

# ANNUAL REPORT

**Sustainable Development and Environmental Responsibility Report**

2020

## **Annual Report of PJSC Inter RAO for 2020 / Sustainable Development and Environmental Responsibility Report**

Tentatively approved by the PJSC Inter RAO Board of Directors on April 23, 2021 (Minutes No. 292 dated April 23, 2021)

The accuracy of the data has been confirmed by the PJSC Inter RAO Revision Commission (opinion dated March 31, 2021)

Boris Kovalchuk, CEO of PJSC Inter RAO

Alla Vainilavichute, Chief Accountant of PJSC Inter RAO

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## 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/contacts/>

### *Type of ownership*

Mixed Russian ownership [GRI 102-5]

### *About this Report*

This Annual Report of PJSC Inter RAO, which contains a Sustainable Development and Environmental Responsibility Report (the "Report"), was prepared for 2020 [GRI 102-50] based on an annual reporting cycle. [GRI 102-52] The previous Annual Report was released on April 17, 2020. [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 March 1, 2021.

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 limited assurance engagement regarding the sample information, is given in Appendix 6 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. There were no significant changes in the scale, structure, or ownership of the Group or the supply chain during the reporting period and there are no reclassified indicators of previous years. [GRI 102-10, 102-48]

### *Basic terms and definitions*

In this Report, the terms Inter RAO, the Group, the Company, 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*

As requested by stakeholders, the Report includes information prepared in accordance with the requirements of the Task Force on Climate-related Financial Disclosures (TCFD). More detailed coverage was given to human rights issues since this topic was deemed to be significant in a survey of stakeholders. A separate section is devoted to measures to prevent the spread of COVID-19. [GRI 102-49]

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### *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]**

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### *Identification of material topics*

The survey encompassed 31 representatives of eight groups of external and internal stakeholders who rated the level of importance of the proposed topics for the Company, its regions of operation, and the environment. The survey also involved 11 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 nine material topics<sup>1</sup>, which will be disclosed in this Report in an effort to cover all GRI requirements as well as the requirements of ESG agencies.

### **Material topics of the 2020 Annual Report**

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

The last three topics were reclassified from non- material to material as a result of a review of the respondents' ratings.

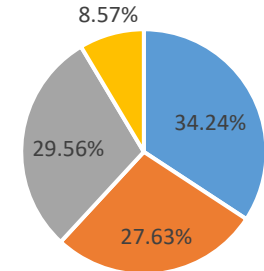
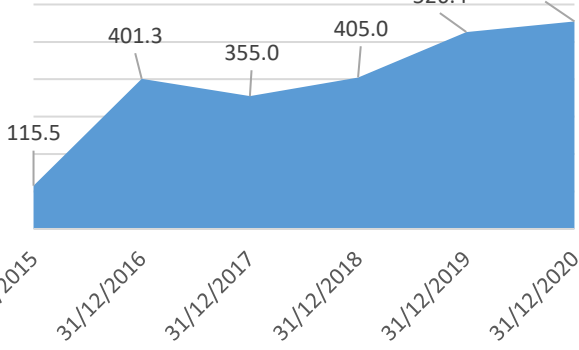
Detailed information about stakeholder engagement during the process of identifying the Report's material topics is presented in the Sustainable Development Report section. For the first time, the Report also includes a description of Inter RAO's contribution to the achievement of four UN Sustainable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

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<sup>1</sup> The material topics were selected based on the average value of the rating of topics (see the matrix of material topics).

## Thematic spreads

### Inter RAO today [GRI 102-2, 102-7]

<b>Activities</b> Electric power generation Heat output Electric power supply to consumers Wholesale trade in electric power and export-import operations Engineering R&D	<b>RUB 986.3 bln</b> Consolidated revenue	<b>106.1 bln kWh</b> Electric power generation by the Group	Share capital structure as of December 31, 2020 
	<b>RUB 77.0 bln</b> Free cash flow	<b>39.1 mln Gcal</b> Thermal power output by the Group	
	<b>0.8</b> Debt/EBITDA ratio	<b>193.7 bln kWh</b> Net electric power supply by the 'Supply in the Russian Federation' segment	
<b>Location of assets</b> Russia Georgia Moldavia Lithuania	<b>RUB 554.6 bln</b> Market capitalization as of December 31, 2020	<b>17.2 mln</b> Electric power consumers on the retail market in the Russian Federation as of 31/12/2020	Five-fold growth in capitalization since 2015 
	<b>25%</b> Recommended dividends of IFRS net profit for 2020	<b>46,900<sup>2</sup> people</b> Average headcount	

<sup>2</sup> Average staff numbers (excluding jointly controlled companies).

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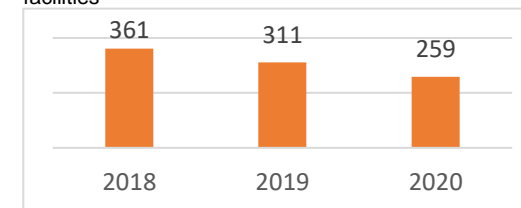
## Energy of people

### Working amid COVID-19

#### Uninterrupted power supply

Despite the danger of COVID-19 and the restrictive measures that were imposed during the pandemic, Inter RAO employees ensured the stable and uninterrupted supply of power to all customers.

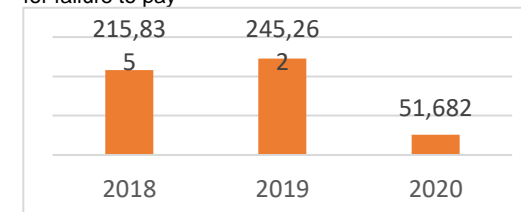
Number of emergency shutdowns at generating facilities



#### Customer support

To support customers during the spread of the COVID-19 pandemic, a moratorium on restricting power supply to the population and requiring the payment of debt for utility services was instituted from April to December 2020.

Number of disconnections of household subscribers for failure to pay

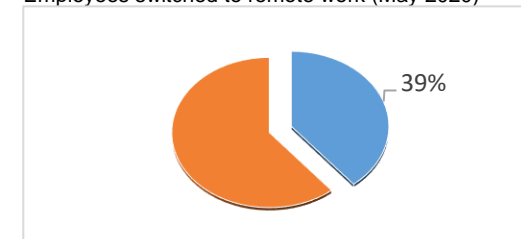


#### Care for employees

In order to protect Inter RAO employees from COVID-19, measures were taken from the very outset of the pandemic to prevent the spread of the infection, including preventive measures, special work arrangements for operational personnel, and remote work for office workers. Read more in the section [‘Preventing the spread of COVID-19’](#).

In 2020, 280 Inter RAO employees in Russia had COVID-19, of which 51% were sick in May.

Employees switched to remote work (May 2020)



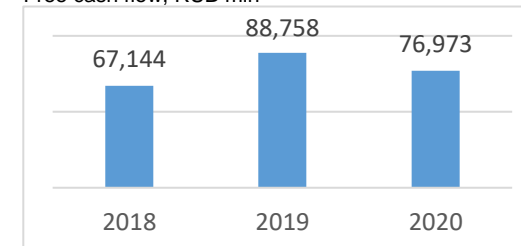
#### Economic sustainability

Despite the decline in revenue and profit margin amid a general economic downturn in 2020, Inter RAO demonstrated a high level of economic stability. The Company's strategic plans remain unchanged.

The Debt/EBITDA ratio was 0.8x.

Free cash flow declined slightly, while funding for the investment program increased.

Free cash flow, RUB mln



## Economic stability

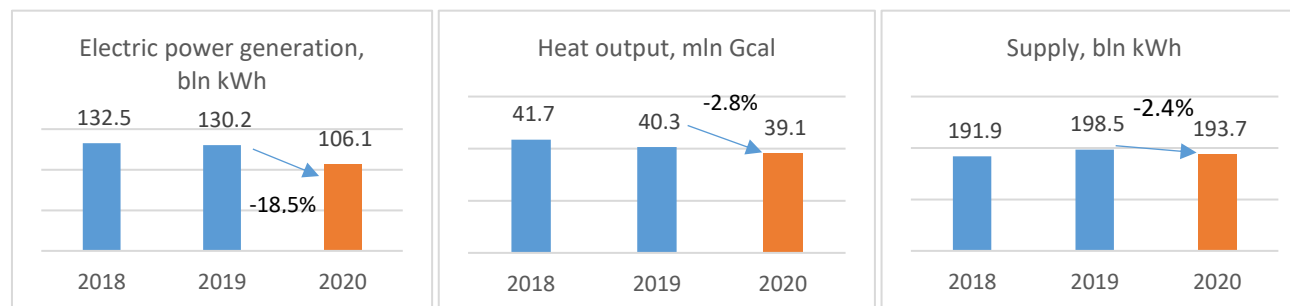
### Concurrent impact of unprecedented and uncontrollable external factors in 2020

COVID-19 pandemic	Abnormal weather in H1 2020	Changes in oil production
<ul style="list-style-type: none"> <li>Diminished business activity among consumers</li> <li>Change in the structure of consumption</li> <li>Lower level of prosperity and solvency among consumers</li> <li>Regulatory restrictions on the collection of fines and penalties for late payments</li> <li>Unplanned expenses on ensuring employee safety and organizing remote work</li> </ul>	<ul style="list-style-type: none"> <li>Higher average temperatures (the highest in 20 years) contributed to lower electricity consumption in winter</li> <li>A high level of precipitation (the highest in 20 years and 50% higher than the normal levels) and high water levels in rivers led to increased production of cheap electricity at hydroelectric power plants</li> <li>High average wind speed, which resulted in a sharp increase in the production of cheap electricity from renewable energy sources in Northern Europe</li> </ul>	<ul style="list-style-type: none"> <li>The implementation of the OPEC+ agreement contributed to reduced oil production and transportation and a 13 bln kWh decrease in electricity consumption by oil companies throughout Russia's Unified Energy System</li> </ul>

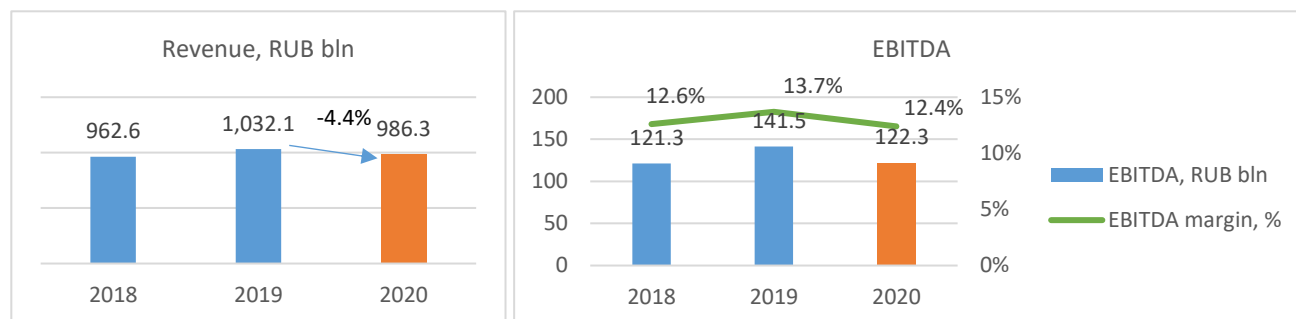
Measures taken to mitigate the negative external impact and optimize financial results:

- Optimization of active equipment to preclude a major drop in prices at station hubs and minimize marginal losses
- Decommissioning of inefficient generating equipment at the Kashirskaya TPP
- Management of production, operating, and selling costs, including consumer services and payment acceptance
- Optimization of business processes and ensuring savings for a number of administrative and management expenses, in particular, travel, transport, and hospitality expenses
- Optimization of delivery schedules for the main destinations (Lithuania, Latvia, and Finland) depending on the pricing environment on international and Russian energy markets, including electricity imports from Finland where economically feasible
- Expansion of the subscriber base for the Group's guaranteed suppliers and unregulated distribution companies as a result of organic growth at most companies

#### Production results



#### Financial results



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## Evolution of development

### Approval of a new strategy until 2025 with a view to 2030

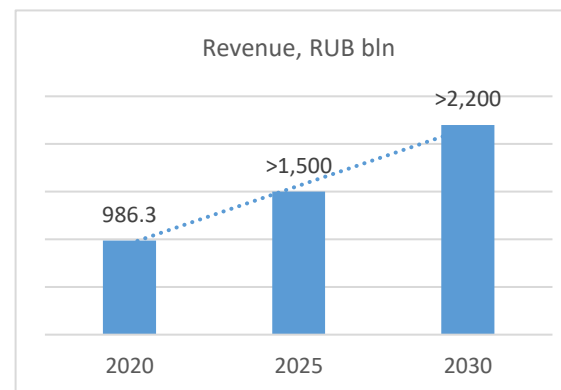
A unified approach to business development based on four principles:

- **Maintaining and bolstering** leading positions in the Russian energy industry
- **Ensuring leadership** among Russian energy companies in terms of the effective management of energy assets
- **Promoting energy security** and ensuring the strategic interests of the Russian Federation
- **Enhancing shareholder value**, including the implementation of projects to efficiently use cumulative investment resources

### Investment in value growth:

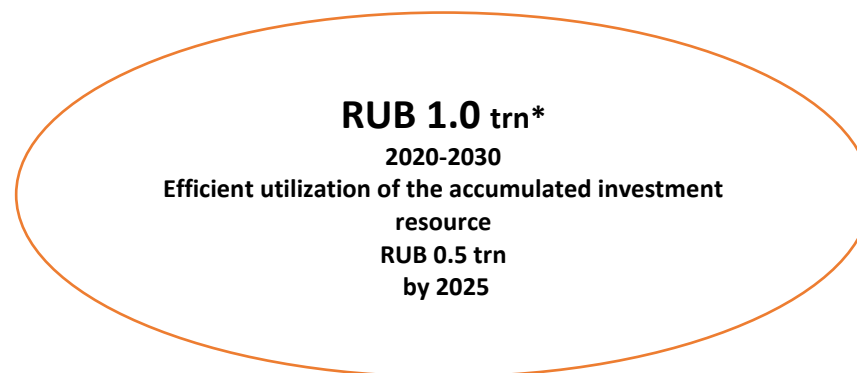
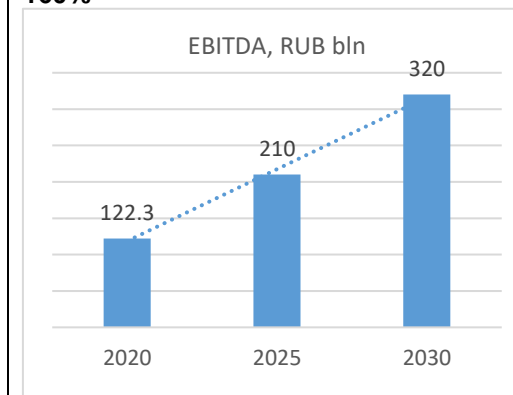
- Construction of new generating facilities
- Renewable energy sources
- Modernization of existing assets
- Installation of smart metering systems
- Power engineering
- M&A
- Innovative digital platform solutions and services
- Other assets in promising businesses

### Strategic goals for revenue – growth of 120%



### Investment

### Strategic goals for EBITDA – growth of 160%



\* Cumulative total with a guaranteed rate of return on investment

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## Energy of the future

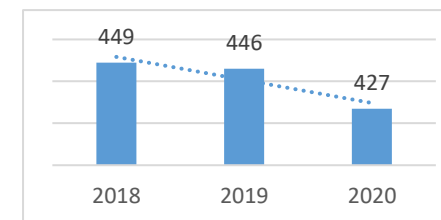
### ESG principles: Part of the new strategy

#### Climate action

Plans to develop and modernize generating facilities will help **reduce gross and specific greenhouse gas emissions**

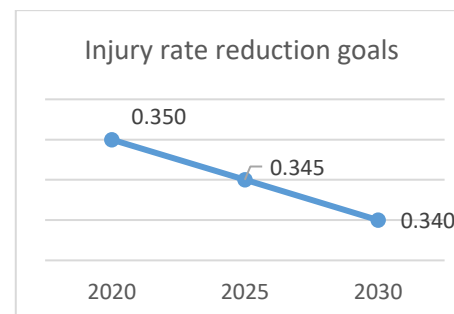
Goal: **-7%** CO<sub>2</sub> emissions per unit of electricity production (2030 vs 2019)

Specific greenhouse gas emissions, g CO<sub>2</sub>/kWh



#### Health protection

One of the Company's priority tasks that is **enshrined in the KPIs of management** is to reduce the rate of industrial injuries and ensure decent working conditions for the Group's employees



Goals:

- No fatal accidents caused by the employer
- No group accidents with a serious outcome

#### Human rights

Inter RAO **does not tolerate any form of discrimination** and advocates equality of rights regardless of gender, race, nationality, religion, social origin, or any other features

The new [Inter RAO Code of Corporate Ethics](#) does not permit any form of discrimination towards employees, including discrimination for health reasons, and requires each employee to be given equal opportunities to develop an effective professional career.

In January 2021, the Board of Directors approved the [Sustainable Development Policy](#), which states that the Group's companies are committed to continuously interacting with all internal and external stakeholders, preventing any form of human rights violations or discrimination, ensuring industrial safety, and also complying with other principles and standards in matters concerning social responsibility.



# Strategic report

## 1. Key events and results

### 1.1. Key events [102-10]

#### Expansion of partnership with GE to localize power equipment

Inter RAO and General Electric signed a package of agreements that aim to increase the localization of the production and servicing of high-capacity gas turbines in Russia. The companies plan to increase the localization level of the 6F.03 gas turbine with capacity of up to 88 to 100% and also launch production on a GE gas turbine model, the GT13E2, with capacity of up to 210 MW. The companies have agreed to use the production site of the Russian Gas Turbines joint venture in Rybinsk and the GE gas turbine service center in Kaluga as a base for further localization. Under the agreement, Russian Gas Turbines will receive the rights to manufacture, service, and sell 6F.03 and GT13E2 gas turbines in Russia and a number of export markets.

#### **Completion of construction on Kaliningrad Generation plants**

LLC Kaliningrad Generation, a joint venture between Rosneftgaz and PJSC Inter RAO, completed construction on the Primorskaya TPP with capacity of 195 MW (three power units with capacity of 65 MW each). The commissioning of the Primorskaya TPP is the final stage of Inter RAO's program to build new generation facilities in the Kaliningrad Region, which are essential to ensuring the region's energy security.

#### Approval of the Strategy 2025-2030

On July 31, 2020, the Board of Directors approved the Development Strategy until 2025 with a View to 2030. The Company is embarking on a new stage of development, which will help ensure the efficiency of energy asset management and maintain its leadership position in the Russian power industry.

The Company's new Strategy provides for maintaining and further developing the business model of a diversified energy holding and was devised taking into account the challenges of sustainable development and current trends in the external environment that may have an impact on the Company.

#### Creation of energy infrastructure (Vostok Oil project)

Inter RAO, Vostok Oil (Rosneft Group), and Taimyrneftegaz (part of Neftegazholding) signed an agreement on cooperation to build energy infrastructure. The document calls for the construction of gas-fired power plants and an integrated power grid to supply power for Vostok Oil's oil and gas fields. The project includes the Vankor cluster (15 fields), the West Irkinsky area, the Payyakhsky group of fields, and fields in the East Taimyr cluster.

#### Participation in the capacity modernization program

Based on the results of the selection in 2020 of modernization projects for 2026, Inter RAO was granted 46% of the 3.8 GW (1.75 GW) quota. The total capacity of the Group's projects that were selected as part of the tenders in the modernization project selection program for 2022-2026 is about 8.5 GW, which is equivalent to 40% of the entire program's quota for this period.

#### CDP international climate rating

Inter RAO was placed in the Leadership category in the international Carbon Disclosure Project (CDP) based on the results of the 2020 Climate Report. The Company increased its rating by three points compared with the previous year and received an 'A-' rating placing them in the Leadership category. This rating is significantly higher than the international average for all companies (Global average – 'C' rating) and for the power sector ('B' rating).



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## 2. Message from the Chairman of the Board of Directors and CEO

### 2.1. Message from the Chairman of the Board of Directors [GRI 102-14]

Dear Shareholders

During the difficult period of the COVID-19 pandemic, the Inter RAO Group promptly developed and introduced a set of essential measures that enabled the workforce to continue working effectively in these new conditions. The Company's management has made every effort to protect the health of employees, maintain safe operating practices, and ensure the reliable and uninterrupted supply of electric and thermal power to our consumers.

*In the difficult macroeconomic conditions of 2020, Inter RAO ensured the stability of its business and achieved decent financial results*

In the difficult macroeconomic conditions of 2020, Inter RAO ensured the stability of its business and achieved decent financial results. The key indicator – EBITDA – amounted to RUB 122.3 billion per IFRS, while net profit was RUB 75.5 billion. Our production and investment programs were fully implemented on schedule.

In 2020, the Company completed a strategic project for the Russian Federation to ensure the energy security of the Kaliningrad Region. We commissioned gas generation facilities – the Mayakovskaya and Talakhovskaya thermal power plants (TPPs) with total capacity of 321 MW – in 2018 and the Pregolskaya TPP with capacity of 463 MW in 2019. The auxiliary Primorskaya TPP (195 MW) was built in 2020. The region now has 979 MW of highly maneuverable capacity and is no longer dependent on exports and imports. The tests of the Kaliningrad Region's power system that were carried out in 2020 confirmed it can operate successfully in stand-alone mode, as electricity production was equal to consumption without any restrictions. I consider this a great achievement by our country's power engineers, who work in both the engineering as well as power machine-building sectors. The core equipment of all the new TPPs was produced in the Russian Federation, and the entire project was implemented in a record time of four years.

The past year was a milestone in the development of Inter RAO Group. The Board of Directors approved the Company's new Development Strategy until 2025 with a View to 2030. The strategy aims to further grow Inter RAO's business, enhance the Company's operational efficiency, and develop new promising areas.

*The Board of Directors approved the Company's new Development Strategy until 2025 with a View to 2030*

Above all, this means further developing power engineering for the implementation of the state program to modernize thermal power as well as large-scale strategic projects that seek to ensure the energy security of the Russian Federation. In order to meet the needs of the Vostok Oil flagship project in the northern Krasnoyarsk Territory, Inter RAO plans to build new energy infrastructure, including power centers with total capacity of around 3.4 GW and over 1,700 km of power transmission lines.

An important component of the strategy is the digital transformation of the holding's key business processes, the creation of new digital services, and the proper development of the retail business.

I would particularly like to note the importance of implementing measures to ensure sustainable development and social responsibility, including work on the international climate agenda and involvement in renewable energy projects.

In 2020, the Company continued implementing its sustainable development initiatives. Monitoring of these activities was entrusted to the Audit and Sustainable Development Committee of the Board of Directors, which is comprised of independent members of the Board of Directors. Inter RAO has become one of the leaders in the international rating of the Carbon Disclosure Project (CDP) based on the results of the 2020 Climate Report.

The Company increased its rating by three points compared with the previous year and received an 'A-' rating in the Leadership category.

The Inter RAO Group is fully meeting the corporate social responsibility and sustainable development obligations it assumed upon joining the United Nations Global Compact in 2019.

Monitoring sustainable development activities is entrusted to the Audit and Sustainable Development Committee under the Board of Directors, which is comprised of independent members of the Board of Directors

Inter RAO's key objectives in 2021 include launching production work as part of the thermal power industry modernization program. Over the next five years, the Company will commission equipment at nine Russian power plants with total capacity of 8.5 GW, which is almost 40% of all the projects that were selected for the country's modernization program.

In the difficult conditions of 2020, the Company demonstrated the ability to quickly respond to external challenges and properly deal with them. I am confident that the Inter RAO Group's team will successfully fulfill all its plans, bolster financial and operational indicators, and ensure the reliable and uninterrupted supply of electric and thermal power to all our customers.

Chairman of the Board of Directors  
Igor Sechin

## 2.2. Message from the CEO [GRI 102-14]

**Dear Shareholders,**

The Inter RAO Group is pleased to present you with this Annual Report on its performance results in 2020. The past year was marked by the battle against COVID-19 and tested our strength in every aspect of life. Energy companies faced a serious test, and Inter RAO was no exception.

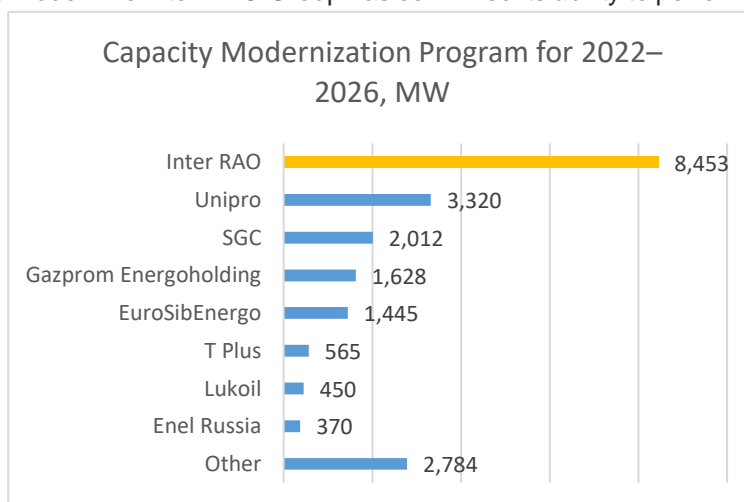
But we proved we were more than ready for such a scenario, as directly evidenced by the stability of the Company's business. We unearthed our hidden reserves and opportunities, sped up the development of new technological areas, and the impact of all the external negative factors ultimately did not turn out to be destructive for our business, as we retained the leading positions we have achieved in the industry.

### Implementation of major strategic government projects

Of all the key events that took place in 2020, we must first highlight the timely execution of the directives of Russian President Vladimir Putin and the Russian Government on the construction of four highly maneuverable power plants in the Kaliningrad Region. In 2020, we completed construction on the final, auxiliary Primorskaya TPP with capacity of 195 MW. Implementing this project made it possible to ensure the region's energy security when the power system operates in stand-alone mode. The Inter RAO Group has confirmed its ability to perform the most challenging tasks and is ready to take further part in solving large-scale government objectives. One of them will be a project to build the energy infrastructure of the Vostok Oil project, which is being implemented by our strategic partner, Rosneft.

### Capacity modernization

Inter RAO was the first Russian energy company to start implementing projects as part of the state program for the modernization of thermal power plants that were selected on a tender basis. With the selection that took place last year, the Group



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is responsible for modernizing equipment with total capacity of 7,976 GW in 2022-2026 and increasing this capacity by 477 MW during this period. In 2020, we began designing a number of projects, selected general contractors, and started supplying equipment. This new investment cycle will contribute to the further growth of Inter RAO's shareholder value.

## Power engineering

In addition, the Company continued to prepare investment projects to take part in subsequent capacity selection tenders as part of the modernization program. These projects are expected to use localized combined cycle plants, including those produced at our joint venture with General Electric, Russian Gas Turbines, in the Yaroslavl Region. In 2020, Inter RAO and GE signed a package of agreements under which the localization of production of the 6F.03 gas turbine with unit capacity of up to 88 MW will be increased to 100%, and local production will begin on another gas turbine model, the GE-GT13E2 with capacity of up to 210 MW. As part of our activities within the joint venture, the companies plan to not only ensure the production, but the thorough localization of expertise for maintaining and repairing gas turbine equipment.

## Supply business

In 2020, Inter RAO continued to develop its retail business, which currently consists of 11 guaranteed electricity suppliers, three unregulated energy supply companies, and four unified information and payment centers. As of the end of the year, supply companies served more than 17 million customers and held a more than 18% share of the retail market in terms of net supply. A unified payment center in Saratov was completed as part of the centralization of processing. It was assigned the operational functions of processing meter readings, making settlements with consumers for electricity in addition to housing and utility services, preparing payment and settlement documents, as well as unifying business processes for settlements with customers.

Thanks to the development of remote services, retail companies managed to keep the rate of payment collection at a high level of 99.5% despite the restrictions imposed due to the pandemic, the ban on charging penalties for late payments, and the introduction of restrictions on power supplies to delinquent payers. This impressive result was achieved as a result of information work among the public and enterprises to clarify the need to make timely payment for energy resources and the mobilization of forces to ensure the smooth operation of customers' personal accounts, payment instruments, and other IT systems.

The main goals for the retail business in the coming and subsequent years are digitalization, developing a system of unified settlement centers, payment and additional services for consumers, work with accounts receivable, and participating in the creation of a regulatory and legal framework.

## Our results

Our diversified asset portfolio enabled the Group to retain its status as a market leader in terms of financial stability in 2020. As a result of this factor, as well as the efforts of the Company's employees, we managed to reduce the pandemic's negative impact on our financial and economic performance. The Inter RAO Group had annual revenue of RUB 986.3 billion, which is 4.4% lower than the record achieved in 2019. EBITDA decreased by 13.6% to RUB 122.3 billion. Net profit amounted to RUB 75.5 billion, down by 7.9% from 2019.

Our diversified asset portfolio enabled Inter RAO to retain its status as a market leader in terms of financial stability in 2020.

Milestones in 2020 included the signing of a Memorandum with PJSC Rosseti as well as an agreement on debt restructuring on the wholesale electricity and capacity market (WECM) under which regular delinquent payers in the North Caucasus were stripped of the status of WECM members and were replaced by grid organizations that were allocated the former's property. Starting from July 1, 2020, all guaranteed suppliers in the republics of the North Caucasus, Kalmykia, and Tuva began making 100% of their current payments, which has not happened for over 20 years. In doing so, Inter RAO Group put an end to annual increases in debt of around RUB 7 billion, and roughly RUB 1 billion in debt was restructured.

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## Combating COVID-19

In 2020, the Company was forced to spend a substantial amount on protective measures against COVID-19. Some RUB 821 million were allocated to purchase personal protective equipment and disinfectants as well as ramp up services to test employees for COVID-19.

More than 70% of employees were transferred to remote work, as strict work schedules and protective measures were drawn up for regular personnel. These measures enabled the Company to ensure the reliable and uninterrupted operation of its enterprises in all regions where it has presence.

## Sustainable development

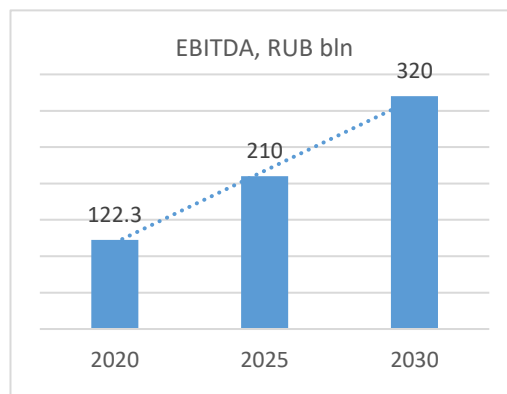
As regards measures to ensure compliance with sustainable development principles, the Company continued implementing a program to mitigate its environmental footprint and reduce greenhouse gas emissions, including by decommissioning inefficient and outdated generating equipment. This work has resulted in the annual volume of gross emissions decreasing by 28% to 64.8 million tons of CO<sub>2</sub>-equivalent over the past five years.

## New development strategy

The Group's Development Strategy until 2025 with a View to 2030, which it adopted in 2020, places special emphasis on sustainable development. This new stage of Inter RAO's development will require a greater commitment and hard work from management to increase business efficiency when new external challenges arise. During this period, the Company will focus its efforts on implementing the following key objectives:

**The strategic goal for EBITDA is growth of 160%**

- Ensuring the efficient use of investment resources as part of the thermal power modernization program and other mechanisms and projects that aim to expand the Group's reach
- Digitalizing key business processes in the management of production assets and funds, power supplies, and trading as well as proposing new digital services
- Increasing the diversification of the Group's business in power engineering, the retail business, and other promising areas
- Improving its position in sustainable development, including boosting the Group's performance in international ESG ratings, reducing its specific carbon footprint, and supporting global initiatives, including support and adherence to the ten principles of the UN Global Compact on the observance of human rights, anti-corruption, and reducing its environmental impact.



The main target indicators of the new strategy for 2030 (taking into account possible M&A and/or potential new construction projects) are as follows: revenue – more than RUB 2.2 trillion, EBITDA – more than RUB 320 billion as well as an increase in shareholder income as a result of higher dividend payments in absolute terms.

I am certain that by implementing the new development strategy, the Company will boost production capacity, achieve high-quality growth in business, maintain financial and economic stability, and will be able to fulfill all its objectives on time and in full.

CEO

Boris Kovalchuk

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## 2.3. Answers to key questions from stakeholders

- 1. In its new Strategy, Inter RAO plans to increase EBITDA to RUB 320 billion by 2030 while doubling revenue to RUB 2.2 trillion. What projects and businesses are you planning to accomplish this with?**

An analysis of the forecasts for the development of the Group's external and internal environment has shown that there are limited mechanisms for a further significant increase in the efficiency of the current asset profile.

The opportunity that is on the horizon for 2030 involves inorganic growth with potential new construction projects, provided there is a return on investment on terms similar to capacity delivery agreements (CDAs), and the implementation of other investment projects with similar rates of return.

We plan to continue our active involvement in various programs in the energy sector, provided that we use the appropriate return on investment mechanisms. In addition, we are working on a number of major projects, where the full range of our expertise can be utilized, starting with design and engineering activities, construction, and the subsequent operation of facilities.

In terms of M&A, our investment focus is not solely limited to generating and distribution assets. We are looking at various investment opportunities in both the energy and related industries. Despite the sale of a number of foreign assets, we have not ruled out investment prospects beyond the Russian market.

- 2. Which projects are you planning to make these investments in? What areas and industries are being considered for new mergers and acquisitions?**

Inter RAO has a high level of diversification, so we look at a fairly wide range of possible segments as areas for investment. We use the same criteria of investment appeal for all projects regardless of the business; above all, strategic viability, profitability criterion ( $IRR > WACC$ ), the existence of synergistic effects, and risk minimization.

Areas for investment under consideration include:

- Generating and heat assets in Russia and abroad
- Renewable generation in Russia
- Energy infrastructure of oil and gas fields
- Integrated development of territories, including in non-pricing and isolated zones, to meet the future power needs of consumers
- Power supply assets in Russia, participation in tenders for the status of a guaranteed supplier as well as unified information and payment centers (UIPCs)
- Innovative digital platform solutions and services
- Smart accounting systems
- Engineering assets in Russia and abroad, including design and installation organizations
- Power engineering
- Repair and maintenance services
- Other assets in promising businesses

- 3. How might the COVID-19 pandemic affect the Strategy's implementation? Have any new risks emerged?**

The COVID-19 pandemic and the subsequent compulsory measures to limit social contacts caused a significant decrease in demand on the Group's key markets and a corresponding slowdown in economic growth. Nevertheless, Inter RAO promptly responded to this external challenge and continued to operate effectively under the new conditions, showing better financial results than expected. We believe that in terms of the strategy's long-term horizon, possible minor deviations in the parameters due to 2020 will not have a significant impact on the Group's target indicators by 2025/2030.

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#### **4. Are there any plans to alter 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. We plan to increase the absolute values of dividends above all else.

#### **5. Renewable energy is one of the new focuses of the strategy. In which regions do you plan to implement these projects?**

As part of its business diversification, Inter RAO is considering the feasibility of participating in renewable energy projects in Russia, including tenders for the selection of renewable energy projects (if there is a mechanism for return on investment with a guaranteed rate of return). Regions may be announced after specific projects have been worked out.

We analyze investment projects through the prism of numerous factors. These include financial and economic indicators as well as the ability to achieve synergy with the Group's existing business. In addition, such important factors as the environmental effect, fuel balance, reputation, and social consequences are taken into account.

#### **6. What is the basis for the 7% reduction in specific emissions per unit only by 2030?**

Inter RAO is actively working to reduce greenhouse gas emissions and each year improves the quality and level of the information it discloses. The Company is introducing new technologies and improving production efficiency. The dynamics of this reduction do not take into account the transition from steam power plants to combined cycle gas plants or potential projects that could significantly affect the decrease in emissions. As these projects are implemented in the future, we expect specific greenhouse gas emissions to decline at a higher pace.

#### **7. What are your short-term plans for ESG?**

The main sustainable development activities planned for 2021 include:

- Developing a mechanism to calculate climate risks in accordance with the TCFD initiative in an effort to minimize the impact of climate change as well as calculate and conduct a scenario analysis of climate risks
- Analyzing and developing criteria to evaluate suppliers in order to determine their degree of environmental impact in the supply chain

The Company also focuses on proactive collaboration with sustainable development initiatives and task forces.

#### **8. How will the adoption of the Paris Agreement affect Inter RAO's operations and performance? Does Inter RAO plan to offer its consumers 'low-carbon electricity' solutions?**

We are closely following the climate agenda processes, including the measures taken by the Russian Government after the approval of the Paris Agreement. Inter RAO is actively involved in various areas to reduce its carbon footprint.

The issue of introducing certificates of origin of electric power (green/low-carbon certificates) that must comply with international standards and eventually be recognized in the territories of foreign countries, in particular, in European Union nations, is becoming increasingly important in Russia. A pilot project has been announced in Sakhalin.

Inter RAO takes part in meetings of the NP Market Council on the introduction of green certificates, where a mechanism for their possible use is being developed and key events in this regard are being monitored. At present, the concept of a green certificate usage system is under development.

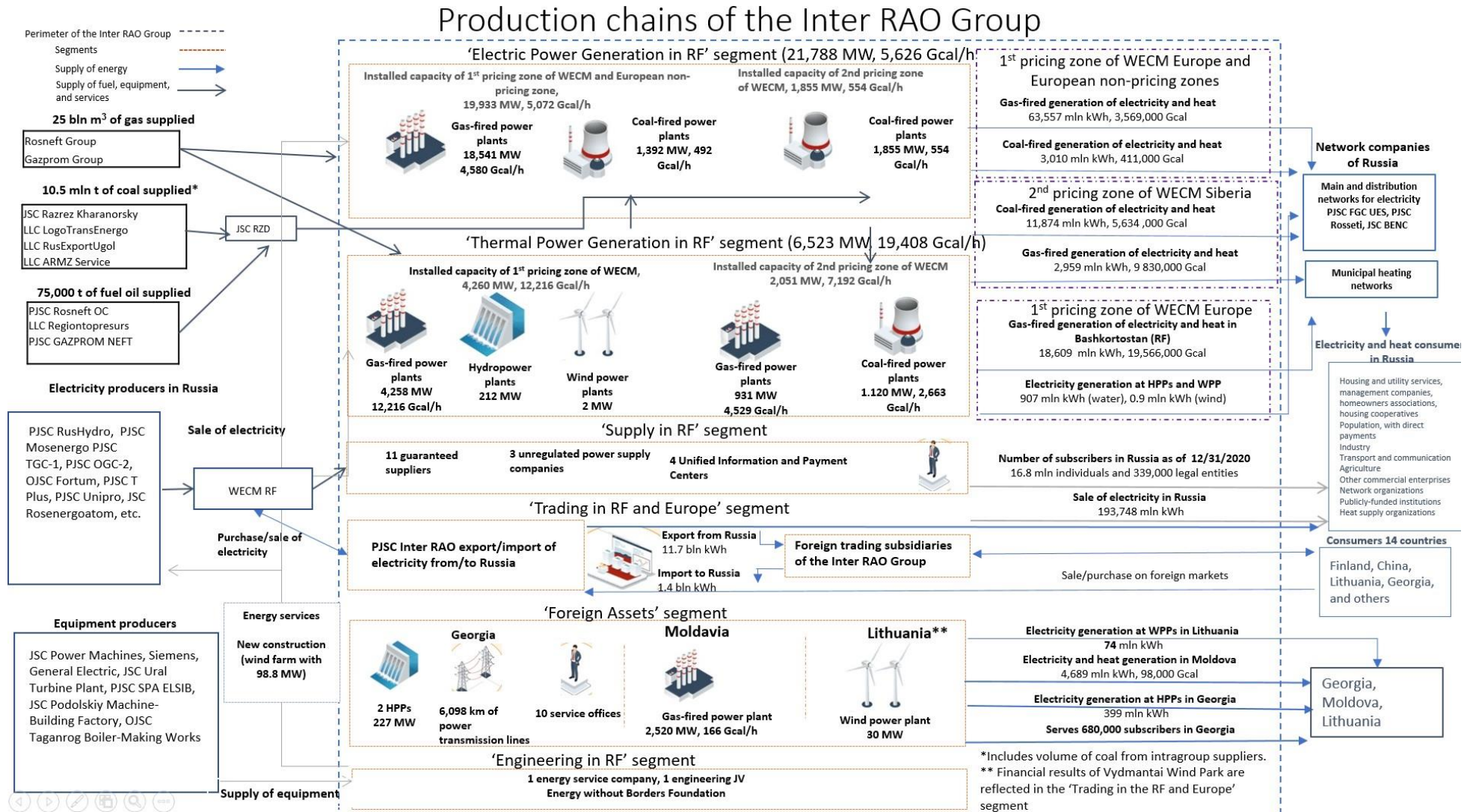
### 3. Business model and global presence

#### 3.1. Investment appeal and competitive advantages

<b>Investment appeal factors</b> <ul style="list-style-type: none"> <li>• Diversified business model with a transparent long-term development strategy that aims to efficiently utilize investment resources</li> <li>• Use of the best international sustainable development standards</li> <li>• Modern fleet of generating facilities with potential for further renovation as part of the modernization program</li> <li>• Outstanding level of corporate governance and internal control</li> <li>• Motivated and highly professional management team that focuses on creating and increasing shareholder value</li> <li>• Effective risk management</li> </ul>		
<b>Key competitive advantages of Inter RAO</b>		
<b>Generation</b> A quarter of generating assets are new high-performance low-fuel facilities Effective long-term contract for the purchase of natural gas Availability of highly maneuverable equipment in the asset structure Most of the Group's enterprises are certified according to the ISO 14001 international environmental standard	Expertise and experience in effectively working in a broad range of segments of the electric power industry and the markets of different countries.	<b>Supply</b> Large customer base Unified billing methodology Contracts with major industrial consumers High market share in the regions of operation Customer focus with a system to assess satisfaction with the quality of services
<b>Engineering</b> Wide-ranging experience in implementing projects Company's own design center Company's own offering on the gas turbine market	<b>Foreign Assets</b> Extensive experience in electric power industry operations in other countries	<b>Trading</b> The only company involved in export-import operations on the Russian wholesale electricity and capacity market

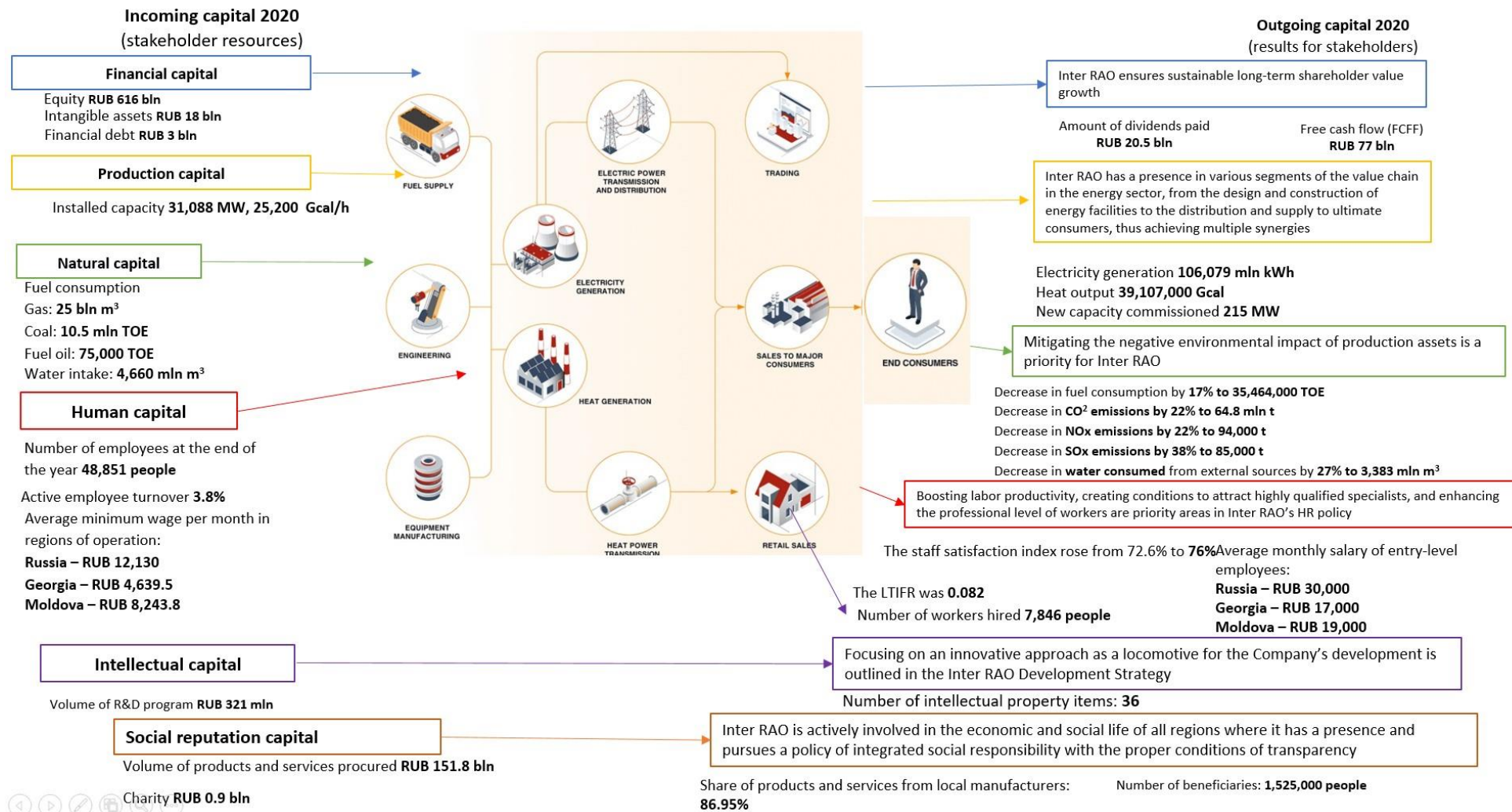


### 3.2. Supply chain business model [GRI 102-6, 102-7, 102-9]

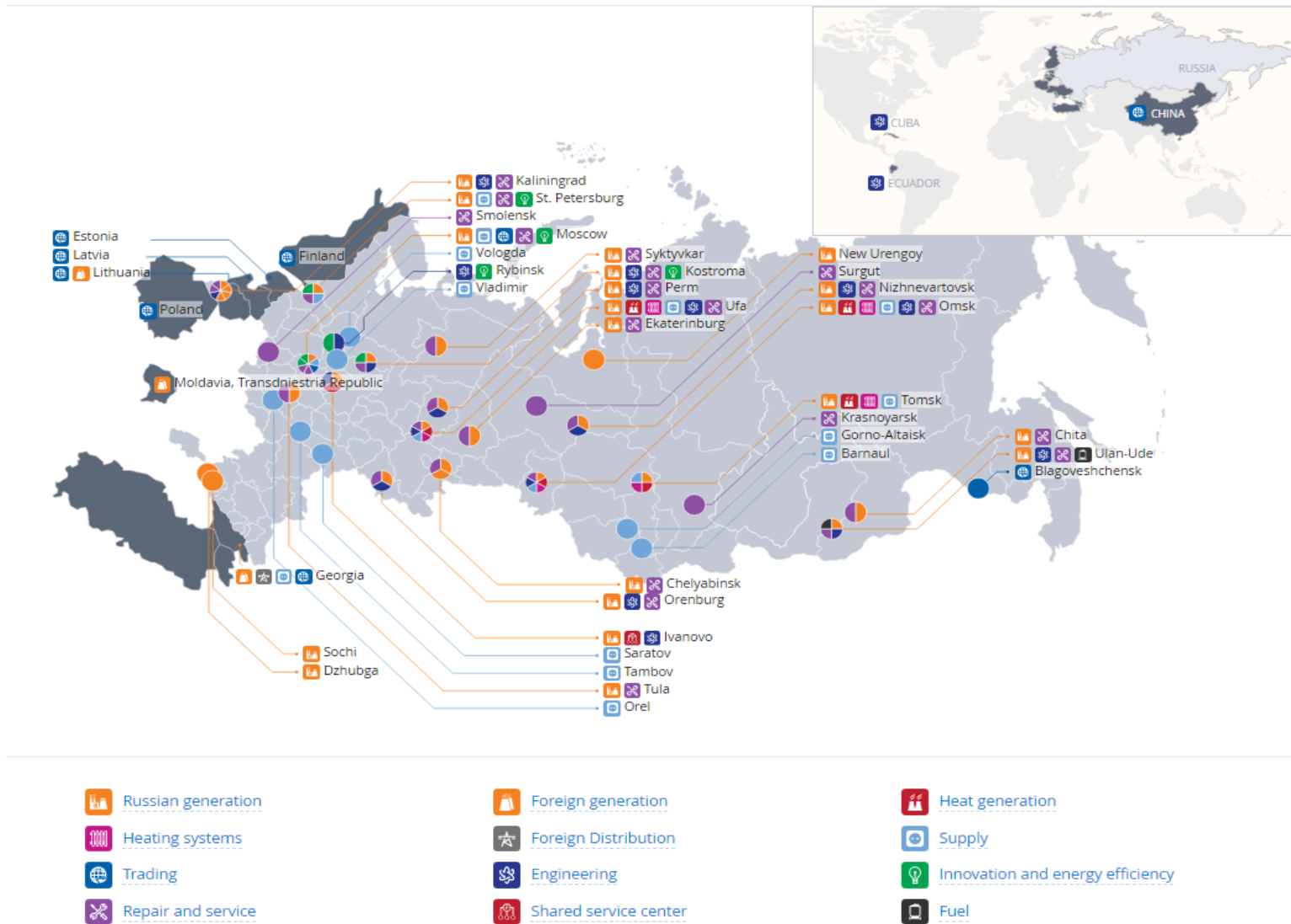




### 3.3. Capital concept business model [GRI 102-7]



## 4. Our locations [102-4]



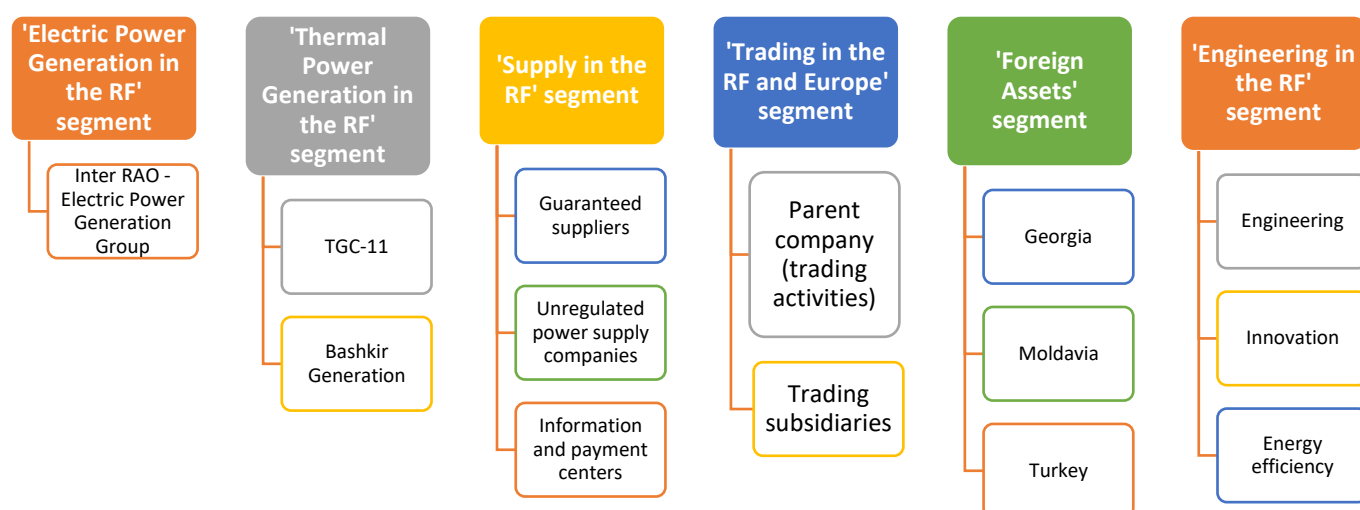
## 5. Company structure

### 5.1. Milestones

1997	<b>International electric power trade</b>  The Company was established as a subsidiary of RAO UES of Russia, which is responsible for exporting and importing electric power.
2003-2006	<b>Development of generation</b>  Started electric power production at a rented power unit at Irikliinskaya TPP and acquired electric power assets in Russia and abroad.
2007-2011	<b>Active growth</b>  Combined generating assets and obtained the status of a controlling shareholder in a number of electricity generating and power supply companies as a result of the reform of RAO UES of Russia.
2012-2014	<b>Consolidation of assets</b>  Completed a reorganization procedure under which the Russian generating assets of JSC OGC-1 and JSC OGC-3 were put under the full control of OJSC Inter RAO – Electric Power Plants. Acquired a number of promising assets in Russia and abroad.
2015-2019	<b>Improved efficiency and commissioning of new generating capacity</b>  Implemented an updated Development Strategy with goals to enhance efficiency, completed the commissioning of facilities under the CDA program, restructured assets, in particular the sale of shares in Russian and foreign power generating facilities, and acquired and consolidated power supply assets.
2020 and beyond	<b>New stage of strategic development</b>  Focus on maintaining and strengthening leading positions in the Russian power industry through the implementation of investment and organizational projects, business diversification, the digital transformation of key business processes, and special attention to social responsibility and sustainable development issues.

### 5.2. Company structure [GRI 102-45]

The Group is managed by the parent company PJSC Inter RAO. The diagram shows the main components of the Group's structure. The list of the Group's main subsidiaries is presented in Note 31 to the [Consolidated Financial Statements of PJSC Inter RAO and Its Subsidiaries for 2020](#). Information about PJSC Inter RAO's participation in subsidiary and other business entities is presented in [Appendix 14](#).



## 6. Market overview

### 6.1. Macroeconomic situation

In 2020, the coronavirus pandemic presented a major challenge to the global economy. The spread of COVID-19 led to mass quarantine restrictions and the closure of borders. The measures that were imposed resulted in a decline in global GDP and business activity worldwide.

*Change in global GDP, %*

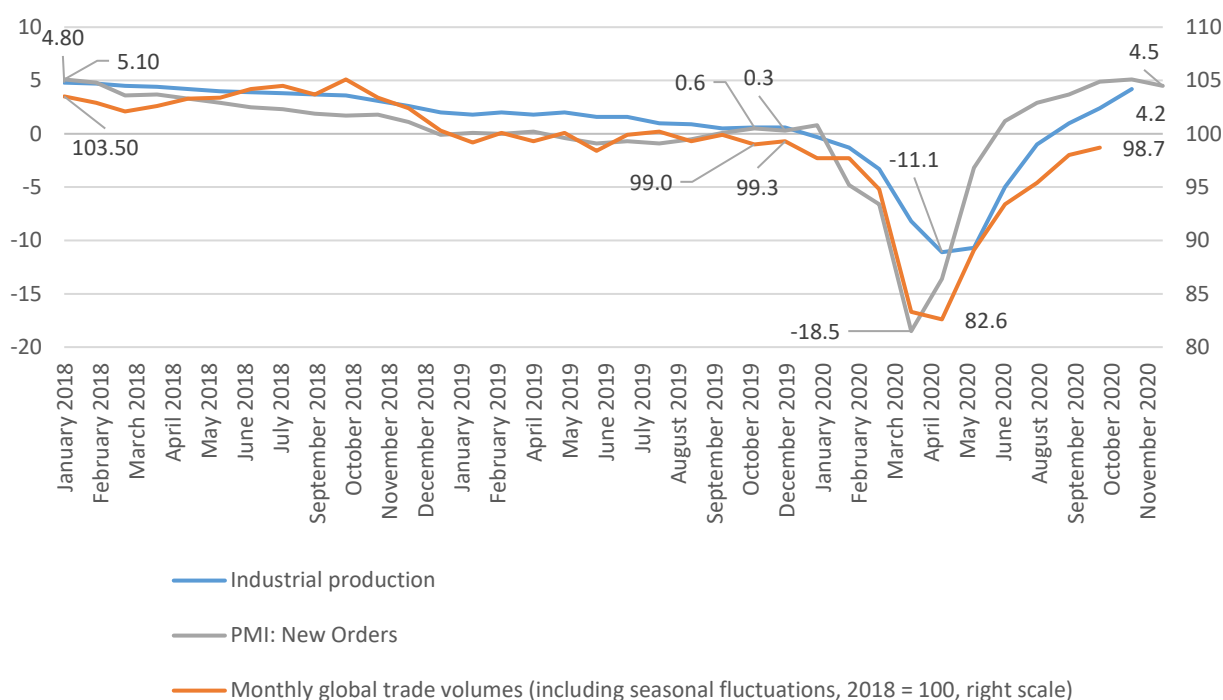
	Actual indicators		Estimate		
	2018	2019	2020	2021	2022
World	3.5	2.8	-3.5	5.5	4.2
Developed nations	2.2	1.6	-4.9	4.3	3.1
Emerging and developing nations	4.5	3.6	-2.4	6.3	5.0

Source: IMF as of January 2021, [World Economic Outlook Update](#).

The International Monetary Fund (IMF) estimates that global GDP declined to -3.5% in 2020. In spring 2020, the level of global activity plummeted to the lowest seen since the financial crisis of 2008-2009: industrial production and monthly world trade volume fell to -11.1 and 82.6 in May, respectively, while the manufacturing PMI fell to -18.5 in April.

In response to the spread of COVID-19, countries have provided extensive economic support to households and businesses (through taxation and spending incentives). Central banks expanded their financing and business lending programs, and a number of banks utilized a mechanism to reduce interest rates. As of September 2020, the IMF estimates the fiscal measures that have been announced are worth USD 11.7 trillion, or roughly 12% of global GDP.

## Global activity indicators



Source: IMF as of January 2021, [World Economic Outlook Update](#).

As support measures started being instituted, global activity indicators began to rise moderately in summer 2020. In November-December, industrial production and the PMI index fully recovered to 4.2 and 4.5, respectively, and surpassed the values for the same period in 2019 (0.6 and 0.3, respectively). The IMF expects the global economy to grow by 5.5% in 2021 and by 4.2% in 2022.

### 6.1.1. Russian economy

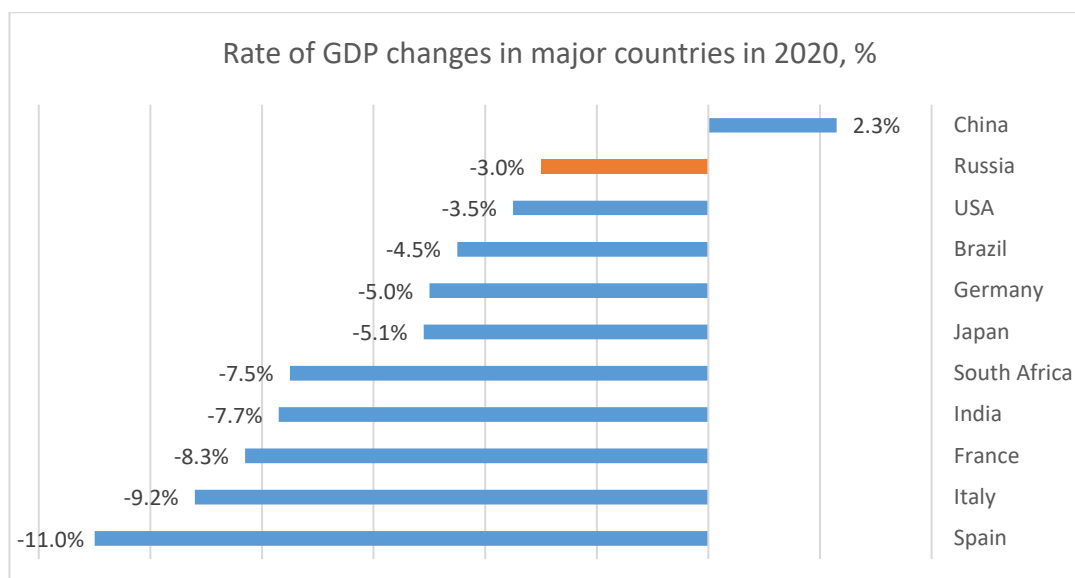
The Russian Federal State Statistics Service (Rosstat) estimates that Russia's gross domestic product (GDP) declined by 3.0% in 2020.

*Growth rates of the Russian economy, %*

	Actual indicators			Estimate	
	2018	2019	2020	2021	2022
GDP	2.5	1.3	-3.0	3.0	3.9
Industrial production	2.9	3.4	-2.6	2.6	3.6

Sources: 2018-2020 – Rosstat, 2021-2022 – Forecast for Russia's Socioeconomic Development in 2021 and the Planned Period of 2022 and 2023.

Russia made it through 2020 with fewer economic losses than most other countries primarily because responsibility for imposing quarantine restrictions was delegated to the regional level and also due to the decisive and well-coordinated anti-crisis measures adopted by the government and the Bank of Russia.



Sources: Estimates of national statistical agencies for Russia, China, USA, India, Germany, France, and Spain. IMF (January 2021) for Japan, Italy, Brazil, and South Africa.

Rosstat estimates that industrial production declined by 2.9% in 2020.

The biggest negative contribution to the change in industrial production came from the mineral extraction industry, where the main constraint was the OPEC+ agreement limiting oil production.

The largest decline in manufacturing activity in Russia was seen in April 2020. According to [Markit Economics](#), the PMI index for this month reached a minimum of 31.3 points, but in June it recovered to 49.4 points due to effective government measures to support business.

Forecasts for Russia's socioeconomic development predict that Russian industrial production will grow by 2.6% in 2021 and by 3.6% in 2022.

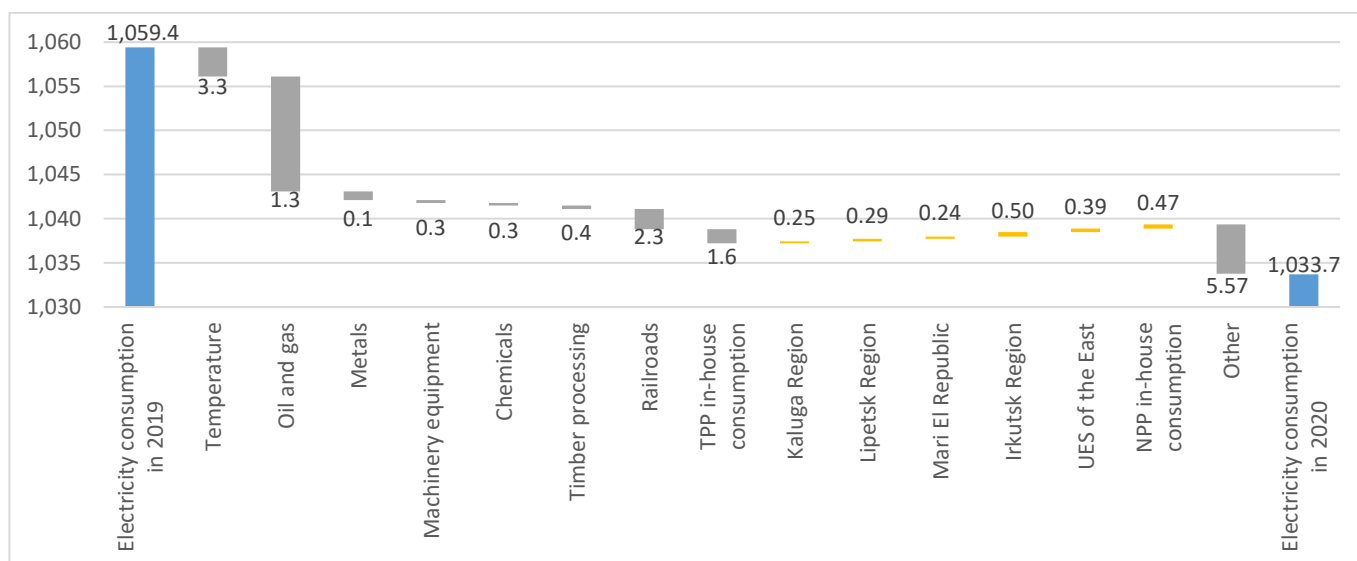
As is for the most open economies around the world, the economic forecast for Russia is contingent on how the pandemic spreads. The rate of vaccination of the Russian population will determine the rate of recovery for industry as a whole. In addition, the pace of global vaccination will determine how demand recovers for key Russian exports, in particular oil and petroleum products.

## 6.2. Electric power in Russia [GRI 102-6]

The electric power industry is a strategic sector of the Russian economy, which supplies electric and thermal power for the country's domestic needs and also exports electricity to CIS and European countries.

Electricity consumption in the Unified Energy System of Russia decreased by 2.4% in 2020 compared with 2019 and amounted to almost 1.034 trillion kWh, while power generation fell by 3.1% to 1.047 trillion kWh.

### Factor analysis of changes in electricity consumption, bln kWh



Source: Market Council Association and Sovia Capital calculation. Analytical commentary 'Oil and Gas: The Main Contributors to the Decline in Electricity Consumption Last Year'.

The main factors were the COVID-19 pandemic and the deal with OPEC+, which together led to a significant decline in electricity consumption in the oil and gas sector. The oil and gas sector and transportation of oil and gas accounted for 51.8% of the total decrease (-13.0 billion kWh). Consumption in the metallurgical industry fell by 1.0 billion kWh. Railway companies reduced electricity consumption by 2.3 billion kWh.

The temperature factor in 2020 is estimated to have resulted in a 3.3 billion kWh decrease in consumption due to a 1°C increase in the average annual temperature in the power system compared with the previous year.

Thermal power plants bore the main load for meeting demand for electricity in the UES of Russia in 2020, generating 620.6 billion kWh, down by 9.9% from 2019. Other types of generation increased output in 2020.

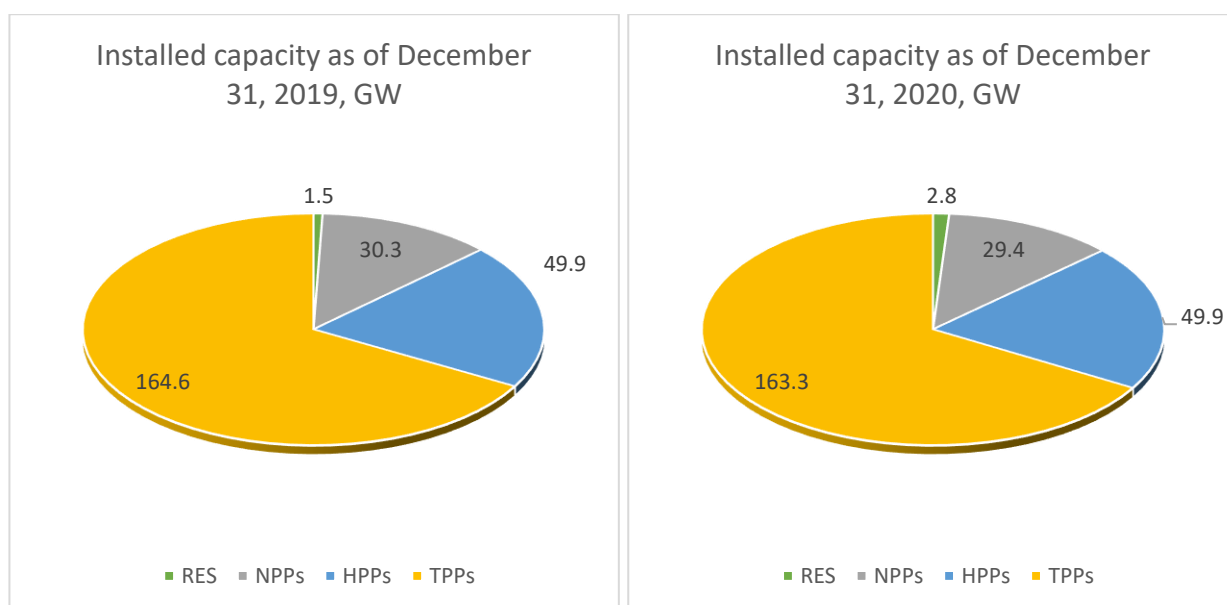
### Electricity generation and consumption in the UES of Russia, bln kWh

Indicator	2018	2019	2020
Electricity generation, total	1,070.9	1,080.6	1,047.0
including:			
TPPs	681.8	679.9	620.6
HPPs	183.8	190.3	207.4
NPPs	204.4	208.8	215.7
RES	1.0	1.6	3.4
Electricity consumption	1,055.6	1,059.4	1,033.7

Source: System Operator of the UES of Russia

The installed capacity of power plants of the UES of Russia amounted to 246.3 GW at the end of 2020 (down by 1.0 GW versus 2019).





Source: System Operator of the UES of Russia

The main factors behind this decline were the commissioning of new capacity and the decommissioning of obsolete equipment. The biggest events were the commissioning of more than 1.1 GW of solar and wind power plants as well as 730 MW of TPP capacity. The decommissioning of TPPs amounted to 2.2 GW, while a 1 GW unit at the Leningrad NPP was also shut down for decommissioning.

#### 6.2.1. Modernization program

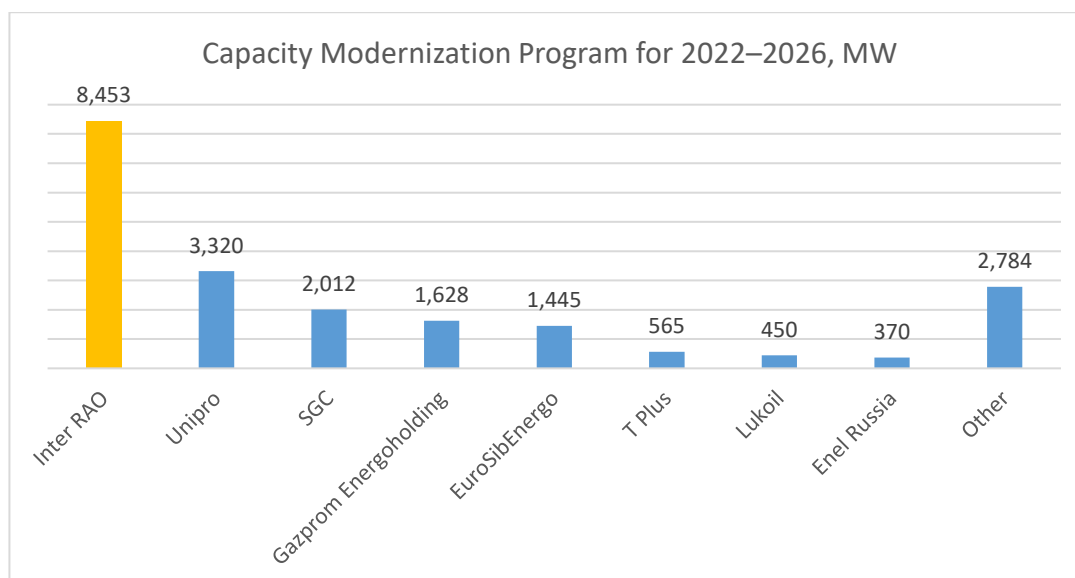
In early 2020, Inter RAO completed construction on power plants as part of the ten-year capacity delivery agreement (CDA) program, which has become a key component of the Group's investment cycle. This mechanism proved to be a benchmark example of how to attract funds to the industry and was fully implemented without any significant adjustments. Over the course of the CDA program, roughly 40 GW of new capacity were introduced, including approximately 30 GW at TPPs. This made it possible to decommission a portion of run-down equipment. Since 2010, more than 20 GW have been decommissioned.

