the Nomination and Remuneration Committee fully met its planned objectives and made recommendations to the Board of Directors on issues concerning nominations and remuneration. The following items were considered:

- The approval of the Regulation on the Payment of Remuneration and Compensation to Members of the Board of Directors of PJSC Inter RAO (Minutes No. 95 dated March 6, 2019)
- An independent assessment procedure (together with a self-assessment) of the Board of Directors and its committees (Minutes No. 97 dated March 27, 2019)
- An analysis of the professional qualifications and independence of candidates nominated for the Company's Board of Directors, and the preparation of recommendations for the Company's shareholders regarding voting on the election of candidates for the Board of Directors (Minutes No. 97 dated March 27, 2019)
- Approval of the report on the Long-Term Development Program for 2018 (Minutes No. 98 dated April 10, 2019)
- The bonus for the Corporate Secretary for 2018 (Minutes No. 100 dated April 18, 2019)
- Review of the results of an independent assessment and self-assessment of the Board of Directors and committees (Minutes No. 102 dated June 3, 2019)
- Endorsement of candidates for deputy CEO (Minutes No. 103 dated June 24, 2019)
- The succession plan of members of the Management Board for 2019-2020 (Minutes No. 106 dated September 10, 2019)
- Approval of strategic development priorities and annual key performance indicators for the CEO and members of the Management Board for 2020 (Minutes No. 109 dated December 5, 2019)
- The practical implementation of the principles of the remuneration policy and the practice for its introduction, including the review of the effective ratio of fixed and variable parts of remuneration (Minutes No. 110 dated December 11, 2019)

¹ Approved by a resolution of the Board of Directors dated September 14, 2015 (Minutes No. 153 dated September 17, 2015).

Strategy and Investment Committee

Message from the Committee Chairman

Dear Colleagues,

In its activities, the Strategy and Investment Committee aims to provide a comprehensive analysis and study of key issues in the strategic, financial, and investment planning of operations in order to prepare recommendations for the Board of Directors to adopt decisions.

The Committee continued the practice of holding in-person meetings to consider the most significant issues of strategic, financial, and investment planning as well as the Company's innovative activities.

In addition, pursuant to resolutions of the Board of Directors regarding recommendations to improve the activities of the Board of Directors and its committees, the Strategy and Investment Committee together with the Audit and Sustainable Development Committee reviewed such issues as the sustainable development report as well as the structure, main focuses, and strategic risks of the updated Strategy/Long-Term Development Program of the Inter RAO Group during the reporting year.

Per tradition, issues concerning the Company's Long-Term Development Program were also considered at an in-person meeting with the Nomination and Remuneration Committee in order to ensure a more in-depth and comprehensive discussion.

Furthermore, the Committee paid special attention to issues concerning innovation during the reporting year, including the review of the PJSC Inter RAO Innovative Development Program for the period of 2020-2024 with a view to 2029, which, in accordance with the recommendations of the Federal Agency for State Property Management, were also considered at in-person meetings of the Committee along with an expert who was specifically invited for this purpose.

The Committee's work in 2019 is directly connected with the Board of Directors' work plan and aims to address key issues in the Company's operations.

Viktor Khmarin,
Committee Chairman

Committee structure

According to the Regulation on the Strategy and Investment Committee¹, the size of the Committee is determined by a resolution of the PJSC Inter RAO Board of Directors and ranges from three to eleven people. The Committee is comprised of independent and non-executive members of the Board of Directors (or one representative from each) as well as an executive director or member of the Company's Management Board².

Most important items considered in 2019

The Strategy and Investment Committee works to address key operational issues and handles the development of the most important strategic objectives. In 2019, the following items were considered:

- The progress of the Long-Term Development Program, including the approval of a report on the implementation of the Inter RAO Group's strategic development priorities and a report on the fulfillment of the Company's annual key performance indicators and performance benchmarks in 2018 (Minutes No. 155 dated April 12, 2019) as well as the consideration of the Company's strategic development priorities (Inter RAO Group) and a list and values of annual key performance indicators and performance benchmarks for 2020 (Minutes No. 163 dated December 5, 2019)
- Reports on the implementation of the Business Plan of PJSC Inter RAO and the Inter RAO Group (Minutes No. 153 dated March 12, 2019, No. 158 dated June 25, 2019, No. 161 dated September 10, 2019, and No. 163 dated December 5, 2019)
- Approval of the Business Plan of PJSC Inter RAO and the Inter RAO Group for 2020 (Minutes No. 163 dated December 5, 2019)
- Proposals to the Annual General Meeting of Shareholders of PJSC Inter RAO on the distribution of profit (including the payment (declaration) of the Company's dividends and losses based on the results of the 2018 reporting year (Minutes No. 153 dated March 12, 2019)
- Investor Relations Report for 2018 (Minutes No. 153 dated March 12, 2019)
- A report on the implementation in 2018 of the PJSC Inter RAO Innovative Development Program until 2020 with a view to 2025 (Minutes No. 156 dated April 24, 2019)
- Approval of the PJSC Inter RAO Innovative Development Program for the period 2020-2024 with a view to 2029 (Minutes No. 163 dated December 5, 2019)
- Review of the Sustainable Development Report (Minutes No. 161 dated September 10, 2019)

¹ Approved by a resolution of the Board of Directors dated August 28, 2018 (Minutes No. 230 dated August 31, 2018).

² Minutes No. 229 dated July 17, 2018.

CORPORATE SECRETARY

The Company's Board of Directors adopts the resolution on the appointment of the head of the Corporate Secretary. In its activities, the Corporate Secretary is functionally accountable to the Board of Directors and administratively accountable to the CEO, which ensures the necessary degree of independence.

The independence of the Corporate Secretary is also ensured by the incentive system for the Corporate Secretary established by the Company's Board of Directors, including KPIs and PBs that are approved each year. Upon fulfilling the KPIs and PBs, the Corporate Secretary annually submits the appropriate report to the Board of Directors based on which the Company's Board of Directors adopts decisions concerning bonuses.

The Corporate Secretary holds the position of Deputy CEO and has a subordinate division that is responsible for performing the functions of the Corporate Secretary – the Department of Corporate Relations and Antimonopoly Compliance (DCRAC)¹.

The Company's Corporate Secretary is Tamara Merebashvili.

The main functions of the Corporate Secretary are²:

- Organization of preparations for and supporting the General Meeting of Shareholders
- Support the work of the Board of Directors and its committees
- Arrangement of meetings of the Management Board and control over the implementation of its work plan and any instructions that are issued
- Support the Company's interaction with its shareholders and participate in preventing corporate conflicts
- Participation in the implementation of the Company's disclosure policy and also ensure the storage of the Company's corporate documents
- Support the Company's interaction with regulatory bodies, trade organizers, registrars, and other professional securities market participants
- Participation in the improvement of the Company's corporate governance system and practices
- Ensure compliance with securities laws
- Ensure compliance with antimonopoly laws, including in terms of economic concentration
- Control of circulation of insider information
- Legislative rule-making

¹ According to the Regulation on the PJSC Inter RAO Corporate Secretary dated June 27, 2019.

² The Regulation on the Corporate Secretary is available at the website https://www.interrao.ru/upload/doc/Regulations_Corporate_Secretary_2018.pdf

**Tamara MEREBASHVILI**

Position	Deputy CEO, Head of the Corporate and Property Relations Unit, and Corporate Secretary
Year of birth	1977
Nationality	Russian Federation
Education	1999: She graduated from St. Petersburg State University with an honors degree in law Candidate of Legal Sciences
Positions held over the last five years	<p>2019 until present: Deputy CEO, Head of the Corporate and Property Relations Unit, and Corporate Secretary of PJSC Inter RAO, and Chairwoman of the Board of Directors of LLC Inter RAO – IT</p> <p>2016-2019: Head of the Corporate and Property Relations Unit of PJSC Inter RAO and CEO of LLC Inter RAO – IT</p> <p>2015-2016: Deputy Head of the Central Asia and Caucasus Asset Management Unit at PJSC Inter RAO</p> <p>2011-2015: Deputy CEO for Long-Term Development, Deputy CEO for Commercial Affairs, and Deputy CEO and Commercial Director of LLC Inter RAO UES Energy Efficiency Center</p>

Membership in associations and public organizations

- > Member of the Board and member of the National Association of Corporate Secretaries
- > Member of the Expert Council on Corporate Governance under the Ministry of Economic Development of the Russian Federation
- > Member of the Corporate Governance Working Group at the Federal Agency for State Property Management
- > Member of the Issuers Committee of PJSC Moscow Exchange
- > Member of the Council for the Improvement of Legislation on Arbitration Courts under the Ministry of Justice of the Russian Federation

Share ownership and transactions She does not own any shares in the Company or entities under its control

Professional achievements:

In 2019, she won the XIV 'Director of the Year' National Award in the category 'Corporate Governance Director / Corporate Secretary'.

In 2018, Tamara Merebashvili was awarded first place among corporate governance directors in the fuel and energy sector in the annual 'Top 1,000 Russian managers' ranking issued by the Association of Managers and Kommersant publishing house.

While working as the Corporate Secretary, PJSC Inter RAO took the first place in the ACRA Rating Agency's Corporate Governance Rating of First-Tier Listed Companies of the Moscow Exchange based on the results of the 2017–2018 corporate year.

She is a co-author and editor of the article 'Corporate Governance at PJSC Inter RAO: Risk-Based Approach' of the National Corporate Governance Report.

EXECUTIVE MANAGEMENT BODIES

The Company's day-to-day activities are managed by the sole executive body – the CEO – and the collective executive body – the Management Board.

The CEO is a member of the Company's Management Board, performs the functions of the Chairman of the Management Board, and manages the Company's day-to-day activities in accordance with the decisions of the General Meeting of Shareholders, the Board of Directors, and the Management Board adopted in accordance with their purview.

As a collective executive body of PJSC Inter RAO, the Management Board manages the Company's day-to-day activities and is responsible for implementing the Group's goals, strategies, and policies. The Management Board's activities are governed by the Charter and the Regulation on the Management Board¹.

Members of the Management Board are elected by a resolution of the Board of Directors based on a proposal from the CEO.

Current Management Board

The size of the Management Board is determined by the Board of Directors in accordance with the Company's Charter. As of December 31, 2019, the Board had nine members.

Number of meetings of the Management Board



Members of the Management Board and their attendance of meetings

Name of Management Board member	Position	Attendance of meetings (total 59)	Attendance of in-person meetings (total 51)	Attendance of meetings in absentia (total 8)
Boris Kovalchuk	CEO of PJSC Inter RAO	57/59	49/51	8/8
Mikhail Konstantinov	Member of the Management Board and Head of the Legal Affairs Unit of PJSC Inter RAO	44/59	40/51	4/8
Aleksey Maslov	Member of the Management Board and Head of the Strategy and Investment Unit of PJSC Inter RAO	54/59	47/51	7/8
Evgeny Miroshnichenko	Member of the Management Board and Head of the Financial and Economic Center of PJSC Inter RAO	54/59	46/51	8/8
Valery Murgulets	Member of the Management Board and Head of the Innovations, Investment, and Cost Management Unit of PJSC Inter RAO	57/59	50/51	7/8
Pavel Okley	Member of the Management Board and Head of the Production Unit of PJSC Inter RAO	51/59	43/51	8/8
Alexandra Panina	Member of the Management Board	54/59	47/51	7/8
Dmitry Filatov	Member of the Management Board and Head of the Supply Division of PJSC Inter RAO	54/59	46/51	8/8
Yury Sharov	Member of the Management Board and Head of the Engineering Unit of PJSC Inter RAO	53/59	46/51	7/8

There were no changes to the members of the Management Board in 2019.

¹ Approved by the Company's Annual General Meeting of Shareholder on May 20, 2019 (Minutes No. 19 dated May 20, 2019).

Biographies of members of the Management Board^{1,2}



Boris KOVALCHUK

Position	CEO of PJSC Inter RAO ³
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More details are available in the 'Biographies of Members of the Board of Directors' section



Mikhail KONSTANTINOV

Position	Member of the Management Board and Head of the Legal Affairs Division of PJSC Inter RAO
Year of birth	1968
Nationality	Russian Federation
Education	2003: He graduated from Tver Institute of Ecology and Law with a degree in law Candidate of Legal Sciences

Positions held over the last five years

2016 until present: Member of the Management Board and Head of the Legal Affairs Division of PJSC Inter RAO (he took office on November 4, 2016 and per his employment contract his term in office runs until November 4, 2021)

2012-2016: Head of the Corporate and Property Relations Unit of PJSC Inter RAO and Corporate Governance Director of the Corporate and Property Relations Unit

Awards

- > Letter of Gratitude from the Ministry of Energy of the Russian Federation
- > Medal 'For Merit' (Federal Bailiffs Service)
- > Letter of Gratitude from the Governor of the Tver Region
- > Certificate of Honor from the Ministry of Justice of the Russian Federation
- > Lapel pin of the Governor of the Tver Region 'For Merit in the Development of the Tver Region'

¹ As of December 31, 2019.

² Full biographical information is provided by the Company in quarterly reports.

³ In accordance with clause 17.1 of the Company's Charter, the CEO by virtue of his position is a member of the Company's Management Board and performs the functions of the Chairman of the Management Board.

**Aleksey MASLOV**

Position	Member of the Management Board and Head of the Strategy and Investment Division of PJSC Inter RAO
Year of birth	1981
Nationality	Russian Federation
Education	2003: He graduated from the State University of Management (Moscow) with a degree in management

Positions held over the last five years

2018 until present: Member of the Management Board and Head of the Strategy and Investment Unit of PJSC Inter RAO (he took office on December 20, 2018 and per his employment contract his term in office runs until December 20, 2023)

2011-2018: Head of the Strategy and Investment Unit, Strategic Development Director, and Head of the Strategy and Strategic Projects Department of the Strategy and Investment Unit of PJSC Inter RAO

Awards

- > Certificate of Honor from RAO UES of Russia
- > Letter of Gratitude from OJSC Volzhsky Hydropower Cascade Management Company

**Evgeny MIROSHNICHENKO**

Position	Member of the Management Board and Head of the Financial and Economic Center of PJSC Inter RAO
Year of birth	1980
Nationality	Russian Federation
Education	2003: He graduated from the State University of Management with a degree in management 2017: He completed the Executive MBA program at the Kellogg-Hong Kong University of Science and Technology (HKUST) (Hong Kong, China)

Positions held over the last five years

2016 until present: Member of the Management Board and Head of the Financial and Economic Center of PJSC Inter RAO (he took office on October 29, 2016 and per his employment contract his term in office runs until October 29, 2021)

2010-2016: Strategic Development Director, Deputy Head of the Unit and Head of the Strategy Department of the Strategy and Investment Unit of PJSC Inter RAO

Awards

- > Certificate of Honor from the Ministry of Energy of the Russian Federation
- > Letter of Gratitude from the Ministry of Energy of the Russian Federation
- > Certificate of Honor from employers of the electric power industry of the All-Russian Industrial Association of Employers in the Electric Power Industry

**Valery MURGULETS**

Position	Member of the Management Board and Head of the Innovations, Investment, and Cost Management Division of PJSC Inter RAO
Year of birth	1977
Nationality	Russian Federation
Education	1999: He graduated from St. Petersburg State University with a degree in law 2006: He graduated from the Stockholm School of Economics 2015: He graduated from the Moscow Power Engineering Institute National Research University with a degree in thermal engineering and the thermal power industry

Positions held over the last five years

2012 until present: Member of the Management Board and Head of the Innovations, Investment, and Cost Management Unit of PJSC Inter RAO (he took office on September 26, 2017 and per his employment contract his term in office runs until September 26, 2022)

Awards

Commemorative medal of the 2014 Winter Olympics and Winter Paralympics in Sochi (Ministry of Energy of the Russian Federation)

**Pavel OKLEY**

Position	Member of the Management Board and Head of the Production Division of PJSC Inter RAO
Year of birth	1970
Nationality	Russian Federation
Education	1992: He graduated from the Omsk Institute of Railway Transport Engineers with a degree in automation, telemechanics, and communications in railway transport and a qualification as a railway electrical engineer Candidate of Economic Sciences

Positions held over the last five years

2010 until present: Member of the Management Board and Head of the Production Unit of PJSC Inter RAO (he took office on October 30, 2015 and per his employment contract his term in office runs until October 30, 2020)

Awards

- > Letter of Gratitude from the President of the Russian Federation
- > Title of 'Honorary Power Engineer'
- > Commemorative medal of the 2014 Winter Olympics and Winter Paralympics in Sochi
- > Lapel pin 'For Impeccable Work in the Distribution Network Sector'
- > Certificate of Honor from the Ministry of Energy of the Russian Federation
- > Honorary title 'Honored Worker of the Unified Energy System of Russia'
- > Title of 'Winner of the OJSC Omskenergo Prize'

CORPORATE GOVERNANCE REPORT



Alexandra PANINA

Position	Member of the Management Board and Acting Head of the Trading Division of PJSC Inter RAO
Year of birth	1977
Nationality	Russian Federation
Education	1999: She graduated from Volgograd State University with a degree in law 2010: She graduated from the State Academy of Innovations with a degree in finance and credit

Positions held over the last five years

2018 until present: Member of the Management Board and Acting Head of the Trading Unit of PJSC Inter RAO (she took office on July 17, 2018 and per her employment contract her term in office runs until July 17, 2023)

2011-2018: Deputy CEO for Marketing and Sales of LLC INTER RAO – Power Generation Management

2011 until present: Member of the Supervisory Board of the Council of Electric Power Producers and Strategic Investors in the Electric Power Industry Association and Chairwoman of the Supervisory Board since 2018

2012 until present: Member of the Supervisory Board of the Non-Profit Partnership Market Council on the Organization of an Effective Electric Power and Capacity Wholesale and Retail System Association

2013 until present: Chairwoman of the Board of Directors of JSC Administrator of the Wholesale Electric Power Market Trading System

Awards

- > Honorary title 'Honorary Power Engineer'
- > Honorary title 'Honored Power Engineer of the CIS'
- > Commemorative lapel pin '95th Anniversary of Operational Dispatch Management'
- > Certificate of Honor from the Ministry of Energy of the Russian Federation
- > Anniversary pin '90th anniversary of the Russian State Electrification Commission'
- > Letter of Gratitude from the Ministry of Industry and Energy of the Russian Federation



Dmitry FILATOV

Position	Member of the Management Board and Head of the Supply Division of PJSC Inter RAO
Year of birth	1968
Nationality	Russian Federation
Education	1991: He graduated from the Leningrad Order of Lenin and the Order of the Red Banner of Labor Mechanical Institute named after Marshal of the Soviet Union D.F. Ustinov with a degree in pulse heat engines

Positions held over the last five years

2016 until present: Member of the Management Board and Head of the Supply Division of PJSC Inter RAO (he took office on November 4, 2016 and per his employment contract his term in office runs until November 4, 2021)

2014 until present: Member of the Audit Committee of LLC Inter RAO – Power Generation Management and Head of the Supply Division of PJSC Inter RAO UES

2012 until present: CEO of LLC Inter RAO – Procurement Management Center (concurrently)

Awards

- > Second-class Medal of the Order 'For Merit to the Fatherland'

**Yury SHAROV**

Position	Member of the Management Board and Head of the Engineering Division of PJSC Inter RAO
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Year of birth	1959
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Nationality	Russian Federation
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Education

1998: He graduated from the Moscow International Higher Business School MIRBIS (MBA)

1998: He graduated from Plekhanov Russian University of Economics with a degree in finance and credit

1986: He graduated from the Moscow Energy Institute (Technical University) with a degree in electric system cybernetics and a qualification as an electrical engineer

Candidate of Technical Sciences and Professor

Positions held over the last five years

2008 until present: Member of the Management Board and Head of the Engineering Unit of PJSC Inter RAO (he took office on May 24, 2018 and per his employment contract his term in office runs until May 24, 2023), Head of the Major Construction and Engineering Unit, and Head of the Central Asia – Far East Division

2016 until present: Chairman of the Technical Committee of the Association of the Russian National Committee of the International Council on Large Electric Systems

2014 until present: Member of the Board of Trustees at Moscow Power Engineering Institute National Research University, Member of the Board of Directors at the Self-Regulatory Organization – Interregional Industrial Association of Employers Association of Organizations Performing the Construction, Reconstruction, and Major Repairs of Energy Facilities, Networks, and Substations Union ENERGOSTROY

2012 until present: CEO of LLC Inter RAO – Engineering

Awards

- > Fourth-class Medal of the Order 'For Merit to the Fatherland'
- > Commemorative medal of the 2014 Winter Olympics and Winter Paralympics in Sochi (Ministry of Energy of the Russian Federation)
- > Second-class Medal of the Order 'For Merit to the Fatherland'
- > Order of Honor
- > Letter of Gratitude of the President of the Russian Federation
- > Certificate of Honor of the Government of the Russian Federation
- > Honorary title 'Honored Power Engineer of the Russian Federation'
- > Honorary title 'Honored Worker of the Unified Energy System of Russia'
- > Anniversary badge '85 Years of the Russian State Electrification Commission Plan'
- > Lapel pin '80 Years of the Russian State Electrification Commission Plan'

**THE COMPANY DID
NOT ISSUE ANY LOANS (CREDITS)
TO THE CEO OR MEMBERS
OF THE MANAGEMENT BOARD
DURING THE REPORTING YEAR.**

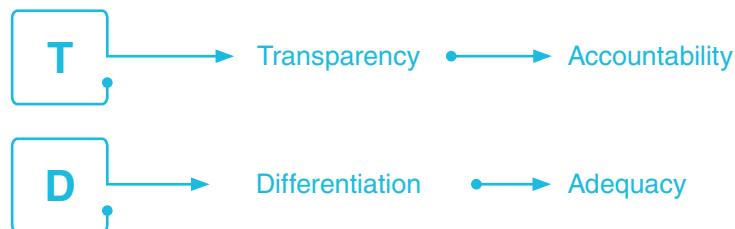
Ownership of and transactions with PJSC Inter RAO shares by members of the Management Board

Name of the Management Board member	Information about share ownership as of January 1, 2019	Information about share ownership as of December 31, 2019	Information about share transactions concluded in 2019
Boris Kovalchuk	159,029,000.00 shares in PJSC Inter RAO (0.1523% of charter capital)	0 shares in PJSC Inter RAO (0% of charter capital)	June 19, 2019: sale of 159,029,000 shares in PJSC Inter RAO (0.1523% of equity capital)
Mikhail Konstantinov	34,452,000.00 shares in PJSC Inter RAO (0.0330% of charter capital)	34,452,000.00 shares in PJSC Inter RAO (0.0330% of charter capital)	None
Aleksey Maslov	20,494.00 shares in PJSC Inter RAO (0.00002% of charter capital)	20,494.00 shares in PJSC Inter RAO (0.00002% of charter capital)	None
Evgeny Miroshnichenko	34,488,435.00 shares in PJSC Inter RAO (0.0330% of charter capital)	34,488,435.00 shares in PJSC Inter RAO (0.0330% of charter capital)	None
Valery Murgulets	34,488,435.00 shares in PJSC Inter RAO (0.0330% of charter capital)	34,488,435.00 shares in PJSC Inter RAO (0.0330% of charter capital)	None
Pavel Okley	34,452,000.00 shares in PJSC Inter RAO (0.0330% of charter capital)	34,452,000.00 shares in PJSC Inter RAO (0.0330% of charter capital)	None
Alexandra Panina	0.05 shares in PJSC Inter RAO (0.00000000005% of charter capital)	0.05 shares in PJSC Inter RAO (0.00000000005% of charter capital)	None
Dmitry Filatov	40,640,000.00 shares in PJSC Inter RAO (0.0389% of charter capital)	37,440,000.00 shares in PJSC Inter RAO (0.0359% of charter capital)	December 18-19, 2019: sale of 3,200,000 shares in PJSC Inter RAO (0.003% of equity capital)
Yury Sharov	34,452,000.00 shares in PJSC Inter RAO (0.0330% of charter capital)	34,452,000.00 shares in PJSC Inter RAO (0.0330% of charter capital)	None

REMUNERATION FOR MANAGEMENT BODIES [GRI 102-36]

Taking into account the structure of the Company's management bodies and the subordination of their members, the Company has two documents governing the payment of remuneration: for members of the Board of Directors who are accountable to the General Meeting of Shareholders and people elected by them, and for members of the Management Board who are appointed and accountable to the Board of Directors.

The remuneration policy for Inter RAO management and the Board of Directors is based on the principles enshrined in the Corporate Governance Code.



The procedure for paying remuneration to members of the Board of Directors and the Management Board is regulated by the following regulatory documents:

- Remuneration is paid to members of the Board of Directors and members of committees of the Board of Directors in accordance with the Regulation on the Payment of Remuneration and Compensation to Members of the Board of Directors of PJSC Inter RAO¹;
- The procedures for determining the amount of remuneration for the CEO and members of the Management Board and its payment is specified in the Regulation on Material Incentives for the Chairman and Members of the Management Board of PJSC Inter RAO².

These documents are tentatively reviewed by the Nomination and Remuneration Committee of the Board of Directors. Their use is limited solely to members of the PJSC Inter RAO Board of Directors and members of the PJSC Inter RAO Management Board. Remuneration for members of the Strategy and Investment Committee who are not members of the Board of Directors is determined by the Regulation on this Committee.

Report on adherence to the principles of the remuneration policy for members of the Board of Directors and the Management Board and CEO [GRI 102-35]

The Nomination and Remuneration Committee of the Board of Directors reviews the remuneration system on an annual basis. In the event of changes in the internal and external environment, the Committee makes the appropriate recommendations.

The report is based on principle 2.1.4 of the Corporate Governance Code, which asserts the role of the Board of Directors as a body that determines the policy on remuneration and/or the reimbursement of expenses (compensation) of members of the Company's Board of Directors, executive bodies, and other key managers.

In 2019, the report on the practical implementation of the principles of the remuneration policy and the practice of its implementation, including the application of the effective ratio of fixed and variable parts of remuneration, was considered at an in-person meeting of the Committee on December 11, 2019³. When preparing the report, 29 recommendations of the Corporate Governance Code concerning the remuneration policy were analyzed. Detailed information about compliance with the provisions of the Code is provided in Appendix of this Report.

Upon reviewing the Report, the Nomination and Remuneration Committee of the Board of Directors noted:

1. The remuneration system for members of the PJSC Inter RAO Board of Directors fully complies with the principles set forth in the Corporate Governance Code.
2. The remuneration policy contains transparent mechanisms for determining the amount of remuneration for members of the Board of Directors and also regulates all types of payments, benefits, and privileges granted to these persons.
3. Fixed annual remuneration is the only form of monetary remuneration for members of the Board of Directors. No forms of short-term incentive or additional financial incentives are used for members of the Board of Directors.
4. In accordance with the recommendations of the Nomination and Remuneration Committee dated December 13, 2018⁴, which were prepared by the Committee based on an analysis of the incentive system for members of the Board of Directors

¹ Approved by the Annual General Meeting of Shareholders of PJSC Inter RAO on May 20, 2019 (Minutes No. 19 dated May 20, 2019).

² Approved by a resolution of the Company's Board of Directors dated November 1, 2013 (Minutes No. 103 dated November 5, 2013) with amendments and additions dated December 29, 2016 (Minutes No. 189 dated December 30, 2016) and December 9, 2014 (Minutes No. 129 dated December 12, 2014).

³ Minutes No. 110 dated December 11, 2019

⁴ Minutes No. 92 dated December 13, 2018

of the largest Russian issuers with comparable market capitalization, the new version of the Regulation on the Payment of Remuneration and Compensation to Members of the PJSC Inter RAO Board of Directors was submitted to the Annual General Meeting of Shareholders for approval in 2019. The Regulation was approved by the Annual General Meeting of Shareholders on May 20, 2019. As a result, the basic component of remuneration for members of the PJSC Inter RAO Board of Directors was increased to RUB 6 mln in 2019 and reached the median level compared with major Russian issuers. The level of remuneration for members of the Board of Directors is sufficient to attract recognized experts to work on the Board of Directors, including in comparison with peer companies.

5. The option program approved by the Board of Directors in February 2016 was completed in 2018. A new long-term incentive program for the Company's management should not be developed until the updated Inter RAO Development Strategy is approved for the next long-term period. The review of the updated Development Strategy is included in the work plan of the PJSC Inter RAO Board of Directors for May 2020.

Procedure for determining remuneration for the Board of Directors

The amount of remuneration paid to members of the Board of Directors is calculated using the following formula¹:

$$R_{mbd} = \frac{R_{basic} \times \left(0,7 \times \left(\frac{j}{m} \right) + 0,3 \times \left(\frac{n}{k} \right) \right) \times T}{12}$$

- R_{mbd}** The amount of remuneration per member of the Board of Directors
- R_{basic}** The basic component of remuneration, which amounts to RUB 6 mln per corporate year
- j** The number of meetings attended (in person and in absentia)
- m** Total number of meetings (in person and in absentia)
- n** Number of meetings attended (in person)
- k** Total number of meetings (in person and in absentia)
- T** The period during which a member exercises powers (months)

Remuneration is increased by 30% for the Chairman of the Board of Directors, by 15% for chairmen of committees of the Board of Directors, and by 10% for committee members for participation in the work of each committee. These supplements are cumulative. Remuneration is not paid if a member of the Board of Directors attends less than 50% of the meetings held (from the time the member is elected until the termination of the member's powers) (both in person and in absentia).

Regulation on the Payment of Remuneration and Compensation to Members of the PJSC Inter RAO Board of Directors

The Regulation also envisages reimbursement for members of the PJSC Inter RAO Board of Directors based on actual expenses, such as expenses for traveling to and from the meeting place of the Board of Directors and its committees as well as accommodation expenses, and also regulates the ownership of Company shares by members of the Board of Directors.

The Company does not employ other forms of remuneration, including short-term and long-term forms of incentive that depend on financial results or share-based forms of incentive (stock options). In the event of the early termination of the powers of a member of the Board of Directors, no other payments are made apart from those envisaged by the Regulation on the Payment of Remuneration and Compensation to Members of the PJSC Inter RAO Board of Directors.

The Regulation does not apply to members of the Company's Board of Directors who are members of the Company's Management Board.

The Regulation is available on the website:
https://www.interrao.ru/upload/docs/Regulations_on_Payment_of_Remunerations_and_Compensations_the_Board_of_Directors_20.05.2019.pdf



¹ Generalized indicators. Presented in full in the Regulation on the Payment of Remuneration and Compensation to Members of the Board of Directors.

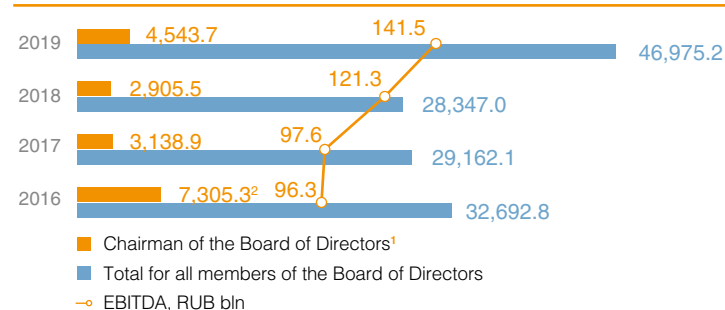
Amount of remuneration for the Board of Directors

Personal remuneration for the Chairman and members of the Board of Directors in 2019 (net of tax), RUB¹

Name	Total, Value	Basic component, for attending meetings of the Board of Directors	Additional remuneration, including			Compensation for expenses associated with attending meetings of the Board of Directors
			For chairing the Board of Directors (30%)	For chairing the committees of the Board of Directors (15% of basic component)	For membership in the committees of the Board of Directors (10% of basic component)	
Boris Ayuyev	5,220,000.00	5,220,000.00	—	—	—	—
Andrey Bugrov	6,133,500.00	4,906,800.00	—	736,020.00 (1 committee)	490,680.00 (1 committee)	—
Anatoly Gavrilenko	4,275,860.61	4,275,860.61	—	—	—	—
Alexander Lokshin	5,222,723.43	4,747,930.39	—	—	474,793.04 (1 committee)	—
Andrey Murov	4,593,600.00	4,593,600.00	—	—	—	—
Ronald James Pollett	7,047,000.00	5,220,000.00	—	783,000.00 (1 committee)	1,044,000.00 (2 committees)	240,560.72
Yelena Sapozhnikova	5,971,680.00	4,593,600.00	—	—	1,378,080.00 (3 committees)	—
Igor Sechin (Chairman)	4,543,669.70	3,495,130.54	1,048,539.16	—	—	—
Denis Fedorov	3,967,200.00	3,967,200.00	—	—	—	—
Total	46,975,233.74	41,020,121.54	1,048,539.16	1,519,020	3,387,553.04	240,560.72

¹ Remuneration is indicated only for work on the PJSC Inter RAO Board of Directors. Apart from CEO Boris Kovalchuk, members of the Board of Directors do not hold positions in management bodies or executive positions at the Group's organizations. Information on remuneration for the Company's CEO for work in the management bodies of the Company's controlled entities is presented in the section 'Remuneration for the CEO and members of the Management Board' of this Report.

Changes in remuneration for members of the Board of Directors, RUB thousand^{1, 2}



Procedure for determining remuneration for members of the Management Board and CEO

Principle of transparency

In order to increase information transparency, the Nomination and Remuneration Committee decided to publish information on the amount of remuneration for the CEO and members of the Management Board on Inter RAO's official website.



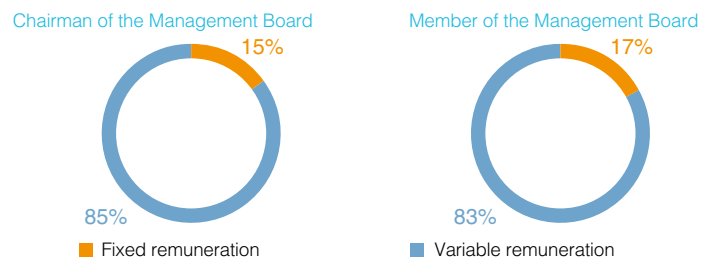
The remuneration system for members of the PJSC Inter RAO Management Board aims to ensure their financial interest in achieving strategic goals and improving the economic efficiency of management.

The remuneration system for members of the Company's Management Board was developed based on an analysis of the incentive practices of leading Russian and international companies and aims to ensure a fair and competitive level of remuneration.

The financial interest of members of the Management Board in achieving the Company's strategic goals is achieved through short-term and long-term incentive systems.

The amount of variable payments to members of the Company's Management Board depends on the fulfillment of key performance indicators (KPIs), which enables management to focus on achieving Inter RAO's annual strategic and priority objectives/indicators that must be fulfilled in order to implement the Strategy/Long-Term Development Program.

Target ratio of the total income components of the CEO and members of the PJSC Inter RAO Management Board



The terms of employment contracts with members of the Management Board and the CEO are approved by the Board of Directors in accordance with the Company's Charter.

The Company employs a procedure that ensures the return to the Company of bonuses that were wrongly received by members of the executive bodies and other key managers of the Company³. There have been no such cases in the practice of PJSC Inter RAO.

The amount of one-time compensation paid to an employee in the event of the termination (early termination) of an employment contract at the employer's initiative is recorded in employment contracts with members of the Management Board and the CEO in the amount of three average monthly salaries.

In 2018, the Group decided to cancel remuneration for representatives of management on the boards of directors of controlled entities.

¹ Remuneration for the Chairman of the Board of Directors is transferred for charitable purposes.

² The remuneration due to Chairman of the Board of Directors Igor Sechin in the amount of RUB 7,305,300, which the Company transferred for charitable purposes in 2016, included remuneration accrued for 2015 in the amount of RUB 3,405,300 and remuneration accrued for 2016 in the amount of RUB 3,900,000.