Nevertheless, aging capacity remains a pressing problem in the Russian energy sector. The average age of generating equipment is over 34 years, while more than 30% of equipment is over 45 years old.

In January 2019, the Russian Government approved a program to modernize up to 41 GW of capacity at thermal power plants before 2031, which will help raise investments for projects that are in high demand in the energy system and have a significant wear factor. For projects that were included in the program on a competitive basis, a return on investment is guaranteed within 15 years due to a special capacity tariff.

As of the end of 2020, the total capacity of the projects selected as part of the modernization program for the period of 2022-2026 amounted to 21,027 MW. Of that amount, Inter RAO accounts for 8,453 MW (taking into account the increase in installed capacity after modernization).





Source: [JSC System Operator of UES 'Competitive selection of power \(selection of modernization projects\)'](#)

Inter RAO plans to continue its participation in the modernization program as part of two types of tenders:

- Tender for capacity modernization program projects with capacity supply in 2027-2031
- Tender for projects using innovative gas turbines with capacity supply in 2027-2029

### 6.2.2. Industry trends and forecasts

The [Energy Strategy of the Russian Federation](#) for the period until 2035 was approved in mid-2020<sup>3</sup>. Depending on the scenario, the strategy envisages an average annual growth rate of electricity consumption ranging from 1% to 1.5% annually.

The development of the electric power industry could potentially be given a jump-start due to growing demand for transport, housing and utility services, as well as the possible development of energy-intensive industrial production in Russia's eastern regions and neighboring states, primarily member states of the Eurasian Economic Union, China, and Asia-Pacific region countries.

Installed capacity will increase to 251-264 GW by 2035 from the current 245 GW. Specific consumption of equivalent fuel for the supply of electrical energy is projected to decrease to 285.4 g/kWh by 2024 and to 255.6 g/kWh by 2035 from the current 306.2 g/kWh (2019), which can partly be achieved through the development and widespread industrial application of Russian-made high-power gas turbines.

Key industry challenges on the horizon until 2035:

- Improvements to the planning system in the electric power industry
- Modernization of competitive models of the wholesale and retail markets in the electric power industry
- Creation of a common electric power market in the Eurasian Economic Union and ensuring that Russian organizations are competitively involved in it
- Gradual elimination of cross-subsidization
- Introduction of a demand management mechanism
- Establishment of a market for electric power storage systems

<sup>3</sup> Directive No. 1523-r of the Russian Government dated June 9, 2020.

- Development of hydrogen energy

No significant changes are expected to take place in the structure of the installed capacity of power plants in terms of the type of generation.

Significant events in the industry:

January 2019	Launch of a modernization program for existing thermal power plants	The scope of the program is 40 GW by 2031. To date, 5 out of 10 selections have been made, and 21 GW of generating capacity have been selected for modernization.	Resolution No. 43 of the Russian Government dated January 25, 2019
February 2020	Selection of modernization projects for 2025	The final list included 41 projects with total capacity of 6,828.9 MW.	Directive No. 232-r of the Russian Government dated February 7, 2020
June 2020	Updates to the modernization program	The capital intensity of projects was increased (a turbine or boiler complex is required), and a separate quota of 2 GW was approved for the selection of projects using innovative equipment (CCGT).	Resolution No. 948 of the Russian Government dated June 29, 2020
November 2020	Updates to the selections within the modernization program	Changes were made to the timeframe for the additional selection of modernization projects to provide for the installation of innovative gas turbines. The CCGT capacity modernization program for 2027-2029 will be implemented as part of the capacity modernization program for 2027, while the deadline for accepting price bids is April 1, 2021.	Resolution No. 1974 of the Russian Government dated November 30, 2020
January 2021	Two units under construction at the Kursk NPP included in competitive capacity auctions	The amount of capacity taken into account during the competitive capacity auctions as being subject to mandatory purchase include nuclear power plant facilities under construction (2 units at the Kursk NPP-2 with commissioning dates in 2026 and 2028).	Approved by the Supervisory Board of the NP Market Council Association on January 26, 2021
January 2021	Construction and modernization of facilities	A ban on the decommissioning of CDA facilities earlier than 25 years since they were put into operation came into force on January 28, 2021.	Federal Law No. 281-FZ dated July 31, 2020

Expected events:

2021	Climate strategy	<p>Russia is expected to adopt its first law to create a monitoring system for reducing greenhouse gas emissions as well as a law to create a green energy certification system in accordance with generally accepted international standards.</p> <p>A low-carbon development strategy until 2050 is expected to be published along with a law on low-carbon certificates (certificates of origin of energy) that will be issued in Russia, taking into account the need to achieve both the goals of the Paris Agreement and the sustainable development goals set by the UN</p>
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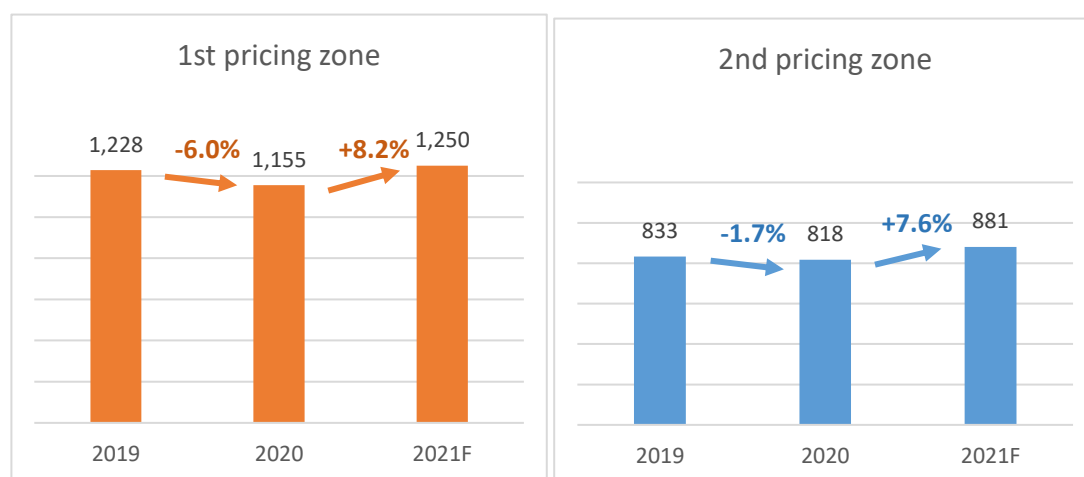
		General Assembly and the adoption of a law on the state regulation of greenhouse gas emissions.
2021	RES construction	A final decision is expected regarding the investment program of the RES-2 CDA (determination of the price/volume indicators as well as the selection procedure).

### 6.2.3. Price and tariff forecast

#### Electricity market

As of the end of 2020, prices on the day-ahead market (DAM) were down relative to 2019 by around 6% and 2% for the first and second pricing zones, respectively. In 2021, as the level of electricity consumption gradually recovers, DAM prices are expected to rise and outpace the rate of change in prices for gas and coal, the main types of fuel used at power plants. DAM prices in the first pricing zone are expected to increase by 8.2%, while growth in the second pricing zone could reach 7.6% if the output of hydroelectric power plants in Siberia declines to the average long-term values following the high river levels seen in 2019-2020.

Changes in day-ahead electricity prices, RUB/thousand kWh



Source: NP Market Council Association. In accordance with the [forecast of free \(unregulated\) prices for electric power \(capacity\) for the constituent entities of the Russian Federation for 2021 dated March 29, 2021](#).

In the medium term, based on the current five-year forecast of the NP Market Council Association dated December 30, 2020, average growth rates for DAM prices in both pricing zones are expected to be close to the forecast growth rate for the main types of fuel used for electricity production: at the level of gas price growth of 3% in the European part of Russia and the Urals, and at the level of coal price growth of 4% annually in Siberia.

#### Capacity market

The price increase as a result of competitive capacity auctions (CCA) for 2021 is 19% for plants in the first pricing zone and 21% for plants in the second pricing zone. Based on the auction results, CCA prices are expected to rise by an average of 9% annually in 2022-2026 for the first pricing zone and 7% for the second pricing zone. This growth is attributable to annual price indexation at key points of the model by the amount of inflation, changes in the balance of supply and demand as well as an additional increase in the price level at key points of the CCA model by 20% in 2022-2024.

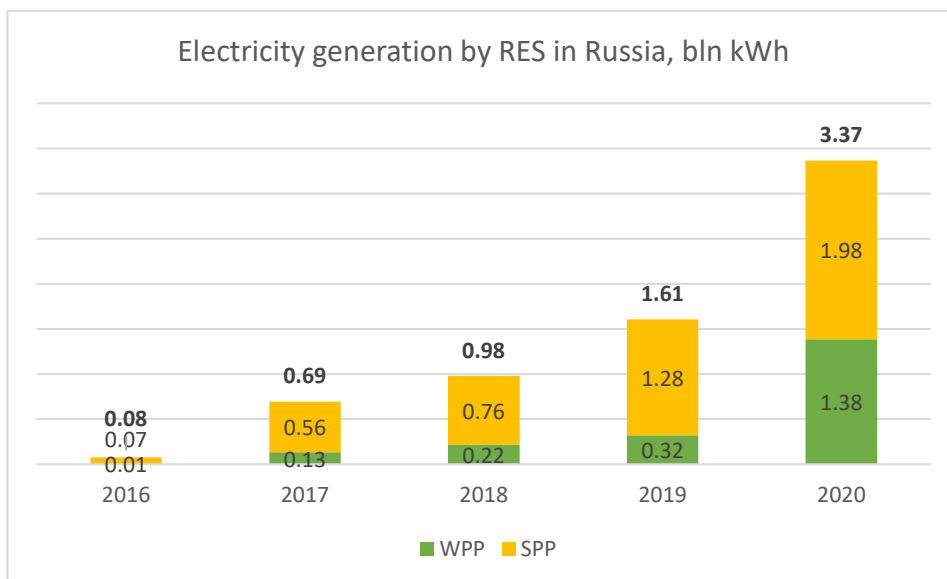
Retail market Prices and tariffs on the retail electricity (capacity) markets in 2021-2023 are expected to be around the level determined by the [Socioeconomic Development Forecast of the Russian Ministry of Economic Development](#).

Growth in the regulated tariffs of grid organizations for consumers other than the population will not exceed 3.0% on average. In order to reduce cross-subsidizing in the power grid, tariffs for the transmission of electric power to the population will remain indexed at 5.0% annually on average in Russia. Regulated electricity tariffs for the population will grow at the same rate.

Unregulated prices for industrial consumers on the retail market will grow by an average of 5.6% in 2021, but will not exceed targeted inflation parameters in 2022-2023 and will increase by an average of 2.9% to 3.5%.

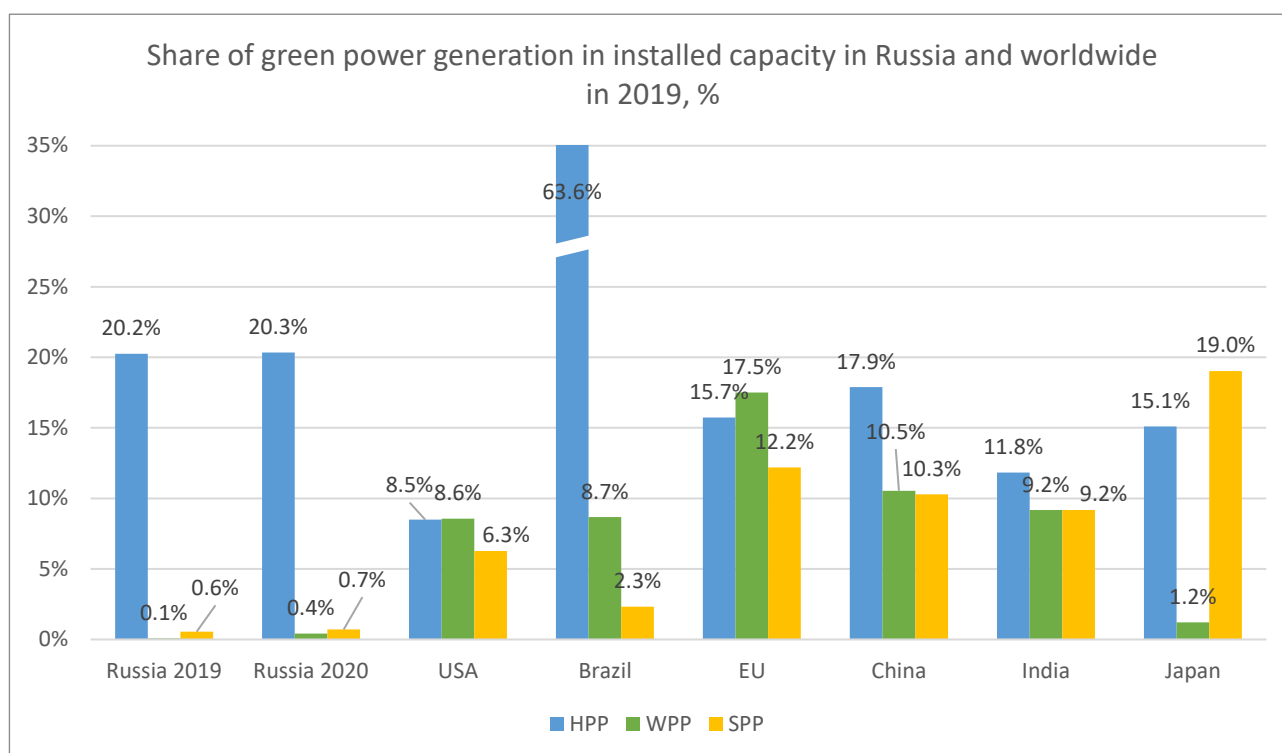
#### 6.2.4. Development of RES in Russia

Renewable power generation is one of the most promising areas for investment. Russia is currently supporting this market, which has expanded several times over in recent years, by implementing state support programs for renewable energy sources.



Source: System Operator of the UES of Russia

Meanwhile, the share of solar and wind generation in Russia, both quantitatively and proportionately, still lags far behind that of other developed and developing countries.



Sources: Russia: System Operator of the UES of Russia and data from other countries: IAE World Energy Outlook 2020

RES accounted for 2,754 MW, or 1.12%, of the total installed capacity of power plants in Russia (excluding HPPs) in 2020.

In 2013-2020, auctions were held as part of the CDA RES 1.0 program: the commissioning of renewable energy capacity is planned at more than 5 GW (more than 1.5 GW had been commissioned as of 2020), while capital investments are planned at more than RUB 500 billion.

The program is set to commission a total of 1,803 MW as part of solar power plant (SPP) projects and 3,672 MW as part of wind power plant (WPP) projects.

To date, the small hydropower sector has not been able to attract the proper attention of investors, as their activity in the competitive auctions was significantly lower than in the other sectors. Of the more than 750 MW that were initially planned to be commissioned under the small hydroelectric power plant (SHPP) support program, only projects for 160 MW have been selected.

In March 2021, the Russian Government approved the rules for a new program to support the renewable energy industry in 2025–2035.

Renewable energy projects are a focus of the Inter RAO Strategy that was approved in 2020. [See the Strategy section.](#)

### 6.3. 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 2020.

The main countries that Russia exports to are Lithuania, China, Finland, 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.

Electricity generation and consumption in the main countries to which Inter RAO exports its products

	China*			Finland**		
	2018	2019	2020	2018	2019	2020
Electricity generation, TWh	6,994.70	7,326.90	7,623.60	67.50	63.80	63.74
Electricity consumption, TWh	6,916.30	7,225.50	7,511.00	87.70	83.44	78.35
Balance	78.40	101.40	112.60	-20.20	-19.64	-14.61
	Lithuania**			Kazakhstan***		
	2018	2019	2020	2018	2019	2020
Electricity generation, TWh	4.30	3.64	5.00	106.80	106.03	108.0
Electricity consumption, TWh	12.10	12.17	11.84	103.23	105.19	107.3
Balance	-7.80	-8.53	-6.84	3.57	0.84	0.7

Sources: China 2017-2018 - [China Energy Portal](https://www.chinaenergyportal.com/); China 2019-2020 – [Main Energy Office of China](https://www.nordpoolgroup.com/); Finland and Lithuania – <https://www.nordpoolgroup.com/>; Kazakhstan 2017-2019 – [Annual Report of KEGOC](https://eenergy.media/2021/03/05/v-2021-godu-kazahstan-planiruet-vyrabotat-109-mlrd-kvt-ch-elektroenergii/); 2020 – <https://eenergy.media/2021/03/05/v-2021-godu-kazahstan-planiruet-vyrabotat-109-mlrd-kvt-ch-elektroenergii/>.

The main changes in the regulation of Inter RAO's presence on international markets include:

- After the launch of a power unit at the Belarusian NPP, the Belarus-Lithuania trading section on the Nord Pool market was closed on November 3, 2020, and the new Russia-Latvia trading section of the Nord Pool market opened on November 11, 2020
- Restrictions on the throughput capacity of interstate relations between Ukraine and states that are not members of the Energy Community were lifted on January 1, 2021
- A new model of the Georgian wholesale electricity market is expected to be launched in mid-2021 based on Nord Pool market principles

### 6.3.1. 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 increased 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.

In December 2019, the Supreme Eurasian Economic Council approved an action plan that aims to create a common electric power market of the Eurasian Economic Union. The legal framework of the market is currently being developed in accordance with the approved action plan.

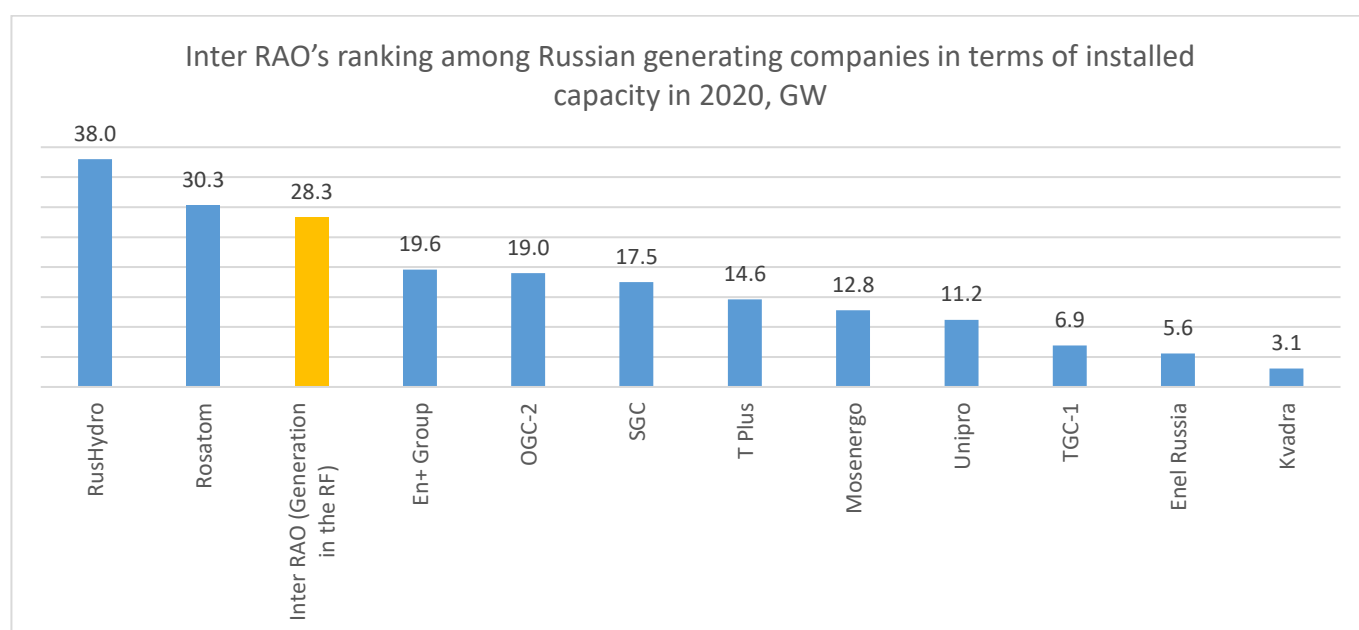
## 6.4. Competitive overview

Inter RAO ranks second in the Russian industry in terms of installed capacity and third in terms of electricity output, generating over 9.6% of the country's electricity. The Group's supply operations account for more than 18.2% 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 electricity generation in Russia

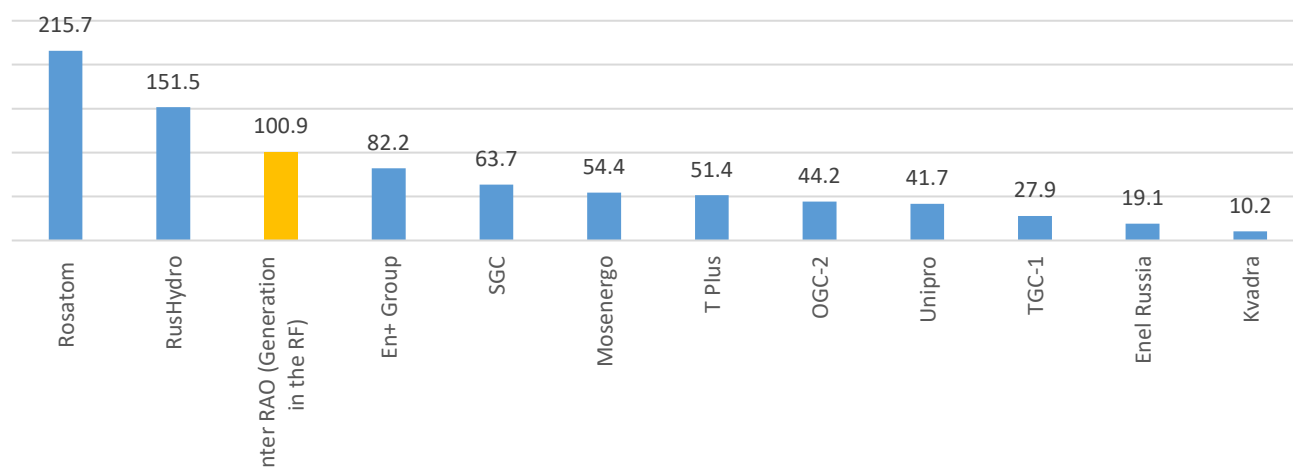
Indicator	2018	2019	2020
Electric power generation in Russia, bln kWh (Source: Russian Ministry of Energy)	1,070.9	1,080.5	1,047.0
Electric power generation by the Inter RAO Group (in Russia), bln kWh	121.8	120.5	100.9*
Inter RAO's share of generation in Russia	11.4%	11.2%	9.6%

\* The reasons for the decrease in this indicator are presented in the **'Generation'** section.



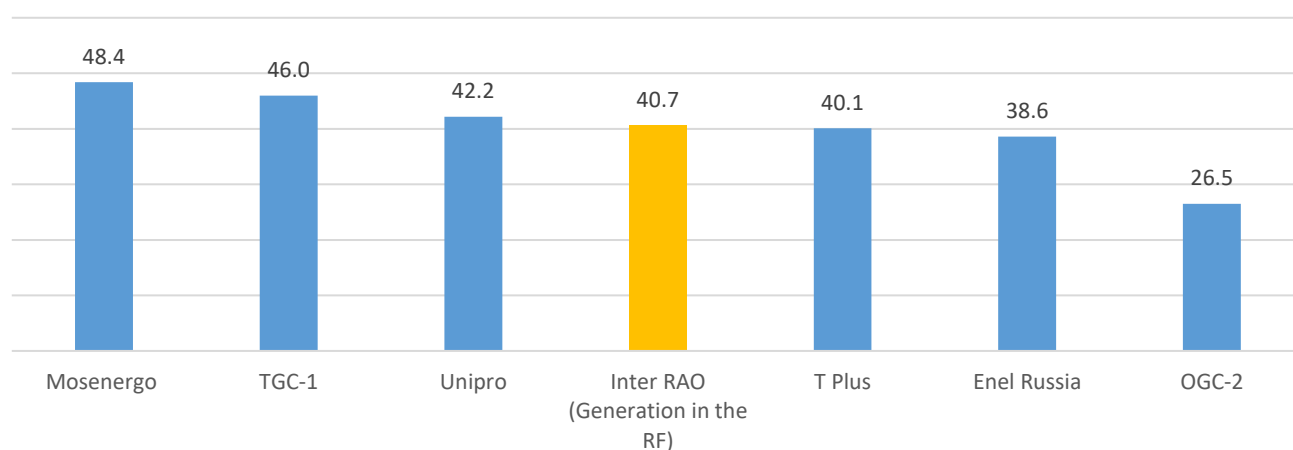
Sources: Inter RAO and company data

Inter RAO's ranking among Russian generating companies in terms of electricity output in 2020, bln kWh



Sources: Inter RAO and company data

Inter RAO's ranking among Russian generating companies in terms of installed capacity utilization factor (ICUF) in 2020, %



Sources: Inter RAO and company data

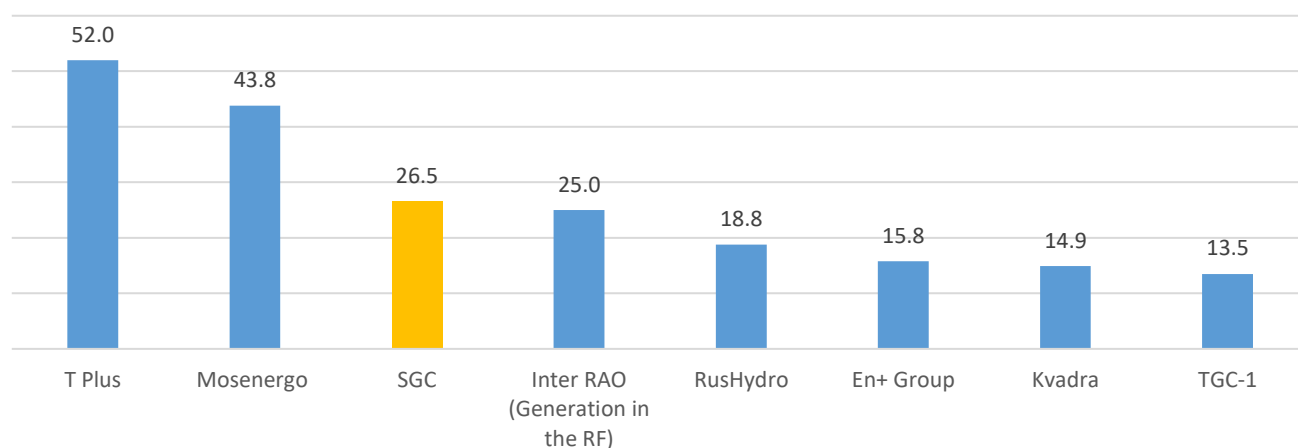
### Inter RAO's share of thermal power generation in Russia

Indicator	2018	2019	2020
Thermal power generation in the UES of Russia, mln Gcal (Source: Russian Ministry of Energy, <a href="https://minenergo.gov.ru/opendata">https://minenergo.gov.ru/opendata</a> )	1,371.9	1,251.0	1,158.4*
Output from the Inter RAO Group's collectors in Russia, mln Gcal	41.6	40.1	39
Share of the segment	3%	3%	3%

\*Forecast for thermal power generation calculated based on the Company's market share in 2020

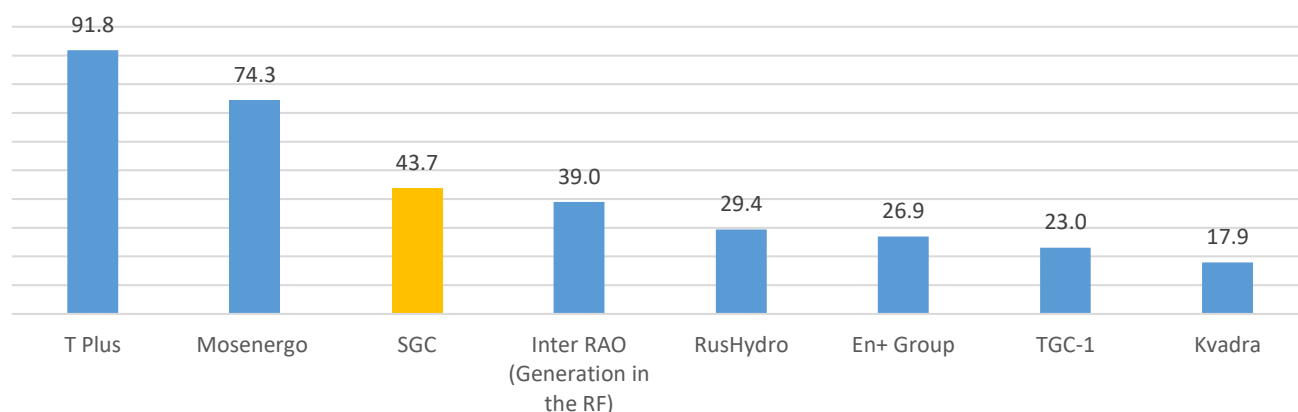


Inter RAO's ranking among Russian generating companies in terms of heat capacity, thousand Gcal/h



Sources: Inter RAO and company data

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



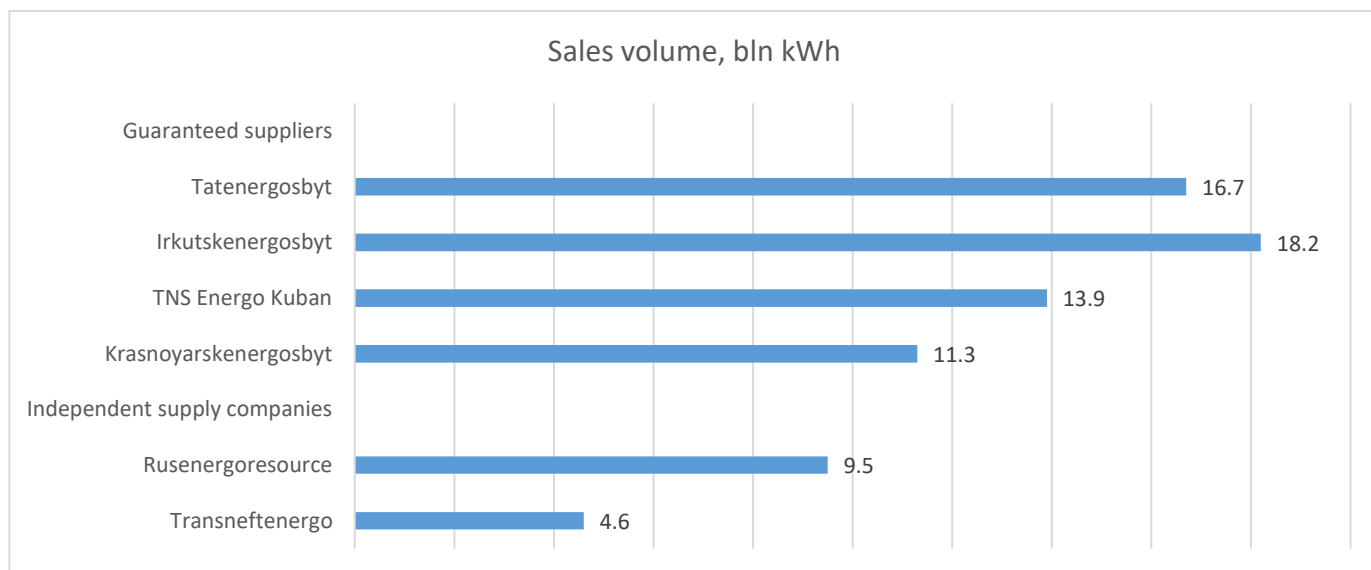
Sources: Inter RAO and company data

### Share of Inter RAO's supply business in Russia

Indicator	2018	2019	2020
Electric power consumption in Russia, bln kWh	1,076.1	1,075.2	1,050.4
Net supply of electric power by the 'Supply in the Russian Federation' segment, mln kWh	191,908	198,456	193,748
Inter RAO's share of the Russian retail market*, %	17.7%	18.3%	18.2%

\*Excluding operations on the wholesale market.

## Main competitors in the supply business on the Russian market in 2020



The [Development Strategy of Inter RAO until 2025 with a View to 2030](#) sets out new ambitious goals that will not only preserve the results and market leadership that the Company has achieved, but will also provide a new impetus for further operations.

## 7. Development strategy

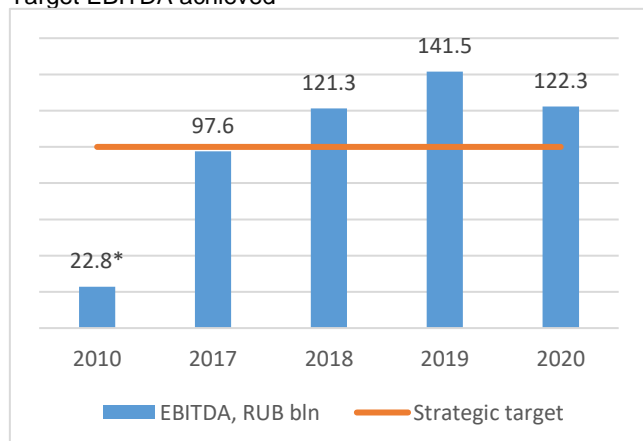
### 7.1. Company's mission

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 and solutions.

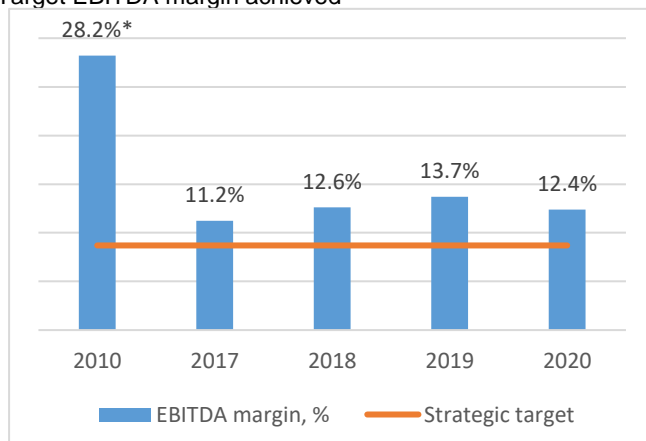
### 7.2. Strategy implementation results of 2020

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 key strategic indicators of the Strategy 2020 have now been achieved even with the economic downturn in 2020 caused by the COVID-19 pandemic.

Target EBITDA achieved



Target EBITDA margin achieved



Note:

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

Note:

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

Since 2010, the Company has significantly bolstered its assets as part of an ambitious consolidation program and M&A activities. Inter RAO has increased its presence on the retail electricity and capacity market. The Company has 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:

Today, Inter RAO Group is a diversified energy holding that manages electric power assets in Russia as well as in Europe and the CIS.

### 7.3. Development Strategy until 2025 with a View to 2030

The Board of Directors approved the [Development Strategy of Inter RAO until 2025 with a View to 2030](#) on July 31, 2020<sup>4</sup>.

#### Strategy 2025-2030

On September 20, 2020, Inter RAO presented its new Strategy 2025-2030 detailing the strategic goals for its key areas of development, which should lead to EBITDA exceeding RUB 320 billion in 2030.

The presentation of the Strategy and a recording of the online broadcast are available on the website <https://strategyday2020.interrao.ru/ru/>



Given the uncertain external environment, business diversification is a key factor in hedging risks for the Company. Inter RAO's target business model calls for maintaining its presence in all links of the value chain – from the design and construction of power facilities to the sale of electricity and heat to end consumers.

Strategy 2025-2030. Strategic objectives

<sup>4</sup> Minutes No. 277 dated August 3, 2020.



#### Key focuses of Inter RAO's Strategy for 2025-2030

##### Providing value growth

- Effective participation in the program to modernize and build thermal generating assets (capacity modernization program, competitive capacity auctions for new generating facilities, and other mechanisms)
- Support for the implementation of effective projects as part of the strategic interests of the Russian Federation
- Development and implementation of projects to effectively use cumulative investment resources

##### Digitalization

- Optimization/transformation of key business processes in the management of production assets and funds, energy supply activities, trading, offering new digital services as well as enhancing the level of information security

##### Diversification

- Greater diversification of the Group's business in power engineering, retail business, and other promising areas, including in partnership with Russian and international organizations that have advanced technologies and expertise

##### Sustainable development

- Introduction of mechanisms to analyze and assess climate risks
- Inventory and reduction of greenhouse gas emissions
- Improvement of the Group's position in international ESG ratings

Inter RAO will achieve its strategic goals by implementing strategic initiatives in the following main areas:

- Power generation
- Thermal business
- Retail business
- Foreign trade activities
- International activities
- Power engineering
- Engineering, repair, and servicing
- Innovation and business diversification
- Digital transformation of business

Strategic indicators of Strategy 2025-2030:

Indicator	Measurement unit	Actual	Strategic goals	
		2020	2025	2030
EBITDA	RUB bln	122.3	210	320
EBITDA margin	%	12.4%	≥13%	≥14%
Share of the Russian retail market	%	>18.2%	>18%	~20%
Foreign trade operations	bln kWh	13.1	≥12.2	≥10.2
Investment resources utilization (cumulative)	RUB bln	20.4**	500	1000
Effectiveness of projects being implemented*	-	≥ WACC	≥ WACC	≥ WACC
Dividends	% of IFRS net profit	25%	At least 25%	At least 25%

\* For projects whose implementation is expected to obtain a commercial effect.

\*\* Investment program in the form of capital investments within the current asset contour for 2020 (development, excluding VAT).

### 7.3.1. Main focuses of development [103-1, 103-2, 103-3, TCFD]

#### Strategic risks

When approving the Development Strategy, the Inter RAO Board of Directors took into account strategic risks that could lead to deviations from the strategic targets for 2025 with a view to 2030. The list of measures within the approved strategy was compiled taking into account measures that aim to manage risks that have been identified. For more, see the **‘Strategic Risks’** section.

Basis	Vision	Objectives	Assessment
Power generation and heat business			
Wholesale generation and the heat business are key segments of Inter RAO's business, which form the basis of its financial and economic performance.	Russia is not expected to achieve parity by 2030 in the cost of electricity generated using renewable energy sources compared with traditional generation, which requires the Company to focus on developing traditional generation. In the long term, this part of the business will also continue to play a key role in the Group's operations and will be a priority area of development.	<ul style="list-style-type: none"><li>Maintaining leading positions in the Russian electric power industry in the wholesale generation segment</li><li>Providing reliable power and heat supply and contributing to the energy security of the Russian Federation</li><li>Improving the operational, energy, and environmental performance of the business</li><li>Maintaining and expanding our presence in the wholesale generation segment</li></ul>	<div><div>x4.8 revenue*</div><div>RUB bln</div><div><div>202.8</div><div>524</div><div>981</div></div><div><div>2020</div><div>2025</div><div>2030</div></div></div> <div><div>x2.7 EBITDA*</div><div>RUB bln</div><div><div>96.2</div><div>158</div><div>263</div></div><div><div>2020</div><div>2025</div><div>2030</div></div></div> <div><div>* The revenue of the 'Electric Power Generation in the Russian Federation' and 'Thermal Power</div></div>

Generation in the Russian Federation' segments for 2020 is presented excluding intersegment revenue. Revenue and EBITDA in 2025 and 2030 are given taking into account possible M&A transactions and potential projects for the new construction of combined cycle plants in accordance with management reporting.

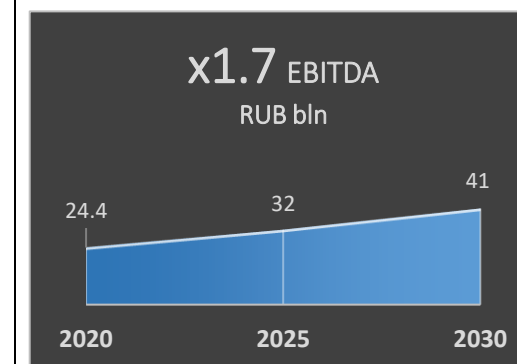
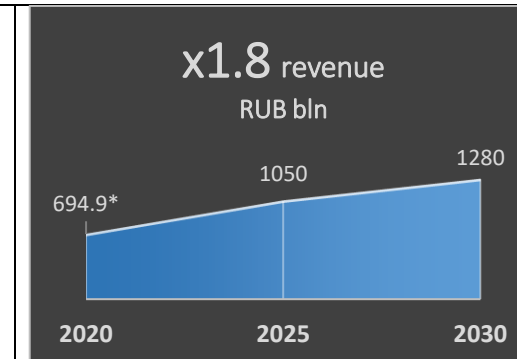
## Retail business

Supply assets contribute heavily to the Group's financial results and have shown a steady increase in their long-term performance for several years in a row.

The Group's retail segment is primarily represented by power supply companies – guaranteed suppliers, whose main business is a regulated type of activity.

Taking into account the significant impact of regulatory control on the retail business as well as the high level of competition for consumers among various stakeholders from related segments, it is crucial to focus on the existing range of power supply assets in an effort to realize the existing potential to improve operational efficiency and the quality of customer service.

- Participating in shaping and improving the regulatory and legal framework of the retail market as well as housing and utility services
- Improving the operational efficiency of the Inter RAO Group's power supply companies through the optimization and automation/digitalization of business processes
- Retaining the customer base and improving the quality of customer service
- Improving the efficiency of work with accounts receivable
- Studying ways to expand the Group's presence on the retail electricity market as well as establishing and developing UIPCs
- Business diversification and developing commercial services



\* Revenue in the 'Supply in the Russian Federation' segment for 2020 is presented excluding intersegment revenue.



			~20% Share of the Russian retail market in 2030  ≥10% Share of additional paid services in the EBITDA segment in 2030
<b>Foreign trade activities</b>			
PJSC Inter RAO is the leading Russian electricity export and import operator and the only company involved in export-import operations on the wholesale electricity market.	The Company is remaining cautious in its activities in this area due to the expected withdrawal of the energy systems of Baltic countries from synchronous operation with the UES of Russia, the planned change in the energy balance of Scandinavian countries, a decrease in electricity prices caused partly by the deterioration of the macroeconomic situation as well as the planned introduction of a common EAEU electricity market, and is focusing on ensuring that it is able to maintain its existing positions on the main electricity export markets.	<ul style="list-style-type: none"> <li>• Maintaining the position of a single export/import operator, while also taking into account the integration processes of the Russian and foreign energy markets as part of the creation of a common (unified) EAEU electricity market</li> <li>• Engaging in foreign trade operations with electricity produced in Russia and foreign countries as efficiently as possible</li> <li>• Maintaining and expanding economically efficient areas of trade</li> <li>• Creating prerequisites to maintain the parallel operation of energy systems of neighboring states with the UES of Russia</li> </ul>	≥10 bln kWh Volume of foreign trade operations in 2030  RUB ≥7 bln Marginal profit in 2030  ~9% Marginal profit margin in 2030
<b>International activities</b>			
Inter RAO's international activities are represented by businesses in several segments, including the management of generating and power grid assets, construction of generating facilities, provision of engineering services, and supply of equipment.	In the medium term, the viability of owning existing assets abroad will be determined taking into account the economic efficiency of their operation.	<ul style="list-style-type: none"> <li>• Pursuing the Russian Federation's strategic interests abroad</li> <li>• Ensuring the effective ownership and management of assets</li> <li>• Taking part in projects to build generating facilities and other projects (BOT, EPCM, deliveries, and acquisitions)</li> </ul>	RUB 28 bln* Revenue in 2030  RUB ~6 bln* EBITDA in 2030  ~20%* EBITDA margin in 2030

\* Based on the current profile of the Group's production assets in accordance with consolidated management reporting

## Power engineering

A joint venture was formed with General Electric in order to set up the production of modern power equipment in Russia. The production facility in Rybinsk was commissioned in 2014. The plant's capacity is 14 6F.03 (6FA) gas turbine units per year.

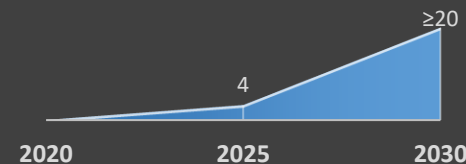
A joint venture with RUSNANO and NPO Saturn was established to organize the mass production of the GTD-110 turbine.

Given the significant operating time of the existing fleet of gas turbines and the need to conduct numerous inspections, demand for turbines as well as their components and maintenance may increase in the medium term. In addition, the development of the TPP modernization program will influence growth in demand for gas turbines.

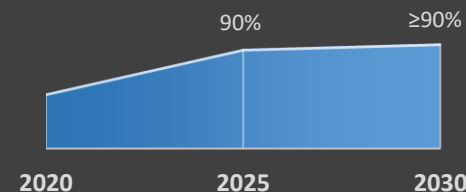
The government's policy of ensuring Russia's economic and energy security envisages the localized production of modern medium- and high-power gas turbines and their components within the country.

- Localizing the production and servicing of GE 6F.03 (79-87 MW) and GT13E2 (181-210 MW) gas turbines in the Russian Federation at the Russian Gas Turbines joint venture
- Completing the establishment of mass production of the GTE-110M turbine (110-120 MW) at the Inter RAO, RUSNANO, and NPO Saturn joint venture

Number of contracted gas turbines of own enterprises/joint ventures with the required level of localization (cumulative total)



Required localization level of gas turbines produced in-house



## Engineering, repair, and servicing

The Group has established a specialized engineering company (LLC Inter RAO – Engineering) and a unified repair and servicing company (LLC Quartz Group).

The companies have accumulated significant experience and extensive expertise from projects to build

Considering Inter RAO's participation in the ambitious capacity modernization program, the significant volume of servicing, repair, and R&D programs, and the need to further improve their efficiency, including the goal of reducing dependence on foreign contractors for servicing gas turbines, these companies plan to focus on meeting

- Ensuring the implementation of the Group's investment projects
- Developing expertise and a list of works/services performed using in-house resources, including the servicing of gas turbines
- Participating in projects to create energy infrastructure in non-pricing zones and isolated territories for the

Meeting deadlines and indicators for the quality and cost of work at the Group's facilities

≤10%

Share of subcontracting in the revenue of a single repair and servicing company at the Group's facilities

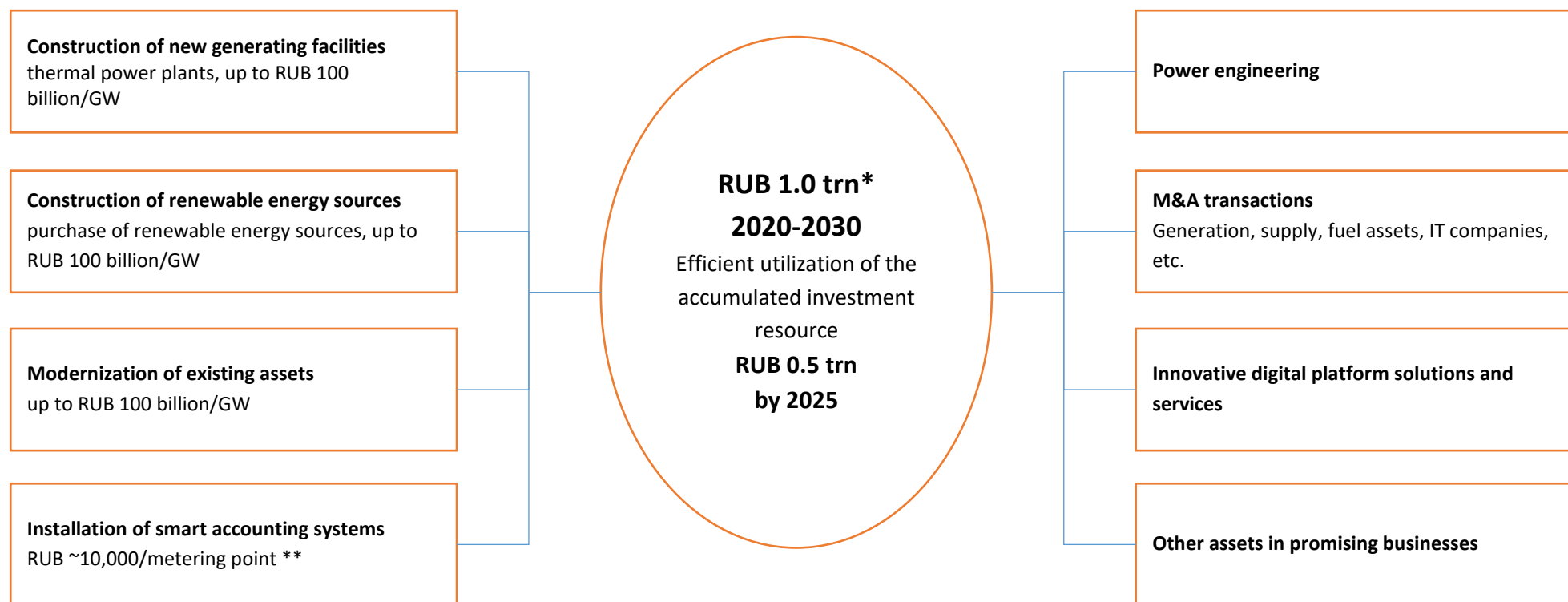
CDA facilities, projects in the Kaliningrad Region, and the implementation of significant volumes of the Group's annual production program.	the Group's internal needs in their activities in the medium term.	needs of future consumers and power districts	
<b>Sustainable development</b>			
In 2019, Inter RAO joined the UN Global Compact, the largest international UN initiative in corporate social responsibility and sustainable development.	Information transparency as regards compliance with sustainable development principles will enhance the Group's investment appeal, propel it to a new level with a more high-quality image, boost competitiveness, and create conditions to increase capitalization and ensure long-term sustainable development.	<ul style="list-style-type: none"> <li>Increasing ratings by improving the quality of public non-financial reports and their compliance with international requirements</li> <li>Introducing mechanisms to analyze and assess climate risks</li> <li>Conducting inventories and reducing greenhouse gas emissions</li> </ul>	<p><b>-7%</b> CO<sub>2</sub> emissions per unit of electricity production (2030 vs 2019)</p> <p><b>Top 15%-25%</b> The Company's position in the ratings of RAEX Europe, Sustainalytics, CDP, and ISS-Oekom relative to other Russian companies</p>
<b>Innovation and business diversification</b>			
The acceleration of innovative processes in energy production and storage, the optimization of energy consumption, and interaction with consumers shows it is crucial to develop our own progressive solutions to maintain and expand our market positions.	It is essential to overcome the current lag behind the world's largest energy companies in the development of new businesses and innovative products (using renewable energy sources, smart grid and smart metering technologies, energy storage technologies, and the development of electric transport, among other things).	<ul style="list-style-type: none"> <li>Identifying promising businesses and diversifying business</li> <li>Providing additional economic benefits for the development of new businesses</li> </ul>	<p>Study the feasibility of participating in renewable energy projects with capacity of up to 1 GW:</p> <ul style="list-style-type: none"> <li>Participation in projects in the distributed generation segment</li> <li>Participation/expansion of participation in demand management projects</li> <li>Assessment of the feasibility of building and operating electric refueling infrastructure</li> <li>Assessment of the feasibility of participating in hydrogen energy projects and the use of energy storage devices</li> </ul>
<b>Digital transformation</b>			
The Group has substantial amounts of information, such as the existing customer base and accumulated data on the history of relationships,	The Group's digital transformation is crucial due to the active development and integration of end-to-end digital technology organizations into key business processes, the	<ul style="list-style-type: none"> <li>Improving the efficiency of internal business processes and offering new</li> </ul>	Study and implementation (if appropriate) of the following initiatives:

operating experience of equipment, relationships with personnel, and so on. These existing data sets offer the potential to build digital platforms and implement new business models.	government's focus on building a digital economy, the initiatives of companies from related industries on the markets where Inter RAO has a presence through the active development and promotion of digital platforms and services, as well as the significant potential for increasing the efficiency of internal business processes within the Group through the introduction of digital technologies.	services using end-to-end digital technologies	<ul style="list-style-type: none"> <li>• Digital manufacturing (optimization of equipment operating modes, boosting employee efficiency, simulation of the wholesale electricity market, and monitoring construction progress)</li> <li>• Digital sales (robotic automation of operations, modeling of customer behavior, remote collection of indicators, automation of preprocessing, and creation of a unified digital platform)</li> <li>• Digital office (robotic automation of routine processes, introduction of an ERP system using big data technology, and using advanced analytics and big data technologies for forecasting and scenario modeling)</li> <li>• New business models (creation of a unified digital platform, creation of an IoT platform for energy data collection, and the development of digital solutions in demand management, microgeneration, and virtual power plants)</li> </ul>
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### 7.3.2. Use of available investment resources [TCFD]

As of 2020, Inter RAO had accumulated significant investment resources, which will continue to grow, according to forecasts. Given the limited opportunities for improving internal operational efficiency, the Group's further development will largely depend on responding to external challenges and the efficient use of investment resources.

Use of available investment resources

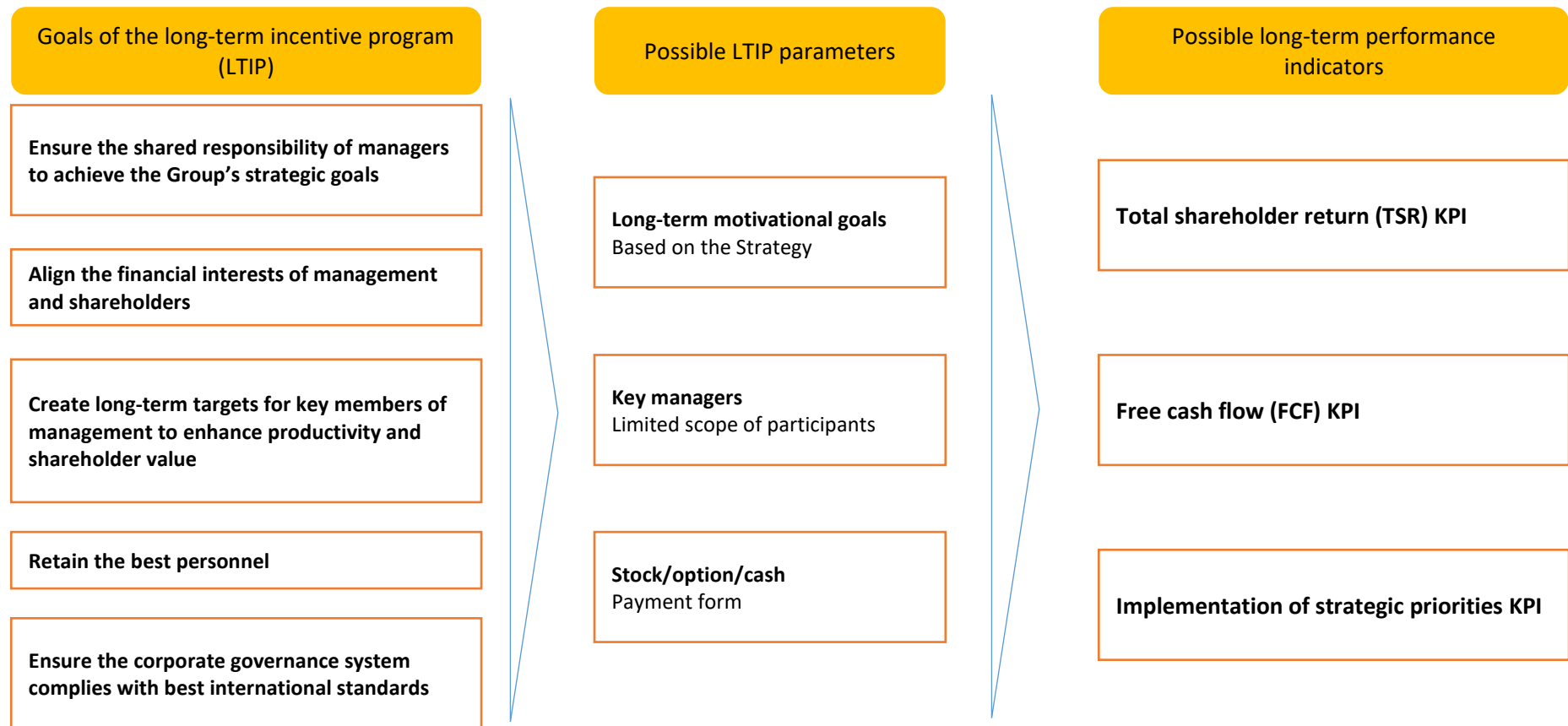


\* Cumulative total with a guaranteed rate of return on investment.

\*\* Taking into account the establishment of the necessary information systems and infrastructure.

### 7.3.3. Long-term incentive program [GRI 103-2]

A new long-term incentive program is being developed to achieve the Group's strategic goals. Its core parameters are included in the Inter RAO Development Strategy until 2025 with a View to 2030. A long-term incentive program for management, taking into account an analysis of best remuneration practices, was considered at an in-person meeting of the Nomination and Remuneration Committee on November 24, 2020. The Board of Directors will also consider the long-term incentive program in 2021.



#### 7.3.4. Development priorities for 2020 and 2021 [GRI 103-2]

The implementation of the Strategy is monitored by annually preparing Strategic Development Priorities that consist of a set of high-level tasks, including quantitative indicators and policy measures for Inter RAO's businesses. The Strategic Development Priorities also make it possible to establish a correlation between the motivation of the CEO, 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 annually reviewing a Report on the Implementation of the Company's Strategic Development Priorities that is then confirmed by an independent auditor.

The strategic priorities for 2020 were approved by the Board of Directors on December 17, 2019<sup>5</sup>. The strategic priorities for 2021 were approved by the Board of Directors on December 24, 2020<sup>6</sup> with a continued focus on the Company's traditional businesses and were supplemented with the following priorities for the development of power engineering, digital transformation, and sustainability, taking into account the updated Strategy:

- Reliable and accident-free operation as well as improved operating and energy efficiency of production assets
- Developing the retail business
- Improving the efficiency of foreign trade operations
- Developing international operations
- Enhancing the efficiency of engineering activities and developing power engineering
- Developing innovations
- Digitalization/automation of key business processes
- Improving investment appeal and ensuring financial stability
- Developing procurement activities and import substitution
- Improving the efficiency of the management system and sustainable development

#### 7.3.5. Strategy implementation in 2020 [GRI 103-3]

Business	Key strategic initiatives	Key results of 2020
Generation and the thermal power business	Ensure reliable power supply	The necessary measures were implemented for modernization, reconstruction, repairs, and maintenance for 2020 in order to ensure the reliability and safety of production assets.
	Maintain leading positions in the Russian electric power industry in the wholesale generation segment	Based on the results of the selection in 2020 of modernization projects for 2026, the Group's projects had a share of 1.75 GW. Based on the results of all selections of modernization projects for 2022-2026, Inter RAO projects were selected with capacity of 8.5 GW (taking into account the increase in capacity upon conclusion of modernization), which is equivalent to 40% of the total quota.
	Decommission inefficient generating facilities	Obsolete and inefficient generating equipment with installed capacity of around 980 MW was decommissioned.
	Improve the operational, energy, and environmental efficiency of business	The measures of the Energy Conservation and Energy Efficiency Improvement Program for 2020 were implemented.
	Optimize the fuel supply arrangements for power plants	Rosneft is the main supplier of gas for Inter RAO's generating assets.

<sup>5</sup> Minutes No. 261 dated December 17, 2019.

<sup>6</sup> Minutes No. 285 dated December 25, 2020.



Retail business	Draft and improve the regulatory framework for the retail market	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.
	Preserve the customer base and improve the quality of customer service	The UIPC of St. Petersburg (Petroelektrosbyt UIPC) was established to perform the functions of in-person and remote services for individuals as a united customer network in the territory of its operation.
		UIPCs are being actively developed in the Tomsk Region and the Republic of Bashkortostan. During 2020, companies began settling accounts in new municipal districts and building up their clientele.
	Improve the operational efficiency of power supply companies through the optimization and automation/digitalization of business processes	As part of the fulfillment of the requirements of Federal Law No. 522-FZ dated December 27, 2018, the Group's power supply companies began to compile and implement an investment program for projects to replace metering devices.
Engineering	Ensure the implementation of projects for new construction, reconstruction, and the modernization of generating facilities	Construction on a TPP in the Kaliningrad Region was completed. Construction was completed in 2020 and the Primorskaya TPP with capacity of 195 MW was put into operation.
		PJSC Inter RAO, Vostok Oil, and JSC Taimyrneftegaz signed an agreement on cooperation in the construction of energy infrastructure, specifically gas power plants and a power electric grid for power supply to oil and gas fields as part of the Vostok Oil project.
Power engineering	Promote the development of the production of localized models of turbine equipment	Inter RAO and General Electric signed a package of agreements to develop their partnership with the aim of increasing localized production and servicing of high-capacity gas turbines in Russia.
Digital transformation	Improve the efficiency of internal business processes and offer new services using end-to-end digital technologies	A search was conducted to select promising startups. The projects include developments in process robotization, artificial intelligence, machine vision, the Internet of Things, and advanced analytics. The company tested startup solutions at pilot sites and selected the most effective ones.
Innovation	Implement the innovative development and R&D program	As part of the Innovative Development and R&D Program, the Group implemented the following measures: 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.

### 7.3.6. Audit of the Strategy's implementation [GRI 103-3]

The audit firm LLC Ernst & Young conducted an audit of the Report on the Implementation of Inter RAO's Strategic Development Priorities for 2020 and provided the Inter RAO Group with an Audit Report on the Implementation of Inter RAO's Strategic Development Priorities for 2020 dated April 13, 2021, 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 2020
- The 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 2020

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

### 7.3.7. Report on the implementation of key performance indicators [GRI 103-3]

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 '[Procedure for determining remuneration for members of the Management Board and CEO](#)' section.

The KPIs were all met in 2020.

Comparison of KPI achievement level

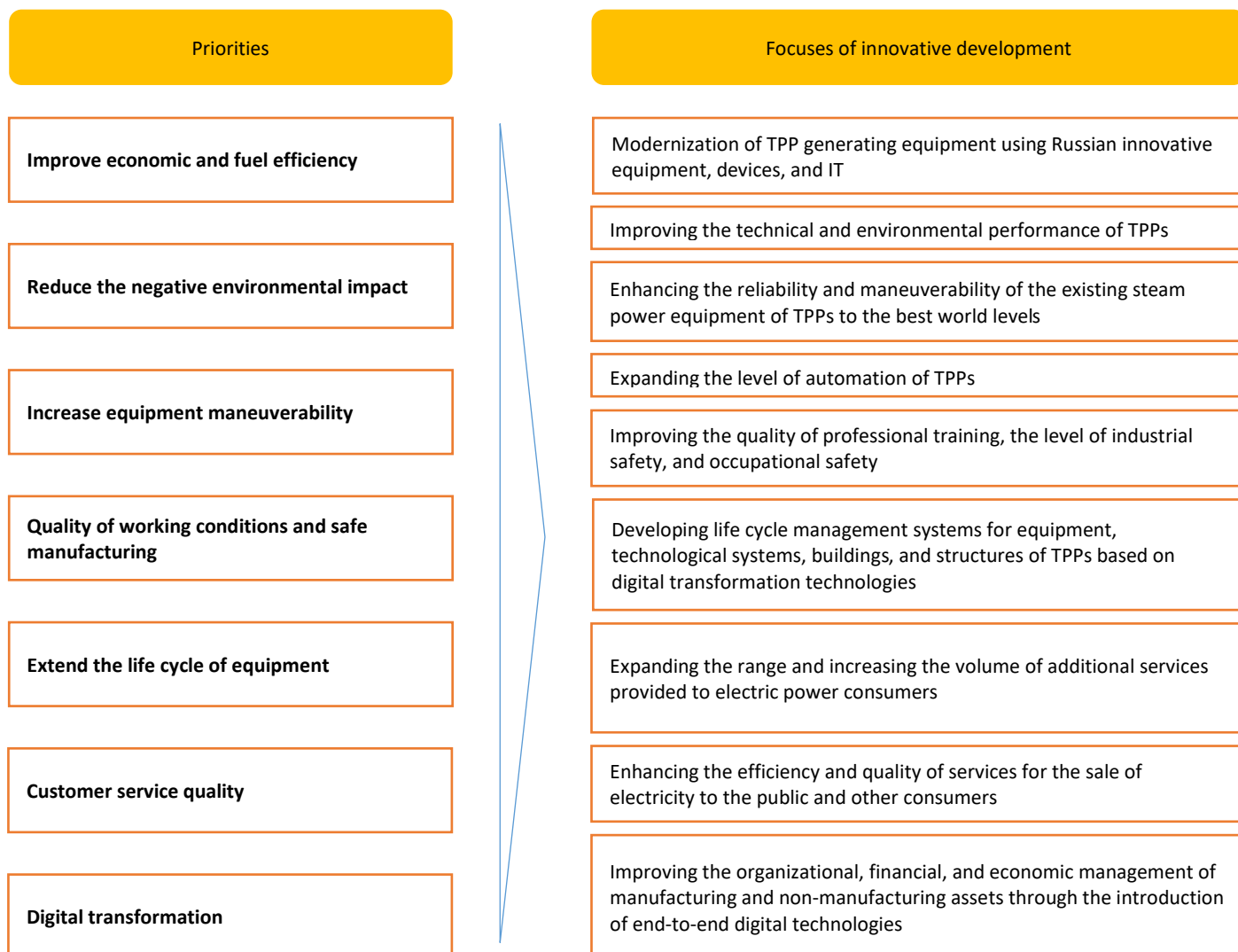
Annual KPIs	Indicator/goal achievement rate for 2018	Indicator/goal achievement rate for 2019	Indicator/goal achievement rate for 2020	Change vs. 2019, %
Return on equity (ROE)	1.2	1.2	1	83%
EBITDA/person	1.2	1.2	1	83%
Operating cash flow	1.2	1.2	0.98	82%
Implementation of Investment Program	1.2	1.2	1.2	100%
Implementation the integral innovation indicator	1.14	1.13	1.13	100%
Total shareholder return (TSR)	1.2	1.0	1.2	120%

### 7.3.8. Innovative Development Program [GRI 103-2, TCFD]

Inter RAO's development strategy states that an innovative approach is the focal point of the Company's development, including such ambitious tasks as the modernization of capacities using innovative equipment, the development of generation based on modern technologies, and active participation in digital transformation.

An Innovative Development Program has been drafted to implement these tasks. The [new version of the Innovative Development Program for 2020-2024 with a View to 2029](#) was approved by the Board of Directors on December 20, 2019<sup>7</sup>.

Its goals include improving the reliability, safety, and quality of power supply to consumers as well as increasing the customer focus of the services the Company offers.



Goals and assessment of the achievement of the planned KPIs

	2018 actual	2019 actual	2020 plan	2020 actual	2024 plan	2029 plan
<b>KPIs as part of the integral KPIs of innovative activities</b>						
Number of results of intellectual activity, units, no less than	30	31	31	36	47	65

<sup>7</sup> Minutes No. 262 dated December 23, 2019.

Share of R&D costs vs the revenue of the Group's generating assets, %	0.14	0.12	0.1	0.12	0.15	0.17
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The main tools that ensure the implementation of the Innovative Development Program are the R&D Program and the Intellectual Property Rights Management Program for 2019-2023 (hereinafter the IPR Program).

#### 7.3.8.1. R&D Program

The main goal of the R&D Program is 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.

Projects of the R&D Program

Advanced energy technologies	A system for analyzing and predicting the technical condition of equipment based on modeling technological influences. Enhanced quality of planning for maintenance, repair, reconstruction, and modernization.
Enhancing the energy efficiency of existing equipment, its reliability and safety, and improving environmental performance	<p>Development and introduction of a prototype of the Russian-made full-scale automated process control system for power unit 2 at the Sochinskaya TPP.</p> <p>Development of software for assessing defects in boiler heating surfaces using UAVs.</p> <p>A promising method for diagnosing the condition of electrical equipment based on 110 kV open switchgear (Irikinskaya TPP).</p> <p>Concept of switching Ufa consumers from central (224 units) to individual heating points or their reconstruction.</p> <p>Optimization of the operating modes of the anti-icing system and the air heating system of gas turbine plants. Analysis of the feasibility of their use to expand the control range of CCGT units.</p>
Human capital development	Development and introduction of simulator complexes at plants with mathematical models that simulate the operation of TPP equipment.

#### 7.3.8.2. IPR Program

The intellectual property rights (IPR) management system creates conditions for the Group's sustainable innovative and technological development to ensure competitiveness and revenue growth based on the commercial use of IPR. The program helps to create a portfolio of protected IPRs whose rights belong to Inter RAO for their subsequent use in the Group's activities and commercialization.

In accordance with Order No. ISh-P8-55 of the Russian Government dated August 25, 2017, the Company employs the following tools to ensure the organization of systematic work on the management of IPR rights:

- The Intellectual Property Rights Management Program for 2019-2023 approved by the Board of Directors
- The Intellectual Property Committee
- The Group's IPR Rights Management Policy and Methodology
- The PJSC Inter RAO IPR Rights Management Rules of Procedure
- The IPR Accounting and Management Corporate Information System 'Melissa-IPR'
- The National Association for Technology Transfer

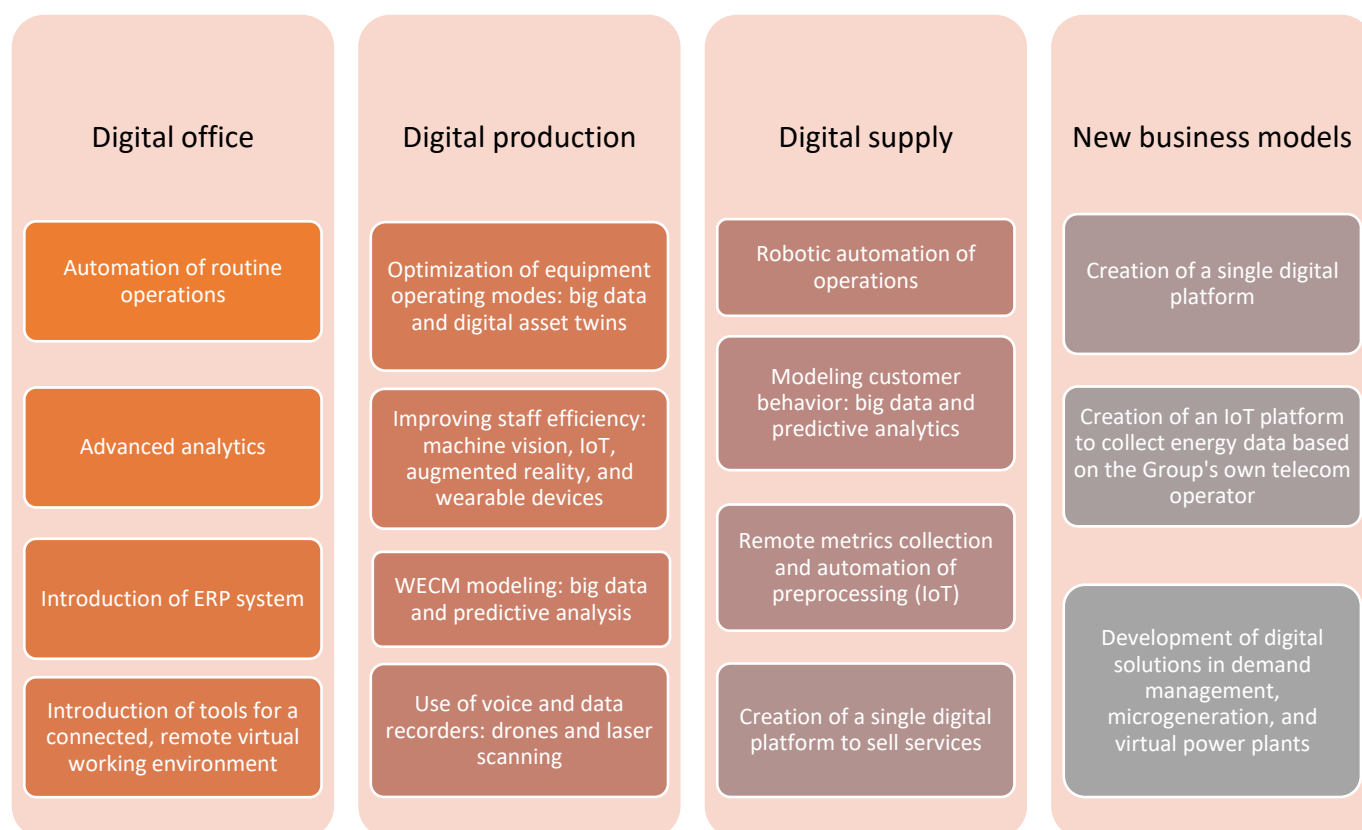
### 7.3.8.3. Information technologies development and digital transformation

Inter RAO develops information technologies and digitalization in an effort to support the achievement of its strategic goals, primarily 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.

Elements of digital business transformation



Potential digital transformation projects



At present, IT supports the service function for key areas of the Group's business. Key tasks in financial management, accounting and reporting, and procurements are solved using unified or general corporate systems. An action plan is being executed to support the import substitution policy and the transition to domestic software.

#### Technology during COVID

Due to the need to comply with the restrictions imposed as a result of the COVID-19 pandemic, Inter RAO took all the necessary IT measures in 2020 to alter the format of office work, including transferring employees to remote work, providing the necessary equipment and software, and organizing communication through video conferencing. Remote access to all information systems and services was provided in a very short period, taking into account the observance of the necessary information security requirements.

The Group primarily focuses on developing its own expertise in creating software. Two specialized IT companies, LLC Inter RAO – IT and LLC Integrator – IT, are currently developing and introducing technical solutions and software.

A financial and economic management system was deployed on a pilot basis in 2020 to develop centralized corporate accounting and tax accounting as well as budget management and also improve the quality and exchange of accounting data. This pilot program is expected to be replicated in the supply segment in 2021. Projects were also successfully completed to switch to an import-substitute configuration of a billing solution for servicing legal entities and a corporate system for managing regulatory and reference information.

#### Energy Corporate Accelerator

In 2020, Inter RAO's Energy Without Borders Foundation held the first open competition of the [Energy Corporate Accelerator](#) for digital innovative startup projects. The primary goal is to find digital solutions for the electric power industry in machine vision, artificial intelligence, robotic process automation, the Internet of Things, advanced analytics, and virtual reality, among other things.

The Accelerator received 225 applications from developers from Moscow, St. Petersburg, Kazan, Samara, Perm, Tomsk, and other cities. Based on the selection results, 16 startups with 18 projects made it to the testing stage. The projects were tested at ten pilot sites of Inter RAO. Ten projects were recognized as the winners that best proved their economic efficiency and innovativeness. They will be introduced at Inter RAO facilities in the generation and supply segments.

#### 7.3.8.4. Cybersecurity and personal data protection

As an entity with critical information infrastructure, Inter RAO actively works on ensuring the protection of its operating facilities and improving approaches to the cybersecurity of the systems it designs.

The Company has developed several standard approaches and guidelines that will enhance the security of the entire corporate IT infrastructure. The Information Security Development Program for 2021-2025, which was approved in 2020, stipulates that all IT infrastructure must be protected against the relevant cyberattacks. Among other things, this will prevent the personal data of the Company's employees and customers from being compromised and also reduce the likelihood of possible impacts on the Russian Federation's critical information infrastructure owned by the Group's companies.

The Information Security Development Program includes plans to develop requirements for ensuring the information security of automated process control systems, which will enable the Company to modernize and create power generation facilities that are protected against possible malicious attacks by cybercriminals.

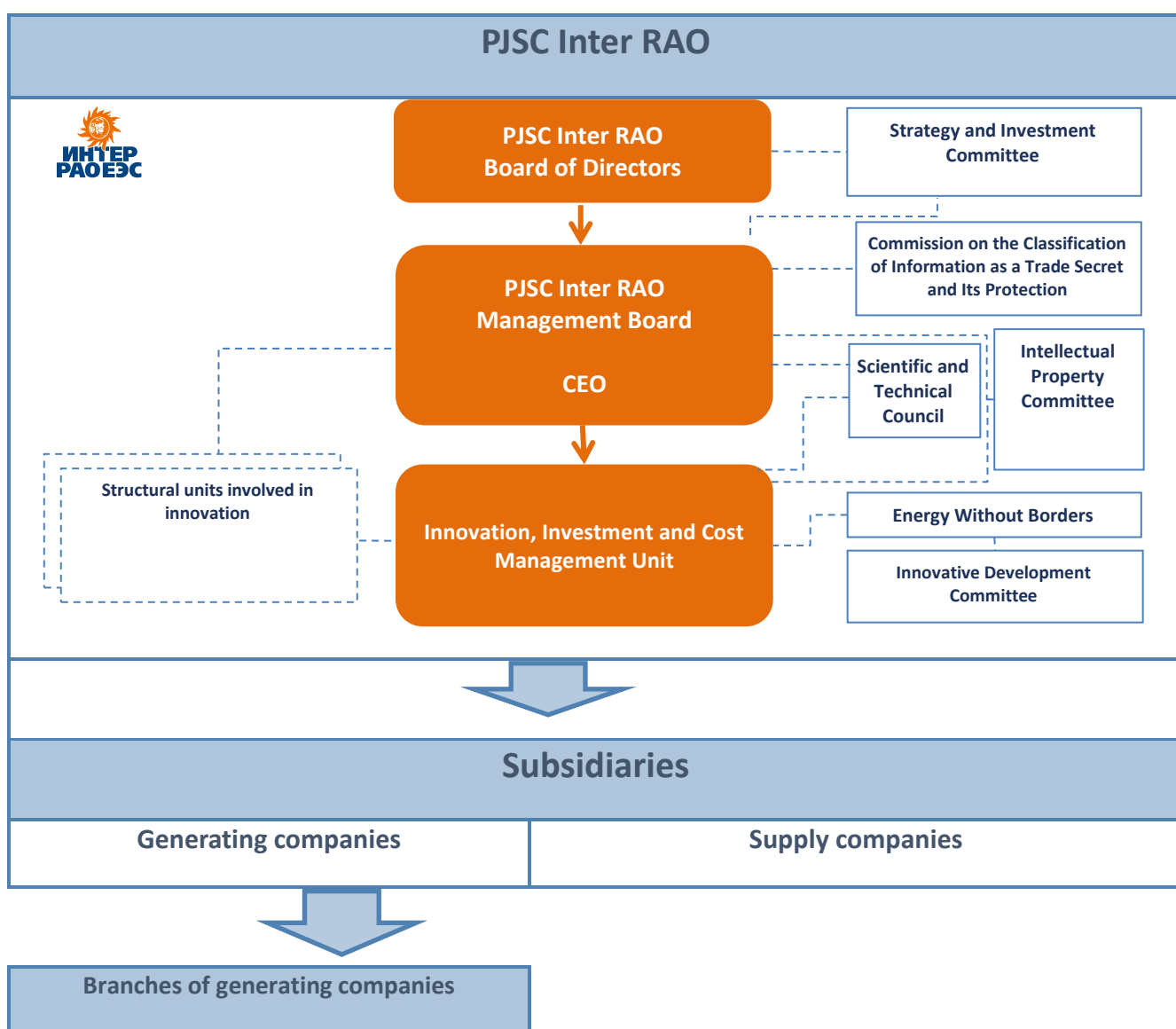
As it relies on constantly developing digital services in its activities, the retail business devotes much attention to the continuous development of information security systems, while prioritizing the security of its customers. All technologies and solutions that are planned for use, as well as the introduction of new functionalities in operating systems, are rigorously tested in terms of their information security. Everything from self-service portals to smart accounting systems is tested to eliminate the possibility of harm to the customers of supply companies.

### 7.3.8.5. Innovative activities management system

The Group's companies manage innovations within the existing organizational units of Inter RAO.

In accordance with the Regulation on the Delimitation of Powers<sup>8</sup>, a Management Board member and head of the Innovation, Investment, and Cost Management Unit, who is directly subordinate and personally responsible to the CEO for the effectiveness of the Inter RAO Group's functional businesses, is appointed as being responsible for innovative development at the Group, including:

- Innovation and energy management
- Project management
- Management of the rights to intellectual property results and means of individualization



<sup>8</sup> Order No. IRAO/420 of PJSC Inter RAO dated July 22, 2019.

## 7.4. Cost Management Program [GRI 103-2]

Inter RAO's Cost Management Program contains a detailed breakdown of the Strategy's measures to reduce operating costs in the medium and short term. The Cost Management Program for 2020-2024 was approved by the Board of Directors in 2019<sup>9</sup>.

Based on the 2020 results, the economic effect from the implementation of the Cost Management Program for the key companies of the Inter RAO Group covered by the program amounted to RUB 2.7 billion.

The main measures aimed to reduce the cost of staff remuneration, rent, consulting and information services, consumer services, payment receipt services, materials for IT and communications, and transport services.

These measures helped reduce the specific managed operating expenses of the Group's companies by 2.71% versus the average annual consumer price index in 2020, which is in line with the objectives to improve the efficiency of operating activities in accordance with the Development Strategy.

Economic effects of the Program in 2020 by core businesses

Business	Economic effect, RUB thousand
Generation	1,205,345
Grids	156,845
Supply	851,548
Other	449,158
<b>Total</b>	<b>2,662,896</b>

The list of measures in the program's focal points is updated annually. The Cost Management Program for 2021-2025 has been approved by the Board of Directors.<sup>10</sup> The economic effect from the program's measures for the Group's key companies is projected at RUB 16.8 billion in 2021-2025.

## 7.5. Investment program

The Board of Directors approved the Investment Program for 2020 on December 24, 2020 as part of the Group's business plan<sup>11</sup>.

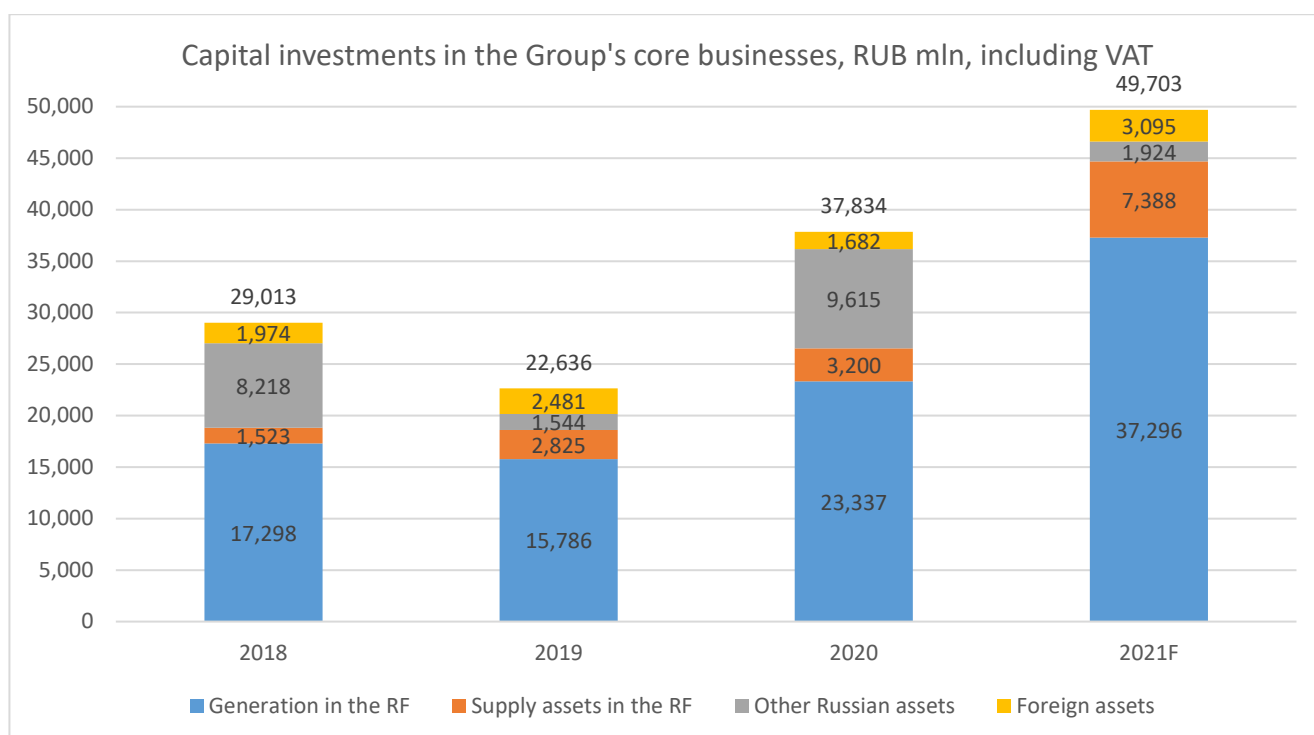
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<sup>9</sup> Minutes No. 262 dated December 23, 2019.

<sup>10</sup> Minutes No. 285 dated December 25, 2020.

<sup>11</sup> Minutes No. 285 dated December 25, 2020.





The structure of capital investments changed in 2020 compared with 2019 due to the implementation of a project as part of the program to localize the production of the 6F.03 and GT13E2 gas turbine units and their servicing in Russia based on the joint venture with General Electric.

Capital investments with a detailed breakdown by modernization, reconstruction, and new construction, RUB mln including VAT

	Actual			Plan
	2018	2019	2020	2021
Funding, including	29,013	22,636	37,834	49,703
New construction	5,123	1,695	3,263	2,197
Modernization, reconstruction, and other investment	23,890	20,941	34,571	47,506

The Group's Investment Program in 2020 aimed to:

- Ensure the implementation of the modernization program
- 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

#### 7.5.1. Key investment projects

A multi-year program to modernize existing generation facilities (the capacity modernization program) was launched in 2019 in accordance with Resolution No. 43 of the Russian Government dated January 25, 2019.

The most significant investment projects in 2020-2021 involve modernizing power units that are scheduled to be completed in 2022-2025. They will ensure the increased capacity and efficiency of the Group's assets.

The projects include the reconstruction of core equipment based on the selection results 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
- Iriklinskaya TPP
- Karmanovskaya TPP
- Kostromskaya TPP
- Nizhnevartovskaya TPP
- Permskaya TPP
- Omskaya CHPP-4
- Sterlitamakskaya CHPP

The project implementation period is 2019-2025. Total investment in the projects in 2020 amounted to RUB 7.2 billion, including VAT. Funding for 2021 is planned in the amount of RUB 13.7 billion.

#### **7.5.2. Information about investments with expected return of over 10% per year**

A total of 79 projects with an expected return of more than 10% per annum (IRR > 10%) were carried in 2020 for a total of RUB 10.02 billion, including VAT. The projects were financed using the Company's own funds.

## **7.6. Risks and opportunities**

### **7.6.1. Statement on the monitoring of the reliability and efficiency of the risk management and internal control framework**

**Dear Shareholders,**

Risk management and internal control is an integral part of the Inter RAO Group's sustainable development.

The Board of Directors regularly considers matters concerning risk management and internal control as part of economic and strategic planning materials. Separately, the Board of Directors approves a list of critical risks for the Group and action plans for their management, sets acceptable levels of risk, and also reviews reports on the status of risk management work. The procedure for notifying members of the PJSC Inter RAO Board of Directors about the materialization of risks was approved in an effort to strengthen control over the reliability and efficiency of the Company's risk management and internal control framework in 2020.

During the approval of Inter RAO's new Development Strategy, we took into account strategic risks that could lead to deviations from goals and decided to assess these risks and subsequently manage them. When considering each item, the Board of Directors analyzes the risks that could arise from making or rejecting decisions in the event of threats or the rejection of opportunities associated with a specific initiative.

In addition, the risk-based approach enabled management to quickly respond to the epidemiological threats of 2020: to identify the points most susceptible to the impact of the COVID-19 pandemic, the magnitude of deviations from the targets, controllable and uncontrollable factors, and ways to respond in a timely manner.

**Member of the Board of Directors and Independent Director  
Ron Pollett**

### 7.6.2. Approach to risk management

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

The objectives, basic principles, and unified approaches to organizing risk management and internal control are contained in the [Risk Management and Internal Control Policy of PJSC Inter RAO](#).

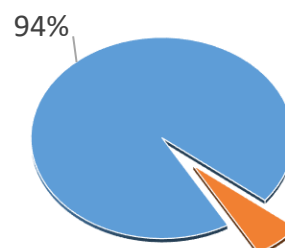
The Group ensures the effectiveness of risk management and internal control by prioritizing risk management efforts and introducing control procedures, taking into account the criticality of risks and factors. Inter RAO prioritizes risks that could have the greatest impact on deviations from target indicators and pose a threat of the Group failing to achieve its goals. The Group strives for an optimal balance in its range of response measures and control procedures and the magnitude of risk, i.e., it avoids 'excessive' control and management.

#### 7.6.2.1. 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.

The Group's management ensures the RMICF is integrated into key business processes, primarily in the planning and monitoring of activities as well as project management in the segments 'Electric Power Generation in the Russian Federation', 'Thermal Power Generation in the Russian Federation', 'Supply in the Russian Federation', 'Trading in the Russian Federation and Europe', 'Engineering in the Russian Federation', and 'Foreign Assets'.

The perimeter of the RMICF was expanded in 2020 from 26 to 33 of the Group's companies, which account for 94% of the its IFRS revenue\*

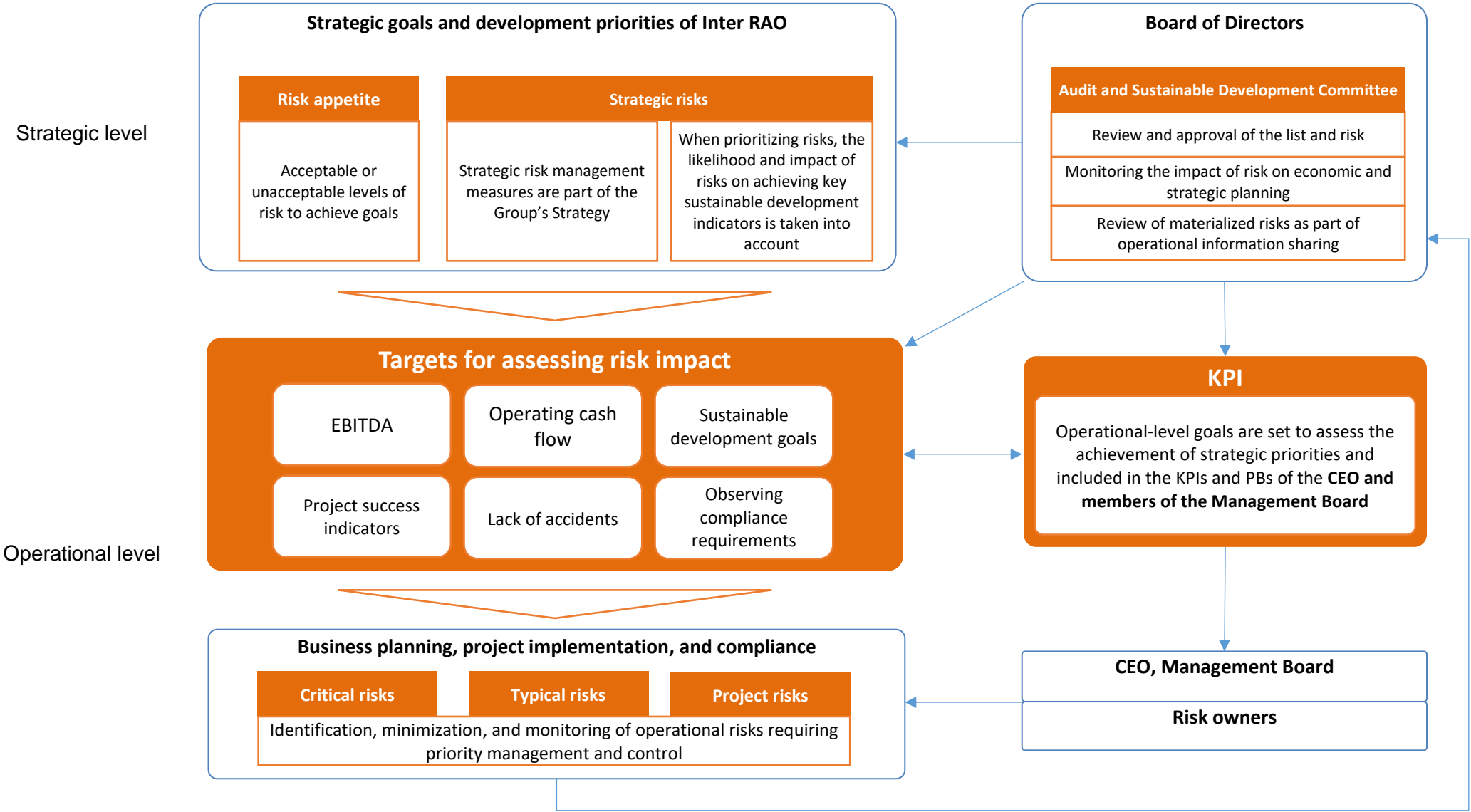


\* Based on consolidated revenue, excluding intra-group transactions.

#### 7.6.2.2. Incentive system for identifying and monitoring risks [GRI 102-30, 103-1, TCFD]

The Board of Directors has approved strategic development goals and priorities (see the 'Strategic Priorities for 2020 and 2021' section). Goals are set at the operational level to assess the achievement of strategic priorities and are included in the KPIs and performance benchmarks (PBs) of the Company's CEO and members of the Management Board (see the 'Key Performance Indicators System' section). KPI and PB indicators related to risk management are included in the bonus cards of the Group's executives. 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.

Relationship between risk management and internal control and the Group’s Development Strategy

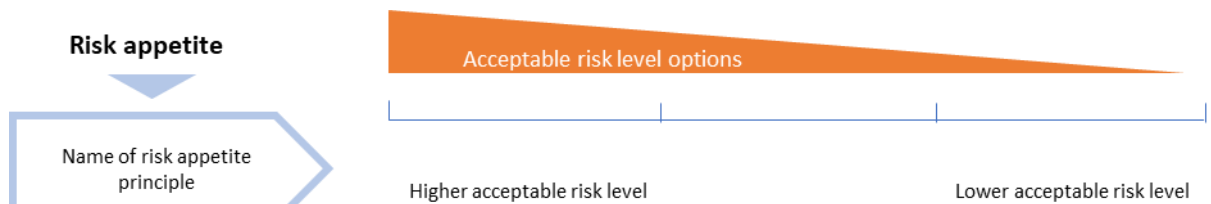


### 7.6.3. Risk appetite

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.

#### Development of the approach to establishing risk appetite

Since 2020, Inter RAO has carried out an analysis of risks that have materialized and an assessment of the intensity of the set risk appetite indicators. In December 2020, options for risk appetite were submitted to the Management Board and the Audit and Sustainable Development Committee for consideration.



The Board of Directors updates the Group's risk appetite with a revision of acceptable risk levels based on its indicators on an annual basis.

Risk appetite of the Group (approved by the Board of Directors on December 24, 2020<sup>12</sup>)

1.	The number of electricity supply points in the Group's supply assets may not be reduced compared with the previous reporting period
2.	Inter RAO shall fund R&D in an amount no less than that approved in the current Innovative Development Program
3.	The Group's managers shall be protected with a talent pool for filling vacant positions at a rate of 60%
4.	Inter RAO shall not take additional borrowings if the Debt/EBITDA ratio exceeds 1.5
5.	Inter RAO shall provide funding for measures to improve working conditions and occupational safety for the 'Generation in the RF' segment amounting to at least 0.2% of the total cost of product manufacturing (works, services)
6.	Inter RAO shall annually provide verification of direct CO <sub>2</sub> emissions in accordance with Order No. 300 of the Russian Ministry of Natural Resources dated June 30, 2015 and verification of direct greenhouse gas emissions (not only CO <sub>2</sub> ) in accordance with the GHG Protocol (International Methodology for Calculating Direct Emissions) starting from 2025
7.	It is unacceptable for an employee of the Group (or a former employee) to give a bribe to an official or a foreign official or engage in commercial bribery on behalf of or in the interests of the Group's companies, or for the sole executive body, his/her deputy, or a member of the collective executive body of the Group's companies to commit a corruption offense for personal reasons

<sup>12</sup> Minutes No. 285 dated December 25, 2020.

8.	Not a single guilty act documented by a court decision that has entered into force or an order of the antimonopoly authority on the imposition of administrative sanctions that entails a turnover fine shall be tolerated
9.	The indicator for control over the size and growth of overdue accounts receivable shall be reflected in the incentive system for managers of PJSC Inter RAO and the Group's companies and cascaded to officials of the (N-1) level of subsidiaries
10.	It is unacceptable to implement projects without a comprehensive risk assessment and undergoing the procedures for the corporate approval of participation in a project in accordance with the requirements of corporate standards
11.	It is unacceptable to violate the criteria for the accident rate of generating equipment due to the failure to fulfill the repair program and investment program*
12.	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" <sup>13*</sup>
13	Failure to meet the criteria for implementing the corporate import substitution plan shall be unacceptable*
14	Inter RAO 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*

\* Remains unchanged from the previous year.

Key changes in risk appetite in 2020:

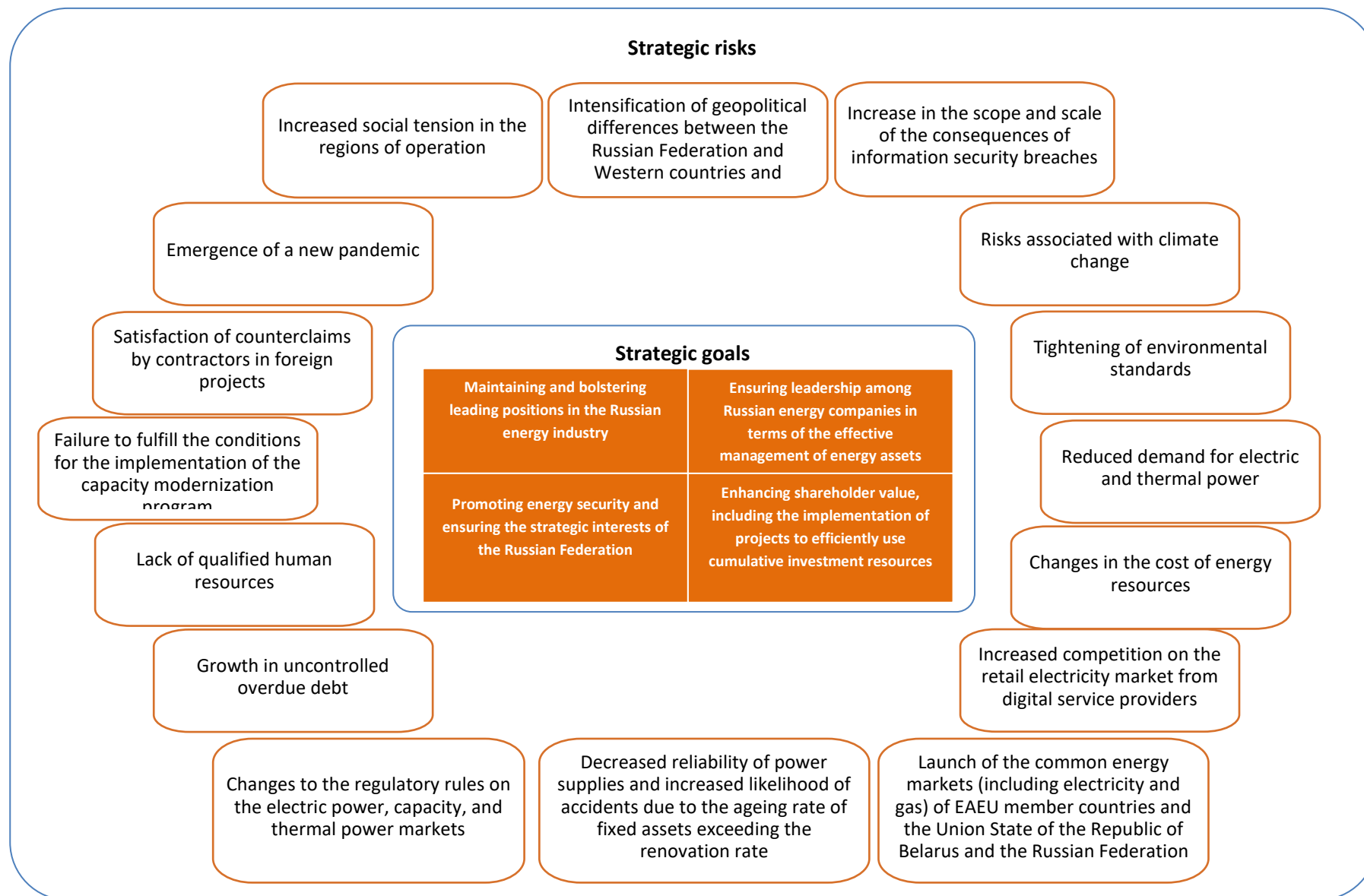
- The coverage of the talent pool of managers of the Group's companies was expanded to 60% in 2020
- The permissible level of the Debt/EBITDA ratio for additional borrowings was reduced to 1.5
- Greenhouse gas emissions will be verified not only according to the domestic methodology (Order No. 300 of the Russian Ministry of Natural Resources dated June 30, 2015), but also according to the international methodology for calculating direct emissions (GHG protocol)
- Separate risk appetite indicators for anti-corruption and anti-monopoly compliance were highlighted
- The indicator for control over the size and growth of overdue accounts receivable was included in the bonus cards of the Group's executives

#### 7.6.4. Strategic risks [GRI 102-15, 103-1, TCFD]

In July 2020, the Board of Directors identified and approved a list of strategic risks within the updated Inter RAO Development Strategy until 2025 that could lead to deviations from the Group's strategic goals. Strategic risk management measures are included in the new Strategy.

The Board of Directors reviews strategic risks on an annual basis. The list of strategic risks was supplemented and reviewed by the Board of Directors in December 2020. Detailed information on strategic risks is presented on the PJSC Inter RAO website.

<sup>13</sup> For equipment to be replaced or decommissioned within the next five years from the period in question.



### Key changes to strategic risks in 2020:

- The strategic risk 'Tightening of environmental and climate standards' was divided into two separate risks: 'Risks associated with climate change' and 'Tightening environmental standards' for a more detailed and individual assessment and in-depth study of risk management strategies
- The list was supplemented with the strategic risk 'Emergence of a new pandemic' due to changes in the external environment
- The list was supplemented with the strategic risk 'Increased social tension in the regions of operation' due to changes in the external environment

#### 7.6.5. Analysis of critical risks. Risks and opportunities [GRI 102-15, 103-1]

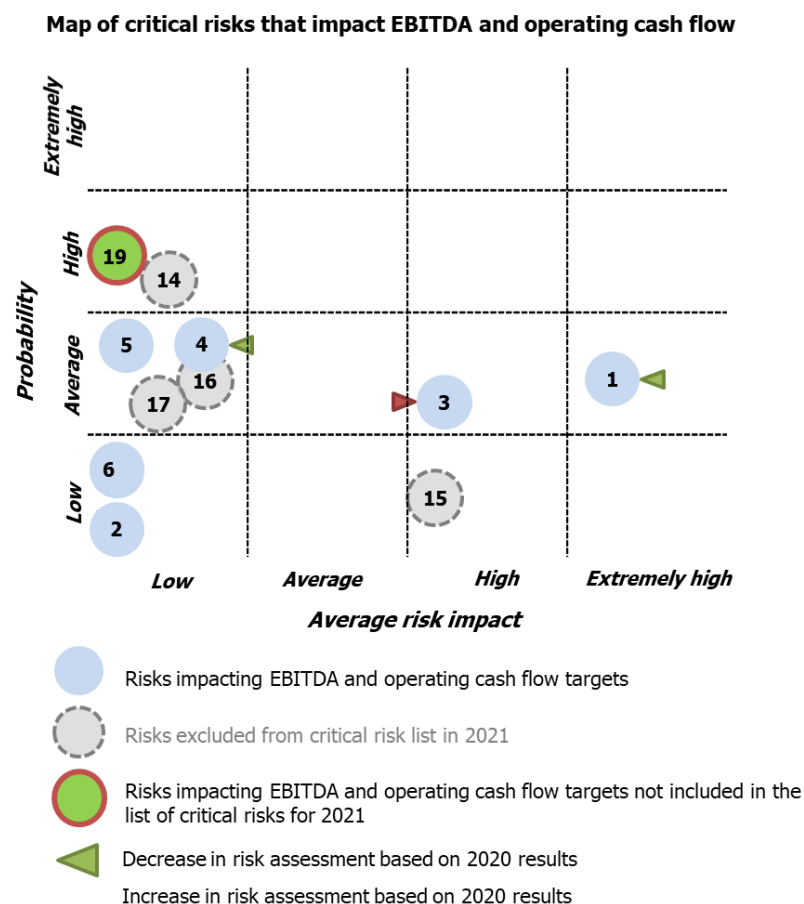
Inter RAO prepares a critical risk map each year. The document reflects the results of a critical risk assessment, including a graphical display, a list of critical risks, and the disclosure of information on them. Critical risks are regarded as risks that pose a threat of deviations from the Group's goals and require priority control and management in order to maintain an acceptable level of risk.

#### Challenges of 2020

The challenges of 2020 impacted all Russian fuel and energy companies and tested the reliability of Inter RAO's risk management and internal control framework. The conditions were quite difficult: quarantine and restrictive measures due to the COVID-19 pandemic and a warm winter combined to create a rather stressful scenario in 2020. Management immediately distinguished the influence of controllable and uncontrollable risk factors and set apart the impact of the COVID-19 factor. The Group's companies focused on minimizing the effect of uncontrollable risks as well as compensating for this impact. In turn, the risks under management's control did not significantly materialize in 2020.



## Updated map of the Group's critical risks for 2021 compared with the critical risk map for 2020.



### Critical risks (impact on EBITDA and operating cash flow)

1. Growth in overdue receivables on the retail electricity market
2. Changes in the rules of the wholesale electricity market and/or the introduction of restrictive measures by the government
3. Changes in the volume of electricity and capacity sales (net supply on the retail electricity market)
4. Changes in electricity prices on the DAM
5. Changes in foreign exchange rates
6. Disruption in the operation of automated business processes or IT systems caused by information security incidents

### Critical risks (impact on other targets)\*

7. Risk of violation of antimonopoly laws
8. Sabotage and terrorist acts against the Group
9. Credit risk of counterparty banks
10. Accidents with a fatal outcome or a group accident with a serious outcome involving Inter RAO Group employees through the employer's fault
11. Preparation of inaccurate accounting (financial) statements
12. Fraudulent and/or corruption actions
13. Sanctions risk

### Risks excluded from the list of critical risks in 2021

14. Growth in overdue receivables on the wholesale electricity market
15. Changes in the sales volumes of electricity and capacity (foreign assets)
16. Adoption by the regulator of adverse tariff balance decisions (in terms of electricity sales) and shortfall in approved GRR
17. Decrease in equipment readiness for work (accidents)
18. Unilateral fulfillment of obligations by PJSC Inter RAO on guarantees issued and received under the loan agreement of Ekibastuz TPP-2

### Risks not included in the list of critical risks

19. Decrease in the volume of electricity supplies (foreign economic activities)

\* Critical risks that do not significantly affect EBITDA and OCF in 2021, but do pose a threat of the Group failing to achieve other targets in 2021.

Information about critical risks that materialized in 2020 and the results of their quantified assessment for 2021

#### Risks that materialized in 2020

Risk	Comments on materialization of risk in 2020
Growth in overdue receivables on the retail electricity market	The above-target growth rates of accounts receivable for housing and utility service enterprises, households, and industrial enterprises due to the introduction of restrictive measures to prevent the spread of COVID-19, in particular, resulted in an increase in overdue accounts receivable, which led to the operating cash flow deviating from the planned value.
Changes in electricity prices on the DAM	<p>The decrease in electricity prices on the DAM due to a decline in energy consumption resulting from higher temperatures, the intensified load on hydroelectric power plants as a result of high water levels as well as a decrease in business activity due to the imposition of restrictive measures to combat COVID-19 led to EBITDA and operating cash flow deviating from the planned values.</p> <p>The impact of the COVID-19 pandemic on the decrease in DAM prices is estimated at a minimum of 70%.</p>
Changes in the volume of electricity and capacity sales (net supply)	The reduced intensity of electricity consumption and changes in the consumption structure, in particular due to the imposition of restrictive measures to combat COVID-19, resulted in a decrease in the net supply volume and led to EBITDA and operating cash flow deviating from the planned values.
Decrease in the volume of electricity supplies (foreign economic activities) <sup>14</sup>	The decreased volume of electricity supplies on foreign markets due to an unprecedented slump in prices on the Nord Pool exchange amid uncontrollable factors (a decrease in energy consumption as restrictive measures were imposed, such climatic factors as higher average annual temperatures (the highest in 20 years), a high level of precipitation (the highest in 20 years and over 50% of the normal level), a sharp increase in the production of cheap electricity at wind farms, a decrease in energy prices, and, as a result, a decrease in production costs at thermal power plants) led to EBITDA and operating cash flow deviating from the planned values.

#### Opportunities that materialized in 2020

Opportunity	Comments on its materialization
Decrease in semi-fixed costs	A positive effect of more than 1% of the Group's EBITDA was achieved as a result of a decrease in semi-fixed costs in the 'Generation in the Russian Federation' segment due to a reduction in the number of repair program measures, the availability of vacancies, including due to restrictive measures caused by the epidemiological situation, as well as general cost optimization as part of compensatory measures to reduce risks.
Changes in foreign exchange rates	Improvements in the balance of exchange rate differences as well as income and expenses from foreign exchange purchase and sale operations compared

<sup>14</sup> The risk was not included in the Group's list of critical risks for 2020 based on the results of a risk assessment, but materialized significantly due to the impact of uncontrollable factors.

	with the planned value had a positive impact on the Group's operating results amounting to more than 1% of the Group's EBITDA.
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Information about measures to manage critical risks is presented in [Appendix 12](#).


#### 7.6.6. Risk management in sustainable development [103-1, 102-15, TCFD]











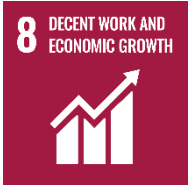
As a party to the UN Global Compact, Inter RAO makes every effort to comply with the fundamental principles of the UN Global Compact in such areas as human rights, labor relations, environmental protection, combating climate change by reducing its carbon footprint, and anti-corruption. Inter RAO shares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











The Group's risks are analyzed based on the degree of their potential impact on the SDGs in the process of business planning and monitoring the implementation of plans. All strategic risks that influence the implementation of the Strategy constitute risks to sustainable development. Sustainable development risks are reviewed by the Board of Directors as part of the Group's five-year strategy, as well as during the annual approval of the critical risk map. Risk appetite establishes the requirements for sustainable development risks in terms of regulations on occupational safety, climate change, and responsible business.

In 2020, the decision was made to promptly inform members of the Board of Directors and the Audit and Sustainable Development Committee about the materialization of critical risks as well as other significant risks (including climatic ones) for the Group's purposes, and the procedure for such information sharing was approved.

#### The most significant sustainable development risks in terms of their impact on the SDGs

Risk	Description of risk
Strategic level	
Risks associated with climate change  	<p>The physical implications of climate change can manifest themselves as higher average temperatures, drought, and the melting of permafrost, which could have a negative impact on Inter RAO's activities.</p> <p>As average annual temperatures increase in the regions where heat supply companies operate, the heating season will become shorter, which will result in the decreased supply of thermal power and lower revenue.</p> <p>There is currently a trend in Russia and around the world to tighten legislation regulating greenhouse gas emissions, which is taking place in parallel with the development of the use of renewable energy sources. This could jeopardize the operation of thermal power plants.</p> <p>The government could step up the regulation of greenhouse gas emissions, including by introducing a fee for when a regulated organization exceeds target greenhouse gas emissions or issuing carbon units, in connection with Russia's accession to the Paris Agreement.</p>

	In addition, there is a risk that electricity exports could decline (or stop entirely) due to the introduction of a carbon tax in the EU.
<p>Tightening environmental standards</p>    	<p>The possible tightening of environmental legislation and industry technological standards concerning ecology could have an impact on the strategy and scope of modernization of the main equipment at generating companies. Changes in standards that aim to reduce emissions/discharges or solve the problem of ash dumps, among other things, could entail substantial financial costs.</p>
<p>Reduced demand for electricity and heat</p>   	<p>Further developments in terms of optimizing power consumption schedules (active power supply packages), development of in-house generation by industrial consumers (distributed generation), the use of highly economical, eco-friendly, and energy efficient equipment in industry as well as the optimization of energy consumption by consumers (demand aggregators) will lead to reduced demand for electricity.</p> <p>A number of industrial consumers and individual customers at apartment buildings could switch to their own sources of thermal power due to the implementation of measures that aim to improve the energy efficiency of consumers (including the installation of individual thermal power metering devices) as well as the existence of preconditions for a further increase in the cost of thermal power within the centralized system. There has been a steady trend of net heat supply decreasing within the centralized heat supply system.</p>
<p>Lack of qualified human resources</p>    	<p>The average age of employees at power plants is increasing. Young job seekers often have higher salary expectations and are less willing to fill the job vacancies that are available. In addition, due to the declining prestige of technical professions, the training quality of technical specialists has diminished. These trends may result in power plants being understaffed or staffed by insufficiently qualified employees. This poses a threat of substantial technological disruptions, failures, and accidents.</p>
<p>Increased social tension in the regions of operation</p>	<p>Given the economic recession and rising unemployment, in part due to the COVID-19 pandemic and restrictive measures, social crises could emerge and there could be greater protest activity in the regions where the Group's companies operate. These phenomena could adversely affect the stability of business processes and the quality of job performance, and could result in the materialization of risks caused by the 'human factor' (accidents, etc.) as well as mass protests by workers up to and including the stoppage of production processes in key segments,</p>

<div><div><div>1NO POVERTY</div><div></div></div><div><div>5GENDER EQUALITY</div><div></div></div><div><div>11SUSTAINABLE CITIES AND COMMUNITIES</div><div></div></div><div><div>3GOOD HEALTH AND WELL-BEING</div><div></div></div><div><div>8DECENT WORK AND ECONOMIC GROWTH</div><div></div></div></div>	which would cause major reputational risks in terms of creating a negative image of Inter RAO.
<div>Emergence of a new pandemic</div> <div><div><div>3GOOD HEALTH AND WELL-BEING</div><div></div></div><div><div>7AFFORDABLE AND CLEAN ENERGY</div><div></div></div></div>	As a single transnational space is formed, biotechnologies develop, and new forms of chemical and biological impact (including 'bioterrorism') emerge, there could be new global threats to world security, in particular pandemics and outbreaks of viruses with a high level of virulence and mortality. These factors could result in epidemiological disasters with large-scale socio-economic consequences and the lockdown of national economies, which would lead to diminished business activity and limited access to the Group's resources as well as a decrease in the collective immunity of the Group's employees and deteriorating morbidity in conditions where there is a shortage of qualified medical care. These circumstances necessitate increased requirements for anti-epidemic preparedness, the retention of staff, the protection of human resources, and the interchangeability of employees to ensure business continuity.
Operational level	
<div>Manifestation of fraudulent and/or corrupt actions</div> <div><div><div>16PEACE, JUSTICE AND STRONG INSTITUTIONS</div><div></div></div></div>	The risk of financial and non-financial losses as a result of the corrupt actions of Inter RAO employees, including fraudulent and/or corruption-related crimes, the imposition of penalties and sanctions against legal entities and/or complicit officials of the Group's companies, as well as diminished trust in the business reputation of Inter RAO and the compromising of its brand in the public eye.
<div>Accidents with a fatal outcome or a group accident with a serious outcome involving Inter RAO Group employees through the employer's fault</div> <div><div><div>3GOOD HEALTH AND WELL-BEING</div><div></div></div><div><div>8DECENT WORK AND ECONOMIC GROWTH</div><div></div></div></div>	Violation of occupational safety standards, negligence in job performance, and exposure to harmful production factors could lead to industrial accidents and occupational diseases among staff.

<p>Sabotage and terrorist acts against the Group</p> <div data-bbox="240 275 427 456"> <p>3 GOOD HEALTH AND WELL-BEING</p>  </div> <div data-bbox="435 275 620 456"> <p>7 AFFORDABLE AND CLEAN ENERGY</p>  </div> <div data-bbox="240 468 427 645"> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  </div>
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#### 7.6.7. Climate risks and opportunities that have been identified [GRI 103-1, TCFD]

In July 2020, the new risk of climate change was identified in the updated Inter RAO Development Strategy until 2025 and approved by the Board of Directors. The risk was included in the list of strategic risks that could lead to deviations from the Group's strategic goals. The new strategy envisages measures to manage climate risks. To this end, an internal working group comprising of all relevant departments in charge of assessing the Company's climate risks began operating at PJSC Inter RAO in 2020. The working group members approved the list of physical and transitional risks for the Group as well as the timeframe for assessing climate risks: short-term analysis – one year, medium-term analysis – by 2030, and long-term analysis – by 2050.

At present, the working group is working on and describing scenarios to assess climate risks (low-carbon development scenario, Paris Agreement scenario, and the business-as-usual scenario). The scenarios envisage the existence of external conditions that would dictate the Group's risks (demand for fuel, carbon

price in the EU and Russia, scope of Carbon Border Adjustment Mechanism (CBAM), etc.); the calculation of potential payments as part of the European CBAM and the calculation of potential payments (carbon prices) within the countries where the Group has facilities. The Group is also working on calculating the potential impact of other transitional risks such as (technological market risks, reputational market risks).

In 2020, the working group conducted a preliminary analysis of the key physical factors of climate change that affect the production and financial performance of the Group's companies in the segments 'Electric Power Generation in the Russian Federation', 'Thermal Power Generation in the Russian Federation', 'Supply in the Russian Federation', 'Trading', and 'Foreign Assets'. The working group also plans to prepare a detailed assessment of the impact of physical climatic risk factors on the Group's financial performance. The working group is expected to further prioritize the physical factors of climate change.

Risk classification		Risk	Impact/description of risk
Physical	Extreme	<b>Hazardous hydrological phenomena (heavy rains, high water, and floods)</b>	Destruction of transport infrastructure and damage to buildings and structures as a result of flooding. Impact on the health and working capacity of personnel.
		<b>Increased freezing rain</b>	Freezing rain breaks power lines and knocks down trees and structures, which results in interruptions in power supply to consumers and a loss of revenue for power supply and generating companies. Inability to use roads due to ice. Impact on the health and working capacity of personnel.
		<b>Increased forest fires</b>	Interruption in the supply of electricity and power. Impact on the health and working capacity of personnel. Damage to buildings and structures as a result of fire spreading. Interruptions and delays in transport deliveries as well as traffic restrictions due to smoke and poor visibility during forest fires.
		<b>Development of dangerous geomorphological processes (landslides and avalanches)</b>	Damage to buildings and structures as a result of changes in soil morphology. Destruction of transport infrastructure and interruptions to and the delay of transport deliveries.
		<b>Increased thunderstorms with greater intensity</b>	Relay protection and substation automation are triggered as a result of a direct lightning strike on a high-voltage line (pole, ground wire, or phase conductor) and as a result of the action of induced voltage when lightning strikes objects near a high-voltage line (trees or buildings). Power and capacity outages occur.
		<b>Hurricane winds, storms, and tornadoes</b>	Power and capacity outages. Impact on the health and working capacity of personnel. Damage to buildings and structures. Interruption of the work of major seaports during the supply of equipment.
		<b>Meteorological phenomena impairing visibility (blizzards, hail, and fog)</b>	Interruptions and delays in transport deliveries and traffic restrictions due to poor visibility. Impact on the health and working capacity of personnel.
		<b>Extremely low temperatures</b>	Impact on the health and working capacity of personnel.
	Chronic	<b>Higher average temperatures</b>	Average annual temperatures, as well as record high and low annual temperatures, are increasing throughout most of Russia. The temperature in Russia is growing at a faster pace than the world average. The number of days with abnormally high temperatures is increasing, while the number of days with extremely low temperatures is decreasing during all seasons.
		<b>Changes in the balance of hydro resources (competitiveness)</b>	The low water content of rivers is reducing the load and generation of electricity at the Group's hydroelectric power plants. High water content and the related increase in the generation of hydroelectric power plants leads to price changes as well as a decrease in electricity sales on the wholesale market given the reduced demand for electricity generated by TPPs.
		<b>Changes in rainfall patterns</b>	Impact on the structure of generation and consumption in certain destinations of electricity supply and a decrease in the planning accuracy of RES generation volumes.
		<b>Melting permafrost and other permafrost phenomena</b>	Damage to buildings and structures. Power outages. Increased cost of projects in the Arctic zone.
		<b>Changes in average wind speed (competitiveness)</b>	Low average wind speeds negatively affect the utilization and amount of electricity generated by the Group's wind power plants (WPPs). High average wind speeds and the associated high utilization of wind farms lead to price changes and can also have an impact on the reduction in the volume of electricity sales on the wholesale market given the reduced demand for electricity generated by TPPs.
Transitional		<b>National and international climate regulation</b>	Decreased profit of generating assets due to the payment of the carbon tax and decrease in exports.



	<b>Technological and market risks</b>	Negative impact on the revenue of generating assets as a result of decreased production due to the partial transition of major industrial consumers to carbon-free sources of electricity. Increased expenses on new construction due to the increased cost of energy resources.
	<b>Reputational risks</b>	Revision of investment policy, diminished stakeholder confidence, and a decrease in the Company's capitalization.
	<b>Other regulatory risks</b>	New climate-related information disclosure requirements for regulators and exchanges to promote the transition to a low carbon economy

### 7.6.8. Information about potential circumstances that objectively impede operations

In the course of its activities, Inter RAO encounters multiple circumstances that could objectively hinder the Group's activities (including earthquake-prone areas, seasonal flooding areas, terrorist attacks, an epidemiological situation in the regions where the Group's assets are located, and other circumstances). As part of corporate risk management, the Group closely monitors the impact these factors have on its operating results in Russia and other regions where it works. Most 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 probability of these factors increases, it will take all possible measures to limit their negative impact and prevent possible losses.

## 8. Analysis of operating results

### 8.1. Financial results

	2018	2019	2020	2020/2019
Revenue, RUB mln	962,582	1,032,120	986,292	−4.4%
Other operating income, RUB mln	10,492	12,096	9,390	−22.4%
Operating expenses, RUB mln	(885,785)	(945,909)	(915,142)	−3.3%
Operating profit, RUB mln	87,289	98,307	80,540	−18.1%
EBITDA, RUB mln	121,300	141,547	122,273	−13.6%
EBITDA margin, %	12.6%	13.7%	12.4%	−9.6%
Net profit, RUB mln	71,675	81,930	75,465	−7.9%
Capital expenditures, RUB mln	25,770	24,466	28,546	16.7%
Cash flow from operating activities, RUB mln	95,033	109,256	101,743	−6.9%
Free cash flow, RUB mln	67,144	88,758	76,973	−13.3%
Net assets, RUB mln	485,478	552,779	616,097	11.5%
Intangible assets, RUB mln	13,849	9,804	17,687	80.4%
Loans and borrowings, RUB mln	9,738	3,316	3,051	−8.0%
<i>Short-term, RUB mln</i>	8,353	2,842	2,788	−1.9%
<i>Long-term, RUB mln</i>	1,385	474	263	−44.5%
Lease liabilities*, RUB mln	50,093	57,530	91,842	59.6%
Return on assets, %	10.48%	11.07%	9.34%	−15.7%
Return on invested capital (ROIC), %	13.02%	13.14%	10.41%	−20.8%
Return on equity (ROE), %	14.76%	14.82%	12.25%	−17.43%
Current liquidity ratio	2.02	2.99	3.21	7.3%
Equity concentration ratio	0.67	0.74	0.71	−3.3%
Equity-to-loans ratio	2.00	2.79	2.47	−11.3%
Debt** / EBITDA	0.5	0.4	0.8	80.5%
Net debt**, RUB mln	−166,706	−196,525	−233,632	18.9%
Net debt** / EBITDA	−1.4	−1.4	−1.9	37.6%

\* Including share in lease liabilities of joint ventures.

\*\* Including lease liabilities and share in lease liabilities of joint ventures.

#### 8.1.1. Key factors affecting financial results

The following key factors and events significantly influenced the changes in the Group's financial results:

- The adverse pricing environment on the wholesale electricity market: electricity prices declined due to lower demand, increased output by hydroelectric power plants and nuclear power plants, and higher temperatures in 2020 compared with 2019
- A decrease in electricity sales on the wholesale market due to changes in market conditions and the reduced utilization of less efficient capacity
- Lower payments for capacity under CDAs as a result of the expiration of CDAs for several generating facilities, which was partially offset by higher capacity sales at the facilities of LLC Kaliningrad Generation
- A decrease in thermal power supplies due to higher air temperatures and a shorter heating period
- The decommissioning of 980 MW of inefficient generating equipment at the Kashirskaya TPP in the first half of 2020
- A reduction in net supply in the 'Supply in the Russian Federation' segment as a result of decreased business activities due to measures to combat COVID-19
- A decrease in additional services amid restrictive measures due to the pandemic
- A reduction in income from fines and penalties due to regulatory restrictions
- Lower prices on the Nord Pool electricity exchange due to such factors as diminished energy consumption, in part because of the epidemiological situation, weather factors, increased generation of cheap electricity from renewable energy sources, and a decrease in the cost of production at thermal power plants led to a significant reduction in electricity exports to Finland and Lithuanian
- A higher average tariff for electricity purchases on the internal market of Georgia despite no growth in the average electricity selling tariff in Georgia

Several factors had a positive effect on changes in the Group's performance:

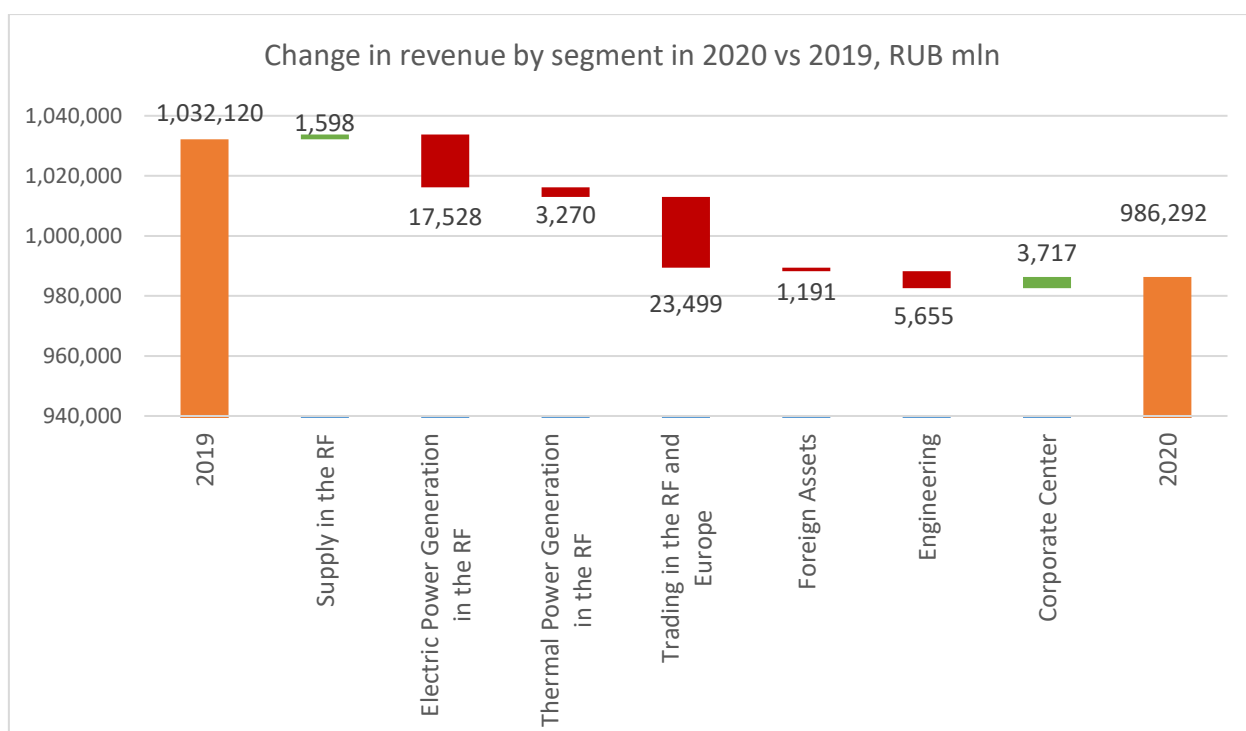
- An expansion in the subscriber base for the Group's guaranteed suppliers and unregulated supply companies as a result of organic growth at most companies
- Higher average selling prices for end consumers due to more regulated (network tariff) and unregulated components (CDAs of TPPs and NPPs, renewable energy sources, and surcharges for leveling tariffs in the Far Eastern Federal District)
- Increased supplies in the Moldavia sub-segment

### 8.1.2. Analysis of revenue

The Group's revenue decreased by 4.4%<sup>15</sup> (RUB 45.8 billion) compared with 2019 to RUB 986.3 billion rubles.

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<sup>15</sup> Hereinafter, the percentage ratios of financial indicators are calculated based on the data of the consolidated IFRS financial statements expressed in millions of rubles.



Revenue in the 'Supply in the Russian Federation' segment grew by RUB 1.6 billion (0.2%) to RUB 696.7 billion as a result of various factors: the positive effect from higher sales markups and increased net supply to individuals, including due to growth in the number of customers served, was offset by a reduction in net supply to legal entities on account of restrictive measures to combat the spread of COVID-19.

The decrease in revenue in the 'Electric Power Generation in the Russian Federation' segment by RUB 17.5 billion (9.1%) to RUB 174.9 billion largely occurred because of the climatic factor: high temperatures during the winter of 2019-2020 led to decreased power consumption as well as increased generation at hydroelectric power plants due to a record inflow of water into reservoirs. As a result, supplies on the wholesale electricity market soared, while prices on the day ahead market decreased. The introduction of restrictive measures to combat COVID-19 also had a negative impact on energy consumption.

The same factors caused revenue in the 'Thermal Power Generation in the Russian Federation' segment to fall by RUB 3.3 billion (3.4%) to RUB 92.7 billion.

Revenue in the 'Trading in the Russian Federation and Europe' declined by RUB 23.5 billion (30.5%) versus the previous year and amounted to RUB 53.6 billion. The largest decrease was seen in revenue from Finland (down by RUB 15.2 billion) and Lithuania (down by RUB 9.8 billion) as a result of falling electricity prices on the Nord Pool exchange and, consequently, a decrease in supplies, which was partially offset by growth in the euro. Meanwhile, sales to China increased by RUB 1.2 billion.

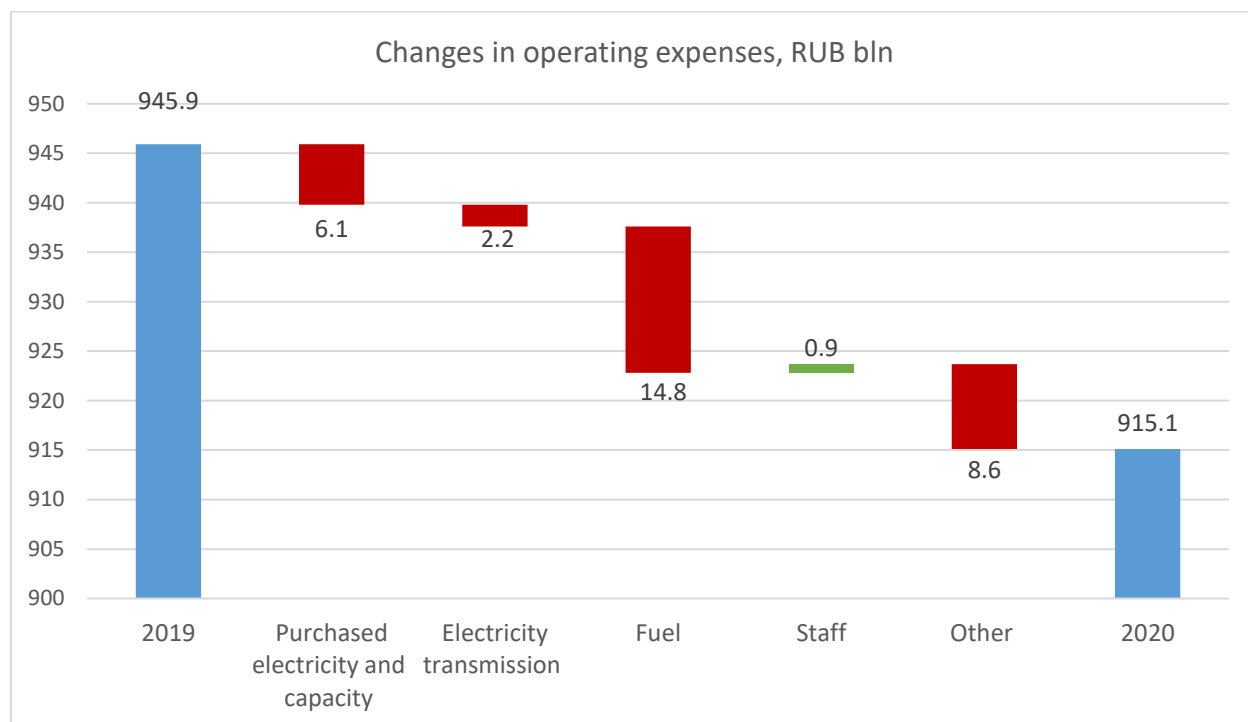
In the 'Foreign Assets' segment, revenue decreased by RUB 1.2 billion (5.0%) due to a variety of changes in assets and amounted to RUB 22.8 billion. A negative effect was seen in the Turkey sub-segment (down by RUB 2.8 billion) as a result of the transfer of the station to Turkey in 2019 and in the Georgia sub-segment (down by RUB 0.6 billion) due to lower electricity consumption across all categories of consumers following the introduction of a state of emergency in the country. On the other hand, growth was seen in the Moldavia sub-segment (RUB 2.2 billion) due to an increase in supply volumes and the average selling prices as well as the effect of the depreciation in the ruble exchange rate.

Revenue in the 'Engineering in the Russian Federation' segment dropped by RUB 5.7 billion (25.0%) in 2020 versus the previous year and amounted to RUB 17.0 billion. The main factors behind this decline

were the completion of construction on the Pregolskaya TPP as well as a decrease in recognized estimated revenue from the Primorskaya TPP compared with the previous period.

### 8.1.3. Operating expenses

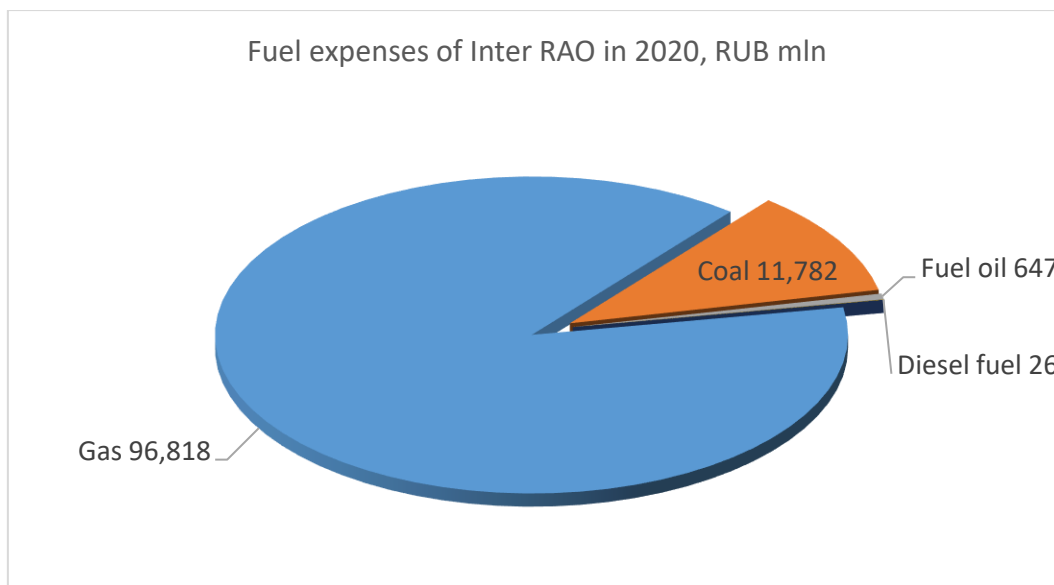
Operating expenses decreased by RUB 30.8 billion (3.3%) to RUB 915.1 billion compared with 2019, which is slightly lower than the rate of decline in revenue.



Expenses on purchased electricity and capacity declined by RUB 6.1 billion (1.5%) compared with the previous period to RUB 408.1 billion mainly due to a decrease in electricity exports to Finland and Lithuania as well as a reduction in energy consumption and prices on the wholesale electricity market.

Electricity transmission expenses edged down RUB 2.2 billion (0.9%) to RUB 239.6 billion as a result of companies in the 'Trading in the Russian Federation and Europe' segment due to a substantial decrease in the volume of electricity sold.

Fuel expenses fell by RUB 14.8 billion (11.9%) to RUB 109.3 billion primarily on account of a reduction in output by the plants of JSC Inter RAO – Electric Power Plants caused by adverse market conditions on the wholesale electricity and capacity market.

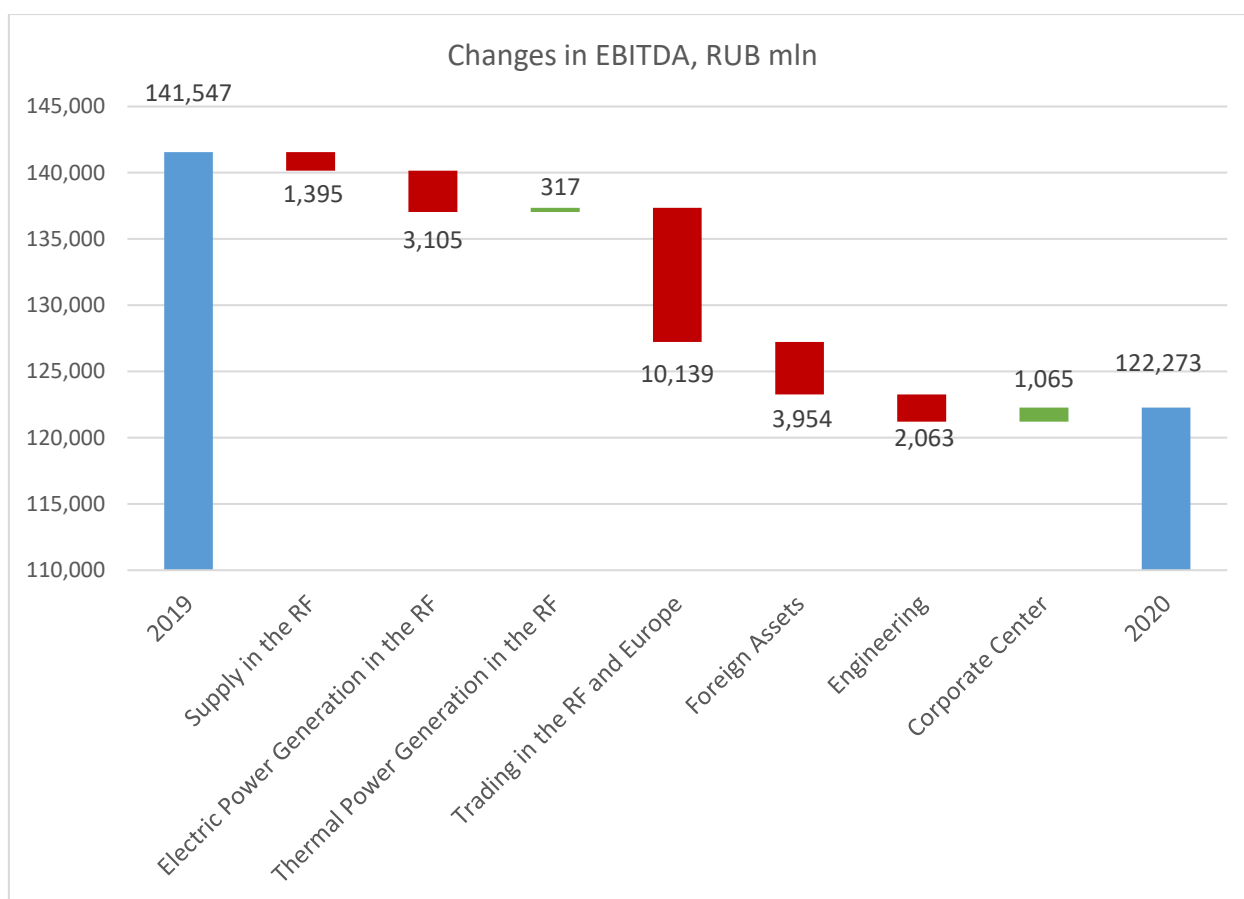


#### 8.1.4. EBITDA

EBITDA amounted to RUB 122.3 billion, down by 13.6% compared with 2019.