³ Changes to the Regulation on Material Incentives for the Chairman and Members of the Management Board were approved by a resolution of the Company's Board of Directors dated December 29, 2016 (Minutes No. 189 dated December 30, 2016).

Main components of the incentive system for the Company's executive bodies

Salary	<p>The salary level is consistent with market conditions, which ensures the stability of the Company's management. The official salaries of the CEO and members of the PJSC Inter RAO Management Board were indexed in 2019 based on a recommendation from the Nomination and Remuneration Committee of the Board of Directors.¹</p>
Short-term incentives for management	<p>Annual bonus based on the fulfillment of KPIs.</p> <p>A manager's annual bonus is calculated based on the actual KPI values achieved per the Company's performance results. The Company's KPI system is interconnected with its business plan, including the Company's Investment Program, strategy, and executive discipline.</p> <p>In 2019, a new version² of the Regulation on Key Performance Indicators of PJSC Inter RAO was approved that takes into account the requirements of the Federal Agency for State Property Management.</p> <p>Special bonus for achieving EBITDA.</p> <p>Additionally, based on the results of the fulfillment of annual net profit indicators, the Company's directors are paid a special annual bonus that is calculated based on the Company's consolidated financial statements prepared in accordance with IFRS. A condition for the payment of the bonus is the achievement of the indicator 'Implementation of the Company's strategic priorities.' The special bonus for the Chairman of the Management Board is 0.1% of EBITDA, while for other managers it is calculated using a special formula depending on the bonus amount for the CEO.</p> <p>Based on the decision of the Board of Directors, members of the Management Board may receive (one-off) bonuses for completing especially important tasks.</p>
Long-term incentives for management	<p>Option program (executed in 2018).</p> <p>The basic principles of the new long-term incentive program will be presented as part of the updated PJSC Inter RAO Development Strategy.</p>
Benefits and other types of remuneration	<p>Insurance coverage:</p> <ul style="list-style-type: none"> > Using voluntary health insurance programs > Professional liability insurance (D&O) > Accident insurance > Use of corporate mobile communications > Motor transport service <p>Other types of compensation and remuneration in accordance with the employment contract, whose terms are determined by the Company's Board of Directors.</p>

¹ Minutes No. 251 dated June 28, 2019.

² Minutes No. 259 dated November 25, 2019.

Remuneration for senior officials at controlled companies

Remuneration and financial incentives for the sole executive bodies of the Group's subsidiaries are set on the basis of an employment contract as well as the Regulation on Financial Incentives for the CEO approved by the Board of Directors of the respective controlled entity, which establish the following components of the system:

- Official salary
- Additional incentives and compensation payments to directors
 - A bonus to directors upon the Company's fulfillment of annual KPIs
 - A one-time bonus payment to directors for their contribution to the Company's development or in connection with awards for directors
 - Financial incentives for directors in accordance with an additional resolution of the Board of Directors concerning incentives for the director of the Company

The amount of the official salary as well as bonuses for the director of a controlled entity are determined by a resolution of the Board of Directors in accordance with the Regulation.

KPI system

The Board of Directors approves the list of annual KPIs and BPs as well as their target values for the CEO and members of the Company's Management Board as determined on the basis of the approved strategic development priorities and the business plan. At the end of the year, the Company's Board of Directors considers the fulfillment of the KPIs and BPs for the relevant period based on the recommendations of the Nomination and Remuneration Committee. If the Company fulfills all the BPs and achieves the target 'Lower Level' value for the relevant KPIs, a decision is made on the appropriate remuneration for managers based on the Company's performance results.

Financial and economic indicators of the KPI and BP system of PJSC Inter RAO in 2019

Return on equity (ROE) KPI

The indicator determines the efficiency of equity usage, i.e. the Company's income per ruble of its own funds. It indicates the efficiency of the use of the portion of equity that belongs to shareholders, rather than all equity (or assets).

Weight:

20%

Lower level
95% (13.08)

Target level
100% (13.77)

Upper level
110% (15.14)

Mandatory indicator

Total shareholder return (TSR) KPI

The indicator determines the market return for the Company and represents the shareholders' rate of return as a result of changes in stock exchange quotations and the distribution of dividends.

Weight:

10%

Lower level
N/A

Target level
≥ Avg¹

Upper level
≥ Avg (+)²

Mandatory indicator

Operating cash flow KPI

The indicator describes the ability to maintain a certain level of solvency and ensure coverage of existing debt obligations with the required liquidity. This indicator is not part of the list of mandatory financial and economic indicators and, per the Regulation, falls within the category of an Indicator at the Discretion of the Board of Directors.

Weight:

15%

Lower level
95% (81,217)

Target level
100% (85,492)

Upper level
110% (94,041)

Optional indicator

EBITDA/person KPI

This indicator determines the labor productivity of the Company's employees and describes the efficiency of manpower utilization. Positive trends in this indicator are achieved through implementing measures that aim to improve the attributes of personnel and the organizational structure of the Group's companies. Per the Regulation, this indicator falls within the category of an Indicator at the Discretion of the Board of Directors.

Weight:

15%

Lower level
95% (2.2)

Target level
100% (2.3)

Upper level
110% (2.5)

Optional indicator

The total weight of the financial and economic indicators is 60% of the sum of the weight of all the indicators of PJSC Inter RAO, which is consistent with the requirements of the Regulation.

¹ Avg – The Company's TSR is equal to or higher than the weighted average liquidity value of the TSR for companies included in the Moscow Exchange Electricity Index (MICEX PWR) for the reporting year.

² Avg (+) – the Company's TSR is higher than the average weighted TSR value in terms of liquidity for companies included in the Moscow Exchange Electricity Index (MICEX PWR) for the reporting year and is positive. The fulfillment percentage increases by 10 p.p.

The list of KPIs and PBs of PJSC Inter RAO for 2019 was compiled taking into account the requirements of the Regulation on Key Performance Indicators of PJSC Inter RAO, which was approved by a resolution of the PJSC Inter RAO Board of Directors dated December 25, 2014¹. Per the Regulation, the list of KPIs and PBs contains financial, economic, and industry-specific indicators as well as bonus cancellation indicators (PB). The total number of financial and economic indicators is limited to seven, while their total sum should range from 50% to 70% of the total sum of all indicators. The Regulation also identifies a list of mandatory indicators from which indicators with a total weight of at least 30% of the total weight of all the Company's indicators can be selected.

Per the Regulation, the total number of industry-specific indicators should be no more than four, and the total weight of these indicators should range from 30% to 50% of the sum of the weight of all the Company's indicators. The list of industry-specific indicators is publicly available in accordance with the Regulation.

The following indicators have been set for PJSC Inter RAO in 2019 as industry indicators that take into account the specifics of the Company's activities and the state policy regarding the development of the Company and the industry as a whole.

Sectoral indicators of the KPI and BP system of PJSC Inter RAO in 2019

Investment Program fulfillment KPI

This indicator is set to achieve the following strategic objectives:

- > Ensuring reliability and energy security
- > Improving the operating efficiency of generating assets
- > Ensuring modernization and technological development
- > Increasing installed capacity through the implementation of investment projects within the set time limits and the approved estimated cost

This KPI is used to assess the fulfillment of the Investment Program in terms of the funding and spending of capital investments and the commissioning of generating capacity.

Weight:

20%

Lower level	Target level	Upper level	Mandatory indicator
80%	100%	100% (+savings)	

Integrated innovation index fulfillment KPI

An integrated innovation index is established to assess the effectiveness of innovative activities and, among other things, envisages a combination of four indicators: the number of the Inter RAO Group's intellectual property items for the reporting year; the percentage of R&D expenditures in the Inter RAO Group's revenue; the percentage of new advanced technologies in the total capacity of the Group's TPPs; and the quality of the drafting (updating) of the innovative development program/implementation of the innovative development program.

Weight:

20%

Lower level	Target level	Upper level	Mandatory indicator
90%	100%	110%	

The total weight of the industry-specific indicators is 40% of the sum of the weight of all indicators of PJSC Inter RAO, which is consistent with the requirements of the Regulation.

The total weight of all key performance indicators of PJSC Inter RAO established for 2019 is 100%.

¹ Minutes No. 131 dated December 29, 2014.

CORPORATE GOVERNANCE REPORT

To enhance the efficiency of the Company's business management, bonus cancellation indicators (targets) are used per the Regulation.

The list of cancellation indicators is publicly available in accordance with the Regulation. The following bonus cancellation indicators for PJSC Inter RAO were set for 2019:

PB for the implementation of the instructions of the PJSC Inter RAO Board of Directors

This indicator describes the accuracy and timeliness with which the Company's management fulfills the instructions of the Board of Directors.

Weight for the purpose of financial incentives for the CEO Up to 25%

PB for the implementation of the (routine and priority) instructions of the Chairman of the PJSC Inter RAO Management Board

This indicator describes the accuracy and timeliness with which members of the Management Board fulfill the instructions of the CEO.

Weight for the purpose of financial incentives for members of the Management Board Up to 100%

Debt/EBITDA PB

This indicator is a generally recognized global indicator that describes the Company's level of debt burden and its ability to pay off existing liabilities.

Weight for the purpose of financial incentives for the CEO and members of the Management Board 25%

PB for reducing operating expenses by 2-3% annually

This indicator aims to improve the Company's operating efficiency through the implementation of targeted cost optimization parameters based on the corresponding cost items.

Weight for the purpose of financial incentives for the CEO and members of the Management Board 20%

PB for the absence of fatal accidents or group accidents involving employees of the Inter RAO Group

This indicator describes the Group management's performance with regard to ensuring occupational health and safety.

Weight for the purpose of financial incentives for the CEO and members of the Management Board Up to 15%

Information about target KPIs for the current and subsequent years is presented in the section 'Report on the fulfillment of key performance indicators' of this Report.

Amount of remuneration for members of the Management Board and CEO

In 2019, no agreements were concluded with members of the Company's management bodies in which the terms differ significantly from market conditions or entail property (financial) benefit (except for loans).

Remuneration for the CEO, RUB thousand

Indicator	2019
Salary	101,054.8
Bonuses (short-term incentive)	201,985.4
Compensation	—
Other types of remuneration	—
Total	303,040.2

Remuneration for the CEO and members of the Management Board, RUB thousand

Indicator	2019
Salary	364,772.8
Bonuses (short-term incentive)	802,393.3
Compensation	0
Other types of remuneration	6,818.7
Total	1,173,984.8

In 2019, members of the Company's Management Board received RUB 17,017,000 for their participation in the management bodies of the Group's companies.¹

Information disclosing the amount of remuneration is available on the Company's official website: <https://www.interrao.ru/company/rukovod/#pravlenie>

¹ The amounts are given after tax. When converting foreign currency into rubles, the exchange rate as of December 31, 2019 was used. These funds comprise the amount of remuneration for performing the functions of the sole executive bodies paid in accordance with the law. Members of the Management Board and other employees of the Company do not receive remuneration for participating in the work of the boards of directors (supervisory boards) of controlled entities.

CORPORATE CONTROL

REVISION COMMISSION

The Revision Commission is a permanent internal control body that monitors the Company's financial and economic activities in accordance with the Charter and the Regulation on the Revision Commission.¹ Members

of the Revision Commission are elected annually at the Annual General Meeting of Shareholders for the period until the next Annual General Meeting.

In accordance with a resolution of the PJSC Inter RAO General Meeting of Shareholders of May 20, 2019, the following five-member Revision Commission was approved:

Name	Position as of December 31, 2019
Gennady Bukayev	PJSC Rosneft Oil Company, Vice President and Head of the Internal Audit Service, Chairman of the Revision Commission
Yekaterina Snigiryova	Federal Agency for State Property Management, Advisor and Deputy Head of the Department of Property Relations and the Privatization of Major Organizations
Svetlana Kovalyova	PJSC Federal Grid Company of the Unified Energy System, Internal Audit Director and Head of the Internal Audit Department
Igor Feoktistov	PJSC Federal Grid Company of the Unified Energy System, Internal Control Director
Tatyana Zaltsman	PJSC Inter RAO UES, Head of the Economic Planning Department

Performance results of the Revision Commission

Meeting of Shareholders. In addition, two meetings were held in 2019 at which the following was determined: the program and timeframe of the audit of the financial and economic activities of PJSC Inter RAO for 2019, deadlines for submitting materials for verification as well as organizational issues concerning the Revision Commission's activities.

Remuneration for the Revision Commission

Remuneration paid to members of the Revision Commission in 2019, RUB thousand

Indicator	Amount of remuneration
Remuneration	540
Salary	5,297.9
Bonuses and other types of remuneration	3,609.5
Total	9,447.4

¹ Approved by the Annual General Meeting of Shareholders of PJSC Inter RAO on May 29, 2015 (Minutes No. 15 dated May 29, 2015).

In accordance with the Regulation on the Revision Commission, remuneration in the amount of RUB 120,000 was paid to each member of the Revision Commission (except for the representative of the state) for the verification (audit) of the Company's financial and economic activities. The amount of remuneration paid to the Chairman of the Revision Commission is 50% higher.

INTERNAL AUDIT

The main purpose of the internal audit is to assist the Board of Directors and executive bodies with enhancing the efficiency of the Company's management and improving its financial and economic activities.

The goals, objectives, powers, and place of the internal audit in the Company's organizational structure are defined in the Internal Audit Policy that was approved by the Board of Directors on August 21, 2015¹. Internal audit functions at the Group are performed by the PJSC Inter RAO Internal Audit Unit and the internal audit divisions of the following subsidiaries: LLC Inter RAO – Power Generation Management and JSC Mosenergosbyt.

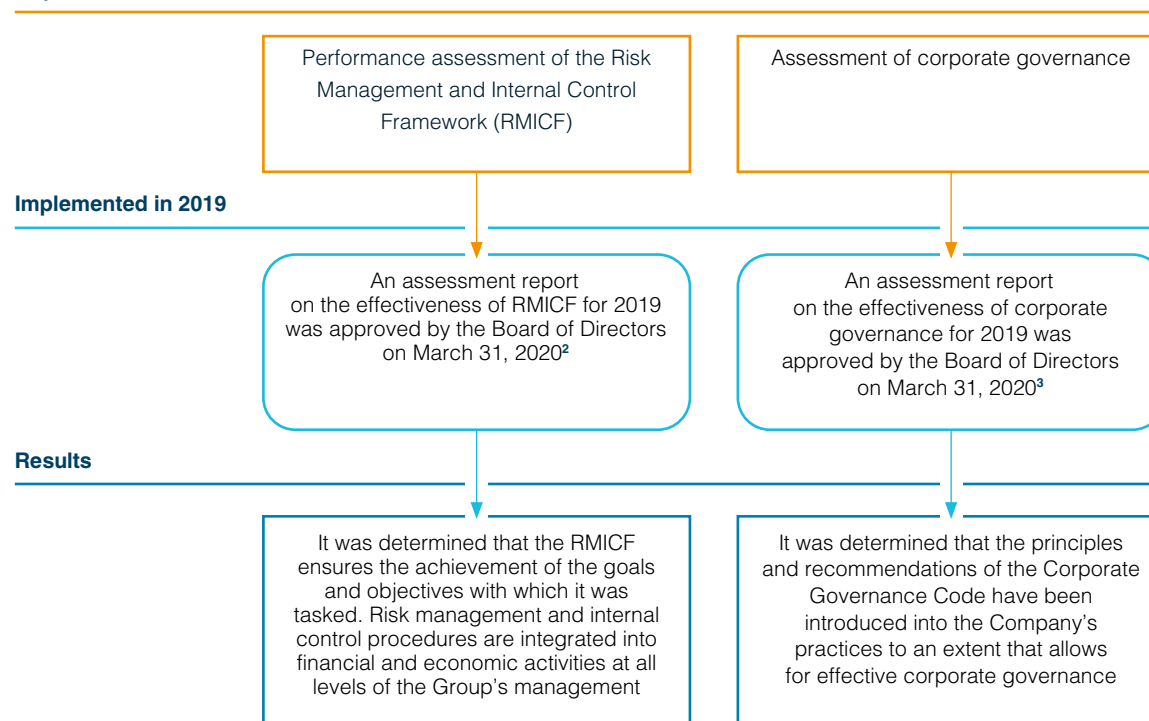
Internal audit activities are carried out in accordance with the work plan approved by the Board of Directors. The work plan for 2019 was completed in full and on time. The priority areas of internal audit activities are determined in accordance with the Company's objectives taking into account the results of risk assessment. The audit plan covers all major segments of the Group's business: Supply, Generation, Trading, and Engineering. Upon completion of the audit, recommendations were prepared to eliminate any shortcomings that were identified based on which management comes up with corrective action plans. The internal audit units control the execution of the plans through monitoring.

Opinion of the Revision Commission

The opinion of the PJSC Inter RAO Revision Commission is presented in Appendix of this Report.

Results of 2019

Objectives of internal audit



¹ Minutes No. 152 dated August 24, 2015.

² Minutes No. 270 dated April 06, 2020

³ Minutes No. 270 dated April 06, 2020

Digitalization of internal audit

In September 2019, the Audit and Sustainable Development Committee of the Board of Directors gave instructions to develop a plan for the use of data analysis tools to perform internal audit tasks, including market research on specialized software, and to also train employees on using IT-methods to conduct audits.

As part of the activities performed by the Internal Audit Unit to provide guarantees in 2019, 107 audits were conducted (including 78 revision audits) as well as four evaluations of the effectiveness of systems and 28 monitoring surveys of the implementation of corrective action plans. The internal audit consulting activities included 11 consultations at the request of management.

Independent assessment of internal audit

In 2019, JSC Deloitte & Touche CIS conducted an independent external assessment of PJSC Inter RAO's internal audit function for the first time.

The independent experts concluded that the Company's internal audit activities fully comply with the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors (IIA). This assessment encompasses the Company's organizational structure, policies and procedures as well as the processes in which they are applied.

Key findings from the assessment:

- The Internal Audit Unit's activities are built on the principles of independence and objectivity and received high praise from the Company's management
- The audit plan includes various types of audits (an evaluation of corporate governance and the Risk Management and Internal Control Framework, and an audit of subsidiaries) that take into account the existing risk assessment procedure employed by the Company and current business requirements

- The head of the Internal Audit Unit regularly holds meetings with management, takes part in meetings of the committees, and regularly presents reports at meetings of the Audit and Sustainable Development Committee
- Employees have the necessary qualifications to perform their work at the proper professional level, have a deep understanding of the specifics of the Company's business and processes, and are guided by the Standards in their activities
- The Internal Audit Unit's activities are continuously being improved, for example, a project was implemented in 2017-2018 to automate the internal audit function
- Stakeholders underscored the high level of professionalism and quality of audits

Plans to improve internal audit

Based on the recommendations that were given during the independent external assessment, an action plan was developed to improve activities. The plan aims to bolster auditors' expertise in risks and control procedures related to information technologies and introduce an integrated approach to utilizing data analysis tools to perform internal audit tasks.

As part of the Program to Ensure and Improve the Quality of Internal Audits, work plans for the development of internal audit functions are prepared each year based on the results of internal audits. The development plan for the internal audit function for 2020 was approved by the Board of Directors on November 29, 2019. The plan includes measures to utilize data analysis tools to perform internal audit tasks, including studying the market of specialized software, update the standard program for verifying the 'Information Technology Management and Information Security' process as well as train employees on IT methods that can be used to conduct audits.

¹ Minutes No. 260 dated December 2, 2019.

RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Group has introduced and employs the Risk Management and Internal Control Framework (RMICF), which encompasses key assets, business processes, lines of business, and all levels of the Group's management.

Goals and objectives of the Risk Management and Internal Control Framework

The use of the Risk Management and Internal Control Framework ensures:

- An objective, fair, and clear view of the Group's current state and prospects
- Reasonable confidence in achieving the goals set for the Group
- A high level of trust among shareholders and investors in the Company's management bodies
- The protection of investments and assets and the containment of risks within acceptable limits

Participants in the Risk Management and Internal Control Framework

The Group's management ensures the RMICF is integrated into key business processes and the Group's activities, above all in the planning and monitoring of business activities, including business planning and project management in the Generation, Supply, Trading, and Engineering segments.

Interaction with the Board of Directors.

Inter RAO has established a separate risk management and internal control unit at PJSC Inter RAO, which remains in constant cooperation with the Board of Directors and the Audit and Sustainable Development Committee.

Based on the independent evaluation of the activities of the Board of Directors and its committees, the Board of Directors decided to review the risk management report on a semi-annual basis.

With the support of the Internal Control and Risk Management Department (ICRMD), senior management is responsible for coordinating and drafting a unified methodology and ensuring the stages of the RMICF cycle are properly implemented and produce the key results. The head of the ICRMD reports directly to the CEO, which ensures the independent identification and assessment of risks as well as the development and monitoring of risk management measures, including control procedures.

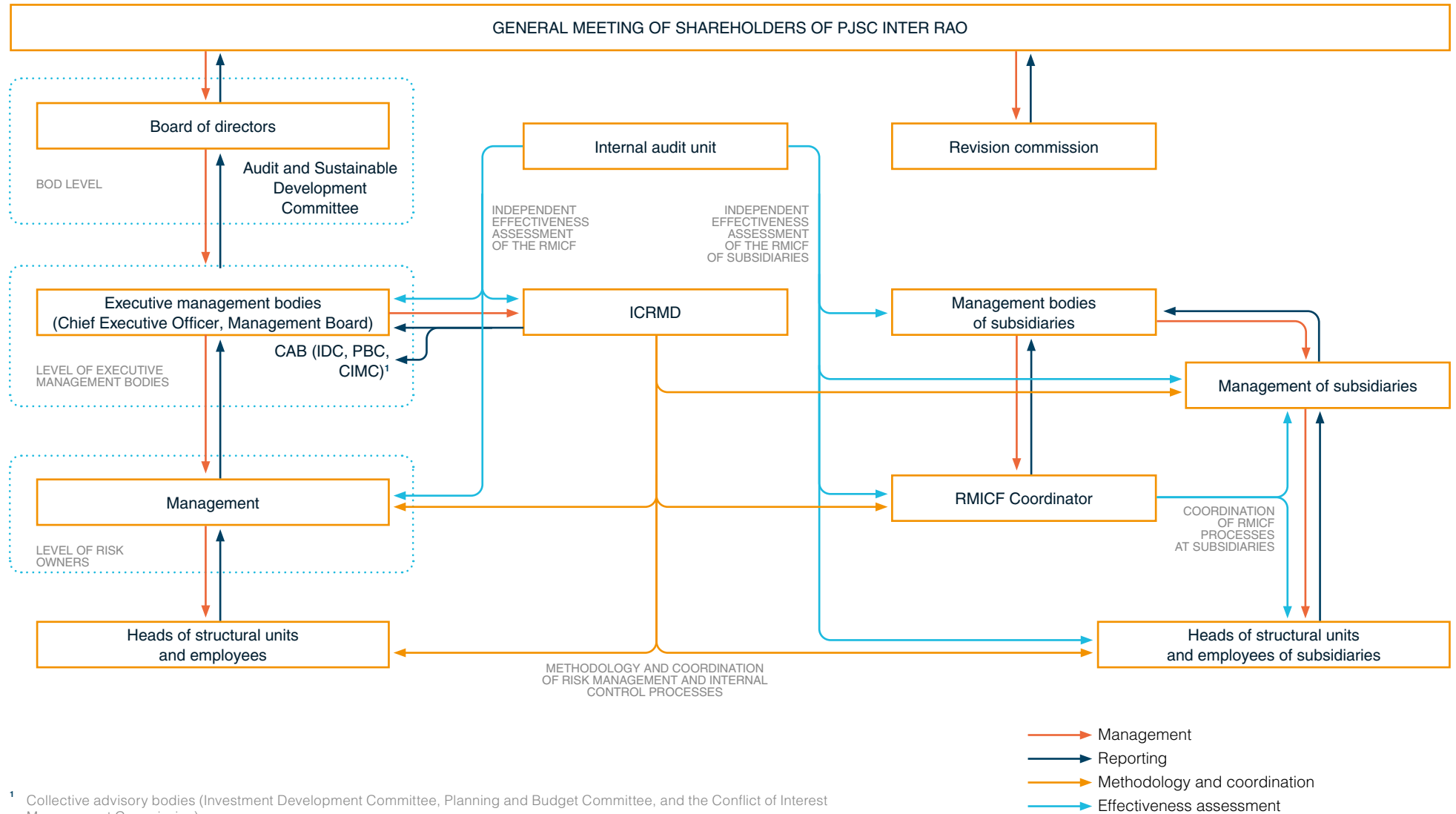
The objectives, core principles, approaches, and parties involved in risk management and internal control processes at PJSC Inter RAO are enshrined in the [Risk Management and Internal Control Policy of PJSC Inter RAO](#), which is approved by the Company's Board of Directors¹. This Policy is a top-level document drafted based on the Charter of PJSC Inter RAO that takes into account the recommendations of Russian and international risk management standards, the Corporate Governance Code, the guidelines of the Federal Agency for State Property Management, risk management and corporate governance best practices, and the listing rules of Russian and international stock exchanges.

The Risk Management and Internal Control Policy was approved as a corporate standard for the Group's companies by an order² of the CEO.

¹ Minutes No. 234 dated November 19, 2018.

² Order No. IRAO/652 dated December 17, 2018 "On the Risk Management and Internal Control Policy of PJSC Inter RAO" approved by the Board of Directors

Flow chart of responsibility of participants in the Inter RAO RMICF



Functions and objectives of participants in the RMICF

Participants	Key functions and objectives
Board of Directors	<ul style="list-style-type: none"> > Determination of the principles and approaches to the organization of the RMICF and approval of the Risk Management and Internal Control Policy > Approval of risk appetite for the planned period, critical risk maps, and a critical risk management action plan > Annual review of a report on the operation of the RMICF and an assessment report on the effectiveness of the RMICF
Level of executive management bodies CEO Management Board Collegial advisory bodies	<ul style="list-style-type: none"> > Ensuring the RMICF functions effectively at the Company > Distribution of powers, duties, and responsibilities for specific risk management and internal control procedures > Approval of requirements for the structure, content, and formats of reporting processes and risk management and internal control procedures > Approval of benchmarks for the RMICF, including: <ul style="list-style-type: none"> – A list of the Group's companies that fall within the perimeter of the RMICF – A list of the Group's standard risks with the distribution of management's scope of responsibility for the risks – Acceptable risk levels – Target indicators for assessing the impact of risks – The review and adoption of decisions on risk management and internal control issues – Dissemination of knowledge and skills in risk management and internal control and the development of a risk management culture
Level of risk owners Managers who report directly to the CEO Managers of structural units of the Group's companies	<ul style="list-style-type: none"> > Establishing and maintaining the RMICF within the functional areas they manage, ensuring it functions effectively, and introducing, implementing, and improving internal control and risk management procedures > Introducing a risk-based approach to operational practices and disseminating the standards and values of a risk management culture among employees > Drafting internal regulatory documents on risk management and internal control for functional areas > Ensuring the stages of the RMICF cycle are properly implemented and produce the key results > Implementing functional risk management measures, including control procedures, and ensuring their monitoring > Coordinating employees' actions, information flows, and resources in order to manage the risks of their functional areas
Internal Control and Risk Management Department	<ul style="list-style-type: none"> > Overall coordination of risk management and internal control processes > Creation of a unified methodology for the RMICF and monitoring its compliance > Implementing and improving RMICF processes and ensuring the stages of the RMICF cycle are properly implemented and produce the key results > Informing the Company's Board of Directors and executive bodies about the operational results of the RMICF > Disclosing information on risk management and internal control issues to internal and external stakeholders > Organizing training for the Company's employees and controlling entities on matters concerning risk management and internal control and ensuring the dissemination of knowledge and skills in risk management and internal control at the Group's companies
Internal Audit	<ul style="list-style-type: none"> > Assessing the effectiveness of the RMICF > Monitoring measures that aim to improve the effectiveness of the RMICF > Advising the Company's executive bodies on matters concerning risk management and internal control
Level of employees	<ul style="list-style-type: none"> > Taking a risk-oriented approach to activities, including the adoption of risk-oriented decisions and following compliance principles in the areas of functional responsibility stipulated by official duties > Documenting and monitoring risks in day-to-day operating activities as part of the performance of official duties, carrying out risk management measures and control procedures, and/or ensuring their monitoring > Informing immediate superiors in a timely manner about changes to the internal and external conditions of the Company's activities that could lead to changes in the degree of risk or the emergence of new risks as well as cases where risk management measures cannot be implemented or need to be adjusted

Development of the Risk Management and Internal Control Framework

Results of the functioning of the Risk Management and Internal Control Framework in 2019:

- The Group's risk appetite was drafted and approved
- Additional training and information sharing was organized for the Group's employees in an effort to promote norms and standards of conduct and apply risk-based approaches in business planning and when developing control procedures
- A list of the Group's strategic risks was drafted and approved for inclusion in the updated strategy
- The Antimonopoly Risk Map was approved and contains a quantitative calculation of risk consequences; antimonopoly compliance subcommittees were formed at subsidiaries; and advanced training on antimonopoly compliance was provided to the staff of the Group's companies
- Cybersecurity risks were verified through external penetration testing. PJSC Inter RAO set up an information security division
- A list of the main cyber threats was developed and an assessment of these risks was conducted
- The level of organization of the PJSC Inter RAO internal control system was assessed and measures were developed to improve the internal control system of the Company as a participant in tax monitoring

Risk appetite approved by the Board of Directors

In 2019, the Board of Directors approved 12 principles of risk appetite. Details are in the Strategic Report.

Efficiency assessment of the RMICF

- Management informs the Board of Directors each year about the results achieved in matters concerning risk management and internal control over the reporting period as part of an annual report on the operation of the RMICF
- The internal audit division conducts an annual efficiency assessment of the RMICF and provides the Board of Directors with reporting on the results of the assessment
- The Board of Directors reviews matters concerning the organization, functioning, and effectiveness of the RMICF at least once a year and makes recommendations for its improvement, and also has the power to initiate an external assessment of the RMICF with the hiring of an independent organization
- The efficiency assessment of the RMICF for 2019 was presented by the Internal Audit Unit to the Company's Board of Directors for review and approved on March 31, 2020¹. The results of the efficiency assessment of the RMICF are presented in the section 'Internal Audit – 2019 Results' of this Report.

¹ Minutes No. 270 dated April 6, 2020.

INFORMATION SECURITY

As a result of digitalization and the large-scale introduction of IT technologies into the Company's activities and everyday life, the Group has become even more dependent on the proper operation of automated process control systems and IT systems, the security of the information it processes, and the effective functioning of the information security system.

Board of Directors devotes attention to cyber threat risks

A seminar on digitalization was held for members of the Board of Directors in 2019 as part of the Training and Development Program. This workshop covered such areas as cyber security and digital transformation risks. The Board of Directors decided to review the risk management report every six months.

Inter RAO views the risk of an increase in the number and scale of consequences resulting from information security breaches as a major strategic risk. The absence of substantial material or monetary damage as a result of a targeted cyber-attack on the automated process control systems and IT systems of the Group's companies has been taken as a criterion for assessing the effectiveness of information security risk management.

Results of 2019 and events after reporting date

1. A project was implemented to assess the security of the external perimeter of IT infrastructure at the Group's enterprises as well as a number of tests on external penetration into the Group's key information systems.
2. A separate list of the Group's most significant information security risks was compiled, and each of the risks was evaluated and analyzed in terms of the sufficiency of current measures that have been taken and the need for additional measures.

3. A new unit – the Information Security Department – was established and staffed at PJSC Inter RAO. It reports directly to the CEO and has the requisite level of authority to reduce any risks it identifies.
4. An unscheduled inventory of information technology and information security tools was initiated and completed.
5. The Group modernized its information protection tools in the following classes: firewalls, protection of workstations and servers (including the anti-virus component), security analysis (vulnerability scanner), and protection against zero-day attacks (sandboxes).
6. The Group began integrating information security processes into key business processes: a functional expert on information security was included in the project team to create new Group-wide information systems.
7. The Group completed the collection of data on the category of critical information infrastructure in compliance with the requirements of Federal Law No. 187-FZ dated July 26, 2017 "On the Security of Critical Information Infrastructure of the Russian Federation."
8. The Inter RAO Group's Information Security Development Program was adopted. The Inter RAO Group's Information Security Development Program for the period 2021-2025 is expected to be adopted in 2020.

The information security measures employed by Inter RAO ensures the proper level of security of information and automated systems, as evidenced by the absence in 2019 of any recorded cases involving the leakage, theft, or loss of personal data or significant complaints about breaches of the personal data of end consumers at supply companies.

Commissions in charge of categorizing critical information infrastructure have been set up at PJSC Inter RAO and its subsidiaries in an effort to protect the Group's information resources against unauthorized access (computer attacks) and also to implement the requirements of Federal Law No. 187-FZ dated July 26, 2018 "On the Security of Critical Information Infrastructure of the Russian Federation."

The digital transformation of the Group is fraught with an increased level of risk due to the novelty of the technologies used, its strong sensitivity to cybersecurity issues, the lack of business hypotheses that have been tested on the market, and high demands for response time when implementing innovative projects and taking timely corrective actions.

In order to reduce cybersecurity risks, the Inter RAO Innovative Development Program is premised on the use of a product-based approach to project implementation. A prototype should be made first, followed by a minimum viable product (MVP), and only after its effectiveness is confirmed should a fully-functional product be implemented that includes, in particular, the protection of information security, convenience, and documentation.

COMPLIANCE SYSTEM

Work built on respect for the laws

Risk appetite: Inter RAO does not tolerate a single case of corruption or other willful misconduct that runs counter to the law

Inter RAO has created a compliance system comprised of corporate culture elements and values that aim to prevent any misconduct by Group's employees, regardless of their position. The goals and objectives of compliance are defined in the Group's Compliance Policy¹:

- Minimize the risks of negative consequences associated with the imposition of corrective actions on the Inter RAO Group's companies for the failure to comply with legal requirements, regulatory requirements, or the principles of ethical business conduct in the markets where the companies operate as well as generally accepted standards of business ethics

The Inter RAO insurance coverage program includes insurance for the risks of data operators and other information risks (cyber risks). The annual insured amount is RUB 350 mln. Insurance coverage includes:

- Expenses on eliminating a threat to the security of a computer system
- Investigation expenses
- Expenses on consultations and other services provided by external software and technical experts
- Expenses for the restoration of electronic data
- Losses from virtual extortion
- Expenses on reputation-related consultations

- Doing business in compliance with the standards of the Group's business ethics and values
- Creating and introducing a culture of compliance at the Group's companies
- Analyzing and preventing situations in which it may be possible not to comply with legal requirements, regulatory requirements, or principles of ethical business conduct

¹ Approved by a resolution of the PJSC Inter RAO Board of Directors dated December 20, 2018 (Minutes No. 236 dated December 24, 2018) https://www.interrao.ru/upload/doc/Compliance_Policy_izm.pdf

COMPLIANCE PROCESSES

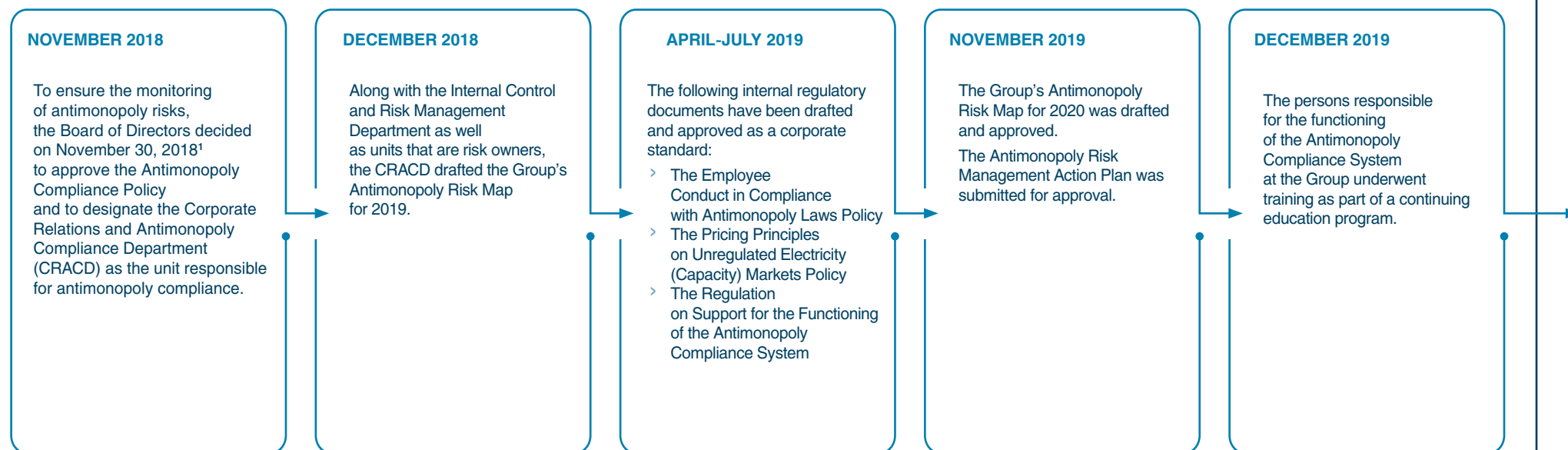


Antimonopoly compliance [GRI 206]

The Russian Federal Antimonopoly Service is authorized to monitor compliance with antimonopoly legislation and impose large fines, which may amount to hundreds of mlns of rubles taking into account the scale of the Group's financial and economic activities. This dictates the critical nature of antimonopoly risks for the Company.