The biggest decline was seen in the 'Trading in the Russian Federation and Europe' segment, where EBITDA plunged by RUB 10.1 billion (56.6%) to RUB 7.8 billion in 2020. This decrease was caused by a drop in electricity prices and sales volumes to Finland and Lithuania due to adverse conditions on the Nord Pool exchange.

Fluctuations in revenue and operating expenses also led to changes in EBITDA in other segments.



#### 8.1.5. Net profit

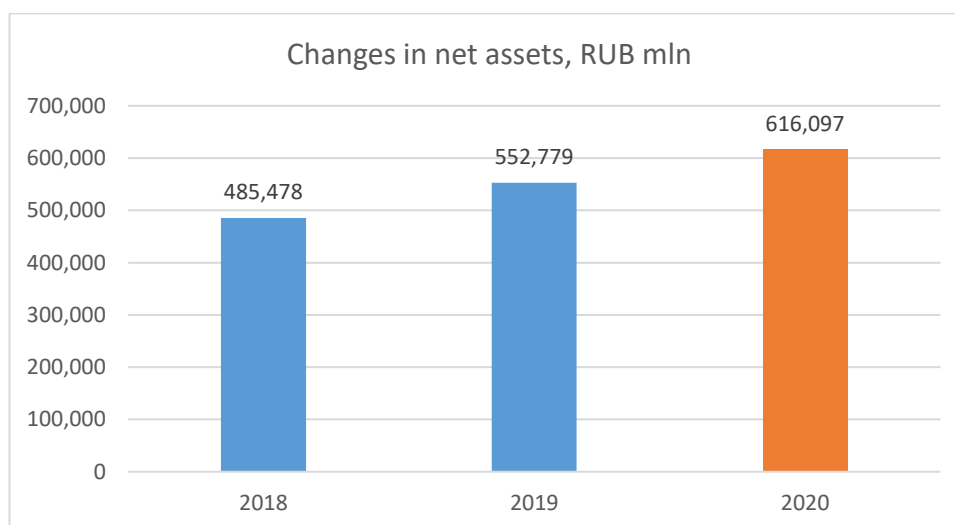
Net profit decreased by RUB 6.5 billion, or 7.9%, to RUB 75.5 billion in 2020 compared with 2019.

#### Profit generated in 2020, RUB mln

	2020
<b>EBITDA of the reportable segments</b>	<b>122,273</b>
Depreciation and amortization	(28,969)
Interest income	13,081
Interest expenses	(315)
Interest expense on lease liabilities	(7,707)
Foreign currency exchange gain, net	7,115
Other finance expense	474
Provisions charge	(8,786)
Loss from disposal of Group entities, net	(129)
Income from the sale of securities	178
Other	(980)
Share of loss of associates	(34)
<b>Profit before tax</b>	<b>96,201</b>
Income tax expense	(20,736)
<b>Profit for the reporting period</b>	<b>75,465</b>

### 8.1.6. Net assets

The value of the Group's net assets increased by RUB 63.3 billion (11.5%) to RUB 616.1 billion due to the accumulation of cash flow from operating activities.



### 8.1.7. Direct economic value generated, distributed, and retained [GRI 201-1]

RUB mln	2019	2020
Revenue	1,032,120	986,292
Income from financial investments	15,058	13,624
Other income	13,938	10,123
<b>Direct economic value generated</b>	<b>1,061,116</b>	<b>1,010,039</b>
Operating expenses (excluding employee benefit expenses and payroll taxes and taxes other than income tax)	846,434	817,180
Employee benefit expenses and payroll taxes	55,666	56,588
Payments to capital providers	19,829	23,788
Payments to the government (excluding VAT and payroll taxes)	24,532	23,216
Local community investments	1,107	884
<b>Economic value distributed</b>	<b>947,568</b>	<b>921,656</b>
<b>Economic value retained</b>	<b>113,548</b>	<b>88,383</b>

### 8.1.8. Financial assistance received from the government [GRI 201-4]

The Group received a budget allocation of RUB 1.646 billion 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 Russian Ministry of Finance 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 for a total of EUR 1.2 billion.

The Group's companies also received subsidies in the amount of RUB 6.079 billion in 2020, mainly as compensation for the declining income of resource supplying organizations due to the use of preferential tariffs for certain categories of the population in their calculations, as well as tax benefits and preferences in the amount of RUB 2.592 billion.



Financial assistance received from the government in 2020, RUB mln

	2020
<b>State Export Intergovernmental Credit</b>	<b>1,646</b>
<b>Subsidies, including</b>	<b>6,079</b>
Compensation for the lost income of resource supplying organizations	6,043
Other	36
<b>Tax incentives and preferences (savings) received by the Group's companies, including</b>	<b>2,592</b>
Corporate property tax	812
Corporate profit tax	1,712
Insurance premiums	56
Other	12

#### 8.1.9. Cash flow

Net cash inflow from operating activities declined by 6.9% to RUB 101.7 billion in 2020 from RUB 109.3 billion in 2019, primarily due to a decrease in the Group's revenue.

Net cash inflow from investing activities totaled RUB 1.7 billion in 2020, while net cash outflow from investing activities amounted to RUB 98.9 billion in 2019. The change in this indicator by RUB 100.6 billion is mainly due to:

- An increase in bank deposits returned, which was partially offset by an increase in the amount of cash placed in deposit accounts for a net effect of RUB 103.5 billion
- A RUB 4.1 billion increase in the Group's capital expenditures in 2020 compared with 2019
- A RUB 1.7 billion increase in interest received on bank deposits

Net cash flow used for financing activities amounted to RUB 26.1 billion in 2020 versus RUB 63.7 billion in 2019. This indicator fell by RUB 37.6 billion, primarily due to:

- A lack of transactions whereby PJSC Inter RAO purchased its own shares in 2020, while similar transactions were concluded in the previous reporting period, for a total effect of RUB 37.5 billion
- A decrease in loan repayments, which was partially offset by decreased proceeds from loans and borrowings for a net effect by RUB 5.6 billion
- An increase in the repayment of lease obligations by RUB 2.0 billion
- An increase in dividends paid by RUB 1.9 billion (dividend payments amounted to RUB 13.8 billion in 2019 and RUB 15.7 billion in 2020)<sup>16</sup>

Free cash flow amounted to RUB 77.0 billion in 2020, down by 13.3% from 2019 (RUB 88.8 billion), due to a variety of factors, but mostly as a result of a decrease in EBITDA and an increase in financing for the investment program.

#### 8.1.10. Debt obligations

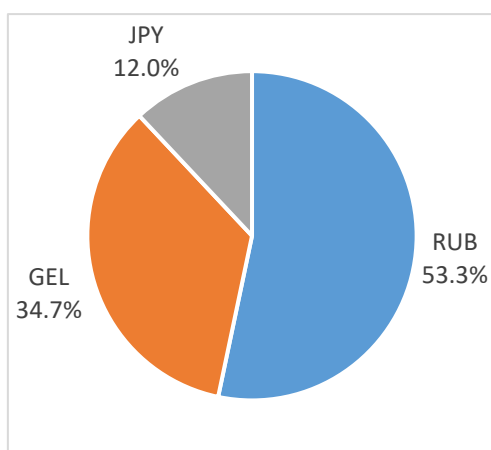
The Group's debt burden (excluding liabilities recognized under IFRS 16 'Leases') decreased by RUB 0.3 billion (8.0%) in 2020 and stood at RUB 3.1 billion as of December 31, 2020 as a result of different effects from borrowing and the repayment of borrowed funds.

Monitoring the debt burden

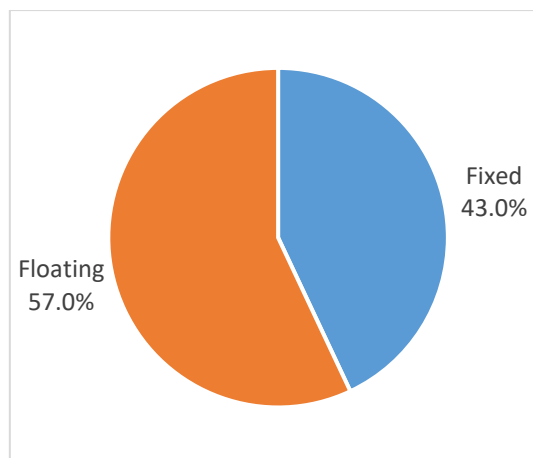
Risk appetite: Inter RAO does not make additional borrowings if the Debt/EBITDA ratio exceeds 1.5.

<sup>16</sup> According to the consolidated statement of cash flows.

**Debt structure by currency**



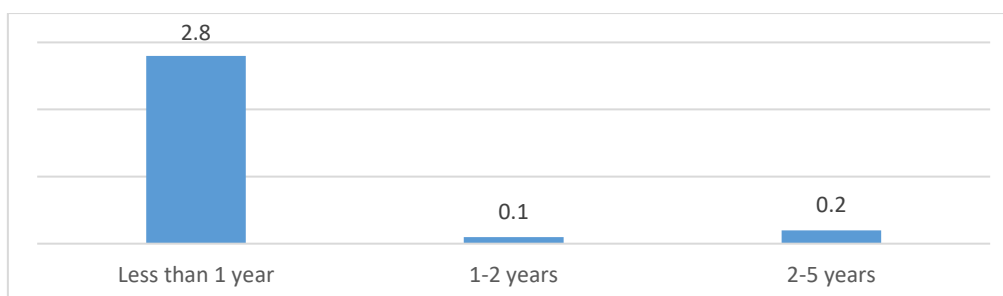
**Debt structure by interest rate type**



Russian rubles account for 53.3% of the Group's loan portfolio, Georgian lari – 34.7%, and Japanese yen – 12.0%.

The ratio of the long-term to short-term loans and borrowings amounted to 8.6% versus 91.4% as of December 31, 2020 (14.3% versus 85.7% as of December 31, 2019).

**Structure of loans and borrowings by maturity, RUB bln**



Lease liabilities, taking into account the share of lease liabilities in joint ventures, soared by RUB 34.3 billion (59.6%) and amounted to RUB 91.8 billion at the end of 2020. This can primarily be attributed to the lease of equipment for units 1, 2, and 3 at the Primorskaya TPP, which were commissioned in the third and fourth quarters of 2020.

As a result, the Group's Debt (including liabilities recognized under IFRS 16 'Leases' and share in lease liabilities of joint ventures) / EBITDA ratio amounted to 0.8x in the reporting period, which indicates the Group has a high level of financial stability. The threshold level of the debt burden for the Group set by the Board of Directors is a Debt/EBITDA ratio of no more than 1.5. The Group 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 – 233.6 billion versus RUB – 196.5 billion at the end of 2019. The change in this indicator is attributable to funds generated from the operating activities of the Group's subsidiaries.

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.

#### 8.1.11. Financial ratios

**Profit margins** showed a downward trend in 2020. The main factor that significantly impacted profit margins was a decline in net profit to RUB 75.5 billion from RUB 81.9 billion in 2019, which is primarily due to a RUB 45.8 billion (4.4%) decrease in revenue.

The **actual ROE** for 2020 compared with 2019 decreased by 2.57 p.p. from 14.82% to 12.25%. This change is due to a decrease in net profit (7.9%) and a simultaneous increase in capital (11.5%) as a result of retained earnings.

The **actual ROIC** decreased by 2.73 p.p. in 2020 compared with 2019 to 10.41% due to a combination of lower net profit and a 14.0% increase in invested capital.



The Group's **current liquidity ratio** increased (to 3.21 at the end of 2020 from 2.99 at the end of 2019) because growth in the value of its current assets outpaced the growth rate in the value of its short-term liabilities.

The value of the Group's current assets mostly grew due to the placement of cash from operating activities in short-term deposits.

The increase in short-term liabilities resulted from both growth in the volume and tariffs for electricity transportation, which led to an increase in accounts payable at supply companies, as well as the recognition of the short-term portion of lease liabilities in connection with the commissioning of units 1, 2, and 3 at the Primorskaya TPP during 2020. In addition, there was a decrease in advances from buyers and customers due to the completion of construction on this plant.

The **equity concentration ratio**, which reflects the proportion of the Group's assets that are covered by equity, amounted to 0.71 at the end of the reporting period. This indicates a high level of financial resiliency, stability, and independence from external creditors.

#### 8.1.12. Credit ratings

	On March 19, 2020, Fitch affirmed the credit rating of PJSC Inter RAO at BBB on the global scale with a Stable outlook. Similar rating parameters were confirmed on March 15, 2021.
	On February 14, 2020, Moody's affirmed the corporate credit rating of PJSC Inter RAO at Baa3 with a Stable outlook. Similar rating parameters were confirmed on February 25, 2021.

### 8.1.13. Key financial results by segment in 2020

RUB mln	Supply	Electric Power Generation in the Russian Federation	Thermal Power Generation in the Russian Federation		Trading	Foreign Assets			Engineering	Corporate Centre	Total
	The Russian Federation	Inter RAO – Electricity Generation Group*	TGC-11 **	Bashkir Generation ***	The Russian Federation and Europe	Georgia	Moldavia	Turkey	The Russian Federation		
Total revenue	696,696	174,921	32,520	60,175	53,608	10,272	12,548	–	16,958	(71,406)	<b>986,292</b>
Share of the segment's revenue in total	71%	18%	3%	6%	5%	1%	1%	0%	2%	–7%	100%
Operating expenses, including											
Purchased electricity and capacity	(413,302)	(6,832)	(2,431)	(4,381)	(41,491)	(7,179)	–	–	–	67,473	<b>(408,143)</b>
Electricity transmission fees	(233,671)	–	–	(4)	(4,494)	(1,310)	(92)	–	–	–	<b>(239,571)</b>
Fuel expenses	–	(62,816)	(12,097)	(30,110)	–	–	(7,308)	–	–	3,058	<b>(109,273)</b>
Share in profit/(loss) of joint ventures	–	3,101	–	–	46	–	–	–	(100)	–	<b>3,047</b>
<b>EBITDA</b>	<b>24,412</b>	<b>76,335</b>	<b>6,921</b>	<b>12,990</b>	<b>7,776</b>	<b>(266)</b>	<b>3,481</b>	<b>(109)</b>	<b>(2,576)</b>	<b>(6,691)</b>	<b>122,273</b>
EBITDA margin ****	4%	60%	25%	27%	15%	–3%	28%	–	–21%	–	12%
Share of the segment's EBITDA in total	20%	62%	6%	11%	6%	0%	3%	0%	–2%	–6%	100%

\* Represented by the Inter RAO – Electric Power Plants Group, including JSC Nizhnevartovskaya TPP (equity accounted investee).

\*\* Represented by JSC Tomsk Generation, JSC TGC-11, JSC Omsk RTS, and JSC TomskRTS.

\*\*\* Represented by Bashkir Generation Company Group, including LLC BashRTS.

\*\*\*\* EBITDA margin was calculated excluding intersegment revenue in the 'Supply in the Russian Federation' segment in the amount of RUB 1.821 billion, the 'Electric Power Generation in the Russian Federation' segment in the amount of RUB 46.893 billion, the 'Thermal Power Generation in the Russian Federation' segment in the amount of RUB 17.890 billion (including TGC-11 in the amount of RUB 5.229 billion and Bashkir Generation in the amount of RUB 12.661 billion), the 'Trading in the Russian Federation and Europe' segment in the amount of RUB 1.147 billion, and the 'Engineering in the Russian Federation' segment in the amount of RUB 4.483 billion.

## 8.2. Operating results of the Inter RAO Group

Indicator	Measurement unit	2018	2019	2020	2020/2019
Installed capacity at end of period	MW	33,714	31,860	31,088	–2%
Commissioning of capacity during period	MW	999	233	215	–8%
Power generation	mIn kWh	132,508	130,203	106,079	–19%
Output by 'Generation in the RF'	mIn kWh	121,765	120,522	100,917	–16%
Output by 'Foreign Assets'	mIn kWh	10,743	9,681	5,162	–47%
Installed capacity utilization factor (ICUF)	%	45%	45%	39%	–6.0 p.p.
ICUF of 'Generation in the RF'	%	47.7%	47.4%	40.7%	–6.6 p.p.
ICUF of 'Foreign Assets'	%	28.8%	27.8%	21.2%	–6.6 p.p.
Specific consumption of equivalent fuel for electricity supply (SCEF)	g eq/kWh	301	300	299	–0.4%
SCEF of 'Generation in the RF'	g eq/kWh	297	295	296	0.4%
SCEF of 'Foreign Assets'	g eq/kWh	352	365	352	0.5%
Thermal power output from collectors	thousand Gcal	41,739	40,251	39,107	–3%
SCEF for thermal power supply	kg/Gcal	145	145	148	1.8%
Number of retail customers	thousand subscribers	16,151	17,477	17,869	2%
Electricity sales on the retail market	mIn kWh	196,265	202,628	196,429	–3%
Electricity sales via trading operations	mIn kWh	24,195	23,499	15,552	–34%
Commissioning of capacity facilities by the Engineering Unit	MW	983	455.2	293.8	–35%
Total length of power transmission lines	km	5,627	5,887	6,098	4%

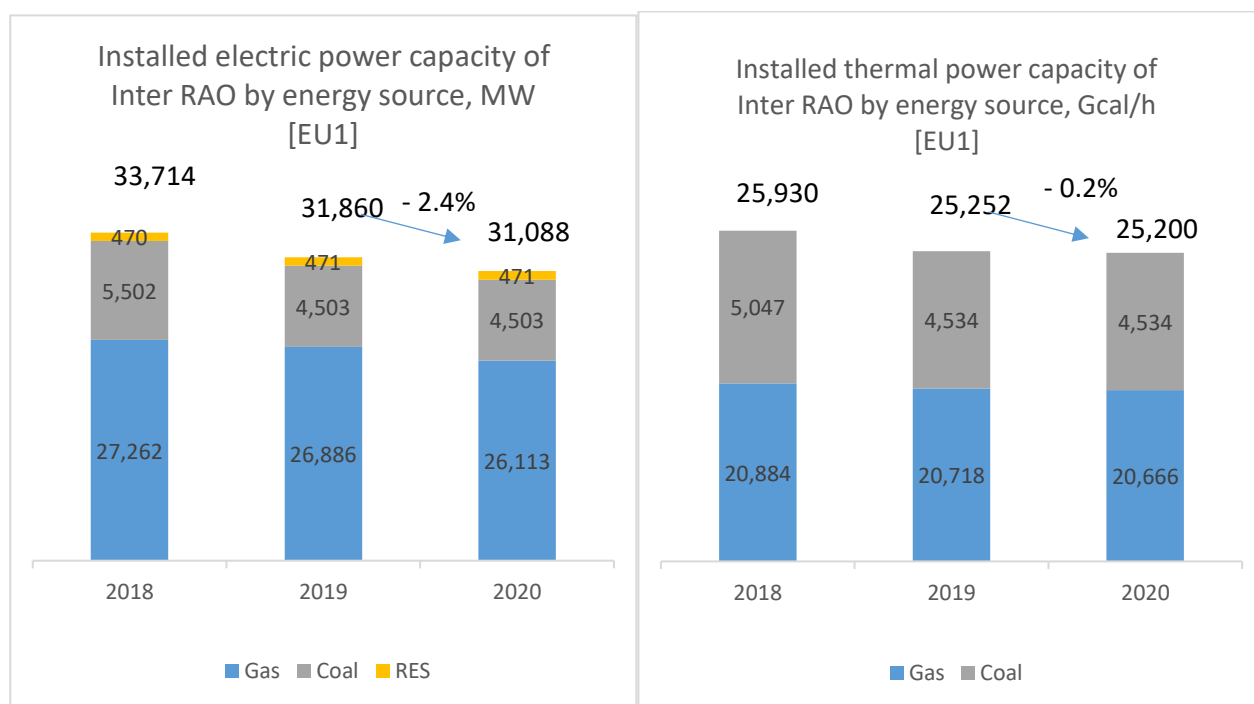
### 8.3. Generation

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

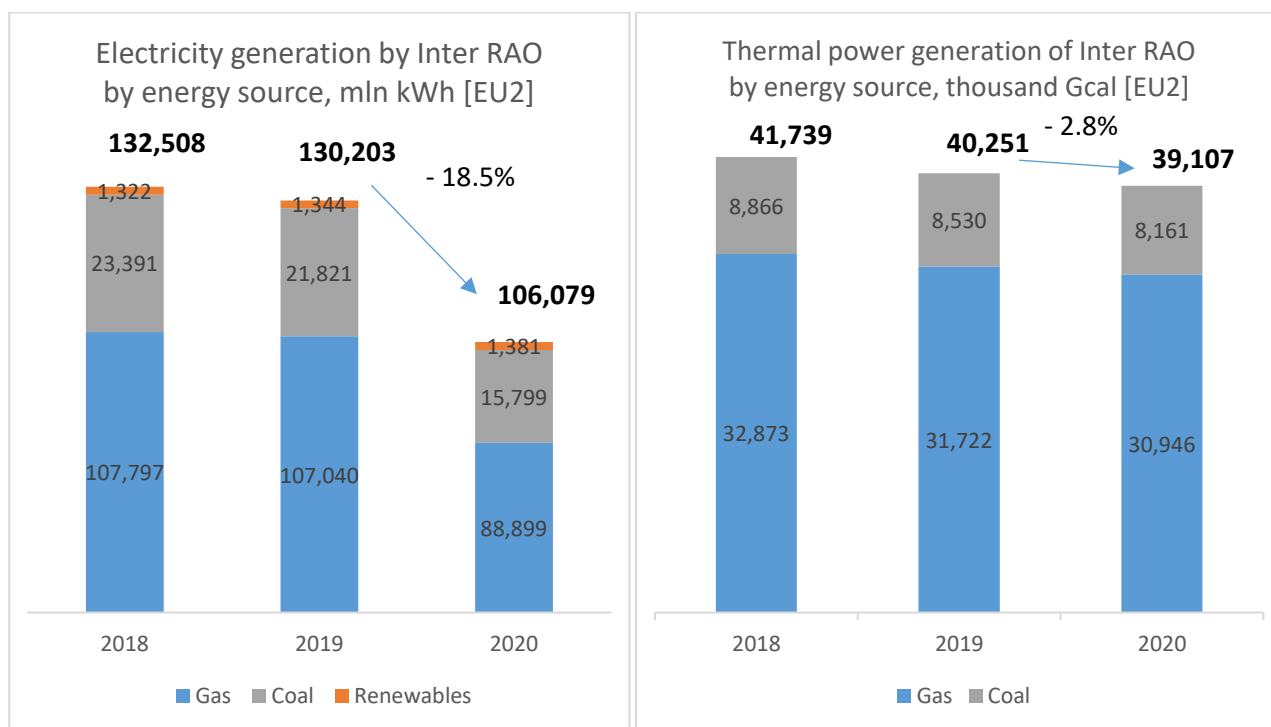
- Ensuring the reliability, safety, and technological development of existing production assets
- Improving the operational, energy, and environmental efficiency of generating assets and maintaining leading positions in the Russian electric power industry
- Further growth in the heat generation segment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

At the end of 2020, several 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 2.4% to 31,088 MW and electricity generation by 18.5% to 106,079 million kWh. Such changes mainly included:

- A 2.7% decrease in electricity consumption along with an increase in the generation of hydroelectric power plants and nuclear power plants by 9% and 3%, respectively
- The decommissioning of inefficient equipment at the power units of the Kashirskaya TPP with total capacity of 980 MW
- The completion of construction on and the commissioning of the Primorskaya TPP in Russia's Kaliningrad Region with installed capacity of 194.97 MW
- A 20 MW increase in installed capacity as a result of the recertification of facilities at the Karmanovskaya TPP, Pregolskaya TPP, and Mayakovskaya TPP
- The sale of Ekibastuzskaya TPP-2 with installed capacity of 1000 MW in December 2019<sup>17</sup>



<sup>17</sup> The operating results of JSC Ekibastuzskaya TPP-2, which was sold in December 2019, are included in the Group's operating results up to December 2019 inclusive. The financial results of JSC Ekibastuzskaya TPP-2 are not included in the Group's financial results from December 2016 due to reclassification to assets classified as held-for-sale.



### Use of co-generation technology

Co-generation is the joint generation of electrical and thermal power in a single plant, which allows for releasing both electric and thermal power to customers 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 power 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.

Inter RAO's largest CHPP is the Omsk CHPP-5 of JSC TGC-11. The plant supplies its products to the population of central Omsk. As of the end of 2020, the plant had installed electric power capacity of 735 MW and thermal power capacity of 1,763 Gcal/h. It uses heating turbines to generate thermal and electric power, including the T-185/220-130, one of the most powerful of its kind in the country. Among the new power plants built in recent years is the Zatonskaya CHPP, which was commissioned in 2018 to provide heat to Ufa.

Other Inter RAO power plants<sup>18</sup> that use a co-generation cycle are located in Ufa, Tomsk, Omsk, Kaliningrad, St. Petersburg, and Sochi, among other cities. These power plants have total installed capacity of 6.9 GW (22% of the capacity of the Group's Russian assets). In 2020, these plants generated 33.578 billion kWh of electricity and 30.932 million Gcal of thermal power.

### 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 uses power generation systems that run on renewable energy sources (RES) with total installed capacity of 497.5 MW. Such facilities include:

<sup>18</sup> Power facilities with co-generation include facilities with 100% extraction turbines, CCGT, and gas turbine plants operating in a closed cycle that supply thermal power to customers.

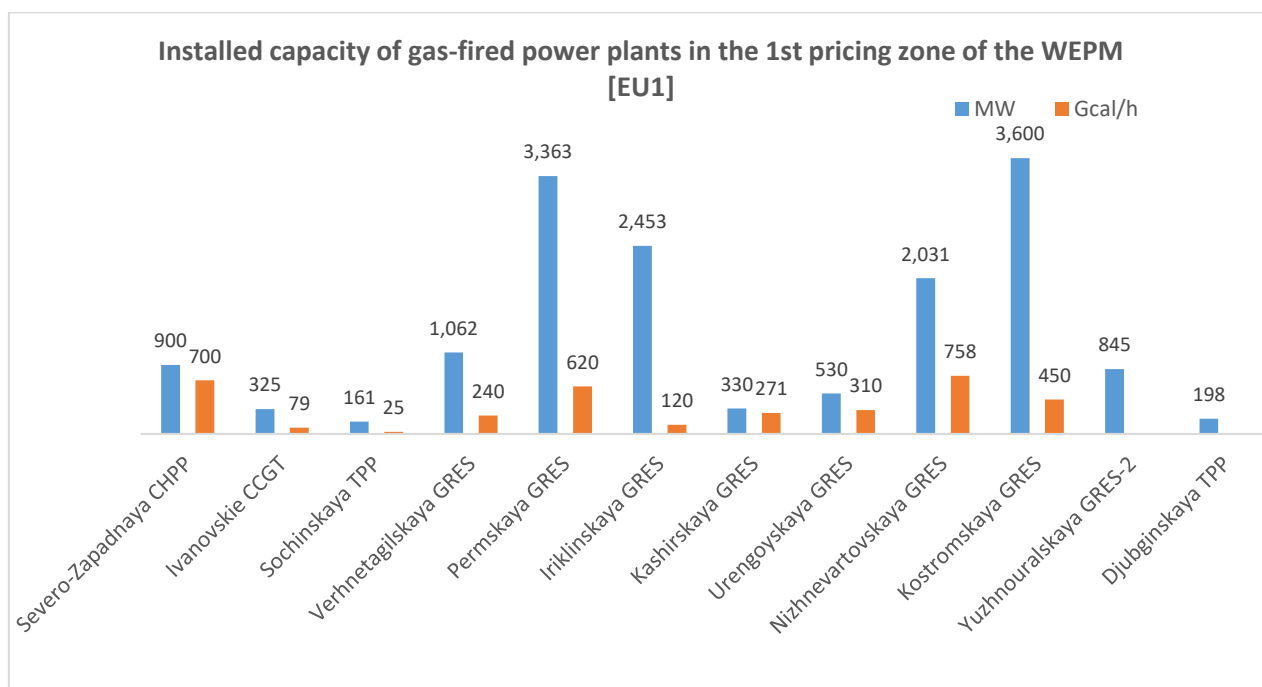
- Hydroelectric power plants with total installed capacity of 465.1 MW: the Pavlovskaya HPP (166.4 MW) and Yumaguzinskaya HPP (45 MW) in Russia's Republic of Bashkortostan, the Vogulskaya HPP (4.2 MW) at the Verkhnetagilskaya TPP in the Sverdlovsk Region (which operates from May to September), the Irikhinskaya HPP (22.5 MW) to regulate the water content of the Ural River at the Irikhinskaya TPP in the Orenburg Region as well as Khrami HPP-I (113 MW) and Khrami HPP-II (114 MW) in the Republic of Georgia<sup>19</sup>
- Small and micro hydroelectric power plants with total installed capacity of 0.75 MW: the Mechetlinskaya and Slakskaya MHPPs (0.55 MW) as well as the Avzyanskaya, Uzyanskaya, and Kaginskaya MHPPs (0.2 MW) in the Republic of Bashkortostan
- Wind power plants with total installed capacity of 31.7 MW: the Vydmantai<sup>20</sup> wind farm (30 MW) in the Republic of Lithuania and the Tyupkilda wind farm (1.65 MW) in the Republic of Bashkortostan

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

The segment is managed by JSC Inter RAO – Electric Power Plants, which unites 21 of the largest power plants in Russia with total installed capacity of 21,788 MW and 5,626 Gcal/h.

Power plants in the 'Electric Power Generation in the Russian Federation' segment in the 1<sup>st</sup> pricing zone primarily run on natural gas. In addition to natural gas, the Pechorskaya TPP (1,060 MW) also runs on associated gas. The Yuzhnouralskaya TPP in the unified energy system (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 2<sup>nd</sup> 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.

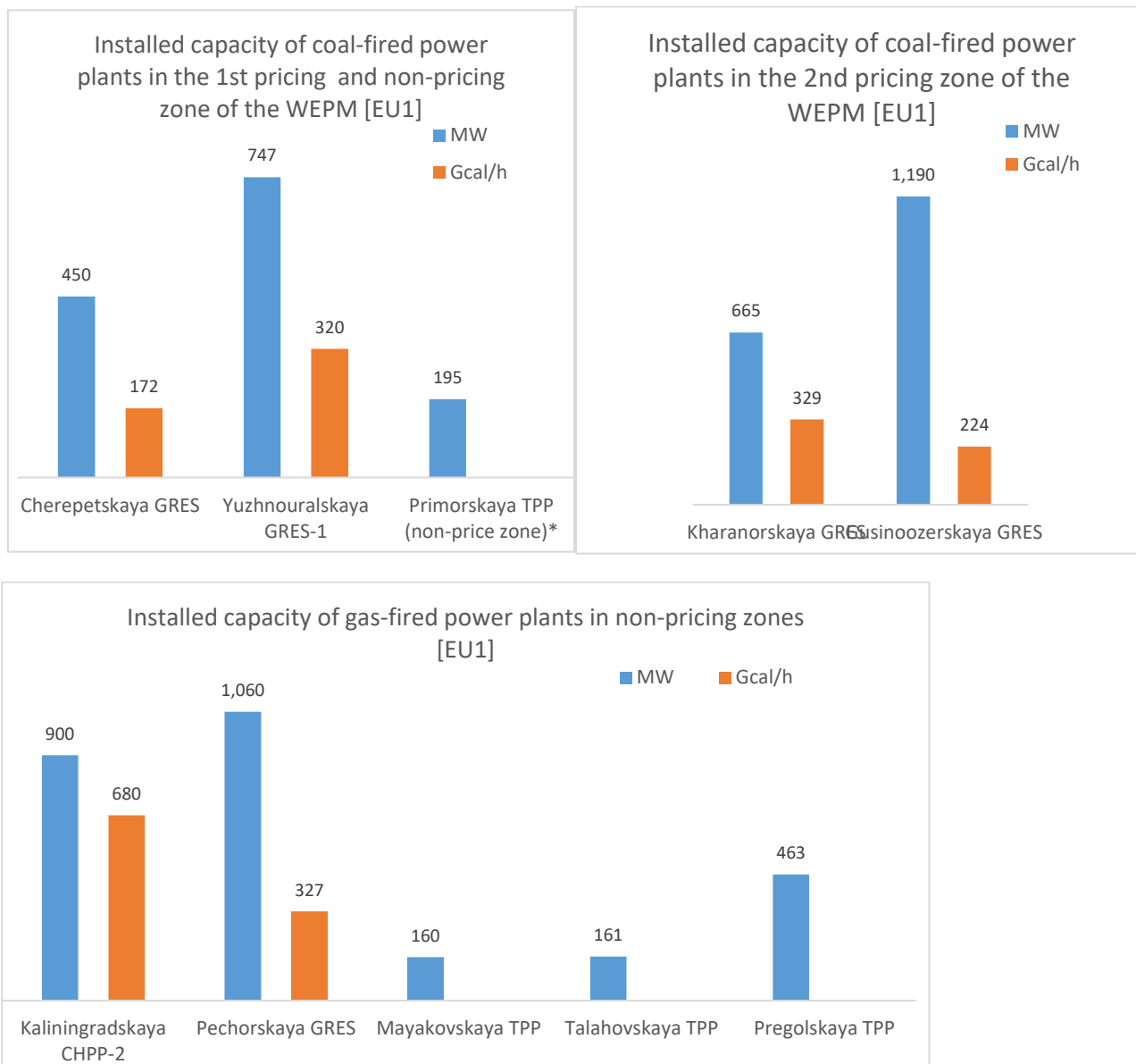
#### Installed capacity of Inter RAO – Electric Power Plants, MW



<sup>19</sup> The financial results of Khrami HPP-I and Khrami HPP-II are presented in the 'Foreign Assets' segment.

<sup>20</sup> A subsidiary of AB INTER RAO Lietuva, which is part of the 'Trading in the Russian Federation and Europe' segment.





\* Mayakovskaya TPP, Pregolskaya TPP, Primorskaya TPP, and Talakhovskaya TPP in the Kaliningrad Region are owned by LLC Kaliningrad Generation. LLC Kaliningrad Generation and JSC Inter RAO – Electric Power Plants have concluded a property lease agreement. JSC Inter RAO – Electric Power Plants operates the power plants and also supplies capacity and sells electricity.

#### 8.3.1.1. Commissioning and decommissioning of facilities

The total installed electric power capacity of the segment's power plants decreased by 3.5% to 21,788 MW during the reporting period. Thermal power capacity edged down 0.9% to 5,626 Gcal/h. These changes are attributable to the following factors:

- The decommissioning of inefficient equipment at units 4, 5, and 6 as of January 1, 2020 and at unit 7 of the Kashirskaya TPP with total installed capacity of 980 MW and 52 Gcal/h as of May 1, 2020 as well as at Iriklinskaya TPP with installed capacity of 7.5 MW as of January 1, 2020
- An increase in installed capacity due to the recertification of unit 1 at the Pregolskaya TPP (+3.079 MW) as of May 1, 2020 and unit 2 at the Pregolskaya TPP (+4.063 MW) as well as unit 4 (+0.686 MW) and unit 1 at the Mayakovskaya TPP (+0.26 MW) as of June 1, 2020
- The commissioning of new generating facilities at the Primorskaya TPP (+194.97 MW), which was built as part of a project to ensure the energy security of the Kaliningrad Region

The Primorskaya TPP includes three coal-fired units with capacity of 65 MW each (commissioned in August, September, and December 2020). All the main equipment installed at the plant is Russian-made: steam turbines manufactured by CJSC Ural Turbine Works, turbine generators by CJSC ELSIB, and steam boilers by JSC Podolsk Machine-Building Plant.

### 8.3.2. Installed capacity of the ‘Thermal Power Generation in the Russian Federation’ segment [EU1]

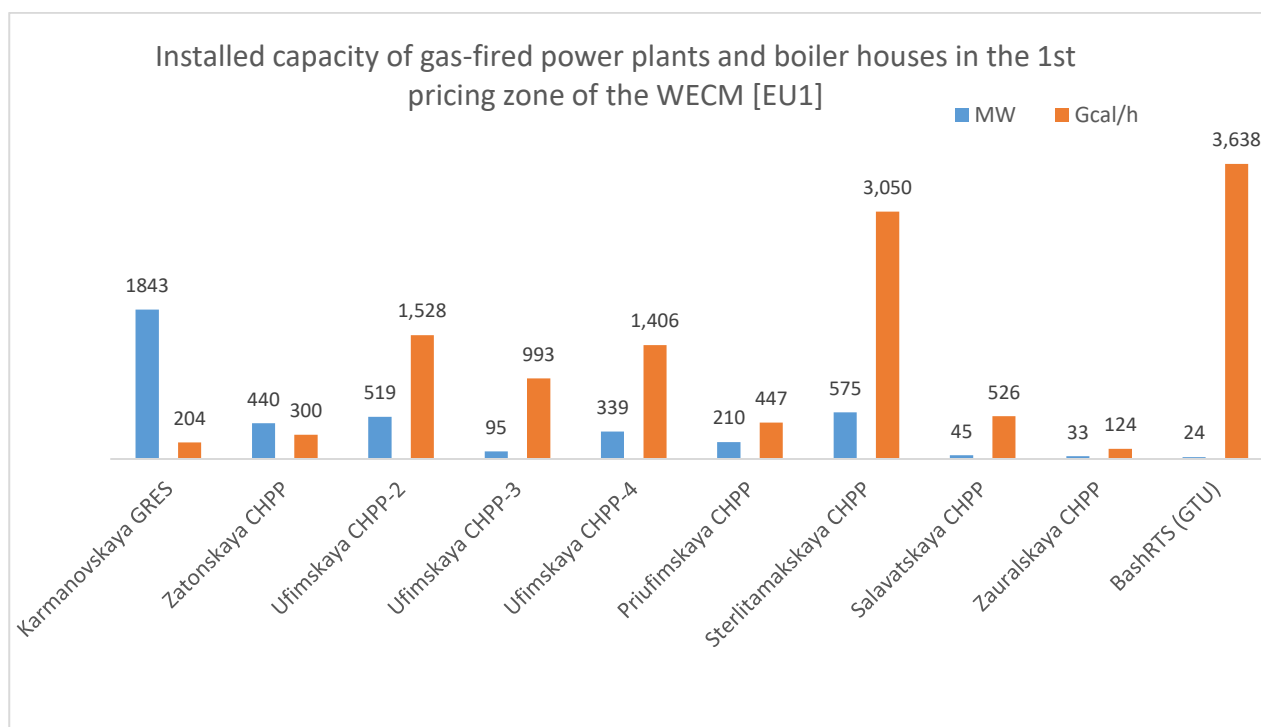
The segment includes three major heat generating companies (JSC TGC-11, JSC Tomsk Generation, and LLC BGC with total installed electric power capacity of 6.523 GW and installed thermal power capacity of 19,408 Gcal/h). The segment also includes heating networks with a total length of 2,449 km in the Omsk and Tomsk Regions as well as in the Republic of Bashkortostan.

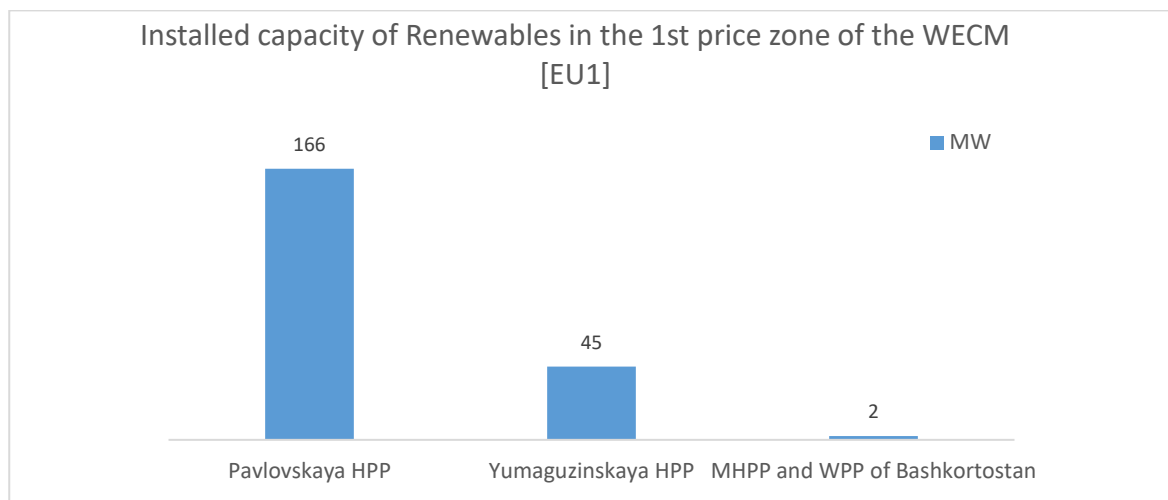
#### 8.3.2.1. Installed capacity of the Bashkir Generation sub-segment

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 4,472 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).

The sub-segment’s installed capacity remained virtually unchanged in 2020, except for the recertification of power unit 1 at the Karmanovskaya TPP with an increase in its installed electric capacity from 303.2 MW to 315.2 MW (+12.0 MW).

#### Structure of installed capacity in the Bashkir Generation sub-segment, MW, Gcal/h





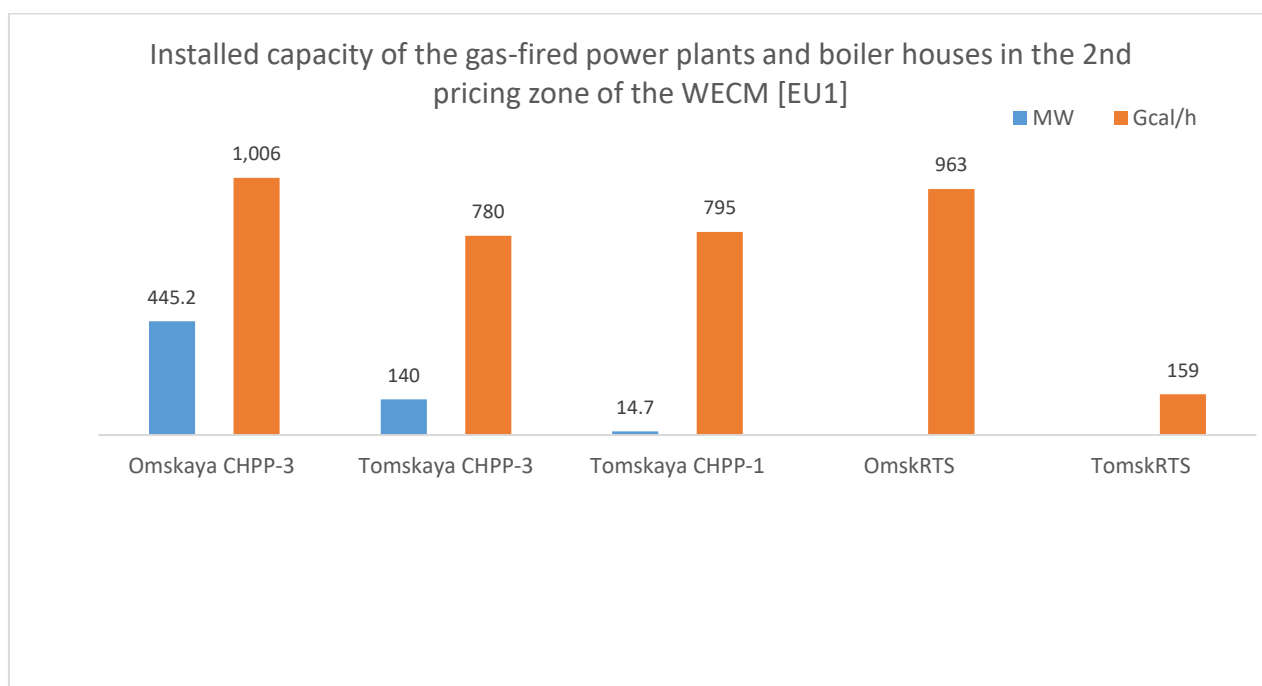
### 8.3.2.2. Installed capacity of TGC-11 sub-segment

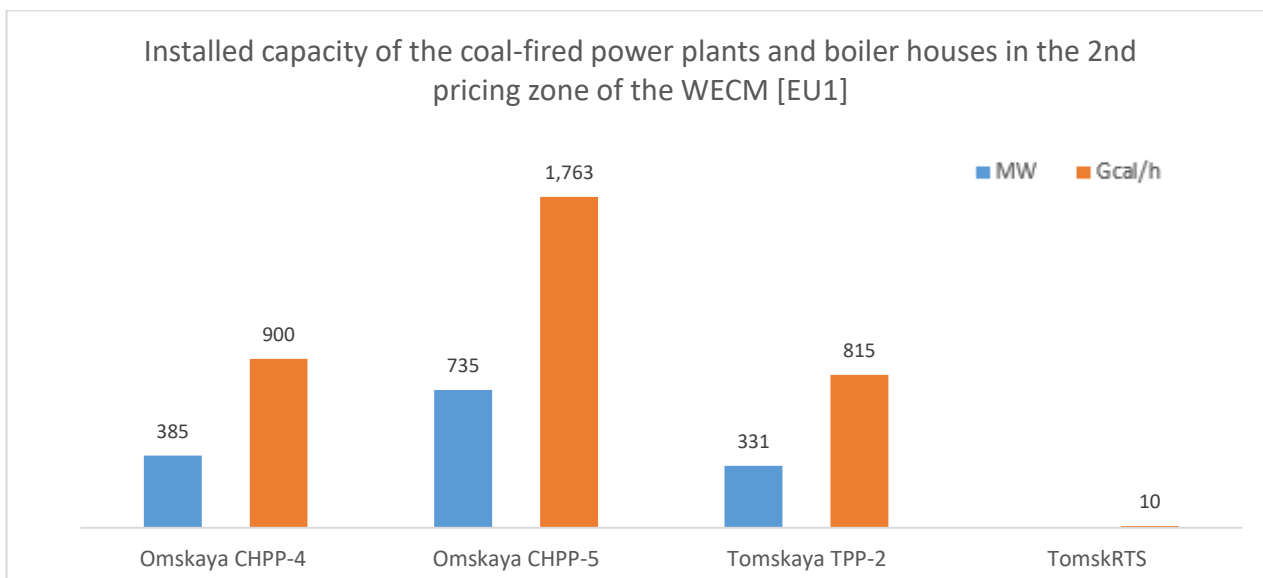
The TGC-11 sub-segment includes JSC TGC-11, JSC Omsk RTS, JSC Tomsk Generation, and JSC TomskRTS with total installed capacity of 2,051 MW and 7,192 Gcal/h, which fall within the Siberia 2<sup>nd</sup> pricing zone.

The power facilities of JSC TGC-11 and JSC OmskRTS are located in Omsk. JSC OmskRTS unites 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 660 km (including rented networks). JSC Tomsk Generation also includes the structural units Teploenergosbyt and Thermal Inspectorate and Energy Audit.

### Structure of the installed capacity of the TGC-11 sub-segment





### 8.3.3. 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 19.4% to 74.211 billion kWh in 2020. The installed electric capacity utilization factor of the segment's plants decreased by 7.7 percentage points to 39%.

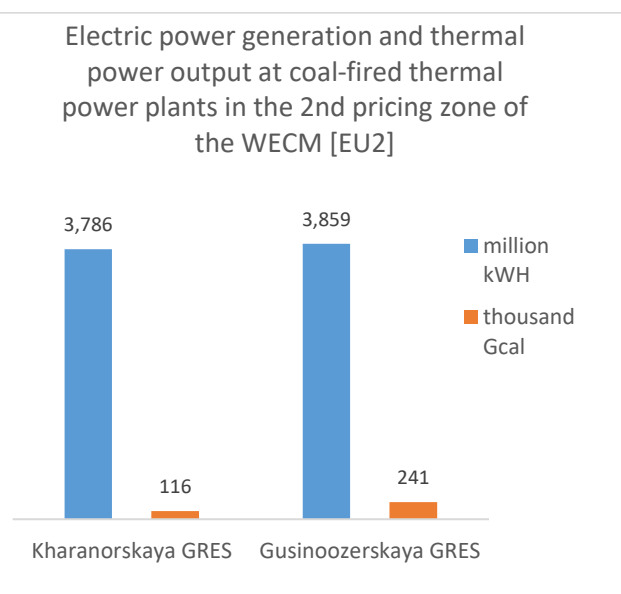
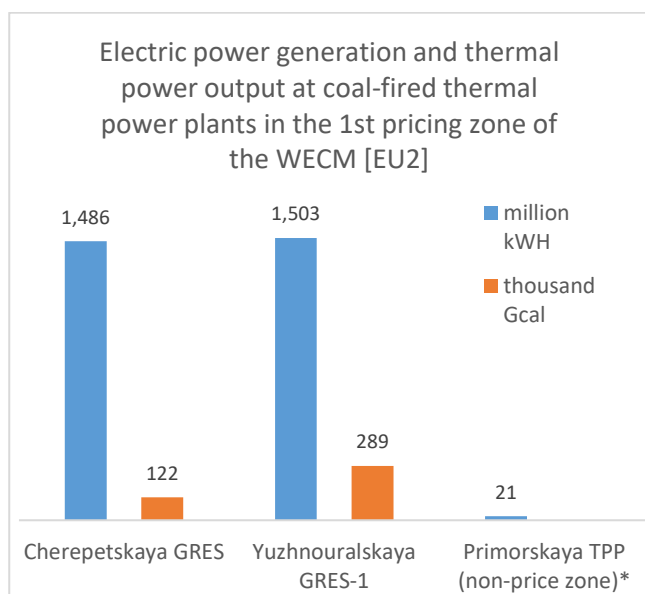
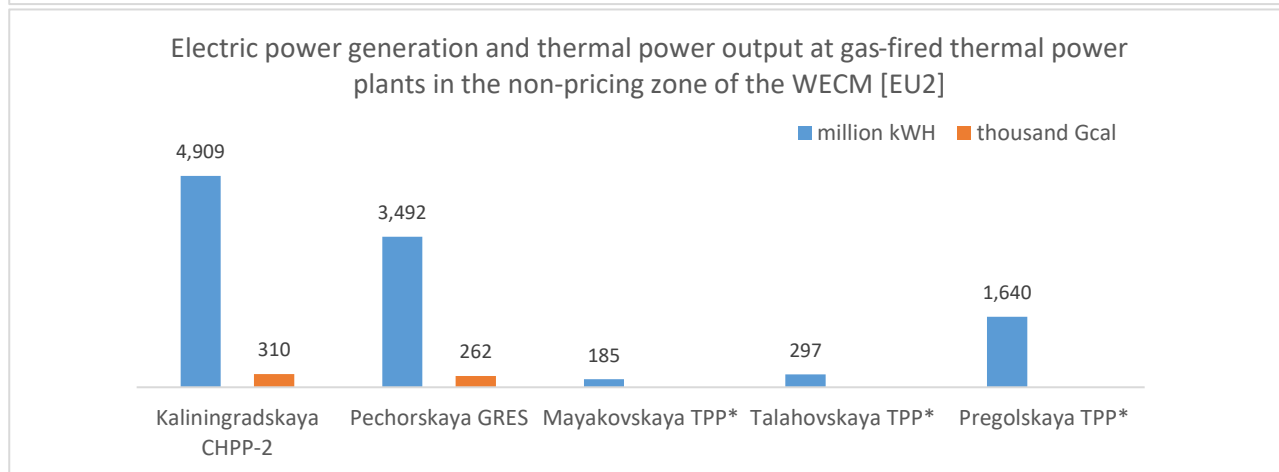
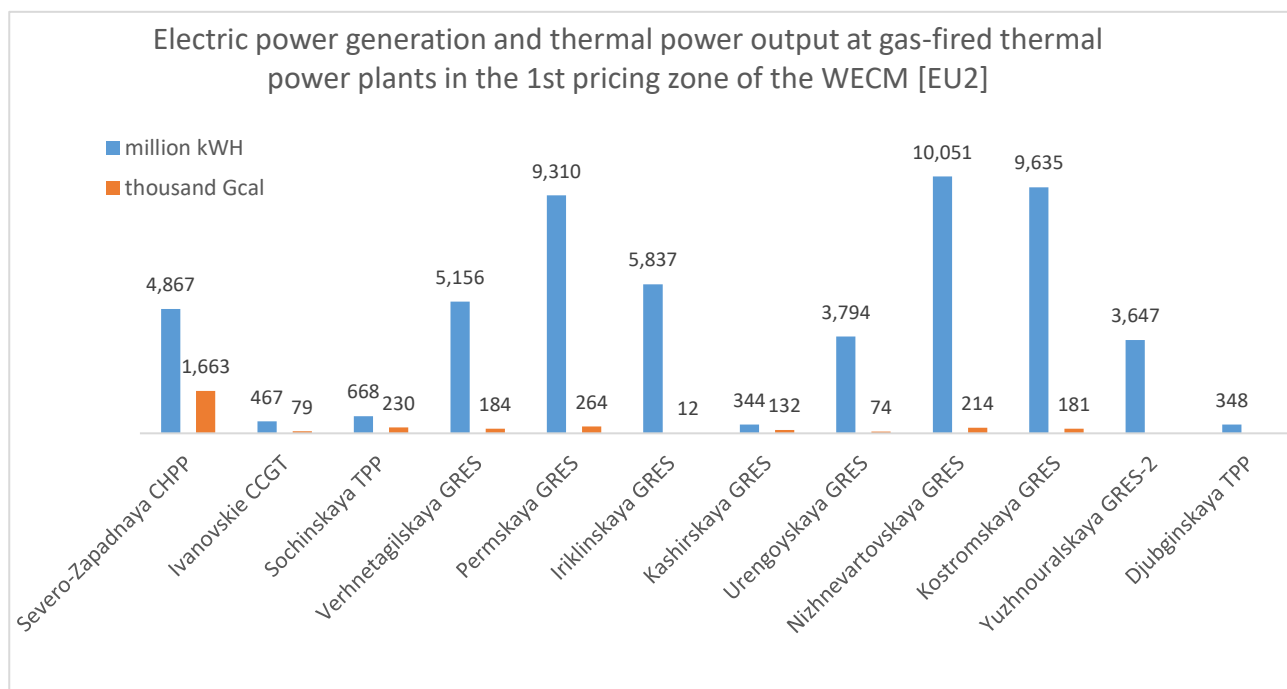
The decline in power generation can be attributed to a 2.3% decrease in domestic consumption, which occurred due to the abnormally warm winter, as well as diminished business activity as a result of the impact of quarantine restrictions caused by COVID-19. Another negative factor for thermal power generation was early snowmelt flooding and the high-water levels in rivers, which contributed to a 9% increase in generation at hydroelectric power plants. Power generation at nuclear power plants increased by 3% in 2020. The biggest decrease in generation was seen at the Kostromskaya TPP (down by 5.648 billion kWh, or 37.0%) and the Permskaya TPP (down by 3.198 billion kWh, or 25.6%). In addition, the lower generation levels were impacted by prolonged downtime for the unscheduled repair of unit 1 at the Yuzhnouralskaya TPP-2 (down by 2.440 billion kWh, or 40.1%) and the decommissioning of inefficient equipment at the Kashirskaya TPP (down by 2.050 billion kWh, or -85.6%).

Thermal power output in the 'Electric Power Generation in the Russian Federation' segment amounted to 4.338 billion Gcal, down by 3.3% as a result of lower average outdoor temperatures in the winter in the regions where the Group operates (mainly the Severo-Zapadnaya CHPP) as well as the decommissioning of inefficient equipment at the Kashirskaya TPP.

The specific fuel consumption for the supply of electricity from busbars grew by 2.8 g of fuel equivalent/kWh, or 1.0%, while specific fuel consumption for thermal power supply edged up by 0.5 kg of fuel equivalent/Gcal, or 0.3%, due to the less optimal load of generating equipment as a result of lower demand for electric and thermal power compared with 2019.

[More details about the structure of generation are presented on the Inter RAO website in the Analyst's Handbook section.](#)

**Structure of heat generation and supply in the 'Electric Power Generation in the Russian Federation' segment**



\* The Mayakovskaya TPP, Pregolskaya TPP, Primorskaya TPP, and Talakhovskaya TPP in the Kaliningrad Region are owned by LLC Kaliningrad Generation. LLC Kaliningrad Generation and JSC Inter RAO – Electric Power Plants have concluded a property lease agreement. JSC Inter RAO – Electric Power Plants operates power plants and also supplies capacity and sells electricity.

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

Indicator	'Electric Power Generation in the Russian Federation' segment			
	2018	2019	2020	2020/2019
Revenue, RUB mln	177,358	192,449	174,921	–9%
Share of the Inter RAO Group's revenue, %	18%	19%	18%	–1 p.p.
Operating expenses, including				
Purchased electricity and capacity, RUB mln	(6,999)	(6,852)	(6,832)	0%
Fuel expenses, RUB mln	(76,490)	(77,501)	(62,816)	–19%
Share in profit/(loss) of joint ventures, %	(3,057)	3,125	3,101	–1%
<b>EBITDA, RUB mln</b>	<b>59,998</b>	<b>79,440</b>	<b>76,335</b>	<b>–4%</b>
EBITDA margin, %*	46%	56%	60%	4 p.p.
Share of the Inter RAO Group's EBITDA, %	50%	56%	62%	6 p.p.

\* EBITDA margin was calculated excluding intersegment revenue in the 'Electric Power Generation in the Russian Federation' segment in the amount of RUB 46.893 billion for 2020, RUB 50.502 billion for 2019, and RUB 46.037 billion for 2018.

In 2020, revenue in the 'Electric Power Generation in the Russian Federation' segment declined by RUB 17.5 billion (9%), primarily as a result of lower electricity generation due to decreased consumption in the unified energy system of the Russian Federation. Consumption was down because of higher temperatures in the reporting year, a decrease in business activity amid the pandemic as well as a significant increase in electricity generation by hydroelectric and nuclear power plants. Another factor was a decrease in the weighted average selling price of electricity. Factors that had a positive effect on revenue included the commissioning of units 3 and 4 at the Pregolskaya TPP in 2019 and units 1 and 2 at the Primorskaya TPP in 2020 (the number of months during which capacity will be paid for under regulated contracts increased) and the application of CDA delta payments to the capacity price for several plants combined with an overall decline in capacity sales by 5.5%, including as a result of the end of the CDA status for units at the Kashirskaya TPP and Sochinskaya TPP.

Fuel expenses decreased by RUB 14.7 billion due to reduced electricity generation.

EBITDA in the 'Electric Power Generation in the Russian Federation' segment decreased by RUB 3.1 billion, or 4%.

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

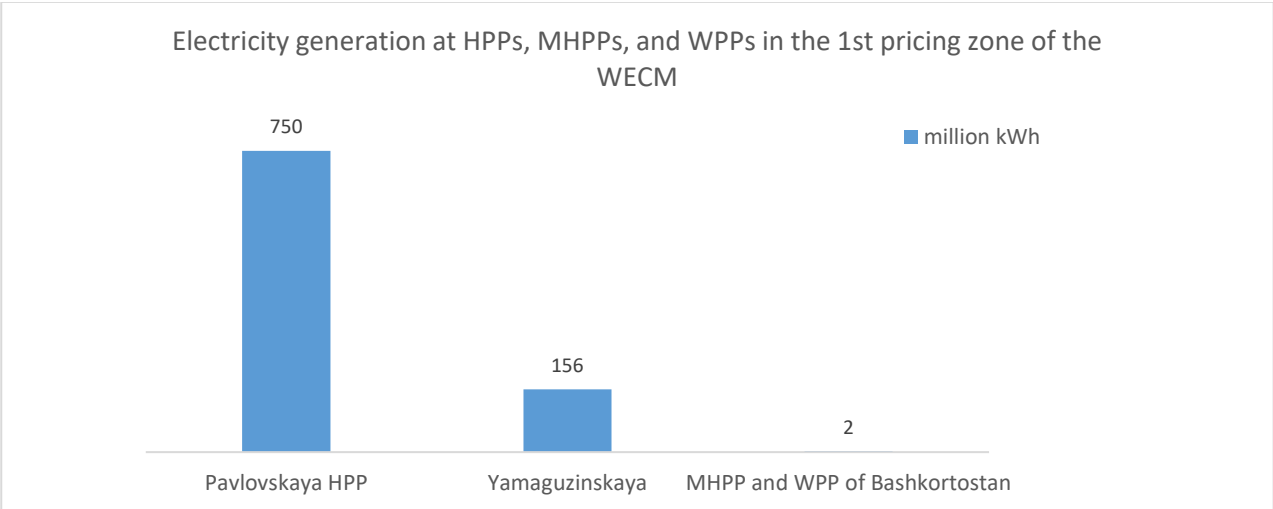
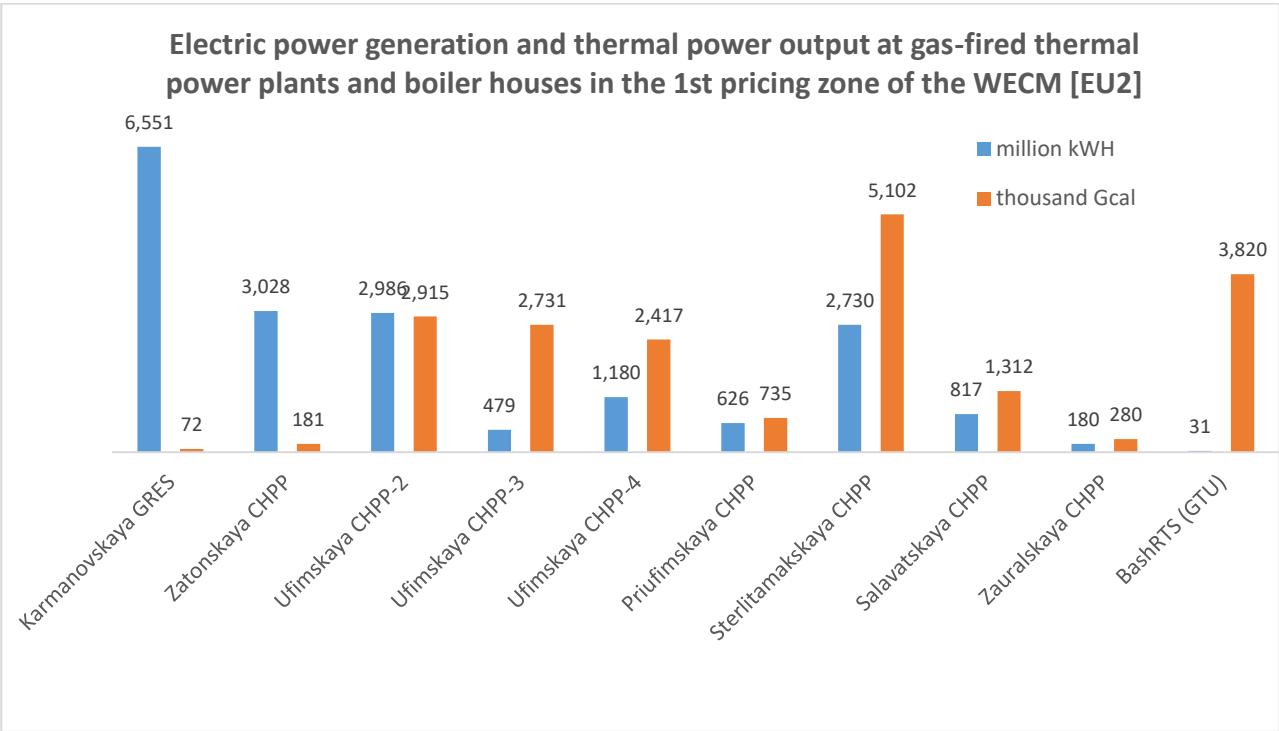
Generating facilities in the 'Thermal Power Generation in the Russian Federation' segment reduced electricity generation by 6% to 26.705 billion kWh in 2020. The installed electric capacity utilization factor of the segment's plants contracted by 3.3 percentage points to 46.6%. The decrease in output is attributable to the results of the Karmanovskaya TPP of the BGC Group (down by 1.599 billion kWh, or 19.6%) amid a decrease in prices on the wholesale electricity market and growth in the fuel component, which made it necessary to reduce the number of operating power units and utilization hours. At the same time, the Zatonskaya CHPP increased output (by 265 million kWh, or 9.6%) due to the fact that the plant's units had a fewer number of days of downtime for repairs in 2020 compared with 2019.

Thermal power output from collectors decreased by 907,000 Gcal (2.5%) as a result of higher average temperatures in 2020 compared with 2019 in the regions where the Group's generating assets operate.

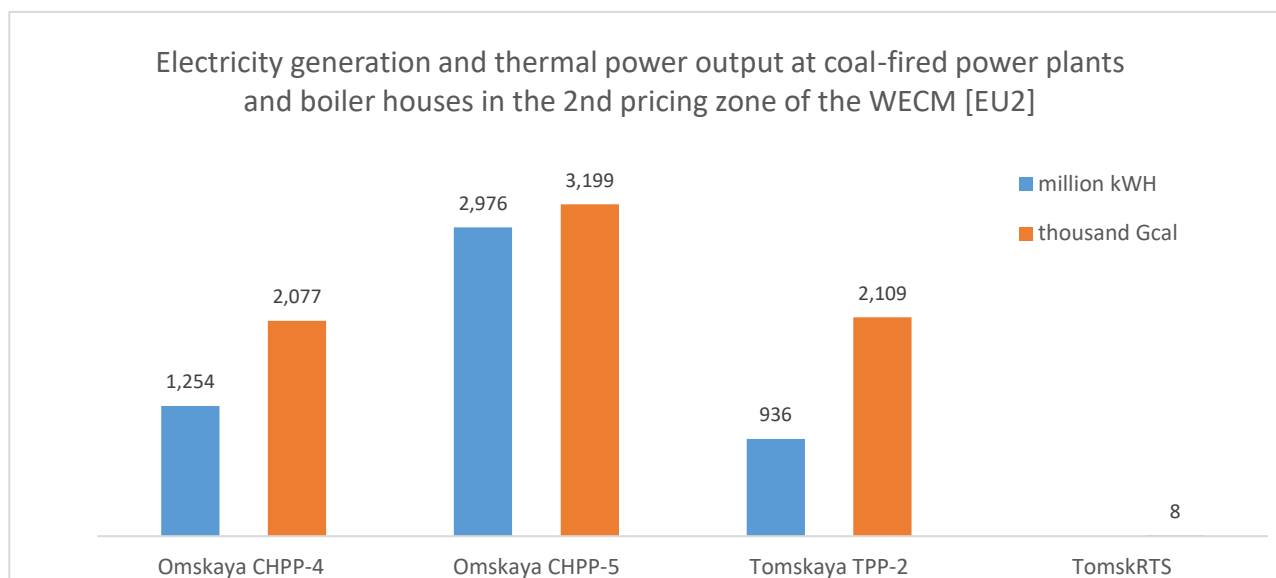
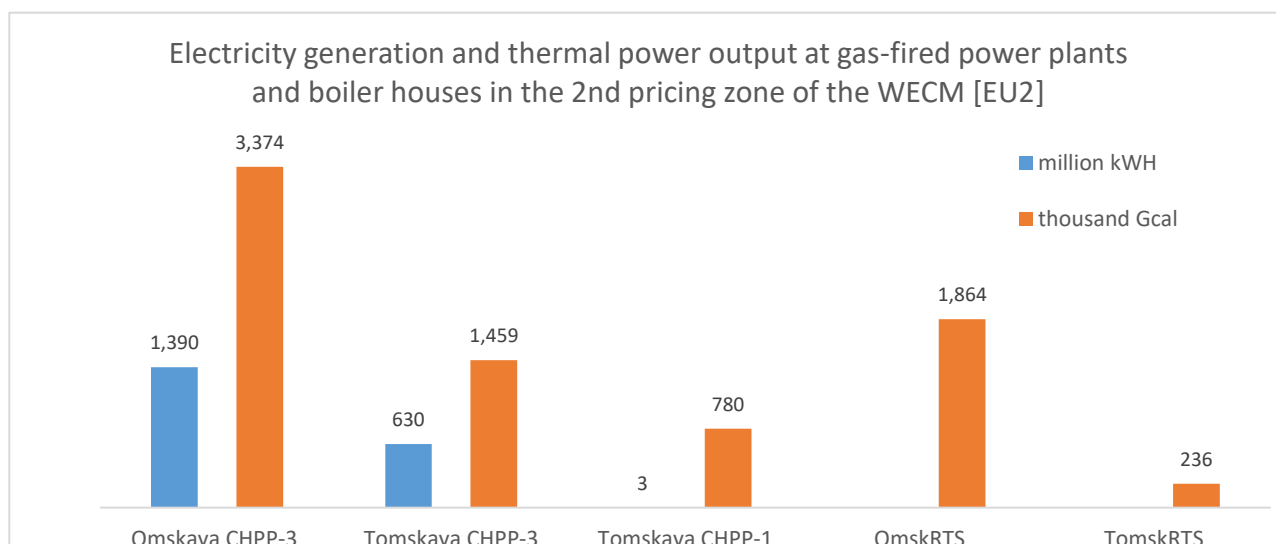
Specific fuel consumption for electric power supply from busbars decreased by 6.8 g of fuel equivalent/kWh, or 2.2%, to 308 g of fuel equivalent/kWh due to the optimized workload. Specific fuel consumption for the supply of thermal power increased by 3.0 kg of fuel equivalent/Gcal, or 2.1%, to 146 kg of fuel equivalent/Gcal.

[More details about the structure of generation are presented on the Inter RAO website in the Analyst's Handbook section.](#)

**Structure of heat generation and supply by Bashkir Generation**



## Structure of heat generation and supply by TGC-11



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

Indicator	'Thermal Power Generation in the Russian Federation' segment			
	2018	2019	2020	2020/2019
Revenue, RUB mln	90,253	95,965	92,695	−3%
Share of the Inter RAO Group's revenue, %	9%	9%	9%	0 p.p.
Operating expenses, including				
Purchased electricity and capacity, RUB mln	(6,606)	(7,265)	(6,812)	−6%
Fuel expenses, RUB mln	(41,968)	(44,359)	(42,207)	−5%
EBITDA, RUB mln	17,670	19,594	19,911	2%
EBITDA margin, %*	24%	25%	27%	2 p.p.
Share of the Inter RAO Group's EBITDA, %	14%	13%	17%	3 p.p.

\* EBITDA margin was calculated excluding intersegment revenue in the 'Thermal Power Generation in the Russian Federation' segment in the amount of RUB 17.890 billion for 2020, RUB 17.592 billion for 2019, and RUB 15.388 billion for 2018.



Revenue in the 'Thermal Power Generation in the Russian Federation' segment declined by RUB 3.3 billion (3%) in 2020.