THE MAIN GOAL OF ANTIMONOPOLY COMPLIANCE IS TO CREATE CONDITIONS THAT MOTIVATE EACH INTER RAO EMPLOYEE TO ENGAGE IN SELF-CONTROL AND SELF-DISCIPLINE, THUS MAKING ANY ANTIMONOPOLY VIOLATION VIRTUALLY IMPOSSIBLE.

Development of the antimonopoly compliance system



¹ Minutes No. 235 dated December 3, 2018.

CORPORATE GOVERNANCE REPORT

The Company has an Antimonopoly Compliance Commission that held 11 meetings in 2019. Antimonopoly risks only materialized at JSC Mosenergosbyt in 2019. The antimonopoly authorities issued 26 rulings against the company, imposing fines in the amount of RUB 13,487,000 (based on administrative cases that were initiated per decisions the antimonopoly authorities made in 2017-2018). **[GRI 206-1]**

Inter RAO plans to improve and develop the Antimonopoly Compliance System in 2020.

Identifying conflicts of interest

The Inter RAO Code of Corporate Ethics stipulates that all employees must report a potential or actual conflict of interest to the Conflict of Interest Management Commission and their immediate supervisor. No such complaints were recorded in 2019.

Existing regulatory documents governing the procedure for providing notification about a conflict of interest or the possibility of one occurring and the settlement procedure

CEO, members of the Management Board, heads of directly subordinate structural units, and Chief Accountant	Regulation on the Procedure for Employees to Notify the Employer of a Conflict of Interest or the Possibility of Such a Conflict of PJSC Inter RAO dated April 28, 2016
All employees	PJSC Inter RAO Code of Corporate Ethics Methodology 'Informing Employers About Signs of Corruption Violations or a Conflict of Interest and the Review of Such Reports' dated December 27, 2019

All notifications about a potential conflict of interest are recorded. In 2019, not a single notification was recorded.

The Company has developed a list of functions that are fraught with the risk of corruption and a list of positions that are potentially exposed to corruption risks. These lists are updated at least once a year. Officials holding positions on the list are subject to special monitoring by the HR Management and Organizational Development Unit, the Economic and Internal Security Unit, and the heads of their units to ensure they comply with high ethical standards, the requirements of internal regulatory documents on anti-corruption measures, including compliance with related prohibitions and restrictions, as well as measures to prevent and resolve conflicts of interest.

Functions involving the settlement of conflicts of interest are performed by the Conflict of Interest Management Commission, which was renamed the Anti-Corruption Action Commission in July 2019. The new regulation on the Commission adjusted its functions in an effort to enhance the effectiveness of measures to prevent and resolve conflicts of interest.

In 2019, the PJSC Inter RAO Conflict of Interest Management Commission held five meetings and the PJSC Inter RAO Anti-Corruption Action Commission held seven meetings during which a total of 18 issues were considered, including one related to the prevention and resolution of an employee's conflict of interest at a subsidiary. Commissions at 17 subsidiaries of Inter RAO held meetings to address issues involving the settlement of a conflict of interest, in which 76 cases were associated with signs of a conflict of interest among company employees. In all 77 cases, the possible conflict of interest was resolved.

Anti-fraud and corruption [GRI 102-17, 205-1, 205-2, 205-3]

The Group makes every effort to prevent manifestations of corruption that may lead to the imposition of penalties or sanctions against the Group's legal entities and officials or compromise its business reputation and diminish confidence among stakeholders.

The priority in the activities of the Company and its controlled entities is to preclude any possibility of precedents involving signs of corruption offenses and to maintain a sense of commitment to the highest ethical values among the Group's employees.

Focus of the Board of Directors

The Board of Directors is regularly provided with reports on anti-corruption measures that have been taken and the effectiveness of the anti-fraud and corruption system.

In order to prevent corruption risks, Inter RAO has approved a unified Anti-Corruption Policy, created an Anti-Fraud and Corruption System that covers all of its businesses, established authorized commissions and working groups whose purview includes reviewing issues related to combating fraud and corruption and managing conflicts, regularly carries out procedures to identify and assess corruption risks after which it prepares a list of functions that are fraught with the risk of corruption and a list of positions that are potentially exposed to corruption risks, and regularly provides the Company's Board of Directors with reports on anti-corruption measures that have been taken and the effectiveness of the anti-fraud and corruption system.

Mechanism for reporting cases of unethical and corrupt behavior [GRI 102-17]

Mechanisms for seeking consultations and reporting about unethical behavior are described in the Code of Corporate Ethics, Section 7 https://www.interrao.ru/upload/doc/Code_corporate_ethics_122018.pdf

Obligation	<p>Company employees as well as members of its Board of Directors, Management Board, or Revision Commission who have become aware of violations of existing legislation or the Code of Corporate Ethics that have occurred or could occur are required to immediately notify them in writing.</p> <p>Employees are required to notify the Company about any incidents in which an employee may be inclined to commit a corruption-related offense or about violations that show signs of corruption by other employees, counterparties of the organization, or other persons of which the employee has become aware.</p>
Notification procedure	The procedure for submitting and the procedure for reviewing such reports are determined by the Methodology 'Informing Employers About Signs of Corruption Violations or a Conflict of Interest and the Review of Such Reports'.
Confidentiality	The person who submitted the aforementioned report/notification is guaranteed that the information received and information about the person will remain confidential.
Protection	<p>The Company takes measures to protect any employee who notifies a representative of the employer, prosecution authorities, or other state bodies about violations of current legislation that have occurred or could occur.</p> <p>The procedure for protecting workers who report corruption is determined by the appropriate methodology.</p>
Consultation	The Code of Corporate Ethics stipulates that if an employee or member of the Company's Board of Directors, Management Board, or Revision Commission has any questions about compliance with anti-corruption legislation and standards or if this individual is unsure about whether he/she is taking the correct decision or action, the individual should consult with the appropriate unit.
Hotline	The Company has a Hotline that is designed to collect and process information about any signs of fraud, theft, or corruption at the Group. The Internal Audit Unit processes the information received using this information resource. If necessary, an internal investigation is carried out based on the results of the analysis.

Improving the system

The following internal documents were drafted and updated in 2019:

- The Regulation 'Anti-Corruption Action Commission,' which serves as a corporate standard for all Inter RAO companies
- The Order 'On Prohibiting Gift-Giving by Employees and the Exchange of Business Hospitality Signs'
- The Order 'On the Approval of the List of Internal Regulatory Documents to Be Reviewed by PJSC Inter RAO Employees upon Concluding an Employment Contract'
- Order 'On the Approval of the Rules for PJSC Inter RAO Employees to Comply with Anti-Corruption Principles When Interacting with Foreign Officials and Officials of Public International Organizations'
- 'Procedure for Employees to Report a Gift Received in Connection with their Official Position or the Performance of Their Official Duties'
- Methodology 'Informing Employers About Signs of Corruption Violations or a Conflict of Interest and the Review of Such Reports'

Awareness-raising and training [GRI 205-2]

When hiring new employees, the HR Management and Organizational Development Unit provides them with a fundamental awareness of the main provisions of the Anti-Fraud and Corruption Policy.

The Economic and In-House Security Unit conducts briefings to train all newly hired employees about the practical implementation of the requirements of internal documents on anti-fraud and corruption.

Heads of the Company's structural units periodically inform their employees about the requirements of anti-corruption legislation and the measures taken by the Company to combat corruption. In addition, when employees engage in functions that are fraught with corruption risks, they are given an additional explanation of the legislative requirements of the Russian Federation and internal policies with respect to the specific situation at hand.

The Company's employees are trained at specialized training centers with the involvement of external consultants in order to maintain and enhance their knowledge and skills in countering corruption.

Anti-corruption training [GRI 205-2]**Employee training**

Country, region	Managers (staffing chart)		Specialists and employees	
	Number of people trained in the anti-fraud and corruption program in 2019	% of employees of this category	Number of people trained in the anti-fraud and corruption program in 2019	% of employees of this category
Russia	341	6.7	846	4.0
Georgia	1	0.6	2	0.3
Moldavia	0	0.0	0	0.0
Total for Group	342	6.2	848	3.8

Preventing corruption in cooperation with partners and counterparties [GRI 205-1]

Inter RAO's Anti-Fraud and Corruption Policy minimizes the risk of dealing with counterparties who may be involved in fraudulent schemes and/or corrupt practices or may tolerate corrupt practices. This principle is implemented by verifying that the Group's counterparties have their own anti-corruption procedures or policies and are willing to comply with anti-corruption requirements, include the relevant sections in contracts, and provide mutual assistance for ethical business conduct and the prevention of fraud and corruption.

The Group verifies counterparties in terms of their reliability and to make sure there is no conflict of interest before deciding whether to start or continue business relations with them.

In order to ensure the transparency of Inter RAO's financial and economic activities and to avoid conflicts of interest in the execution of Orders of the Chairman of the Government of the Russian Federation No. VP-P13-9308 dated December 28, 2011 and No. VP-P24-1269 dated March 5, 2012, work is being performed to study information on the ownership chain of counterparties, including ultimate beneficiaries. During the reporting period, the Group reviewed data on the beneficiaries of more than 12,000

counterparties of its companies for more than 20,000 contracts. The results of this work are sent to the Russian Ministry of Energy on a monthly basis. The Russian Ministry of Energy has not provided any objections concerning the documents that were submitted.

Identification of fraud and corruption cases [GRI 102-17, 205-3]

Official probes are conducted into cases involving signs of fraudulent or corrupt activities that have been identified. During the reporting period, 528 such probes were carried out. The probes found a violation of the requirements of internal regulatory documents, as a result of which 600 employees of the Group's companies were held accountable.

In two cases, a court found that crimes had been committed (two employees of the Inter RAO Group's companies were prosecuted in 2019).

Number of complaints, cases of corruption found, and amount of damage averted [GRI 205-3]

	2017	2018	2019
Hotline			
Total number of hotline calls	163	248	383
Share of calls related to corruption in the total volume of calls received by the Group's hotline	11%	6.9%	5.7%
Cases of corruption and fraud detected			
Total cases of potential risk of corruption or fraud ¹	x	699	528
Total number of confirmed cases of corruption or fraud	—	2	2
Total number of employees dismissed or punished for confirmed cases of corruption or fraud	—	2	2
Total number of agreements terminated with suppliers after confirming their involvement in corruption practices (if such cases occurred)	0	0	0
Total number of business partners with which the Group did not re-sign contracts due to corruption or fraud	0	0	0
Amount of damage averted			
Monetary damage to the Group that was prevented as a result of anti-corruption actions and measures ² , RUB thousand	x	x	402,660

Reports filed with law enforcement agencies regarding economic damage

In 2019, the Group's companies sent 1,452 queries to law enforcement and regulatory authorities. Based on these materials, 37 criminal cases were initiated in 2019, including one criminal case against an employee of a company of the Inter RAO Group due to an offense committed in the course of his official duties with formal elements of a crime under Article 159 (fraud) of the Criminal Code of the Russian Federation.

Three convictions were handed down in criminal cases previously initiated by companies of the Inter RAO Group. Two of them were related to former employees of Inter RAO in connection crimes of a fraudulent and corrupt nature (Article 204 (commercial bribery) and Article 159 (fraud) of the Criminal Code of the Russian Federation). The other conviction was for the head of a management company due to the failure to pay for utility resources (Article 315 (failure to abide by a court sentence, court decision, or other judicial act) of the Criminal Code of the Russian Federation).

¹ An updated methodology is used to calculate the indicator, which does not allow for providing similar information for 2017 in connection with the use of criteria that were not taken into account in 2017.

² The method used to calculate the indicator does not allow for the provision of similar information for 2017 and 2018 due to the use of criteria that has not been previously considered.



EXTERNAL AUDIT

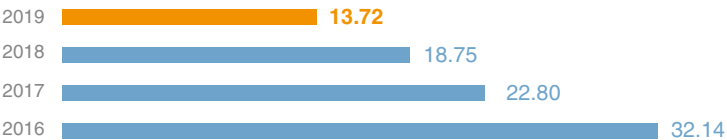
In accordance with the legislative requirements of the Russian Federation, the Company’s auditor conducts an audit of the Company’s financial and economic activities. The Company’s auditor is approved by the General Meeting of Shareholders. The criteria and procedure for selecting an auditor as well as the rules for rotating the audit managers are governed by the Policy for Interaction with the External Auditor of PJSC Inter RAO, including the procedures that ensure auditor’s independence for the impartiality of the external audit.

In September 2018, closed competitive negotiations were held to select a single auditor candidate for 2019, 2020, and 2021. LLC Ernst & Young was selected as the winner during closed competitive negotiations and approved at the Annual General Meeting of Shareholders of PJSC Inter RAO held on May 20, 2019.

The cost of the audit services for the financial statements of PJSC Inter RAO under IFRS and Russian Accounting Standards (RAS) as well as a review of the interim financial statements under IFRS amounts to RUB 34.2 mln, excluding VAT.

On February 26, 2020, the Audit and Sustainable Development Committee reviewed a report containing a description of audit and other services provided to all companies that are part of the group of entities of PJSC Inter RAO and companies that are part of a single network of audit organizations along with the Company’s Auditor for 2019. According to this report, the cost of non-audit services provided by the auditor and its affiliates make up 13.72% of the total cost of the auditor’s services.

Share of the cost of non-audit services provided by the auditor and its affiliates in the overall cost of the auditor’s services, %



In order to enhance the efficiency of both external and internal audit activities, the external auditor actively interacts with the Internal Audit Unit and uses certain internal audit results as part of the external audit procedures.

On February 26 and 28, 2020, the Audit and Sustainable Development Committee considered an assessment of the auditor’s opinions and the quality of the audit, and the external audit process was deemed to be effective.

SHARE CAPITAL

PJSC Inter RAO has charter capital of RUB 293,339,674,800.00, which is split into 104.4 bln ordinary shares with par value of RUB 2.809767 each. The state registration number of the issue is 1-04-33498-E, and the date of state registration is December 23, 2014. The shares are included in the First Tier of the List of Securities that are permitted to trade on PJSC Moscow Exchange, the exchange's highest tier. As of December 31, 2019, PJSC Inter RAO had no preferred shares.

The Russian Federation, as represented by the Federal Agency for State Property Management, owns 493.69 ordinary shares (0.0000005% of charter capital). The Russian Federation has no special right to manage the Company ('golden share').

PJSC Inter RAO had a total of 355,266 shareholders as of December 31, 2019, including 352,478 individuals.

The proportion of quasi-treasury shares² owned by JSC Inter RAO Capital is 29.56%.

The change in the proportion of share ownership of JSC Inter RAO Capital from 29.39% to 29.56% (including indirect ownership) resulted from transactions involving the purchase and sale of PJSC Inter RAO shares. The increase in the proportion of free-float from 33.74% to 34.24% resulted, among other things, from PJSC FGC UES selling a block of shares in PJSC Inter RAO to independent financial investors.

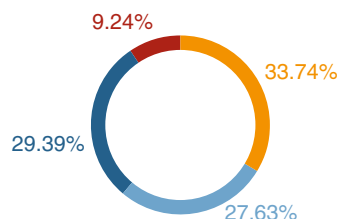
The Company does not have any information about other shareholdings exceeding five percent.

Starting from April 2, 2018, the register of securities owners of PJSC Inter RAO is maintained by Joint-Stock Company VTB Registrars about which information is provided in the 'Contact Information' section.

34.24%
the proportion of PJSC Inter RAO shares in free float as of December 31, 2019¹

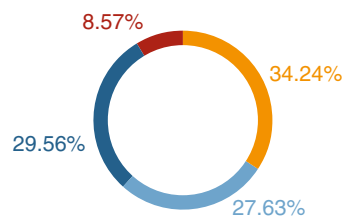
Structure of share capital

As of December 31, 2018, %



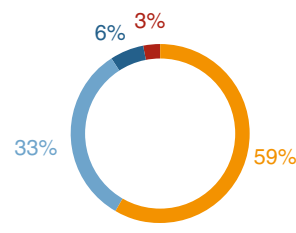
■ Free float
■ Rosneftegaz Group
■ JSC Inter RAO Capital
■ PJSC FGC UES

As of December 31, 2019, %



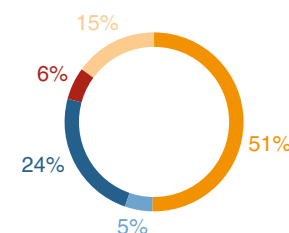
■ Free float
■ Rosneftegaz Group
■ JSC Inter RAO Capital
■ PJSC FGC UES

Geographical breakdown of shares in free float among foreign investors as of December 31, 2019³, %



■ Europe
■ North America
■ Asia
■ Other

Shares in free float with a breakdown by type of investor as of December 31, 2019³, %



■ Growth
■ GARP
■ Yield
■ Value
■ Index

¹ The number of shares in free-float is determined based on an analysis of the share capital ownership structure by subtracting the number of shares not in free-float from the total number of the Issuer's shares. The calculation is made in accordance with the Listing Rules of PJSC Moscow Exchange and the approved Methodologies for calculating the free-float ratio.

² In accordance with the Group's Development Strategy until 2020, shares in PJSC Inter RAO owned by JSC Inter RAO Capital may be used by a major international strategic investor or group of financial investors with a potential increase in free float and other transactions that aim to enhance investment appeal.

³ The analysis of changes in share purchases and sales by equity funds was prepared based on an independent analytical study of the shareholder base on February 5, 2020 (Shareholder Identification, 2019). A total of 77% of free float holders are disclosed.

Information about ultimate beneficiaries as of December 31, 2019 [GRI 201-4]

Organization	Ultimate beneficiary	Number of shares	
		Total shares	Percentage of charter capital
Russian Federation as represented by the Federal Agency for State Property Management	Russian Federation	493.69	0.0000005
ROSNEFTEGAZ Group		28,844,020,032.02	27.63
PJSC FGC UES		8,946,053,950.04	8.57
Company's shareholders that are part of the Inter RAO Group		30,859,369,958.24	29.56
Other shareholders (shares in free float)		35,750,555,566.01	34.24
Total		104,400,000,000.00	100.00

Entities listed in the PJSC Inter RAO register of shareholders with more than 2% of the Company's voting shares as of December 31, 2019

Shareholder	Number of shares as of December 31, 2019	
	Total shares	Percentage of charter capital
JSC ROSNEFTEGAS	27,526,226,998.90	26.4%
JSC Inter RAO Capital	30,160,012,746.24	28.9%
Non-Bank Credit Institution Closed Joint-Stock Company National Settlement Depository (nominee holder)	34,519,244,580.15	33.1%
Limited Liability Company Depository and Corporate Technologies (nominee holder)	8,946,053,950.04	8.6%
Total	101,151,538,275.33	96.9%

Depository receipts

In 2008, PJSC Inter RAO, together with the Bank of New York Mellon, acting as a depository bank, opened a program for global depository receipts issued for the Company's shares according to Regulation S and Rule 144A (1 GDR = 100 ordinary shares). As of December 31, 2019, the GDR program accounted for 0.014% of the Company's charter capital.

Considering the considerable share of foreign investors in PJSC Inter RAO (including through direct share ownership), the Company provides

simultaneous disclosure in English via the information disclosure service authorized by the UK regulator in addition to the statutory information disclosure in Russian <https://www.londonstockexchange.com/exchange/searchengine/news/search.html?q=IRAO>.

Detailed information about the GDR program is available at the website <https://www.interrao.ru/en/investors/securities-information/>.

DIVIDEND POLICY

The Regulation on the Dividend Policy of PJSC Inter RAO is used to determine the amount of dividends and governs the procedure for their payment.

The Dividend Policy¹ provides a balanced approach to the distribution of profits that takes into account the interests of the Company's long-term development as well as increasing profitability and value for shareholders.

The Regulation on the Dividend Policy sets a dividend payment target level that is equal to 25% of the Company's consolidated profit as determined based on the results of the reporting year using IFRS consolidated financial statements. When determining the amount of net profit allocated for the payment of dividends, the following factors are taken into account:

- The need to create funds
- Projected net profit for the next fiscal year
- The need to fund the investment activities of PJSC Inter RAO
- The availability and optimality of sources to fund the investment activities of PJSC Inter RAO

The amount of net profit spent on dividend payments in 2019 was determined in accordance with the Regulation on the Dividend Policy. No adjustments were made.

Report on the payment of declared (accrued) dividends

In 2019, the Company worked to pay shareholders dividends in accordance with the resolution of the Annual General Meeting of Shareholders adopted on May 20, 2019².

The RAS net profit of PJSC Inter RAO for 2018 was distributed as follows:

- The creation of a Reserve Fund – RUB 946,938,800
- The payment of dividends – RUB 17,918,750
- The repayment of losses of previous years – RUB 73,086,700.

Dividends were paid to nominee shareholders and trustees who are professional securities market participants before June 18, 2019 and to others registered in the register of shareholders before July 9, 2019.

In total, as of the end date for dividend payments (July 8, 2019), dividends had been transferred to 353,155 of the 357,653 legal entities and individuals, of which 4,498 of the transfers were returned to the Company for various reasons beyond the control of PJSC Inter RAO.

No dividends were transferred to the federal budget in the reporting period. There are no debts on the payment of dividends to the federal budget.

¹ Approved by a resolution of the Board of Directors on June 30, 2014 (Minutes No. 118 dated July 3, 2014). Changes to the Regulation on the Dividend Policy were approved by the Board of Directors on April 12, 2016 (Minutes No. 166 dated April 14, 2016).

² Minutes No. 19 dated May 20, 2019.

Dividend payment history

	Dividend payment periods				For 2018
	For 2014	For 2015	For 2016	For 2017	
Date of recommendation from the Board of Directors on the amount of dividends	07.04.2015	07.04.2016	07.04.2017	15.03.2018	15.03.2019
Record date of list of persons entitled to receive dividends	09.06.2015	21.06.2016	20.06.2017	01.06.2018	31.05.2019
Date of the resolution of the Annual General Meeting of Shareholders on dividend payments	29.05.2015	10.06.2016	09.06.2017	21.05.2018	20.05.2019
Dividend per share, RUB	0.001039679119	0.0178230516552	0.146819923371648	0.130383141762452	0.171635536398468
Total dividends announced, RUB thousand	108,542.5	1,860,727.0	15,328,000.0	13,612,000.0	17,918,750.0
Total dividends paid, RUB thousand	107,719	1,860,156	15,323,778.511	13,607,859.626	17,913,302.724
Amount of dividends/RAS net profit, %	25	50	15.7	86.87	94.61
Amount of dividends/IFRS net profit, % (according to the Dividend Policy)	1.5	7.73	25	25	25

Based on the performance results in 2019, the PJSC Inter RAO Board of Directors recommended that the General Meeting of Shareholders vote to pay dividends in the amount of RUB 20,482,500,000, or RUB 0.196192528735633 per share, which amounts to 25% of the IFRS net profit of PJSC Inter RAO¹.

¹ Resolution of the Board of Directors dated March 19, 2020, Minutes No. 268 dated March 20, 2020.

EXCHANGE INFORMATION

Trading floors on which PJSC Inter RAO shares are traded

PJSC Inter RAO shares

Number of common shares	104,400,000,000
Nominal value of shares, RUB	2.809767
Total nominal value of issue, RUB	293,339,674,800
ISIN	RU000A0JPNM1
State registration number	1-04-33498-E
Trading floor	MOEX
Start date of trading	December 1, 2009
Quotation list	First-tier
Exchange code (MOEX)	IRAO
Bloomberg ticker	IRAO RX
Thomson Reuters Eikon ticker	IRAO MM

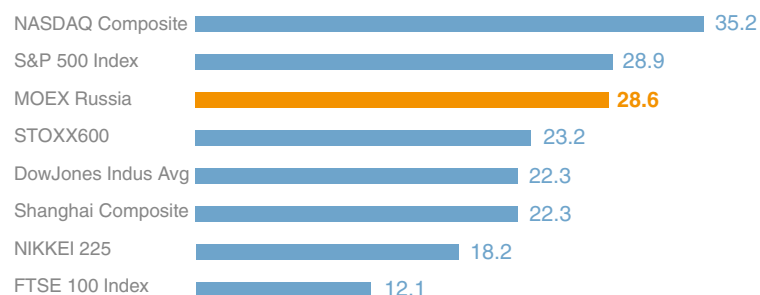
As part of a review of the weights of companies in the MSCI Russia index in 2019, and in accordance with MSCI methodology, an increase in the free float of Inter RAO shares to 34.24% resulted in growth in their valuation by an independent agency in the free float category to 35%, which increased the Company's weight in the index to 1.22.

Information about the inclusion of the Company's shares in the following indices

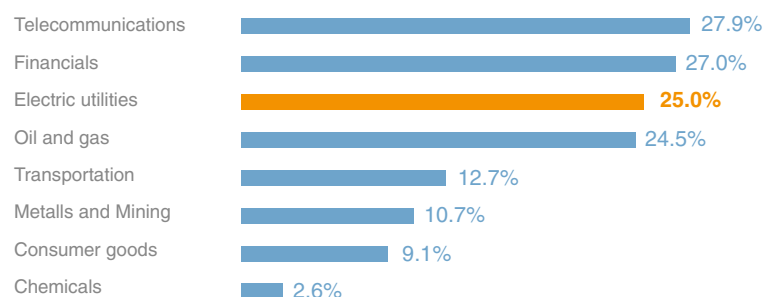
Index name	Ticker	Weight of Inter RAO's shares in index as of 12/31/2018, %	Weight of Inter RAO's shares in index as of 12/31/2019, %
MOEX Index (composite index)	MICEXINDEXCF	1.36%	1.47%
Moscow Exchange Electric Power Industry Index	MICEXPWR	14.60%	16.17%
Broad Market Index	MICEXBMI	1.16%	1.18%
RTS Index	RTSI	1.42%	1.47%
FTSE Emerging	AWALLE	0.05%	0.08%
FTSE Russia	WIRUS	1.19%	1.16%
FTSE All-World	AWORLDS	0.01%	0.01%
FTSE4Good Emerging	F4GEM	0.09%	0.10%
MSCI Russia	MXRU	0.90%	1.22%
MSCI Emerging Markets	MXEM	0.04%	0.05%
MSCI ACWI Index	ACWI	0.004%	0.01%
RUSSIA ESG LEADERS	—	3.25%	4.17%
S&P Russia BMI	SRUU	0.91%	1.11%
Dow Jones Russia	DJRUSGD	0.88%	1.15%
Nasdaq Russia	NQRU	1.40%	3.68%
Nasdaq AlphaDEX Emerging Markets	NQDXEM	1.09%	1.16%
Market Vectors Russia Index (Van Eck)	MVRSX	2.38%	2.66%
STOXX Russia Total Market	TCRUP	0.79%	0.87%
STOXX Optimised Russia	EEORGT	1.38%	1.47%

Overview of the stock indices and capitalization dynamics of energy companies:

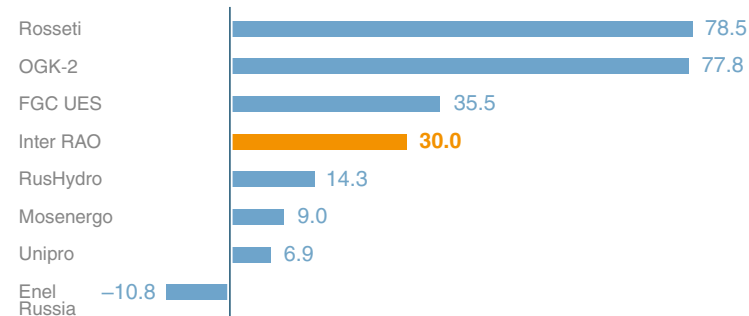
Global stock indices, %



Industry indices, %



Capitalization of energy companies, %



One of the most important events on global markets in 2019 was the trade war between the United States and China. Markets became more volatile, reflecting the course of negotiations between countries on increasing mutual trade duties. The yield on the Moscow Exchange Index reached 28.6%. Both favorable external and internal factors contributed to the high profit margins on the Russian stock market. The U.S. Federal Reserve's monetary policy, which had been easing since the start of the year, led investors to reassess the assets of emerging markets. After temporarily declining in the fall of 2018, oil prices stabilized by the end of the year, which also contributed to increased interest in the shares of Russian companies. Domestic macroeconomic stability as well as high dividend yield prompted greater interest in the securities of Russian issuers.

'Electric Utilities' ranked third among industry indices in the Russian Federation. Corporate events or the expectation of their materialization had the biggest influence on the dynamics of the 'Electric Utilities' Index. Inter RAO shares increased by 30%, which is higher than the industry-specific Electric Utilities Index and the Moscow Exchange Index.

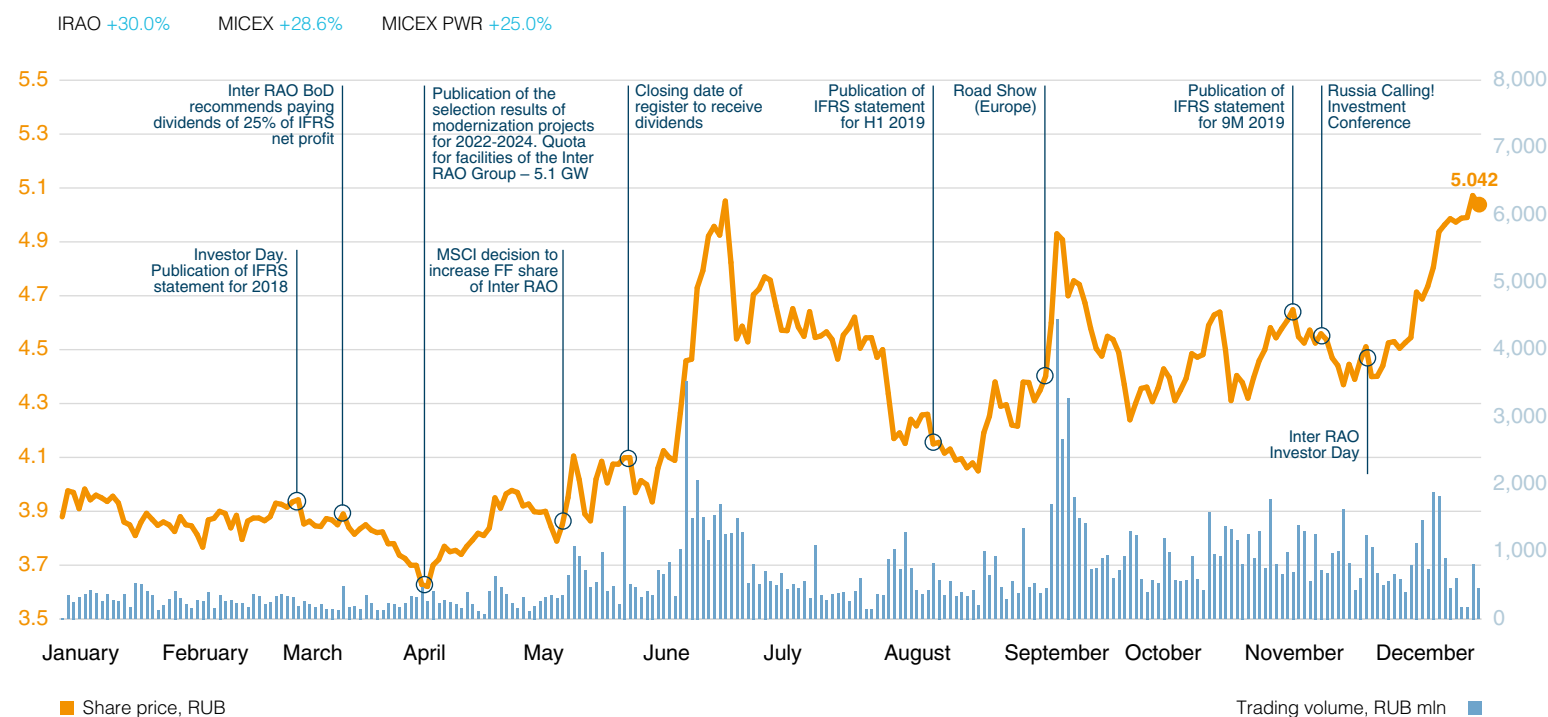
Market Capitalization of PJSC Inter RAO

Year	Market Capitalization, RUB mln	Change vs. previous year
2019	526,385	+30%
2018	405,020	+14%
2017	354,960	-12%

Average daily trading volume with PJSC Inter RAO shares

Year	Average daily trading volume, RUB thousand	Change vs. previous year
2019	653,706	+82%
2018	358,308	-6%
2017	381,996	+7%

PJSC Inter RAO stock price dynamics in 2019



PJSC Inter RAO shares grew by 30% in 2019, which is higher than the industry-specific Electric Utilities Index and the Moscow Exchange Index.

Information Policy

The Regulation on the Information Policy of PJSC Inter RAO was approved by the Board of Directors on December 29, 2016. The Information Policy is based on the principles of regular, consistent, and prompt information disclosure as well as its availability, reliability, completeness, and comparability.

The Regulation contains a list of information that is required to be disclosed, additional information as well as a procedure for communication in interaction with stakeholders.

For control purposes, the Board of Directors annually reviews an information policy compliance report. In 2019, this report was presented at a meeting on March 29, 2019 and contained information on full compliance with the obligations of the Regulation on the Scope of Information Disclosure.

Interaction with investors and analysts

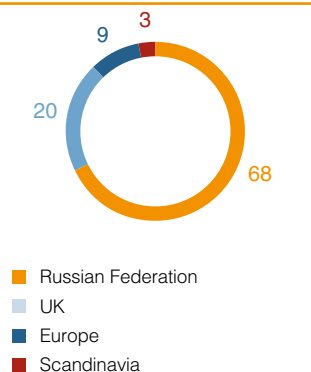
Inter RAO uses a wide range of channels to interact with shareholders and investors. The Group's management is committed to improving the quality of voluntary disclosure. For example, during webcasts, representatives of the Group's management not only disclose financial statements, but also financial forecasts and plans, present a quarterly report on measures that have been taken to improve operating efficiency in key segments, highlight key and relevant market trends, and answer questions from investors and analysts. Inter RAO regularly updates information on its official website and publishes an Analyst's Handbook, which aggregates operating and financial results of the Group's core assets. The Company's Investor Relations Team is in constant contact with investors and analysts.

In 2019, 188 meetings were held with Russian and foreign investors. The format of the meetings included Investor Day, road shows, webcasts, and conference calls. Most of the meetings with investors were held as part of conferences in the Russian Federation, particularly in Moscow.

Meetings were held with representatives of major global European and Russian investment funds, including:

- Amundi Asset Management (>USD 985 bln)
- T Rowe Price (>USD 772 bln)
- Abu Dhabi Investment Authority (>USD 770 bln)
- Aberdeen (>USD 669 bln)
- Schroders (>USD 462 bln)
- Pictet & CIE (>USD 437 bln)

Meetings with investors, %



Interaction with investors and analysts in 2019

Q1	<ul style="list-style-type: none"> › IFRS webcast/conference call for 2018 › Investor Day (London), which covered the following themes: <ul style="list-style-type: none"> – Strategic priorities and the long-term development forecast – Sustainable development and improvement of corporate governance – Modernization of generating equipment – Financial management – Export potential in the Russian electric utilities sector › Road show that covered Investor Day topics (Stockholm, Frankfurt, and Vienna)
Q2	<ul style="list-style-type: none"> › Raiffeisenbank Conference (Zürs) › Moscow Exchange Forum and BCS Conference (Moscow) › IFRS webcast/conference call for 1Q 2019 (Moscow) on financial results and the preliminary results of the selection of the Group's capacity proposed for modernization › Sberbank conference 'Russia: The Inside Track' (Moscow) › 23rd Renaissance Capital Investment Conference (Moscow)
Q3	<ul style="list-style-type: none"> › IFRS webcast/conference call for 1H 2019 (Moscow) › Road show on the preliminary results of the selection of the Group's capacity proposed for modernization and operational efficiency increase of business segments (London, Frankfurt, and Stockholm) › ATON Energy Day (Moscow) – focus on interaction with retail investors › Renaissance Capital Conference 'Russia in Focus' (London)
Q4	<ul style="list-style-type: none"> › VTB Capital's 'Russia Calling!' Investment Conference (Moscow) › IFRS webcast/conference call for 9M of 2019 (Moscow) › Investor Day (Moscow), which covered the following themes: <ul style="list-style-type: none"> – The Group's strategic priorities for 2020 – The Group's long-term development forecast – Modernization of generating capacities – Development of the wholesale capacity market › Sustainable development of Inter RAO

The largest meetings were held at conferences in Moscow by such investment houses as Renaissance Capital, VTB Capital, and ATON. Members of the investment community were particularly interested in the Investor Day held in London in March 2019. Ronald James Pollett, an independent member of the PJSC Inter RAO Board of Directors, took part in this event for the first time. As part of a Q&A session involving the Group's Management, representatives of major international funds, both current and potential shareholders of the Group, had an opportunity to ask questions directly and continue talking in a dialogue format. Several members of the investment community also attended the Investor Day event, which took place in Moscow in December 2019.

Information on the main events that were held and the presentation materials for them are available on the website.

**'For Shareholders
and Investors – IR Calendar'
section**



Interaction with minority shareholders

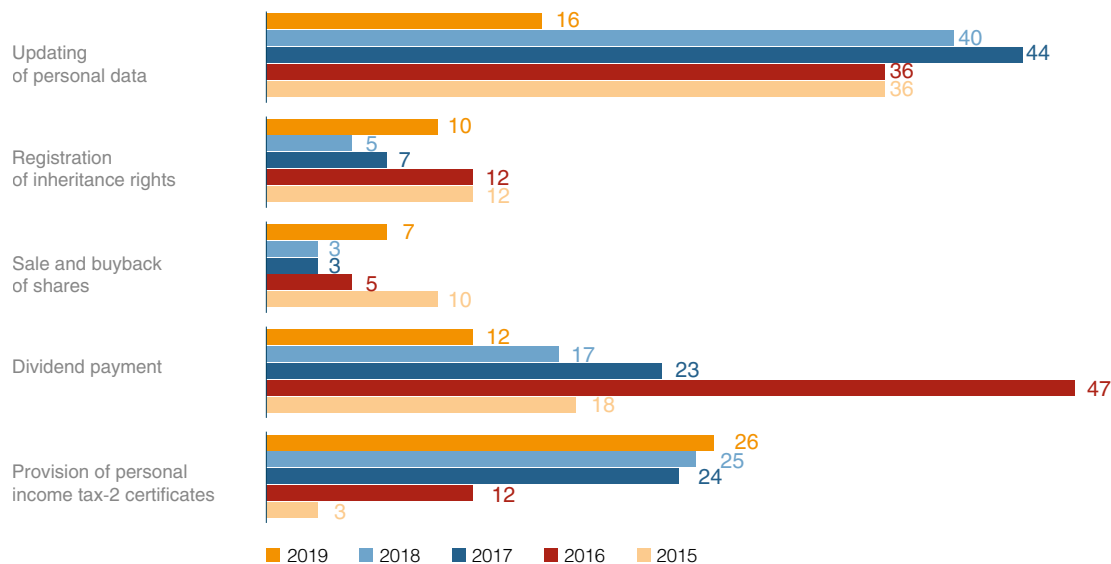
Inter RAO is expanding its forms of shareholder engagement as part of the PJSC Inter RAO Program for Interaction with Minority Shareholders for 2018-2020.

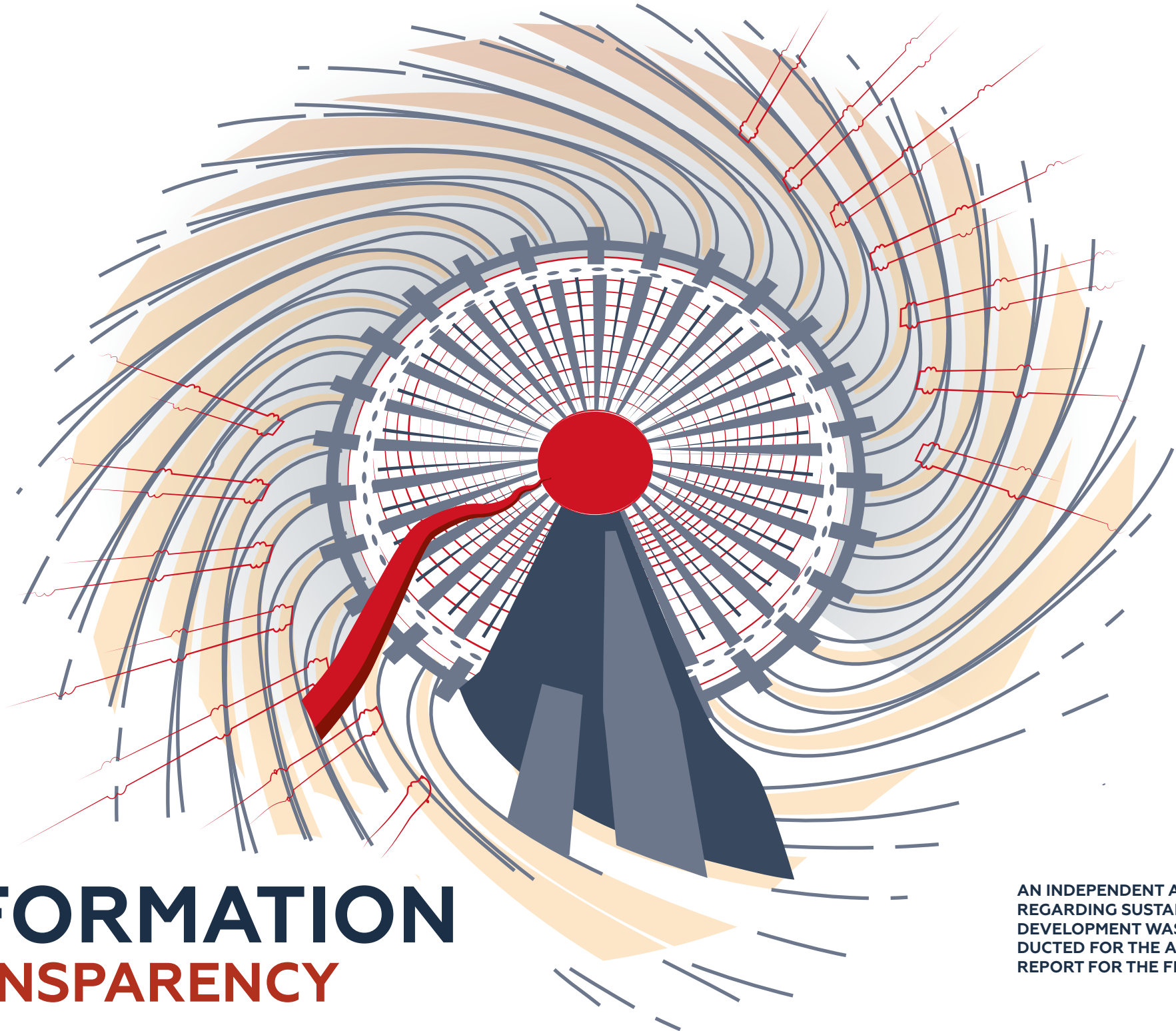
In 2019, the Group continued working on an animated product to answer the most common questions asked by shareholders about how to exercise the rights to their shares, updated the memo for shareholders in the run-up to the AGM, continued work with LLC Inter RAO Invest to provide services to shareholders on transactions with the Company's shares, ensured electronic voting at the AGM with clarifications on the procedure for such voting in the Energy without Borders newspaper, and updated information booths at sites where the Group's companies have a presence.

In 2019, the call center of the Company's Registrar answered 5,635 calls from shareholders as well as 149 electronic queries. PJSC Inter RAO employees answered 187 calls and 76 electronic and 54 written queries from shareholders, prepared 26 personal income tax 2 certificates at the request of shareholders, and held 12 personal meetings with the Company's shareholders.

An analysis of shareholders' queries shows a slight increase in the percentage of requests for a personal income tax 2 certificate, the registration of inheritance rights and the sale of shares, and a reduction in queries on other issues. This can be attributed to work as part of the Program for Work with Minority Shareholders, the gradual displacement of shareholders with the younger generation as well as the introduction of digital technologies in the securities market.

Changes in shareholders' queries





INFORMATION TRANSPARENCY

AN INDEPENDENT AUDIT
REGARDING SUSTAINABLE
DEVELOPMENT WAS CON-
DUCTED FOR THE ANNUAL
REPORT FOR THE FIRST TIME

APPENDIX

Summary consolidated financial statement of PJSC Inter RAO for 2019	262
Summary RAS annual accounting statement of PJSC Inter RAO for 2019	274
Opinion of the Revision Commission	281
Report on compliance with the principles and recommendations of the Corporate Governance Code for 2019	283
GRI content index [GRI 102-55]	312
Independent Practitioner's Limited Assurance Report	321
Information about meetings of the Board of Directors	324
Requirements and guidance used to prepare the Report	324
Internal policies and regulations at the Company	323
Information about major transactions and related-party transactions	324
Information about major transactions by PJSC Inter RAO and its controlled legal entities in 2019	324
Information about the fulfillment by PJSC Inter RAO of instructions of the President and Government of the Russian Federation in 2019	328
Information about PJSC Inter RAO's participation in subsidiaries and other business entities and information about sale and purchase agreements for interests, shares, stocks, and equity units of business partnerships and companies	330
Government support [GRI 201-4]	351
Information about litigation and major penalties	353
Information about the sale of non-core assets in 2019	358
Associations and partnerships in which PJSC Inter RAO participates	360
Glossary	363
Contact information	365

SUMMARY CONSOLIDATED FINANCIAL STATEMENT OF PJSC INTER RAO FOR 2019

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS TRANSLATION OF THE ORIGINAL RUSSIAN VERSION

To the shareholders and the Board of Directors of PJSC Inter RAO

Opinion

The accompanying summary consolidated financial statements of PJSC Inter RAO and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for 2019 and the related Appendix, are derived from the audited consolidated financial statements of the Group for 2019.

In our opinion, the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, on the basis described in Appendix 1.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by the regulations of the International Financial Reporting Standards insofar as they relate to the preparation of financial statements. Reading the summary consolidated financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited consolidated financial statements of the Group and the auditor's report thereon.

Audited consolidated financial statements and our opinion

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 28 February 2020. That report also includes information on key audit matters.

Management's responsibility for the summary consolidated financial statements

Management of the Group is responsible for the preparation of the summary consolidated financial statements in accordance with criteria described in Appendix 1.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised) Engagements to Report on Summary Financial Statements.

I.A. BUYAN

Partner Ernst & Young LLC

28 February 2020



Details of the audited entity

Name: PJSC Inter RAO

Record made in the State Register of Legal Entities on 1 November 2002, State Registration Number 1022302933630.

Address: 119435, Russia, Moscow, Bolshaya Pirogovskaya street, building 27-2.

Details of the auditor

Name: Ernst & Young LLC

Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.

Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.

Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

APPENDIX

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (RUB MLN)

	December 31, 2019	December 31, 2018
Assets		
Non-current assets		
Property, plant and equipment	327,980	322,976
Intangible assets	9,804	13,849
Investments in associates and joint ventures	15,779	15,451
Deferred tax assets	5,139	5,753
Securities	7,797	7,992
Other non-current assets	2,273	2,621
Total non-current assets	368,772	368,642
Current assets		
Inventories	19,311	20,267
Accounts receivable and prepayments	102,233	107,806
Income tax prepaid	714	1,070
Cash and cash equivalents	95,924	153,747
Other current assets	164,055	75,318
	382,237	358,208
Assets classified as held-for-sale	–	1,737
Total current assets	382,237	359,945
Total assets	751,009	728,587
Equity and liabilities		
Equity		
Share capital	293,340	293,340
Treasury shares	(86,708)	(86,210)
Share premium	69,312	69,312
Hedge reserve	394	(367)
Actuarial reserve	(605)	274
Fair value reserve	(5,903)	(5,745)
Foreign currency translation reserve	2,278	4,887
Retained earnings	278,731	207,778
Total equity attributable to shareholders of the Company	550,839	483,269
Non-controlling interest	1,940	2,209
Total equity	552,779	485,478

	December 31, 2019	December 31, 2018
Non-current liabilities		
Loans and borrowings	474	1,385
Long-term lease liabilities	48,934	42,991
Deferred tax liabilities	11,208	11,890
Other non-current liabilities	9,927	8,588
Total non-current liabilities	70,543	64,854
Current liabilities		
Loans and borrowings	2,842	8,353
Short-term portion of long-term lease liabilities	8,361	6,712
Accounts payable and accrued liabilities	102,559	149,886
Amounts payable to non-controlling shareholders for shares of subsidiary	—	373
Other taxes payable	12,137	10,644
Income tax payable	1,788	2,287
Total current liabilities	127,687	178,255
Total liabilities	198,230	243,109
Total equity and liabilities	751,009	728,587

Chief Executive Officer

Kovalchuk B.Yu.


Member of the Management Board, Chief Financial Officer

Miroshnichenko E.N.


February 28, 2020

APPENDIX

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (RUB MLN)

	For the year	
	2019	2018
Revenue	1,032,120	962,582
Other operating income	12,162	10,492
Operating expenses	(945,975)	(885,785)
Operating income	98,307	87,289
Finance income	15,602	15,257
Finance expenses	(12,538)	(6,789)
Share of (loss)/profit of associates and joint ventures, net	2,410	(3,579)
Income before income tax	103,781	92,178
Income tax expense	(21,851)	(20,503)
Income for the period	81,930	71,675
Other comprehensive income/(loss)		
Other comprehensive income/(loss) that will be reclassified subsequently to profit or loss when specific conditions are met		
Loss on securities, net of tax	(601)	(981)
Net income/(loss) on hedge instruments, net of tax	956	(535)
Exchange gain/(loss) on translation to presentation currency	(2,928)	2,997
Other comprehensive income/(loss) not to be reclassified subsequently to profit or loss		
Income/(loss) on securities, net of tax	443	(1,114)
Actuarial gain/(loss), net of tax	(883)	267
Other comprehensive gain/(loss), net of tax	(3,013)	634
Total comprehensive income for the period	78,917	72,309
Income attributable to:		
Shareholders of the Company	81,631	70,776
Non-controlling interest	299	899
	81,930	71,675

	For the year	
	2019	2018
Total comprehensive income attributable to:		
Shareholders of the Company	78,746	71,314
Non-controlling interest	171	995
	78,917	72,309
	RUR	RUR
Basic income per ordinary share for income attributable to the shareholders of the Company	1.109	0.894
Diluted income per ordinary share for income attributable to the shareholders of the Company	1.109	0.891

Chief Executive Officer

Kovalchuk B.Yu.


February 28, 2020

Member of the Management Board,
Chief Financial Officer**Miroshnichenko E.N.**


CONSOLIDATED STATEMENT OF CASH FLOWS (RUB MLN)

	For the year	
	2019	2018
Operating activities		
Income before income tax	103,781	92,178
Adjustments to reconcile income before tax to net cash flows from operating activities		
Depreciation and amortization	28,002	26,601
Provision for impairment of accounts receivable, net	7,050	8,358
Discounting of accounts receivable	(145)	(225)
Discounting of accounts payable	2,038	936
Release of other provisions	(1,394)	(1,008)
Impairment of securities and assets classified as held-for-sale	2	1,263
Impairment of property, plant and equipment and intangible assets	2,649	1,146
Impairment of investments in associates and joint ventures	2,269	–
Share of (profit)/loss of associates and joint ventures, net	(2,410)	3,579
(Income)/loss from electricity derivatives, net	(2,082)	49
Foreign exchange loss/(gain), net	4,139	(3,649)
Interest income	(14,580)	(10,267)
Other finance income	(344)	(328)
Interest expense	6,195	4,991
Other finance expenses	87	449
Dividend income	(454)	(375)
Income from sale of securities	–	(47)
Loss from sale of assets classified as held-for-sale	148	–
Shares option plan, gain	–	(168)
Gain from disposal of Group entities, net	(66)	(187)
Other non-cash operations/items	221	(81)

	For the year	
	2019	2018
Operating cash flows before working capital adjustments and income tax paid	135,106	123,215
Decrease/(increase) in inventories	427	(3,081)
Increase in accounts receivable and prepayments	(424)	(5,635)
Decrease in value added tax recoverable	875	1,273
(Decrease)/increase in other current assets	2,738	(793)
Decrease in accounts payable and accrued liabilities	(9,816)	(1,649)
(Decrease)/increase in taxes other than income tax prepaid/payable, net	(1,204)	216
Other working capital adjustments	64	(492)
	127,766	113,054
Income tax paid	(22,419)	(18,021)
Net cash flows from operating activities	105,347	95,033

APPENDIX

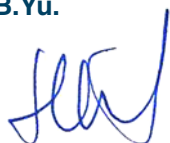
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(RUB MLN)

	For the year	
	2019	2018
Investment activities		
Proceeds from disposal of property, plant and equipment	1,373	151
Purchase of property, plant and equipment and intangible assets	(24,466)	(25,770)
Purchase of controlling interest, net of cash acquired	–	724
Outflow from disposal of controlling interest, net of cash disposed	(2)	–
Purchase of securities	(55)	(39)
Proceeds from disposal of joint ventures and associates	109	–
Proceeds from disposal of securities and assets classified as held-for-sale	1,597	6,305
Proceeds from repayment of loans issued	174	115
Loans issued	(148)	(360)
Bank deposits placed	(224,307)	(121,169)
Bank deposits returned and proceeds from promissory notes repayment	135,617	70,660
Interest proceeds for bank deposits placed	11,541	7,704
Purchase of other non-current assets	(528)	(115)
Dividends received	454	3,601
Cash flows from/(used for) other investment activities	(85)	129
Net cash flows used for investment activities	(98,726)	(58,064)
Financing activities		
Proceeds from loans and borrowings	7,176	20,626
Repayment of loans and borrowings	(13,212)	(28,084)
Repayment of leases	(7,752)	(4,583)
Interest paid	(427)	(907)
Dividends paid	(13,787)	(11,678)
Purchase of non-controlling interest in subsidiaries	(451)	–

	For the year	
	2019	2018
Proceeds from disposal of non-controlling interest	–	244
Acquisition of treasury shares	(37,510)	(4,117)
Proceeds from treasury shares sale	2,271	2,350
Net cash flows used for financing activities	(63,692)	(26,149)
Effect of exchange rate fluctuations on cash and cash equivalents	(752)	865
Net (decrease)/increase in cash and cash equivalents	(57,823)	11,685
Cash and cash equivalents at the beginning of the period	153,747	142,062
Cash and cash equivalents at the beginning of the period	95,924	153,747

Chief Executive Officer

Kovalchuk B.Yu.


Member of the Management Board, Chief Financial Officer

Miroshnichenko E.N.


CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (RUB MLN)

Attributable to shareholders of the Company									Total	Non-controlling interest	Total equity
	Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Fair value reserve	Hedge reserve	Actuarial reserve	Retained earnings			
Balance at December 31, 2017	293,340	(58,787)	69,312	2,152	(3,650)	2	7	157,540	459,916	1,587	461,503
Total comprehensive income/(loss) for the year ended 31 December 2018	–	–	–	2,735	(2,095)	(369)	267	70,776	71,314	995	72,309
Dividends to shareholders	–	–	–	–	–	–	–	(11,458)	(11,458)	(280)	(11,738)
Undrawn dividends returned	–	–	–	–	–	–	–	1	1	–	1
Acquisition of non-controlling interest in subsidiary	–	–	–	–	–	–	–	(87)	(87)	(286)	(373)
Disposal of non-controlling interest in subsidiary	–	–	–	–	–	–	–	51	51	193	244
Sale of treasury shares	–	5,565	–	–	–	–	–	(3,215)	2,350	–	2,350
Acquisition of treasury shares	–	(32,988)	–	–	–	–	–	(5,662)	(38,650)	–	(38,650)
Share option plan	–	–	–	–	–	–	–	(168)	(168)	–	(168)
Balance at December 31, 2018	293,340	(86,210)	69,312	4,887	(5,745)	(367)	274	207,778	483,269	2,209	485,478
Balance at December 31, 2018	293,340	(86,210)	69,312	4,887	(5,745)	(367)	274	207,778	483,269	2,209	485,478
Total comprehensive (loss)/income for the year ended 31 December 2019	–	–	–	(2,609)	(158)	761	(879)	81,631	78,746	171	78,917
Dividends to shareholders	–	–	–	–	–	–	–	(13,411)	(13,411)	(410)	(13,821)
Undrawn dividends returned	–	–	–	–	–	–	–	6	6	–	6
Acquisition of non-controlling interest in subsidiary	–	–	–	–	–	–	–	(42)	(42)	(30)	(72)
Sale of treasury shares	–	1,467	–	–	–	–	–	804	2,271	–	2,271
Acquisition of treasury shares	–	(1,965)	–	–	–	–	–	1,965	–	–	–
Balance at December 31, 2019	293,340	(86,708)	69,312	2,278	(5,903)	394	(605)	278,731	550,839	1,940	552,779

Chief Executive Officer

Kovalchuk B.Yu.

February 28, 2020.

Member of the Management Board, Chief Financial Officer

Miroshnichenko E.N.

APPENDIX 1

These summary consolidated financial statements of PJSC Inter RAO and its subsidiaries include the consolidated statement of financial position as of 31 December 2019, consolidated statement of comprehensive income, consolidated statement of cash flows, and consolidated statement of changes in equity for 2019. These summary consolidated financial statements derived from the audited consolidated financial statements for 2019 were signed by the management of PJSC Inter RAO on February 28, 2020. The audited consolidated financial statements were presented in millions of Russian rubles

and were prepared in accordance with International Financial Reporting Standards. All amounts in these summary consolidated financial statements are presented in millions of Russian rubles (except for income (loss) per ordinary share). These summary consolidated financial statements do not include all the disclosures required by International Financial Reporting Standards. Audited consolidated financial statements for 2019 can be found at <http://www.interrao.ru>.

SUMMARY RAS ANNUAL ACCOUNTING STATEMENT OF PJSC INTER RAO FOR 2019

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

To the shareholders and the Board of Directors
of Public Joint Stock Company "Inter RAO UES"

Opinion

The accompanying summary financial statements, which comprise the balance sheet as at 31 December 2019, statement of income for the period from 1 January through 31 December 2019 and related appendix, are derived from the audited financial statements of Public Joint Stock Company "Inter RAO UES" (the Company) for 2019 year.

In our opinion, the summary financial statements are consistent, in all material respects, with the audited financial statements, on the basis described in Appendix 1.

Summary financial statements

The summary financial statements do not contain all the disclosures required by the regulations of the Russian Federation insofar as they relate to the preparation of financial statements. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements of the Company and the auditor's report thereon.

Audited financial statements and our opinion

We expressed an unmodified audit opinion on the audited financial statements in our report dated 10 February 2020. That report also includes information on key audit matter.

Management's responsibility for the summary financial statements

Management is responsible for the preparation of a summary of the audited financial statements in accordance with criteria described in Appendix 1.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), **Engagements to Report on Summary Financial Statements**.

I.A. BUYAN

Partner Ernst & Young LLC

10 February 2020

Details of the audited entity

Name: Public Joint Stock Company "Inter RAO"

Record made in the State Register of Legal Entities on 1 November 2002, State Registration Number 1022302933630.

Address: Russia 195435, Moscow, Bolshaya Pirogovskaya street, 27, building 2.

Details of the auditor

Name: Ernst & Young LLC

Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.

Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.

Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo". Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Attachment No.1 to Order No.66n of the
RF Ministry of Finance dated July 2,
2010

BALANCE SHEET
As of 31 December 2019 year

Entity	<u>Public Joint Stock Company «Inter RAO UES»</u>	OKUD Form	0710001	
Taxpayer's identification number		Date (DDMMYY)	31	12 2019
Type of activity	<u>sales of electricity</u>	OKPO code	33741102	
Legal/ownership form		TIN	2320109650	
	<u>Public Joint Stock Company/Other mixed Russian ownership</u>	OKVED 2 code	35.14	
Measurement unit: RUB thousands		OKOPF/OKFS code	12247	49
Location (address)	<u>119435, Moscow, ul. Bolshaya Pirogovskaya, 27, bld. 2</u>			
Financial statements are subject to mandatory audit	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
Auditor name	<u>Ernst & Young LLC</u>			
Taxpayer's identification number of the auditor	TIN	7709383532		
Primary state registration number of the auditor	PSRN	1027739707203		

Note	Description	Code	At 31 December 2019	At 31 December 2018	At 31 December 2017
	ASSETS				
	I. NON-CURRENT ASSETS				
	Intangible assets	1110	74 817	123 305	68 627
	Research and development results	1120	-	-	-
	Property, plant and equipment	1150	25 624	1 318 608	1 186 302
	including construction in progress	1155	294	1 289 306	1 149 885
	Income-bearing investments in tangible assets	1160	-	-	-
	Financial investments	1170	345 824 184	347 537 612	347 899 147
	Deferred tax assets	1180	1 688 630	2 327 382	3 820 990
	Other non-current assets	1190	34 496 861	4 049 232	4 016 016
	TOTAL for Section I	1100	382 110 116	355 356 139	356 991 082
	II. CURRENT ASSETS				
	Inventory	1210	88 378	43 946	7 047
	VAT on purchased assets	1220	524 037	567 055	370 579
	Accounts receivable, payments on which are expected within 12 months after the reporting date	1230	22 874 658	11 431 800	30 956 227
	trade accounts receivable	1231	2 947 573	3 151 533	2 137 039
	advances issued	1232	527 973	259 388	1 611 974
	other accounts receivable	1236	19 399 112	8 020 879	27 207 214
	Financial investments (other than cash equivalents)	1240	104 597 855	37 057 359	10 838 269
	Cash and cash equivalents	1250	47 551 636	101 935 905	68 913 797
	Other current assets	1260	2 180	4 031	8 951
	TOTAL for Section II	1200	175 638 744	151 040 096	111 094 870
	BALANCE SHEET	1600	557 748 860	506 396 235	468 085 952

Translation of the original in Russian language

Form 0710001 p. 2

Note	Description	Code	At 31 December 2019	At 31 December 2018	At 31 December 2017
	CAPITAL AND LIABILITIES				
	III. CAPITAL AND RESERVES				
	Charter capital	1310	293 339 675	293 339 675	293 339 675
	Treasury shares	1320	-	-	-
	Revaluation of non-current assets	1340	-	-	-
	Additional capital (without revaluation)	1350	195 416 130	195 416 130	195 416 130
	Reserve capital	1360	7 108 262	6 161 323	5 377 885
	Retained earnings (loss)	1370	(56 339 937)	(59 266 962)	(63 810 957)
	TOTAL for Section III	1300	439 524 130	435 650 166	430 322 733
	IV. LONG-TERM LIABILITIES				
	Loans and borrowings	1410	-	-	-
	Deferred tax liabilities	1420	34 947	34 809	34 513
	Provisions	1430	252 747	-	-
	Other liabilities	1450	-	-	-
	TOTAL for Section IV	1400	287 694	34 809	34 513
	V. SHORT-TERM LIABILITIES				
	Loans and borrowings	1510	110 913 136	63 651 062	28 853 002
	Accounts payable, payments on which are expected within 12 months after the reporting date	1520	4 639 617	4 497 128	6 491 926
	trade accounts payable	1521	2 473 576	3 239 513	3 242 927
	accrued payroll	1522	89 082	76 554	66 047
	social insurance and social security payable	1523	43 811	38 139	35 817
	taxes and levies payable	1524	136 752	36 027	15 259
	advances received	1525	947 880	97 264	2 151 327
	other accounts payable	1527	948 516	1 009 631	980 549
	Provisions	1540	2 384 283	2 563 070	2 383 778
	Other liabilities	1550	-	-	-
	TOTAL for Section V	1500	117 937 036	70 711 260	37 728 706
	BALANCE SHEET	1700	557 748 860	506 396 235	468 085 952

Chief Executive Officer

B. Yu. Kovalchuk

" 10 " February 2020 r.

Attachment No.1 to Order No.66n of the RF
Ministry of Finance dated July 2, 2010

STATEMENT OF INCOME
for the period from January 01 through December 31, 2019

Entity Public Joint Stock Company «Inter RAO UES»
Taxpayer's identification number _____
Type of activity sales of electricity
Legal/ownership form _____

OKUD Form _____
Date (DDMMYY) _____
OKPO code _____
TIN _____
OKVED 2 code _____

Codes		
0710002		
31	12	2019
33741102		
2320109650		
35.14		
12247	49	
384		

Public Joint Stock Company/Other mixed Russian ownership
Measurement unit: RUB thousands

OKOPF/OKFS code _____
OKEI code _____

Note	Description	Code	January - December 2019	January - December 2018
	Revenue from the sale of goods, products, works and services, net (less VAT, excise duties and similar obligatory payments), including:	2110	55 106 433	53 901 083
	export of energy	2111	46 489 785	38 462 452
	domestic sales of energy (capacity)	2112	8 394 701	12 065 793
	sales of power generation equipment	2113	-	3 143 553
	other	2114	221 947	229 285
	Cost of sales of goods, products, works and services	2120	(35 787 050)	(36 083 587)
	purchase of energy (power) from domestic market	2121	(33 636 358)	(28 154 567)
	import of energy	2123	(2 085 657)	(4 913 367)
	sales of power generation equipment	2124	-	(3 011 057)
	other	2125	(65 035)	(4 596)
	Gross profit	2100	19 319 383	17 817 496
	Selling expenses	2210	(3 925 056)	(2 977 326)
	Administrative expenses	2220	(7 906 001)	(6 548 483)
	Profit (loss) from operations	2200	7 488 326	8 291 687
	Income from equity participation	2310	16 332 457	7 294 821
	Interest receivable	2320	8 200 613	6 430 795

APPENDIX

Interest receivable	2320	8 200 613	6 430 795
Interest payable	2330	(4 445 975)	(2 670 504)
Other income	2340	3 825 586	3 547 768
Other expenses	2350	(8 037 054)	(861 265)
Profit (loss) before tax	2300	23 363 953	22 033 302
Current profit tax	2410	(934 854)	(1 565 729)
including permanent tax liabilities (assets)	2421	181 935	118 654
Deferred tax liabilities change	2430	(138)	(296)
Deferred tax assets change	2450	(650 975)	(1 493 972)
Other	2460	8 774	(34 529)
Profit (loss) after tax	2400	21 786 760	18 938 776
FOR REFERENCE	2510		
Cumulative financial result for the period	2500	21 786 760	18 938 776
Basic earnings (loss) per share (rub.)	2900	0,2087	0,1814
Diluted earnings (loss) per share (rub.)	2910	0,2087	0,1814

Chief Executive Officer

B. Yu. Kovalev

" 10 " February 2020 r.

APPENDIX 1

These summary financial statements of Public Joint Stock Company "Inter RAO UES" include the balance sheet as of 31 December 2019 and the statement of income for the period from 1 January through 31 December 2019. These summary financial statements derived from the audited financial statements for 2019 that was signed by the management of Public Joint Stock Company "Inter RAO UES" on 10 February 2020. The audited financial statements were presented in thousands of Russian rubles and were prepared in accordance with accounting principles and practices generally accepted in the Russian Federation. All amounts in these summary financial statements are presented in thousands of Russian rubles (except for earnings (loss) per share). These summary financial statements do not include all the disclosures required by accounting principles and practices generally accepted in the Russian Federation. Audited financial statements for 2019 can be found at <http://www.interrao.ru>.

OPINION OF THE REVISION COMMISSION

TO THE MEETING OF SHAREHOLDERS OF PJSC INTER RAO

OPINION OF THE REVISION COMMISSION OF PUBLIC JOINT-STOCK COMPANY INTER RAO UES

March 31, 2020
Moscow

In accordance with the Charter of PJSC Inter RAO (hereinafter referred to as the Company), Federal Law of the Russian Federation No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995, the Regulations on the Revision Commission of JSC Inter RAO adopted by the Annual General Meeting of Shareholders of Inter RAO on May 29, 2015 (Minutes No. 15 dated June 25, 2015), and the Resolution of the Revision Commission of PJSC Inter RAO dated July 5, 2018 (Minutes No. 2 dated July 5, 2018), the Company's Revision Commission, as comprised of (positions given at time of election):

- Chairman of the Revision Commission – Gennady Bukayev, CEO of JSC ROSNEFTEGAZ and Vice President and Head of the Internal Audit Service of PJSC Rosneft Oil Company

Members of the Revision Commission:

- Tatyana Zaltsman – Head of the Economic Planning Department of the PJSC Inter RAO Financial and Economic Center
- Svetlana Kovalyova – Internal Audit Director and Head of the PJSC FGC UES Internal Audit Department
- Yekaterina Snigiryova – Deputy Head of the Department of Property Relations and Privatization of Major Organizations of the Federal Agency for State Property Management
- Igor Feoktistov – Director for Internal Control of PJSC FGC UES conducted an audit of the financial and economic activities of PJSC Inter RAO over the period from February 24, 2019 to March 31, 2019 based on the results of 2019.