The decrease in revenue in the Bashkir Generation sub-segment by RUB 1.8 billion was the result of such factors as a reduction in electricity sales due to lower consumption in the UES of Russia, increased thermal power sales from the varying effects of a higher heat carrier tariff and lower consumption due to warmer average monthly temperatures as well as growth in revenue from the sale of capacity, mainly as a result of higher sales under CDA and CCA contracts and the price of CDAs.

Revenue in the TGC-11 sub-segment fell by RUB 1.4 billion due to lower sales volumes and prices on the day-ahead market, including a decreased load in the trading schedule resulting from the increased output of hydroelectric power plants, as well as the expiration of the CDA for the TG-2 TPP-2 facility starting from January 1, 2020.

EBITDA in the 'Thermal Power Generation in the Russian Federation' segment grew by RUB 0.3 billion, or 2%, as a result of various changes in the segment's companies. In particular, the TGC-11 Group saw its EBITDA decline by RUB 0.8 billion due to a reduction in electricity sales volumes and prices on the day-ahead market. Meanwhile, the BGC Group boosted EBITDA by RUB 1.1 billion. The main growth drivers were savings on the item 'Thermal power transportation costs' due to the fact that transportation services had been purchased from a third-party supplier in the comparable period of 2019, while starting from June 1, 2019, the heating networks were rented and the Group handled transportation on its own; higher capacity selling prices; a RUB 950 million increase in income from fines and penalties, mainly for the construction of a 440 MW CCGT unit at the Zatonetskaya CHPP; and the payment of RUB 142 million in insurance claims for emergencies.

### 8.3.7. Facilities under the CDA program

Information about Inter RAO facilities that receive capacity tariffs as part of the CDA program<sup>21</sup>

Plant	Unit	Actual installed capacity under CDA, MW	Period when capacity tariff granted under CDA <sup>22</sup>
Ivanovskiye CCGT	Unit 2 of Ivanovskiye CCGT	325	07/01/2012-01/01/2022
Kharanorskaya TPP	Unit 3	235	12/01/2012-12/31/2021
Urengoyorskaya TPP	Unit 1	505.7	12/01/2012-09/30/2022
Tomsk branch of TGC-11	No. 1 GTU-16 (PRK)	14.7	01/01/2013-12/31/2022
Omskaya CHPP-3	CCGT-90 (Unit 1)	85.2	07/01/2013-12/31/2022
Gusinoozyorskaya TPP	Unit 4	210	11/01/2013-10/31/2023
Dzhubginskaya TPP	Units 1 and 2	198	11/01/2013-10/31/2023
Yuzhnouralskaya TPP-2	Unit 1	422.1	03/01/2014-12/31/2022
Nizhnevartovskaya TPP	Unit 3.1	431	04/01/2014-09/30/2023
Omskaya CHPP-3	Turbine plant 13	60	12/01/2014-12/31/2023
Cherepetskaya TPP	Units 8 and 9	450	01/01/2015-12/31/2022 04/01/2015-12/31/2023
Yuzhnouralskaya TPP-2	Unit 2	422.4	12/01/2014-12/31/2023
Omskaya CHPP-3	Unit 10 (Turbine T-120)	120	01/01/2017-12/31/2025
Verkhnetagilskaya TPP	Unit 12	447.2	06/01/2017-11/01/2027
Permskaya TPP	Unit 4	903	08/01/2017-06/30/2027
Zatonetskaya CHPP	Units 1 and 2	440	03/01/2018-12/31/2026 04/01/2018-12/31/2026
<b>Total</b>		<b>5,269.3</b>	

### 8.3.8. Repair activities and breakdown susceptibility [EU30]

Inter RAO's production asset repair programs for 2020 were compiled taking into account the following conditions:

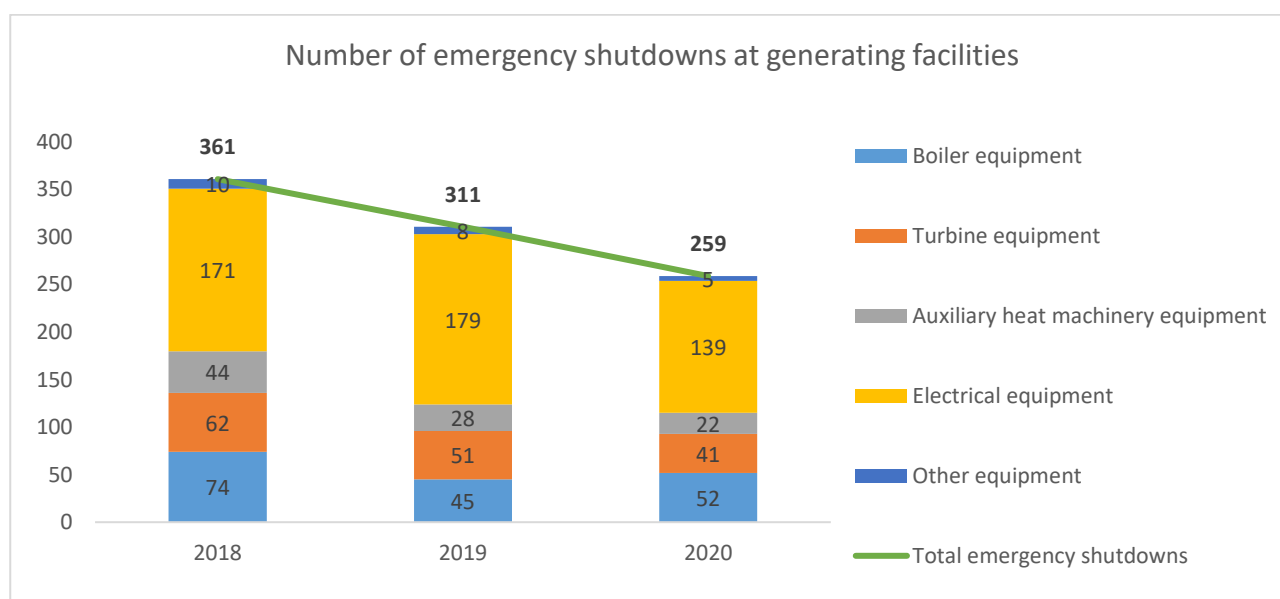
<sup>21</sup> Additional information is provided in the [Analyst's Handbook](#) book on the Inter RAO website.

<sup>22</sup> Does not include CDA facilities that ceased to receive the CDA tariff for capacity prior to January 1, 2020.

- 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

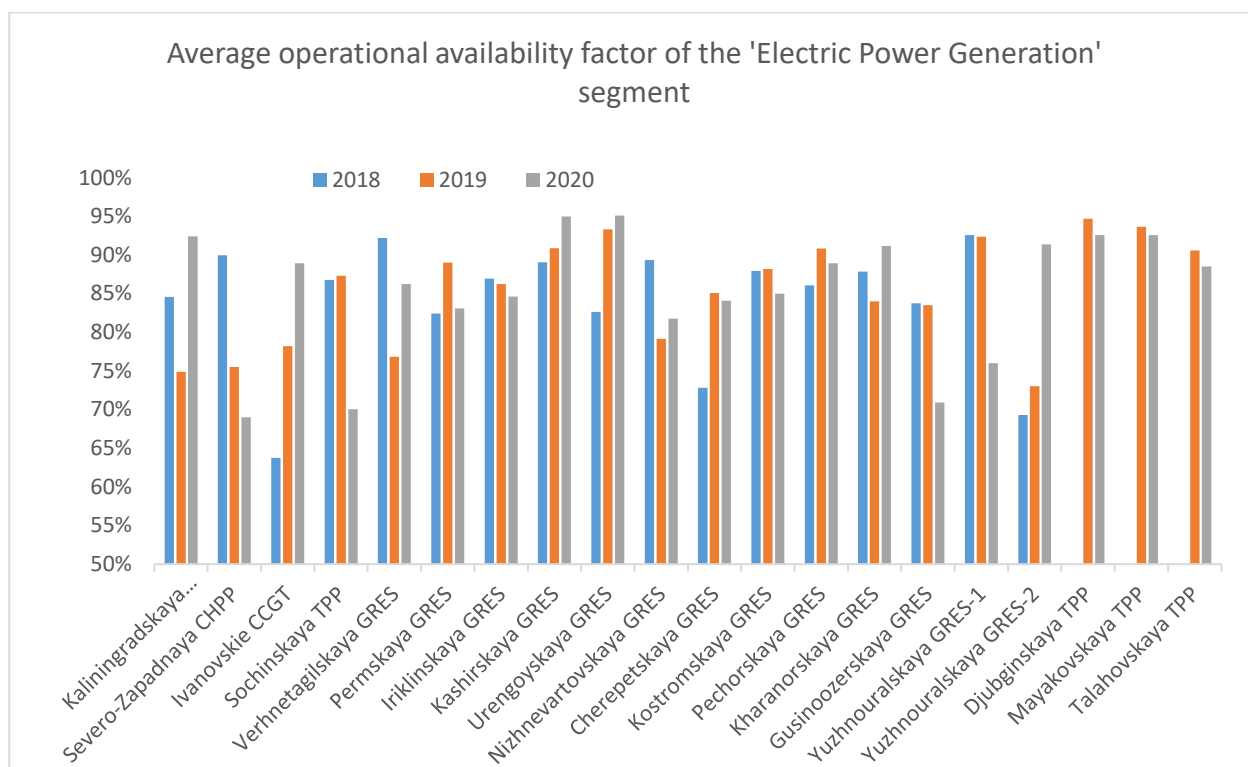
The number of emergency shutdowns at generating facilities decreased by 16% compared with 2019 to 259 cases due to the timely and effective implementation of plans and programs for the repair, reconstruction, and modernization of equipment and technical devices, stricter quality control of work performed 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 2020 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.



#### **8.3.8.1. Repair and reconstruction in the 'Electric Power Generation in the Russian Federation' segment [EU30]**

In 2020, the average operational availability factor for power plants in the 'Electric Power Generation in the Russian Federation' segment was 83.6%, down slightly from 85.8% in 2019, due to repair work at power units of the Sochinskaya TPP, Gusinoozyorskaya TPP, and Yuzhnouralskaya TPP. The total actual costs of repairs in the 'Electric Power Generation in the Russian Federation' segment amounted to RUB 8.176 billion, excluding VAT, in 2020.



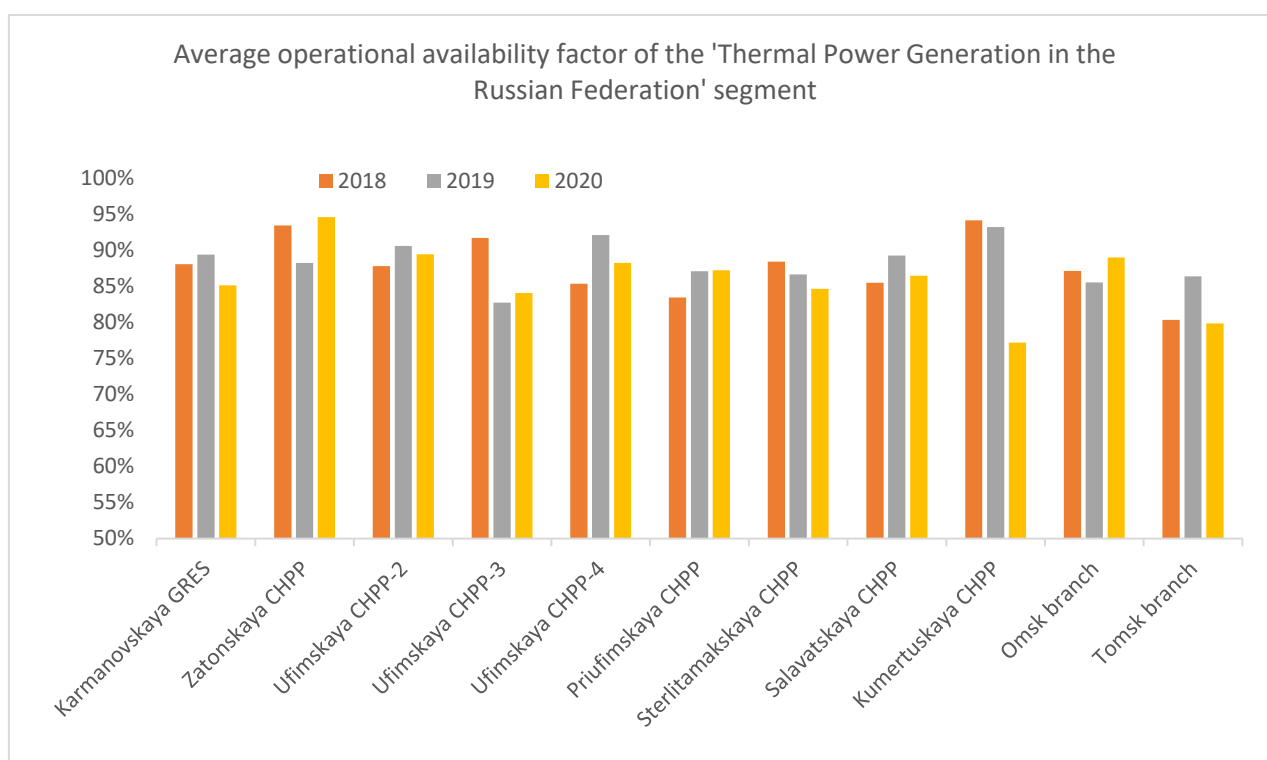
**Key repair and reconstruction events in the 'Electric Power Generation in the Russian Federation' segment**

Event	Result
<b>Overhaul of gas turbine 12 of power unit 1 at the Severo-Zapadnaya CHPP</b>	
Inspection of the hot gas path of the gas turbine and blade replacement.	The service life of gas turbine 12 was extended by five years.
<b>Modernization of the generator of power unit 8 at the Kostromskaya TPP</b>	
Modernization of the generator of power unit 8 at the Kostromskaya TPP, which was manufactured in 1972, due to its technical condition.	The generator's capacity was increased from 320 to 350 MW and restrictions on the subsequent modernization of power thermal mechanical equipment were lifted (as part of the modernization project selection program).
<b>Technical re-tooling of the G-2 generator of the Severo-Zapadnaya CHPP with a complete replacement of the stator winding and the use of modern insulation with increased thermal conductivity</b>	
Complete replacement of the stator winding due to the vibration spark erosion of the semiconductive coating in the area of the stem slot, which led to the premature aging of the insulation.	The type of stator winding insulation was changed from Global VPI to Resin Rich with an extension in the generator's service life, and improvements were made to the insulation properties of the winding and its thermal characteristics. Provisions were also made to conduct operational tests and measure the generator's parameters in a larger volume.

**8.3.8.2. Repair and reconstruction in the 'Thermal Power Generation in the Russian Federation' segment [EU30]**

In 2020, the average operational availability factor of the power plants of the Bashkir Generation sub-segment edged down slightly compared with the previous year and amounted to 86.6% versus 88.8% in 2019. The ratio

also decreased at JSC Tomsk Generation from 86.4% to 79.9%. Meanwhile, JSC TGC-11 saw its ratio jump from 85.6% to 89% in 2020 due to the timing and volume of repair campaigns carried out at subsidiaries.



#### Key repair and reconstruction events in the 'Thermal Power Generation in the Russian Federation' segment

Event	Result
<b>Modernization and overhaul of equipment at the Omskaya CHPP-5</b>	
Overhaul of the turbine unit with the replacement of the nozzle set, two stages of the high-pressure rotor, and the repair of the cylinder body parts. Overhaul of the cooling tower with the restoration of the reinforced concrete structures on the tower's bottom, bowl walls, and foundations and the reinforced concrete columns of the cooling tower. Technical re-tooling of the electrostatic precipitator with the installation of gas cleaning equipment, gas ducts, and smoke exhausters.	The fleet life of the turbine unit was extended with the restoration of its design characteristics, restrictions on installed capacity in summer periods were lifted, and the degree of filter cleaning was increased from 98.7% to 99.51%.
<b>Overhaul of power unit 2 at the Karmanovskaya TPP</b>	
Replacement of the platen superheater of the steam boiler with the replacement of the steel grade of the coils, the stuffing of the regenerative air heater, and pipe bends within the boiler. Repair of the K-300-240 steam turbine, replacement of the rotor blades on the control stage of the high-pressure hose, replacement of the rotor blades of the 28 <sup>th</sup> stage of the high-pressure motor, and the replacement of the rings	The service life and reliability of operation was extended, with improvements made to the technical and economic indicators of the equipment.

on two stages of the high-pressure hose and two stages of the high-pressure motor.	
<b>Overhaul of turbine unit 5 at the Ufimskaya CHPP-2</b>	
Replacement of the rotor blades of the control stage of the high-pressure hose, the rotor blades and disc of the 29 <sup>th</sup> stage of the low-pressure hose, and the shroud and slip rings of the generator rotor; the factory repair of the exciter with the replacement of the stator winding; and the modernization of the steam jet ejector with the installation of a new modernized pipe system made from profiled corrosion-resistant tubes.	The service life and operational reliability was extended. The shield and the electro-hydraulic control system of the steam turbine were modernized with the functions of the automated control system of the electro-hydraulic control system in the existing automated process control system based on the KRUG-2000 software and hardware system with the creation of a prototype using a Russian-made software and hardware system.
<b>Overhaul of hydroelectric unit 3 at the Pavlovskaya HPP</b>	
Repair of the support and guide bearings segments with the replacement of the fluoroplastic layer. Final stage of the modernization of Pavlovskaya HPP completed with the replacement of the protective mechanisms of the hydraulic units.	The equipment reliability was improved and the service life of the hydraulic units was extended.

### 8.3.9. Development prospects of the 'Generation' business

In accordance with the [Inter RAO Development Strategy for the Period until 2025 with a View to 2030](#), generation will continue to play a key role in the Group's activities in the long term and will be a priority area of development.

In the near future, Inter RAO will focus on 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.

Based on the results of the selection in 2020 of modernization projects for 2026, Inter RAO was granted 46% of the 3.8 GW (1.75 GW) quota. The total capacity of the Group's projects that were selected as part of the tenders of the modernization project selection program for 2022-2026 is about 8.5 GW, which is equivalent to 40% of the entire program.

As existing thermal assets are further developed, the Group will focus its efforts on realizing the existing potential for increasing efficiency.

Inter RAO also plans to study options for participation in renewable energy projects in Russia, consider the possibility of acquiring generating assets that run on renewable energy sources, and collaborate with major players on the renewable energy market in Russia in an effort to possibly establish mutually beneficial cooperation.

## 8.4. Foreign assets

### 8.4.1. Description of business [EU 1, 2, and 4]

Country	Asset	Specialization					
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Power plant			Installed electric power capacity	Installed thermal power capacity	Electricity generation in 2020, mln kWh	Heat output in 2020, thousand Gcal	Share of generation in country, %
Georgia	JSC Khrami HPP-I	Hydroelectric power plant	113	—	399	—	3.6%
	JSC Khrami HPP-II	Hydroelectric power plant	114	—			
Pridnestrovian Moldavskaya Republic	CJSC Moldavskaya TPP	Thermal power plant	2,520	166	4,689	98	90.3%
Lithuania	Vydmantai Wind Park UAB <sup>23</sup>	Wind farm	30	—	74	—	1.5%
Network assets			Length of networks	Electricity sales in 2020, mln kWh	Market share in country, %		
Georgia	JSC Telasi	Distribution networks	6,098 km OL 2,341 km <sup>24</sup> CL 3 757 km <sup>25</sup>	2,477	22%		

### 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 generated in Georgia. The two hydroelectric power plants have total installed capacity of 227.2 MW. The electricity is sold under contracts with JSC Telasi.

### JSC Telasi

JSC Telasi is one of the largest power grid and retail companies in Georgia and employed 1,983 people as of December 31, 2020. 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 customers in Tbilisi and nearby villages.

The total length of JSC Telasi power transmission lines amounted to 6,098 km as of December 31, 2020 [EU4]

<b>Length of power lines, including</b>	<b>6,098</b>
<b>Overhead power lines (in chains), total</b>	<b>2,341</b>
- 110 kV voltage	249
- 35 kV voltage	89

<sup>23</sup> A subsidiary of AB INTER RAO Lietuva, which is part of the 'Trading in the Russian Federation and Europe'.

<sup>24</sup> OL – overhead power transmission lines with voltage ranging from 0.4 volts to 110 kV.

<sup>25</sup> CL – cable power transmission lines with voltage ranging from 0.4 volts to 35 kV.

- 10 kV voltage	113
- 6 kV voltage	197
- 0.4 kV or less	1,693
<b>Cable power lines, total</b>	<b>3,757</b>
- 35 kV voltage	101
- 10 kV voltage	367
- 6 kV voltage	1,379
- 0.4 kV or less	1,910

### **CJSC Moldavskaya TPP**

CJSC Moldavskaya TPP is one of the largest thermal power plants of its kind on the European continent and provides electricity to Transnistria and Moldavia. As a generating unit, the Moldavskaya 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 Moldavian consumers and potential transmission to EU countries.

### **Vydmantai Wind Park UAB**

The 30-MW wind farm is located in Lithuania. Fifteen wind power plants with installed capacity of 2 MW each produce electric power in the wind farm. The farm has been included in the segment of transmission networks of Lithuania's Palanga-Sventoji energy system.

## **8.4.2. Results of operating activities [EU4 12, 28, 29]**

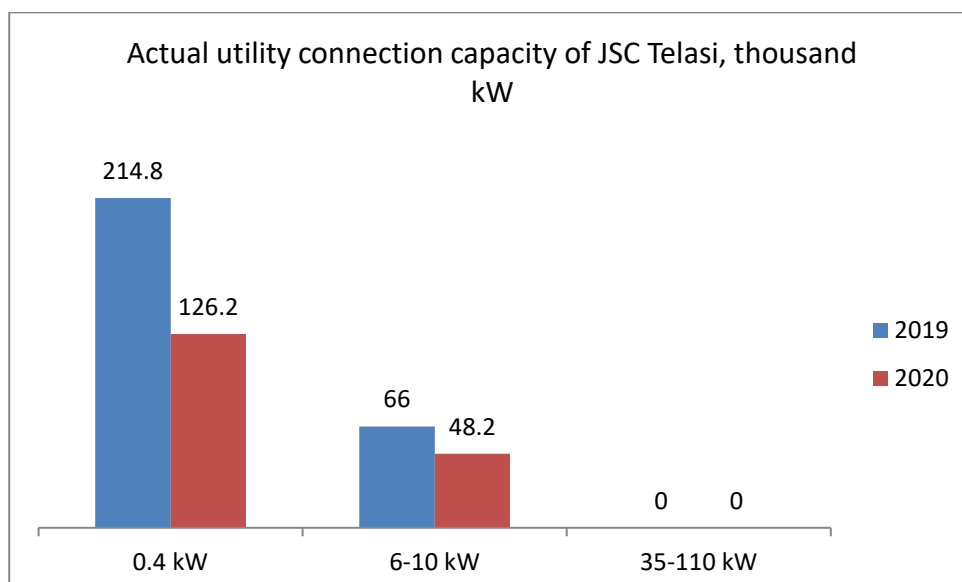
### **Georgia**

The installed electric power capacity of generating assets remained unchanged in the reporting period at 227.2 MW. Total electricity production decreased by 9.8% in 2020 due to a lower level of inflow water.

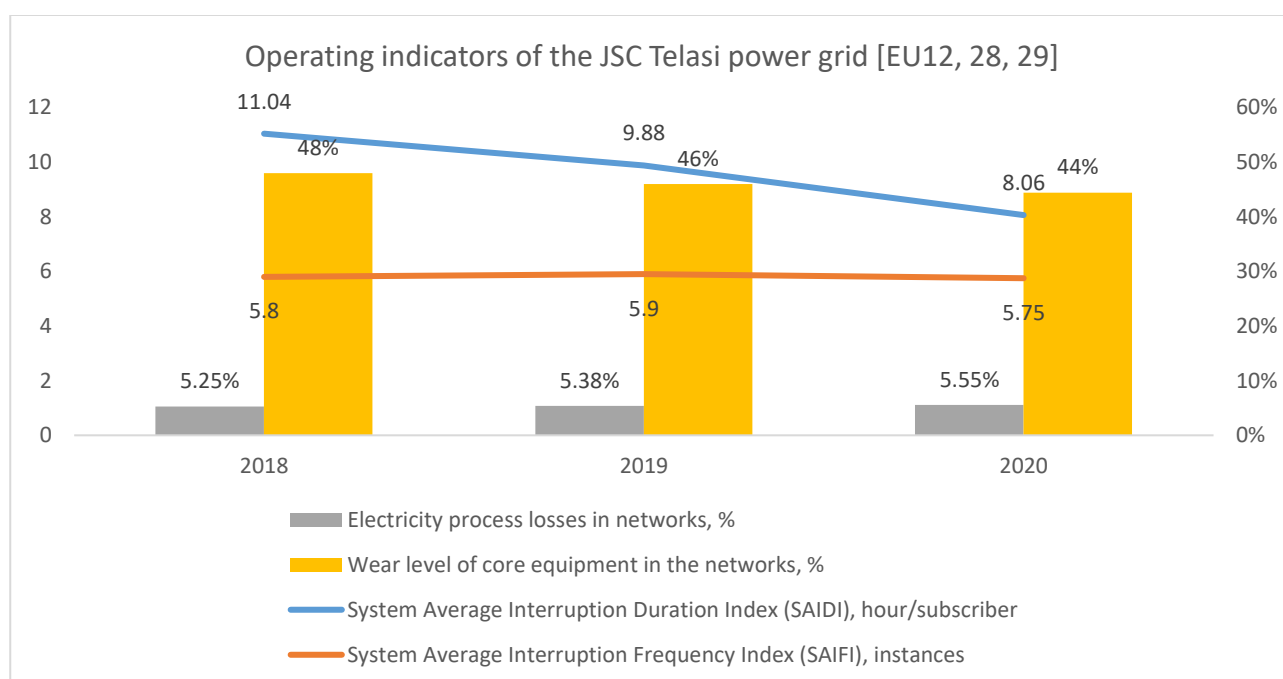
In 2020, the net supply of electricity purchased by JSC Telasi was 9.8% lower than the previous year due to reduced consumption in the commercial sector caused by the restrictions imposed in Georgia in connection with COVID-19.

Projects to connect new subscribers are a key focus of JSC Telasi's business. The projects involve building a network for new subscribers in accordance with Resolution No. 20 of the Georgian National Energy and Water Supply Regulatory Commission dated September 18, 2008.

In 2020, new customers, customers seeking to increase capacity, and existing customers submitted 7,557 applications for utility connections with total capacity of 194,900 kW, and 5,772 utility connections were made to the electrical network of customers with total capacity of 174,400 kW.



Technical and repair work conducted by JSC Telasi in 2020 helped to keep electricity losses in networks at the level of 5.55%, which is below the standard level according to Resolution No. 21 of the Georgian National Energy and Water Supply Regulatory Commission dated August 30, 2018. The total length of power lines increased by 3.6% to 6,098 km [EU4] due to the construction of lines for new customers and new cable lines for network protection as well as the reconstruction and modernization of networks.



## Moldavia

The installed electric power capacity of CJSC Moldavskaya TPP remained unchanged in 2020. The total amount of electricity generated in the reporting period increased by 10.5% compared with the previous year and amounted to 4.689 billion kWh (90.3% of total electricity generation in the country). This can be attributed to an increase in electricity output for export to Moldavia and growing demand for electricity from customers on the domestic market of the Pridnestrovian Moldavskaya Republic. The installed capacity utilization factor increased by 2.0 percentage points compared with 2019, while the specific fuel consumption for the supply of



electricity from busbars grew by 0.5% versus the 2019 level. The main type of fuel used in 2020 was natural gas, which made up 99.9% of the plant's fuel balance.

### Vydmantai Wind Park UAB

In 2020, the wind farm generated 74 million kWh of electricity, an increase of 14.8% compared with 2019.

#### 8.4.3. Financial results by segment

Indicator	'Foreign Assets' segment			
	2018	2019	2020	2020/2019
Revenue, RUB mln	26,817	24,011	22,820	–5%
Share of the Inter RAO Group's revenue, %	3%	2%	2%	0 p.p.
Operating expenses, including				
Purchased electricity and capacity, RUB mln	(6,607)	(5,668)	(7,179)	27%
Electricity transmission fees, RUB mln	(1,779)	(1,714)	(1,402)	–18%
Fuel expenses, RUB mln	(6,456)	(5,706)	(7,308)	28%
<b>EBITDA, RUB mln</b>	<b>7,491</b>	<b>7,060</b>	<b>3,106</b>	<b>–56%</b>
EBITDA margin, %	28%	29%	14%	–15 p.p.
Share of the Inter RAO Group's EBITDA, %	6%	5%	3%	–2 p.p.

Revenue in the 'Foreign Assets' segment decreased by RUB 1.2 billion (5%) in the reporting period. The main reasons for the decline were:

- Decreased revenue in the Turkey sub-segment by RUB 2.8 billion due to the signing of a Protocol on the Transfer of a Gas-fired Plant in 2019 and the absence of revenue in 2020
- A RUB 2.2 billion increase in the revenue of the Moldavskaya TPP due to increased supplies to a major electricity customer as well as the depreciation of the ruble against the US dollar

Expenses on the purchase and transmission of electricity are mainly associated with the activities of JSC Telasi. Expenses on the purchase of electricity and capacity grew by RUB 1.5 billion due to higher average tariffs for purchased electricity. Transportation and dispatching expenses decreased by RUB 0.3 billion as a result of lower tariffs.

Fuel expenses in the Moldavia sub-segment increased by RUB 1.6 billion due to increased electricity generation.

EBITDA in the segment dropped by RUB 4 billion (56%), mainly because of the completion of the Trakya Elektrik project as well as the deterioration of the Georgia sub-segment's results due to the fact that tariff growth rates for purchased electricity exceeded those of the selling tariffs. The negative EBITDA results in Turkey and Georgia were partially offset by an increase in EBITDA by RUB 345 million in the Moldavia sub-segment due to increased supply volumes amid the weakening ruble.

#### 8.4.4. Development prospects

In 2021, JSC Telasi plans to connect 27,000 new subscribers to its distribution network. In addition, the power transformers at the Chugureti and Sanapiro substations will be replaced to increase capacity in order to provide electricity to customers in Tbilisi.

On December 20, 2019, Georgia adopted the Law on Energy and Water Supply, which envisages significant changes in the energy sector. The law calls for creating a wholesale electricity market based on the European model, including the separation of vertically integrated electric power companies. To this end, a new energy

supply company was registered in Tbilisi on September 8, 2020. The company, LLC TELMIKO, is part of the Inter RAO Group and will be given the power supply functions of JSC Telasi.

LLC TELMIKO is to be granted the status of a public supplier in the operating area of JSC Telasi. LLC TELMIKO also plans to provide services to subscribers who purchase electricity on terms that differ from those of public supply.

## 8.5. Supply

### 8.5.1. Description of business

The 'Supply in the Russian Federation' segment unites the Group's companies whose main business involves the supply (sale) of electric power (capacity). In 2020, the Group's power supply companies had an 18.2% share of the retail electric power market, while the customer base expanded to 17.2 million 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 consists of:

- 11 power supply companies (PSCs) that are guaranteed suppliers (GS) operating within 14 regions of the Russian Federation
- 4 unified information and payment centers (UIPCs) 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 66 regions of the Russian Federation

### 8.5.2. Results of operating activities [EU3]

In 2020, electricity sales by companies in the 'Supply in the Russian Federation' segment declined by 2.4% compared with 2019 and amounted to 193.748 billion kWh. The following factors had the biggest impact on this increase:

- Electricity sales by JSC Petersburg Supply Company decreased by 1.933 billion kWh, or 6.2%, due to reduced consumption by small and medium-sized businesses as a result of the introduction of restrictive measures to prevent the spread of COVID-19
- Electricity sales by JSC Mosenergosbyt decreased by 1.421 billion kWh, or 1.6%, because of higher temperatures (the outside air temperature in the Moscow region was 3.7°C warmer in the first quarter of 2020 than in the same period of the previous year and was the warmest quarter on record since observations began in 1972) as well as lower consumption by businesses during the period when restrictive measures were imposed to prevent the spread of COVID-19

Unregulated supply companies saw an aggregate decrease in electricity sales of 1.551 billion kWh, or 5.1%, primarily due to reduced electricity consumption by Rosneft subsidiaries as a result of restrictions on production under the OPEC+ agreement as well as the effect of measures to prevent the spread of COVID-19.

	2018	2019	2020	2019/2020
Net supply in Russia, bln kWh	1,076.1	1,075.2	1,050.4	-2.3%
Net supply by segment, mln kWh	191,908	198,456	193,748	-2.4%
Share of the segment's net supply in Russia*, %	17.7%	18.3%	18.2%	-0.1 p.p.

\* Excluding operations on the wholesale market.

For all guaranteed suppliers, the key factors behind the lower sales were the higher air temperatures in 2020 compared with that of 2019 as well as reduced consumption due to the imposition of restrictive measures to

prevent the spread of COVID-19 in the second quarter of 2020. Major electricity consumers continue to join the wholesale electric power market.

The customer base was projected to expand by 235,000 customers in 2020 compared with 2019, but actually increased by 369,000 to 17.2 million customers. The largest increase in the customer base occurred at JSC Petersburg Supply Company (+90,000 customers) and JSC Mosenergosbyt (+186,000 customers). The driving factors behind this increase included: subscribers were accepted for servicing from third-party organizations, primarily management companies (individuals were accepted for direct settlements based on the decisions of the general meetings of residential premises owners at apartment buildings), land owners who had previously made settlements with gardeners' non-commercial partnerships and cooperative housing societies transitioned to direct settlements with guaranteed suppliers, new household subscribers (new buildings) were accepted for settlements, new contracts were concluded with non-industrial consumers, and customers were recognized as equal to the population.

#### Number of customers served as of the end of the year [EU3]

	2018	2019	2020	2020/2019
Population, housing and utility services, management companies, homeowners' associations, housing cooperatives, and equivalent organizations	15,212,591	16,488,029	16,849,567	2.2%
Industry	13,814	14,875	15,229	2.4%
Transport and communication	335	588	1,453	147.1%
Other commercial enterprises	247,503	268,638	273,949	2.0%
Agriculture	9,620	10,195	10,751	5.5%
Publicly-funded institutions	34,932	37,554	37,839	0.8%
<b>Total</b>	<b>15,518,795</b>	<b>16,819,879</b>	<b>17,188,788</b>	<b>2.2%</b>

#### 8.5.3. Fulfillment of contractual obligations [EU27]

Companies in the segment constantly work to improve the payment discipline of customers. This became particularly relevant in 2020 due to the restrictive measures that were imposed to prevent the spread of COVID-19. These measures temporarily curtailed the ability of power supply companies to collect debts. In particular, Resolution No. 424 of the Government of the Russian Federation dated 2 April 2020 "On Specific Aspects of Providing Utility Services to Owners and Users of Premises in Apartment and Residential Buildings" (Resolution No. 424) placed a moratorium on the right to file claims against individual debtors seeking the payment of penalties (fines) for utilities as well as restrict or suspend the provision of utilities until January 1, 2021. The moratorium not only affected the payment discipline of ordinary people, but also organizations whose financial standing largely depends on payments by individuals for utilities and resources, such as utility service providers and utility companies that provide heat and water supply services.

The lockdown that was in effect from April to June 2020 also impacted the payment discipline of customers. Organizations that provide entertainment and consumer services as well as host cultural events had their activities suspended during this period. The hotel and catering businesses faced serious problems as well. Educational institutions switched to remote learning. Some of these restrictions still remain in place today.

#### Collection of payments for electric power supplied

	2018	2019	2020
Collection of payments for electric power supplied in the retail segment	98.8%	99.6%	99.5%

The Group managed to prevent the level of collections from plummeting in 2020 by stepping up work to collect receivables. The slight decrease compared with 2019 is due to the diminished payment discipline of the

categories of customers that were most affected by the COVID-19 pandemic (the population, resource supply organizations, utility providers as well as small and medium-sized businesses).

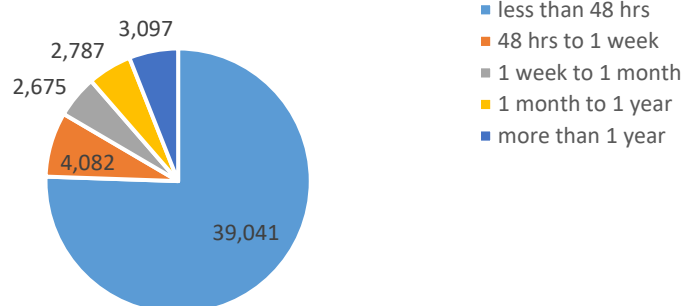
Inter RAO paid particular attention to work with legal entity debtors in 2020 by focusing on effective methods of influence, such as imposing restrictions on power consumption modes and litigation.

Given the moratorium on the imposition of restrictions that was in place from April to December 2020, the volume of collections from individuals through the courts increased significantly, while methods of out-of-court debt settlement were expanded, particularly methods involving remote communication with customers (telephone calls, banners in a customer's personal account, the inclusion of information about debts in receipts as well as sending notifications and information letters, among other things).

Resolution No. 424, which imposed a moratorium on restricting or shutting off utilities until January 1, 2021, was the primary factor that resulted in a substantial decrease in the number of household subscribers who had their power shut off in 2020.

Number of disconnections among residential subscribers for non-payment with a breakdown of the duration of disconnections in 2020  
[EU27]

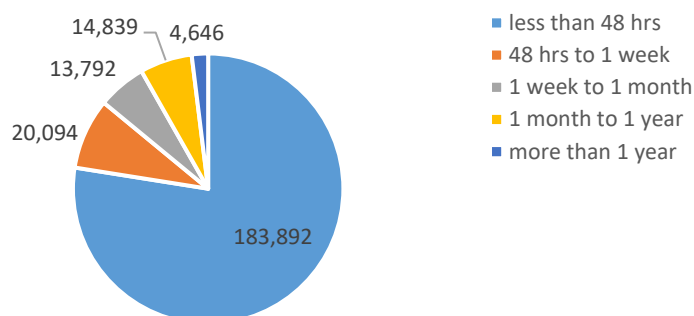
**51,682 disconnections**



26

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

**245,262 disconnections**



27

<sup>26</sup> Information for GS and IPSC.

<sup>27</sup> There is no accounting conducted for the length of time between debt settlement and a customer's reconnection.

#### 8.5.4. Financial results in the 'Supply in the Russian Federation' segment

Indicator	'Supply in the Russian Federation' segment			
	2018	2019	2020	2020/2019
Revenue, RUB mln	632,368	695,098	696,696	0.2%
Share of the Inter RAO Group's revenue, %	66%	67%	71%	+4 p.p.
Operating expenses, including				
Purchased electricity and capacity, RUB mln	(368,026)	(412,102)	(413,302)	0.3%
Electricity transmission fees, RUB mln	(218,047)	(233,393)	(233,671)	0.1%
EBITDA, RUB mln	24,960	25,807	24,412	-5.4%
EBITDA margin, %*	4%	4%	4%	0 p.p.
Share of the Inter RAO Group's EBITDA, %	21%	18%	20%	2 p.p.

\* EBITDA margin was calculated excluding intersegment revenue in the 'Supply in the Russian Federation' segment in the amount of RUB 1.821 billion for 2020, RUB 1.758 billion for 2019, and RUB 1.674 billion for 2018.

Revenue in this segment grew by RUB 1.6 billion (0.2%) primarily as a result of the increased external revenue generated by JSC Mosenergosbyt, LLC Northern Supply Company (NSC), LLC Energosbyt Volga, and JSC Tomskenergosbyt, which boosted sales markups and net supply to the population and equivalent categories as people switched to remote work en masse. All the Group's sales companies were negatively affected by the higher average temperatures compared with the previous year, the diminished business activity of small and medium-sized businesses due to the imposition of restrictions associated with COVID-19 as well as lower revenue at a number of companies from major customers who became direct energy market consumers in 2020. In addition, income from fines and penalties slumped in 2020 as a result of the moratorium on charging penalties for the late payment of arrears during the pandemic as well as income from additional paid services due to the enactment of Federal Law No. 522-FZ "On Amendments to Certain Legislative Acts of the Russian Federation in Connection with the Development of Metering Systems for Electric Power (Capacity) in the Russian Federation" (Federal Law No. 522), which stipulates that guaranteed suppliers and network organizations must install and maintain metering devices at their own expense.

LLC Omsk Power Supply Company increased revenue from external customers by RUB 15.0 billion after being granted the status of a guaranteed supplier in the Omsk Region starting from January 1, 2020. Petersburg Supply Company, which had the status of a guaranteed supplier in the region during the previous year, saw its revenue decline by a comparable amount.

Expenses on purchased electricity and capacity grew by RUB 1.2 billion in the segment due to higher prices for purchased capacity. Expenses on electricity transmission services increased by RUB 0.3 billion as a result of the effect of growth in regulated tariffs trumping the effect of reduced electricity consumption.

EBITDA in the 'Supply in the Russian Federation' segment fell by RUB 1.4 billion, or more than 5%, in 2020 compared with the previous year due to the varied influence of the abovementioned factors.

#### 8.5.5. Commercial services

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

- Installation and maintenance of electricity meter devices and systems as well as 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 UIPCs generated revenue of RUB 4.366 billion from commercial services in 2020 (0.6% of total revenue in the segment). This indicator was down from RUB 5.509 billion in 2019 due to diminished business activity during the period when restrictive measures were imposed. At the same time, revenue in certain areas, such as the sale of electrical products and intermediary activities, increased compared with the previous year. As changes were made to legislation, the product portfolio was restructured with the focus shifting to the provision of services in the legal entities segment.

#### **8.5.6. Development of smart metering systems**

Starting from July 1, 2020, guaranteed suppliers and grid companies, as professional participants in retail electricity markets, became obligated to only ensure the installation/replacement of metering devices, without the introduction of smart functions, in accordance with Federal Law No. 522. Since the description of what the government views as 'smart' metering devices only appeared in mid-June 2020, electricity metering devices that meet all the requirements could not be produced for the entire market. As a result, legislators pushed the deadline for transitioning from ordinary meters to smart devices back to January 1, 2022.

In order to comply with the requirements of Federal Law No. 522, in the second half of 2020, the Group started the process of replacing metering devices that had gone beyond the calibration interval (or installing them in places where they had not previously been) with metering devices available on the market.

At present, the power supply companies of PJSC Inter RAO are actively working on the project to create smart metering systems.

#### **8.5.7. Digitalization**

In 2020, as restrictions were introduced due to the spread of COVID-19, the retail business paid particular attention to expanding the availability of electronic customer service, expanding functionality, and shifting customer interaction from offline to online. Official company websites offer the following existing services:

- Personal accounts
- Online consultation
- Transfer of meter readings
- Payment of charges without registration
- Printing of receipts for cash payments
- Online appointment to visit offices

The Group's companies are actively working on digitalizing their operations and prioritizing actions that will maximize the transition of interaction with customers online. In particular, nine of the Group's companies switched to the unified solution of the Customer's Personal Account in 2020, which enabled numerous customers to gain access to new electronic services. Several power supply companies have launched mobile applications that enable customers to use their personal accounts from a mobile device.

Several projects have been launched to fully unify the Group's electronic services as well as to meet all customers' needs in terms of interaction with power supply companies and UIPCs.

#### 8.5.8. Cybersecurity and personal data protection of customers [GRI 418]<sup>28</sup>

In 2020, in an effort to improve information security mechanisms in the segment, the Group implemented Information Security Development Programs, which include the following projects to update the personal data protection system:

- Technical solutions to protect information systems that process personal data
- Technical information protection solutions using the cryptographic protection of communication channels
- An anti-cyberattack software and hardware system

In addition, companies in the 'Supply in the Russian Federation' segment have been designated as being responsible for organizing the protection of confidential information. Commissions have been set up to determine the level of protection of personal data during processing in the information system that manages electricity supplies to household consumers.

Companies in the segment use a multi-level system software and hardware system for information protection. In addition to technical measures, employees regularly monitor security vulnerabilities.

Safety recommendations have been prepared to organize remote user workstations as a solution to the COVID-19 pandemic. The corresponding technical solutions have been introduced on the basis of products and equipment used by Inter RAO.

#### 8.5.9. Customer satisfaction assessment

Companies in this segment devote extensive attention to building trust-based relationships with their customers. The Group regularly assesses the level of service quality and organizes training for employees. In an effort to identify customers' needs, Inter RAO regularly conducts surveys and research using in-house resources and with the involvement of third-party organizations.

In order to ensure a client-oriented approach, the Group conducted a segmentation of the customer base for the first time in 2020 and also built customer experience maps as regards regulated activities and competitive services. Updated service standards were developed based on the data obtained and will be introduced at the Group's power supply companies and UIPCs in 2021.

In 2020, Inter RAO conducted a wave of customer satisfaction surveys among 3,375 people at all UIPCs and power supply companies using international TLR methods (a summary assessment of customer engagement and loyalty). The overall level of engagement and loyalty (TLR) was 64%, which is 5 percent higher than the 2019 result. Customers in all segments rated the staff's courtesy and professionalism as the highest, while older people proved to be the most loyal clients.

#### 8.5.10. Factors affecting the industry's development

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

**Maximum capacity reserve (MCR).** A new obligation will be introduced for customers to pay for electricity transmission services as regards payment for MCR. The obligation to pay for MCR will arise if the volume of

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<sup>28</sup> Management Approach: Personal data protection system.



MCR in an annual period was more than 40% of the maximum capacity in each consecutive month of the year (provided that the customer did not redistribute the capacity to other customers 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 a gradual transition to full payment for capacity.

**Demand management aggregators and Active Power Complexes (APC).** Demand management aggregators have become an integral tool for balancing supply and demand on both the wholesale and retail electricity markets. This pilot project was extended until the end of 2021. APC are a new type of microgrid that is primarily used by groups of industrial and commercial customers uniting various entities (electricity producers and consumers) that enter into economic relations regarding the production and consumption of electricity and capacity, both within the microgrid and from the external grid with respect to the APC. The project has been launched and may be approved as a component of the retail electricity markets based on the results of an economic assessment.

**Refueling of electric vehicles and energy storage systems.** The refueling of electric vehicles has been excluded from regulations on power supply activities, which will stimulate the economic development of this type of business. Electricity storage systems require the establishment of a legal structure for their operation and may become part of the electricity demand management system or a component of distributed generation depending on how they are developed.

**Low carbon certifications and micro-generation.** Low carbon certificates are slated to be put into circulation in Russia. The certificates are an electronic document that is issued when electricity is produced using nuclear or renewable generation. The certificate consists of a set ('package') of market rights based on the environmental effect produced from generating a certain amount of electricity. Above all, the effect implies a less adverse impact on the environment and human health compared with the combustion of fossil fuels.

Microgeneration refers to a customer-owned generating facility that runs on renewable energy sources and is used for internal consumption as well as for the sale of electricity. Such generation should have capacity of no more than 15 kW and be technologically connected to power grid facilities with a voltage level of up to 1,000 volts. Microgeneration is granted the right to sell surplus electricity on retail markets.

**Licensing and transfer of power supply activities.** Power supply companies were not supposed to be able to engage in activities starting from July 1, 2020 without an appropriate license. Permits must be issued by the relevant department in the Russian Ministry of Energy, and the documents submitted by applicants must be considered by a commission set up under the licensing authority. However, the period for engaging in power supply activities without a license was extended until July 1, 2021. All Inter RAO supply companies are ready to introduce this mechanism.

**'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 supplies).

**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 work and litigation to recover overdue debts. Regulatory acts have been adopted restricting the ability to conduct litigation without providing information on the identification data of debtors in addition to a ban on the transfer (ceding) 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 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, and judicial protection, among other things). These changes may adversely affect the 'Supply in the Russian Federation' segment.



### 8.5.11. Development prospects

Given the lack of stability in the regulatory framework as regards the regulation of retail business as well as the high level of competition for consumers from adjacent segments, in accordance with the [Inter RAO Development Strategy for the Period until 2025 with a View to 2030](#), the Group will primarily focus its efforts on the existing circuit of power supply assets in an effort to realize the existing potential to improve operational efficiency and the quality of customer service.

One of the Strategy's target indicators is the share of the Group's presence on the Russian retail supply market.

	Actual	Strategic goals	
	2020	2025	2030
Target share of the Russian retail market, %	18.2%	>18%	~20%

## 8.6. Trading in the Russian Federation and Europe

### 8.6.1. 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 (EEC) 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.

### 8.6.2. Segment's market position

Main companies engaged in trading operations

PJSC Inter RAO	Electricity export and import operator in the Russian Federation	Russia
RAO Nordic Oy	Purchase of electricity from PJSC Inter RAO for its subsequent sale to countries in Northern Europe	Finland
AB INTER RAO Lietuva	One of the largest independent electricity suppliers in Lithuania and a leading player on the Baltic electricity market	Lithuania
SIA INTER RAO Latvia	An independent electricity supplier on the Latvian energy market	Latvia
INTER RAO Eesti OU	Electricity sales on the Estonian energy market	Estonia
IRL Polska Sp. z o.o.	Carries out electricity trading activities in Poland	Poland

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	Russia
LLC Inter RAO Georgia	A jointly controlled company that purchases electricity from Russia as a participant on the Georgian energy market and subsequently sells it on the domestic electricity market of Georgia	Georgia

Trading segment operations, mln kWh<sup>29</sup>

	2018	2019	2020	2020/2019, %*
Electricity sold, including	24,195	23,499	15,552	-33.8%
Russian Federation	5,122	1,603	1,374	-14.3%
Finland	7,476	7,291	2,825	-61.2%
Lithuania	5,315	6,428	3,230	-49.7%
China	3,109	3,099	3,060	-1.3%
Poland	330	1,559	1,825	17.1%
Other countries	2,843	3,519	3,238	-8.0%
Electricity export via the Russian border				
Total exports, including:	16,712	19,338	11,701	-39.5%
China	3,109	3,099	3,060	-1.3%
Finland	6,903	7,023	2,637	-62.5%
Lithuania	4,415	6,286	3,143	-50.0%
Kazakhstan	1,347	1,437	1,264	-12.0%
Other countries	938	1,492	1,597	7.0%
Electricity import via the Russian border				
Total imports, including:	5,122	1,603	1,374	-14.3%
Kazakhstan	4,825	1,243	1,117	-10.2%
Azerbaijan	121	219	118	-45.8%
Other countries	176	141	138	-1.7%

Electricity sales in the segment decreased by 7.947 billion kWh (33.8%) in 2020 versus 2019. This is mainly attributable to a decrease in exports from Russia to Finland and Lithuania amid a significant drop in average prices on the Nord Pool market in the Finland zone, which stood at the level of EUR 28.02/MWh at the end of 2020, or 36% lower than the corresponding figure for 2019. The average Nord Pool prices in the Lithuania zone were at EUR 34.04/MWh as of the end of 2020, down by 26% from 2019. The Nord Pool price fell because of lower electricity consumption and energy prices, partly due to the introduction of restrictive measures related to the spread of COVID-19, a high level of power generation at wind farms in the countries that are members of the Nord Pool market exceeding the value of the previous year by 23% (and in some months by 90%), and a substantial water balance surplus due to the mild winter and a large amount of precipitation (the average air temperature in Scandinavian countries exceeded the norm by 3.6°C, which is the highest in the last 20 years).

The main and traditional destinations for Inter RAO's exports across the border of the Russian Federation in 2020 were Lithuania (26.9% of total exports), China (26.2%), Finland (22.5%), and Kazakhstan (10.8%).

The total volume of trade-based export-import operations by Inter RAO amounted to 13.1 billion kWh.

### 8.6.3. Financial results by segment

Indicator	'Trading in the Russian Federation and Europe' segment			
	2018	2019	2020	2020/2019

<sup>29</sup> Data on destinations presented as rounded figures.

Revenue, RUB mln, including:	73,495	77,107	53,608	–30%
Lithuania	18,163	20,466	10,673	–48%
China	8,755	8,736	9,946	14%
Russian Federation	11,898	8,217	8,491	3%
Poland	1,356	6,841	7,582	11%
Finland	24,824	21,876	6,692	–69%
Kazakhstan	3,414	3,804	3,972	4%
Latvia	795	897	1,297	45%
Other	4,290	6,270	4,955	–21%
Share of the Inter RAO Group's revenue, %	8%	8%	5%	–3 p.p.
Purchased electricity and capacity, RUB mln	(48,496)	(53,340)	(41,491)	–22%
Electricity transmission fees, RUB mln	(7,402)	(6,659)	(4,494)	–33%
EBITDA, RUB mln	16,309	17,915	7,776	–57%
EBITDA margin, %*	23%	24%	15%	–9 p.p.
Share of the Inter RAO Group's EBITDA, %	13%	13%	6%	–7 p.p.

\* EBITDA margin was calculated excluding intersegment revenue in the 'Trading in the Russian Federation and Europe' segment in the amount of RUB 1.147 billion for 2020, RUB 1.424 billion for 2019, and RUB 2.053 billion for 2018.

Revenue in the Trading segment fell by RUB 23.5 billion (30%), mainly as a result of lower revenue in Finland and Lithuania due to a sharp drop in electricity prices on the Nord Pool exchange and, consequently, a decrease in supplies, which was partially offset by the euro's growth against the ruble. Meanwhile, sales revenue in China and Poland increased.

Expenses for purchased electricity and capacity dropped by RUB 11.8 billion due to a reduction in electricity exports to Finland and Lithuania and a decrease in capacity purchases on the wholesale electricity market. At the same time, expenses on purchased electricity and capacity by JSC EEC increased due to higher tariffs for purchased capacity.

Expenses on electricity transmission services in the segment declined by RUB 2.2 billion due to a decrease at PJSC Inter RAO in connection with lower electricity exports and at RAO Nordic Oy due to lower electricity sales.

EBITDA in the segment primarily declined due to a decrease in the volume and prices of electricity sold to Finland and Lithuania on the Nord Pool exchange as a result of low prices from the warm winter in Northern Europe, a high level of generation in the renewable energy sector, and lower consumption in the reporting period.

#### 8.6.4. Expectations for demand, volume, and price conditions

In 2021, we expect growth in terms of the volume and dynamics of demand on the main markets where Inter RAO operates (Finland and the Baltic countries) compared with 2020. For example, prices for electricity and energy carriers in Europe began to grow in early 2021 due to a drop in the air temperature below the normal seasonal levels of the last several years. Cold weather contributes to higher consumption, which, combined with rainfall below the seasonal norms, reduces the surplus of hydro resources and results in higher prices on the spot and financial markets for electricity in Nordic countries.

Given the expectations for a significant relaxation of restrictive measures related to the spread of COVID-19 in 2021, which will lead to higher demand for energy and increased electricity consumption, we assume electricity prices will grow on the Nord Pool exchange.

Exports to Ukraine may also increase if the Ukrainian authorities do not impose any bans on the import of Russian electricity.

## 8.7. Engineering

### 8.7.1. Description of business

One of the key components of Inter RAO's integrated business model is the development of the engineering segment, which is represented by the companies LLC Inter RAO – Engineering, LLC QUARTZ Group, LLC INTER RAO – Export, LLC Russian Gas Turbines (LLC RGT), and the Energy Without Borders Foundation.

LLC Inter RAO – Engineering is the Group's key engineering asset. 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. The company has implemented projects to build and modernize power facilities with total capacity of 7.6 GW and is certified according to the following standards: ISO 45001:2018 'Occupational Health and Safety Management System', ISO 14001:2015 'Environmental Management Systems', and ISO 9001:2015 'Quality Management Systems'.

LLC Inter RAO – Engineering manages projects as part of Inter RAO's thermal power plant modernization program. At present, projects with delivery start dates ranging from 2022 to 2026 have been selected as part of competitive capacity auctions. Over the next six years, roughly 8.5 GW of capacity will be revamped at nine Inter RAO power plants. Successfully implementing projects on schedule as part of the capacity modernization program is one of the Group's strategically important and priority objectives in the long term.

In addition, LLC Inter RAO – Engineering is implementing a program to build four power plants in the Kaliningrad Region and is also involved in the implementation of alternative energy projects.

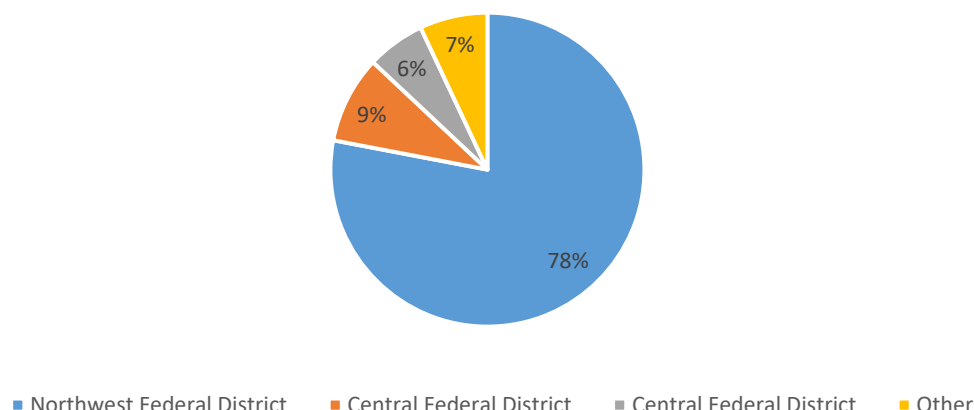
The Engineering segment includes a joint venture with General Electric (GE) called LLC RGT, which produces and services gas turbine units in Russia. In 2020, Inter RAO and GE signed a set of agreements that aim to expand the localization of the production and servicing of high-capacity gas turbines in Russia at LLC RGT. Per the agreement, LLC RGT received a GE license to manufacture and service 6F.03 gas turbines with unit capacity of up to 88 MW, which have been produced at the RGT plant in Rybinsk since 2015, and a new license for the GT13E2 turbine with capacity of up to 210 MW. The company is implementing a project to develop the production of gas turbines and their components in order to increase the degree of the product's localization to 100% and is also developing a service center that repairs the hot gas path components of gas turbines in Kaluga and offers expertise in servicing gas turbine equipment.

LLC INTER RAO – Export is responsible for developing Inter RAO's international business for the supply of power equipment and engineering, including the construction, reconstruction and repair, of power facilities.

### 8.7.2. Results of operating activities

The turnkey contract for the construction of the Primorskaya TPP in the Kaliningrad Region is the main project in the company's project portfolio in 2020 (78% of revenue). LLC Inter RAO – Engineering commissioned the Primorskaya TPP with capacity of 195 MW on time in 2020 and continued building several other facilities. The company is also implementing projects as an agent for the modernization of the Group's generating assets. In terms of external projects, the company completed construction on the Gukovo-1 wind farm with capacity of 98.8 MW in 2020 and launched a construction project for the Kotovo and Novoalekseyevskaya wind farms

### Location of projects being implemented in Russia in terms of revenue in 2020



In 2020, the Group continued implementing the major Russian-Cuban cooperation project for the construction of four new power units with capacity of 200 MW in Cuba. In addition, it is working with the Cuban company Energoimport on a promising project to modernize ten power units with installed capacity of 100 MW per unit. In South America, projects are also being developed to build and modernize generating facilities in Peru and Argentina.

In addition, a project for the modernization of CHPP-3 in Ulan Bator (Mongolia) with total capacity of 350 MW is in the pre-contract stage. The technical and commercial terms of the contract for the modernization of the Melka Wakena HPP in Ethiopia with capacity of 153 MW are also being negotiated.

### 8.7.3. Financial results by segment

Indicator	‘Engineering in the Russian Federation’ segment			
	2018	2019	2020	2020/2019
Revenue, RUB mln	30,674	22,613	16,958	–25%
Share of the Inter RAO Group’s revenue, %	3%	2%	2%	0 p.p.
Share in the (loss)/profit of joint ventures, %	(55)	30	(100)	–433%
EBITDA, RUB mln	263	(513)	<b>(2,576)</b>	<b>–402%</b>
EBITDA margin, %*	1%	–3%	–21%	–18 p.p.
Share of the Inter RAO Group’s EBITDA, %	0	0	–2%	–2 p.p.

\* EBITDA margin was calculated excluding intersegment revenue in the ‘Engineering in the Russian Federation’ segment in the amount of RUB 4.483 billion for 2020, RUB 4.645 billion for 2019, and RUB 3.793 billion for 2018.

Revenue in the Engineering segment decreased by RUB 5.7 billion (25%) in 2020 primarily because LLC Inter RAO – Engineering had lower revenue due to the completion of construction on the Pregolskaya TPP as well as a decrease in the calculated revenue recognized from the construction of the Primorskaya TPP compared with the previous period.

In 2020, EBITDA in the segment declined by RUB 2.1 billion almost entirely due to the recognition of a loss by LLC Inter RAO – Engineering as part of the Primorskaya TPP construction project. LLC Inter RAO – Export saw EBITDA increase by RUB 0.2 billion in 2020 compared with the previous year by completing work stages as part of a contract in the Republic of Cuba.

#### **8.7.4. Development prospects**

LLC Inter RAO – Engineering's main objective in 2021 is to ensure the implementation of all the Group's new construction and modernization projects as well as projects that are being implemented with the Group's involvement.

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 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.

## Sustainable Development Report

### 9. Social responsibility principles and achievement of Sustainable Development Goals

#### 9.1. Core principles of sustainable development and social responsibility [GRI 102-12, 102-16]

Inter RAO 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.

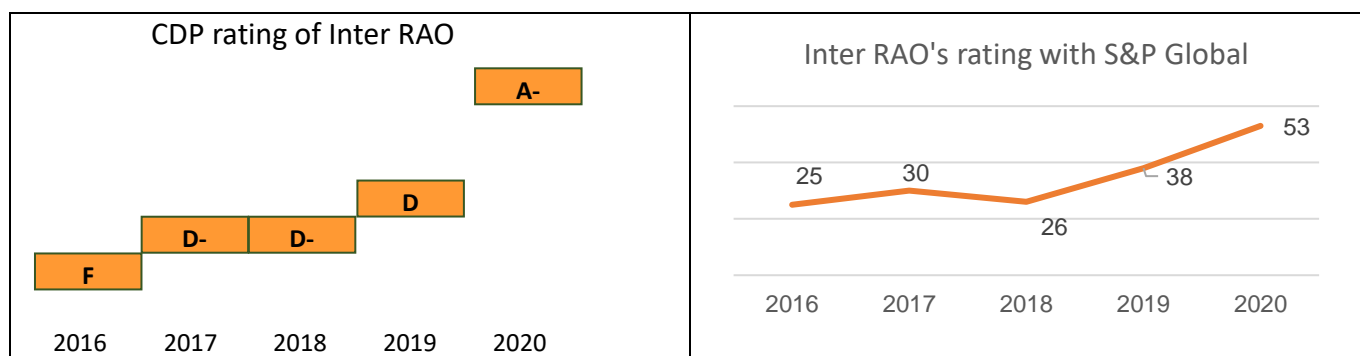
Social responsibility<sup>30</sup> is one of the key principles of corporate governance at Inter RAO and plays an important role in all stages of preparing and adopting management decisions. The goal of social responsibility is to satisfy the needs of all stakeholders for the Group's comprehensive economic, social, and environmental development, which should meet the demands of the present and not jeopardize the opportunities and aspirations of future generations.

#### Key events of Inter RAO in matters concerning sustainable development



<sup>30</sup> 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 well-being 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."



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's principles in matters concerning sustainable development<sup>31</sup>

#### Integrity and information transparency

- The Group's companies are committed to enhancing the level of awareness of all stakeholders about all aspects of their activities in matters concerning sustainable development. Financial and non-financial statements whose reliability is confirmed by independent auditors are prepared to ensure the reliability, thoroughness, and relevance of the information provided.

#### Development and continuous improvement

- The Group's companies ensure the continuous improvement of internal processes to enhance the organizational level of sustainable development activities. The achievements and effectiveness of these processes are assessed on a regular basis, and active work is underway with consulting and rating agencies that provide a comparative analysis of sustainable development activities.

#### Compliance with the rule of law and obligations

- The Group's companies engage in activities in strict accordance with the provisions of existing legislation and the applicable norms of international law and fulfill all the obligations they have assumed.

#### Respect for human rights

- The Group's companies acknowledge the inviolability of human rights and do not allow them to be violated in any form. They promote diversity, ensure equal opportunities, combat child and forced labor, and ensure the protection of personal data and other fundamental human rights.

#### Respect for stakeholder interests

- Relationships with stakeholders are built on the basis of mutual interest. The Group's companies are committed in their activities to maintaining a balance of interests and expectations of all stakeholders.

#### Ethics

- In the process of engagement with all stakeholders, the Group's companies strictly follow the rules of corporate ethics, including those enshrined in the Inter RAO Code of Corporate Ethics.

### Accession to the UN Global Compact

<sup>31</sup> Page 4 of the [Sustainable Development Policy](#).



In 2019, Inter RAO joined the United Nations Global Compact, the United Nations' largest international initiative in corporate social responsibility and sustainable development. As a party to the UN Global Compact, Inter RAO has undertaken voluntary commitments 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.

### Approval of the Sustainable Development Policy

In January 2021, the Board of Directors approved the [Sustainable Development Policy](#)<sup>32</sup>, which is mandatory for all structural units of the Group's companies. Inter RAO ensures the observance and protection of human rights in accordance with Russian legislation and the Constitution of the Russian Federation as well as the international documents of the UN and International Labour Organization (ILO) in this regard.

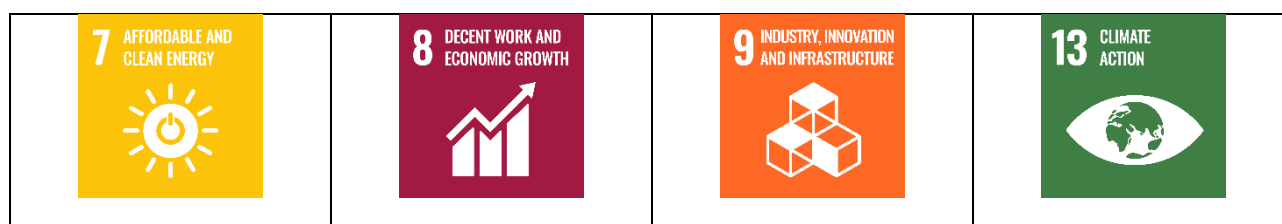
## 9.2. Contribution to achieving UN Sustainable Development Goals [GRI 102-15]

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 2030.


Inter RAO's goal in sustainable development is to implement its strategy in accordance with the fundamental principles of the UN Global Compact, in particular, ensuring their integration into key business processes and adherence to the UN SDGs and high standards of environmental and industrial safety, corporate governance, and social responsibility. To achieve this goal, the Company has set the following objectives in matters concerning sustainable development:

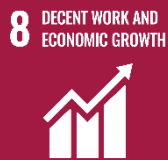
- Reducing the negative environmental impact of the Group's companies and promoting the fight against climate change to get it to the minimum economically feasible and technically achievable level
- Efficient and sustainable use of natural resources
- Observance of and respect for human rights in all processes of the Group's companies
- Ensuring the safety of production processes and the working conditions, life safety, health, and well-being of internal and external stakeholders in the implementation of its activities
- Promoting the professional, career, and personal growth of the Group's employees
- Improving the quality of life and well-being of communities living in the regions where the Group operates and having a positive influence on their social and economic development
- Creating an effective and transparent system of engagement with stakeholders
- Innovative development at all stages of the Company's activities
- Assistance in enhancing the expertise and awareness of sustainable development standards among the Group's employees, the staff of suppliers and contractors, customers, and other representatives of stakeholders
- Combating fraud and corruption as well as introducing the principles of business ethics

Given the scope and scale of the Company's operations, the geography of its locations as well as its ability to effectively contribute to building a society that meets the needs of the current generation and does not threaten the ability of future generations to meet their needs, Inter RAO has identified the following priority SDGs and set the following objectives to achieve them.



<sup>32</sup> Minutes No. 286 dated February 1, 2021.