During the audit of financial and economic activities of PJSC Inter RAO, the Revision Commission performed the following tasks:

- Monitoring the Company's financial and economic activities
- Ensuring the compliance of the Company's financial and economic activities with Russian legislation and the Company's Charter
- Conducting an independent assessment of data on the Company's financial position

The Opinion of the Revision Commission was prepared after verifying the following materials:

- The accounting (financial) statements of PJSC Inter RAO for 2019 with all appendices and explanations
- The PJSC Inter RAO Annual Report for 2019
- The audit report of the independent auditor (LLC Ernst & Young) attached to the accounting statements of PJSC Inter RAO for 2019
- The Report on the Implementation of the PJSC Inter RAO Business Plan for 2018 and 2019
- The Report on the PJSC Inter RAO Annual Comprehensive Procurement Program for 2019
- The minutes of meetings of the PJSC Inter RAO Board of Directors and materials of the PJSC Inter RAO Management Board
- The Auditor's Report on the Assessment of the Risk Management and Internal Control Framework of PJSC Inter RAO for 2019
- The Report on the Implementation of the PJSC Inter RAO Investment Program for 2019
- The Auditor's Report on the Assessment of the Corporate Governance System of PJSC Inter RAO for 2019
- The Report on Related-Party Transactions Concluded in 2019
- Selectively – contracts, source documents, and other documents

APPENDIX

Having examined the materials submitted, the Revision Commission notes the following:

1. The Company's Annual Report for 2019 not only includes the data for PJSC Inter RAO as a legal entity, but also for legal entities in the Inter RAO Group
2. The Company's Annual Report for 2019 was prepared using data from the IFRS consolidated financial statements of the Inter RAO Group

PJSC Inter RAO management is responsible for preparing reliable accounting statements and compliance with the accounting procedures and other requirements of the legal acts of the Russian Federation in accordance with the legislation of the Russian Federation.

According to the Revision Commission, the materials submitted and considered during the audit are sufficient to draw valid conclusions and opinions.

The general results of the audit and recommendations to the Company's management are set out in the Audit Report.

Based on the audit results, the Revision Commission reports the following:

1. The Revision Commission did not observe any cases of a significant failure to comply with the requirements of the legal acts of the Russian Federation or internal regulations

2. The Revision Commission did not observe any significant shortcomings in the reflection of the Company's financial performance that could lead to a material distortion in the value of assets and liabilities as of December 31, 2019 and the financial results of the Company's operations for 2019
3. The Risk Management and Internal Control Framework, corporate governance practices, and internal audit system of PJSC Inter RAO ensure effective control over the Company's main business processes

Based on the audit and taking into account the opinion of the Company's external auditor (Ernst & Young LLC, opinion dated February 10, 2020 prepared on the basis of Agreement No. ECU-2019-00214 dated September 23, 2019, which was concluded in accordance with Minutes No. 18 of the Annual General Meeting of Shareholders of PJSC Inter RAO on May 21, 2018), the Revision Commission has sufficient grounds to confirm the reliability of all material aspects of the Company's annual accounting (financial) statements for 2019 and to also confirm the reliability of the information contained in the Annual Report of PJSC Inter RAO for 2019 and the Report on Related-Party Transactions Concluded by PJSC Inter RAO in 2019.

Members of the PJSC Inter RAO Revision Commission:

Chairman of the Revision Commission CEO of JSC ROSNEFTEGAZ and Vice President and Head of the Internal Audit Service of PJSC Rosneft Oil Company	Gennady Bukayev
Head of the Economic Planning Department of the PJSC Inter RAO Financial and Economic Center	Tatyana Zaltsman
Internal Audit Director and Head of the PJSC FGC UES Internal Audit Department	Svetlana Kovalyova
Deputy Head of the Department of Property Relations and Privatization of Major Organizations of the Federal Agency for State Property Management	Yekaterina Snigiryova
Director for Internal Control of PJSC FGC UES (positions given at time of election)	Igor Feoktistov

The Opinion was reviewed by:

CEO of PJSC Inter RAO

Boris Kovalchuk



Chief Accountant of PJSC Inter RAO

Alla Vainilavichute



REPORT ON COMPLIANCE WITH THE PRINCIPLES AND RECOMMENDATIONS OF THE CORPORATE GOVERNANCE CODE FOR 2019

Statement of the Company's Board of Directors on compliance with the corporate governance principles set forth in the Corporate Governance Code, and, if the Company failed to observe such principles to any extent, a description of such principles and brief explanations of why they are not observed.

The Board of Directors confirms that the information in this Report is complete and true.

Of the 79 principles of the Corporate Governance Code, the Company fully observes 76 principles (96.2%), partially observes two principles, and does not observe only one principle.

Thus, the Company observes 78 of the corporate governance principles, or 98.7%, to one extent or another and compared with 2018 has improved the indicator for compliance with the recommendations of the Corporate Governance Code

- By 2.5% for full compliance from 93.7% to 96.2%
- By 1.3% for compliance to one extent or another from 97.4% to 98.7%

LEVEL 2 PRINCIPLES THAT ARE NOT OBSERVED

4.3.2. The Company has introduced a long-term incentive program for members of the Company's executive bodies and other key management personnel using the Company's shares (options or other derivative financial instruments with Company shares as a basic asset).

LEVEL 2 PRINCIPLES THAT ARE PARTIALLY OBSERVED

2.8.5. The composition of the Committees has been determined so that it enables a comprehensive discussion of matters that are reviewed preliminarily with respect to different opinions as concerns independent directors heading the committees (namely, the Strategy and Investment Committee).

7.2.2. The rules and procedures associated with the performance of major corporate actions by the Company are enshrined in the Company's internal documents regarding recommendations on the hiring of an appraiser when approving related-party transactions and transaction to acquire and buy back shares as well as on the existence of an expanded list of grounds based on which members of the Company's Board of Directors and other entities envisaged by law are deemed to have an interest in the Company's transactions.

Summary of the most significant aspects of the model and practice of corporate governance at the joint-stock company

APPENDIX

PJSC Inter RAO employs a corporate governance model (hereinafter referred to as the Model) that meets the requirements of Russian law and regulations for issuers of securities whose shares are included in the First-Tier list of securities allowed for trading on the Moscow Exchange. The Company's corporate governance model ensures the efficiency of the corporate governance system, the observance of shareholders' interests, and high disclosure standards. The Model also entails the development and maintenance of an effective Risk Management and Internal Control Framework, a clear distinction between the powers and responsibilities of each management body of the Company, and a system for evaluating their functions and duties.

In accordance with the Charter of PJSC Inter RAO, the Company's management bodies are as follows:

- General Meeting of Shareholders
- Board of Directors
- Management Board
- CEO

Committees of the Board of Directors that are established by a resolution of the Board of Directors prepare recommendations on the most important issues falling within the purview of the Board of Directors, evaluate the efficiency of corporate governance procedures, and perform other functions to maintain the high standards of the work of the Board of Directors. All the Committees are subordinate to the Company's Board of Directors.

The management of the Company's day-to-day business is performed by the sole executive body (CEO) and a collective executive body (the Company's Management Board). The CEO and the Management Board are subordinate to the General Meeting of Shareholders and the Company's Board of Directors.

The Revision Commission is elected by the General Meeting of Shareholders and monitors the Company's financial and business. If serious violations are discovered, the Revision Commission may demand that an extraordinary General Meeting of Shareholders be convened.

An assessment of the effectiveness of internal control, risk management, and corporate governance systems is conducted annually by the Internal Audit Unit, which is subordinate to the Company's Board of Directors, and is reviewed at meetings of the Company's Audit Committee and Board of Directors.

Read more about the Company's corporate governance in the 'Corporate governance' section of this Annual Report.

Description of the methodology the joint-stock company uses to conduct an assessment of compliance with the principles of corporate governance enshrined in the Corporate Governance Code:

The assessment of the Company's compliance with the corporate governance principles enshrined in the Corporate Governance Code was conducted in accordance with the Recommendations for Reporting on Compliance with the Principles and Recommendations of the Corporate Governance Code (Letter No. IN-06-52/8 of the Central Bank of Russia dated February 17, 2016).

Explanation of the key reasons, factors, and/or circumstances due to which the joint-stock company does not fully comply with the corporate governance principles enshrined in the Corporate Governance Code, and a description of the corporate governance mechanisms and tools that the joint-stock company uses instead of the ones that are recommended by the Corporate Governance Code, as well as actions and measures planned (expected) by the joint-stock company to improve the corporate governance model and practice with an indication of the timing of such actions and measures

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
1.1	The Company shall ensure all shareholders are treated equally and fairly when exercising their right to participate in the Company's management.				
1.1.1	The Company shall provide the best possible conditions for shareholders to participate in the General Meeting, formulate a substantiated position on the agenda items at the General Meeting, and coordinate their actions as well as the ability to express their opinions on the items discussed.	<ol style="list-style-type: none"> 1. An internal Company document adopted by the General Meeting of Shareholders and governing the procedures of the General Meeting is publicly available. 2. The Company provides available means of communication, such as a hotline, email, or Internet forum that enables shareholders to express their opinion and send questions about the agenda during preparations for the General Meeting. The Company took such measures prior to each General Meeting held during the reporting period. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
1.1.2	The notification procedure for the General Meeting and the delivery of materials for it shall enable shareholders to properly prepare for the General Meeting.	<ol style="list-style-type: none"> 1. The notification about the General Meeting of Shareholders is published online at least 30 days prior to the date of the General Meeting. 2. The notification about the General Meeting indicates its location and the form of identification required to enter the premises. 3. Shareholders were granted access to information about who proposed agenda items and who nominated candidates for the Company's Board of Directors and Revision Commission. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

APPENDIX

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
1.1.3	In the course of preparing for and during the General Meeting, shareholders were able to obtain information about the meeting and materials for it, ask executive bodies and members of the Board of Directors questions, and communicate with each other in an unhindered and timely manner.	<ol style="list-style-type: none"> During the reporting period, shareholders were able to ask members of the executive bodies and the Board of Directors questions in the run-up to and during the Annual General Meeting. The position of the Board of Directors (including special opinions included in the minutes) on each agenda item of the General Meetings held during the reporting period was included in the materials for the General Meeting of Shareholders. The Company granted authorized shareholders access to the list of persons allowed to participate in the General Meeting starting from the date on which it was received by the Company in all cases when General Meetings were held during the reporting period 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
1.1.4	Shareholders shall be able to exercise their right to demand the convening of a General Meeting, nominate candidates to management bodies, and make proposals for items to be included on the agenda of a General Meeting without any unjustified difficulties.	<ol style="list-style-type: none"> During the reporting period, shareholders had the opportunity to submit proposals to be included in the agenda of the Annual General Meeting at least 60 days after the end of the corresponding calendar year. During the reporting period, the Company did not refuse to accept any proposals for the agenda or candidates for the Company's bodies due to typos or other minor shortcomings in a shareholder's proposal. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
1.1.5	Each shareholder was able to exercise his/her voting right using the easiest and most convenient method.	<ol style="list-style-type: none"> The Company's internal document (internal policy) contains regulations stipulating that each participant in the General Meeting may request a copy of his/her completed ballot certified by the counting commission prior to the end of the relevant meeting. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
1.1.6	The Company's General Meeting procedure shall enable all persons who are present at the meeting to equally express their opinions and to ask questions.	<ol style="list-style-type: none"> 1. The General Meetings of Shareholders held during the reporting period in the form of a physical meeting (joint presence of shareholders) allotted sufficient time for reports on agenda items and to discuss these items. 2. Candidates for the Company's management and control bodies were made available to answer questions from shareholders during the meeting at which their candidacies were put to a vote. 3. When making decisions associated with preparing for and holding General Meetings of Shareholders, the Board of Directors considered using means of telecommunication to provide shareholders with remote access to participate in General Meetings in the reporting period. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
1.2	Shareholders shall have an equal and fair opportunity to participate in the Company's profits by receiving dividends.				
1.2.1	The Company has developed and introduced a transparent and clear mechanism for determining the amount of dividends and their payment procedure.	<ol style="list-style-type: none"> 1. The Company has drafted a Dividend Policy that has been approved and disclosed by the Board of Directors. 2. If the Company's Dividend Policy uses the Company's reporting indicators to determine the amount of dividends, then the relevant Dividend Policy provisions take into account consolidated financial statements. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
1.2.2	The Company shall not adopt any decision on dividend payments if such a decision is economically unreasonable and may lead to false assumptions about the Company's business even though it does not formally violate legal restrictions.	<ol style="list-style-type: none"> 1. The Company's Dividend Policy contains clear indications of financial/economic circumstances in which the Company should not pay dividends. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

APPENDIX

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
1.2.3	The Company shall not allow any infringement on the dividend rights of existing shareholders.	1. During the reporting period, the Company did not take any actions that led to an infringement on the dividend rights of existing shareholders.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
1.2.4	The Company shall strive to prevent shareholders from using any other methods to receive income (profit) at the Company's expense except for dividends and liquidation value.	1. In order to prevent shareholders from using other methods of receiving profit (income) at the Company's expense except for dividends and residual value, the Company's internal documents establish control mechanisms that ensure the timely identification and approval of transactions with persons affiliated (connected) with major shareholders (persons entitled to manage votes attributable to voting shares) in cases where the law does not formally recognize such transactions as related-party transactions.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
1.3	The corporate governance system and practice shall ensure equal conditions for all shareholders who hold shares of the same category (type), including minority (small) shareholders and foreign shareholders, as well as their equal treatment by the Company.				
1.3.1	The Company has created conditions for the fair treatment of each shareholder by the Company's management bodies and controlling entities, including conditions that prevent any abuse by majority shareholders with respect to minority shareholders.	1. During the reporting period, the procedures used to manage potential conflicts of interest among major shareholders were effective, and the Board of Directors devoted proper attention to conflicts between shareholders, if any.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
1.3.2	The Company shall not take any actions that will or may lead to an artificial redistribution of corporate control.	1. The Company does not have any quasi-treasury shares, or at least they were not used in voting during the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Improved
1.4	Shareholders shall have reliable and effective methods to account for their share rights and are able to dispose of their shares freely and easily.				
1.4	Shareholders shall have reliable and effective methods to account for their share rights and are able to dispose of their shares freely and easily.	1. The quality and reliability of the activities performed by the Company's registrar to maintain the register of securities owners are consistent with the needs of the Company and its shareholders.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
2.1	The Board of Directors shall handle the strategic management of the Company, determine the basic principles of and approaches to the establishment of the Risk Management and Internal Control Framework at the Company, monitor the operation of the Company's executive bodies, and perform other key functions.				
2.1.1	The Board of Directors shall be responsible for decisions related to the appointment and dismissal of executive bodies, in particular due to the improper fulfillment of their duties. The Board of Directors shall also monitor the actions of the Company's executive bodies in accordance with the development strategy that has been adopted and the main focuses of the Company's operations.	<ol style="list-style-type: none"> 1. The Board of Directors has the powers stipulated in the Charter to appoint and dismiss members of executive bodies and to determine the terms of their contracts. 2. The Board of Directors reviewed the report(s) of the sole executive body and members of the collective executive body on the implementation of the Company's strategy. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Improved
2.1.2	The Board of Directors shall set the main targets for the Company's business in the long term, evaluate and approve the key parameters of the Company's operation and its main business goals, and evaluate and approve the strategy and business plans for the Company's core businesses.	<ol style="list-style-type: none"> 1. During the reporting period, the meetings of the Board of Directors addressed issues related to the implementation and updating of the Company's strategy, the approval of its financial and business plan (budget) as well as the consideration of the criteria and indicators (including interim indicators) for the implementation of the Company's strategy and business plans. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.1.3	The Board of Directors shall determine the principles of and approaches to the establishment of the Risk Management and Internal Control Framework at the Company.	<ol style="list-style-type: none"> 1. The Board of Directors determined the principles of and approaches to the establishment of the Risk Management and Internal Control Framework at the Company. 2. The Board of Directors assessed the Company's Risk Management and Internal Control Framework during the reporting period. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

APPENDIX

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
2.1.4	The Board of Directors shall determine the Company's policy on remuneration and/or compensation for members of the Board of Directors, executive bodies, and other top executives of the Company.	<ol style="list-style-type: none"> 1. The Company has drafted and introduced a policy (policies) approved by the Board of Directors for the remuneration and reimbursement of expenses (compensation) for members of the Company's Board of Directors, executive bodies, and other top executives. 2. During the reporting period, meetings of the Board of Directors addressed issues related to this policy (policies). 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.1.5	The Board of Directors shall play a key role in preventing, identifying, and settling internal conflicts between the Company's bodies, shareholders, and employees.	<ol style="list-style-type: none"> 1. The Board of Directors plays a key role in preventing, identifying, and settling internal conflicts. 2. The Company has created a system to identify transactions related to a conflict of interest and a system of measures that aims to settle such conflicts. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.1.6	The Board of Directors shall play a key role in ensuring the Company's transparency, the timely and full disclosure of information by the Company, and easy access for shareholders to the Company's documents.	<ol style="list-style-type: none"> 1. The Board of Directors has approved a regulation on information policy. 2. The Company has identified persons responsible for implementing the information policy. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.1.7	The Board of Directors shall monitor the Company's corporate governance practices and play a key role in its major corporate events.	<ol style="list-style-type: none"> 1. During the reporting period, the Board of Directors considered the issue of corporate governance practices at the Company. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.2	The Board of Directors shall be subordinate to the Company's shareholders.				

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
2.2.1	Information on the operation of the Board of Directors shall be disclosed and provided to shareholders.	<ol style="list-style-type: none"> 1. The Company's Annual Report for the reporting period includes information on the attendance of meetings of the Board of Directors and committees by individual directors. 2. The Annual Report contains information about the main results of the performance assessment of the Board of Directors carried out in the reporting period. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.2.2	The Chairman of the Board of Directors shall be available for communications with the Company's shareholders	<ol style="list-style-type: none"> 1. The Company has a transparent procedure that provides shareholders with the opportunity to submit items and their position on them to the Chairman of the Board of Directors. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.3	The Board of Directors shall be an efficient and professional management body of the Company that is able to make objective and independent judgments and adopt resolutions in the best interests of the Company and its shareholders.				
2.3.1	Only persons with an impeccable business and personal reputation and with the knowledge, skills, and experience that are required to adopt resolutions within the purview of the Board of Directors and for the efficient performance of its functions shall be elected as members of the Board of Directors.	<ol style="list-style-type: none"> 1. The procedure that the Company has adopted to evaluate the performance of the Board of Directors includes an assessment of the professional qualifications of members of the Board of Directors, among other things. 2. During the reporting period, the Board of Directors (or its Nomination Committee) evaluated candidates for the Board of Directors in terms of their necessary experience, knowledge, business reputation, lack of conflict of interest, etc. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

APPENDIX

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
2.3.2	Members of the Board of Directors shall be elected using a transparent procedure that allows shareholders to be informed about the candidates to an extent that is sufficient to get an idea of their personal and professional qualities.	1. In all cases when a General Meeting of Shareholders was held during reporting period at which the agenda included items on the election of the Board of Directors, the Company provided shareholders with biographical data on all candidates for the Board of Directors, the results of the evaluation of said candidates by the Board of Directors (or its Nomination Committee) as well as information about the candidate's compliance with independence criteria in accordance with recommendations 102-107 of the Code and the written consent of candidates for election to the Board of Directors.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.3.3	The composition of the Board of Directors shall be balanced in terms of the qualifications, experience, knowledge and business qualities of its members, and enjoy the trust of shareholders.	1. As part of the procedure for the performance assessment of the Board of Directors that was conducted during the reporting period, the Board of Directors analyzed its own needs in terms of professional qualifications, experience, and business skills.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.3.4	The size of the Board of Directors shall allow it to organize its work as efficiently as possible, including the establishment of Committees of the Board of Directors, and enable significant minority shareholders to elect the candidate to the Board of Directors for whom they will vote	1. As part of the procedure for the performance assessment of the Board of Directors that was conducted during the reporting period, the Board of Directors examined whether the size of the Board of Directors meets the Company's needs and the interests of shareholders.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
2.4	The Board of Directors shall include a sufficient number of independent directors.				
2.4.1	An independent director shall be recognized as a person who has sufficient professionalism, experience, and independence to form his/her own position, is able to make objective and honest judgments, and operates independently of the influence of the Company's executive bodies, certain groups of shareholders, or other stakeholders. Under normal conditions, a candidate (elected member of the Board of Directors) who has ties to the Company, is a major shareholder, significant counterparty, or competitor, or is connected with the government cannot be considered independent.	1. During the reporting period, all independent members of the Board of Directors met all the independence criteria specified in recommendations 102-107 of the Code or were recognized as independent by a resolution of the Board of Directors.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.4.2	The Company shall assess whether candidates for members of the Board of Directors meet the independence criteria and also conduct a regular analysis of whether independent members of the Board of Directors comply with the independence criteria. When conducting such an assessment, substance shall take precedence over form.	1. During the reporting period, the Board of Directors (or the Nomination Committee of the Board of Directors) prepared an opinion on the independence of each candidate for the Board of Directors and presented the respective opinion to shareholders. 2. During the reporting period, the Board of Directors (or the Nomination Committee of the Board of Directors) at least once examined the independence of the current members of the Board of Directors whom the Company lists as independent directors in the Annual Report. 3. The Company has developed procedures that determine the necessary actions a member of the Board of Directors must take in the event that he/she ceases to be independent, including the obligation to inform the Board of Directors about this in a timely manner.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

APPENDIX

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
2.4.3	Independent directors shall comprise less than one third of the elected members of the Board of Directors.	1. Independent directors make up at least one third of the members of the Board of Directors.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.4.4	Independent directors shall play a key role in preventing internal conflicts within the Company and the conclusion of major corporate actions by the Company.	1. Independent directors (who do not have a conflict of interest) preliminarily assess significant corporate actions related to a possible conflict of interest, and the results of this assessment are presented to the Board of Directors.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.5	The Chairman of the Board of Directors shall facilitate the most efficient implementation of the functions assigned to the Board of Directors.				
2.5.1	An independent director or a senior independent director appointed from among the elected independent directors who coordinates the work of independent directors and interacts with the chairman of the Board of Directors has been elected chairman of the Board of Directors.	1. The Chairman of the Board of Directors is an independent director, or a senior independent director has been identified among the independent directors. 2. The role, rights, and obligations of the Chairman of the Board of Directors (or, if applicable, the senior independent director) are properly defined in the Company's internal documents.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.5.2	The Chairman of the Board of Directors shall ensure meetings are held in a constructive atmosphere, facilitate an open discussion of issues on the meeting agenda, and monitor the implementation of the resolutions adopted by the Board of Directors.	1. The performance of the Chairman of the Board of Directors was evaluated as part of the performance assessment procedure of the Board of Directors during the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.5.3	The Chairman of the Board of Directors shall take the necessary measures to promptly provide the members of the Board of Directors with the information needed to adopt resolutions on agenda items.	1. The obligation of the Chairman of the Board of Directors to take measures to ensure the timely submission of materials to members of the Board of Directors concerning the agenda of a meeting of the Board of Directors is enshrined in the Company's internal documents.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
2.6	The members of the Board of Directors shall act in good faith and reasonably in the interests of the Company and its shareholders based on sufficient information and with the proper level of care and discretion.				
2.6.1	Members of the Board of Directors shall adopt decisions taking into account all available information, without any conflict of interest, and ensure the equal treatment of the Company's shareholders within the confines of ordinary business risk.	<ol style="list-style-type: none"> 1. The Company's internal documents stipulate that a member of the Board of Directors must notify the Board of Directors if he/she has a conflict of interest with respect to any item on the agenda of a meeting of the Board of Directors or committee of the Board of Directors prior to the start of the discussion of the relevant agenda item. 2. The Company's internal documents stipulate that a member of the Board of Directors must abstain from voting on any issue in which he/she has a conflict of interest. 3. The Company has established a procedure that allows the Board of Directors to receive professional consultations on matters within its purview at the Company's expense. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.6.2	The rights and obligations of members of the Board of Directors shall be clearly formulated and enshrined in the Company's internal documents.	<ol style="list-style-type: none"> 1. The Company has adopted and published an internal document that clearly defines the rights and obligations of members of the Board of Directors. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.6.3	Members of the Board of Directors shall have sufficient time to carry out their duties.	<ol style="list-style-type: none"> 1. The individual attendance of meetings of the Board of Directors and committees as well as the time spent on preparing for the meetings was taken into account in the evaluation procedure of the Board of Directors during the reporting period. 2. In accordance with the Company's internal documents, members of the Board of Directors are required to notify the Board of Directors about their intention to join the governing bodies of other organizations (in addition to any controlled or dependent organizations of the Company) as well as their appointment at such organizations. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

APPENDIX

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
2.6.4	All members of the Board of Directors shall equally have the ability to access the Company's documents and information. Newly elected members of the Board of Directors shall be provided with sufficient information about the Company and the work of the Board of Directors as soon as possible.	<ol style="list-style-type: none"> 1. In accordance with the Company's internal documents, members of the Board of Directors are entitled to access documents and make inquiries regarding the Company and its affiliated organizations, and the Company's executive bodies are required to provide the relevant information and documents. 2. The Company has a formal program of induction activities for newly elected members of the Board of Directors. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.7	Meetings of the Board of Directors, preparations for them, and the participation of members of the Board of Directors in them shall ensure the efficient operation of the Board of Directors.				
2.7.1	Meetings of the Board of Directors shall be held as necessary taking into account the scale of operations and the tasks facing the Company during a certain period of time.	<ol style="list-style-type: none"> 1. The Board of Directors held at least six meetings during the reporting year. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.7.2	The Company's internal documents stipulate the procedure for preparing for and holding meetings of the Board of Directors and providing members of the Board of Directors with the opportunity to properly prepare for meetings.	<ol style="list-style-type: none"> 1. The Company has approved an internal document that describes the procedure for preparing for and holding meetings of the Board of Directors, which stipulates, among other things, that notification about the meeting must be provided, as a rule, at least five days prior to the date of the meeting. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.7.3	The form of a meeting of the Board of Directors shall be determined taking into account the importance of agenda items. The most important issues shall be resolved at in-person meetings.	<ol style="list-style-type: none"> 1. The Company's charter or internal documents stipulate that the most important items (according to the list given in recommendation 168 of the Code) must be considered at in-person meetings of the Board of Directors. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
2.7.4	Resolutions on the most important issues concerning the Company's activities shall be adopted at a meeting of the Board of Directors by a qualified majority or a majority of votes by all elected members of the Board of Directors.	1. The Company's charter stipulates that decisions on the most important items as described in recommendation 170 of the Code must be adopted at a meeting of the Board of Directors by a qualified majority of no less than three quarters of the vote or by a majority vote of all elected members of the Board of Directors.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.8	The Board of Directors shall create committees for the preliminary consideration of the most important issues for the Company.				
2.8.1	An Audit Committee comprised of independent directors has been established for the preliminary consideration of issues related to the monitoring of the Company's financial and economic activities.	1. The Board of Directors has established an Audit Committee that consists solely of independent directors. 2. The Company's internal documents specify the tasks of the Audit Committee, including the tasks contained in recommendation 172 of the Code. 3. At least one member of the Audit Committee, who is an independent director, has experience and knowledge concerning the preparation, analysis, evaluation, and audit of accounting (financial) statements. 4. The Audit Committee held meetings at least once a quarter during the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.8.2	A Remuneration Committee comprised of independent directors and headed by independent directors who are not the chairman of the Board of Directors has been established for the preliminary consideration of issues related to the creation of an effective and transparent remuneration practice.	1. The Board of Directors has established a Remuneration Committee that consists solely of independent directors. 2. The chairman of the Remuneration Committee is an independent director who is not the chairman of the Board of Directors. 3. The Company's internal documents define the tasks of the Remuneration Committee, including but not limited to the tasks contained in recommendation 180 of the Code.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

APPENDIX

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
2.8.3	A Nomination (appointments, personnel) Committee, most of whose members are independent directors, has been created for the preliminary consideration of issues related to the implementation of staff planning (succession planning) and the professional makeup and effectiveness of the Board of Directors.	<ol style="list-style-type: none"> 1. The Board of Directors has established a Nomination Committee (or its tasks specified in recommendation 186 of the Code are implemented by another committee) in which the majority of members are independent directors. 2. The Company's internal documents specify the tasks of the Nomination Committee (or the corresponding committee with concurrent functionalities), including the tasks contained in recommendation 186 of the Code. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	The tasks of the Nomination Committee are implemented as part of the Nomination and Remuneration Committee.	Continues to be observed
2.8.4	Given the scale of operations and the level of risk, the Company's Board of Directors made certain that the composition of its committees fully meets the Company's goals. Additional committees were either established or were not deemed necessary (strategy committee, corporate governance committee, ethics committee, risk management committee, budget committee, health, safety and environment committee, etc.).	<ol style="list-style-type: none"> 1. During the reporting period, the Company's Board of Directors considered whether the size of its committees complies with the objectives of the Board of Directors and the Company's goals. Additional committees were either formed or were deemed to be unnecessary. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

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2.8.5	The makeup of the committees is determined in such a way as to allow for a comprehensive discussion of previously reviewed issues taking into account different opinions.	<ol style="list-style-type: none"> 1. The committees of the Board of Directors are chaired by independent directors. 2. The Company's internal documents (policies) contain regulations stipulating that persons who are not members of the Audit Committee, Nomination Committee, or Remuneration Committee may attend committee meetings only at the invitation of the chairman of the relevant committee. 	<input type="checkbox"/> observed <input checked="" type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>The recommendation of clause 1 regarding an independent director chairing the Strategy and Investment Committee of the Board of Directors was partially not observed.</p> <p>Initially, the establishment of such a committee was not mandatory, and there were no requirements for its composition in the law or the requirements of regulators. The committee was set up based on the need to achieve the Company's strategic goals and to conduct a more in-depth study of the issues falling within its purview, mainly at in-person meetings.</p> <p>In 2019, the committee included three independent members of the Board of Directors. The issue of the committee chairman was considered at an in-person meeting of the Board of Directors on May 20, 2019, and a non-member of the Board of Directors was elected as the committee chairman in order to ensure the most rational distribution of resources of independent directors and provide them with the opportunity to focus on their work in the Audit Committee and the Nomination and Remuneration Committee. A review of the implementation of this recommendation is planned for 2020-2021 following the election of the Board of Directors.</p>	Unchanged
2.8.6	The chairmen of the committees shall regularly inform the Board of Directors and its chairman about the work of their committees.	<ol style="list-style-type: none"> 1. During the reporting period, the chairmen of the committees regularly reported on the work of the committees to the Board of Directors. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

APPENDIX

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
2.9 The Board of Directors shall provide an assessment of the quality of the work of the Board of Directors, its committees, and members of the Board of Directors.					
2.9.1	The quality of work of the Board of Directors shall be evaluated to determine the degree of effectiveness of the work of the Board of Directors, its committees, and members of the Board of Directors and their compliance with the Company's development needs, to enhance the work of the Board of Directors, and to identify areas in which their activities can be improved.	<ol style="list-style-type: none"> 1. The self-assessment or external assessment of the work of the Board of Directors carried out during the reporting period included an assessment of the work of committees, individual members of the Board of Directors, and the Board of Directors as a whole. 2. The results of the self-assessment or external assessment of the Board of Directors conducted during the reporting period were considered at an in-person meeting of the Board of Directors. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
2.9.2	The work of the Board of Directors, its committees, and the members of the Board of Directors shall be regularly evaluated at least once a year. An external organization (consultant) shall be hired at least once every three years to conduct an independent assessment of the quality of work of the Board of Directors.	<ol style="list-style-type: none"> 1. The Company has hired an external organization (consultant) at least once to conduct an independent assessment of the quality of work of the Board of Directors during the last three reporting periods. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
3.1 The Company's Corporate Secretary shall engage in effective regular interaction with shareholders, coordinate the Company's actions to protect the rights and interests of shareholders, and support the effective work of the Board of Directors.					
3.1.1	The Corporate Secretary shall have the knowledge, experience, and qualifications sufficient to fulfill the duties assigned to him/her as well as an impeccable reputation, and enjoy the trust of shareholders.	<ol style="list-style-type: none"> 1. The Company has adopted and disclosed an internal document – the Regulation on the Corporate Secretary. 2. The Company's website and Annual Report provide biographical information about the Corporate Secretary with the same level of detail as given for members of the Company's Board of Directors and executive management. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

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3.1.2	The Corporate Secretary shall have sufficient independence from the Company's executive bodies and the necessary powers and resources to carry out the tasks assigned to him/her.	1. The Board of Directors approves the appointment, dismissal, and additional remuneration of the Corporate Secretary.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
4.1	The level of remuneration paid by the Company shall be sufficient to attract, motivate, and retain persons with the necessary expertise and qualifications for the Company. Remuneration shall be paid to members of the Company's Board of Directors, executive bodies, and other top executives in accordance with the remuneration policy adopted by the Company.				
4.1.1	The level of remuneration paid by the Company to members of the Board of Directors, executive bodies, and other top executives shall create sufficient motivation for them to work effectively, enabling the Company to attract and retain competent and qualified specialists. At the same time, the Company shall avoid paying a level of remuneration that is higher than necessary or has an unreasonably large gap between their level of remuneration and the Company's employees.	1. The Company has adopted an internal document(s) or policy (policies) concerning remuneration for members of the Board of Directors, executive bodies, and other top executives, which clearly defines the approaches to remuneration of these individuals.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
4.1.2	The Company's remuneration policy was developed by the Remuneration Committee and approved by the Company's Board of Directors. With the support of the Remuneration Committee, the Board of Directors monitors the introduction and implementation of the remuneration policy at the Company and, if necessary, reviews and makes adjustments to it.	1. During the reporting period, the Remuneration Committee reviewed the remuneration policy (policies) and the practice for its (their) implementation and, if necessary, submitted the relevant recommendations to the Board of Directors.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

APPENDIX

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
4.1.3	The Company's remuneration policy contains transparent mechanisms for determining the amount of remuneration for members of the Company's Board of Directors, executive bodies, and other top executives, and also regulates all types of payments, benefits, and privileges provided to these persons.	1. The Company's remuneration policy (policies) contains (contain) transparent mechanisms for determining the amount of remuneration for members of the Company's Board of Directors, executive bodies, and other top executives and also regulates (regulate) all types of payments, benefits, and privileges provided to these individuals.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
4.1.4	The Company shall determine a policy for the reimbursement of expenses (compensation) that specifies the list of expenses to be reimbursed, and the level of accommodation that members of the Company's Board of Directors, executive bodies, and other top executives can expect. Such a policy may be an integral part of the Company's remuneration policy.	1. The Company's remuneration policy (policies) or other internal documents establish rules for the reimbursement of expenses of members of the Company's Board of Directors, executive bodies, and other top executives.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
4.2	The remuneration system for members of the Board of Directors shall ensure the financial interests of directors are aligned with the long-term financial interests of shareholders.				
4.2.1	The Company shall pay fixed annual remuneration to members of the Board of Directors. The Company shall not pay remuneration for attending individual meetings of the Board of Directors or committees of the Board of Directors. The Company shall not employ forms of short-term or additional financial incentives for members of the Board of Directors.	1. Fixed annual remuneration was the only monetary form of remuneration paid to members of the Board of Directors for their work on the Board of Directors during the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

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4.2.2	The long-term ownership of the Company's shares shall best ensure that the financial interests of members of the Board of Directors are aligned with the long-term interests of shareholders. In addition, the Company shall not attach conditions for the right to sell shares to the achievement of certain performance indicators, and members of the Board of Directors shall not participate in option programs.	1. If an internal document (documents) or policy (policies) of the Company concerning remuneration envisages the provision of shares to members of the Board of Directors, clear rules must be established and disclosed for the ownership of shares by members of the Board of Directors in order to encourage the long-term ownership of such shares.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
4.2.3	The Company shall not offer any additional payments or compensation in the event of the early termination of powers of members of the Board of Directors due to the transfer of control over the Company or other circumstances.	1. The Company does not offer any additional payments or compensation in the event of the early termination of the powers of members of the Board of Directors in connection with the transfer of control over the Company or other circumstances.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
4.3	The remuneration system for members of the Company's executive bodies and other top executives shall ensure that remuneration is dependent on the result of the Company's work and their personal contribution to achieving this result.				
4.3.1	The remuneration of members of the Company's executive bodies and other top executives shall be determined in such a way as to provide a reasonable and justified ratio of the fixed part of the remuneration versus the variable part of the remuneration, depending on the results of the Company's work and the employee's personal (individual) contribution to the final result.	1. During the reporting period, annual performance indicators approved by the Board of Directors were used to determine the amount of variable remuneration for members of the Company's executive bodies and other top executives. 2. During the most recent assessment of the remuneration system for members of the Company's executive bodies and other top executives, the Board of Directors (Remuneration Committee) made sure that the Company applied an effective ratio of the fixed part of remuneration versus the variable part of remuneration. 3. The Company has established a procedure to ensure that bonus payments wrongly received by members of the Company's executive bodies or other top executives are returned to the Company.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

APPENDIX

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
4.3.2	The Company has introduced a long-term incentive program for members of the Company's executive bodies and other top executives using the Company's shares (options or other derivatives in which the Company's shares are the underlying asset).	<ol style="list-style-type: none"> 1. The Company has introduced a long-term incentive program for members of its executive bodies and other top executives using the Company's shares (financial instruments based on the Company's shares). 2. The long-term incentive program for members of the Company's executive bodies and other top executives stipulates that the shares and other financial instruments used in such a program may not be sold earlier than three years from the date they are provided. Moreover, the right to sell them is conditional upon the Company achieving certain performance indicators. 	<input type="checkbox"/> observed <input type="checkbox"/> partially observed <input checked="" type="checkbox"/> not observed	<p>Items 1 and 2 are not observed.</p> <p>The option program (long-term incentive system) approved by the Board of Directors on February 16, 2016 (Minutes No. 161 dated February 16, 2016) was executed in 2018.</p> <p>A new long-term incentive program cannot be developed at the Company until the approval of the updated Strategy/ Long-Term Development Program of PJSC Inter RAO for a new medium-term/long-term period, i.e. this discrepancy is limited in time.</p> <p>The consideration of the updated Development Strategy is included in the work plan of the Board of Directors for May 2020.</p> <p>When developing a new long-term incentive program, the Company will consider the recommendations of the Corporate Governance Code</p>	Unchanged
4.3.3	The amount of compensation (golden parachute) paid by the Company in the event of the early termination of the powers of members of the executive bodies or top executives at the Company's initiative and in the absence of any unfair actions on their part shall not exceed twice the amount of the fixed part of their annual remuneration.	<ol style="list-style-type: none"> 1. The amount of compensation (golden parachute) paid by the Company in the event of the early termination of the powers of members of the executive bodies or top executives at the Company's initiative and in the absence of any unfair actions on their part did not exceed twice the amount of the fixed part of their annual remuneration. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

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5.1	The Company has created an efficiently functioning Risk Management and Internal Control Framework that aims to ensure reasonable confidence in the achievement of the goals the Company has set.				
5.1.1	The Company's Board of Directors has defined the principles and approaches to the organization of its Risk Management and Internal Control Framework.	1. The functions of the Company's various management bodies and divisions in the Risk Management and Internal Control Framework are clearly defined in the Company's internal documents/relevant policies approved by the Board of Directors.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
5.1.2	The Company's executive bodies ensure the creation and maintenance of an effective Risk Management and Internal Control Framework at the Company.	1. The Company's executive bodies ensured that functions and powers with respect to risk management and internal control were distributed among the heads of departments and the divisions that report to them.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
5.1.3	The Company's Risk Management and Internal Control Framework provides an objective, fair, and clear idea of the Company's current state and prospects, the integrity and transparency of the Company's reporting, and the reasonableness and acceptability of the risks assumed by the Company.	1. The Company approved an anti-corruption policy. 2. The Company has set up an accessible way to inform the Board of Directors or Audit Committee of the Board of Directors about violations of the law or the Company's internal procedures or code of ethics	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
5.1.4	The Company's Board of Directors shall take the necessary measures to ensure that the Company's Risk Management and Internal Control Framework complies with the principles for and approaches to its organization as defined by the Board of Directors and that it functions effectively.	1. During the reporting period, the Board of Directors or the Audit Committee of the Board of Directors assessed the effectiveness of the Company's Risk Management and Internal Control Framework. Information on the main results of this assessment is included in the Company's Annual Report.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

APPENDIX

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5.2	The Company shall arrange for internal audits in order to ensure a systematic independent assessment of the reliability and effectiveness of the Risk Management and Internal Control Framework as well as its corporate governance practices.				
5.2.1	For the purposes of conducting an internal audit, a separate structural unit has been created at the Company or an independent external organization is hired. The functional and administrative accountability of the Internal Audit Unit shall be delineated. The Internal Audit Unit shall be functionally subordinate to the Board of Directors.	1. For the purposes of conducting an internal audit, a separate structural Internal Audit Unit has been created at the Company that is functionally subordinate to the Board of Directors or the Audit Committee, or an independent external organization was hired with the same principle of subordination.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
5.2.2	The Internal Audit Unit shall evaluate the effectiveness of the Risk Management and Internal Control Framework as well as the corporate governance system. The Company shall employ generally accepted standards for its internal audit activities.	1. An assessment of the effectiveness of the Risk Management and Internal Control Framework was conducted during the reporting period as part of an internal audit. 2. The Company employs generally accepted approaches to internal control and risk management.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
6.1	The Company and its activities shall be transparent to shareholders, investors, and other stakeholders.				
6.1.1	The Company has developed and introduced an information policy that ensures the effective exchange of information between the Company, shareholders, investors, and other stakeholders.	1. The Company's Board of Directors approved the Company's information policy, which was drafted taking into account the recommendations of the Code. 2. The Board of Directors (or one of its committees) considered issues related to the Company's compliance with its information policy at least once during the reporting period.	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

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6.1.2	The Company shall disclose information about its corporate governance system and practices, including detailed information about compliance with the principles and recommendations of the Code	<ol style="list-style-type: none"> 1. The Company discloses information about its corporate governance system and the general principles of corporate governance applied within the Company, including on the Company's website. 2. The Company discloses information about the composition of its executive bodies and the Board of Directors as well as the independence of members of the Board of Directors and their membership in committees of the Board of Directors (in accordance with the definition given in the Code). 3. If a person controls the Company, the Company publishes a memorandum of the controlling person regarding this person's plans for corporate governance at the Company. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
6.2	The Company shall disclose complete, relevant, and reliable information about itself in a timely manner to ensure that informed decisions are made by shareholders and investors.				
6.2.1	The Company shall disclose information in accordance with the principles of regularity, consistency, and efficiency as well as the availability, reliability, completeness, and comparability of the data disclosed.	<ol style="list-style-type: none"> 1. The Company's information policy specifies the approaches and criteria for determining information that may have a significant impact on the assessment of the Company and the value of its securities as well as procedures to ensure the timely disclosure of such information. 2. If the Company's securities are traded on organized foreign markets, material information is disclosed in the Russian Federation and on such markets synchronously and equivalently during the reporting year. 3. If foreign shareholders own a significant amount of the Company's shares, information was disclosed not only in Russian but also in one of the most commonly spoken foreign languages during the reporting year. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
6.2.2	The Company shall avoid taking a formal approach to disclosing information and shall disclose material information about its activities, even if the disclosure of such information is not envisaged by law.	<ol style="list-style-type: none"> 1. During the reporting period, the Company disclosed annual and semi-annual financial statements prepared in accordance with IFRS. The Company's Annual Report for the reporting period includes annual financial statements prepared in accordance with IFRS along with an audit report. 2. The Company discloses full information about its capital structure in accordance with recommendation 290 of the Code in the Annual Report and on the Company's website. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
6.2.3	As one of the most important tools for sharing information with shareholders and other stakeholders, the Annual Report contains information that makes it possible to evaluate the Company's results for the year.	<ol style="list-style-type: none"> 1. The Company's Annual Report contains information about key aspects of the Company's operations and its financial results. 2. The Company's Annual Report contains information about the Company's environmental and social aspects 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
The Company shall provide equal and unhindered access to information and documents at the request of shareholders.					
6.3					
6.3.1	The Company shall provide equal and unhindered access to information and documents at the request of shareholders.	<ol style="list-style-type: none"> 1. The Company's information policy offers an easy procedure for providing shareholders with access to information, including information about legal entities controlled by the Company, at the request of shareholders. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
6.3.2	When the Company provides information to shareholders, a reasonable balance shall be maintained between the interests of specific shareholders and the interests of the Company itself, which is interested in maintaining the confidentiality of important commercial information that might have a significant impact on its competitiveness.	<ol style="list-style-type: none"> 1. During the reporting period, the Company did not refuse to grant any requests by shareholders for information, or such refusals were justified. 2. In cases specified by the Company's information policy, shareholders are warned about the confidential nature of information and assume the responsibility to maintain its confidentiality. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
7.1	Actions that significantly affect or may affect the structure of the Company's share capital or financial condition and, accordingly, the position of shareholders (significant corporate actions) shall be carried out on fair terms ensuring that the rights and interests of shareholders and other stakeholders are respected.				
7.1.1	Significant corporate actions include the reorganization of the Company, the acquisition of 30 or more percent of the Company's voting shares (takeover), major transactions concluded by the Company, an increase or decrease in the Company's charter capital, the listing or delisting the Company's shares as well as other actions that could lead to a significant change in shareholders' rights or infringements on their interests. The Company's charter defines the list (criteria) of transactions or other actions that constitute significant corporate actions, and such actions fall within the purview of the Company's Board of Directors.	<ol style="list-style-type: none"> 1. The Company's charter contains a list of transactions or other actions that constitute significant corporate actions and the criteria for their determination. Decision-making concerning significant corporate actions falls within the purview of the Board of Directors. In cases where the law assigns the implementation of such corporate actions directly to the purview of the General Meeting of Shareholders, the Board of Directors provides shareholders with the relevant recommendations. 2. The Company's charter classifies significant corporate actions as follows at a minimum: the reorganization of the Company, the acquisition of 30 or more percent of the Company's voting shares (takeover), major transactions concluded by the Company, an increase or decrease in the Company's charter capital, or the listing or delisting the Company's shares. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
7.1.2	The Board of Directors shall play a key role in adopting decisions or making recommendations regarding significant corporate actions. The Board of Directors shall rely on the position of the Company's independent directors.	<ol style="list-style-type: none"> 1. The Company has a procedure for independent directors to declare their position on significant corporate actions before they are approved. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
7.1.3	In the event of significant corporate actions that affect the rights and legitimate interests of shareholders, equal conditions shall be ensured for all the Company's shareholders, and additional measures that protect the rights and legitimate interests of the Company's shareholders shall be provided if the mechanisms envisaged by legislation that aim to protect shareholders' rights are insufficient. The Company is not only guided by compliance with formal requirements of the law, but also by the principles of corporate governance set forth in the Code.	<ol style="list-style-type: none"> 1. Taking into account the specific nature of the Company's activities, the Company's charter establishes minimum criteria that are lower than that prescribed by law for classifying the Company's transactions as significant corporate actions. 2. During the reporting period, all significant corporate actions underwent the approval procedure prior to their implementation. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed
7.2	The Company shall employ a procedure for engaging in significant corporate actions that allows shareholders to receive full information about such actions in a timely manner, provides them with the opportunity to influence such actions, and guarantees respect and an adequate level of protection for their rights when such actions are performed.				
7.2.1	Information on significant corporate actions shall be disclosed with an explanation of the reasons, conditions, and consequences of such actions.	<ol style="list-style-type: none"> 1. During the reporting period, the Company disclosed information on its significant corporate actions promptly and in detail, including the grounds and timeframe for such actions. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed		Continues to be observed

No. of the Code	Principles of corporate governance	Criteria for assessing compliance with corporate governance principles	Status of compliance with the corporate governance principle in 2019	Explanation of the deviation from the criteria for assessing compliance with the corporate governance principle	Change in compliance with the principle as compared with 2018
7.2.2	The rules and procedures related to significant corporate actions taken by the Company shall be enshrined in the Company's internal documents.	<ol style="list-style-type: none"> 1. The Company's internal documents specify the procedure for hiring an independent appraiser to determine the value of property that has been disposed or acquired as part of a major transaction or a related-party transaction. 2. The Company's internal documents specify the procedure for hiring an independent appraiser to assess the cost of the acquisition and repurchase of the Company's shares. 3. The Company's internal documents specify an extended list of grounds based on which members of the Company's Board of Directors and other persons envisaged by law are recognized as having an interest in the Company's transactions. 	<input checked="" type="checkbox"/> observed <input type="checkbox"/> partially observed <input type="checkbox"/> not observed	<p>The recommendation of item 3, which states that internal documents should establish other cases of interest, was partially not observed.</p> <p>In particular, the Charter stipulates that executive directors shall not vote on matters related to their employment contracts and the determination of their remuneration.</p> <p>With respect to other grounds for interest, members of the Board of Directors do not vote in practice if they have any conflict of interest that does not constitute interest within the meaning of Chapter XI of the Federal Law "On Joint-Stock Companies."</p> <p>The issue of expanding the list of grounds based on which members of the Company's Board of Directors and other persons envisaged by law are recognized as interested parties may be considered during the next update of internal documents in 2019-2020.</p>	Observed at the same level

Information on compliance with the Corporate Governance Code is also disclosed on the Company's website:
http://www.interrao.ru/investors/disclosure/corporate_behavior/



GRI CONTENT INDEX [GRI 102–55]

GRI SRS content index (disclosure of the themes and boundaries of indicators) [GRI 102–55]

GRI		Level of compliance with GRI	Section name and page
101	Foundation 2016	Full compliance	Material topics of the report and key concerns of stakeholders, p. 136
102	General disclosures 2016	Full compliance	
102–1	Name of the organization	Full compliance	About the report, p. 2
102–2	Activities, brands, products and services	Full compliance	INTER RAO today, p.10
102–3	Location of headquarters	Full compliance	About the report, p. 2
102–4	The number of countries where the organization operates, and the names of countries where it has significant operations and/or that are relevant to the topics covered in the Report	Full compliance	Our locations, p. 24
102–5	Ownership and legal form	Full compliance	About the report, p. 2
102–6	Markets served	Full compliance	Inter RAO today p. 10, Electric power in Russia p. 33, Russia's place in the global electric power industry, p. 40
102–7	Scale of the organization	Full compliance	INTER RAO today, p.10, Capital concept business model p. 20, Overall staff structure, p. 169
102–8	Information on employees and other workers	Full compliance	Overall staff structure, p. 169
102–9	A description of the organization's supply chain, including its main elements as they relate to the organization's activities, primary brands, products, and services	Full compliance	Business model, p. 20
102–10	Significant changes to the organization's size, structure, ownership, or supply chain over the course of the reporting period	Full compliance	Key events, p. 12
102–11	Approach to the Precautionary Principle (if the organization uses it in its activities)	Full compliance	Environmental policy, p. 140
102–12	A list of externally-developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or which it endorses	Full compliance	Core principles of sustainable development and social responsibility p. 123, Social policy principles, p. 174
102–13	A list of the main memberships of industry or other associations, and national or international advocacy organizations	Full compliance	Associations and partnerships in which PJSC Inter RAO participates, p. 360
102–14	A statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and its strategy for addressing sustainability	Full compliance	Message from the Chairman of the Board of Directors, p. 14

GRI		Level of compliance with GRI	Section name and page
102–15	A description of key impacts, risks, and opportunities	Full compliance	Strategic risks p. 63, Critical risk analysis. Risks and opportunities p. 64. Risk management in sustainable development p. 66, Contribution to achieving UN Sustainable Development Goals, p. 124
102–16	A description of the organization's values, principles, standards, and norms of behavior	Full compliance	Corporate Governance System, p. 186
102–17	A description of internal and external mechanisms for seeking advice and reporting about ethical and lawful behavior, and organizational integrity	Full compliance	Anti-fraud and corruption, p. 245
102–18	Governance structure of the organization	Full compliance	Corporate governance structure, p. 187
102–19	Process for delegating authority for economic, environmental, and social topics from the highest governance body (Board of Directors) to senior executives and other employees	Full compliance	Sustainable development management system, p. 128
102–20	Executive-level position or positions with responsibility for economic, environmental, and social topics	Full compliance	Sustainable development management system, p. 128
102–22	Composition of the highest governance body (Board of Director) and its committees	Full compliance	Current Board of Directors, p. 198, Committees of the Board of Directors, p. 211
102–23	Chair of the highest governance body (Board of Directors)	Full compliance	Current Board of Directors, p. 198, Biographies of members of the Board of Directors, p. 203
102–24	Nomination and selection processes for the highest governance body (Board of Directors) and its committees	Full compliance	Current Board of Directors, p. 198, Succession planning on the Board of Directors, p. 201
102–25	Processes for the highest governance body (Board of Directors) to ensure conflicts of interest are avoided and managed	Full compliance	Preventing conflicts of interest on the Board of Directors p. 202
102–26	Roles of the highest governance body (Board of Directors) and senior executives in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental, and social topics	Full compliance	Board of Directors, p. 192, Report by the Board of Directors on the Company's development in priority areas of business, p. 195
102–27	Measures taken to develop and enhance the highest governance body's (Board of Directors) collective knowledge of economic, environmental, and social topics	Full compliance	Training and development of members of the Board of Directors, p. 201
102–28	Processes for evaluating the highest governance body's (Board of Directors) performance with respect to governance of economic, environmental, and social topics	Full compliance	Performance assessment of the Board of Directors, p. 193. Report by the Board of Directors on the Company's development in priority areas of business, p. 195
102–30	Effectiveness of risk management processes. Highest governance body's (Board of Directors) role in reviewing the effectiveness of the organization's risk management processes for economic, environmental, and social topics	Full compliance	Incentive system for identifying and monitoring risks p. 60.

APPENDIX

GRI		Level of compliance with GRI	Section name and page
102–31	Frequency of the highest governance body's (Board of Directors) review of economic, environmental, and social topics and their impacts, risks, and opportunities	Full compliance	Report by the Board of Directors on the Company's development in priority areas of business, p. 195
102–32	The highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material topics are covered	Full compliance	About the report, p. 2
102–33	Process for communicating critical concerns to the highest governance body (Board of Directors)	Full compliance	Report by the Board of Directors on the Company's development in priority areas of business, p. 195
102–34	Total number and nature of critical concerns that were communicated to the highest governance body (Board of Directors)	Full compliance	Report by the Board of Directors on the Company's development in priority areas of business, p. 195
102–35	Remuneration policies for the highest governance body (Board of Directors) and senior executives	Full compliance	Report on adherence to the principles of the remuneration policy for members of the Board of Directors and the Management Board and CEO, p. 225
102–36	Process for determining remuneration	Full compliance	Procedure for determining remuneration for the Board of Directors, p. 226
102–40	A list of stakeholder groups engaged by the organization	Full compliance	Map of stakeholders and core principles and themes of engagement, p. 131
102–41	Percentage of total employees covered by collective bargaining agreements	Full compliance	Interaction with trade unions, p. 176
102–42	The basis for identifying and selecting stakeholders with whom to engage	Full compliance	Map of stakeholders and core principles and themes of engagement, p. 131
102–43	The organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the Report preparation process	Full compliance	Map of stakeholders and core principles and themes of engagement, p. 131, Primary forms, channels, principles, and themes of engagement with stakeholders, p. 132
102–44	Key topics and concerns that have been raised through stakeholder engagement	Full compliance	Primary forms, channels, principles, and themes of engagement with stakeholders, p. 132
102–45	A list of all entities included in the organization's consolidated financial statements or equivalent documents	Full compliance	Company structure, p. 27, Key measures in environmental protection activities, p. 141
102–46	An explanation of the process for defining the Report content and the topic boundaries	Full compliance	About the report, p. 2, Material topics of the report and key concerns of stakeholders, p. 136
102–47	A list of the material topics identified in the process of defining Report content	Full compliance	Material topics of the report and key concerns of stakeholders, p. 136
102–48	The effect of any restatements of information given in previous reports, and the reasons for such restatement	Full compliance	About the report, p. 2
102–49	Significant changes from previous reporting periods in the list of material topics and topic boundaries	Full compliance	About the report, p. 2, Material topics of the report and key concerns of stakeholders, p. 136

GRI		Level of compliance with GRI	Section name and page
102–50	Reporting period for the information provided	Full compliance	About the report, p. 2
102–51	If applicable, the date of the most recent previous report	Full compliance	About the report, p. 2
102–52	Reporting cycle	Full compliance	About the report, p. 2
102–53	The contact point for questions regarding the Report or its contents	Full compliance	About the report, p. 2
102–54	The claim of the version used to prepare the Report in accordance with GRI Standards	Full compliance	About the report, p. 2
102–55	GRI content index	Full compliance	GRI content index, p. 312
102–56	A description of the organization's policy and current practice with regard to seeking external assurance for the Report	Full compliance	About the report, p. 2
General standard disclosures for the electric utility sector 2013			
EU1	Installed capacity broken down by energy source and regions with the common regulatory regime	Full compliance	Generation p. 87, Foreign Assets, p. 103
EU2	Net energy produced broken down by energy source and regions with a common regulatory regime	Full compliance	Generation p. 87, Foreign Assets, p. 103
EU3	Number of industrial, institutional, and commercial consumers, as well as customers of the utility sector	Full compliance	Results of operating activities, p. 109
EU4	The total length of overhead and underground transmission and distribution power and heat lines	Full compliance	Description of business, p. 104, Results of operating activities, p. 105
EU12	Transmission and distribution losses as a percentage of the total supplied energy	Partial compliance	Results of operating activities, p. 105
EU25	Number of injuries and fatalities to the public involving company assets, including legal judgments, settlements and pending legal cases of diseases	Full compliance	Health and safety policy and requirements, p. 159
EU27	The number of residential disconnections for non-payment, broken by the duration of disconnection and by regions with the common regulatory regime	Full compliance	Fulfillment of contractual obligations, p. 113
EU28	Power outage frequency	Full compliance	Results of operating activities, p. 105
EU29	Average power outage duration	Full compliance	Results of operating activities, p. 105
EU30	The average value of equipment technical availability with a breakdown by energy sources and the regulatory regime	Full compliance	Repair and reconstruction activities in the 'Electric Power Generation in the Russian Federation' segment, p. 99, Repair and reconstruction activities in the 'Thermal Power Generation in the Russian Federation' segment, p. 101

APPENDIX

GRI		Level of compliance with GRI	Section name and page
201	Economic Performance 2016		
103	Management Approach: Company's financial performance results	Full compliance	Financial results by segment, p. 78
201–1	Direct economic value generated and distributed	Full compliance	Direct economic value generated, distributed, and retained, p. 83
201–4	Financial assistance received from government	Full compliance	Financial assistance received from government, p. 83, Structure of share capital, p. 250, Government support, p. 351
202	Market Presence 2016		
103	Management Approach: Main focuses of social projects	Full compliance	Main focuses for development of regions of operation, p. 179
202–1	Ratios of standard entry level wage by gender compared to local minimum wage	Full compliance	Tangible incentives, p. 174
204	Procurement Practices 2016		
103	Management Approach: Procurement system	Full compliance	Procurement activities system, p. 73
204–1	Proportion of spending on local suppliers	Non-compliance ¹	Import substitution, p. 76
205	Anti-corruption 2016		
103	Management Approach: Anti-fraud and corruption	Full compliance	Anti-fraud and corruption, p. 245
205–1	Operations assessed for risks related to corruption	Partial compliance	Anti-fraud and corruption, p. 245, Preventing corruption in cooperation with partners and counterparties, p. 247
205–2	Communication and training about anti-corruption policies and procedures	Partial compliance	Awareness-raising and training, p. 246
205–3	Confirmed incidents of corruption and actions taken	Full compliance	Identification of fraud and corruption cases, p. 247
206	Anti-competitive Behavior 2016		
103	Management Approach: Anti-competitive behavior	Full compliance	Antimonopoly compliance, p. 243
206–1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	Full compliance	Antimonopoly compliance, p. 243
302	Energy 2016		
103	Management Approach: Energy Conservation and Energy Efficiency Improvement Program ECEEIP)	Full compliance	Energy Conservation and Energy Efficiency Improvement Program (ECEEIP), p. 141
302–1	Energy consumption within the organization	Partial compliance	Results of ECEEIP program measures, p. 150, Fuel consumption, p. 151
302–3	Energy intensity	Full compliance	Results of ECEEIP program measures, p. 150

¹ The approach to calculating the proportion of local suppliers differs from that of the GRI methodology.

GRI		Level of compliance with GRI	Section name and page
302–4	Reduction of energy consumption	Full compliance	Results of ECEEIP program measures, p. 150
303	Water and Effluents 2018		
303–1	Interactions with water as a shared resource	Full compliance	Approaches to water management, p. 154
303–2	Management of water discharge-related impacts	Full compliance	Approaches to water management, p. 154, Wastewater discharge volume, p. 155
303–3	Total water withdrawal with a breakdown by sources	Full compliance	Water consumption and intake volume, p. 155
303–5	Water consumption	Full compliance	Approaches to water management, p. 154, Water consumption and intake volume, p. 155
304	Biodiversity 2016		
103	Management Approach: Conservation of rare species of animals and plants and other biodiversity conservation measures	Full compliance	Plans for environmental protection measures in 2020, p. 143
304–1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Full compliance	Protecting biodiversity, p. 156
304–2	Significant impacts of activities, products, and services on biodiversity	Full compliance	Protection and replenishment of fish resources, p. 156
305	Emissions 2016		
103	Management Approach: Greenhouse Gas and Air Pollutant Reduction Policy	Full compliance	Policy to reduce greenhouse gas and air pollutant emissions, p. 146
305–1	Direct GHG emissions	Full compliance	Greenhouse gas emissions, p. 147
305–4	GHG emissions intensity	Full compliance	Greenhouse gas emissions, p. 147
305–7	NOX, SOX, and other significant air emissions	Full compliance	Air pollutant emissions, p. 148
306	Effluents and Waste 2016		
103	Management Approach: Waste Management Policy and Measures	Full compliance	Waste treatment policy and measures, p. 152
306–1	Water discharge by quality and destination	Full compliance	Water consumption and intake volume, p. 155
306–2	Waste by type and disposal method	Full compliance	Waste generation, p. 152, Waste disposal and recycling, p. 152
306–3	Significant spills	Full compliance	Waste disposal and recycling, p. 152
306–4	Transport of hazardous waste	Full compliance	Waste generation, p. 152, Waste disposal and recycling, p. 152

APPENDIX

GRI		Level of compliance with GRI	Section name and page
307	Environmental Compliance 2016		
103	Management Approach: Ensuring activities are carried out in accordance with legislative requirements on environmental protection	Full compliance	Compliance practices with legislative requirements for environmental protection, p. 144
307–1	Significant fines and non-monetary sanctions for non-compliance with environmental laws and/or regulations	Full compliance	Compliance practices with legislative requirements for environmental protection, p. 144
308	Supplier Environmental Assessment 2016		
103	Management Approach: Monitoring compliance with environmental legislation by suppliers and contractors	Full compliance	Monitoring compliance with environmental protection legislation by suppliers and contractors, p. 146
308–1	New suppliers that were screened using environmental criteria	Partial compliance (no quantitative accounting conducted)	Monitoring compliance with environmental protection legislation by suppliers and contractors, p. 146
401	Employment 2016		
103	Management Approach: HR Policy and staff development	Full compliance	HR policy and staff development, p. 168
401–1	Total number and rate of new employee hires in 2019 by age group, gender, and region	Full compliance	Staff turnover, p. 170
402	Labor/Management Relations 2016		
402–1	Minimum notice periods regarding operational changes and whether the period is specified in the collective bargaining agreement	Full compliance	Interaction with trade unions, p. 176
403	Occupational Health and Safety 2018		
103	Management Approach: Occupational Health and Safety Policy and Requirements	Full compliance	Health and safety policy and requirements, p. 159
403–1	Occupational health and safety management system	Full compliance	Occupational health and safety management system, p. 161
403–2	Hazard identification, risk assessment, and incident investigation	Full compliance	General safety focuses and expenses, p. 162, Hazard identification, risk assessment, and accident investigation, p. 163
403–3	Occupational health services	Full compliance	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships, p. 164, Worker health protection programs, p. 166
403–4	Worker participation, consultation, and communication on occupational health and safety	Full compliance	Workers' participation in consultation and communication on occupational health and safety, p. 163
403–5	Worker training on occupational health and safety	Full compliance	Worker training on occupational health and safety, p. 165

GRI		Level of compliance with GRI	Section name and page
403–6	Promotion of worker health	Full compliance	Worker health protection programs, p. 166
403–7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Full compliance	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships, p. 166
403–8	Workers covered by an occupational health and safety management system	Full compliance	Occupational health and safety management system, p. 161
403–9	Work-related injuries	Partial compliance	Health and safety policy and requirements, p. 159
404	Training and Education 2016		
103	Management Approach: Staff training	Full compliance	Staff training, p. 172
404–1	Average hours of training per year per employee with a breakdown by gender and employee and category	Full compliance	Staff training, p. 172
404–2	Programs for upgrading employee skills and transition assistance programs	Full compliance	Staff training, p. 172
404–3	Percentage of employees receiving regular performance and career development reviews	Full compliance	Tangible incentives, p. 174
405	Diversity and Equal Opportunity 2016		
405–1	Diversity of governance bodies and employees with a breakdown by gender, age group, minority groups, and other indicators of diversity	Full compliance	Overall staff structure, p. 169, Commitment to human rights, p. 176, Current Board of Directors, p. 199
406	Non-discrimination		
103	Management Approach: Commitment to human rights	Full compliance	Commitment to human rights, p. 176
407	Freedom of Association and Collective Bargaining 2016		
103	Management Approach: Interaction with trade unions	Full compliance	Interaction with trade unions, p. 176
408	Child Labor		
103	Management Approach: Commitment to human rights	Full compliance	Commitment to human rights, p. 176
409	Forced or Compulsory Labor		
103	Management Approach: Commitment to human rights	Full compliance	Commitment to human rights, p. 176
418	Customer Privacy		
103	Management Approach: Personal Data Protection System	Full compliance	Cybersecurity, p. 112
	Additional themes		
103	Management Approach: Short and medium-term development plans	Full compliance	Development priorities for 2019 and 2020, p. 47

APPENDIX

GRI		Level of compliance with GRI	Section name and page
103	Management Approach: Disclosure of ESG risks and the system for managing these risks at the Company	Full compliance	Risk management in sustainable development, p. 66
103	Management Approach: Innovative development and application of new technologies, including digital technologies	Full compliance	Innovative Development Program, p. 51, Innovative activities management system, p. 70
103	Management Approach: Quality of customer relations	Full compliance	Customer service assessment, p. 112
103	Management Approach: Participation in social projects and charity	Full compliance	Charitable activities, p. 178
103	Management Approach: Environmental management system	Full compliance	Environmental management system, p. 144

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT

INDEPENDENT PRACTITIONER'S LIMITED ASSURANCE REPORT [TRANSLATION FROM RUSSIAN ORIGINAL]

To the management of Public Joint Stock Company "Inter RAO UES"

We have undertaken a limited assurance engagement of the accompanying Annual Report of PJSC "Inter RAO" for 2019 (hereinafter referred to as the Report)¹ compliance with the requirements of GRI Sustainability Reporting² Standards to the report prepared in accordance with the Core option.

Responsibility of Public Joint Stock Company "Inter RAO UES"

Public Joint Stock Company "Inter RAO UES" (hereinafter referred to as PJSC "Inter RAO") is responsible for preparation of the Report in compliance with the requirements of GRI Sustainability Reporting Standards to the report prepared in accordance with the Core option. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Report that is free from material misstatement, whether due to fraud or error.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Rules of Independence of the Auditors and Audit Organizations and The Code of Professional Ethics of the Auditors, which are in accordance with International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care,

confidentiality and professional behavior, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The firm applies International Standard on Quality Control 1, Quality Control for Firm that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express a limited assurance conclusion on the Report compliance with the requirements of GRI Sustainability Reporting Standards to the report prepared in accordance with the Core option based on the procedures we have performed and the evidence we have obtained. We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), Assurance Engagements Other than Audits or Reviews of Historical Financial Information. This standard requires that we plan and perform this engagement to obtain limited assurance about whether the Report is free from material misstatement.

A limited assurance engagement undertaken in accordance with this standard involves assessing compliance of the Report with the requirements of GRI Sustainability Reporting Standards to the report prepared in accordance with the Core option.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks.

¹ The report discloses the results of the activities of PJSC "Inter RAO" and other companies that are part of the Inter RAO Group.

² GRI Sustainability Reporting Standards

APPENDIX

The procedures we performed were based on our professional judgment and included inquiries, inspection of documents, analytical procedures, evaluating the appropriateness of quantification methods and reporting policies, and agreeing or reconciling with underlying records.

Given the circumstances of the engagement, in performing the procedures listed above we have performed the following activities:

- Interviewing the management and employees of PJSC "Inter RAO" and obtaining documentary evidence;
- Study of information available on websites of companies of Inter RAO Group related to their activities in the context of sustainable development;
- Study of public statements of third parties concerning economic, environmental and social aspects of companies of Inter RAO Group activities, in order to check validity of the declarations made in the Report;
- Analysis of non-financial reports of companies working in the similar market segment for benchmarking purposes;
- Selective review of documents and data on the efficiency of the management systems of economic, environmental and social aspects of sustainable development in PJSC "Inter RAO";
- Study of the existing processes of collection, processing, documenting, verification, analysis and selection of data to be included into the Report;
- Analysis of information in the Report for compliance with the requirements of GRI Sustainability Reporting Standards to the report prepared in accordance with the Core option.

The procedures were performed only in relation to data for the year ended 31 December 2019.

The evaluation of reliability of the information on performance in the Report was conducted in relation to compliance with the requirements of Standards to the report prepared in accordance with the Core option and information referred to in the annex to the Report "GRI Content Index". In respect

to this information assessment of its conformity to external and internal reporting documents provided to us was performed. The procedures were not performed in relation to forward-looking statements; statements expressing the opinions, beliefs and intentions of PJSC "Inter RAO" as the parent company of Inter RAO Group to take any action relating to the future; as well as statements based on expert opinion.

The procedures were performed in relation to the Russian version of the Report, which includes information to be published in a hard-copy form as well as in digital form on the PJSC "Inter RAO" website.

We had no chance to verify that the Report was approved by the General Meeting of Shareholders of PJSC "Inter RAO", that minutes of meetings of the Board of Directors were published on the PJSC "Inter RAO" website, that the Report was published on the PJSC "Inter RAO" website, as well as that Global Reporting Initiative was notified of the use of the Standards in the Report preparation due to the fact that the date of signing this Assurance Report preceded the planned dates of these procedures completion.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had we performed a reasonable assurance engagement. Accordingly, we do not express a reasonable assurance opinion about compliance of the Report, in all material respects, with the requirements of Standards to the report prepared in accordance with the Core option.

Limited Assurance Conclusion

Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that the Report has not complied, in all material aspects, with requirements of GRI Sustainability

Reporting Standards to the report prepared in accordance
with the Core option.

FBK, LLC

Practitioner

Partner acting under  V.Y. Skobarev

Power of Attorney No. 76/18 of December 17, 2018

The Russian Federation, Moscow, April 17, 2020

INFORMATION ABOUT MEETINGS OF THE BOARD OF DIRECTORS

Information on the meetings of the Board of Directors and the resolutions adopted as well as the numbers and dates of the minutes are available on the Company's official website at: <https://www.interrao.ru/en/investors/corporate-governance/management/>.