Goals and programs for achieving SDGs	Projects and measures implemented in 2020
<div data-bbox="164 248 309 293"> <b>7</b> AFFORDABLE AND CLEAN ENERGY </div> <div data-bbox="196 309 293 405">  </div>	<p><b>SDG No. 7. Ensure access to affordable, reliable, sustainable and modern energy for all</b></p> <p>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 a reliable and affordable source of energy to the population in the regions where it operates.</p>
<p><b>Access to affordable, reliable, and modern energy</b></p> <p>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.</p>	<p>Based on the results of the selection in 2020 of modernization projects for 2026, Inter RAO was granted 46% of the 3.8 GW (<b>1.75 GW</b>) quota. The total capacity of the Group's projects that were selected as part of the tenders of the modernization project selection program for 2022-2026 is about <b>8.5 GW</b>, which is equivalent to 40% of the entire program quota for this period.</p>
<p><b>Use of renewable energy sources</b></p> <p>The Company is already working to develop the use of RES in electricity production and is also committed to further increasing the capacity of renewable energy sources.</p>	<p>Inter RAO operates the Vydmantai Wind Park in the Baltic states with installed capacity of <b>30 MW</b>.</p> <p>In Georgia, Inter RAO operates Khrami HPP-I (113 MW) and Khrami HPP-II (114 MW).</p> <p>LLC BGC (Bashkortostan) uses RES to produce energy for internal needs and sale to third-party consumers.</p> <ul style="list-style-type: none"> <li>• Hydroelectric power plants (Pavlovskaya HPP with <b>166.4 MW</b> and Yumaguzinskaya HPP with <b>45 MW</b>)</li> <li>• Small and micro hydroelectric power plants (Mechetlinskaya and Slakskaya MHPPs with <b>0.55 MW</b> and the Avzyanskaya, Uzyanskaya, and Kaginskaya micro HPPs with <b>0.2 MW</b>)</li> <li>• Wind power plant (Tyupkildy WPP with <b>1.65 MW</b>)</li> </ul> <p>LLC Inter RAO – Engineering completed a full range of construction, electrical installation, and commissioning work in 2020 as a general contractor at the Gukovo-1 wind farm with total capacity of 98.8 MW (26 x 3.8 MW) in the Rostov Region and successfully put the facility into commercial operation in June 2020. The customer was LLC Third Wind Farm 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).</p>
<p><b>Increased energy efficiency</b></p> <p>The Company is implementing an ambitious <b>Energy Conservation and Energy Efficiency Improvement Program</b> for the Group's Russian generating assets. The Company plans to consistently reduce specific fuel consumption at generating facilities.</p>	<p>Resources saved as a result of the implementation of the Energy Conservation and Energy Efficiency Program in 2020:</p> <ul style="list-style-type: none"> <li>• Equivalent fuel – 15,902,000 tons of fuel equivalent</li> <li>• Thermal power – 29,635,000 Gcal</li> <li>• Electric power – 3.329 million kWh</li> </ul>



**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.

<p><b>Economic growth and increased productivity in the economy</b></p> <p>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.</p>	<p>In 2020, the Group funded capital expenditures of RUB 37.8 billion (including VAT), an increase of 67% from 2019. For more, see the '<b>Investment Program</b>' section.</p>
<p>Full and productive employment and decent work for all women and men as well as equal pay for work of equal value.</p> <p>The Company makes a significant contribution to providing the regions with decent jobs, including for people with average incomes.</p>	<p>Inter RAO is a major regional employer. The Group's average headcount is <b>46,900 people</b> (excluding jointly controlled companies).</p> <p>Measures to increase labor productivity enable Inter RAO to pay entry-level workers salaries that usually exceed the minimum wage by about <b>2.6 times</b> on average depending on the region of operation.</p> <p>On July 31, 2020, the Board of Directors approved a <b>new version of the Inter RAO Code of Corporate Ethics</b>, which demonstrates the Company's vision of universal and core values not only for doing business, but as a basis of the relationship between the Company, its employees, and society as socially responsible and equal partners that care for each other.</p>
<p><b>Creating decent and safe jobs</b></p> <p>Inter RAO recognizes its important role in creating safe jobs.</p> <p>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 employee.</p>	<p>The <b>Injury Frequency Rate KPI</b> at the Inter RAO Group for 2020 was 0.126, which is well below the target of 0.350. The LTIFR injury rate (number of injury cases × 1 million man-hours / total hours worked) for 2020 was 0.082. The Fatal Injury Rate was 0.012, as was the Severe Injury Rate.</p> <p>In 2020, <b>47% of the Group's staff (23,200 people) underwent</b> free occupational safety training and a test of their knowledge of occupational safety requirements. All the Group's employees have undergone initial training on occupational safety.</p>

<p><b>Youth engagement</b></p> <p>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.</p>	<p>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. On May 25, 2020, the Board of Directors approved the Youth Policy to create a unified human resources management system as part of efforts to improve the forms and methods of working with young people at the Inter RAO Group.</p> <p>A total of <b>2,198 employees under the age of 30</b> were hired in 2020.</p>
<p><b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE</p> 	<p><b>SDG No. 9. Build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation</b></p> <p>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.</p>
<p><b>Development of infrastructure</b></p> <p>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.</p>	<p>In 2020, PJSC Inter RAO completed construction on the Primorskaya TPP with capacity of 195 MW (3 power units with 65 MW each), which is the final stage of the Inter RAO program for the construction of new generating facilities in the Kaliningrad Region that are required to ensure the region's energy security.</p> <p>In 2020, Inter RAO, Vostok Oil (Rosneft Group), and Taimyrneftegaz (part of Neftegazholding) signed a <b>cooperation agreement to build energy infrastructure</b>, which envisages the construction of gas power plants and a power grid to supply power to Vostok Oil's oil and gas fields.</p>
<p><b>Through innovation and the use of the latest technology</b>, the Inter RAO Group strives to achieve scientific and technological leadership in the industry by implementing an <b>R&amp;D program</b> 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.</p>	<p>In 2020, Inter RAO managed to exceed its intellectual deliverables indicator by registering <b>36 units of intellectual property</b>.</p> <p>The indicator of the <b>share of R&amp;D expenditures</b> versus the revenue of the Group's generating assets was <b>0.12%</b>.</p>
<p><b>13</b> CLIMATE ACTION</p> 	<p><b>SDG No. 13. Take urgent action to combat climate change and its impacts</b></p> <p>Inter RAO recognizes the seriousness of the problem of climate change and 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.</p>
<p><b>Greenhouse gas emission reduction</b></p> <p>As an energy company, Inter RAO recognizes its responsibility to combat climate change.</p> <p>Risks associated with climate change are one of the top priorities for the Inter RAO Group when preparing its plans and development strategies.</p> <p>Reducing specific CO<sub>2</sub> costs through the commissioning of new highly efficient equipment and the decommissioning of obsolete equipment is one of the KPIs of <b>Inter RAO's Innovative Development Program</b>.</p>	<p>Thanks to a wide range of measures, Inter RAO has reduced direct greenhouse gas emissions by <b>44%</b> compared with the 2014 level (adopted as the baseline) and <b>22%</b> versus the 2018 level. The Group's <b>gross greenhouse gas emissions</b> amounted to <b>64.783 million tons</b> in 2020.</p> <p>Specific greenhouse gas emissions amounted to <b>427 g of CO<sub>2</sub>/kWh</b> in 2020, <b>down by 4%</b> compared with 2019. From 2018 onwards, data on greenhouse gas emission was certified by an international auditor in accordance with International Standard on Assurance Engagements (ISAE) 3410.</p>

<p>The Company plans to further <b>develop the practice of accounting for direct and indirect greenhouse gas emissions</b> in order to obtain reliable and timely data on its climate impact.</p> <p>Inter RAO's <b>Energy Conservation and Energy Efficiency Improvement Program</b> also aims to limit greenhouse gas emissions by improving fuel efficiency and reducing nitric oxide emissions.</p>	<p>The Inter RAO Development Strategy until 2025 with a View to 2030, which was approved in 2020, calls for reducing specific CO<sub>2</sub> emissions by 7% from the 2019 level.</p>
<p><b>Transition to less carbon-intensive energy sources</b></p>	<p>In 2020, the Company continued implementing a project to build a gas heating unit and provide gas supplies for the boilers of power units 8 and 9 at the branch <b>Zhimerin Cherepetskaya TPP</b>, thereby ensuring the transition to a more eco-friendly hydrocarbon fuel with minimal greenhouse gas emissions.</p>

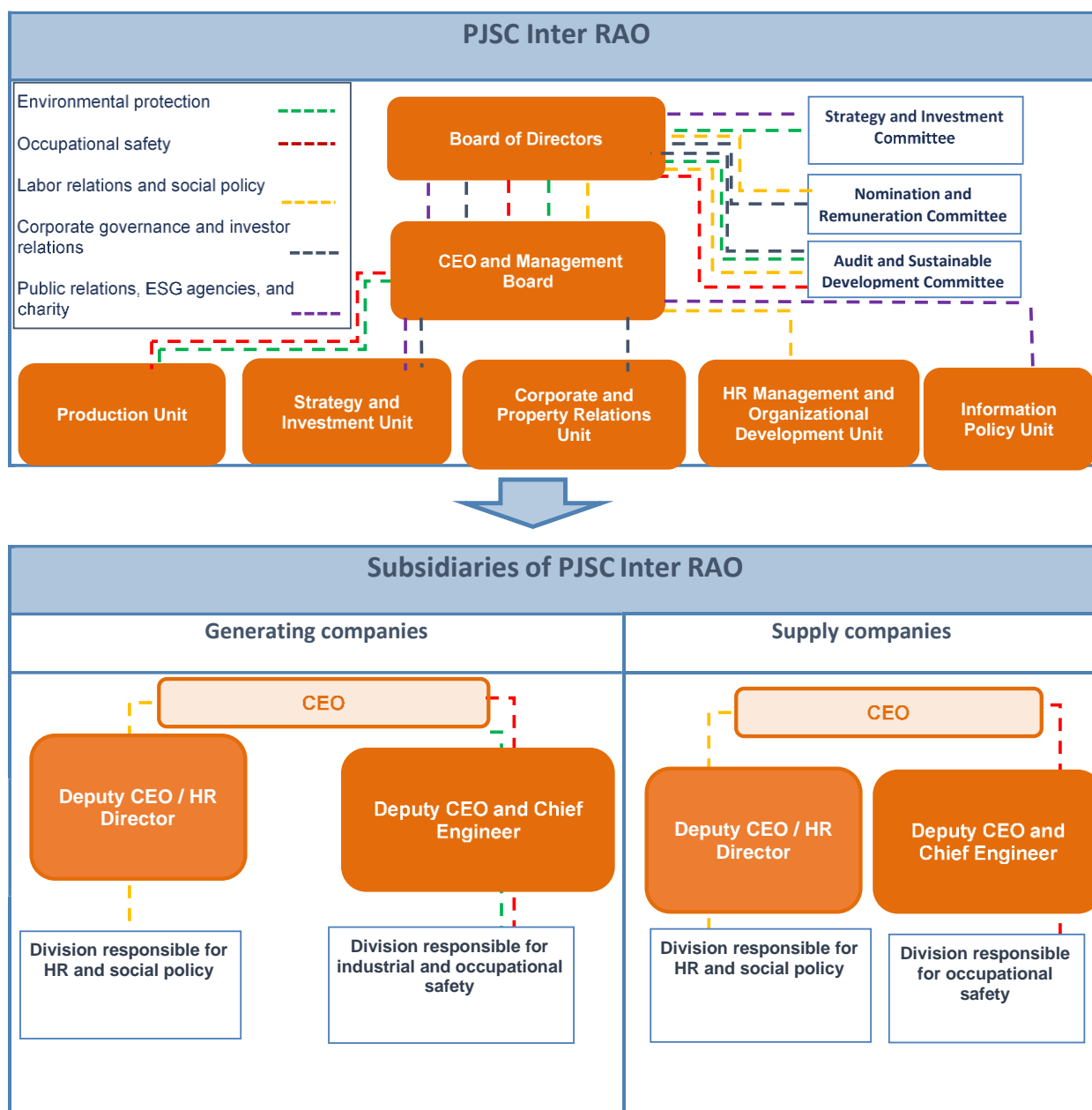
### 9.3. Sustainable development management system [GRI 102-19, 102-20]

The Group's companies manage sustainable development within the framework of the existing organizational units of the Company and the Group's companies.

The Strategy and Investment Unit coordinates the process of ensuring the Group's sustainable development and is responsible for organizing the work and results of business processes as part of the sustainable development system.

The Board of Directors reviews sustainable development reports (semi-annual and annual reports) twice a year.

At Inter RAO, responsibility for certain aspects of sustainable development is governed by in-house regulations and policies that are mostly approved by the Board of Directors or Management Board. In 2021, the Company approved the [Sustainable Development Policy](#), which is the fundamental document that declares Inter RAO's commitment to the principles and goals of sustainable development. The policy aims to structure and unify the Group's sustainable development activities and also defines the goals, objectives, and basic principles of sustainable development.



### Key corporate sustainable development documents of Inter RAO

Strategies, Policies, Codes, and Declarations	Regulations and programs
<b>Strategy and sustainable development</b>	
<ul style="list-style-type: none"> <li><a href="#">Sustainable Development Policy</a></li> <li><a href="#">The Group's Long-Term Development Strategy for the Period until 2025 with a View to 2030</a></li> <li>Business Strategy for Electricity Generation and Reliability and Safety Management</li> </ul>	<ul style="list-style-type: none"> <li>Strategic priorities for 2020</li> <li>Guidelines for Assessing the Degree of Fulfillment of the Inter RAO Group's Strategy Implementation</li> </ul>
<b>Environmental protection</b>	
<ul style="list-style-type: none"> <li><a href="#">Declaration of Environmental Responsibility</a></li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Targeted Environmental Program</a></li> <li>Regulation on the Group's Management System for the Occupational, Industrial, Fire, and Environmental Safety of Production Activities</li> <li><a href="#">Innovative Development Program</a></li> <li>Energy Conservation and Energy Efficiency Improvement Program</li> </ul>



Occupational safety	
<ul style="list-style-type: none"> <li>Technical Policy</li> </ul>	<ul style="list-style-type: none"> <li>Regulation on the Group's Management System for the Occupational, Industrial, Fire, and Environmental Safety of Production Activities</li> <li>Work and Workers' Life Safety Program</li> <li>Workers' Health and Active Life Program</li> <li>Occupational Safety Policy</li> </ul>
Charity	
<ul style="list-style-type: none"> <li>Regulation on Charity and Sponsorship</li> </ul>	<ul style="list-style-type: none"> <li>Network social projects</li> <li>Charity projects</li> <li>Corporate volunteering projects</li> </ul>
Ethics, anti-corruption, and compliance	
<ul style="list-style-type: none"> <li><a href="#">Code of Corporate Ethics</a></li> <li><a href="#">Anti-Fraud and Anti-Corruption Policy (including amendments)</a></li> <li><a href="#">Compliance Policy</a></li> <li><a href="#">Antimonopoly Compliance Policy</a></li> <li><a href="#">Internal Audit Policy</a></li> <li><a href="#">Risk Management and Internal Control Policy</a></li> <li><a href="#">External Auditor Engagement Policy</a></li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Regulation on Insurance Coverage</a></li> <li><a href="#">Regulation on the Internal Audit Unit</a></li> </ul>
Corporate governance	
<ul style="list-style-type: none"> <li><a href="#">Information Policy Regulation</a></li> <li><a href="#">Dividend Policy Regulation (with amendments)</a></li> </ul>	<ul style="list-style-type: none"> <li><a href="#">Regulation on the Provision of Information to Shareholders</a></li> <li><a href="#">Regulation on the General Meeting of Shareholders</a></li> <li><a href="#">Regulation on the Board of Directors</a></li> <li><a href="#">Regulation on the Management Board</a></li> <li><a href="#">Regulation on the Revision Commission</a></li> <li><a href="#">Regulation on the Payment of Remuneration and Compensation to Members of the Board of Directors</a></li> <li><a href="#">Regulation on the Nomination and Remuneration Committee of the Board of Directors</a></li> <li><a href="#">Regulation on the Corporate Secretary</a></li> <li><a href="#">Regulation on the Audit and Sustainable Development Committee of the Board of Directors</a></li> <li><a href="#">Regulation on the Procedure for Considering Significant Corporate Actions</a></li> <li>Regulation on the Assessment of the Activities of the Board of Directors</li> <li><a href="#">Main approaches to hiring an independent appraiser when PJSC Inter RAO concludes major related-party transactions</a></li> </ul>

#### 9.4. 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. Our progress in sustainable development progress received high praise in major international rankings and initiatives. In 2020, [the Company achieved Leadership status for the first time and received an A- Score in the CDP climate change rating](#). Inter RAO has been included in the [FTSE4good](#) index since 2017 and its rating is constantly improving. In the [S&P Global CSA](#) (formerly RobecoSAM) rating, the Company managed to significantly improve its rating compared with 2018.

## 10. Stakeholder engagement

### 10.1. Map of stakeholders and core principles of engagement [GRI 102-40, 102-42, 102-43]

Inter RAO strives to maintain an ongoing dialogue with stakeholders. The concept of ‘stakeholders’ refers to individuals and legal entities that are interested in the Group’s effective performance and/or whom the Group influences with its activities and/or is influenced by the activities of these stakeholders<sup>33</sup>. All stakeholders are classified as internal and external.

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]

#### Stakeholder engagement principles

Internal stakeholders	
Employees and their representatives	
Commitment to creating effective and transparent processes for recruiting, developing, and supporting staff that meet international standards and provide an opportunity to maximize the potential of human resources.	Guarantee of a decent and safe workplace as well as the necessary working conditions to achieve high performance results.
Commitment to the complete absence of any form of discrimination.	Promoting diversity and inclusion as key elements required to sustain a high level of employee skills and attract new talent over the long term.
Management and control bodies	
Conscientious, responsible, and sensible performance by members of management and control bodies of their duties in the interests of Inter RAO, while showing loyalty.	Exercising powers in the interests of Inter RAO and shareholders as a whole and preventing personal interests from predominating over the Company’s interests.
External stakeholders	
Shareholders and the investment community	
Strict observance of all shareholders’ rights envisaged by law as well as those arising from obligations associated with the circulation of securities.	Attentive attitude to information and other requests by shareholders. Refraining from actions that could mislead shareholders and investors.
Commitment to corporate governance and applying best practices	Timely, complete, and reliable disclosure of information envisaged by legislation and the requirements of securities market regulators and listing rules.
Government (including the public authorities in the countries where the Group has a presence)	
Strict compliance with the norms of Russian and international law as well as the requirements of the legislation of foreign states in which Inter RAO operates.	Preclusion of ‘informal’ communication with representatives of the government authorities. Avoiding any actions that could be construed as patronage or a measure that provides advantages for an individual organization or its employees.
Society (including consumers)	
Commitment in its activities to improving the quality of life and well-being of communities living in the regions where	Adherence to the principles proclaimed in the UN Global Compact, the UN Declaration on the Rights of Indigenous Peoples, the International Labour Organization’s

<sup>33</sup> In accordance with the [Inter RAO Code of Corporate Ethics](#).



the Group operates and having a positive effect on their socioeconomic development.	Indigenous and Tribal Peoples Convention, and other relevant legal documents.
Awareness of the degree of responsibility for the state of the environment and the recognition of measures to improve environmental safety as a top priority.	Ensuring the reliability and safety of production assets of the Group's companies and their stable operation as well as compliance with the requirements for power supply to consumers envisaged by applicable law, including ensuring the continuous process of producing electric and thermal power supplies.
<b>Business partners and the industry community</b>	
Fulfillment of contractual obligations in good faith.	Refusal to use 'informal' relations with counterparties to obtain personal benefits to the detriment of the Company's interests.
Settlement of disputes through negotiations to find compromises that are acceptable to all parties.	Respectful attitude to information that is the property of business partners as well as preserving their trade secrets.
<b>Competitors</b>	
Respect for all players in their professional field, and engaging in collaboration based on the principles of avoiding unfair competition, avoiding abuse of a dominant position, and strictly observing antimonopoly legislation.	Promoting the development of fair competition by ensuring equal, fair, and non-discriminatory conditions for participation in procurements and involving all categories of suppliers, including representatives of small and medium-sized businesses (SMEs), to participate in competitive procurement procedures.
<b>Media</b>	
Ensuring the continuity of the disclosure process, the shortest possible terms of disclosure, and the synchronous and equivalent disclosure of information.	All target audiences of Inter RAO must have unlimited access to information which they are entitled to receive based on legislation and internal documents.
Accessibility of disclosed information through the use of various channels and information disclosure methods.	Reliability, completeness, and comparability of information.

## Map of stakeholders

During the preparation of the Annual Report for 2020, a ranking map of Inter RAO stakeholders was once again compiled based on a survey of 41 representatives of internal and external stakeholders. The ranking map of stakeholders took into account 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:

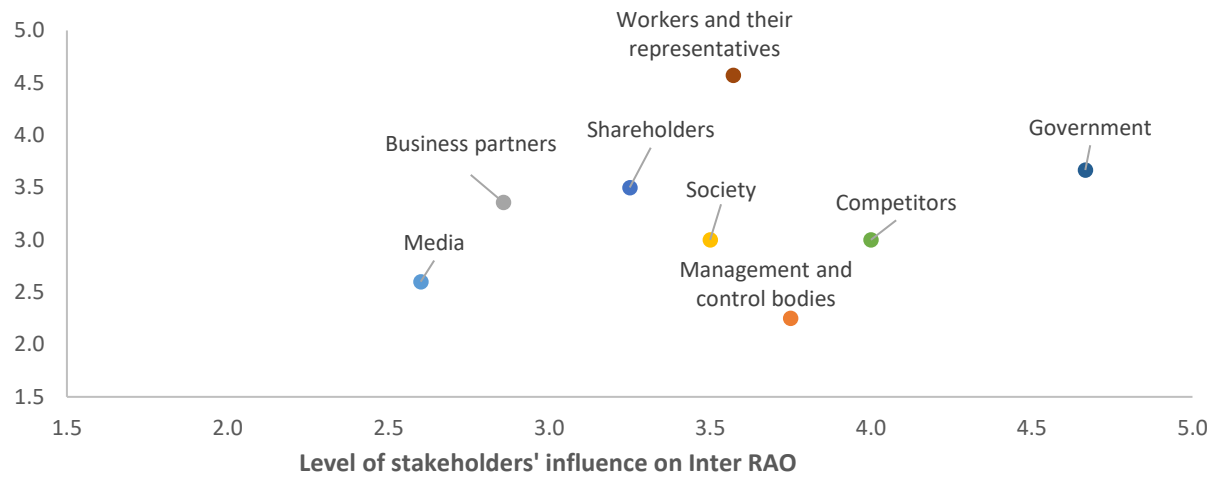
- The government
- Workers and their representatives
- Competitors

Compared with the results of last year's Report, the respondents' ranking of the level of influence of such stakeholders as competitors and shareholders increased markedly, which can be attributed to market factors on the wholesale electricity market in the first instance and to the increased level of engagement with the Company as part of the development of the new Strategy in the second instance.

In 2020, the Company continued to actively interact with all representatives of stakeholders. The format of interaction has mainly shifted online and to remote form as a result of the restrictive measures imposed due to COVID-19. Forms of communication in 2020: videoconferences, telephone conversations, meetings of working bodies, online seminars, thematic conferences, official correspondence, as well as surveys and perception studies.

Level of Inter RAO's  
influence on  
stakeholders

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



## 10.2. Primary forms, channels, principles, and themes of engagement with stakeholders [GRI 102-43, 102-44]

Forms and frequency of engagement	Primary communication channels	Main engagement themes in 2020
<b>Internal stakeholders</b>		
<b>Employees and their representatives</b>		
<ul style="list-style-type: none"> <li>• 257 meetings of occupational safety committees</li> <li>• Meetings of workers' associations</li> <li>• Joint communications with company employees and the review of employees' requests and proposals from primary trade union organizations</li> <li>• Analysis of staff satisfaction</li> <li>• Staff award ceremonies at which 4,957 employees were awarded</li> </ul>	<ul style="list-style-type: none"> <li>• Management's address to employees, including through corporate media and video messages</li> <li>• Emailing</li> <li>• Corporate publications</li> <li>• Internet portal</li> <li>• Review of internal regulations</li> </ul>	<ul style="list-style-type: none"> <li>• Conclusion of collective bargaining agreements for 2021-2023 and industry agreements between representatives of employers and workers</li> <li>• Increase in employee's Grades</li> <li>• Support for retirees</li> <li>• Holding cultural and sports events</li> </ul>
<b>Management and control bodies</b>		
<ul style="list-style-type: none"> <li>• 77 meetings of the Board of Directors and its committees</li> <li>• 59 meetings of the Management Board</li> </ul>	<ul style="list-style-type: none"> <li>• Management and financial reporting</li> <li>• Ongoing interaction as part of business processes</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate governance</li> <li>• The Company's Development Strategy</li> <li>• Assessment of the work of management</li> <li>• Risk management and risk appetite</li> <li>• Sustainable development issues</li> </ul>
<b>External stakeholders</b>		
<b>Shareholders and the investment community</b>		
<ul style="list-style-type: none"> <li>• Strategy Day for over 1,350 participants</li> <li>• 159 remote meetings with investors</li> <li>• 4 webcasts on the presentation of IFRS results attended by the Group's senior management</li> <li>• More than 350 calls with investors and analysts about the Company's activities</li> <li>• Official correspondence</li> <li>• Communication with shareholders and funds regarding the voting procedure at the AGM</li> <li>• 78 messages posted in the RNS system</li> </ul>	<ul style="list-style-type: none"> <li>• Specialized events (webcasts, telephone conferences, and Strategy Day)</li> <li>• Materials (IR presentations, Analyst's Handbook, etc.)</li> <li>• Disclosure of information per the legislation of the Russian Federation and publications in the news agency LLC Interfax – CIDC and the RNS system</li> <li>• Voluntary disclosure of additional information</li> <li>• Hotline for shareholders</li> <li>• Registrar's hotline</li> <li>• Corporate publications</li> <li>• Websites of the Group's companies</li> </ul>	<ul style="list-style-type: none"> <li>• Group's Development Strategy until 2030</li> <li>• Results of tariff and balance sheet decisions, including the benefits of participating in the program to modernize generating equipment and the results of competitive capacity auctions</li> <li>• Targets for the use of free cash flow and the volume of capital expenditures</li> <li>• Dividend policy</li> <li>• Use of the treasury block of shares</li> <li>• Financial and operating results and their forecast</li> <li>• Sustainable development and boosting ESG standards</li> <li>• LTIP approval</li> <li>• Potential M&amp;A deals</li> <li>• Regulation of electricity and capacity markets</li> </ul>

Forms and frequency of engagement	Primary communication channels	Main engagement themes in 2020
<b>Government (including the public authorities in the countries where the Group has a presence)</b>		
<ul style="list-style-type: none"> <li>• Drafting of regulations and strategies for the development of the energy industry as part of working groups, collegiums, and committees</li> <li>• Meetings of intergovernmental commissions</li> <li>• Response to requests from the public authorities</li> <li>• Conducting four modernization auctions</li> <li>• Meetings of specialized associations</li> </ul>	<ul style="list-style-type: none"> <li>• Provision of financial, statistical, and environmental reporting to the regulatory authorities</li> <li>• Publication of reports on the Company's activities</li> </ul>	<ul style="list-style-type: none"> <li>• Regulation of electricity and capacity markets</li> <li>• Legislative initiatives concerning modernization</li> <li>• Revision of water rates</li> <li>• Settlement of the debts of consumers in the North Caucasus</li> <li>• Regulation of the operating models of the Group's business segments</li> </ul>
<b>Society (including consumers)</b>		
<ul style="list-style-type: none"> <li>• Meetings with the Consumer Council on the development of the wholesale and retail electricity and heat markets</li> <li>• Conducting customer satisfaction surveys among individuals using international TLR methods (summary assessment of the level of customer engagement and loyalty) with 3,375 total respondents</li> <li>• 276 charity events and projects for the socioeconomic development of regions</li> <li>• Volunteer activities for environmental protection</li> </ul>	<ul style="list-style-type: none"> <li>• Online consultations on the websites of supply companies</li> <li>• Confidential hotline</li> <li>• Mobile service centers</li> <li>• Virtual reception office</li> <li>• Contact center</li> <li>• Personal accounts of consumers</li> <li>• Websites and social media pages of the Group's companies</li> <li>• Consumer hotlines</li> <li>• Public reporting by the Group</li> </ul>	<ul style="list-style-type: none"> <li>• Assistance in combating the pandemic</li> <li>• Implementation of the UN SDG agenda</li> <li>• Risks associated with climate change</li> <li>• Environmental issues and the creation of conditions to improve people's quality of life</li> <li>• Online services and the transition of interaction with customers from offline to online</li> <li>• Improving energy efficiency</li> <li>• Installation of electricity metering devices, electrical installation work, and wholesale and retail sales of electrical goods</li> <li>• Introduction of unified billing for legal entities for Inter RAO supply companies</li> <li>• Professional development of athletes and the promotion of a sports culture and healthy lifestyle among young people</li> <li>• Assistance to disabled children, orphans, children, World War II veterans, survivors of the Leningrad siege, labor front workers, and former concentration camp prisoners</li> </ul>
<b>Business partners and the industry community</b>		
<ul style="list-style-type: none"> <li>• Meetings of the Advisory Body on Procurement Efficiency</li> <li>• 33 training seminars/roundtables for SME suppliers</li> <li>• One Supplier Day and one Presentation Day for suppliers were organized</li> <li>• Participation in 5 thematic industry conferences</li> <li>• 9 agreements were concluded with the regions of the Russian Federation to provide support measures to SMEs and to facilitate import substitution</li> <li>• Meetings of specialized associations</li> </ul>	<ul style="list-style-type: none"> <li>• Posting information about the Company's activities on the corporate website and specialized procurement websites</li> <li>• Publication of the industry magazine <i>Energy Without Borders</i></li> <li>• Mass media</li> </ul>	<ul style="list-style-type: none"> <li>• Participation in tenders, other methods of procurements (lots), and procurements from a single supplier (contractor) amounting to more than RUB 169.2 billion</li> <li>• Supply of equipment, fuel, and services</li> <li>• Implementation of measures to provide support measures to SMEs</li> <li>• Import substitution of equipment and technologies in the energy sector</li> <li>• Improving the efficiency of procurement activities</li> </ul>

Forms and frequency of engagement	Primary communication channels	Main engagement themes in 2020
<b>Competitors</b>		
<ul style="list-style-type: none"> <li>Meetings of the Market Council to establish rules for the wholesale and retail electricity and capacity markets</li> </ul>	<ul style="list-style-type: none"> <li>Public reporting by the Group</li> <li>Official websites of the Group's companies</li> </ul>	<ul style="list-style-type: none"> <li>Industry-wide interaction</li> <li>Completion of settlements for the sale of PJSC Inter RAO shares to the Group</li> <li>Conditions for export-import activities on the wholesale electricity market</li> <li>Improving the level of settlements among guaranteed suppliers in the Republics of the North Caucasus, Tyva, and Kalmykia</li> <li>Use of renewable energy sources, in part through the introduction of carbon regulation by the EU and issues concerning the certification of green energy in the Russian Federation</li> <li>Formation of the Unified Energy System of the EAEU</li> <li>Preparations for the 25<sup>th</sup> meeting of the World Energy Congress</li> </ul>
<b>Media</b>		
<ul style="list-style-type: none"> <li>Press conferences</li> <li>Press tours and blog tours</li> <li>Press lunches and breakfasts</li> </ul>	<ul style="list-style-type: none"> <li>Press conferences</li> <li>Press tours and blog tours</li> <li>Group's website</li> <li>Corporate media</li> <li>Blogosphere</li> <li>Virtual tours</li> </ul>	<ul style="list-style-type: none"> <li>New strategy</li> <li>Financial and operating results</li> <li>M&amp;A transactions</li> <li>Modernization program</li> <li>Use of domestic gas turbines in the modernization of TPPs</li> <li>Increased debt during the period of isolation</li> </ul>

### 10.3. Material topics of the Report and key concerns of stakeholders [GRI 101, 102-43, 102-44, 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** – material topics should represent Inter RAO's performance results in the broad context of sustainable development
- **Materiality** – the topics that are identified as material 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 material 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 2020, the Company continued to employ a step-by-step methodology to identify material topics, which includes the following steps:

1. **Preparation of a basic list of significant topics** by the working group in charge of preparing the Annual Report, which was compiled based on the list of themes of GRI standards as well as an analysis of frequently asked questions when dealing with stakeholders
2. **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 topic (problem) for society, the regions where the Company operates, and the environment
3. **Analysis of stakeholder proposals** and the identification of significant new topics for the Report as well as the compilation of a final matrix of material topics in the Report
4. **Compilation of the final rating of topics** taking into account the prioritization procedure, the distribution of topics as major ones and secondary ones, and their alignment with GRI Standards

The survey was conducted among 31 representatives of eight groups of external and internal stakeholders who assessed the level of significance of the proposed topics for society, the regions where the Company operates, and the environment. The survey also involved 11 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 nine key aspects<sup>34</sup> whose disclosure in this Report will seek to cover all GRI requirements to the fullest extent as well as the requirements of ESG agencies:

#### Material topics of the 2020 Annual Report

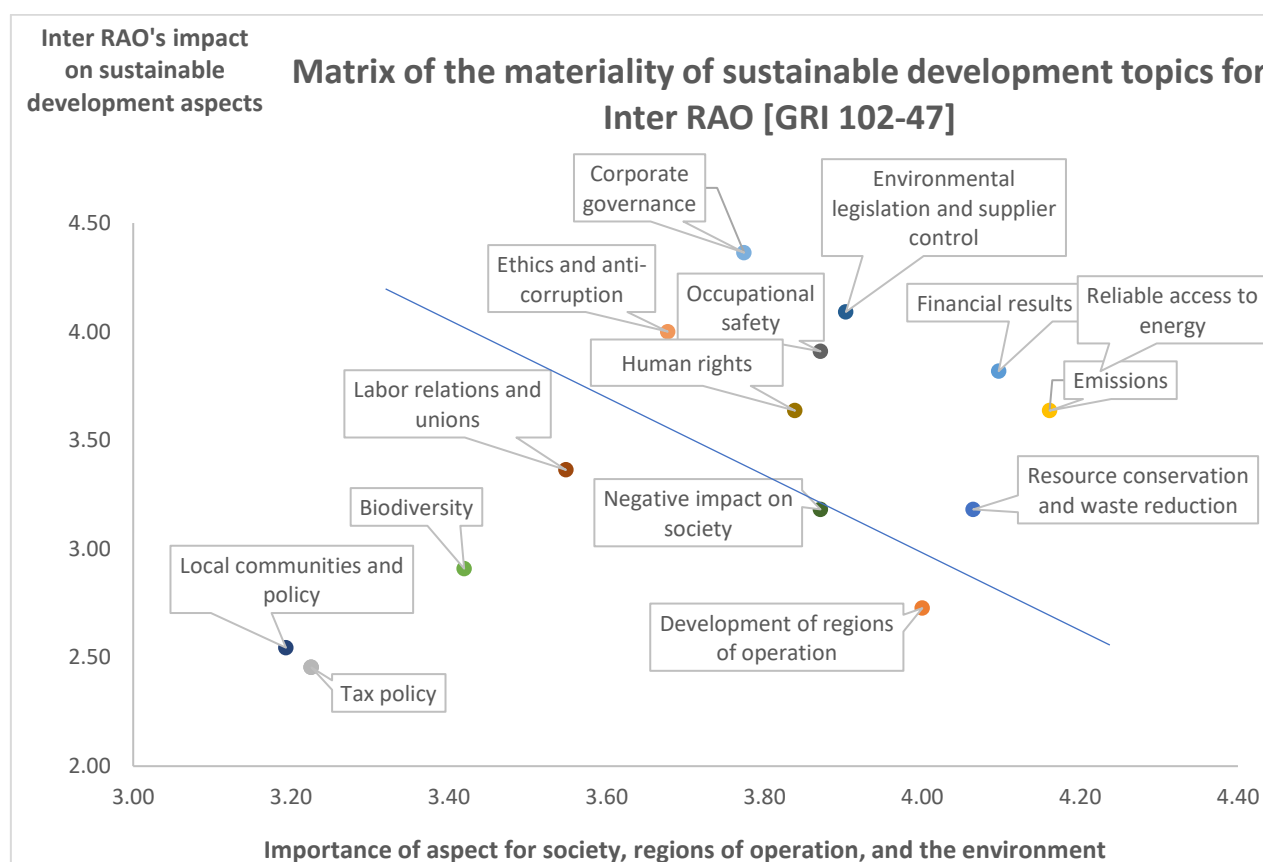
1. The Company's financial performance results (financial indicators) and factors that have a direct impact on the Company's economic efficiency
2. Ensuring reliable consumer access to electricity and heat
3. Reducing emissions of greenhouse gases and pollutants. Development of energy efficiency.
4.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

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<sup>34</sup> The material topics were selected based on the average rating value of the topics (see the matrix of major topics).

The last three topics were converted from non-material to material as a result of the review of the ratings by respondents.













The remaining topics are also covered, but with less detail due to the fact that they are not as important to stakeholders.



#### Rating of material topics [GRI 102-47, 102-49]

Rating <sup>35</sup>	Aspect of the Company's activities	Level		Standards/GRI indicators
		5 – critically important 4 – very important 3 – notable 2 – insignificant 1 – N/A		
		Inter RAO's impact on the aspect	Importance for society, regions of operation, and the environment	
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	4.55	4.10	201
6.13	Ensuring reliable consumer access to electricity and heat	3.82	4.23	EU 1, 2, 3, 4, 12, 21, 27, 28, 29, 30

<sup>35</sup> The rating of topics is calculated as the sum of the average rating of 31 responses from stakeholders to each question about the significance of the topic and the average rating of the responses of 11 Inter RAO managers who estimated the Group's impact on each topic, adjusted by a factor of 0.5.

5.98		Reducing emissions of greenhouse gases and pollutants. Development of energy efficiency.	3.64	4.16	302, 305
5.96		Quality of corporate governance	4.36	3.77	102-18-20, 102-22-28, 102-30-36
5.95		Compliance with environmental legislation and reducing the environmental impact of suppliers' products	4.09	3.90	307, 308
5.90		Issues associated with ethics and integrity as well as combating corruption and abuse in procurement activities	3.82	4.23	102-16-17, 102-25, 205, 206
5.83		Occupational health and safety	3.91	3.87	403
5.66		Development and promotion of human rights	3.64	3.84	408, 409, 410, 411, 412
5.66		Resource conservation and efficient water use. Reducing discharges and waste.	3.18	4.06	303, 306
<b>Secondary topics</b>					
5.46		Reducing the negative impact on the health and well-being of the population in regions where the Company operates. Issues involving violations of the law and the dissemination of personal data.	3.18	3.87	416, 417, 418, 419
5.36		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	2.73	4.00	202, 203, 204
5.23		Improving labor relations and support for trade unions and youth organizations	3.36	3.55	401, 402, 404, 405
4.87		The Company's measures to preserve biodiversity	2.91	3.42	304
4.47		Interaction with communities in the regions where the Company operates as well as the impact on local and federal policies	2.55	3.19	413, 415
4.45		Dependence of regions/countries of operation as regards tax revenue	2.45	3.23	207



Decrease in rating compared with previous year



Increase in rating compared with previous year

Aspects that certain stakeholder representatives also deemed as important beyond the basic list were also added to the secondary topics. These topics include:

1. Assessment of the climate's impact on the Company's financial performance according to TCFD standards
2. The Company's involvement in the implementation of the government's national goals and strategic initiatives
3. The degree of the Company's dominance (or the level of competition) on the markets where it operates
4. Assignment of KPIs for sustainable development to members of the Management Board, including for decreasing CO<sub>2</sub> emissions and reducing injuries



## 11. Preventing the spread of COVID-19

In 2020, the entire world was forced to deal with the novel coronavirus pandemic, which was bound to impact the Group's operations. In addition to diminished demand for electricity, it became a serious challenge to ensure the continuity of the Company's operations under quarantine restrictions or even in a state of emergency in some countries. One key aspect of work during the pandemic was the imposition of sanitary and epidemiological safety standards, which helped to reduce the risk of the spread of COVID-19 as much as possible. The Company had to develop and introduce most of the solutions to prevent the spread of the infection for the first time since such a serious epidemiological risk had never been encountered before. The speed and timeliness of the measures taken to protect workers against COVID-19 helped to significantly reduce the number of people who were infected with this new dangerous virus.

### 11.1. Initial measures to combat the spread of COVID-19

In an effort to protect Inter RAO employees against COVID-19 and ensure the uninterrupted operation of the Group's companies, measures that were developed taking into account the recommendations issued by the authorities of countries where Inter RAO has a presence were taken from the very outset to prevent the spread of the infection.

The initial measures included:

Date	Measures and decisions
March 2, 2020	Memos were mailed to employees of the Group's companies about COVID-19 and safety measures
March 6, 2020	Antiseptic dispensers were installed in dining and common areas  Regular preventive disinfection work was carried out to clean administrative and technical premises  Regular soap in bathroom dispensers was replaced with antibacterial soap  Bactericidal irradiators were installed in meeting rooms to disinfect premises
March 11, 2020	Temperature measurements were instituted for employees arriving at work
March 16, 2020	High alert mode was introduced to prevent the spread of infection <sup>36</sup> with the following measures: <ul style="list-style-type: none"><li>– Requirements to minimize meetings and conferences</li><li>– Ensuring self-isolation for infected individuals</li><li>– Travel restrictions</li><li>– Requirements for seeking medical care in the event of illness</li><li>– Restrictions on access to the office for outside parties</li><li>– Technical support for employees working remotely</li></ul> The decision was made to switch up to 50% of the Inter RAO Group's employees to remote work <sup>37</sup>

<sup>36</sup> Order IRAO/120.

<sup>37</sup> Order IRAO/121.

<b>March 20, 2020</b>	<p>Operational headquarters<sup>38</sup> were established to prevent the spread of COVID-19 at the Group's companies and to implement the following measures:</p> <ul style="list-style-type: none"> <li>– The necessary organizational and administrative measures were adopted and urgent measures were coordinated to prevent the spread of COVID-19</li> <li>– The PJSC Inter RAO operational headquarters was assigned the function of ensuring the 24/7 coordination of the activities of the operational headquarters of subsidiaries and interacting with commissions in charge of preventing and dealing with emergencies and ensuring fire safety</li> </ul>
<b>March 25, 2020</b>	<p>The decision was made to introduce additional measures to prevent the spread of COVID-19 and ensure Inter RAO's uninterrupted operation<sup>39</sup>, including:</p> <ul style="list-style-type: none"> <li>– All office staff of generating companies were switched to remote work</li> <li>– Special arrangements were introduced for operational, repair, and maintenance staff to recuperate at home after a work shift</li> <li>– A secondary pool of engineering and technical workers was established to fill in for operational, repair, and maintenance staff over a full rotational shift</li> <li>– Recommendations were issued on the transition to a remote format of customer service</li> </ul>
<b>March 31, 2020</b>	<p>The <b>operational headquarters of the Group's companies</b> were instructed to organize and approve procedures to ensure continuous information exchanges (24/7) with the PJSC Inter RAO operational headquarters to provide information about COVID-19 incidents as well as measures to counter its spread.</p> <p><b>Generating companies were instructed to:</b></p> <ul style="list-style-type: none"> <li>– Establish backup shifts of operational staff in the event of a possible transition to a three-shift mode of operation</li> <li>– Take measures to alter how production processes are organized in order to minimize contact between shift members</li> <li>– Switch office staff to remote work as much as possible</li> <li>– Implement heightened sanitization measures</li> </ul> <p><b>Power supply companies</b> were instructed to ensure their operations were organized taking into account the minimization of face-to-face contact with customers and switch employees to remote work to the greatest possible extent.</p>

## 11.2. Effectiveness of the measures taken to prevent the spread of COVID-19

### 11.2.1. Organization of the work of operational headquarters

Local operational headquarters were set up at 46 of the Group's key companies to combat the spread of COVID-19. These operational headquarters developed preventive measures taking into account the specifics of the business processes of generating, heat and power supply, as well as engineering and service companies. Within two weeks, the Group had developed its own automated system for collecting data on patients infected with COVID-19, making it possible to track changes in employee morbidity rates around the clock.

<sup>38</sup> Order IRAO/134.

<sup>39</sup> Order IRAO/139.

### **11.2.2. Transition of employees to remote work**

As of April 8, 2020, around 16,000 people had started working remotely, with office employees making up the vast majority of this number. In May, a total of 19,000 people had been switched to remote work, or roughly 39% of the Inter RAO's total staff.

Teams promptly started performing their jobs with the use of videoconferencing. The Company introduced a PCR testing system at its own expense. Employees could only access the Moscow headquarters with a QR code that was sent to them the next day after receiving a negative PCR test. The code was valid for ten days after which retesting was scheduled. PCR tests were performed in such a way so as not to create a queue. Each employee was assigned a testing time. For these purposes, a separate checkpoint was set up that was equipped for testing and isolated from other premises. Express tests were also used for employees who urgently needed to be in the office.

The management of divisions determined the list of employees who could come to the office, but their numbers were not allowed to exceed the established quotas. All offices implemented other social distancing measures. With these measures in place, the Moscow office could be safely staffed at 50% of capacity.

Despite the high alert mode, none of the Group's employees were put on leave without pay. Inter RAO continues to fulfill all its social obligations to its employees in full.

### **11.2.3. Operation of electric power facilities amid restrictive measures**

In March 2020, generation facilities were categorized taking into account the risk of the spread of COVID-19 in order to further implement a set of preventive measures for each category of facilities.

A wide range of additional measures to sanitize and disinfect premises, vehicles, and territories was carried out at all continuously operating facilities, and staff medical control measures were expanded and tightened.

In terms of power equipment repairs, repair plans were revised based on the logistical risk of the failure to deliver equipment and spare parts as well as the retirement of contractor repair personnel. Enterprises studied ways to hedge this risk, including the feasibility of postponing repairs and forming in-house repair teams to unconditionally fulfill the preparatory plan for the autumn and winter period.

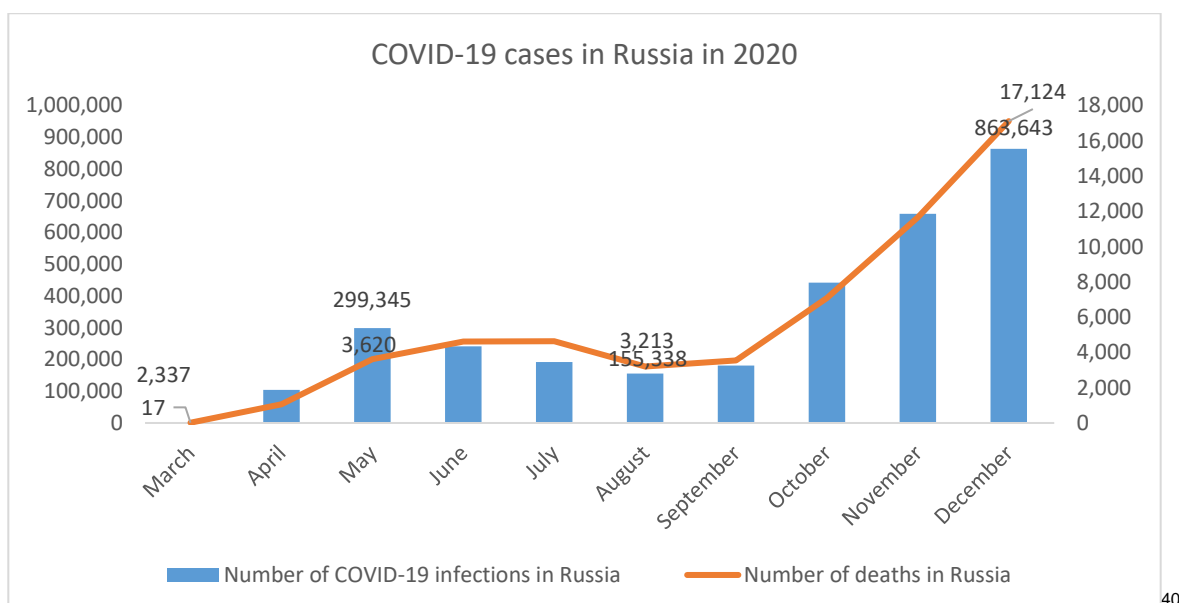
For generating and heating companies, action plans were drawn up to impose an individual isolation regime in designated areas in the event of the possible deterioration in the situation with the spread of COVID-19. Part of the facilities were equipped with everything needed to accommodate plant staff and ensure they had a place to recuperate if they had to work in a fully isolated mode.

### **11.2.4. Outreach activities**

The Group has implemented a large-scale awareness-raising campaign and instructed employees on how to avoid COVID-19. All enterprises are carrying out their core production despite the limitations due to the high alert mode. In order to minimize contact, changes have been made to the procedural regulations and time schedules in a number of production processes.

### **11.2.5. Morbidity and mortality among workers**

Given the lack of a generally accepted methodology for confirming COVID-19 cases, the Inter RAO operational headquarters decided to only record cases with two confirmed positive PCR tests or hospitalizations with a COVID-19 diagnosis. Based on this strict methodology, 280 Inter RAO employees in Russia were infected with COVID-19 in 2020, with 51% of the infections coming in May. Unfortunately, six Inter RAO employees in Russia and five employees at the Group's foreign assets died as a result of COVID-19.



### 11.3. Future measures to combat COVID-19 in 2021

In 2021, the operational headquarters provided answers to questions related to vaccinations, which were grouped together according to various aspects and sent to all operational headquarters of the Group's companies. Mandatory vaccination is not envisioned for employees, however at the Group's foreign assets, management has requested assistance in obtaining Russian vaccines for staff.

At present, workers are only being vaccinated as part of the Russian compulsory medical insurance program. In addition, the lack of direct flights to Georgia and Transnistria has impeded the delivery of Russian vaccines to these countries, but work is under way to ensure the vaccination of workers at the Group's foreign assets, including negotiations with local authorities.

## 12. Environmental protection

### 12.1. Environmental policy, environmental management system, and compliance with environmental legislation

#### 12.1.1. Environmental policy [GRI 103-1, 102-11]

Management's priority objectives within Inter RAO'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 a growing 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 truly important factor in the Company's development.

<sup>40</sup> According to the Russian Ministry of Health.

When 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 Development<sup>41</sup> **[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 Responsibility<sup>42</sup>. 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:

- Ensure 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 Program<sup>43</sup> in the following areas:

- 1. 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
- 2. 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 to continuously monitor emissions by 2030
- 3. 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
- 4. Achieve consensus 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

#### **12.1.2. Key measures in environmental protection activities [GRI 103-2]**<sup>44</sup>

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.

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<sup>41</sup> "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).

<sup>42</sup> Approved by the Board of Directors (Minutes No. 64 dated April 2, 2012).

<sup>43</sup> Order No. IRAO/37 dated February 3, 2017.

<sup>44</sup> Environmental performance indicators include only companies in the Generation segment that were selected based on the principle of their significant environmental impact.

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

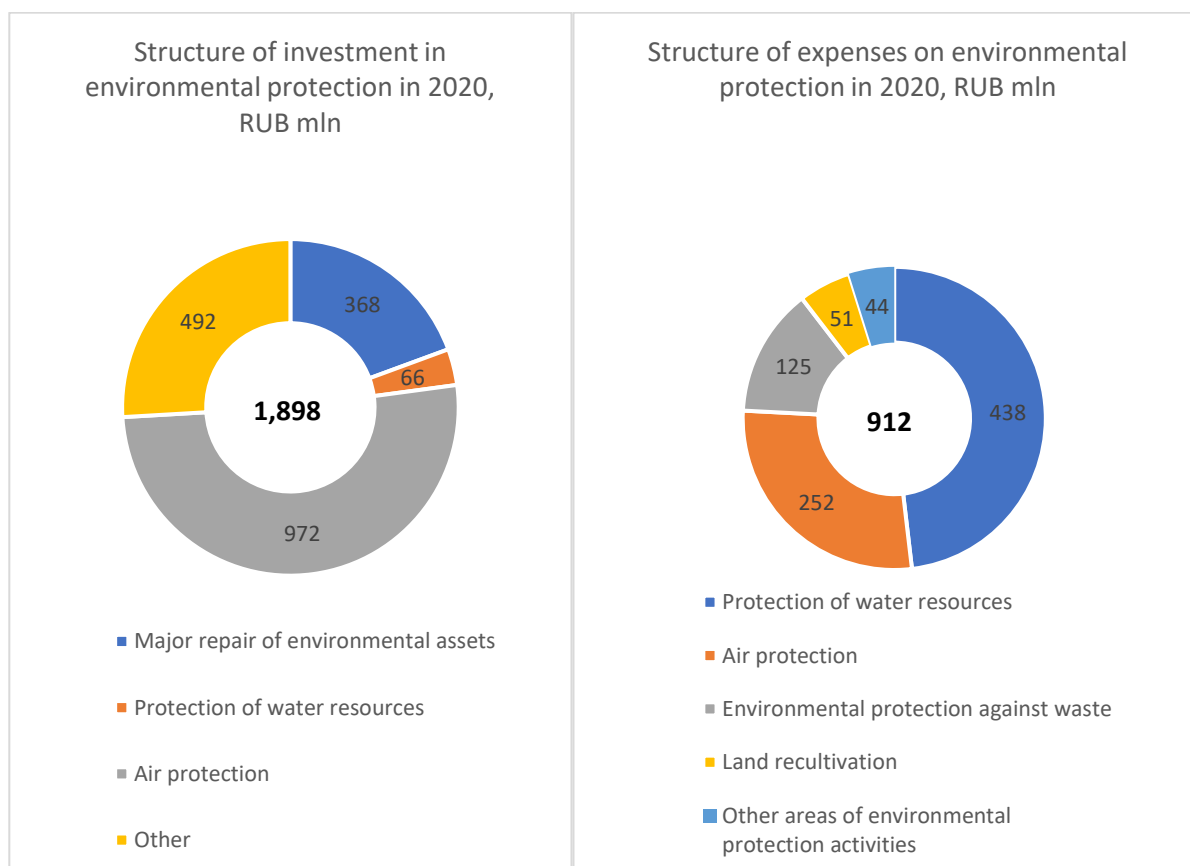
No.	Goal	Description of measures	Results
1.	<b>Compliance with regulations and obligations</b>		
	Equip water intakes with means to prevent harm to hydrobiological resources in accordance with national regulations	Research on the actual effectiveness of fish protection devices and ichthyological studies of aquatic biological resources at 14 generating facilities	Confirmation obtained on the effectiveness of the fish protection devices
2.	<b>Mitigate the environmental impact</b>		
	Increase the share of coal-fired boiler plants with specific emissions of solid particles that meet the best available technologies	Optimization of the design of the gas-air duct and the transition of power units 8 and 9 at the Cherepetskaya TPP to an operating mode with variable steam pressure in front of the turbine	Reduction in the specific consumption of equivalent fuel by 2.7 g of fuel equivalent/kWh and, consequently, the emission of harmful substances to the atmosphere by 0.46% per year
	Increase the share of power plants that meet the target values for NO <sub>x</sub> and SO <sub>x</sub> emissions	Retooling of the electrostatic precipitator of boiler 3 at CHPP-5 of JSC TGC-11	Reduction in pollutant emissions into the atmosphere by 746.7 t per year
	Reduce greenhouse gas emissions	Implementation of the Energy Conservation and Energy Efficiency Improvement Program	Reduction in specific CO <sub>2</sub> emissions by 4.3% to 427 g CO <sub>2</sub> /kWh per year
3.	<b>Lower economic costs and environmental risks</b>		
	Conserve energy resources	Implementation of the Energy Conservation and Energy Efficiency Improvement Program	Use of fuel equivalent was reduced by 15,900 tons of fuel equivalent
	Reduce the average annual consumption of fresh water for industrial needs	Optimized operation of the recirculation channel in the process water supply system at JSC Nizhnevartovskaya TPP	Savings of 35.1 mln tons of natural water in the Vakh River
4.	<b>Achieve consensus between stakeholders on environmental issues</b>		
	Introduce an environmental management system certified by an independent organization at all generating production subsidiaries by the end of 2030	Recertification of the environmental management system at LLC BashRTS	Receipt of Russian Register Certificate No. 20.1371.026 dated September 28, 2020 with validity from September 28, 2020 to September 28, 2023
		Recertification of LLC Ugolny Razrez by the State Center for Testing, Standardization, and Certification for compliance with GOST R ISO 14001-2016 (ISO 14001:2015)	Receipt of Certificate No. ROSS RU.13CM43.K01000 with validity from December 8, 2020 to December 8, 2023
		Recertification of CJSC Moldavskaya TPP	Receipt of AFNOR CERTIFIKATION Certificate No. 2014/64305.3 with validity from October 20, 2020 to October 19, 2023

### 12.1.3. Spending on environmental protection

Environmental protection expenses are contingent 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 2.810 billion in 2020, up by 54% compared with 2019.

Current expenses for environmental protection decreased by 15% in the reporting year to RUB 912 million.



### 12.1.4. Plans for environmental protection measures in 2021

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 Plants, 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 sustained, 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.



## **12.2. Environmental management and monitoring system for compliance with environmental legislation**

### **12.2.1. Environmental management system [GRI 103-3].**

Inter RAO has a multi-stage internal monitoring and analysis system that it uses to manage 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.

### **12.2.2. Compliance practices with legislative environmental protection requirements [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.

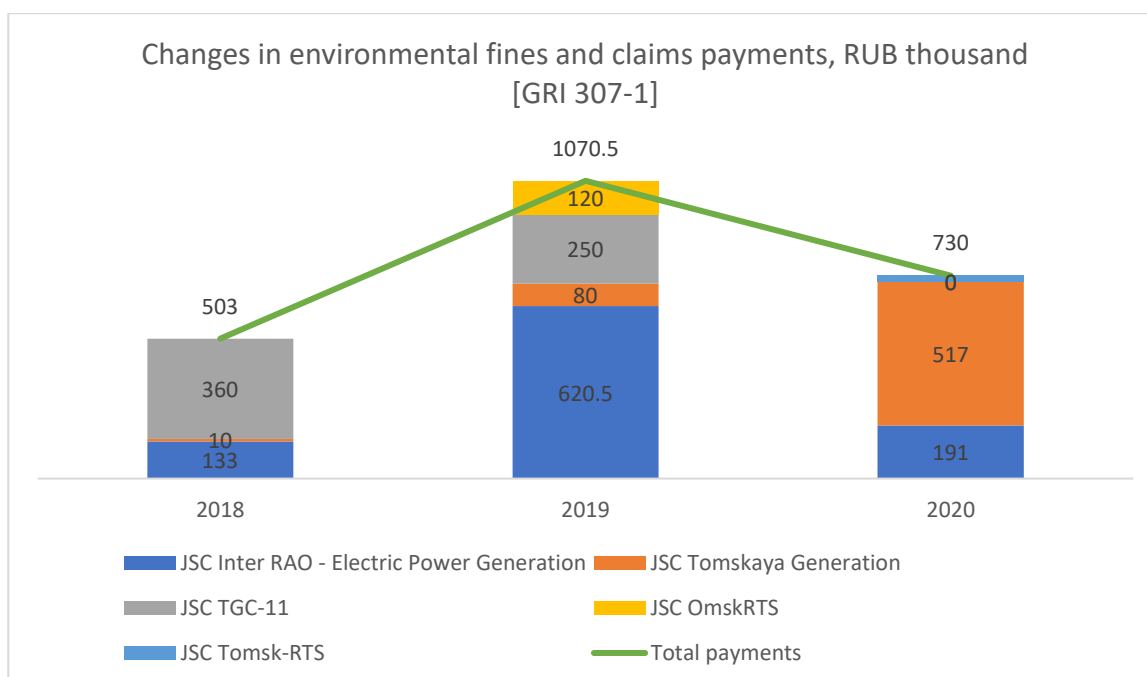
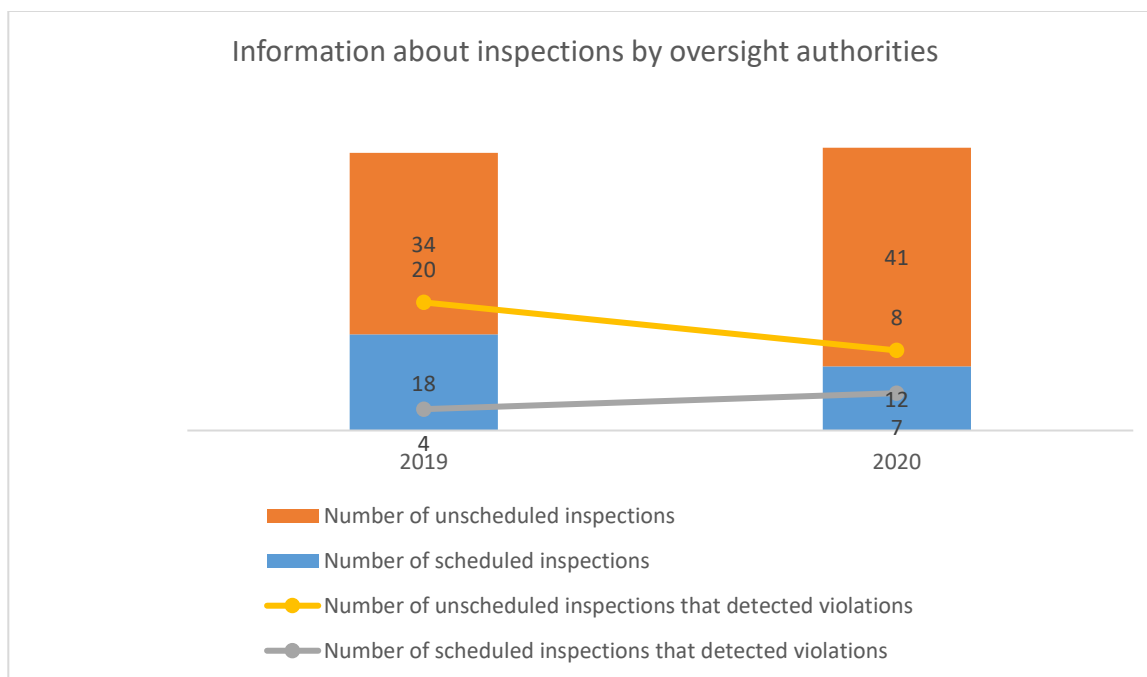
During the construction and operation of facilities, draft standards are developed for permissible emissions and discharges of pollutants into the environment and waste disposal limits along with sections of project documentation for environmental protection, including measures to reduce the negative impact on the environment and preserve biodiversity.

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 or floods).

No accidents with environmental consequences were recorded at Inter RAO in 2020.



In 2020, the oversight authorities conducted 53 inspections (12 scheduled and 41 unscheduled inspections, including based on complaints by third parties and follow-ups on previously issued instructions). Violations of environmental legislation were detected in only 28% of the cases. No non-financial penalties were imposed based on inspections in 2020.



### 12.2.3. Monitoring compliance with environmental protection legislation by suppliers and contractors [GRI 103-1, 103-2, 103-3, 308-1]

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. Individual 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.

The Inter RAO Group's companies expect suppliers to comply with the requirements of the applicable environmental legislation in all their actions and relations associated with the fulfillment of obligations to the Group's companies. In their activities, the Group's companies agree to introduce internal procedures to monitor the assessment, selection, and interaction processes with suppliers in all regions where the Company operates in accordance with sustainable development principles. The Group's companies expect suppliers to adhere to the Sustainable Development Policy as well as to strictly observe the principles of environmental protection.

### 12.3. Greenhouse gas and air pollutant emissions

#### 12.3.1. Policy to reduce greenhouse gas and air pollutant emissions [GRI 103-2, 103-3. TCFD]

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.

**A 7% reduction in specific CO<sub>2</sub> emissions versus the 2019 level is documented as a strategic goal**

The data on greenhouse gas emissions contained in the 2018-2020 Annual Reports was certified by an international auditor in accordance with International Standard 3410 'Assurance Engagements on Greenhouse Gas Statements' issued by the International Auditing and Assurance Standards Board, and the relevant opinions on this were obtained<sup>45</sup>.

#### **KPIs for climate risks and opportunities**

One KPI that is relevant for all employees and carries a weight of 20% is the Integral Innovation Index Fulfillment KPI, which was created to assess innovative activities and, among other things, envisages the implementation of an innovative development program in which one of the objectives is to reduce specific greenhouse gas emissions per unit of electricity generated.

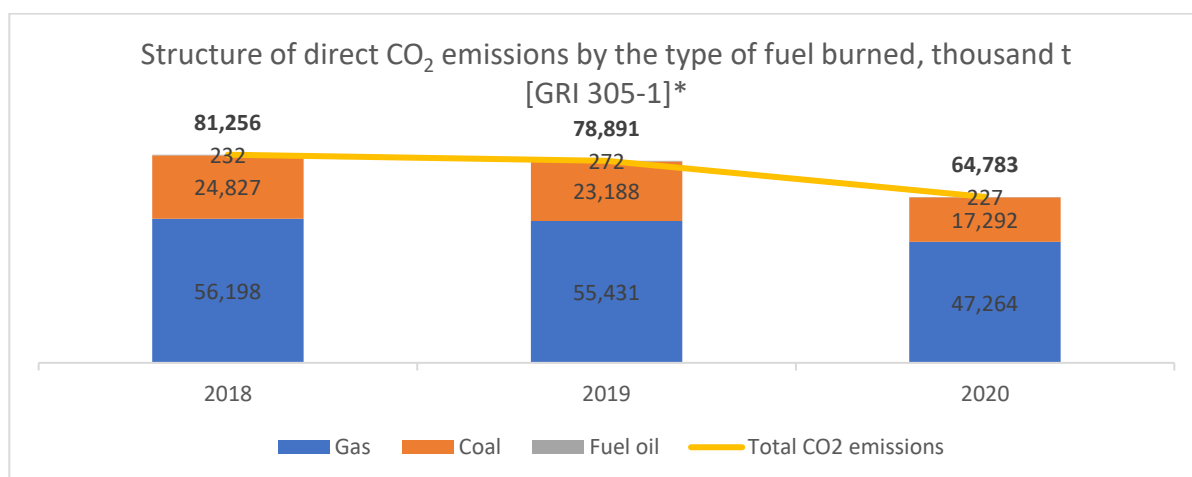
The Inter RAO Development Strategy until 2025 with a View to 2030, which was approved in 2020, states that reducing specific CO<sub>2</sub> emissions by 7% versus the 2019 level is a strategic goal. In addition, the new Strategy stipulates the need to introduce mechanisms to analyze and assess climate risks as well as conduct inventories of greenhouse gas emissions and reduce them.

<sup>45</sup> <https://www.interrao.ru/sustainable-development/protection-of-the-environment/greenhouse-gas-emissions/>

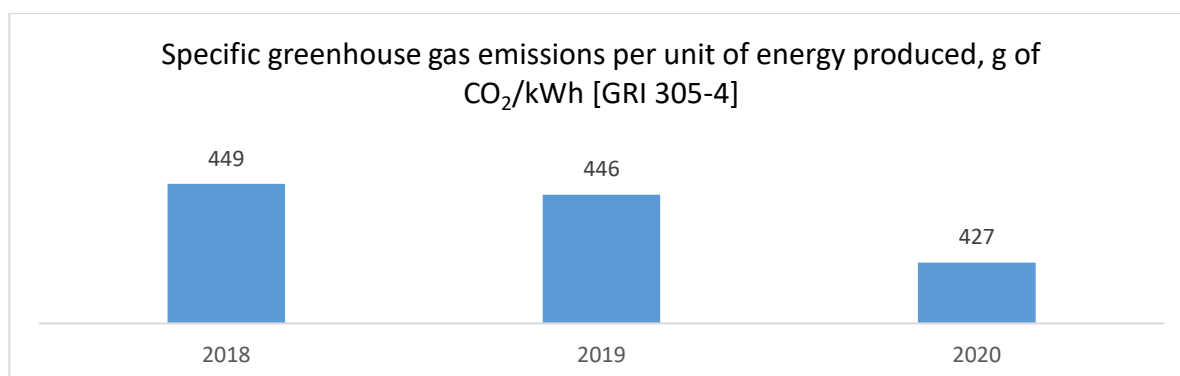
### 12.3.2. Greenhouse gas emissions [GRI 305-1, 305-4, TCFD]

Greenhouse gases<sup>46</sup> 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, Inter RAO has reduced direct greenhouse gas emissions by 44% compared with the 2014 level (adopted as the baseline) and 22% versus the 2018 level. The Group's gross greenhouse gas emissions amounted to 64,783 thousand tons in 2020. Specific greenhouse gas emissions amounted to 427 g of CO<sub>2</sub>/kWh in 2020, down by 4% compared with 2019.



\* Gross greenhouse gas emissions from fixed fuel combustion sources underwent the procedure of external certification for 2018-2020 in accordance with International Standard on Assurance Engagements 3410.



Total SF<sub>6</sub> gas emissions for all heat and power generating facilities amounted to 271.4 kg of SF<sub>6</sub> in 2020.

Main reasons for the decrease in greenhouse gas emissions:

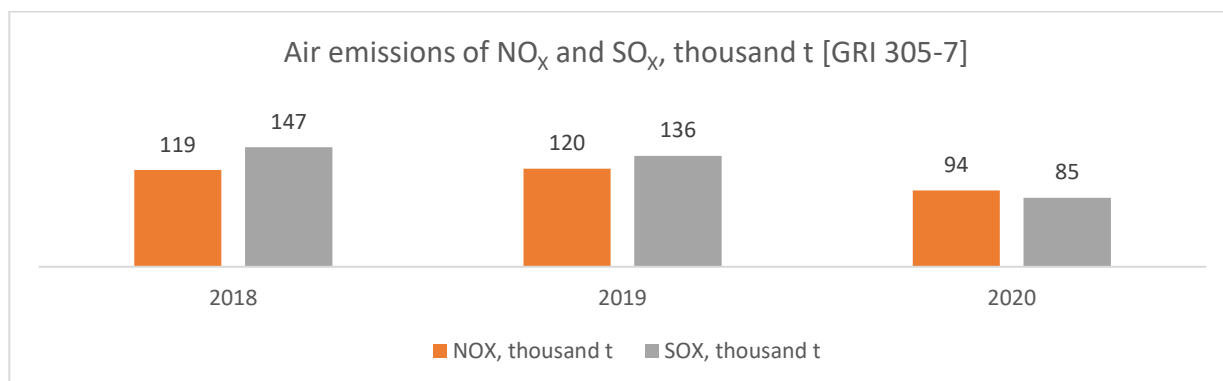
- An economically justified increase in the share of medium- and high-power condensing and co-generation CCGTs and gas turbines in the structure of gas generating capacities (including with the use of Russian gas turbine engines) with energy efficiency (efficiency rate or specific fuel consumption) and environmental safety indicators (specific emissions) at the level of the best world analogues
- Enhanced energy efficiency of equipment as part of the Energy Conservation and Efficiency Improvement Program
- Sale of the coal-fired Ekibastuzskaya TPP-2 with installed capacity of 1,000 MW in December 2019

<sup>46</sup> This only includes carbon dioxide emissions. This is due to the insignificant emissions of other greenhouse gases.

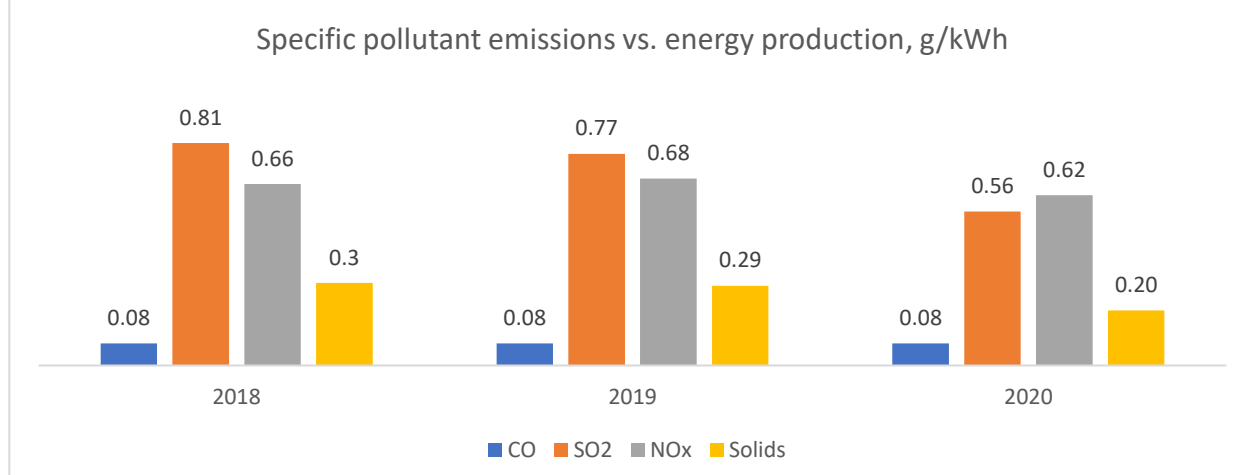
### 12.3.3. Air pollutant emissions [GRI 305-7]

As a whole, the level of various pollutant emissions decreased compared with 2019. NO<sub>x</sub> emissions declined by 22% to 94,000 tons in 2020, while the level of SO<sub>x</sub> emissions fell by 38% to 85,000 tons. 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. A 42% reduction in solid emissions in 2020 resulted from the Ekibastuzskaya TPP-2 leaving the Group as well as such activities as the routine maintenance of dust extraction plants.



GRI305-7. Air emissions of other significant pollutants				
Pollutant type	2018	2019	2020	2020/2019
Persistent organic pollutants (PCB emissions) <sup>47</sup>	–	–	–	–
Volatile organic compounds, thousand tons	0.27	0.21	0.18	-16%
Hazardous air pollutants (benzo[a]pyrene), kg	49.8	37.6	40.9	9%
Solids, thousand tons	54	52	30.4	-42%
CO (carbon monoxide), thousand tons	15	15	12.9	-12%



<sup>47</sup> 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.

## 12.4. Energy efficiency and resource conservation

### 12.4.1. Energy Conservation and Energy Efficiency Improvement Program [103-1, 103-2, TCFD]

Inter RAO Group is constantly optimizing business processes to manage energy conservation. Projects that 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. An energy management system (ISO 50001:2011 Energy management systems) has been [introduced and certified](#) with the international body AFNOR Certification at electricity and heat generation facilities.

Inter RAO's Energy Conservation and Energy Efficiency Improvement Program (ECEEIP) only encompasses the Group's Russian electricity and heat generating assets.

Strategic objectives to improve the efficiency of generating capacities:

- 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 the Energy Management System)
- Mitigating the Company's negative environmental impact

The ECEEIP for 2020-2024, 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 Inter RAO 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 2020, the following key measures were implemented to improve energy efficiency. The following are the most significant of these measures:

Measures to improve energy efficiency	Cost, excluding VAT, RUB mln
Retrofitting of the turbine vacuum system with a ball cleaning system and the modernization of the TGMP-114 steam boiler of power unit 4 at the Irikhinskaya TPP	27.64
Reconstruction of draught machines of the gas-air duct of power unit 1 (800 MW) at the Permskaya TPP	5.36
Optimization of the central heating station during planned shutdowns of power unit 9 (1,200 MW) at the Kostromskaya TPP	organizational measure with no expenses
Chemical washing of condenser tubes PT-20 at the Kaliningradskaya CHPP-2	2.8

Optimization of the recirculation channel of the process water supply system at JSC Nizhnevartovskaya TPP	organizational measure with no expenses
Modernization of cooling tower 3 at the Omsk CHPP-5	182.7
Installation of a ball cleaning system for turbine condenser 8 at the Ufimskaya CHPP-4	25
Retooling of the condensing unit of turbine units 4 and 5 with the installation of a ball cleaning system at the Sterlitamakskaya CHPP	28.3

In 2020, Inter RAO continued to implement the projects 'Introduction of Lean Production Principles', which decreases enterprises' losses from the consumption of electricity and water, reduces costs, optimizes the use of staff time, increases the collection of funds at heat supply assets, and reduces water losses at the Group's heating grid companies. A number of project initiatives as part of the lean manufacturing concept aim to carefully treat waste materials and tools.

Information about the volume of the types of energy resources used in monetary terms is given in the 'Operating Results' section. Information about the volume of energy used in physical terms is given in the 'Results of energy efficiency measures' section. Information about the volume of fuel used in physical terms is given in the 'Consumption of fuel and energy resources' section.

#### 12.4.2. Results of energy efficiency measures [GRI 103-2, 302-1, 302-3, 302-4, TCFD]

In 2020, the implementation of the ECEEIP at Inter RAO resulted in the following:

- Equivalent fuel – 15,902,000 tons
- Thermal power – 29,635,000 Gcal
- Electric power – 3.329 million kWh
- Water – 25.83 million m<sup>3</sup>

#### Volume of energy consumed for internal needs at generating facilities in Russia [GRI 302-1]

Type of fuel/energy	Measurement unit	Total fuel consumption in physical terms		
		2018	2019	2020
Volume of energy consumed for internal needs	mln kWh	5,646	5,498	4,961
	TJ	20,327	19,792	17,861
for electricity	mln kWh	4,509	4,459	4,092
	TJ	16,233	16,054	14,733
for heat	mln kWh	1,137	1,038	869
	TJ	4,094	3,738	3,128
Purchased electric power	mln kWh	403	399	421
	TJ	1,451	1,437	1,515
Purchased thermal power	thousand Gcal	45	41	37
	TJ	188	172	153
Total energy consumption for internal needs	TJ	21,966	21,401	19,529

#### Energy savings at generating facilities in Russia [GRI 302-4]

Types of energy saved	Measurement unit	2018	2019	2020	2020/2019
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	105.7	46.9	15.90	-66.09%
	TJ	3,098	1,374	466	
Electricity	mln kWh	15.1	3.7	3.33	-10.04%
	TJ	54.2	13.3	12.0	
Heat	thousand Gcal	7.5	39.0	29.64	-24.01%
	TJ	31.2	163.2	124.1	
Water	mln m <sup>3</sup>	4.7	19.7	25.83	31.13%

The economic effect from the implementation of the ECEEIP measures in 2020 amounted to RUB 94 million, while expenses on implementing ECEEIP measures totaled RUB 6.008 billion, taking into account the commissioning of new capacities and the decommissioning of inefficient capacities.

Given the decrease in production volumes in 2020 and the completion of the CDA program to upgrade generating capacities, the implementation of ECEEIP measures led to the following results in terms of energy efficiency:

#### Energy intensity indicators at generating facilities in Russia [GRI 302-3]

	Measurement unit	2018	2019	2020	2020/2019
Specific fuel consumption for electric power output	g of fuel equivalent/kWh	296.99	295.22	296.3	0.36%
Specific fuel consumption for thermal power output	kg/Gcal	144.36	144.79	147.5	1.84%
FHUF	%	49.49	49.5	50.35	1.63%
Specific overconsumption (overburning) of fuel equivalent	g/kWh	1.935	1.5	1.57	4.48%
Total relative heat losses during transmission via heat networks	%	18.61	18.31	18.62	1.68%
Relative electricity costs for the transmission of heat via heat networks	kWh/Gcal	6.125	6.49	6.799	4.76%

#### 12.4.3. Consumption of fuel and energy resources [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 declined to 17% in 2020 from 19.1% in 2019. Fuel consumption decreased by 17% to 35.464 million tons of fuel equivalent in 2020 due to an 18.5% decrease in electricity generation. Another additional factor that reduced coal consumption in 2020 was the sale of the coal-fired Ekibastuzskaya TPP-2 with installed capacity of 1,000 MW in December 2019.

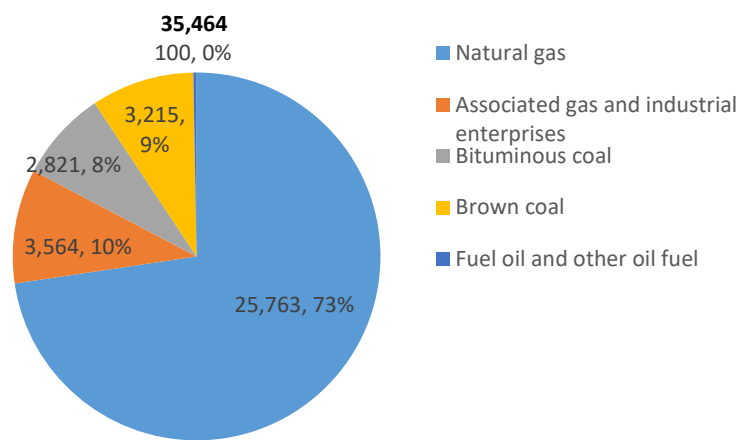
#### Total fuel consumption in physical terms<sup>48</sup>

Type of fuel/energy	2018	2019	2020	2020/2019
Total gas, mln m <sup>3</sup>	29,593	29,375	24,995	-15%

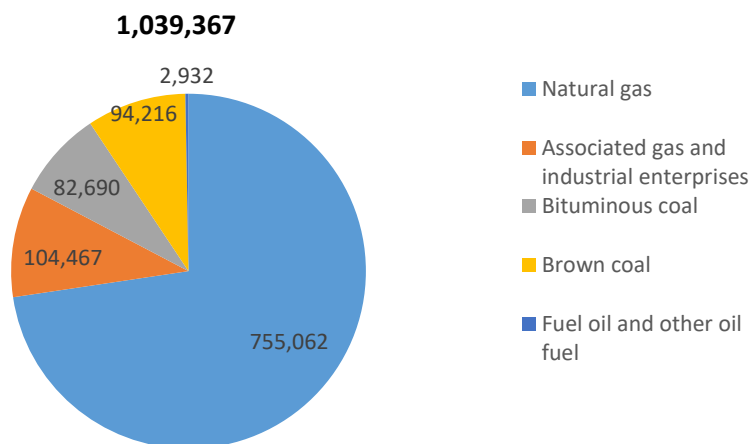
<sup>48</sup> Taking into account fuel consumption at the Ekibastuzskaya TPP-2 for the full years 2018-2019. The operational results of JSC Ekibastuzskaya TPP-2 are not included in the Group's financial results from December 2016 due to the reclassification of a 50% stake in JSC Ekibastuzskaya TPP-2 as assets classified as held for sale. The data for 2019 does not include the consumption of 19 mln m<sup>3</sup> of natural gas during the testing of the GTD-110M gas turbine engine at Ivanovskiye CCGT.

natural	25,878	25,761	22,004	-15%
associated	3,664	3,564	2,944	-17%
industrial enterprises	51	50	47	-8%
<b>Coal, thousand tons</b>	<b>15,188</b>	<b>14,244</b>	<b>10,510</b>	<b>-26%</b>
bituminous	8,848	8,085	4,588	-43%
brown	6,340	6,159	5,922	-4%
<b>Oil fuel, thousand tons</b>	<b>78</b>	<b>88</b>	<b>76</b>	<b>-15%</b>
heating oil	77	87	75	-15%
diesel fuel	1	1	0	-37%

Fuel balance structure of Inter RAO in 2020, thousand tons of fuel equivalent



Fuel balance structure of Inter RAO in 2020, TJ





## 12.5. Waste generation and utilization

### 12.5.1. Waste treatment policy and measures [GRI 103-1, 103-2]

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.

### 12.5.2. Waste generation [GRI 306-2, 306-3, 306-4]

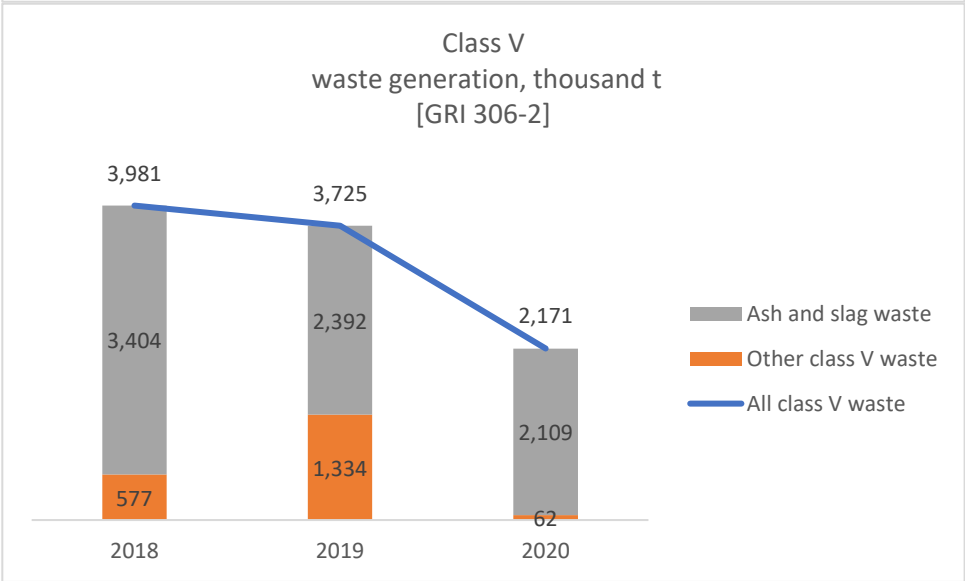
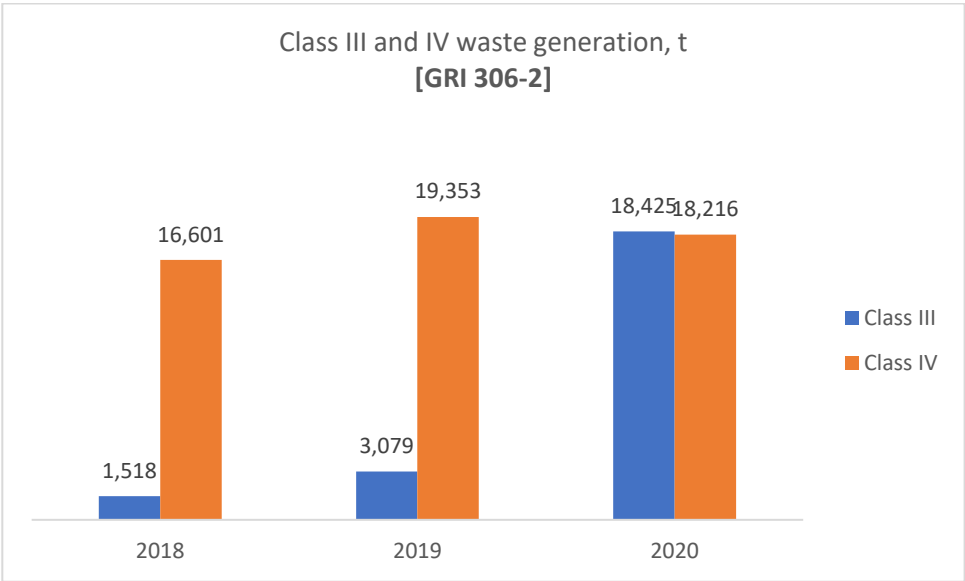
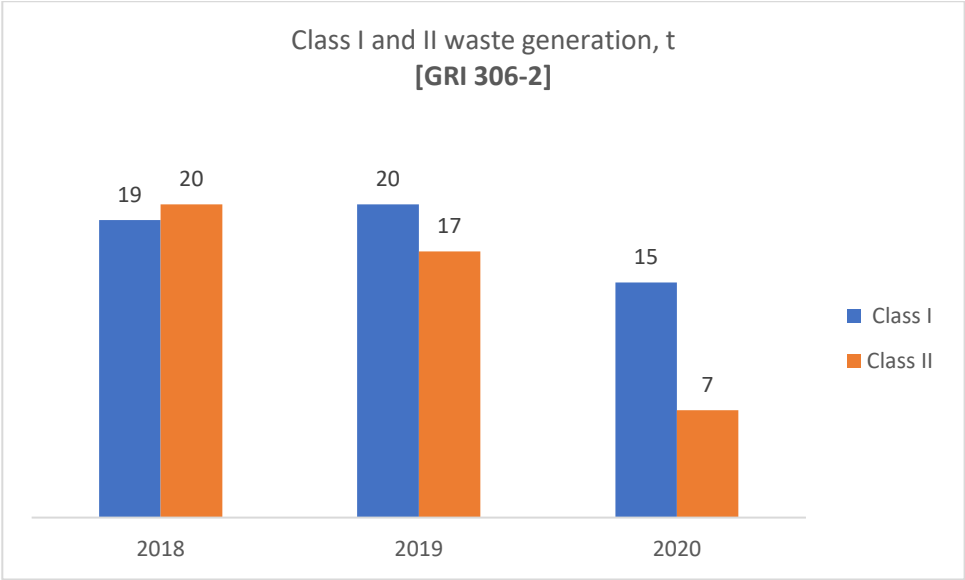
Inter RAO companies transfer the waste they generate under contracts to specialized organizations that have licenses to transport, collect, and further handle waste. The Group's power plants have organized the selective collection of certain types of waste that are then transferred for disposal. Inter 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]

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 2020, total ash and slag waste generation decreased by 12% compared with 2019 to 2,109,000 tons. The main reasons for this are a decrease in coal-fired generation, an increase in its efficiency as well as the sale of the Ekibastuzskaya TPP-2.

The generation and transfer of hazard class 3 waste increased by six-fold to 18,000 tons due to a one-off event at the Verkhnetagilskaya TPP in 2020 to clean fuel oil tanks: the generation of 16,000 tons of sludge from the cleaning of tanks and oil and petroleum product pipelines. This waste was transferred for neutralization.

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.

Inter RAO facilities did not record any accidental (significant) spills of chemicals, oils, or fuel in 2020. [GRI 306-3]



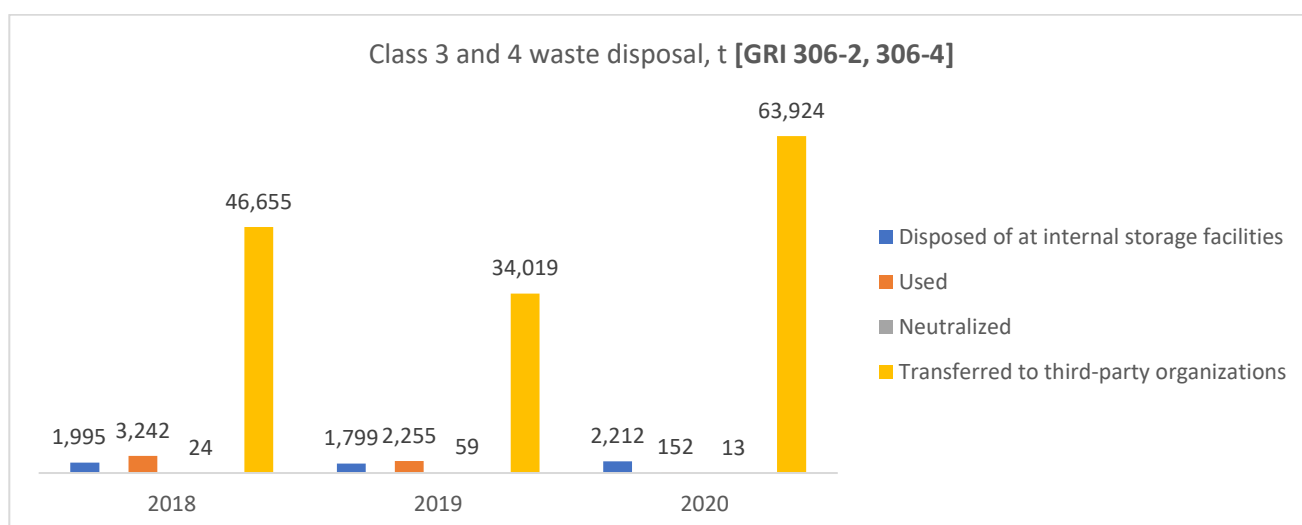
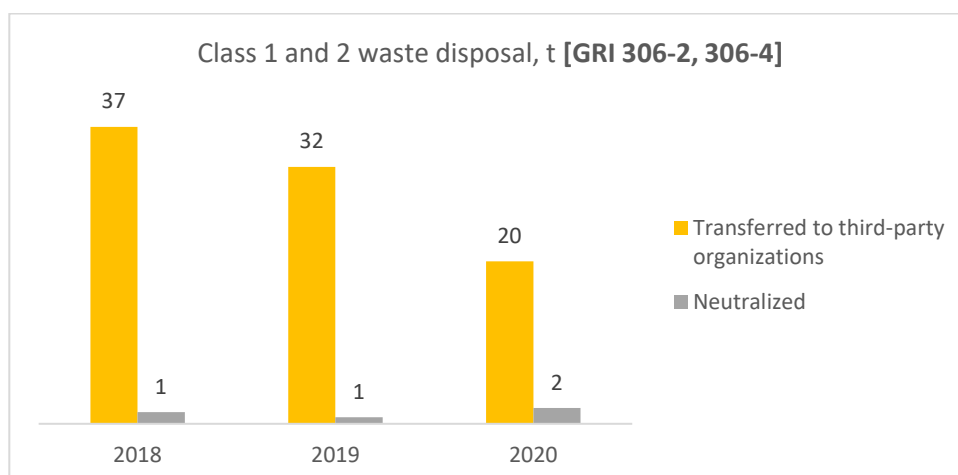
### 12.5.3. Waste disposal and recycling [GRI 306-2, 306-4]

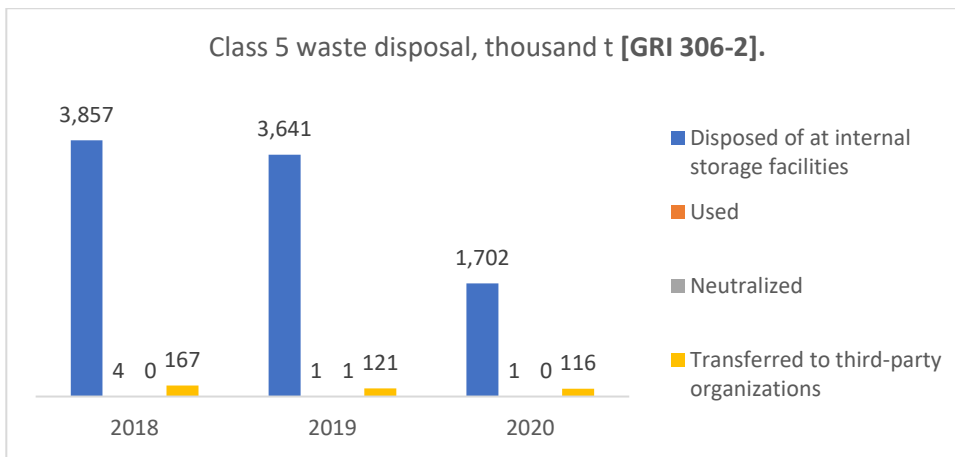
Due to production specifics, the most high-volume waste at the Group's facilities is ash and slag waste (ASW), which can create adverse environmental situations in the event of dusting or if ash components are washed away and possibly enter the soil and aquifers. The ash and slag waste generated at the 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. 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.

A number of branches have waste disposal facilities (landfill, sludge dumps, and slag dumps). All existing waste disposal facilities are included in the state register of waste disposal sites.

Inter RAO monitored the negative impact of these structures on the environment throughout 2020, including the environment in the areas where the facilities are located and piezometric wells, and also conducted technical inspections and visual observations. The facilities have fencing and monitoring to avoid the risk of unlawful actions by third parties.





## 12.6. Efficient water usage

### 12.6.1. Approaches to water usage management [GRI 103-1, 103-2, 303-1, 303-2, 303-3, 303-5]

In accordance with the approved Declaration of Environmental Responsibility<sup>49</sup>, 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 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 in Russia is classified as fresh water ( $\leq 1000$  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 to increase the share of recycled water in the production process
- The use of clean-contaminated sewage disposal pumps
- The implementation of wastewater reuse 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.

Work was carried out at Nizhnevartovskaya TPP to reduce the volume of water intake from the Vakh River by developing a computer-based calculation algorithm that allows for predicting the optimal proportion of recirculation and the temperature of circulating water, taking into account various influencing factors.

Inter RAO plans to rebuild the equipment cooling system at the Moldavskaya TPP and transition to a circulating system in 2021 to ensure the sustainable use of water from a surface water body and reduce the impact of warm waters on the Kuchurgan Reservoir.

In addition, LLC RusEnergoMir Management Company (Novosibirsk) developed a project in 2021 to build local sewage treatment facilities to treat storm water at the Kostromskaya TPP branch, completed design work

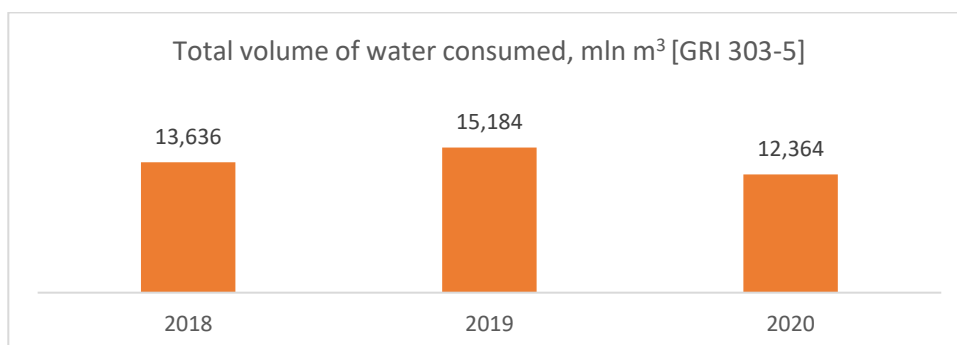
<sup>49</sup> Approved by the Board of Directors (Minutes No. 64 dated April 2, 2012).

(stages P and R), and conducted a private expert examination of the project. Construction is scheduled to begin in 2021.

In 2020, the Kharanorskaya TPP branch began work on the design of treatment facilities for domestic wastewater.

#### 12.6.2. Water consumption and intake volume [GRI 103-2, 303-3, 303-5]

Inter RAO reduced the gross amount of water used (including water from circulating systems) by 19% in 2020 compared with 2019 to 12.364 billion m<sup>3</sup>. The share of recycled water supply increased from 69% in 2019 to 73% in 2020 (8.98 million m<sup>3</sup>) and comes from recycling systems (cooling towers) and other reuse systems. The total volume of water taken from external sources in 2020 amounted to 3.383 billion m<sup>3</sup>, down by 27% from the previous year. Of this amount, 3.297 billion m<sup>3</sup> (97%) was taken from surface water bodies, 79 million m<sup>3</sup> from such sources as the surface runoff of storm and melt water as well as municipal water supply and other enterprises, and 7 million m<sup>3</sup> from underground water bodies.



#### 12.6.3. 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 2020 amounted to 3.773 billion m<sup>3</sup>, down by 13% compared with 2019, 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 99.74%.

#### 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 m <sup>3</sup>				
	2018	2019	2020	2020/2019
<b>Wastewater disposal, including:</b>	<b>5,717</b>	<b>4,354</b>	<b>3,773</b>	<b>-13%</b>
Disposed to third-party companies	5	5	4	-11%
<b>Disposed to surface water bodies, including:</b>	<b>5,712</b>	<b>4,349</b>	<b>3,769</b>	<b>-13%</b>
Standard-compliant clean	5,672	4,313	3,759	-13%
Treated to standard quality	4	4	4	10%
Insufficiently treated	3	5	2	-61%
Polluted untreated	33	26	3	-87%
<b>Share of standard-compliant clean water in total water disposal, %</b>	<b>99%</b>	<b>99.2%</b>	<b>99.74%</b>	<b>0.6%</b>

## 12.7. Protecting biodiversity [GRI 304-1]

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

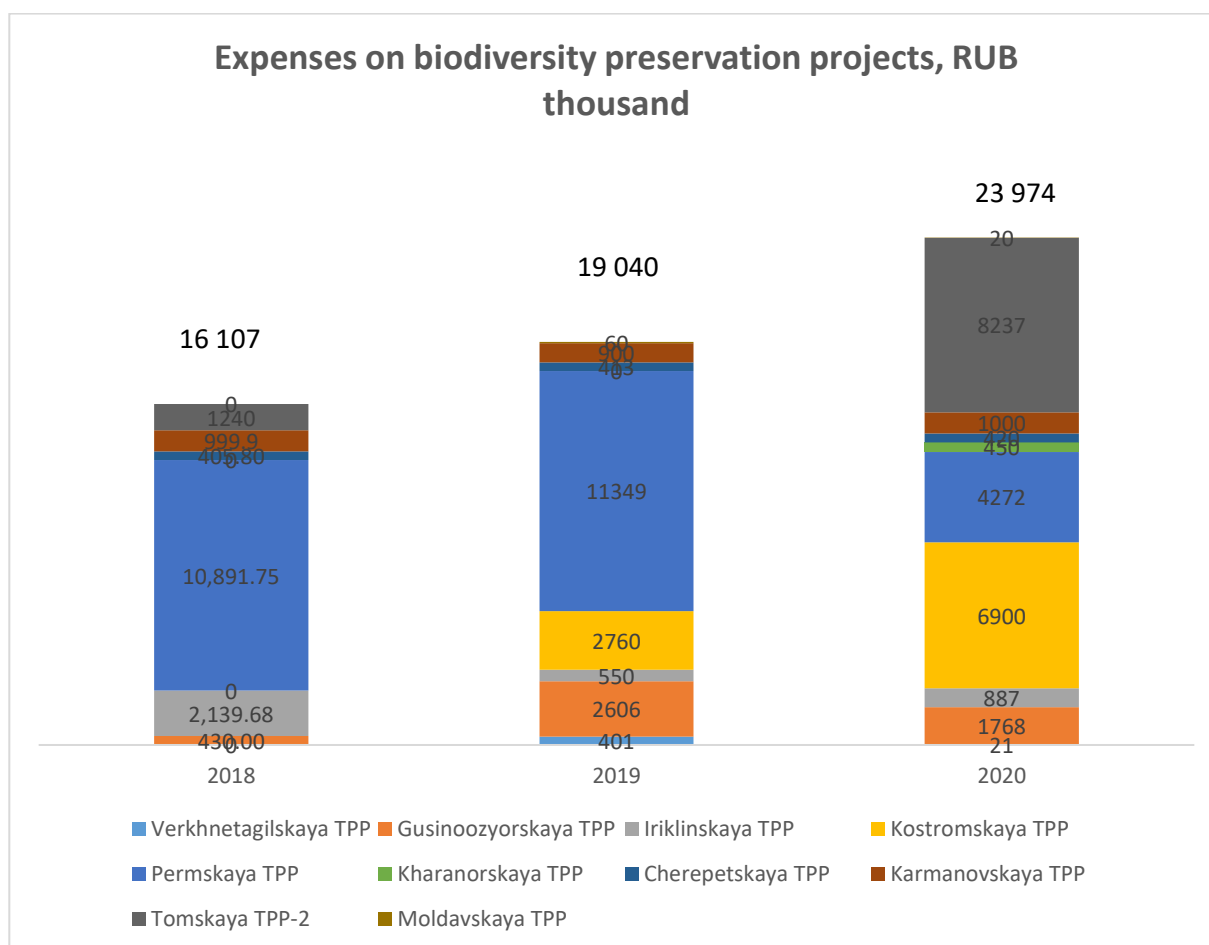
Inter RAO's generating facilities are not located within any nature reserves and do not border on territories with a high value of diversity or protected natural areas. [GRI 304-1]

### 12.7.1. Protection and replenishment of fish resources [GRI 304-2, 304-3]

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 to ensure 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 24 million on projects to protect biodiversity in 2020.



In an effort to preserve aquatic biological resources and their habitat during the construction and operation of power plants, JSC Inter RAO – Electric Power Plants signed a cooperation agreement with the Federal Agency for Fisheries, Glavrybvod, and the Russian Research Institute of Fishery and Oceanography (VNIRO) on June 19, 2020. In accordance with the document, VNIRO has begun comprehensive work to study water bodies to determine what kind of impact the production facilities of JSC Inter RAO – Electric Power Plants have on the aquatic biological resources.

### GRI304-3. Habitats that were preserved or restored in 2020

Water body	Location	Area	Measures to preserve aquatic biological resources approved by independent external specialists	Status of territory as of January 31, 2020 (whether it is a special protected natural area)
<b>JSC Inter RAO – Electric Power Plants</b>				
Lake Gusinoe	Republic of Buryatia	164 km <sup>2</sup>	Compensatory stocking of 49,600 carp fry	No
Iriklienskoye Reservoir	Orenburg Region	260 km <sup>2</sup>	Compensatory stocking of 127,983 silver carp fry	No
Kamskoye Reservoir	Perm Territory	1,910 km <sup>2</sup>	Compensatory stocking of 362,100 sterlet fry	No
Cherepetskoye Reservoir	Tula Region	9 km <sup>2</sup>	Compensatory stocking of carp and silver carp fry with total weight of 2,620 kg	No
Reservoir of Kharanorskaya TPP	Transbaikal Region	4.1 km <sup>2</sup>	Compensatory stocking of 14,300 silver carp fry	No
<b>LLC BGC</b>				
Karmanovskoye Reservoir	Republic of Bashkortostan	35,500 m <sup>2</sup>	Compensatory and ameliorative stocking of herbivorous fish	No
<b>JSC Tomsk Generation</b>				
Tom River	Tomsk Region	400 m <sup>2</sup>	Project 'Modernization of fish protection devices at the water intake heads of the BNS at the Tomskaya TPP-2'	No
Novosibirskoye Reservoir	Altai Territory		Compensatory stocking of peled fry	No
<b>CJSC Moldavskaya TPP</b>				
Kuchurganskoye Reservoir	Transnistria – Ukraine	25,000 m <sup>2</sup>	Compensatory and ameliorative stocking of 5.39 million fry of herbivorous and tundra fish: 1.8 million grass carp fry, 1.7 million of silver carp larvae, 600,000 grown pike perch fry, 240,000 ram fry, 300,000 bream fry, 360,000 tench fry, and 390,000 carp and crucian carp fry. Biological reclamation measures to reduce the amount of blue-green algae. The reservoir was stocked with herbivorous fish species with total weight of 2,770 kg (white and variegated silver carp and grass carp). Water is circulated in the reservoir to exclude stagnant zones and fish death.	No

## Measures to equip and improve fish protection devices in 2020:

- Work was launched to design a modern fish protection device for the Pechorskaya TPP branch. Completion of construction and commissioning is scheduled for 2021.
- Study of the impact of economic activities on water bodies and the drawing up of measures to preserve hydrobiocenoses.
- Comprehensive work began to conduct hydrobiological and ichthyological studies of water bodies to determine the impact on aquatic biological resources and their habitat during the production activities of the branches of JSC Inter RAO – Electric Power Plants as part of its interaction with the Federal Agency for Fisheries, Glavrybvod, and VNIRO.
- R&D work continued on the project 'Monitoring and assessment of the ecological state of the Kuchurganskoye Reservoir – cooler of the Moldavskaya TPP'.

### 12.7.2. Environmental volunteering

Inter RAO cultivates respect among employees for nature and biodiversity. To this end, one-off events are held that aim to preserve and reproduce biodiversity.

The Company's young people pay great attention to nature conservation by conducting environmental Saturday cleanups, getting involved in environmental campaigns and projects, and holding environmental education sessions. In 2020, young people held environmental cleanups at the Moldavskaya TPP, while activists from LLC BashRTS were actively involved in urban environmental campaigns and organized environmental trips. Youth activists from JSC Petersburg Supply Company and JSC Petrolelektrosbyt UIPC collected waste paper and took part in a campaign to deliver colored plastic for recycling to help children with special needs (Solntse Charitable Foundation).

## 13. Occupational safety and preventing occupational diseases

### 13.1. Occupational safety and health policy and system

#### 13.1.1. Health and safety policy and requirements [GRI 103-1, 103-2, 403-1, 403-9, 403-10, 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 Group<sup>50</sup> (hereinafter the Regulation).

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<sup>50</sup> Order No. IRAO/102 dated February 22, 2013.



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.

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 2030 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 Management. The target injury frequency rate has been set at 0.3490 for 2021.

The Business Strategy for Electricity Production and the Reliability and Safety Management of Wholesale Generating Assets has set the following occupational safety targets for the period until 2030.

Indicator	Measurement unit	2018	2020	2025	2030
Number of fatal accidents caused by the employer or group accidents if there is a victim with a serious outcome	unit	0	0	0	0
Injury frequency rate	ratio	0.356	0.350	0.345	0.340

### Results of the implementation of occupational safety goals in 2020

In 2020, the actual value of the injury frequency rate was 0.1260, which is 0.0229 higher than in 2019 due to an increase in the number of accidents in which workers were found to be at fault from five in 2019 to six in 2020, while the overall number of accidents remained at the 2019 level<sup>51</sup>. Thanks to the measures taken in 2020, the overall injury rate among the Group's employees did not exceed the target value ( $\leq 0.3500$ )<sup>52</sup> and amounted to 0.1260.

The LTIFR injury rate (number of injuries x 1 million man-hours / total hours worked) for 2020 was 0.082<sup>53</sup>. The Fatal Injury Rate<sup>54</sup> was 0.012, as was the Severe Injury Rate.

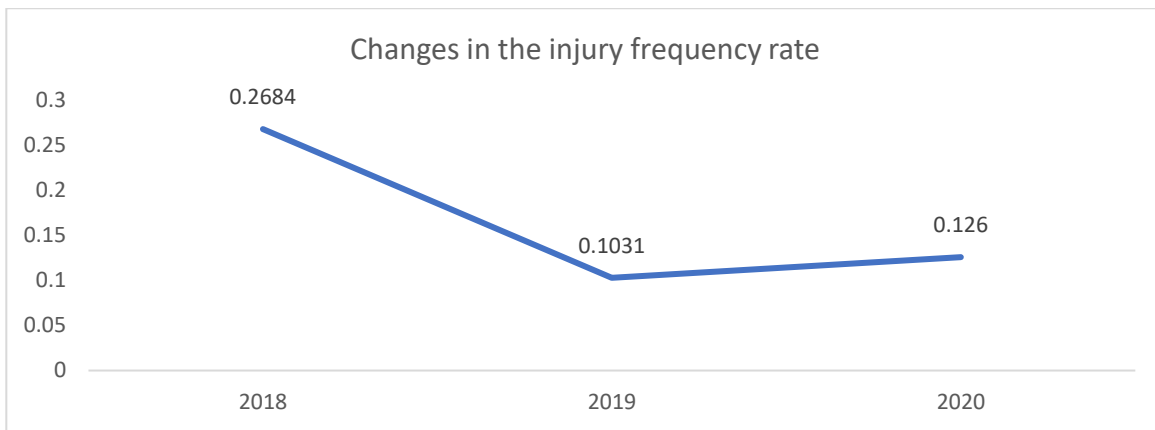
At the end of 2020, no occupational diseases were identified among the Group's employees.

<sup>51</sup> Injury frequency rate = Number of accidents in which the Company's employer and/or employees were at fault based on investigation reports x 1,000 / Average number of employees.

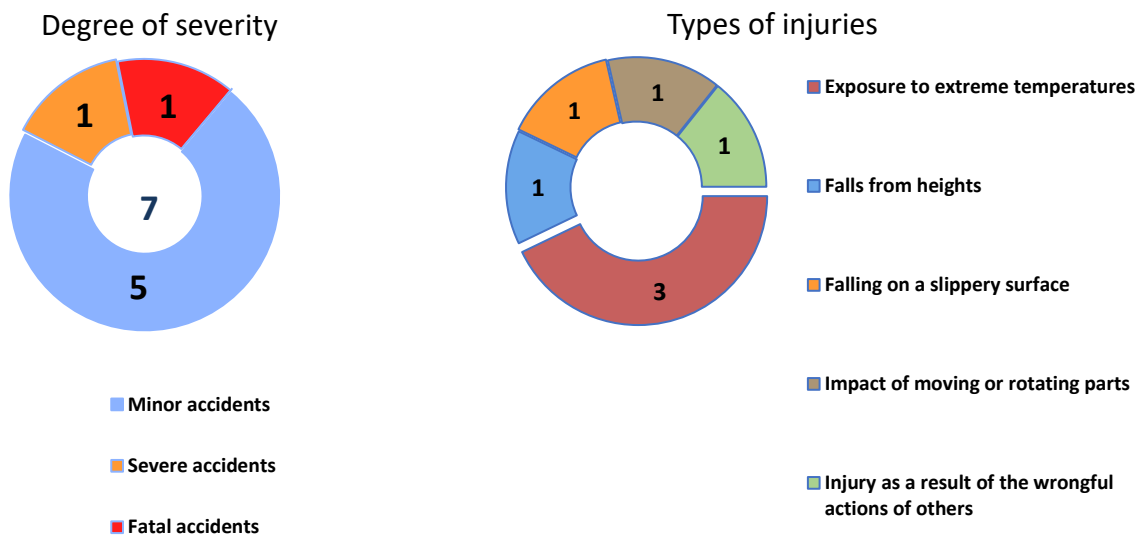
<sup>52</sup> The target value of the Injury Frequency Rate since 2013 has declined from 0.39 to 0.37 in 2015 and to 0.35 in 2020.

<sup>53</sup> LTIFR (for the Group in 2020) = 7 x 1,000,000 / 85731687.75 = 0.08.

<sup>54</sup> The Fatal Injury Rate for the Group in 2020 = 1 x 1,000,000 / 85731687.75 = 0.012.



### Distribution of accidents in 2020



Inter RAO recorded a total of six accidents in which workers were at fault and one accident in which no fault was found. Below is a list of all the types of incidents that resulted in injuries to employees of the Group's companies:

- Exposure to extreme temperatures – 44% (one severe accident occurred as a result of design flaws in equipment (damage to the elbow of a bypass pipe of a steam boiler due to the depletion of the durability of the metal), one minor accident as a result of the failure to check whether voltage had been switched off on all live parts before performing electrical installation work and the failure to use personal protective equipment by the victims, and one minor accident due to the unsatisfactory organization of work, the failure by the victims to use equipment that is resistant to the impact of an electric arc, and the violation of workplace and manufacturing discipline)
- Falls from height – 14% (one fatal accident occurred as a result of the victim violating workplace discipline and a lack of control over subordinate staff)
- Falling on a slippery surface – 14% (one minor accident occurred due to the victim following the wrong route (a road instead of a pedestrian sidewalk) and failure to take measures to treat the road with a deicing agent)

- Impact of moving and rotating parts – 14% (one minor accident occurred as a result of the unsatisfactory organization of work, a violation of workplace and manufacturing discipline, failure to conduct targeted safety training before work, violation of occupational safety instructions, and work on a machine that had not been put into operation)
- Injury as a result of the wrongful actions of others – 14% (one minor accident occurred due to an attack on the victim by a civilian)

No cases of injury to third parties from interaction with the Company's assets were recorded. [EU25]

### 13.1.2. Occupational health and safety management system [GRI 103-3, 403-1, 403-8]

In accordance with the targets of the Inter RAO Technical Policy<sup>55</sup> corporate standard, the Group has introduced and is employing the Occupational, Industrial, Fire, and Environmental Safety Management System (OIFESMS)<sup>56</sup>. 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 corporate standards.

All of Inter RAO employees (full-time and non-staff) with an average headcount of 46,900 people were covered by the occupational safety and professional health system in 2020. The occupational safety system has an internal audit procedure. The OIFESMS does not provide for an external certification/audit procedure.

### 13.1.3. Plans to improve occupational safety in 2021

In 2021, 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 introduce video recording of routine switchings in electrical installations and thermal power plants, prepare workplaces and hazardous work permits at generating companies (LLC Inter RAO – Electric Power Plants Management and LLC BGC), equip field service teams of the heating network areas of LLC BashRTS with gas analyzers to identify harmful substances in the air of underground structures, heat chambers, and reservoirs, and implement the 'Mobile Crawler' project as regards the development of route maps at the plants of the pilot scope of the project (LLC Inter RAO – Electric Power Plants Management).

The target injury frequency rate has been set at 0.349<sup>57</sup>.

<sup>55</sup> Order No. IRAO/453 dated September 14, 2018 (updated version)

<sup>56</sup> Order No. IRAO/102 dated February 22, 2013.

<sup>57</sup> 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).

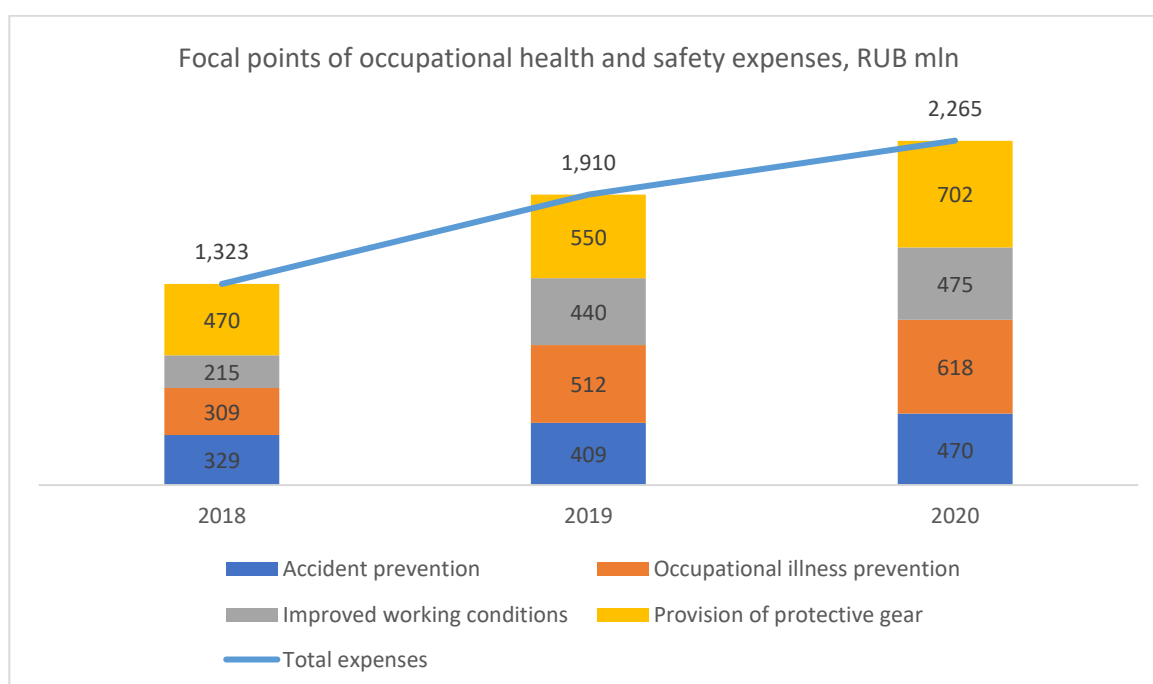
## 13.2. Main occupational health and safety focuses, expenses, and measures

### 13.2.1. General health 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 (non-standard working hours) for certain categories of the Company's employees
- Joint sports and recreational activities for the Company's employees
- Compensation for the temporary disability of a Company employee due to illness
- A medical rehabilitation program for the Company's employees
- 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
- 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 2020 increased by 19% compared with 2019 and amounted to RUB 2.265 billion, or RUB 47,600 per employee.



### **13.2.2. Identification of harmful and dangerous factors in the working environment and occupational process [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, and 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 2020, Inter RAO conducted a special assessment of working conditions (SAWC or workplace assessment) at 9,423 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 2021, SAWCs will be conducted at 7,282 work stations in order to improve 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 a review of occupational safety issues. All Inter RAO employees are informed about the guarantees provided by Article 220 of the Labor Code of the Russian Federation, including an employee's right to refuse to perform work without being subject to disciplinary action in the event such work poses a danger to his/her life and health due to a violation of occupational safety requirements or to refuse to perform work with harmful and/or hazardous working conditions not covered by an employment contract.

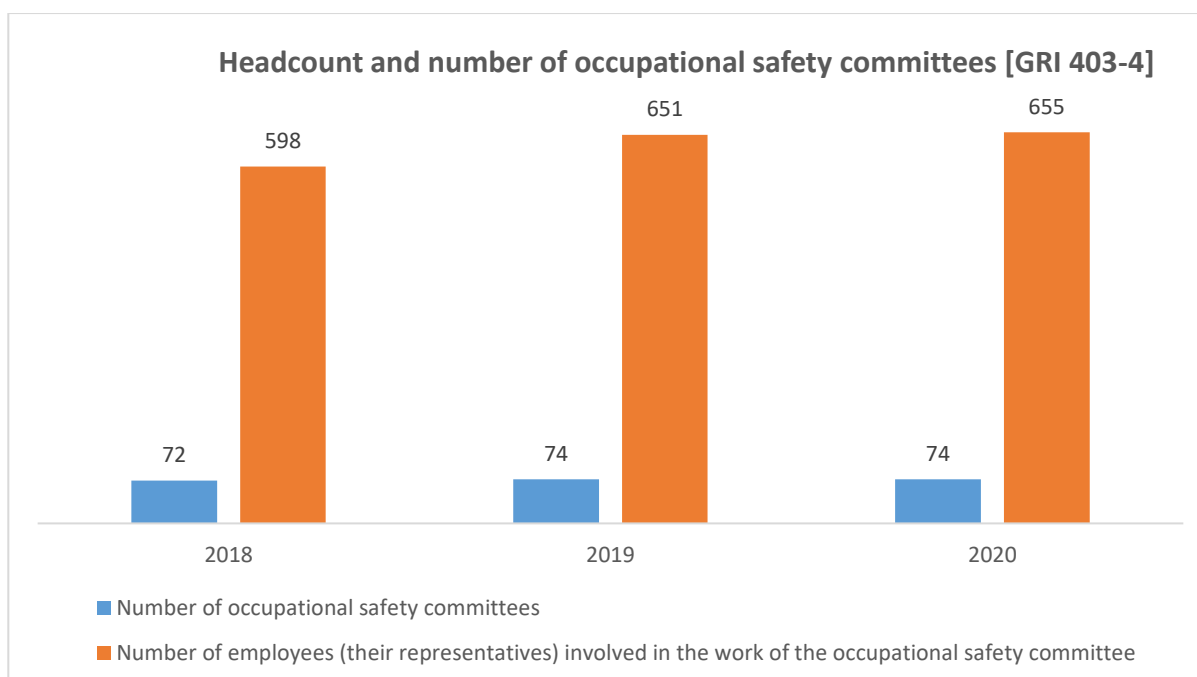
### **13.2.3. Workers' participation in consultations on occupational health and safety issues [GRI 403-4]**

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 2020, the Company had 74 occupational safety committees, which included 655 employees, held 257 meetings, and adopted 462 decisions.

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 throughout the organization



#### 13.2.4. Preventing and mitigating hazardous impacts on the health of employees and the public [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 their own 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.

Despite the circumstances associated with the spread of COVID-19, a pilot project was implemented in 2020 to manage the health of the Group's employees, which included the opening of a pilot health center with a

workshop doctor. The workshop doctor's job functions were expanded with measures to improve the efficiency of all components of the social policy of enterprises in an effort to reduce the absenteeism rate of staff, increase the return on investment in terms of expenses on voluntary medical insurance and health resort treatment as well as to create a foundation for the subsequent automation of health management processes for the Group's employees.

For more on measures to prevent the spread of COVID-19 at Inter RAO, see the section 'Preventing the spread of COVID-19'.

### 13.2.5. Training and testing 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 Russian 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 (directly at enterprises). Employee training time is paid by the employer in the prescribed manner and is considered official work time.

In 2020, 23,232 employees underwent free occupational safety training and knowledge testing of occupational safety requirements for workers 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
- 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, loading and unloading work, 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:

1. First aid training program for on-the-job accidents
2. 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.

### **Assessment of the effectiveness of training programs**

The assessment of the effectiveness of training programs on occupational safety is not governed by regulatory documents, however:

- The results of employee training for a new position conducted prior to a knowledge test are reflected in the employee's assessment during the knowledge test procedure
- The results of the quality of the skills acquired for safe working methods are assessed by oral questioning after orientation

Compliance with the set requirements of occupational safety training programs is verified during technical safety audits of production activities that are carried out as part of the internal control of the OIFESMS.

Pass/fail tests, examinations, and testing are carried out upon completion of training in order to assess the degree of assimilation of the educational material, and an evaluation is conducted of certain production indicators or skills, which the training program aimed to develop. The degree of assimilation of the educational material is also evaluated by occupational safety specialists when inspecting work stations during one-on-one conversations with workers.

When conducting online training, initial and final checks are conducted using computer testing. After training, students complete a training satisfaction questionnaire. An analysis is carried out based on the results of the survey and the programs are adjusted, if necessary.

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 the event of an emergency in accordance with the corporate training program on civil defense and emergency protection.

The Sochinskaya TPP of JSC Inter RAO – Electric Power Plants 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, Sochinskaya TPP 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 are held regularly for the personnel of electrical, heat engineering, and chemical workshops using a unique simulator. 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.

#### **13.2.6. 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:

1. **Preliminary medical examinations** of newly hired employees.
2. **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.
3. **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 provide timely preventive and rehabilitation measures that aim to preserve the health and rehabilitate workers.<sup>58</sup>
4. **Vaccinations** in accordance with the national vaccination calendar, seasonal immunization as well as tetanus and rabies shots.
5. **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]**
6. **First-aid kits with medicines** are available at all structural units.
7. **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 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 observe 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.

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<sup>58</sup> 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.

## 14. HR policy and staff development

### 14.1. HR policy and staff development [GRI 103<sup>59</sup>]

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. Inter RAO is guided in its activities by the international conventions of the International Labour Organization (ILO) that have been ratified by the Russian Federation.

#### 14.1.1. Goals of staff development in relation to strategic priorities

The main goals in human capital management in 2020 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 employees 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 smart metering systems and the development of additional paid services as well as 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.

#### Principles of the Group's gender policy

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 contain 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.

#### 14.1.2. Primary focuses and results of HR policy

##### Results of HR policy implementation in 2020

- **Active staff turnover decreased from 11.0% to 3.8%**
- **The Employee Satisfaction Index (ESI) increased compared with the 2019 results from 72.6% to 76%**

The priority measures and focuses of the HR policy in 2020 were:

- Development of corporate social responsibility and the 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

<sup>59</sup> Management Approach: HR policy and staff development

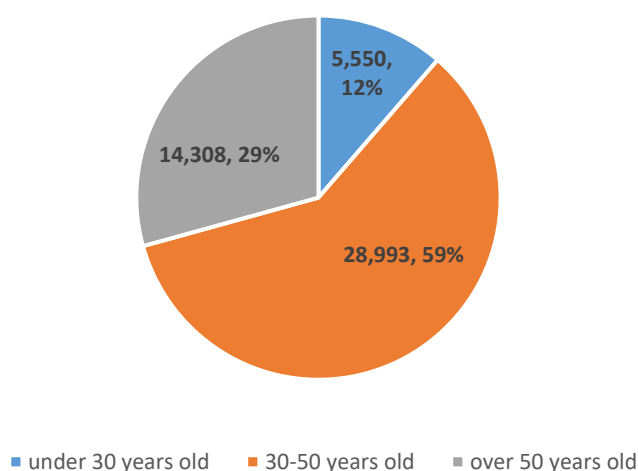
## 14.2. Staff structure and management of staff movement

### 14.2.1. Staff structure [GRI 102-7, 102-8, GRI 405-1]

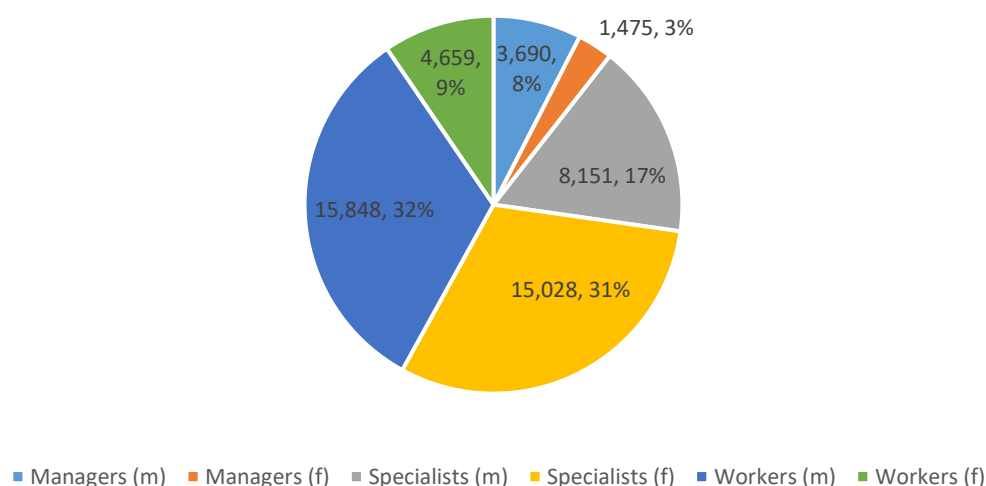
The Group had 48,851<sup>60</sup> employees as of December 31, 2020, an increase of 0.3% from the same date a year earlier. More than 71% of the Group's staff are under the age of 50. Even though the gender breakdown in the power industry traditionally favors male employees, the proportion of women in the Company's staff structure is relatively high at 43.3%. Permanent employment contracts have been concluded with 94.4% of all workers, and 95.8% of employees work full-time. Both indicators have continued to see positive trends in recent years.

#### Age and gender composition of staff

Staff structure by age in 2020 [GRI 405-1]



Staff structure by gender and category in 2020 [GRI 405-1]



#### Staff structure by category, gender, and age group [GRI 405-1]

<sup>60</sup> 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).

	Managers		Specialists and employees		Workers	
	M	F	M	M	F	M
< 30 years old	94	33	1,009	1,869	2,220	325
30-50 years old	2,404	1,035	5,083	10,252	7,854	2,365
> 50 years old	1,192	407	2,059	2,907	5,774	1,969
<b>Total</b>	<b>3,690</b>	<b>1,475</b>	<b>8,151</b>	<b>15,028</b>	<b>15,848</b>	<b>4,659</b>

Staff numbers with a breakdown by country, employment type, and employment contract as of December 31, 2020 [GRI 102-8]

Country	Gender	Full-time employment	Part-time employment	Indefinite contract	Temporary contract
Russian Federation	M	24,306	262	23,666	902
	F	18,851	1,382	18,722	1,511
	Total	43,157	1,644	42,388	2,413
Georgia	M	1,255	353	1,427	181
	F	457	56	440	73
	Total	1,712	409	1,867	254
Moldavia	M	1,513	0	1,481	32
	F	416	0	397	19
	Total	1,929	0	1,878	51
<b>Total</b>	<b>M</b>	<b>27,074</b>	<b>615</b>	<b>26,574</b>	<b>1,115</b>
	<b>F</b>	<b>19,724</b>	<b>1,438</b>	<b>19,559</b>	<b>1,603</b>
	<b>Total</b>	<b>46,798</b>	<b>2,053</b>	<b>46,133</b>	<b>2,718</b>

#### 14.2.2. Staff movement [GRI 401-1]

An effective HR policy and the wide range of recruitment methods traditionally used at Inter RAO make it possible to keep the staffing level at a high rate of 94.6%. The staff turnover rate for employees who were dismissed on their own volition and for violating violation of workplace discipline was 3.8% in 2020.

**Total number of employees hired and dismissed in 2020 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	M	F
<b>Hired</b>							
Russian Federation	1,212	910	1,730	2,519	616	682	<b>7,669</b>
Georgia	13	2	18	12	5	3	<b>53</b>
Moldavia	51	10	32	12	13	6	<b>124</b>
<b>Total</b>	<b>1,276</b>	<b>922</b>	<b>1,780</b>	<b>2,543</b>	<b>634</b>	<b>691</b>	<b>7,846</b>
<b>Staff hiring rate<sup>61</sup>, %</b>	2.6%	1.9%	3.6%	5.2%	1.3%	1.4%	16.1%
<b>Dismissed</b>							

<sup>61</sup> The staff hiring rate is calculated as the ratio of employees who were employed in 2020 versus the payroll number of employees at the end of the reporting period.

Russian Federation	799	520	1,766	1,992	1,197	1,298	<b>7,572</b>
Georgia	2	1	14	9	49	8	<b>83</b>
Moldavia	20	3	40	18	64	44	<b>189</b>
<b>Total</b>	<b>821</b>	<b>524</b>	<b>1,820</b>	<b>2,019</b>	<b>1,310</b>	<b>1,350</b>	<b>7,844</b>
<b>Staff retirement rate<sup>62</sup>, %</b>	1.7%	1.1%	3.7%	4.1%	2.7%	2.8%	16.1%
<b>Dismissed on their own volition or for violating workplace discipline</b>							
Russian Federation	197	79	471	426	265	318	1756
Georgia	2	1	14	9	49	8	83
Moldavia	3	0	2	1	15	3	24
<b>Total</b>	<b>202</b>	<b>80</b>	<b>487</b>	<b>436</b>	<b>329</b>	<b>329</b>	<b>1863</b>
<b>Staff turnover rate<sup>63</sup>, %</b>	0.4%	0.2%	1.0%	0.9%	0.7%	0.7%	3.8%

#### 14.2.3. Talent management

Inter RAO is developing internal hiring and rotations as part of a horizontally oriented career path for employees due to industry specifics, particularly conditions where people work with complex equipment and the majority of employees have unique knowledge. In 2020, of the 1,032 managerial positions that opened, 775 (75%) were filled internally.

Work with the talent pool continued to transform in 2020. The main priority is to identify the employees with the greatest potential and then train and develop them. This work with the talent pool is undergoing transformations based on the principles of team-spirit, transparency, equal opportunities, and consistency in personnel training.

Work with the internal talent pool includes:

1. A nomination campaign to select candidates for the talent pool and evaluate staff
2. 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
3. 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
4. The provision of information about career prospects at the Group by regularly posting vacancies on the corporate portal and developing career ladders in an automated solution
5. Monitoring performance indicators of work with the talent pool: appointments from among the Group's existing employees and ensuring the protection of positions by successors

In addition, Inter RAO pays special attention to cross-functional HR development and internships at the Group to exchange knowledge and experience. To this end, a number of subsidiaries have implemented the ROST project (Development and Improvement of Existing Technologies), which is designed to improve key end-to-end business processes at companies.

### 14.3. Staff training [GRI 404-1, 404-2, 410-1, 412-2]

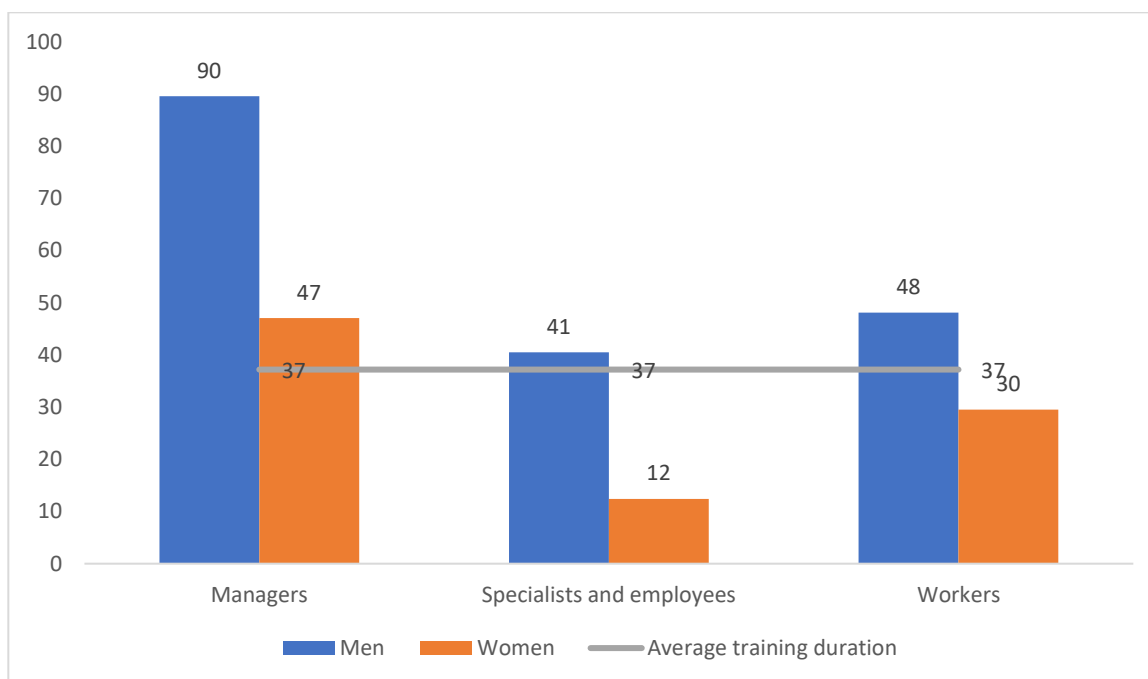
Inter RAO management is interested in recruiting both highly skilled personnel and young professionals. The Company devotes considerable attention to the advanced training and professional growth of young professionals and the development of production-based initiatives. The Group's enterprises have a mentoring system and special adaptation programs in place. Mentoring reduces the job adaptation period and helps

<sup>62</sup> The staff retirement rate is calculated as the ratio of dismissed workers in 2020 versus the payroll number of employees at the end of the reporting period.

<sup>63</sup> The staff turnover rate is calculated as the ratio of employees dismissed on their own volition and for violation of workplace discipline in 2020 versus the payroll number of employees at the end of the reporting period.

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 in 2020 [GRI 404-1]<sup>64</sup>**



One of the Group's top priorities in 2020 was to develop corporate training formats and unify training courses in order to optimize the cost of training and HR development. Distance learning is being actively utilized, and electronic training courses are being developed.

In 2020, the specific cost of training one employee amounted to RUB 5,766 rubles on average, while the average duration of training was 37 hours, or 9 fewer hours than in 2019.

The most relevant areas for the training and development of Inter RAO staff (in addition to mandatory programs) in 2020 were:

- 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 as part of talent pool preparation programs (development of managerial and professional skills among talent pool members)

There were no human rights training programs for security staff and services in 2020, but the adoption of the new Sustainable Development Policy implies such training will be offered in the future. **[GRI 410-1, 412-2]**

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]**

<sup>64</sup> Calculated as the ratio of the total number of training hours for a category of employees versus the number of employees in this category.

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. Inter RAO employees are also directly involved in making improvements to university curriculum that is in demand at the Company.

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.

The effectiveness of the curriculum is evaluated in three ways:

1. 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.
2. Computer testing after undergoing remote learning.
3. Questionnaires for 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 holds professional skills competitions and contests in an effort to assess the staff's level of professional proficiency, improve the quality of work, and support the process of improving software and hardware 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.

In 2020, the Group's employees took part in the following professional skill contests and competitions:

- Open competitions among integrated teams of TPP operational personnel. The competitions involved 21 teams from subsidiaries and a total of 147 participants. The winning team took part in the National Professional Skills of Integrated TPP Teams.
- The national professional skills contest 'Best Laboratory Assistant of the Central Chemical Laboratory' (Moscow, organized by the Corporate Educational and Scientific Center of the Unified Energy System). The Group's representatives were selected based on the results of the Corporate Professional Skills Contest 'Chemical Laboratory Assistant', in which 27 representatives of enterprises from the 'Generation' segment took part.
- The national professional skills contest 'Best On-Duty Electrician'.
- The national professional skills contest 'Best Occupational Safety Specialist'.

## **14.4. Social support**

### **14.4.1. Social policy principles [GRI 102-12]**

The corporate culture at Inter RAO 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 conducive 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 must be included in the Regulation on Remuneration at all the Group's subsidiaries.

Key focuses of social programs:

- The life and 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.

#### **14.4.2. Tangible incentives [GRI 202-1, 404-3]**

One of Inter RAO's top priorities in human capital development in 2020 was to transition to remote work as COVID-19 spread and establish an effective control system for people working from home. Starting from the second quarter of 2020, a number of the Company's employees switched to remote work while retaining their normal remuneration. Employees were equipped with everything they needed to properly perform their jobs.

In 2020, Inter RAO continued efforts to optimize and improve the financial incentive system for staff. Examples of this include the projects 'Improving the Remuneration System for Branch Directors' at JSC Inter RAO – Electric Power Plants and 'Optimization of the Number of Payroll Structures' at LLC BGC. These projects aim to improve the fairness of wages at the Group's companies, which boosts the level of employee satisfaction and reduces staff turnover.

The Group continued the phased implementation of the 'Benefits Cafeteria', which offers employees a flexible choice of key benefits, not only for themselves, but also for their family members. The 'Benefits Cafeteria' has the following focuses: 'Health' (medical and dental services), 'Rest and Travel' (payment for trips to health resorts and tourist vouchers in Russia), 'Cultural Life' (payment for tickets to concerts, performances, exhibitions, and museums), 'Training' (employee training), and 'Sport and Hobbies' (payment for fitness, swimming pool, and sports equipment). The benefits system is tied to the current remuneration system and allows employees to make online choices using corporate portals. The limits are determined by points based on grades.

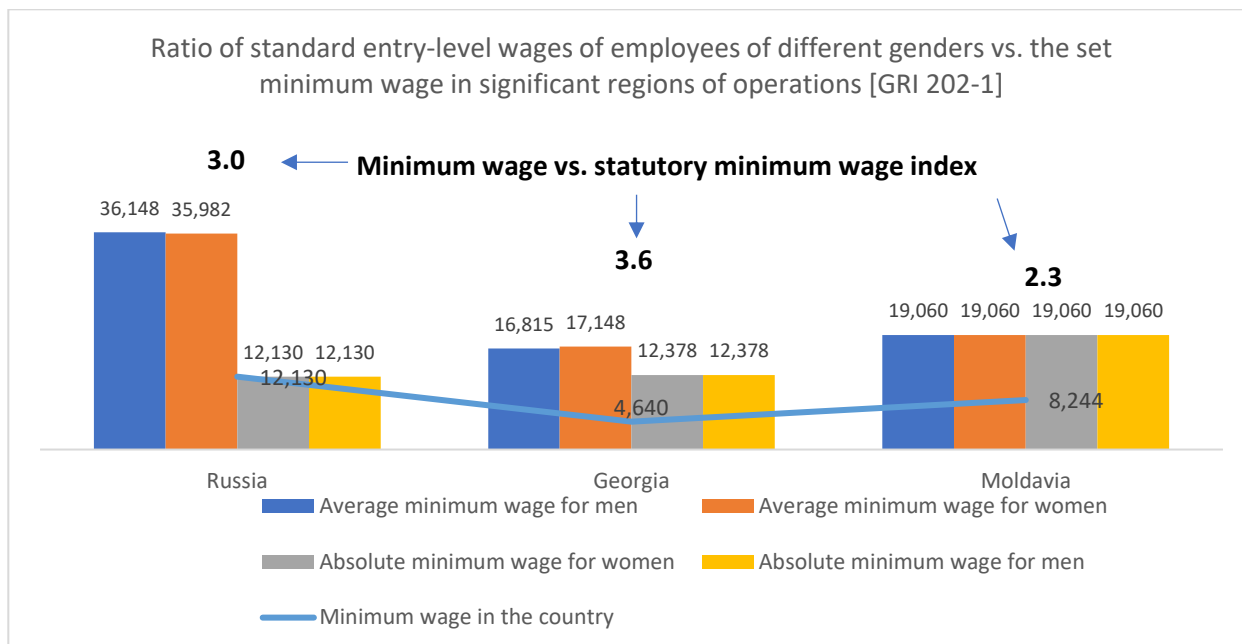
For employees who do not have personal computers, a mobile version of the 'Benefits Cafeteria' was created in 2020 and terminals to access personal accounts were installed at the branches of BGC.

Despite the spread of COVID-19, a pilot project was implemented in 2020 to manage the health of the Group's employees, which included the opening of a pilot health center with a workshop doctor. The project aims to enhance the effectiveness of the social policy, in particular reduce the absenteeism rate of staff, increase the return on investment in terms of expenses on voluntary medical insurance and health resort treatment as well as create a basis for the subsequent automation of processes for the health management of the Group's employees.

The main priority of HR in terms of remuneration for the next reporting period is to develop social programs for non-financial incentives.



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 2.6 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 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 desired results.