Meetings of the committees of the Board of Directors in 2019

	Audit Committee	Nomination and Remuneration Committee	Strategy and Investment Committee
Number of meetings	15	18	11

REQUIREMENTS AND GUIDANCE USED TO PREPARE THE REPORT

The Company's Annual Report was prepared based on the consolidated data of the Inter RAO Group (unless otherwise indicated) in accordance with the following regulatory requirements and recommendations:

- Federal Law No. 208-FZ "On Joint-Stock Companies" dated December 26, 1995
- Regulation on the Disclosure of Information by Issuers of Equity Securities (approved by the Bank of Russia on December 30, 2014 as No. 454-P)
- Resolution No. 1214 of the Government of the Russian Federation dated December 31, 2010 "On Improving the Management of Joint-Stock Companies Whose Shares Constitute Federal Property and Federal State Unitary Enterprises"
- The Corporate Governance Code of the Bank of Russia approved by the Board of Directors of the Bank of Russia on March 21, 2014
- Directive No. 5024p-P13 of the Government of the Russian Federation dated July 31, 2015
- Directive No. 6362p-P13 of the Russian Ministry of Economic Development dated October 24, 2013
- Directive No. DP-11/17668 of the Federal Agency for State Property Management (Rosimushchestvo) dated May 5, 2016
- Recommendations on the disclosure in the annual report of a public joint-stock company of information on remuneration to members of the board of directors (supervisory board), members of executive bodies, and other top executives of the public joint-stock company (Letter No. IN-06-28/57 of the Bank of Russia dated December 11, 2017)
- Recommendations on the participation of the board of directors (supervisory board) in the processes of developing and managing information technologies and managing information security risk at a public joint-stock company (Letter No. IN-06-28/45 of the Bank of Russia dated May 24, 2019).

The Annual Report was prepared in accordance with the GRI Sustainability Reporting Standards and Sectoral Disclosures for Electric Utilities with the Core disclosure level.

The Annual Report of Inter RAO was prepared in accordance with the Regulation on the Business Process for Preparing the Annual Report, which was approved by Order No. IRAO/4 of PJSC Inter RAO dated January 14, 2016. In addition, all the Company's applicable internal regulatory documents are taken into account (for more, see 'Appendix 9. In-house policies and regulations at the Company').

INTERNAL POLICIES AND REGULATIONS AT THE COMPANY

Information about the internal policies and regulations in effect at the Company is disclosed on the Company's website at <https://www.interrao.ru/en/investors/corporate-governance/corporate-docs/>



INFORMATION ABOUT MAJOR TRANSACTIONS AND RELATED-PARTY TRANSACTIONS

Information about major transactions and related-party transactions, as recognized in accordance with the laws of the Russian Federation, which PJSC Inter RAO concluded in 2019 and require approval by the Company's authorized management body.

Information is disclosed on the Company's website at:

https://www.interrao.ru/en/investors/disclosure/other-disclosures/major_deals/.

In accordance with the Regulation on the Disclosure of Information by Issuers of Equity Securities, which was approved by the Bank of Russia on December 30, 2014 as No. 454-P, the Company discloses information on the most

significant transactions of PJSC Inter RAO and its controlled legal entities in quarterly reports and material facts available on the Company's website:

<https://www.interrao.ru/en/investors/disclosure/>.

the Company discloses information on the most significant transactions of PJSC Inter RAO and its controlled legal entities in quarterly reports and material facts available on the Company's website



INFORMATION ABOUT MAJOR TRANSACTIONS BY PJSC INTER RAO AND ITS CONTROLLED LEGAL ENTITIES IN 2019

PJSC Inter RAO considers major transactions (groups of related transactions) to be transactions that amount to 10 or more percent of the book value of the issuer's assets as determined in its accounting reports for a reporting period that runs over twelve months of the current year preceding the date of the transaction.

In order to implement the directives of the Government of the Russian Federation concerning the organization of centralized treasuries at companies with state participation, centralized cash management of a group of subsidiaries is envisaged as one of the mandatory measures. To fulfill this directive, the Inter RAO Group created a Material Pool system in 2017. Bilateral mirror loan agreements serve as the legal basis for its functioning. Loan mirroring enables the Group's companies to work in a pool

on a non-discriminatory basis: each participant can either deposit temporarily idle funds or attract funds from the Group in the event of a cash gap. The high level of the pool's automation makes it possible to conduct transactions with minimal transaction and labor costs.

Date of transaction (agreement signing)	September 24, 2019	September 24, 2019
Subject and other material terms of the transaction	<p>Additional Agreement No. 8-IIA/015-0053-17/2 to Loan Agreement No. 8-IIA/015-0053-17 dated July 19, 2017, which was concluded as part of material pooling by the Inter RAO Group. Under the loan agreement, the Lender transfers the funds (hereinafter the "Loan") to the Borrower in Russian rubles, and the Borrower agrees to repay the Loan to the Lender as well as interest accrued in accordance with the terms of the agreement.</p> <p>Under the additional agreement, the total lump sum under the loan agreement is increased from RUB 40,968,750,000 (9.36% of the book value of the issuer's assets as of the signing date of the loan agreement) to RUB 87,879,182,573.55.</p>	<p>Additional Agreement No. 8-IIA/015-0053-17/2 to Loan Agreement No. 8-IIA/015-0053-17 dated July 19, 2017, which was concluded as part of material pooling by the Inter RAO Group. Under the loan agreement, the Lender transfers the funds (hereinafter the "Loan") to the Borrower in Russian rubles, and the Borrower agrees to repay the Loan to the Lender as well as interest accrued in accordance with the terms of the agreement.</p> <p>Under the additional agreement, the total lump sum under the loan agreement is increased from RUB 40,968,750,000 (9.36% of the book value of the issuer's assets as of the signing date of the loan agreement) to RUB 87,879,182,573.55.</p>
Entity (entities) that is a party (parties) and beneficiary (beneficiaries) in the transaction	<p>PJSC Inter RAO – the "Lender"</p> <p>JSC Inter RAO – Electric Power Generation – the "Borrower"</p>	<p>JSC Inter RAO – Electric Power Generation – the "Lender"</p> <p>PJSC Inter RAO – the "Borrower"</p>
Date of the fulfillment of obligations under the transaction	December 8, 2020	December 8, 2020
Information about the fulfillment of these obligations	There were no delays in the performance of obligations under the transaction by the counterparty or issuer.	There were no delays in the performance of obligations under the transaction by the counterparty or issuer.
Amount (price) of the transaction in monetary terms	RUB 87,879,182,573.55	RUB 87,879,182,573.55
Amount (price) of the transaction as a percentage of the value of the issuer's assets and amount as of the end of the last completed reporting period preceding the transaction date	17.79	17.79
Book value of the issuer's assets as of the end date of the last completed reporting period preceding the transaction date	RUB 494,115,517,000	RUB 494,115,517,000

INFORMATION ABOUT THE FULFILLMENT BY PJSC INTER RAO OF INSTRUCTIONS OF THE PRESIDENT AND GOVERNMENT OF THE RUSSIAN FEDERATION IN 2019

Item No.	Type of instruction	Registration data	Name of instruction	Fulfillment status	Details and content of the decisions adopted
1.	Directive of the Russian Government	No. 10068p-P13 dated December 6, 2018	Transition of the joint-stock company to the predominant use of domestic software.	Fulfilled	Executed. An action plan was approved for the Company to switch to the primary use of domestic software based on a resolution of the Company's Board of Directors dated December 20, 2019 (Minutes No. 262 dated December 23, 2019).
2.	Directive of the Russian Government	No. 1519p-P13 dated February 20, 2019	Development of programs to improve the quality of procurement management.	Fulfilled	The program to improve the quality of procurement management was approved by Order No. IRAO/199 dated April 3, 2019.
3.	Directive of the Russian Government	No. 584p-P13 dated January 26, 2019	Prioritization of the procurement of modern domestic protective equipment against radiation, chemical, and biological factors in accordance with the provisions of Resolution No. 925 of the Russian Government dated September 16, 2016.	Fulfilled	The corporate import substitution plan was approved by a resolution of the Company's Board of Directors dated September 15, 2017 (Minutes No. 208 dated September 18, 2017), and a Supply Policy that establishes that the relevant priorities was approved by Order No. IRAO/541 of the Chairman of the Management Board dated October 16, 2017.
4.	Directive of the Russian Government	No. 276p-P13 dated January 17, 2019	Updating of the Long-Term Development Program (LDP) and the provision of audit reports on the LDP to the Russian Ministry of Economic Development, the Federal Agency for State Property Management, and the federal executive bodies coordinating the joint-stock company's activities in accordance with Order No. 1870-r of the Russian Government dated August 30, 2018.	Fulfilled	In progress. The deadline is three months from the approval date of the action plan to accelerate the growth rate of investment in fixed assets and increase their share in gross domestic product to 25 percent.
5.	Directive of the Russian Government	No. 4111p-P13 dated May 8, 2019	Expanding the practice of using factoring in the execution of contracts for the supply of goods (work, services).	Fulfilled	A new version of the Regulation on the Procedure for Regulated Procurements of Goods, Works, and Services for the Needs of PJSC Inter RAO, taking into account the provisions of the directive, was approved by a resolution of the Board of Directors dated June 27, 2019 (Minutes No. 251 dated June 28, 2019).

Item No.	Type of instruction	Registration data	Name of instruction	Fulfillment status	Details and content of the decisions adopted
6.	Order of the Russian Government	No. 1388-r dated June 27, 2019	Development (updating) of internal documents governing the formation of key performance indicators and remuneration for the joint-stock company's management team.	Fulfilled	A new version of the Regulation on the Company's Key Performance Indicators was approved by a resolution of the Board of Directors dated November 22, 2019 (Minutes No. 259 dated November 25, 2019).
7.	Directive of the Russian Government	No. 9984p-P13 dated November 1, 2019	Amendments to the Regulation on Procurements that prioritize the procurement of Russian-made products specified in the appendix to Order No. 126n of the Russian Ministry of Finance dated June 4, 2018.	Fulfilled	A new version of the Regulation on the Procedure for Regulated Procurements of Goods, Works, and Services for the Needs of PJSC Inter RAO, taking into account the provisions of the directive, was approved by a resolution of the Board of Directors dated December 20, 2019 (Minutes No. 2662 dated December 23, 2019).
8.	Directive of the Russian Government	No. 7050p-P13 dated August 30, 2018	Inventory of intellectual property rights.	In progress	
9.	Directive of the Russian Government	No. 10357p-P13 dated November 14, 2019	Feasibility of the Company's integration into the activities of the 'International Cooperation and Export' national project (program).	In progress	Deadline – starting from March 20, 2020.

INFORMATION ABOUT PJSC INTER RAO'S PARTICIPATION IN SUBSIDIARIES AND OTHER BUSINESS ENTITIES AND INFORMATION ABOUT SALE AND PURCHASE AGREEMENTS FOR INTERESTS, SHARES, STOCKS, AND EQUITY UNITS OF BUSINESS PARTNERSHIPS AND COMPANIES

Company name		Share of Company's charter capital owned by PJSC Inter RAO		Book value of shares or interest in Company		Amount of dividends, RUB thousand (unless otherwise indicated)	Financial indicators for 2019		Type of activities per charter	Information about changes to the participatory interest in the company in 2019 or contracts concluded for the sale of shares/interest
		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
No.		01/01/2020	01/01/2019	01/01/2020	01/01/2019					
Information about business entities in which PJSC Inter RAO has an interest ranging from 2% to 20% in their charter capital										
1.	Open Joint-Stock Company Inter RAO LED-Systems	17.58%	17.58%	0.00	0.00	–	N/A	N/A	Production of semiconductor components and devices, including photosensitive and optoelectronic devices	No changes
2.	Open Joint-Stock Company Sangutdinskaya HPP-1	14.87%	14.87%	RUB 161,412,000	RUB 161,412,000	RUB 121,223,000	N/A	N/A	Generation and delivery (sale) of electricity	No changes
Information about controlled companies in which PJSC Inter RAO has an interest ranging from 20% to 50% in their charter capital										
3.	Public Joint-Stock Company Tomsk Power Supply Company	24.31%	24.31%	RUB 104,960,000	RUB 104,960,000	–	RUB 14,318,793,000	RUB 26,213,000	Purchase and sale of electricity	Company name changed on October 9, 2019 (former name – Public Joint-Stock Company Tomsk Power Supply Company)

Company name		Share of Company's charter capital owned by PJSC Inter RAO		Book value of shares or interest in Company		Amount of dividends, RUB thousand (unless otherwise indicated)	Financial indicators for 2019		Type of activities per charter	Information about changes to the participatory interest in the company in 2019 or contracts concluded for the sale of shares/interest
No.		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
4.	Limited Liability Company RT-Energotrading	50%	50%	RUB 0.00	RUB 0.00	–	RUB 2,732,905,000	RUB (52,852,000)	Wholesale trade of electric and thermal power (without transmission and distribution). Wholesale trade through agents (for a fee or on a contractual basis). Agent activities in the wholesale trade of electric and thermal power (without production, transmission, or distribution)	No changes
5.	Limited Liability Company INTER RAO UES Energy Efficiency Center	50%	50%	RUB 5,000,000	RUB 258,250,000	–	RUB 1,225,000	RUB (206,380,000)	Work/services in energy efficiency and energy conservation	No changes
6.	Joint-Stock Company Ekibastuzskaya TPP-2 Power Station	–	50%	–	RUB 603,311,000	–	N/A	N/A	Production, transmission, and distribution of electric and thermal power	Company left the Group on 12/13/2019
Information about subsidiaries in which PJSC Inter RAO has an interest ranging from 50% + 1 share to 100% in their charter capital										
7.	Limited Liability Company Gas Turbine Technologies Engineering Center	52.95%	52.95%	RUB 695,086,000	RUB 695,086,000	–	RUB 6,579,000	RUB (60,281,000)	Production of gas turbines, except for turbojet and turboprop turbines	No changes
8.	Public Joint-Stock Company Saratovenergo	56.23%	56.23%	RUB 427,455,000	RUB 420,210,000	–	RUB 22,406,735,000	RUB 9,906,000	Purchase of electric power on the wholesale and retail electric power (capacity) markets; sale of electric power on the wholesale and retail electric power (capacity) markets to consumers (including citizens), etc.	No changes

APPENDIX

No.	Company name	Share of Company's charter capital owned by PJSC Inter RAO		Book value of shares or interest in Company		Amount of dividends, RUB thousand (unless otherwise indicated)	Financial indicators for 2019		Type of activities per charter	Information about changes to the participatory interest in the company in 2019 or contracts concluded for the sale of shares/interest
		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
9.	Public Joint-Stock Company Tambov Power Supply Company	59.3845%	59.3845%	RUB 284,282,000	RUB 240,267,000	–	RUB 6,692,579,000	RUB 20,984,000	Electricity distribution	No changes
10.	Joint-Stock Company Mosenergosbyt	37.56%	37.56%	RUB 5,753,700,000	RUB 5,753,700,000	–	RUB 370,388,115,000	RUB 3,966,157,000	Purchase of electric power on the wholesale and retail electric power (capacity) markets; sale of electric power on the wholesale and retail electric power (capacity) markets to consumers (including citizens), etc.	No changes
11.	Joint-Stock Company Tomsk Generation	98.54%	98.54%	RUB 2,182,599,000	RUB 2,929,170,000	–	RUB 7,390,577,000	RUB (67,737,000)	Production of electric and thermal power and capacity	No changes
12.	Joint-Stock Company Territorial Generating Company No. 11	98.54%	98.54%	RUB 4,978,689,000	RUB 4,978,689,000	RUB 3,054,657,000	RUB 20,829,489	RUB 2,889,863,000	Production of electric and thermal power and capacity	No changes
13.	Limited Liability Company INTER RAO – Export	99.99%	99.99%	RUB 0.00	RUB 0.00	–	RUB 1,515,060,000	RUB 261,792,000	Core business – wholesale trade of machinery and equipment	No changes
14.	Limited Liability Company Energy Supply Company of Bashkortostan	100%	100%	RUB 4,100,000,000	RUB 4,100,000,000	–	RUB 42,116,889,000	RUB 815,475,000	Trade and intermediary activities; trade and procurement activities; sale of electric and thermal power to individuals and legal entities	No changes
15.	Joint-Stock Company Inter RAO Capital	100%	100%	RUB 93,561,523,000	RUB 93,561,523,000	–	RUB 7,314,769,000	RUB 42,354,713,000	Electricity trading	No changes
16.	RAO Nordic Oy	100%	100%	RUB 43,410,000	RUB 43,410,000	–	EUR 322,202,000	EUR 9,711,000	Management company	No changes

No.	Company name	Share of Company's charter capital owned by PJSC Inter RAO		Book value of shares or interest in Company		Amount of dividends, RUB thousand (unless otherwise indicated)	Financial indicators for 2019		Type of activities per charter	Information about changes to the participatory interest in the company in 2019 or contracts concluded for the sale of shares/interest
		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
17.	INTER RAO Holding B.V.	100%	100%	RUB 4,413,668,000	RUB 4,413,668,000	RUB 312,036,000	–	USD 3,535,000	Wholesale trading of electric power	No changes
18.	Joint-Stock Company Eastern Energy Company	100%	100%	RUB 2,190,290,000	RUB 2,190,290,000	RUB 300,000,000	RUB 10,570,034,000	RUB (65,919,000)	Lease and management of its own or leased commercial real estate	No changes
19.	Joint-Stock Company Elektroluch	100%	100%	RUB 2,065,573,000	RUB 2,065,573,000	–	RUB 879,616,000	RUB 114,148,000	Production and supply (sale) of electric power	No changes
20.	Closed Joint-Stock Company Moldova TPP	100%	100%	RUB 645,751,000	RUB 645,751,000	RUB 1,281,967,000	PRB 2,576,457,000	PRB 240,684,000	Project activities	No changes
21.	RAO Intertech B.V.	100%	100%	RUB 910,767,000	908 860,000	–	–	EUR (81,000)	Management of financial and industrial groups and holding companies	No changes
22.	Limited Liability Company Inter RAO – Power Generation Management	100%	100%	RUB 500,000	RUB 500,000	RUB 65,739,000	RUB 1,815,226,000	RUB 8,427,000	Electric and thermal power production	No changes
23.	Joint-Stock Company Inter RAO – Electric Power Generation	100%	100%	RUB 185,648,281,000	RUB 185,648,281,000	RUB 6,000,000,000	RUB 210,684,895,000	RUB 47,215,916,000		No changes

APPENDIX

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		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
24.	Inter RAO Finance B. V.	100%	100%	RUB 82,748,000	RUB 82,748,000	–	–	EUR 419,000	Establishment, various forms of participation, management, monitoring, use, and promotion of enterprises, organizations, and companies; financing of enterprises and companies; provision of consulting and other services to companies with which the company comprises a group and also to third parties	No changes
25.	Joint-Stock Company Altaenergosbyt	100%	100%	RUB 330,000,000	RUB 330,000,000	–	RUB 14,681,570,000	RUB 304,294,000	Purchase of electric power on the wholesale and retail electric power (capacity) markets; sale of electric power on the wholesale and retail electric power (capacity) markets to consumers (including citizens), etc.	No changes
26.	Joint-Stock Company St. Petersburg Supply Company	100%	100%	RUB 3,994,714,000	RUB 3,994,714,000	RUB 1,800,000,000	RUB 154,494,483,000	RUB 1,747,625,000	Purchase of electric and thermal power on the wholesale and retail electric and thermal power (capacity) markets; sale of electric and thermal power on the wholesale and retail electric and thermal power (capacity) markets to consumers (including citizens), etc.	No changes

Company name		Share of Company's charter capital owned by PJSC Inter RAO		Book value of shares or interest in Company		Amount of dividends, RUB thousand (unless otherwise indicated)	Financial indicators for 2019		Type of activities per charter	Information about changes to the participatory interest in the company in 2019 or contracts concluded for the sale of shares/interest
No.		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
27.	Limited Liability Company RN-Energo	100%	100%	RUB 4,995,804,000	RUB 4,995,804,000	–	RUB 99,440,550,000	RUB 3,565,640,000	Electricity trading; repair of electronic and optical equipment; repair of electrical equipment; electrical work; other construction and installation work; and installation of industrial machinery and equipment	No changes
28.	Limited Liability Company INTER RAO Oryol Energosbyt	100 %	100 %	RUB 60,000,000	RUB 60,000,000	–	RUB 9,055,817,000	RUB 139,243,000	Purchase of electric power on the wholesale and retail electric power (capacity) markets; sale of electric power on the wholesale and retail electric power (capacity) markets to consumers (including citizens), etc.	No changes
29.	Limited Liability Company Inter RAO – Engineering	100%	100%	RUB 60,000,000	RUB 60,000,000	–	RUB 9,055,817,000	RUB 139,243,000	Purchase of electric power on the wholesale and retail electric power (capacity) markets; sale of electric power on the wholesale and retail electric power (capacity) markets to consumers (including citizens), etc.	No changes

APPENDIX

No.	Company name	Share of Company's charter capital owned by PJSC Inter RAO		Book value of shares or interest in Company		Amount of dividends, RUB thousand (unless otherwise indicated)	Financial indicators for 2019		Type of activities per charter	Information about changes to the participatory interest in the company in 2019 or contracts concluded for the sale of shares/interest
		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
30.	Limited Liability Company Inter RAO – Finance	100%	100%	RUB 2,704,000	RUB 8,194,000	–	RUB 3,260,000	RUB (5,361,000)	Transactions with securities, investments in securities; investment in property; other financial intermediation, consultations on financial intermediation, and business and management consultations	No changes
31.	Limited Liability Company Ugolny Razrez	100%	100%	RUB 243,074,000	RUB 243,074,000	–	RUB 3,524,538,000	RUB 9,056,000	Opencast brown coal mining	No changes
32.	Limited Liability Company Bashkir Generating Company	100%	100%	RUB 24,038,482,000	RUB 24,038,482,000	RUB 3,396,835,000	RUB 52,030,188,000	RUB 9,086,772,000	Electric and thermal power production	No changes
33.	Limited Liability Company Energoconnect	100%	100%	RUB 3,352,000	RUB 3,115,000	–	–	BYN (47,000)	Implementation of cross-border projects for the design and installation of DC inserts	Charter capital of LLC Energoconnect was reduced on March 4, 2019, charter capital of LLC Energoconnect was increased on December 16, 2019
34.	Limited Liability Company Inter RAO – Procurement Management Center	100%	100%	RUB 122,038,000	RUB 122,038,000	–	RUB 1,151,654,000	RUB 23,912,000	Organization and provision of centralized logistics supplies for the Group's enterprises	No changes

No.	Company name	Share of Company's charter capital owned by PJSC Inter RAO		Book value of shares or interest in Company		Amount of dividends, RUB thousand (unless otherwise indicated)	Financial indicators for 2019		Type of activities per charter	Information about changes to the participatory interest in the company in 2019 or contracts concluded for the sale of shares/interest
		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
Information about organizations that are part of the holding structure										
35.	Joint-Stock Company Ivanovskaya TPP Test Bench	—	—	—	—	—	RUB 1,490,000	RUB (22,570,000)	Pre-delivery and acceptance testing of commercial gas turbine engines GTU-110 and their modifications; pilot operation of the GTD-110; production and sale of electric power (capacity)	Company's charter capital reduced on July 30, 2019
36.	Joint-Stock Company Nizhnevartovskaya TPP	—	—	—	—	—	RUB 19,195,263,000	RUB 3,341,342,000	Electric and thermal power production	No changes
37.	Joint-Stock Company Lukomorye Healthcare Center	—	—	—	—	—	RUB 96,707,000	RUB 2,902,000	Health resort activities	No changes
38.	Joint-Stock Company Technological Transport Management	—	—	—	—	—	RUB 119,023,000	RUB 861,000	Passenger transportation; freight transportation; organization of the work of special vehicles and hoisting mechanisms; provision of vehicle repair and maintenance services	No changes
39.	Limited Liability Company Verkhnetagilskaya Utility Company	—	—	—	—	—	RUB 46,289,000	RUB 831,000	Maintenance and operational services	No changes
40.	Joint-Stock Company Thermal and Underground Utility Repair and Service Company of Kostromskaya TPP	—	—	—	—	—	RUB 279,840,000	RUB 647,000	Operation and repair of thermal, water, and sewer networks; transportation and sale of thermal power	No changes

APPENDIX

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		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
41.	Joint-Stock Company Integrated Energy Repair	—	—	—	—	—	RUB 441,000	RUB 85,000	Repair of boiler inspection facilities; manufacturing of unconventional equipment subordinate to Rostekhnadzor; repair and adjustment of lifting structures	No changes
42.	Joint-Stock Company Thermal Service Company	—	—	—	—	—	RUB 363,050,000	RUB (6,079,000)	Operation and maintenance of heating networks; operation, maintenance, and repair of hot water networks	No changes
43.	Joint-Stock Company Kommunalnik	—	—	—	—	—	RUB 131,479,000	RUB (3,116,000)	Operation and maintenance of heating networks	No changes
44.	Joint-Stock Company Energy-1	—	—	—	—	—	RUB 192,677,000	RUB (2,418,000)	Operation and maintenance of heat networks and the distribution and sale of thermal power	No changes
45.	Joint-Stock Company Hotel Volgorechensk	—	—	—	—	—	RUB 13,439,000	RUB (2,973,000)	Hotel services	No changes
46.	Joint-Stock Company Yuzhnouralskaya Thermal Power Supply Company	—	—	—	—	—	RUB 283,530,000	RUB (7,006,000)	Operation and maintenance of heating networks in Yuzhnouralsk; heat supply to consumers	No changes
47.	Limited Liability Company Bashenergotrans	—	—	—	—	—	RUB 966,606,000	RUB 61,480,000	Road transportation of passengers, cargo, bulky goods, and hazardous goods	No changes

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		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
48.	Limited Liability Company Bashkir Heat Distribution Networks	–	–	–	–	–	RUB 15,899,271,000	RUB 1,204,591,000	Production of thermal and electric power	No changes
49.	Limited Liability yb Company Integrator IT	–	–	–	–	–	RUB 561,586,000	RUB 73,110,000	Creation of secure document management systems, provision of information encryption services, and maintenance and distribution of encryption (cryptographic) tools	No changes
50.	Limited Liability Company Unified Information and Settlement Center of the Moscow Region	–	–	–	–	–	RUB 3,836,238,000	RUB 250,193,000	Provision of services related to the sale of electric power, including the collection of payments for goods sold and services rendered, etc.	No changes
51.	Limited Liability Company MES-Development	–	–	–	–	–	RUB 239,056,000	RUB 721,671,000	Provision of services related to the sale of electric power, including the collection of payments for goods sold and services rendered, etc.	No changes

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No.		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
52.	Joint-Stock Company Luch Supply Company	–	–	–	–	–	RUB 200,637,000	RUB 10,671,000	Provision of services related to the sale of electric power, including the collection of payments for goods sold and services rendered; diagnostics, operation, repair, replacement, and verification of electric and thermal power measuring and metering instruments; and the provision of services for the organization of commercial accounting	No changes
53.	Joint-Stock Company Power Supply Company of the Moscow Region	–	–	–	–	–	–	RUB (1,514,000)	Purchase of electric power on the wholesale and retail electric power (capacity) markets; sale of electric power on the wholesale and retail electric power (capacity) markets to consumers (including citizens)	No changes
54.	Joint-Stock Company PETROELEKTROSBYT	–	–	–	–	–	RUB 10,500 745,000	RUB 185,693,000	Purchase and sale of electric and thermal power; Collection and accounting of payments for electric power as well as utilities	No changes
55.	Limited Liability Company QUARTZ Group	–	–	–	–	–	RUB 7,805,223,000	RUB (199,073,000)	Power plant maintenance activities	No changes

No.	Company name	Share of Company's charter capital owned by PJSC Inter RAO		Book value of shares or interest in Company		Amount of dividends, RUB thousand (unless otherwise indicated)	Financial indicators for 2019		Type of activities per charter	Information about changes to the participatory interest in the company in 2019 or contracts concluded for the sale of shares/interest
		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
56.	Limited Liability Company Inter RAO – Information Technologies	–	–	–	–	–	RUB 1,811,014,000	RUB (1,925,070,000)	Software development and introduction and consulting	No changes
57.	Limited Liability Company INTER RAO SERVICE	–	–	–	–	–	RUB 35,189,000	RUB 7,001,000	Performing the functions of a customs agent and customs representative	No changes
58.	Limited Liability Company Interstroy	–	–	–	–	–	N/A	N/A	Construction of power facilities and civil engineering facilities; installation, commissioning, and repair of power facilities and electric power equipment	No changes
59.	Limited Liability Company INTER RAO Invest	–	–	–	–	–	RUB 98,966,000	RUB 31,476,000	Brokerage and dealer activities on the securities market; securities management and depository activities; investments in securities, and other financial intermediation	Company's charter capital increased on February 19, 2019
60.	Limited Liability Company Energetik Health and Wellness Center	–	–	–	–	–	RUB 317,044,000	RUB 19,219,000	Provision of health resort and preventive treatment services; medical services; operation of buildings and structures; property management	No changes
61.	Limited Liability Company Energospetsstservisobsluzhivanie	–	–	–	–	–	PRB 31,194,000	PRB 1,118,000	Repair of power equipment and operation of utility networks	No changes

APPENDIX

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		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
62.	Joint-Stock Company Tomskenergobalans	–	–	–	–	–	RUB 2,545,000	RUB 222,000	Provision of collection services from utility consumers (organizations and individuals), including the delivery of receipts, notifications, claims, etc. to consumers.	No changes
63.	Joint-Stock Company Industrial Energy	–	–	–	–	–	N/A	N/A	Provision of power supply services	No changes
64.	Limited Liability Company Omsk Power Supply Company	–	–	–	–	–	RUB 1,396,474,000	RUB 151,836,000	Provision of power supply services	No changes
65.	Joint-Stock Company Omsk Heat Distribution Networks	–	–	–	–	–	RUB 9,662,780,000	RUB (279,676,000)	Steam and hot water (thermal power) production by boiler rooms; transmission and distribution of steam and hot water (thermal power)	No changes
66.	Joint-Stock Company TomskRTS	–	–	–	–	–	RUB 5,509,920,000	RUB (288,764,000)	Steam and hot water (thermal power) production by boiler rooms; transmission and distribution of steam and hot water (thermal power)	No changes

No.	Company name	Share of Company's charter capital owned by PJSC Inter RAO		Book value of shares or interest in Company		Amount of dividends, RUB thousand (unless otherwise indicated)	Financial indicators for 2019		Type of activities per charter	Information about changes to the participatory interest in the company in 2019 or contracts concluded for the sale of shares/interest
		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
67.	Joint-Stock Company Unified Information and Settlement Center of the Leningrad Region	–	–	–	–	–	RUB 456,346,000	RUB 64,725,000	Creation and use of databases and information resources and the generation of unified payment documents for utility bills and technical support for these operations	No changes
68.	Limited Liability Company Settlement Center	–	–	–	–	–	–	–	Electricity trading	Company liquidated on January 29, 2019
69.	Limited Liability Company Inter RAO – Distributed Generation	–	–	–	–	–	–	RUB (170,000)	Financial and industrial group management activities; investment in securities	No changes
70.	Limited Liability Company Inter RAO – SP	–	–	–	–	–	–	RUB (2,113,000)	Financial and industrial group management activities; investment in securities	Charter capital of LLC Inter RAO – SP increased on March 5, 2019 and June 8, 2019
71.	Limited Liability Company Inter RAO – Unified Information and Settlement Center	–	–	–	–	–	–	RUB (1,094,000)	Creation and use of databases and information resources	No changes
72.	Limited Liability Company Praktika	–	–	–	–	–	RUB 384,200,000	RUB 1,191,058,000	Investments in securities	No changes
73.	Limited Liability Company Inter RAO – Platform	–	–	–	–	–	–	RUB (2,576,934,000)	Computer software development	No changes
74.	Limited Liability Company Energosbyt Volga	–	–	–	–	–	RUB 14,071,439,000	RUB 11,014,000	Electricity trading	No changes
75.	Limited Liability Company ESCB – Development	–	–	–	–	–	RUB 223,378,000	RUB 82,068,000	Electricity trading	No changes

APPENDIX

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		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
No.										
76.	Limited Liability Company Heston de Proektos	–	–	–	–	–	–	RUB (1,488,000)	Wholesale trade in other machinery and equipment	No changes
77.	Inter RAO Management B.V.	–	–	–	–	–	USD 77,000	USD (107,000)	Management activities	No changes
78.	Gardabani Holdings B.V.	–	–	–	–	–	–	USD 764,000	Holding activities	No changes
79.	Silk Road Holdings B.V.	–	–	–	–	–	–	USD (2,063,000)	Management company	No changes
80.	Inter Jet B.V.	–	–	–	–	–	USD 1,307,000	USD 42,000	Real estate leasing to third parties	No changes
81.	Inter RAO Trust B.V.	–	–	–	–	–	–	EUR (64,000)	Holding activities	No changes
82.	Orange Wings Ltd	–	–	–	–	–	–	USD (4,000)	Project activities	No changes
83.	Joint-Stock Company Telasi	–	–	–	–	–	GEL 453,084,000	GEL 14,057,000	Production and supply (sale) of electric and thermal power	No changes
84.	Joint-Stock Company Khrami HPP-I	–	–	–	–	–	GEL 15,731,000	GEL 5,894,000	Electricity production	No changes
85.	Joint-Stock Company Khrami HPP-II	–	–	–	–	–	GEL 28,942,000	GEL 8,607,000	Electricity production	No changes
86.	Limited Liability Company Inter RAO Georgia	–	–	–	–	–	GEL 65,297,000	GEL (591,000)	Purchase of electric power and capacity; sale to consumers of purchased electric power and capacity; collection of payments for electric power and capacity sold; export/import of electric power and capacity; other activities	Company established on May 21, 2019

Company name		Share of Company's charter capital owned by PJSC Inter RAO		Book value of shares or interest in Company		Amount of dividends, RUB thousand (unless otherwise indicated)	Financial indicators for 2019		Type of activities per charter	Information about changes to the participatory interest in the company in 2019 or contracts concluded for the sale of shares/interest
No.		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
87.	Inter RAO Credit B.V.	–	–	–	–	–	–	EUR (21,000)	Provision of consulting and other services to companies with which the company comprises a group as well as to third parties; borrowing, lending, and raising funds, including the issuance of bonds, promissory notes, or other securities or debt documents as well as the conclusion of agreements in connection with the aforementioned activities; issuance of guarantees, binding the company with obligations and the pledge of its assets to secure the obligations of the enterprises and companies with which the company comprises a group as well as on behalf of third parties	Company liquidated on December 18, 2019

APPENDIX

No.	Company name	Share of Company's charter capital owned by PJSC Inter RAO		Book value of shares or interest in Company		Amount of dividends, RUB thousand (unless otherwise indicated)	Financial indicators for 2019		Type of activities per charter	Information about changes to the participatory interest in the company in 2019 or contracts concluded for the sale of shares/interest
		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
88.	AB Inter RAO Lietuva	–	–	–	–	–	EUR 288,234,000	EUR 14,092,000	Any legitimate business activity, including the production, transmission, distribution, and sale of electric power, investment in the energy sector, and the implementation of other investment projects	No changes
89.	SIA Inter RAO Latvia	–	–	–	–	–	EUR 12,377,000	EUR 78,000	Electricity trading	No changes
90.	Inter RAO Eesti OU	–	–	–	–	–	EUR 9,590,000	EUR (35,000)	Electricity trading	No changes
91.	Vydmantai Wind Park UAB	–	–	–	–	–	EUR 5,590,000	EUR 2,083,000	Electricity production and sale	No changes
92.	IRL POLSKA spółka z ograniczoną odpowiedzialnością	–	–	–	–	–	PLN 405,524,000	PLN 5,588,000	Electricity production, distribution, and trading	No changes
93.	Trakya Elektrik Uretim ve Ticaret A.S.	–	–	–	–	–	USD 39,351,000	USD 1,499,000	Electricity production and sale	No changes
94.	Limited Liability Company Sport Support Center	–	–	–	–	–	–	RUB (33,712,000)	Management of commercial property for a fee or on a contractual basis	No changes
95.	Limited Liability Company Inter RAO – Service Management	–	–	–	–	–	RUB 304,914,000	RUB (19 349,000)	Activities related to the provision of accounting, financial audit, and tax consulting services	No changes
96.	Limited Liability Company Uytut	–	–	–	–	–	–	RUB 35.901,000	Lease and management of its own or leased commercial real estate	No changes

No.	Company name	Share of Company's charter capital owned by PJSC Inter RAO		Book value of shares or interest in Company		Amount of dividends, RUB thousand (unless otherwise indicated)	Financial indicators for 2019		Type of activities per charter	Information about changes to the participatory interest in the company in 2019 or contracts concluded for the sale of shares/interest
		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
97.	Joint-Stock Company Information System Operator	–	–	–	–	–	–	RUB (149,000)	Communication activities based on wired technologies	No changes
98.	Joint-Stock Company Sever	–	–	–	–	–	RUB 739,628,000	RUB (124,305,000)	Lease and management of its own or leased commercial real estate	No changes
99.	Limited Liability Company Northern Supply Company	–	–	–	–	–	RUB 15,374,167,000	RUB 2,519,000	Electricity trading	No changes
100.	Limited Liability Company Vostok	–	–	–	–	–	RUB 7,257,000	RUB (35,900,000)	Lease and management of its own or leased commercial real estate	Company's charter capital increased on June 17, 2019
101.	Limited Liability Company Business Development	–	–	–	–	–	–	RUB 15,550,000	Electricity trading	Company established on January 15, 2019
102.	Limited Liability Company INVENT	–	–	–	–	–	N/A	N/A	Holding company management activities	Company left Group on August 8, 2019
103.	RIG RESEARCH PTE. Ltd	–	–	–	–	–	N/A	N/A	Holding company	Company's charter capital increased on February 14, 2019 and June 26, 2019
104.	Limited Liability Company Aktiv-Energia	–	–	–	–	–	–	RUB 71,167,000	Investment in securities	Company established on February 15, 2019. Company's charter capital increased on October 9, 2019

APPENDIX

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	01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
105. Joint-Stock Company CASCADE	–	–	–	–	–	N/A	N/A	Design, production, and supply of electrical connectors	Company left Group on January 10, 2019
106. IBBA Holding Limited	–	–	–	–	–	USD 2,746,000	USD (3,655,000)	Project activities	Company established on March 19, 2019
107. Limited Liability Company Unified National Data Operator	–	–	–	–	–	–	RUB (275,000)	Activities for the provision of data transmission services and Internet access services; wireless communication activities	Company established on March 29, 2019
108. Rus Gas Turbines Holdings B.V.	–	–	–	–	–	–	EUR (19,097,000)	Holding company	Sale of 25% of RGT HBV to IRAO EG on April 18, 2019
109. Limited Liability Company Russian Gas Turbines	–	–	–	–	–	RUB 337,858,000	RUB (138,249,000)	Gas turbine production, except turbojet and turboprop turbines	No changes
110. Limited Liability Company Unified Information and Settlement Center of the Republic of Bashkortostan	–	–	–	–	–	RUB 705,000	RUB (2,376,000)	Acceptance of payments from individuals by payment agents	Company established on July 19, 2019
111. Limited Liability Company Unified Information and Settlement Center of the Tomsk Region	–	–	–	–	–	RUB 2,222,000	RUB (2,406,000)	Data processing activities and the provision of information placement services and related activities	Company established on September 30, 2019
112. Limited Liability Company Tomsk-Development	–	–	–	–	–	–	RUB (43,000)	Provision of services related to the sale of electric power, including the collection of payments for goods sold and services rendered	Company established on November 21, 2019

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		01/01/2020	01/01/2019	01/01/2020	01/01/2019		Revenue	Net profit		
113.	Limited Liability Company Unified Settlement Center	–	–	–	–	–	–	RUB (13,000)	Provision of services related to the sale of electric power, including the collection of payments for goods sold and services rendered	Company established on December 3, 2019
114.	Limited Liability Company Inter RAO Export – Project Management	–	–	–	–	–	–	RUB (113,000)	Foreign economic activity in various forms in the manner prescribed by law, including the implementation of all types of export- import and re-export operations with Russian and foreign legal entities and individuals, as well as intermediary activities involving the implementation of export-import operations	Company established on October 30, 2019

GOVERNMENT SUPPORT [GRI 201–4]

1. List of projects/measures implemented by the Inter RAO Group that received government support.

No.	Project name	Purpose and objectives of project	Form of government support	Amount of state support in 2019	Events over the reporting period
1.	Construction of four new power units in the Republic of Cuba with installed capacity of 200 MW at two existing Cuban power plants: Maximo Gomez TPP (Mariel) and Eastern Havana TPP (Santa) as part of an international contract signed on October 22, 2015 with Energoimport (part of the state-owned electric power company Union Electrica).	In accordance with the contract, LLC INTER RAO – Export, a subsidiary of PJSC Inter RAO, is performing organizational and managerial functions for the project's implementation and providing a range of services for the design, supply, and commissioning of all the main and auxiliary power equipment produced in Russia.	A state export intergovernmental loan. Intergovernmental Agreement between the Russian Federation and the Republic of Cuba dated October 22, 2015 and Financing Agreement No. 01-01-06/04-16 with the Ministry of Finance of the Russian Federation dated February 7, 2017.	RUB 1,384,999,000 (EUR 19,336,300)	Budgetary allocations in the amount of: RUB 1,384,999,000 were transferred to LLC INTER RAO – Export in 2019 for Direct Expenditures and Base Remuneration under the project using the state export loan.
2.	Compensation for shortfalls in income at organizations that handle the supply of hot and cold water, water disposal, and heat supply in the Omsk Region. JSC Omsk RTS.	Supply of energy in the Omsk Region.	Subsidies to compensate for shortfalls in income at organizations. Resolution No. 348-p of the Government of the Omsk Region dated November 23, 2016 “On the approval of the procedure for providing subsidies to compensate for lost income at organizations that handle the supply of hot and cold water, water disposal, and heat supply in the Omsk Region.”	RUB 290,288,000	Order No. 78/35 of the Regional Energy Commission of the Omsk Region dated June 20, 2019. Order No. 112/45 of the Regional Energy Commission of the Omsk Region dated August 1, 2019. Directive No. P-19/170 of the Regional Energy Commission of the Omsk Region dated November 29, 2019 “On the provision of subsidies.”
3.	Compensation for lost revenue to resource supplying organizations due to the establishment of a preferential tariff for utility resources in the Tomsk Region.	Ensuring the supply of thermal power and hot water to preferential categories of consumers at preferential rates as part of the implementation of Law No. 140-OZ of the Tomsk Region dated December 8, 2017 “On preferential rates for thermal power (capacity) and/or hot water.”	Subsidiary support from the regional budget to repay the difference between tariffs. Resolution No. 193a of the Administration of the Tomsk Region dated April 28, 2018 “On the approval of the procedure for the provision of subsidies to compensate for lost revenue to resource supplying organizations due to the establishment of a preferential tariff for utility resources in the Tomsk Region.”	RUB 172,585,000	Unnumbered agreement on the provision of subsidies to resource supplying organizations dated February 12, 2019.

No.	Project name	Purpose and objectives of project	Form of government support	Amount of state support in 2019	Events over the reporting period
4.	Compensation for shortfalls in income at resource supplying organizations that supply electric and thermal power in the Yamalo-Nenets Autonomous District (Urengoy Thermal Power Plant).	Supply of electric and thermal power as part of the Yamalo-Nenets Autonomous District's state program 'Energy efficiency and energy development and the provision of high-quality housing and utility services for the population in 2014-2022,' which was approved by Resolution No. 1144-P dated December 25, 2013.	Subsidies from the district budget to compensate for shortfalls in income. Resolution No. 1338-P of the Government of the Yamalo-Nenets Autonomous District dated December 24, 2018 "On the distribution of subsidies from the district budget to compensate for shortfalls in income at resource supply organizations for 2019."	RUB 63,533,500	Agreement No. 4001-19/99 dated March 4, 2019 on the provision of subsidies.
5.	Social support measures to pay utility bills for certain categories of citizens from the budget of the Zabaykalsky Territory.	Supply of electric and thermal power in the Zabaykalsky Territory.	Subsidies in order to compensate for lost income. Procedure for providing subsidies from the budget of the Zabaykalsky Territory approved by Resolution No. 457 of the Government of the Zabaykalsky Territory dated October 25, 2018.	RUB 33,486,300	Contract No. 12/2019-97-ND dated May 29, 2019 Contract No. 13/2019-98ND dated October 1, 2019 Contract No. 13/2019-153ND dated November 6, 2019 Contract No. 13/2019-203FO dated December 5, 2019 Budget of the Zabaykalsky Territory Article 78 of the Budgetary Code of the Russian Federation
6.	Reimbursement of expenses associated with providing measures to citizens to partially exempt them from utility bills (Verkhnetagilskaya TPP).	Ensuring the supply of thermal power and hot water to preferential categories of consumers.	Subsidies for the reimbursement of expenses associated with the provision of social support measures to citizens. Resolution No. 33 of the Administration of the Verkhny Tagil Urban District dated January 21, 2015.	RUB 18,849,700	Agreement No. 2017-2018 dated August 1, 2019
7.	"Reconstruction of the inlet, discharge, and outlet channels for industrial water supply and reconstruction of the industrial wastewater treatment system in order to ensure a standard level of impact on the Volga River" (Kostroma Thermal Power Plant) and "Reconstruction of process water supply systems for the units of Stations No. 8 and 9 at Cherepetskaya Thermal Power Plant."	Reconstruction and modernization of the circulating and recycling water supply systems and treatment facilities as part of the federal target program 'Development of the Water Management System of the Russian Federation in 2012-2020. Resolution No. 350 of the Government of the Russian Federation dated April 19, 2012 (as amended on June 20, 2019).	Subsidies for the reimbursement of interest on loans. Resolution No. 350 of the Government of the Russian Federation dated April 19, 2012 (as amended on June 20, 2019).	RUB 2,413,300	Agreement No. 051-11-2019-003 on the provision of subsidies dated June 26, 2019 Additional Agreement to Subsidy Agreement No. 051-11-2019-003/1 Order No. 415 of the Russian Ministry of Natural Resources dated June 24, 2019.
8.	Other		Subsidies	RUB 2,529,800	

2. Tax benefits and preferences (savings) received by the Group's enterprises in 2019

The Group's enterprises received tax benefits and preferences for a total of RUB 3.504 bln in 2019, including:

Name	Amount, RUB mln
Property tax benefits	1,047
Income tax benefits	2,346
Insurance premiums	111
Total	3,504

INFORMATION ABOUT LITIGATION AND MAJOR PENALTIES

Significant legal proceedings in which the Group was involved as a plaintiff or defendant in 2019

		Group's participation as a plaintiff		Group's participation as a defendant	
No.	Plaintiff	Defendant	Subject of claims	Amount of claim, RUB thousand (in other currency for certain disputes)	Current situation
1	JSC Inter RAO – Power Generation	Inter-District Inspectorate of the Russian Federal Tax Service No. 26 for St. Petersburg	Decisions from an office tax audit for 2011-2015 with respect to updated tax declarations. Understatement of property tax with respect to power grid facilities.	56,519	Based on a complaint from the Company in Case No. A56-4534/2016 from 2011, Ruling No. 307-ES19-24847 dated January 13, 2020 denied the referral of a statement for consideration at a hearing of the Judicial Collegium for Economic Disputes of the Supreme Court of the Russian Federation. A negative outcome in the cases will not entail additional property tax payments (tax has been paid to the budget).
2	JSC TGC-11	Inter-District Inspectorate of the Federal Tax Service for Major Taxpayers for the Omsk Region	Appeal of the Decision from a field tax audit dated November 24, 2017 for 2013-2014 1. Understatement of property tax on power grid facilities. 2. Extra charge on income tax as a result of the unlawful disaggregation of fixed assets (booster compressor station).	125,893	October 28, 2019 – resolution of the court of cassation denying the Company's claims (Case A46-4130/2018). December 25, 2019 – a cassation appeal was filed with the Supreme Court of the Russian Federation. Fine – RUB 11,664,000 Penalty – RUB 35,338,000 Tax paid.
3	JSC TGC-11	Inter-District Inspectorate of the Federal Tax Service for Major Taxpayers for the Omsk Region	Appeal of the Decision from a field tax audit dated November 27, 2019 for 2015 1. Understatement of property tax on power grid facilities. 2. Extra charge on income tax as a result of the unlawful disaggregation of fixed assets (booster compressor station).	56,036	December 24, 2019 – appeal sent to the Office of the Russian Federal Tax Service for the Omsk Region. Fine – RUB 3,882,000 Penalty – RUB 14,716,000 Tax not paid.

APPENDIX

No.	Plaintiff	Defendant	Subject of claims	Amount of claim, RUB thousand (in other currency for certain disputes)	Current situation
4	JSC TGC-11	Inter-District Inspectorate of the Federal Tax Service for Major Taxpayers for the Omsk Region	Appeal of the Decision from an office tax audit dated April 6, 2018 for 2016 1. Understatement of property tax on power grid facilities. 2. Understatement of property tax as a result of the unlawful disaggregation of fixed assets.	26,102	The decisions of the courts of first and appeal instances denied the Company's claims. January 30, 2020 – a cassation appeal was filed (Arbitration Court of the West Siberian District). Fine – RUB 2,220,000 Penalty – RUB 3,019,000 Tax paid.
5	JSC TGC-11	Inspectorate of Federal Tax Service No. 1 for the Central Administrative District of Omsk	Appeal of the Decision from an office tax audit dated April September 24, 2019 for 2018 1. Understatement of property tax on power grid facilities. 2. Understatement of property tax as a result of the unlawful disaggregation of fixed assets.	13,118	January 27, 2020 – a lawsuit was filed in the Arbitration Court of the Omsk Region (Case No. A46-1153/2020). Fine – RUB 1,311,000 Penalty – RUB 708,000 Tax paid.
6	PJSC Inter RAO	CELEC EP	Compensation for losses caused by the breach and termination of the contract.	USD 78,258,613.04 (the amount will be clarified during litigation)	The case is pending before the arbitration institution (no instances).
7	PJSC Inter RAO	Foreign economic state enterprise Ukrinterenergo	Enforcement of the decision of the ICAC at the CCI RF on the collection of debt under a contract in the amount of RUB 330,159,393, forfeitures in the amount of RUB 117,373,322, and forfeitures amounting to 0.1% of the principal in the amount of RUB 330,159,393 for each day of delay, from April 8, 2016 to the day of the actual payment of the debt, plus debt for the payment of the arbitration fee in the amount of RUB 2,415,039.	447,533 (tentative, the amount will be clarified during litigation)	On November 19, 2019, the Supreme Court adopted a resolution as part of the Cassation Civil Court to initiate cassation proceedings in Case No. 758/11472/17.

No.	Plaintiff	Defendant	Subject of claims	Amount of claim, RUB thousand (in other currency for certain disputes)	Current situation
8	JSC Telasi / PJSC Inter RAO / Gardabani Holdings B.V.	Georgian government	Indemnification	At least USD 143 mln (the amount will be clarified during litigation)	In-person hearings were held in October 2019. An arbitration decision is expected in the first half of 2020.
9	Gardabani Holdings B.V. / Silk Road Holdings B.V.	Georgia	Indemnification		
10	JSC Inter RAO – Power Generation	JSC Energocapitalgroup	Recovery of unjust enrichment under assignment agreements as part of which the debt of JSC Dagestan Power Supply Company was ceded, and interest on borrowed money.	546,500	The claims were satisfied in full.
11	JSC Inter RAO – Power Generation as represented by Ivanovskiye CCGT	PJSC UEC Saturn	Recovery of losses on the WECM.	329,006	Settlement agreement approved in the amount of RUB 329,006,000
12	JSC Inter RAO – Power Generation as represented by Ivanovskiye CCGT	PJSC UEC Saturn	Recovery of losses in the form of expenses on the repair of gas turbine engine 110.	304,712	Settlement agreement approved in the amount of RUB 233,102,000
13	JSC Inter RAO – Power Generation as represented by Ivanovskiye CCGT	PJSC UEC Saturn	Recovery of losses on the WECM.	853,897	Settlement agreement approved in the amount of RUB 298,108,000
14	LLC BashRTS	OJSC Housing Authority of the Sovetsky District of Ufa	Debt collection under a heat supply agreement.	292,824	Examination in the court of first instance.
15	LLC BashRTS	OJSC Housing Authority of the Sovetsky District of Ufa	Debt collection under a heat supply agreement.	281,792	Examination in the court of first instance.
16	LLC Aktiv-Energia	LLC INVENT Holding Company	Debt collection for the payment of a 33% stake in the charter capital of LLC INVENT.	4,570,975	Examination in the court of first instance.
17	LLC BGC	LLC Cascade-Energo	Recovery of forfeitures and losses to the extent not covered by the forfeiture under a contract for the construction of the Zatonetskaya CHPP.	4,095,089	Examination in the court of first instance.

APPENDIX

No.	Plaintiff	Defendant	Subject of claims	Amount of claim, RUB thousand (in other currency for certain disputes)	Current situation
18	LLC Cascade-Energo	LLC BGC	Counterclaim for the collection of debt, forfeiture, and interest under a contract for the construction of the Zatonskaya CHPP.	1,361,108	Examination in the court of first instance.
19	PJSC MOESK	JSC Mosenergosbyt	Debt collection for electric power transmission services.	252,313	Examination in the court of first instance.
20	PJSC MOESK	JSC Mosenergosbyt	Debt collection for electric power transmission services.	1,046,083	The court of appeals ruled to recover RUB 272,394,000 of the principal debt and RUB 251,340,000 in penalties. Pending a cassation appeal.
21	PJSC MOESK	JSC Mosenergosbyt	Debt collection for electric power transmission services.	417,683	The court of first instance ruled to recover RUB 130,004,000. Pending an appeal.
22	JSC Inter RAO – Power Generation as represented by the branch Cherepetskaya TPP (bankruptcy creditor)	OJSC Technopromexport Foreign Economic Association (debtor)	Inclusion of an unearned advance in the debtor's the list of creditor claims.	943,800	Claim included in the list of creditor claims. Bankruptcy administrators filed an appeal against the ruling on the inclusion in the list of creditor claims. The bankruptcy proceedings against the debtor were extended until September 30, 2020.
23	JSC Inter RAO – Power Generation as represented by Ivanovskiye CCGT (bankruptcy creditor)	LLC Teplovik (debtor)	Inclusion of the debtor's debt for thermal power and coolant supplied as well as penalties in the list of creditor claims.	259,729	Claim included in the list of creditor claims. The bankruptcy proceedings against the debtor were extended until August 1, 2020.
24	JSC Inter RAO – Power Generation as represented by Ivanovskiye CCGT (bankruptcy creditor)	LLC Teplovik (debtor), entities that control the debtor (as part of the case bankruptcy)	Vicarious liability for the debtor's controlling entities.	385,000	A judicial economic expert analysis was conducted. Examination in the court of first instance.
25	JSC Inter RAO – Power Generation (bankruptcy creditor)	OJSC Bryanskenergosbyt (debtor)	Inclusion of the debtor's debt in the list of creditor claims.	256,153	Claim included in the list of creditor claims. The bankruptcy proceedings were extended until August 6, 2020.
26	JSC Tomskenergosbyt (bankruptcy creditor)	LLC Stroy Expert (debtor)	Inclusion of the debtor's debt in the list of creditor claims.	995,981	Claim included in the list of creditor claims. The bankruptcy proceedings procedure concluded on January 16, 2020.

No.	Plaintiff	Defendant	Subject of claims	Amount of claim, RUB thousand (in other currency for certain disputes)	Current situation
27	LLC Ugolny Razrez (bankruptcy creditor)	LLC Krasnoyarskugleavtomatika (debtor)	Recognition of the debtor as bankrupt and inclusion of the debtor's debt in the list of creditor claims.	293,019	Claim included in the list of creditor claims. The bankruptcy proceedings were extended until May 31, 2020.
28	LLC Energosbyt Volga (bankruptcy creditor)	PJSC Vladimirenergosbyt (debtor)	Inclusion of the debtor's debt in the list of creditor claims.	496,729	Claim included in the list of creditor claims. Bankruptcy proceedings procedure.
29	JSC Inter RAO – Power Generation (bankruptcy creditor)	OJSC Omskenergobyt (debtor)	Inclusion of the debtor's debt in the list of creditor claims.	249,707	Claim included in the list of creditor claims. The bankruptcy proceedings procedure concluded on September 5, 2019.
30	JSC Inter RAO – Power Generation (bankruptcy creditor)	OJSC Kola Power Supply Company (debtor)	Inclusion of the debtor's debt in the list of creditor claims.	417,936	Claim included in the list of creditor claims. The bankruptcy proceedings were extended until 24.06.2020.
31	JSC Inter RAO – Power Generation (bankruptcy creditor)	OJSC Tulaenergobyt (debtor)	Inclusion of the debtor's debt in the list of creditor claims.	505,728	Claim included in the list of creditor claims. The bankruptcy proceedings procedure is underway.
32	JSC Inter RAO – Power Generation (bankruptcy creditor)	LLC Firm Intrek (debtor)	Inclusion of the debtor's debt in the list of creditor claims.	506,074	Claim included in the list of creditor claims. The bankruptcy proceedings procedure concluded on February 10, 2020.
33	LLC Northern Supply Company (bankruptcy creditor)	PJSC Vologdaenergobyt (debtor)	Inclusion of the debtor's debt in the list of creditor claims.	1,100,000	Claim included in the list of creditor claims. The bankruptcy proceedings procedure was introduced until May 19, 2020.
34	LLC BashRTS (bankruptcy creditor)	MUE Ufa Engineering Networks (debtor)	Inclusion of debt and forfeitures in the list of creditor claims.	1,417,980	Claim included in the list of creditor claims. The bankruptcy proceedings procedure was introduced until December 3, 2020.
35	External manager MUE Ufa Engineering Networks	LLC ESCB	Dispute of a transaction on the grounds envisaged by the Federal Law "On Insolvency (Bankruptcy)" as part of the bankruptcy case of MUE Ufa Engineering Networks.	244,944	Examination in the court of first instance.

INFORMATION ABOUT THE SALE OF NON-CORE ASSETS IN 2019

The current program for the alienation of non-core assets of PJSC Inter RAO (hereinafter the Program) was approved by a resolution of the Board of Directors of PJSC Inter RAO dated December 26, 2017 (Minutes No. 215 of the Board of Directors Meeting of December 28, 2017).

The register of non-core assets of PJSC Inter RAO (hereinafter the Register) was approved by resolutions of the PJSC Inter RAO Board of Directors dated December 26, 2017, September 20, 2017, December 20, 2018, and October 31, 2019 (Minutes No. 215 of the Board of Directors Meetings dated December 28, 2017, No. 231 dated September 24, 2017, No. 236 dated December 24, 2018, and November 1, 2019, respectively).

The current Register was approved by a resolution of the PJSC Inter RAO Board of Directors dated October 31, 2019 (Minutes No. 258 of the Board of Directors Meeting dated November 1, 2019).

The program includes 9 sections:

1. Basic terms and definitions
2. Goals and objectives for the sale of non-core assets
3. Principles for the sale of non-core assets
4. Procedure for identifying non-core assets
5. Program and Register of non-core assets and the Action Plan
6. Procedure for evaluating non-core assets
7. Methods and procedure for the sale of non-core assets
8. Information support for the sale of non-core assets
9. Reporting on the implementation of the Program.

In addition, the Program contains two appendices, which list criteria for determining the profile of management accounting units and assets included in such units.

Section 7 of the Program provides for the following ways of selling non-core assets: compensated alienation; gratuitous alienation; liquidation (termination of membership in a legal entity).

Positive deviation (the asset is alienated with a profit).

In 2019, Inter RAO PJSC sold one non-core asset envisaged for sale in the register of non-core assets – a commercial building and sawmill with an area of 347.1 m² with a book value of RUB 106,210. The selling price was RUB 107,210, excluding VAT.

Asset name	Inventory number (if applicable)	Balance sheet line where the asset was recorded as of the reporting date preceding the sale of the asset	Bookkeeping account (including analytics) that reflects income and expenses from the disposal of the asset (91.1xxx / 91.2xxx)	Book value of the asset (RUBthousand)	Actual sale value (RUB thousand)	Deviation in the actual sale cost and the book value of the asset (RUB thousand)	Reason for the deviation in the actual sale cost and the book value of the asset
Commercial building and sawmill with an area of 347.1 sq.m.; cadastral number 02:55:000000:31235; address: Republic of Bashkortostan, Ufa, Ordzhonikidzevsky District, production base of OJSC Bashkirenergo	Not applicable	1210 'Inventories'	01.01.1 'Revenue' '2250800 Sale of other goods' / 90.02.1 'Production costs' '2250800 Sale of other goods'	106.21	107.21	1.00	Positive deviation
Total				106.21	107.21	1.00	

ASSOCIATIONS AND PARTNERSHIPS IN WHICH PJSC INTER RAO PARTICIPATES

Inter RAO Group's participation in nonprofit associations and partnerships in 2019

Organization name	Companies of the Group
Chamber of Commerce and Industry of the Russian Federation and its regional branches	PJSC Inter RAO (Cooperation Agreement)
Russian Union of Industrialists and Entrepreneurs (RSPP)	PJSC Inter RAO
Electricity Council of the Commonwealth of Independent States (EC CIS)	PJSC Inter RAO (Cooperation Agreement)
Center for Innovative Energy Technologies (CIET) Nonprofit Partnership	PJSC Inter RAO, JSC EEC, CJSC Moldova TPP, JSC Inter RAO – Power Generation, JSC TGC-11
Russian-Chinese Business Council (RCBC) Nonprofit Partnership	PJSC Inter RAO
Russian Risk Management Society Nonprofit Partnership	PJSC Inter RAO
National Technology Transfer Association (NTTA)	PJSC Inter RAO
'Market Council for the Organization of an Effective System of Wholesale and Retail Trade in Electric Energy and Capacity Nonprofit Partnership' Association (NP Market Council Association)	PJSC Inter RAO, JSC Altaienergosbyt, JSC Inter RAO – Power Generation, JSC Mosenergosbyt, LLC NSC, JSC St. Petersburg Supply Company, JSC PES, JSC TGC-11, JSC Tomsk Generation, JSC Tomskenergosbyt, LLC BGC, LLC Oryol Energosbyt, LLC RN-Energo, LLC ESV, LLC ESCB-Development, LLC ESCB, PJSC Saratovenergo, PJSC Tambov Power Supply Company, LLC UEC
International Congress of Industrialists and Entrepreneurs (ICIE) International Union of Public Associations	PJSC Inter RAO
Russian National Committee of the International Council on Large Electric Systems (RNC CIGRE) Association	PJSC Inter RAO
Russian National Committee of the World Energy Council (RNC WEC) Fuel and Energy Industry Association	PJSC Inter RAO
European Federation of Energy Traders	RAO Nordic
Nordic Association of Electricity Traders	RAO Nordic
INVESTORS' FORUM ASOCIACIJA	AB INTER RAO Lietuva
BUILDERS ALLIANCE Association	JSC Altaienergosbyt
Union of Architects and Designers of Western Siberia Association	JSC Altaienergosbyt
Guild of Energy Auditors Nonprofit Partnership	JSC Altaienergosbyt, JSC Mosenergosbyt, JSC St. Petersburg Supply Company, LLC Oryol Energosbyt, PJSC Saratovenergo, OJSC Omskenergoremont Production and Repair Enterprise

Organization name	Companies of the Group
Altai Chamber of Commerce and Industry	JSC Altaienergosbyt
Regional Association of Employers	JSC Altaienergosbyt
Global Energy Interconnection Development and Cooperation Organization (GEIDCO)	JSC EEC
Russian-Chinese Friendship Society Interregional Public Organization	JSC EEC
Council of Energy Producers Association	JSC Inter RAO – Power Generation
Digital Energy Association	JSC Inter RAO – Power Generation
Energostroy Union	JSC Inter RAO – Power Generation
Union of Builders of the Upper Volga	JSC Repair and Service Enterprise of Thermal and Underground Communications of Kostromskaya TPP
Association of Builders of the Republic of Komi	JSC TGC
Union of Small and Medium Businesses	LLC VTUC
Ural Builders Association Union	LLC VTUC
Energy Without Borders Foundation	JSC Inter RAO Capital
ARC	LLC Inter RAO – UISC, LLC UISC of the Moscow Region, JSC UISC of the Leningrad Region
SEA	OJSC Omskenergoremont Production and Repair Enterprise, JSC TGC-11
Union of Builders of the Omsk Region	OJSC Omskenergoremont Production and Repair Enterprise, JSC Omsk RTS
Interregional Union of Designers and Architects of Siberia Association	OJSC Omskenergoremont Production and Repair Enterprise
GEO Association	LLC QUARTZ Group
Association of General Construction Contractors	LLC QUARTZ Group, LLC Inter RAO – Engineering
GradStroyProekt Association	LLC QUARTZ Group, LLC Inter RAO – Engineering
Capital Repair and Construction	JSC Mosenergosbyt
Association of Guaranteed Suppliers and Power Supply Companies	JSC Mosenergosbyt, JSC St. Petersburg Supply Company, LLC ESCB, PJSC Tambov Power Supply Company
Expert Electricity Organizations Union of Designers	JSC Mosenergosbyt, JSC St. Petersburg Supply Company
Regional Industry of Association of Employers for Housing and Utility Service Enterprises of the Leningrad Region	JSC UISC of the Leningrad Region
RosSWIFT	LLC Integrator IT
Baltic Construction Industry Association	JSC St. Petersburg Supply Company
JSC Electric Power Industry Private Pension Fund	JSC St. Petersburg Supply Company

APPENDIX

Organization name	Companies of the Group
Union of Industrialists and Entrepreneurs of St. Petersburg Public Organization	JSC St. Petersburg Supply Company
Union of Energy Auditors of the Omsk Region Nonprofit Partnership	LLC UEC
Industrial Cluster for Utilizing and Processing Ash and Slag Materials Association	JSC TGC-11
Omsk Chamber of Commerce and Industry (Omsk CCI)	JSC TGC-11
National Association of Energy and the Environment	JSC Khrami HPP-I, JSC Khrami HPP-II
Georgian Energy Industry Veterans Union	JSC Telasi
Energoprojekt Association	JSC Tomsk Generation, JSC TomskRTS
Tomsk Builders	JSC TomskRTS, PJSC Tomskenergosbyt
Chamber of Commerce and Industry of the Pridnestrovian Moldavian Republic Nonprofit Partnership	CJSC Moldova TPP
Bashkir Society of Architects and Designers Association	LLC BashRTS
Union of Builders of the Republic of Bashkortostan Association	LLC BashRTS, LLC ESCB
Chamber of Commerce and Industry of the Republic of Bashkortostan	LLC BGC
Hydropower of Russia Association	LLC BGC
Energostandart Nonprofit Partnership	LLC Inter RAO – Engineering
National Association of Procurement Institutions	LLC Inter RAO – Procurement Management Center
NK SP Dynamo (Moscow)	LLC RN-Energo
Alliance of Builders of the Moscow Region Association	LLC RN-Energo
Builders of Regional Production Enterprises of the Republic of Bashkortostan	LLC Ugolny Razrez
Soyuzatomgeo	LLC INTER RAO UES Energy Efficiency Center
Soyuzatomstroy Nonprofit Partnership	LLC INTER RAO UES Energy Efficiency Center
Soyuzatomproekt Nonprofit Partnership	LLC INTER RAO UES Energy Efficiency Center
Association of Builders of the Saratov Region	PJSC Saratovenergo
Tambov Region Association of Industrialists and Entrepreneurs Union	PJSC Tambov Power Supply Company
SIB Electricity Nonprofit Partnership	PJSC Tomskenergosbyt
Tomsk Design Association	PJSC Tomskenergosbyt
Tomsk Chamber of Commerce and Industry	PJSC Tomskenergosbyt
Employers of the Tomsk Region Union Interindustry Production Association	PJSC Tomskenergosbyt

GLOSSARY

ABBREVIATIONS

AGM	Annual General Meeting of Shareholders	RES	Renewable energy sources
BoD	Board of Directors	RF	Russian Federation
CCA	Competitive capacity auction	RMICF	Risk Management and Internal Control Framework
CDA	Capacity delivery agreement	SDG	UN Sustainable Development Goals
CHPP	Combined heat and power plant	SME	Small and medium-sized enterprises
CCGT	Combined cycle gas turbine unit	SO UES	System Operator of the Unified Energy System
EBITDA	Earnings before interest, taxes, depreciation, and amortization	SPO	Specialized procurement organization
ECEEIP	Energy Conservation and Energy Efficiency Improvement Program	SRO	Self-regulatory organization
EPC	Engineering, procurement, and construction	TGC	Territorial generating companies
ESG	Environmental, social and corporate governance	TLR	Overall level of engagement and loyalty
FGC UES	Federal Grid Company of the Unified Energy System	TPP	Thermal power plant
GRI	Global Reporting Initiative	TSR	Total shareholder return
GS	Guaranteed supplier	UES	Unified energy system
GTU (GTPP)	Gas turbine unit (gas turbine power plant)	UISC	Unified Information and Settlement Center
HPP	Hydroelectric power plant	WECM	Wholesale electricity and capacity market
IFRS	International Financial Reporting Standards	WPP	Wind power plant
IT	Information technologies		
KPI	Key performance indicators		
MHPP	Micro hydroelectric power plant		
NP	Nonprofit partnership		
NPP	Nuclear power plant		
NPS	Customer loyalty index		
OGC	Wholesale generating company		
PB	Performance benchmark		
PPE	Personal protective equipment		
RAS	Russian Accounting Standards		

APPENDIX**MEASUREMENT UNITS AND INDICATORS**

GW	Gigawatt	Electric power measurement unit
Gcal	Gigacalorie	Thermal power measurement unit
Gcal/h	Gigacalorie/hour	Thermal capacity measurement unit
FHUF	Fuel heat utilization factor	Heating efficiency assessment indicator
ICUF	Installed capacity utilization factor	Capacity load utilization indicator
kV	Kilovolt	Voltage measurement unit
kW	Kilowatt	Electric power measurement unit
kWh	Kilowatt hour	Generated electric power measurement unit
MW	Megawatt	Electric power measurement unit
TJ	Terajoule	Energy measurement unit
t/h	Tons per hour	Steam generating capacity measurement unit
TOE	Ton of oil equivalent	Measurement unit

CONTACT INFORMATION

Full company name in English:

Public Joint-Stock Company Inter RAO UES

Abbreviated company name in English:

PJSC Inter RAO

State registration details:

Primary State Registration Number (PSRN): 1022302933630

State registration issue date: November 1, 2002

Name of the registration authority as specified in the Certificate of Record in the Unified State Register of Legal Entities: Inspectorate of the Russian Tax Ministry, Sochi, Krasnodar Territory

Series and number of the legal entity's entry in the Unified State Register of Legal Entities: Series 23 No. 002387411

Location: Russian Federation, Moscow

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APPENDIX

Depository bank

BNY Mellon

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Olena Smirnova, VP

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Register holder

Full name: Joint-Stock Company VTB Registrar

Short name:

JSC VTB Registrar

License for register maintenance No. 045-13970-000001 dated February 21, 2008, issued by the Central Bank of the Russian Federation.

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