Key goals of the assessment:

- Identify the needs for the professional training and personal development of employees
- Identify efficient and highly efficient employees
- Revise worker salaries within the approved budget
- Ensure comprehensive 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]

#### 14.4.3. Intangible incentives

In the reporting year, 4,957 employees of the Group received special recognition: 35 employees were granted state awards, another 413 received in-house awards, and 4,509 were given corporate awards.

A survey was conducted in 2020 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 2020 survey was completed by 81% 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 72.6% in 2019 to 76% in 2020.

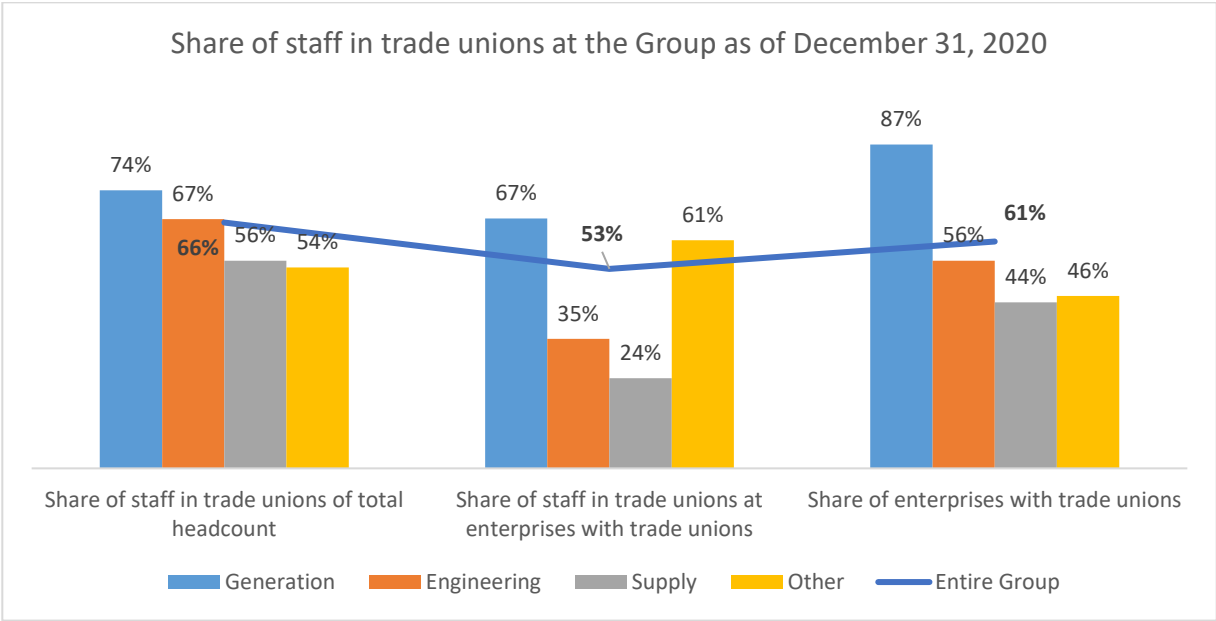
### 14.5. Interaction with trade unions and human rights

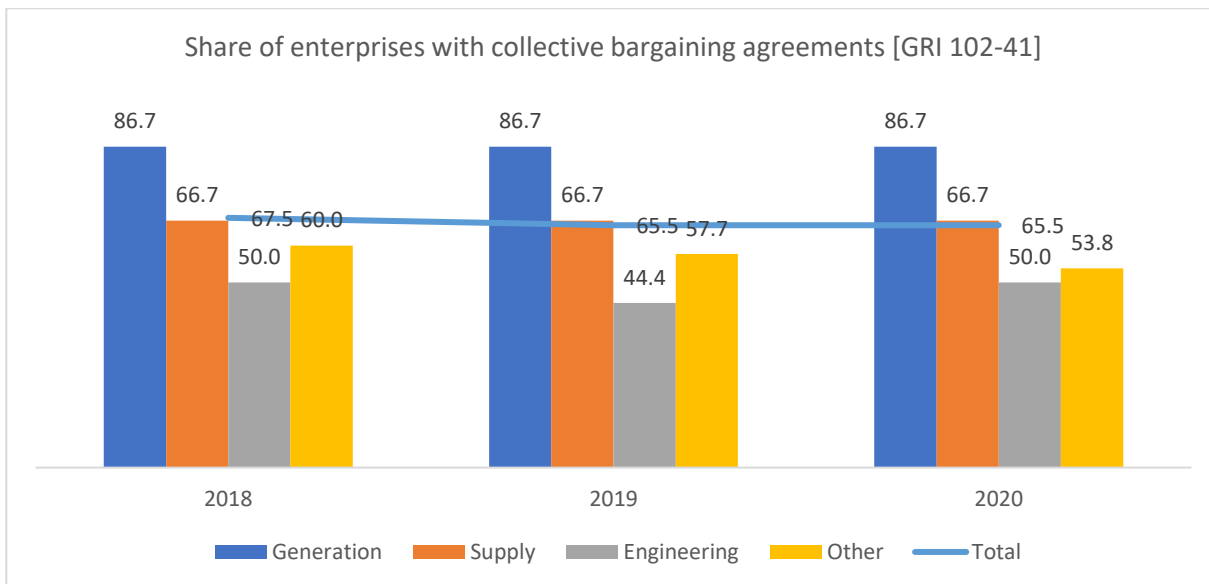
#### 14.5.1. Interaction with trade unions [GRI 103, 102-41, 402-1, 407-1]

Inter RAO employees have the opportunity to fully exercise their right to freedom of association. Trade unions have been established and freely operate at most enterprises, and in 2020, the Group had 22,065 members of trade union organizations, or 45.2% of its average headcount, or 53.4% of the staff at enterprises where trade union organizations have been set up. Inter RAO has not found any entities at which the right to exercise freedom of association and collective bargaining may have been violated or is at substantial risk. **[GRI 407-1]**

Primary trade union organizations have been established at 51 of 84 of the Group’s enterprises and mainly represent the interests of workers in the ‘Generation’ segment. In 2020, 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 the 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, 2020, the share of employees of Inter RAO enterprises that have a collective bargaining agreement in place stood at 82.5%, and in the 'Generation' segment this indicator is 97.3%. **[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 2020. As part of collective bargaining to conclude collective bargaining agreements at the branches of JSC Inter RAO – Electric Power Plants for 2021-2023, the commission held 18 meetings from July 23 to October 23, 2020. In December 2020, JSC Nizhnevartovskaya TPP concluded a collective bargaining agreement for 2021-2023. In the 'Engineering' segment, representatives of trade union organizations and the management of LLC QUARTZ Group signed a collective bargaining agreement for 2021-2023 following meetings and agreements.

In 2020, the Group's primary trade union organizations took part in such national events as the May Day Internet campaign of the Federation of Independent Trade Unions of Russia, including voting for the May Day resolution, as well as voting to support the Federation's resolution, and in the 'For Decent Work' campaign of the International Confederation of Trade Unions on October 7, 2020.

In accordance with the provisions of the Labor Code of the Russian Federation, 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]**

#### 14.5.2. Combatting health discrimination [GRI 406]

In order to combat discrimination against employees based on their health, the 'Work and Workers' Life Safety Program', which 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.

#### **14.5.3. Commitment to human rights [GRI 103-1, 103-2, 103-3, 405, 406, 408-1, 409-1]**

In January 2021, the Board of Directors approved the [Sustainable Development Policy](#), which is mandatory for all structural divisions of the Group's companies. The policy aims to structure and unify Inter RAO's sustainable development activities and also defines the Group's goals, objectives, and basic principles in matters concerning sustainable development.

According to the UN, Russia is not among the countries with risks of child labor, but it does have problems with forced labor. In accordance with Inter RAO's Sustainable Development Policy, the Group's companies pledge not to permit the use of any forms of forced or child labor in their activities. In order to minimize risks of human rights violations by contractors and suppliers, each of them is verified by the Inter RAO security service both prior to and after concluding contracts.

In addition, 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. The Company's policies on industrial safety, working conditions, life safety, health, and well-being are mandatory for all organizations in the supply chain. The [Inter RAO Code of Corporate Ethics](#) does not permit any form of discrimination towards employees, including discrimination for health reasons, and stipulates that each employee must be provided with equal opportunities to develop an effective professional career.

The Company's main asset is its employees. Observance of and respect for human rights in all processes of the Company's activities is one of the key principles of the Inter RAO Corporate Policy. The Group's companies attach great importance to employees being able to exercise their labor rights and not be subject to discrimination, creating safe working conditions, ensuring maximum security and safety, equal pay for equal work, and education.

The Group's companies strive to continuously develop human rights protection practices by building a constructive dialogue with all stakeholders and improving mechanisms to counter violations.

Inter RAO observes the principles of human rights protection set out in such international documents as:

- Universal Declaration of Human Rights
- International Covenant on Civil and Political Rights
- International Covenant on Economic, Social, and Cultural Rights
- ILO Declaration on Fundamental Principles and Rights at Work
- Constitution of the Russian Federation
- Labor Code of the Russian Federation
- United Nations Guiding Principles on Business and Human Rights
- 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.

#### 14.5.4. Support and protection for the rights of indigenous peoples of Russia [GRI 103-1, 103-2, 103-3, 411-1]

Russia is one of the few countries that still has an abundance of indigenous peoples who lead a traditional way of life and are usually nomadic or semi-nomadic. Since the traditional economic activities of the indigenous minorities of the North are the foundation of their traditional way of life and a key condition for the preservation of their unique culture and languages, Russian law guarantees them a special legal status and priority for the use of natural resources.

The Inter RAO Group includes several power plants located in areas where indigenous peoples of the North traditionally reside (Urengoyanskaya TPP, Pechorskaya TPP, and Nizhnevartovskaya TPP). These plants can directly or indirectly have a negative impact on the environment and, consequently, on the traditional nomadic way of life of local indigenous peoples. In recent years, climate warming, which has been clearly observed in the Arctic region, has also caused significant damage to their traditional way of life.

In an effort to minimize the negative impact on indigenous peoples in the regions where the Group operates, its companies have assumed the following obligations with respect to the rights of indigenous peoples following the adoption of the Sustainable Development Policy:

- Identify stakeholders among representatives of local communities and take their interests into account when planning and implementing activities
- Establish a dialogue and arrange consultations with representatives of local communities on issues affecting their quality of life and well-being, and also involve them in discussions about significant issues related to the development of their region
- Obtain the prior consent of indigenous peoples and other representatives of local communities in order to implement projects that may have an impact on their rights and quality of life
- Publicly disclose up-to-date information about sustainable development activities as well as regularly inform stakeholders about plans, prospects, and possible changes
- Develop an effective mechanism to promptly address stakeholders' complaints and provide an appropriate response
- Maintain a favorable and safe living environment for local communities
- Respect the rights of indigenous peoples and take all necessary steps to avoid the forced displacement of indigenous peoples from their communal land
- Strive to prevent a significant impact on the social, cultural, economic, and political heritage of local communities
- Develop a system to assess the potential negative impact (social, economic, and/or environmental) of activities on local communities and seek to prevent or minimize it
- Accept liability for any damage caused if the activities of the Group's companies are found to have had a negative impact on the well-being of local communities following a proper investigation by the authorized bodies
- Prevent local communities from potentially being exposed to hazardous substances and materials resulting from the operations of the Group's companies
- Develop cooperation with regional authorities, local governments, public organizations, and representatives of small and medium-sized businesses for the socioeconomic development of the regions where the Group has a presence
- Seek to expand employment opportunities for members of local communities
- Support the professional education and healthcare systems and promote the development of culture and sports in the regions where the Group operates
- Provide charitable support to public organizations and vulnerable groups of the population, where possible
- Avoid the implementation of social investment programs that support illegal or dangerous activities that run counter to the values of Inter RAO

No incidents involving Inter RAO assets related to the violation of the rights of indigenous peoples were recorded in 2020. [GRI 411-1]

## 15. Procurement activities system [GRI 103-3]

Inter RAO's Procurement Policy is determined by the Board of Directors. The basic principles of procurement activities are approved in the Regulation on the Procedure for the Regulated Procurement of Goods, Work, and Services for the Needs of PJSC Inter RAO<sup>65</sup>. 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 creates a unified information space for the supply system and also plans, records, 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 has an accreditation committee. 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. The accreditation procedure is carried out based on the principles of voluntariness and general availability.

### Supplier Day

Inter RAO annually holds 'Supplier Day', which 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 SMEs.

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.

### Transparency of procurement activities

The high level of transparency in procurement activities at the Group in the 'State Corporate Customers' segment in 2020 was confirmed by the National Procurement Transparency Rating, an independent non-governmental 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.

### 15.1. Corporate Online Store

The Inter RAO Corporate Online Store (COS) operates 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.

<sup>65</sup> Resolution of the Board of Directors dated December 16, 2020 (Minutes No. 284 dated December 18, 2020).

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.

## **15.2. Requirements for contractors regarding sustainable development [GRI 102-2, 408-1, 409-1, 412-3]**

The Group's companies base their relationships with suppliers on the principles of efficiency, fairness and lawfulness, and suppliers must comply with the requirements of applicable laws in all their actions and relationships related to the fulfillment of their obligations to the Group's companies. As part of their activities, the Group's companies pledge to:

- Introduce internal procedures in all regions of operation that monitor the processes of assessing, selecting, and interacting with suppliers in accordance with the principles of the Sustainable Development Policy<sup>66</sup>
- Implement fair and transparent processes and provide equal opportunities in the assessment and selection of suppliers based on uniform criteria
- Ensure all suppliers have access to information on the principles of the assessment and selection of suppliers as well as to other information that is essential for cooperation
- Avoid conflicts of interest when concluding agreements with suppliers
- Recognize the right of suppliers to the confidentiality of the information they provide

The Group's companies expect their suppliers to adhere to the Sustainability Policy and such provisions of the Code of Corporate Ethics as:

- Observance of human rights
- Provision of equal conditions for employment and work
- Environmental protection as well as health and occupational safety
- Observance of legislation on the protection of competition
- Ensuring the safety and protection of personal data

Based on contracts with suppliers, the Group's companies may verify suppliers' compliance with anti-corruption laws and compliance procedures.

Among the Group's operating segments, LLC INTER RAO – Export is exposed to the greatest risks associated with procurements from suppliers and contractors that violate such human rights as the use of child labor and forced labor. However, as of December 31, 2020, no contracts had been concluded in countries that have problems with forced labor. In order to minimize the risks of human rights violations by contractors and suppliers, each of them undergoes a special verification by the Inter RAO security service before and after contracts are concluded. In addition, the procurement documents prepared for the selection of suppliers and contracts contain a number of mandatory requirements that preclude the possibility of hiring companies that employ child and forced labor (requirements regarding the necessary qualification and appropriate education of the employees of contracting companies and the number of employees required to perform work in accordance with all the requirements of legislation). **[GRI 408-1, 409-1]**

In 2020, the Group did not conclude any significant contracts that contain such conditions concerning human rights as a ban on the use of child or forced labor, the recognition of the freedom of association and freedom of speech, or respect for human dignity in accordance with the principles set out in the following international documents **[GRI 412-3]**:

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<sup>66</sup> The Sustainable Development Policy of PJSC Inter RAO was approved by a resolution of the Board of Directors dated January 29, 2021 (Minutes No. 286 dated February 1, 2021).



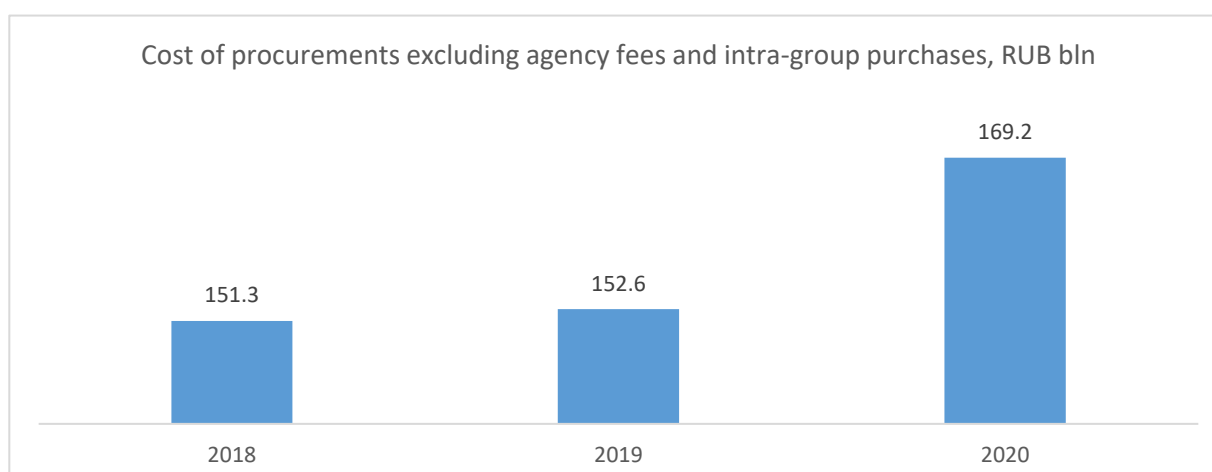
- Universal Declaration of Human Rights
- International Covenant on Civil and Political Rights
- International Covenant on Economic, Social, and Cultural Rights
- United Nations Guiding Principles on Business and Human Rights
- ILO Declaration on Fundamental Principles and Rights at Work
- Voluntary Principles on Security and Human Rights
- ILO Convention No. 29 "On Forced or Compulsory Labor"
- ILO Convention No. 105 "On the Abolition of Forced Labor"
- ILO Convention No. 138 "On the Minimum Age for Admission to Employment"
- UN Declaration on the Rights of Indigenous Peoples

### 15.3. Procurement system assessment

Pursuant to Directive No. DP-11/17668 of the Federal Agency for State Property Management dated May 5, 2016, the PJSC Inter RAO Board of Directors on June 29, 2016 approved the Action Plan for the Standardization of the Procurement of Goods, Work, and Services to Meet the Needs of PJSC Inter RAO. In accordance with this document, monitoring of the Company's procurement activities has been conducted annually starting from 2017, with the subsequent inclusion of information about the monitoring results in the Company's Annual Report.

In 2020, the Company's procurements were carried out in accordance with the approved standards and established limits. An adjustment was made based on the results of procurement activities in 2020.

Procurement statistics in 2020	RUB mln
Tenders, other procurement methods (lots), and procurements from a sole supplier (contractor), including:	169,232
Based on tenders and other procurement methods (lots), including:	103,172
Services	86,204
Materials and resources	16,967
Contracts concluded	151,817
<b>Information about suppliers in 2020</b>	
Total number of suppliers applying to take part in the Group's procurement procedures	16,376
Number of suppliers accredited in accordance with Methodology MT-044-1 'Accreditation of Suppliers, Goods, Work, and Services' at the end of the period	71





Decrease in expenses on the Annual Comprehensive Procurement Program compared with planned expenses, %

	2018	2019	2020
PJSC Inter RAO	3.2	4.6	4.9
Generating assets	4.6	5.0	5.7
Supply assets	3.7	3.9	4.1
Other assets	5.5	4.2	5.5

#### 15.4. Import substitution

One of the key benchmarks of Russia's fuel and energy industry is the phased substitution of the procurement of foreign products with equivalent products from Russian manufacturers. In 2017, Inter RAO approved the Corporate Import Substitution Plan (CISP)<sup>67</sup>, which is an integral part of the Company's strategy, in accordance with Directive No. 830p-P13 of the Russian Government dated February 6, 2017. The key objectives are to:

- Increase the share of procurements of Russian-made products to meet the needs of Inter RAO in its operating and investment activities
- Develop the production of turbine equipment with features that correspond to the best world analogues

Principles of the CISP:

- Eliminate the risk of the decreased safety level of products as well as capital construction facilities (in the event of a change in the supply chain during the implementation stage of investment projects)
- Ensure there is no deterioration in the main parameters of investment projects (payback periods, financing structure)
- Prevent costs from growing as a result of changes in the chain of suppliers of certain types of products required for the implementation of an investment project
- Recommend using a risk-based approach when selecting projects to assess risks arising from the application of technical solutions for projects that involve the use of foreign solutions

The implementation of KPI measures is assessed based on an integral indicator<sup>68</sup> that describes the share of foreign products in procurements.

No.	Indicator	Planned value, %			Actual value, %		
		2018	2019	2020	2018	2019	2020
1	Integral indicator that describes the share of foreign products in procurements	21.38	13.80	15.04	15.77	11.77	13.05

Based on the 2020 procurements results, the actual value of the integral indicator did not exceed the planned value, which means that the Group's dependence on foreign manufactured products is declining.

PJSC Inter RAO is implementing agreements it signed with the governments of the Tomsk, Yaroslavl, and Sverdlovsk Regions in an effort to develop cooperation in industry and science on issues concerning the import substitution of equipment and technologies in the Russian energy sector.

<sup>67</sup> Resolution of the Board of Directors dated September 15, 2017 (Minutes No. 208 dated September 18, 2017).

<sup>68</sup> 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.

## Manufacturing of power equipment in Russia

Inter RAO is involved in a joint venture called [LLC Russian Gas Turbines](#) with General Electric to manufacture 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.

In 2019-2020, the Company launched the [Ecosreda](#) functional services project within a special section of the Inter RAO electronic platform. Ecosreda simplified the access of businesses to the procurements of the Group's companies during the COVID-19 restrictions in 2020. The most popular services were 'Preliminary selection of procurement from the ACCP of the Group's companies' and 'Preliminary selection of requirements for the subject of procurement'.

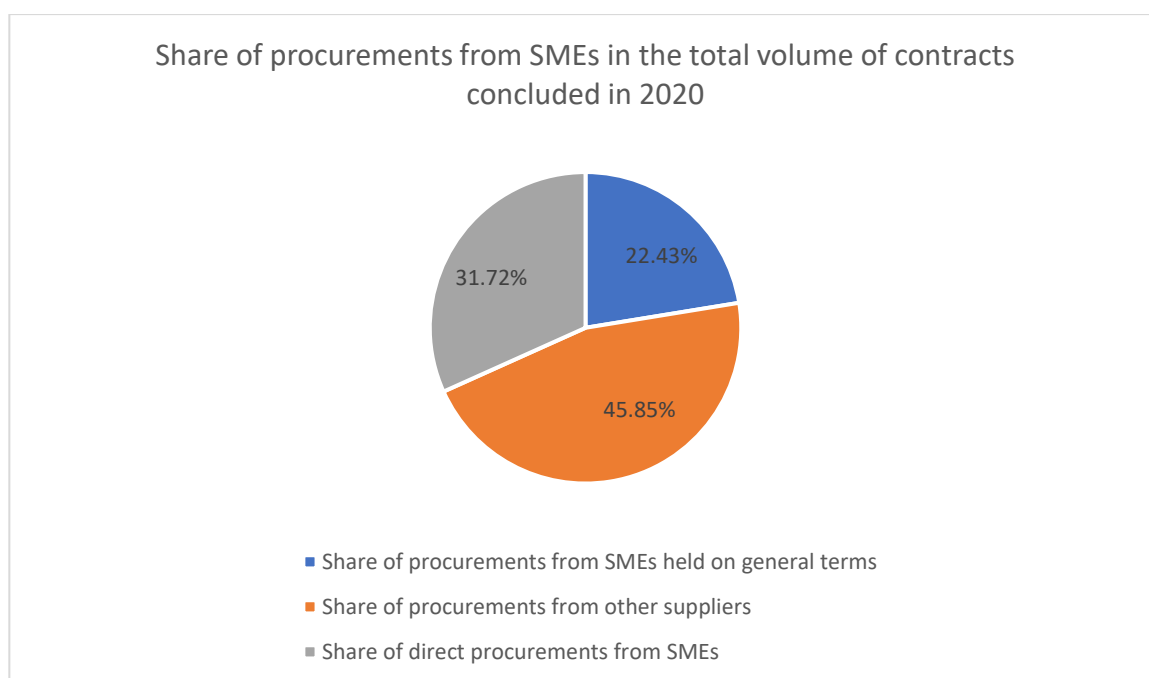
In 2020, the Ecosreda functional services project was supplemented with new online opportunities for potential suppliers, with the creation of the services 'Single Technology Presentation Window' and 'Provision of a Technical and Commercial Proposal'.

### 15.5. Cooperation with SMEs

In 2020, LLC Inter RAO – Procurement Management Center worked to achieve the target indicators for the implementation of the Strategy for the Development of SMEs in the Russian Federation until 2030, which was approved by Decree No. 1083-r of the Russian Government dated June 2, 2016.

Representatives of the Inter RAO Group took part in 33 seminars organized by JSC SME Corporation and the regional authorities on the involvement of SMEs in procurements by major customers. Given the situation surrounding COVID-19 in 2020, Inter RAO is working to expand access for SMEs to procurements using remote technologies.

Total procurements from SMEs in 2020 significantly exceeded the quotas approved by the Russian Government.



Inter RAO concluded agreements with the administrations of the Altai, Primorsky, and Khabarovsk Territories as well as the Kaliningrad, Tomsk, Yaroslavl, and Sverdlovsk Regions 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.

As part of the implementation of cooperation agreements, information was exchanged in 2020 about priority products for import substitution at Inter RAO companies. The Group involved some 700 suppliers and analyzed production activities. Invitations and notifications were sent to participate in procurement procedures, and suppliers signed up to take part in procurements.





## 16. Charitable activities

### 16.1. Policy and main focuses of charitable activities

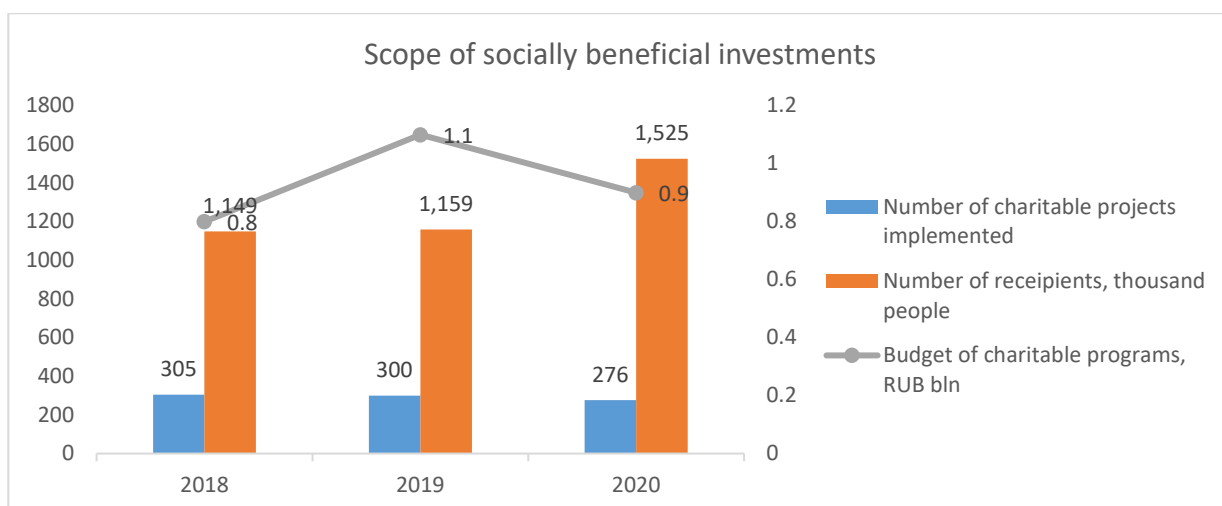
Despite the COVID-19 pandemic and the difficult economic situation in the country and around the world in 2020, Inter RAO managed to adapt to the new realities and continued to work on implementing all its planned social investment projects.

The Group pursues a unified policy of comprehensive social support while always observing the principle of transparency. Charitable activities are regulated by the Sustainable Development Policy, the Regulation on Charity and Sponsorship as well as a number of other documents.

The Company systematically implements charitable, sponsorship, and partner projects in the following areas of sustainable development.

Sustainable Development Goal	Focuses of charity
	<ul style="list-style-type: none"> <li>• Support for vulnerable social groups</li> <li>• Support for industry veterans, war veterans, and disabled veterans</li> </ul>
	<ul style="list-style-type: none"> <li>• Support for healthcare institutions</li> <li>• Promoting the development of grassroots and youth sports</li> </ul>
	<ul style="list-style-type: none"> <li>• Support for educational institutions</li> <li>• Support for cultural events</li> <li>• Assistance to cultural figures</li> <li>• Funding for sites with historical and cultural value</li> </ul>
	<ul style="list-style-type: none"> <li>• Support for environmental organizations</li> <li>• Assistance to nature reserves and natural protected areas</li> </ul>

When determining the priority focuses of its charitable and sponsorship activities, Inter RAO conducts an assessment of their social significance and relevance. This assessment is based on decrees of the President and instructions of the Russian Government, the country's national goals and national projects as well as an analysis of information carried out by Inter RAO specialists in the regions where the Group has a presence.



#### Principles for the selection of charity and sponsorship projects

<b>Solidarity</b> – support for projects that aim to promote social cooperation and encourage personal initiatives by employees and their active involvement in socially significant programs	<b>Targeted nature</b> – the allocation of monetary and other funds to an individual or legal entity for specific purposes with the subsequent monitoring of their targeted spending	<b>Effectiveness</b> – the achievement of a specific result, including an impact on the core business (supporting corporate values and promoting the implementation of a strategy)
<b>Objectivity</b> – 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	<b>Efficiency</b> – the achievement of the desired results using the least amount of funds	<b>Territoriality</b> – the implementation of charitable and sponsorship projects in the territories where the Company operates
<b>Viability</b> – investments in projects that the Company views as promising in terms of achieving socially significant goals for people, the country, and the Group	<b>Accessibility and transparency</b> – ensuring a transparent and effective system for monitoring the targeted spending of funds	

Improving the mechanisms used to monitor Inter RAO's social investments as well as developing internal procedures and practices to select charitable projects has helped enhance the efficiency and transparency of financial expenditures. Inter RAO representatives monitor the implementation of projects: they visit event venues, hold personal meetings with beneficiaries, and monitor the news and social media. Employees of the Group's security departments conduct checks on the beneficiaries. The Board of Directors reviews the report on the use of charitable funds when considering reports on the execution of the Group's business plan.

#### Aid to regions to combat COVID-19

Due to the difficult epidemiological situation associated with the spread of COVID-19 in 2020, the Group paid special attention to providing assistance to combat the pandemic both in Russia and abroad. Its projects included:

- Participation in the 'Pandemic 2020' social program to support low-income families with children in Krasnodar
- Purchase of PPE (medical masks, protective suits, and disinfectants) and the provision of support to the Yaroslavl Region
- Purchase of food packages for people over 65 who found themselves in a difficult life situation due to the spread of COVID-19 in the Moscow Region

- Measures to prevent the spread of COVID-19 in the Tula Region and to provide social support for residents of the region who found themselves in difficult life situations
- Purchase of medical equipment, protective equipment, and two cars for the clinic of the Gusinoozyorskaya Central Regional Hospital in the Republic of Buryatia
- Support for socially significant health programs to purchase PPE in an effort to prevent the spread of COVID-19 in Tomsk
- Assistance in implementing a project to build an infectious diseases hospital in Saratov
- Purchase of food packages for needy residents in the Republic of Bashkortostan
- Purchase of PPE for children's hospitals and provision of support to doctors and other medical personnel in Lithuania
- Assistance in combating the spread of COVID-19 in Moldavia

## 16.2. Long-term socially beneficial projects

### 16.2.1. Main focuses for the development of the regions of operation [GRI 103-2]



Inter RAO continued to prioritize interaction with the authorities and public organizations in the regions where it operates in 2020. Such interaction was based on the principles of openness, dialogue, and partnership as well as cooperation agreements that establish the general framework for the following joint activities:

- Preventing an increase in the shortage of heat and electricity as well as enhancing the reliability of electricity and heat supply to consumers
- Developing energy conservation and energy efficiency and holding lessons on the basics of energy conservation for schoolchildren, students, and employees of enterprises
- Participating in initiative projects that aim to achieve economic and social development, boost industrial potential, and enhance investment appeal
- Cooperating with regional coordination councils on the sustainable use of natural resources and environmental protection
- Interacting with the scientific and technical community and participating in training programs for the electric power industry and the professional development of employees
- Setting tariffs and developing mechanisms to reduce accounts receivable

In October 2020, PJSC Inter RAO, VTB Group, and the governments of St. Petersburg and the Leningrad Region concluded an agreement to implement a concept for organizing the collection, transportation, and processing of waste using modern technologies.

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, and branches of OPORA RUSSIA, among others) are a key channel of interaction between the Group and the business community in the regions. Representatives of the Group's subsidiaries regularly participate in roundtables, seminars, and conferences on changes to legislation, tariff policies, staff training, energy conservation, and energy efficiency.

### 16.2.2. Major regional initiatives in 2020



Each year, the Group implements network-based social projects, which are adapted to the needs of specific regions and help to achieve a significant social effect.

**‘Energy of Remembrance and Kindness’.** In 2020, Inter RAO enterprises were actively involved in celebrating the 75<sup>th</sup> anniversary of victory in World War II. Veterans, survivors of the Leningrad siege, labor front workers, and former concentration camp prisoners were provided with targeted material assistance, household appliances, food, and basic necessities. Military graves, memorial complexes, and monuments were also restored.

**‘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 2020, 55 projects were implemented to build sports grounds, purchase sports equipment, provide assistance in organizing training processes, and purchase equipment for children’s and youth sports schools. The Group also provides targeted assistance to Paralympic athletes.

**‘Ray of Hope’.** The project focuses on providing assistance to children with disabilities and their families. Inter RAO allocated funds to purchase sports equipment for children with disabilities and who are in poor health, purchase rehabilitation and medical equipment, train parents of disabled children in behavioral therapy techniques, and purchase food and household appliances. Several rehabilitation and art therapy programs were organized. In 2020, 21 projects were implemented.

**‘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 21 institutions.

**‘The Brightest Christmas Tree’.** Per tradition, employees from Inter RAO companies organized and held festive online events on New Year’s Eve for orphans and children in difficult situations at 24 orphanages, boarding schools, and specialized medical institutions. In 2020, a major New Year’s online celebration was organized for children with severe diseases of the immune system from various cities and regions of Russia.

## Corporate Governance Report

### 17. Message from the Chairman of the Board of Directors

Dear Shareholders,

For Inter RAO, the biggest challenges of the past year came from the COVID-19 pandemic and the restrictions that were put into place as a result. Thanks to prompt decisions and a high degree of IT development, we nevertheless managed to ensure the Company's efficient and stable operation as well as the uninterrupted activities of the Board of Directors and the corporate governance system.

The Company was one of the first in the country to hold an annual general meeting in absentia within the usual timeframe for shareholders without taking advantage of the opportunity provided by lawmakers to postpone the event until autumn. The shareholders voted remotely and made all the necessary decisions to pay dividends on time. The Board of Directors and its committees made decisions on strategic and operational issues for the Company throughout 2020 in full accordance with the approved plans.

Chairman of the Board of Directors

Igor Sechin

### 18. Corporate governance system [GRI 103-1, 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 resolution of the Board of Directors dated November 24, 2014<sup>69</sup>, 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](#)<sup>70</sup>. [GRI 102-16] 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.

#### Awards


PJSC Inter RAO was named the winner of the 'Best Legal Departments' award in the 'Resources and Supply' category by <a href="#">Corporate Lawyer magazine</a> , a reputable legal publication in Russia on corporate law.

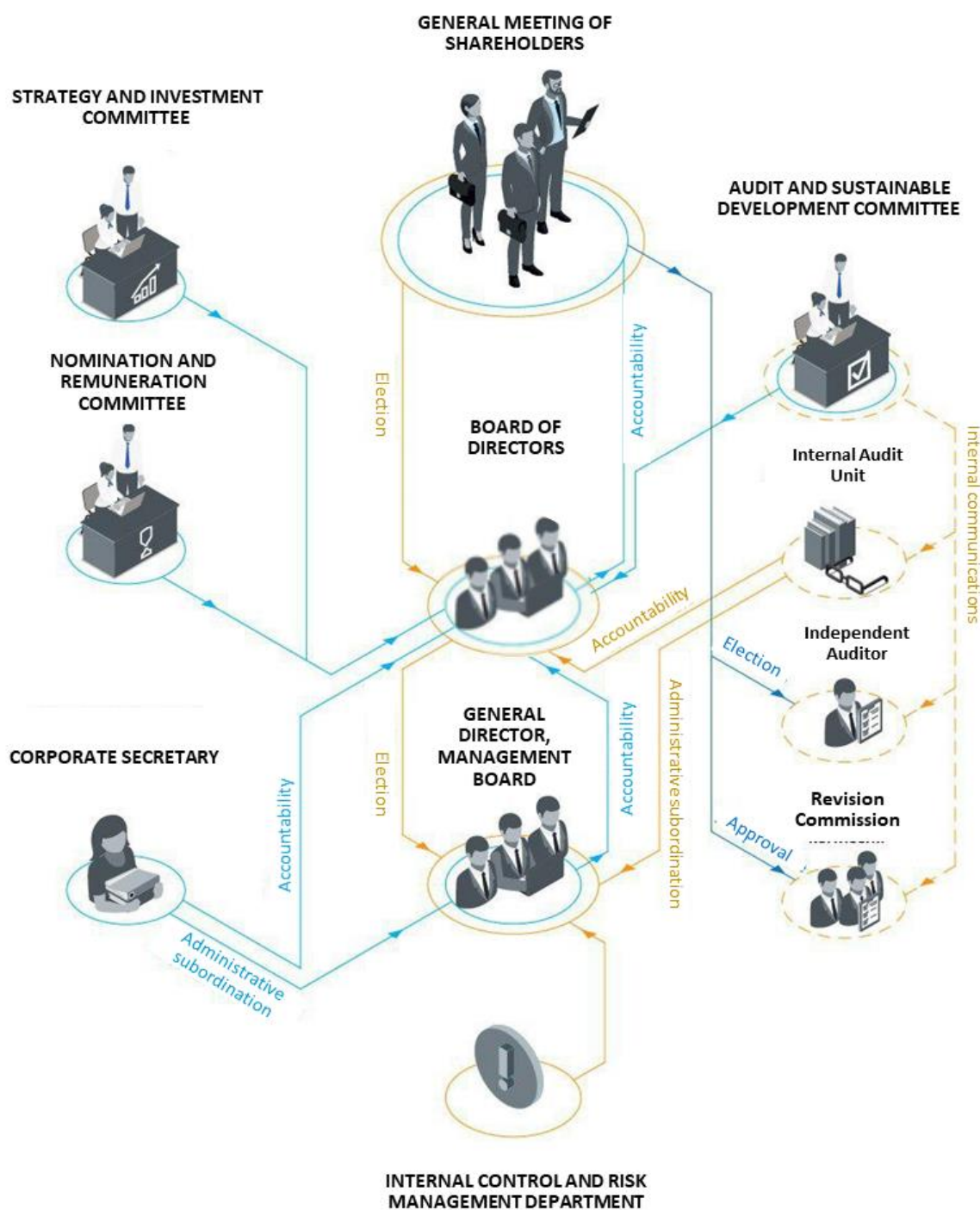
PJSC Inter RAO won in three categories at the <a href="#">23rd Moscow Exchange Annual Competition of Annual Reports</a> :
<ul style="list-style-type: none"><li>• 'Best Annual Report of a Company with Capitalization over RUB 200 Billion' (the main category of the competition)</li><li>• 'Best Annual Report in the Electric Power Sector of the Economy'</li><li>• 'Best Presentation of a Company's Strategy and Investment Appeal in an Annual Report'</li></ul>
In addition, PJSC Inter RAO's Annual Report for 2019 finished third in the category 'Best Disclosure of Corporate Governance Information in an Annual Report' and 'Best Quality of Sustainable Development Information Disclosure in an Annual Report'.

<sup>69</sup> Minutes No. 128 dated November 26, 2014.

<sup>70</sup> Minutes No. 277 dated August 3, 2020.



### 18.1. Corporate governance structure [GRI 102-18]

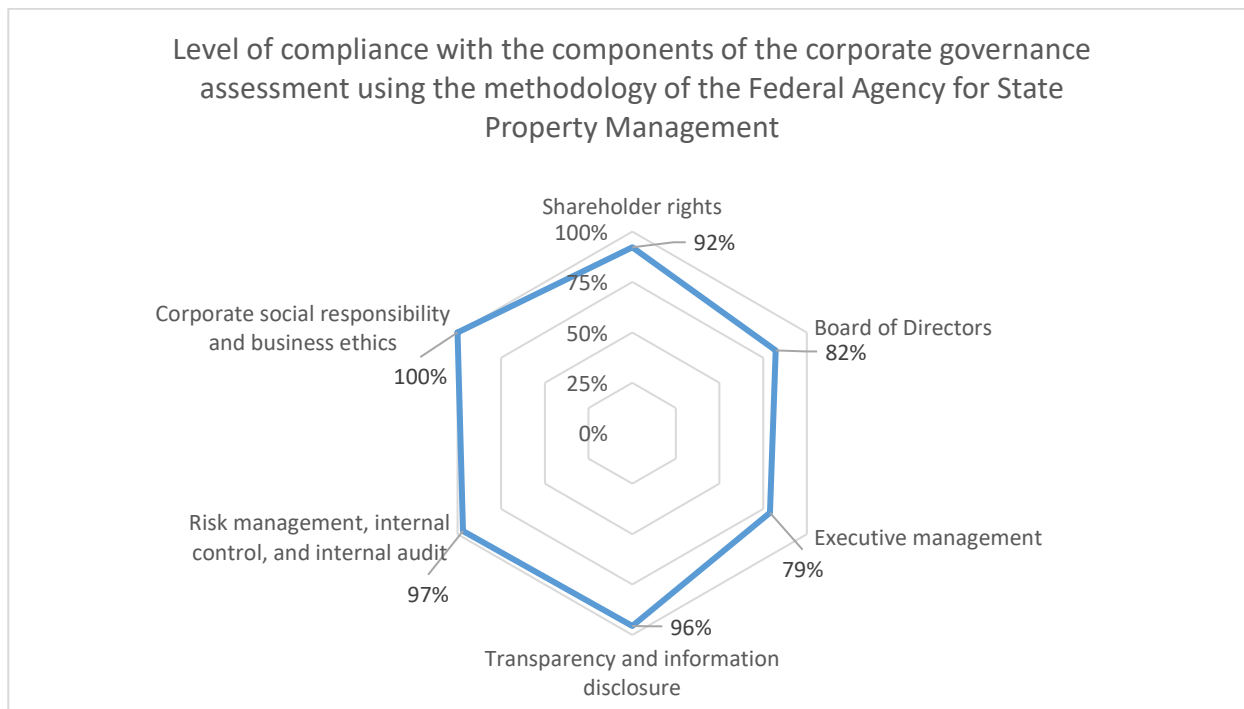


## 18.2. Assessment of corporate governance level [GRI 103-3]

According to research by the [TopCompetence](#) Center for Corporate Development with the participation of the Moscow Exchange and the Center for Systemic Transformations of the Faculty of Economics at Moscow State



University, Inter RAO is among the top ten leaders in the [National Corporate Governance Index 2020](#)<sup>71</sup>, including in terms of the completeness and quality of the information it discloses on compliance with the principles of corporate governance.

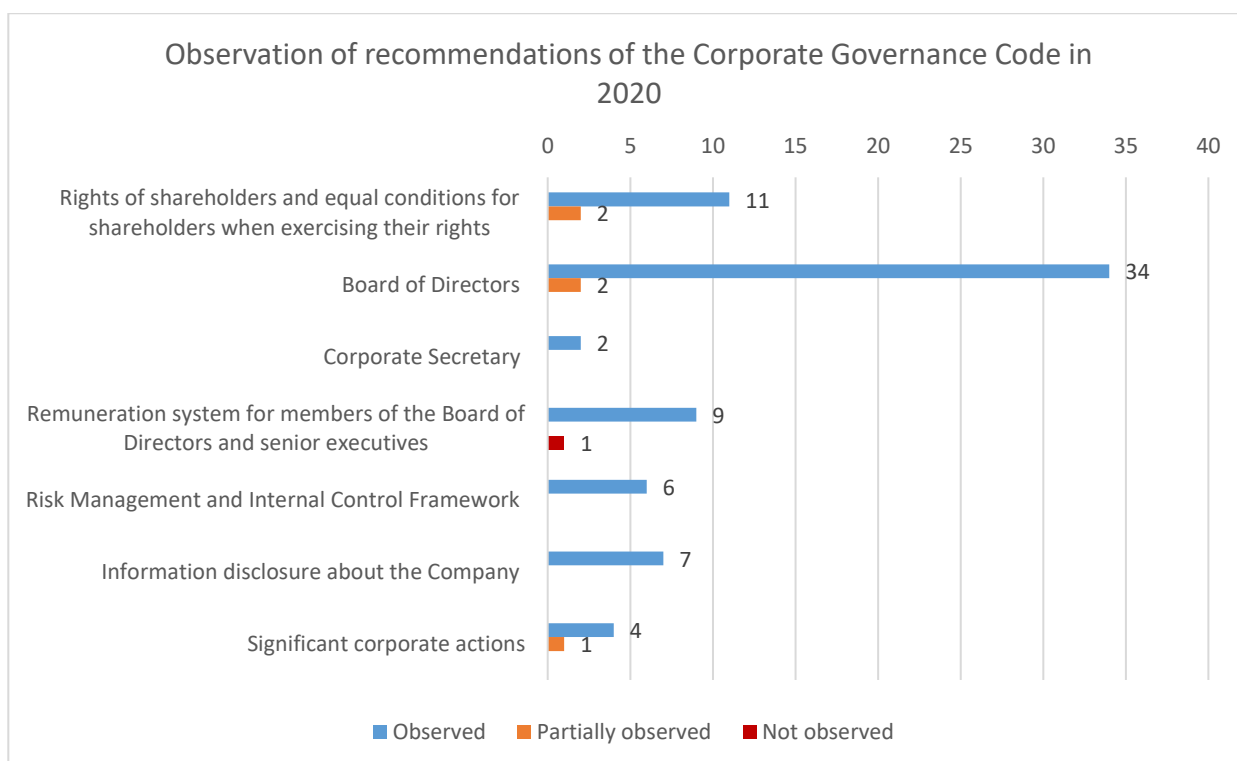


PJSC Inter RAO carries out a self-assessment of its level of corporate governance each year according to the methodology of the Federal Agency for State Property Management approved by Order No. 306 of the Federal Agency for State Property Management dated August 22, 2014. In 2020, the compliance rate was 89%

#### 18.2.1. Compliance with corporate governance [GRI 103-2]

PJSC Inter RAO is guided in its activities by the [Corporate Governance Code](#), which is recommended by the Bank of Russia as a document that defines corporate governance standards. Of the 79 principles of the Code, the Company complies with 73, or 92.4%, partially observes five of the principles, and does not observe only one of the principles.

<sup>71</sup> The National Corporate Governance Index has been the official indicator of the Moscow Exchange (RUCGI) since 2019.



The [Report on Compliance with the Principles and Recommendations of the Corporate Governance Code for 2020](https://www.interrao.ru/upload/InterRAO_AR20_RUS_KKU.pdf) is posted on the Inter RAO website: [https://www.interrao.ru/upload/InterRAO\\_AR20\\_RUS\\_KKU.pdf](https://www.interrao.ru/upload/InterRAO_AR20_RUS_KKU.pdf). An abridged version of the report is presented in [Appendix 4](#).

### 18.2.2. Code of Corporate Ethics [GRI 102-16]

On July 31, 2020<sup>72</sup>, the Board of Directors approved a new version of the [PJSC Inter RAO Code of Corporate Ethics](#). The updated document conceptually changed its approach in this regard with a transition from declarative principles to specific obligations and prohibitions as well as mechanisms for the execution and implementation of the Code's provisions while also adding sustainable development (ESG) standards.

#### Code of Corporate Ethics

The new version of the [Code of Corporate Ethics](#) demonstrates the Company's vision of universal and basic values, not only and not so much for doing business, but as the foundation of the Company's relationship with its employees and society as socially responsible and equal partners that are concerned about each other and our future. The Board of Directors fully supports Inter RAO's desire to be a leader not only in the Russian electricity sector, but also in terms of the highest standards of business ethics and conduct.

Elena Sapozhnikova, Senior Independent Director

#### Fundamental corporate principles of the Group

Respect for human rights	Profitability, efficiency, and productivity	Respect for shareholders' interests
Promotion of energy security and innovation	Development of fair competition	Partnership
Social responsibility	Integrity	Continuity

#### Key changes to the Code

<sup>72</sup> Minutes No. 277 dated August 3, 2020.

<b>Scope</b>	The scope of the Code was expanded. The Code extends not only to employees, but also to persons working under civil law contracts, seconded personnel, trainees, and interns. The standards of the Code, including obligations and prohibitions, are established for the entire Group.
<b>Principles</b>	Principles added: <ul style="list-style-type: none"> <li>• Respect for human rights</li> <li>• Promotion of energy security</li> <li>• Development of fair competition</li> <li>• Continuity</li> </ul>
<b>Responsibility</b>	The new version of the Code contains a direct reference to people's liability for violating the prohibitions contained therein.
<b>Sustainable development</b>	Sections of the Code have been supplemented with provisions of the UN Global Compact and ESG best practices.
<b>New sections</b>	Information security.
	Protection of insider information. Safeguarding the Group's assets as well as proper accounting and reporting.
<b>Implementation mechanism</b>	A single hotline was established to report violations of the Code. A mechanism was provided to enforce the requirements of the Code. An individual was appointed to be responsible for business ethics.

### **Involvement in political activities**

The Code prohibits the Group's employees from directly or indirectly participating in political, religious, or social movements on behalf of the Company or the Group. Such participation is permitted only on behalf of the individual, using his/her personal resources, and should not be construed as representing the political, religious, or social position of the Group.

The Group prohibits any types of discrimination against employees (for political, religious, national, or other reasons).

### **Compliance with the Code**

The Corporate Secretary of PJSC Inter RAO is responsible for compliance with business ethics. In December 2020, the Corporate Secretary held training on the provisions of the new Code for PJSC Inter RAO management and the CEOs of the Group's companies.

In 2020, the hotline received two calls from an Inter RAO employee concerning compliance with the Code of Corporate Ethics. The caller was given a response following an investigation, and recommendations were given to the subsidiary company that employed the caller.

In 2021, the Group plans to take steps to familiarize employees and other concerned individuals with the provisions of the new Code.

## **18.3. General Meeting of Shareholders**

The General Meeting of Shareholders is the supreme governing body of PJSC Inter RAO. The purview, timeframe, and procedure to prepare for and hold 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 absentee voting on May 19, 2020<sup>73</sup>.

<sup>73</sup> Minutes No. 20 dated May 20, 2020.

The following items were considered at the annual General Meeting of Shareholders in 2019<sup>74</sup>:

- Approval of the Annual Report
- Approval of the Company's annual accounting (financial) statements
- Distribution of the PJSC Inter RAO's profits (including the payment (declaration) of dividends) and losses based on the results of 2019
- Approval of a new version of the Charter
- 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

Total number of persons who participated in the General Meeting of Shareholders on May 19, 2020: 2,011, including 355 legal entities and 1,656 individuals and general accounts.

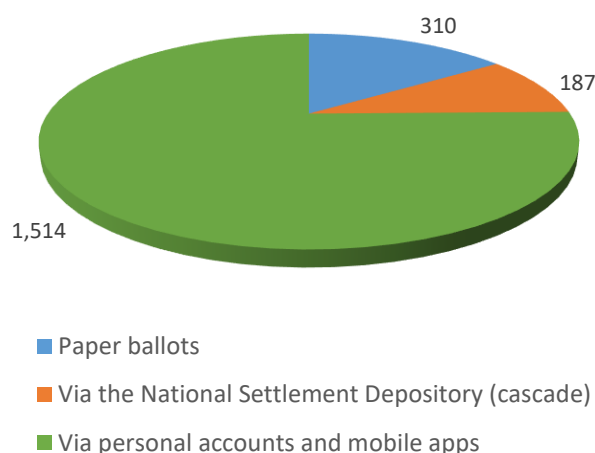
Information about the Annual General Meeting of Shareholders in 2021



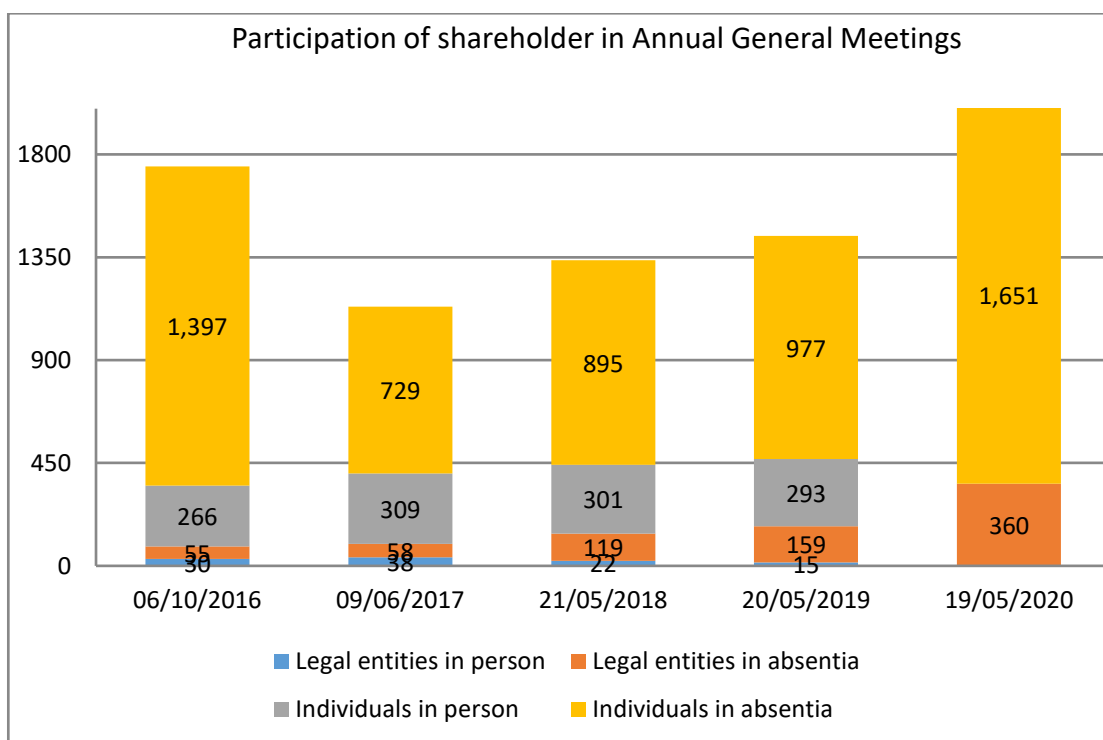
1. Date of the PJSC Inter RAO General Meeting of Shareholders: May 25, 2021
2. The meeting will be held in the form of absentee voting
3. Deadline for accepting voting ballots: May 24, 2021
4. Link to materials for the meeting:  
<https://www.interrao.ru/investors/meetings/2021/AGSM2021/>

The Company's General Meeting of Shareholders in 2020 was held using electronic voting technology. In 2020, 1,701 shareholders took advantage of this opportunity compared with 990 shareholders a year earlier.

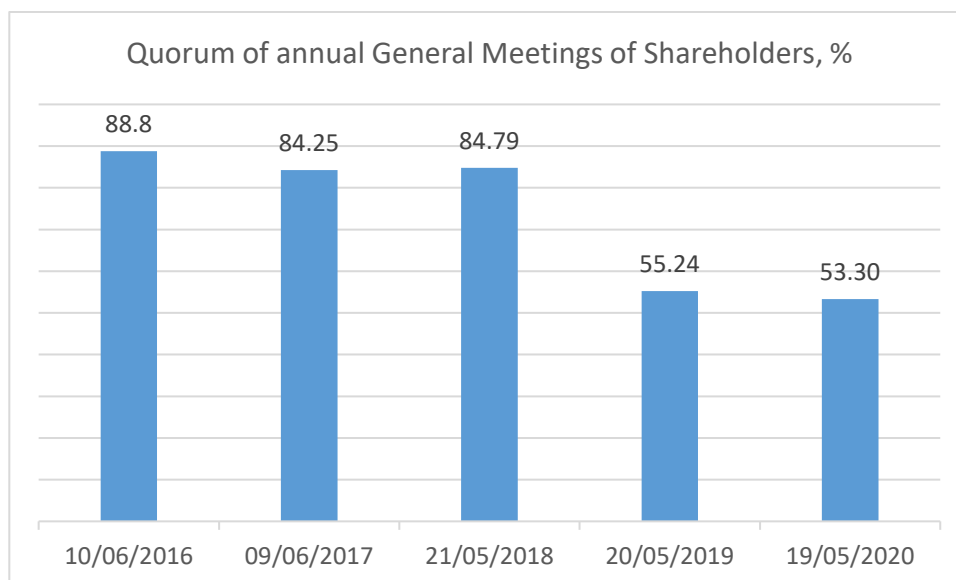
75% of the 2020 AGM participants voted via their personal account or mobile app



<sup>74</sup> 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  
<http://www.interrao.ru/investors/meetings/2020/AGSM2020/>.



The Company is analyzing new opportunities for engagement with shareholders in an effort 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 2019-2020, 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 in accordance with the recommendations of the Code in order to rule out a potential conflict of interest. For more, see the '[Share capital](#)' section.



\* The reduced quorum in 2019-2020 is due to measures to rule out a potential conflict of interest when voting with quasi-treasury shares. The holder of the quasi-treasury shares, JSC Inter RAO Capital, did not participate in voting at the annual General Meeting of Shareholders based on the recommendation of the PJSC Inter RAO Board of Directors.

The Company did not hold any extraordinary General Meetings of Shareholders in 2020.

## 18.4. Board of Directors [GRI 102-26]

The PJSC Inter RAO Board of Directors handles the strategic management of the Company.

Goals and objectives of the Board of Directors

Determine a development strategy that aims to increase the Company's market capitalization and investment appeal, maximize profit, and expand the Company's assets	Exercise and protect the rights and legitimate interests of shareholders and also provide assistance in resolving corporate conflicts	Ensure the completeness, accuracy, and objectivity of information disclosure to shareholders and other stakeholders
Establish effective internal controls	Monitor the actions of executive bodies in accordance with the approved Development Strategy and the Company's main businesses	Conduct a regular analysis of the compliance of the corporate governance system and corporate values with the Company's goals and objectives as well as the scope of its activities and the risks assumed
	Conduct a regular assessment of executive bodies and management	

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 Directors<sup>75</sup>.

In accordance with the Regulation on the Board of Directors, PJSC Inter RAO, as represented by the CEO, must send a member of the Board of Directors a notice on election for signing that describes the member's rights and obligations within seven business days in the form approved by the Regulation. The member of the Board of Directors accepts the terms of this notice by signing it and sending a copy of the signed notice to the Company's Corporate Secretary. This practice was observed in the reporting year.

### 18.4.1. Performance assessment of the Board of Directors [GRI 102-27, 102-28]

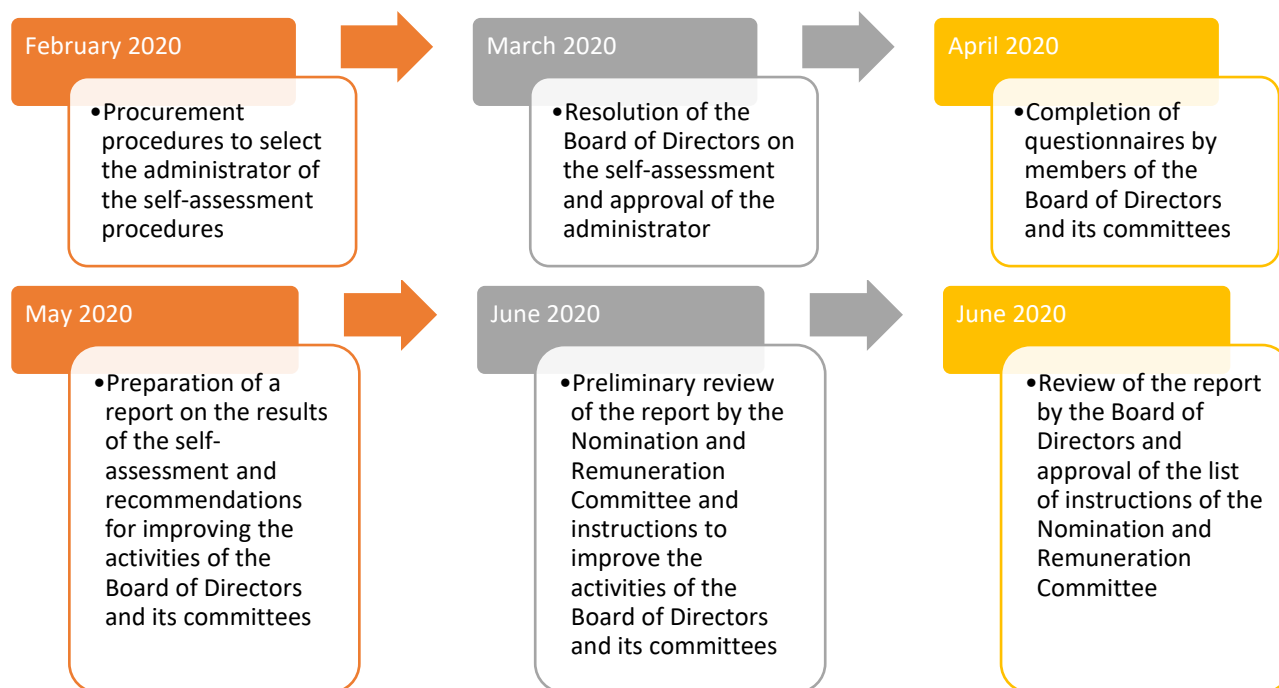
According to the Regulation on the Board of Directors and clause 2.9.2 of the Corporate Governance Code, the performance of the Board of Directors as well as its committees and members should be evaluated on a regular basis at least once a year. In addition, it is recommended to periodically hire an external organization – at least once every three years – to conduct an independent assessment of the quality of work by the Board of Directors.

The last independent assessment of the activities of the Board of Directors and its committees was carried out in 2019. Information on its results and the recommendations that were given and implemented is disclosed in the [Inter RAO Annual Report for 2019](#).

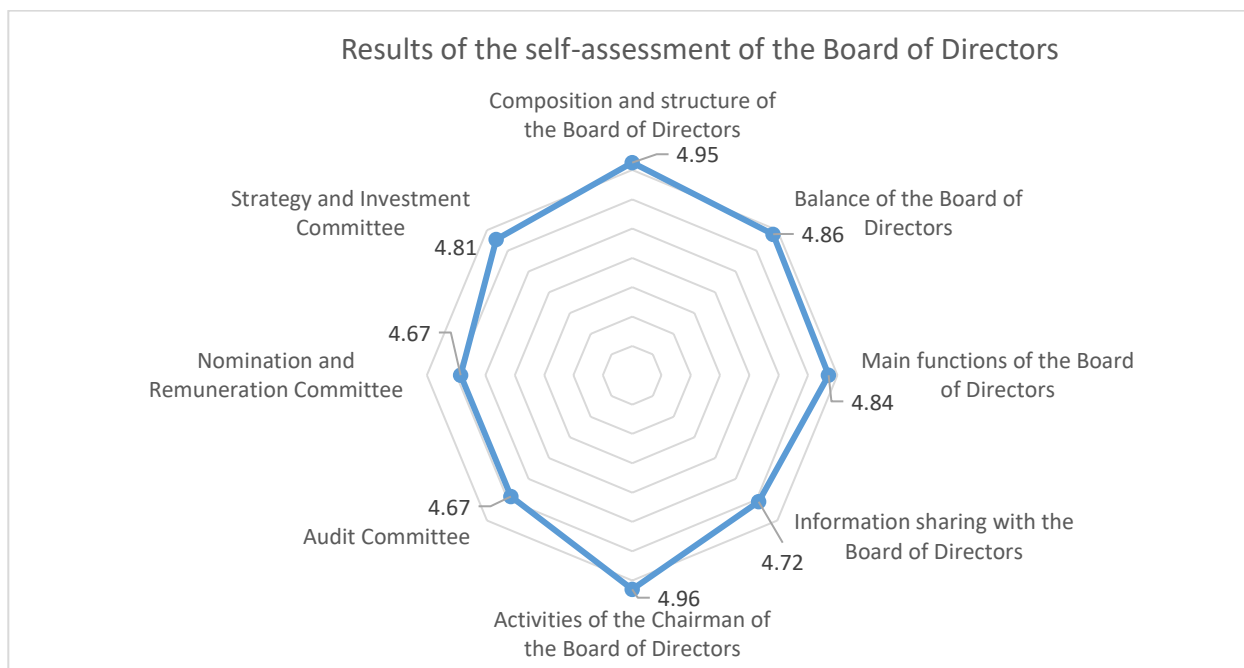
A self-assessment of the effectiveness of the Board of Directors was conducted in 2020. The assessment process included questionnaires as well as an analysis of self-assessment materials. The average score was 4.76 points (out of 5 possible points).

<sup>75</sup> 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).

## Self-assessment process:



The majority of the members of the Board of Directors noted the balanced composition of the Board and the optimal combination of experience and expertise. The directors have high regard for the Company's risk management and internal control systems. They note the particular importance of ESG expertise and knowledge on economic recovery following the global pandemic.



Based on the results of the self-assessment conducted by the Board of Directors and its committees, the Nomination and Remuneration Committee drew up recommendations to improve the activities of the Board of

Directors, which, along with the results of the self-assessment, were reviewed at a meeting of the PJSC Inter RAO Board of Directors on June 28, 2020<sup>76</sup> and approved as instructions from the Board of Directors.

Instructions for improving the activities of the Board of Directors and its committees:

Instructions	Execution and results
Ensure the drafting of recommendations on the procedure for nominating candidates to the Board of Directors and their approval by the Nomination and Remuneration Committee with their subsequent inclusion in the Regulation on the Board of Directors.	<p>The recommendations of the Nomination and Remuneration Committee on the procedure for nominating candidates to the Board of Directors were approved by the Board of Directors on December 16, 2020.</p> <p>The new version of the Regulation on the Board of Directors (including recommendations for nomination) was proposed for approval by the annual General Meeting of Shareholders in 2021.</p>
<p>Propose the inclusion of the following seminar/workshop themes in the Training and Development Program for Members of the Board of Directors for 2020-2021:</p> <ul style="list-style-type: none"> <li>• Digital technologies, digitalization of production, and their impact on the power generation industry</li> <li>• Changes in legislation regulating activities in the energy sector</li> <li>• Sustainable development (ESG) and economic recovery following the global pandemic</li> </ul>	These themes are included in the Training and Development Program (approved as part of the Succession Plan for Members of the Board of Directors and the Management Board on September 25, 2020).
Management shall submit a draft procedure for notifying the Board of Directors about emerging risks for review by the Audit and Sustainable Development Committee.	The procedure for notifying members of the Board of Directors was approved by the Audit and Sustainable Development Committee on December 15, 2020. This Procedure establishes and governs the procedure for promptly notifying members of the Audit and Sustainable Development Committee of the Board of Directors and members of the Board of Directors about critical risks that have materialized as well as other risks that have a significant impact on EBITDA or operating cash flow or create a threat of the failure to achieve the Group's targets not included in the Inter RAO Group's Critical Risk Map.
Ensure a detailed discussion of the methodology for assessing the degree of implementation of strategic development priorities at a joint face-to-face meeting of the Strategy and Investment Committee and the Audit and Sustainable Development Committee.	The issue was reviewed at a joint in-person meeting on November 24, 2020 (via videoconferencing).
Include a joint meeting in the Work Plans of the Strategy and Investment Committee, the Audit and Sustainable Development Committee, and the Nomination and Remuneration Committee on the issue of reviewing the updated Inter RAO Strategy/Long-Term Development Program with respect to the KPIs and PBs of the Management Board members as well as the long-term incentive program for management.	The issue was reviewed at a joint meeting on November 24, 2020.

<sup>76</sup> Minutes No. 276 dated June 29, 2020.



Ensure that the members of the Company's Strategy and Investment Committee are invited to meetings of the Audit and Sustainable Development Committee at which the Sustainable Development (ESG) Reports are reviewed.	Executed on a regular basis.
Continue the practice of disclosing information about the foreign business segment in the Company's reporting on businesses.	Executed on a regular basis.
Continue the practice of reviewing issues concerning the Company's investment appeal, including the dividend policy and the balanced distribution of profits, at a meeting of the Board of Directors with preliminary review at a meeting of the Strategy and Investment Committee as part of the Investor Relations Report.	The issue was reviewed by the Strategy and Investment Committee on March 5, 2021 and by the Board of Directors on March 16, 2021.
Consider the issue of a long-term incentive program for management at an in-person meeting of the Nomination and Remuneration Committee, taking into account an analysis of best remuneration practices.	The issue was reviewed at an in-person meeting of the Committee on November 24, 2020 (via videoconferencing).
Take into account the epidemiological situation in Russia and around the world when planning offsite meetings of the Board of Directors.	No offsite meetings were held in 2020 due to the COVID-19 pandemic.

#### 18.4.2. Report by the Board of Directors on the Company's development in priority areas of business [GRI 102-26, 102-31, 102-33, 102-34]

In 2020, the Board of Directors primarily focused on issues concerning strategy, sustainable development (ESG), combating COVID-19, risk management, the planning and monitoring of financial and economic activities, and improving the quality of corporate governance.

<b>Strategy</b>	<p>In July 2020, the <a href="#">Inter RAO Development Strategy until 2025 with a View to 2030</a> was approved. The Strategy includes strategic goals in key development areas that should result in EBITDA growing to over RUB 320 billion in 2030. When drafting the document, the Board of Directors separately addressed issues about the structure of the future Strategy and strategic risks. Sustainable development priorities became an integral part of the new Strategy.</p> <p>In late 2020, the Standard for Assessing the Implementation of the Strategy and the Value of Annual Key Performance Indicators (KPIs) and Performance Benchmarks (PBs) for 2020 were approved.</p> <p>The report on the implementation in 2019 of the PJSC Inter RAO Innovative Development Program until 2020 with a View to 2025 was reviewed. The Innovative Development Program for 2020-2024 with a View to 2029 was approved.</p> <p>All documents were preliminarily reviewed by the Strategy and Investment Committee.</p>
<b>Combating COVID-19</b>	In March 2020, measures were taken to counter the negative effects of COVID-19, including measures to protect employees at all PJSC Inter RAO subsidiaries and ensure the stability of their work. The Management Board was instructed to continue taking all necessary measures to counter the negative effects of the pandemic, taking into account the recommendations of the government authorities.
<b>Risk management</b>	In 2020, the Board of Directors reviewed key issues concerning the development of the Risk Management and Internal Control Framework six times. Reporting related to risk management for the failure to execute the Group's strategy and

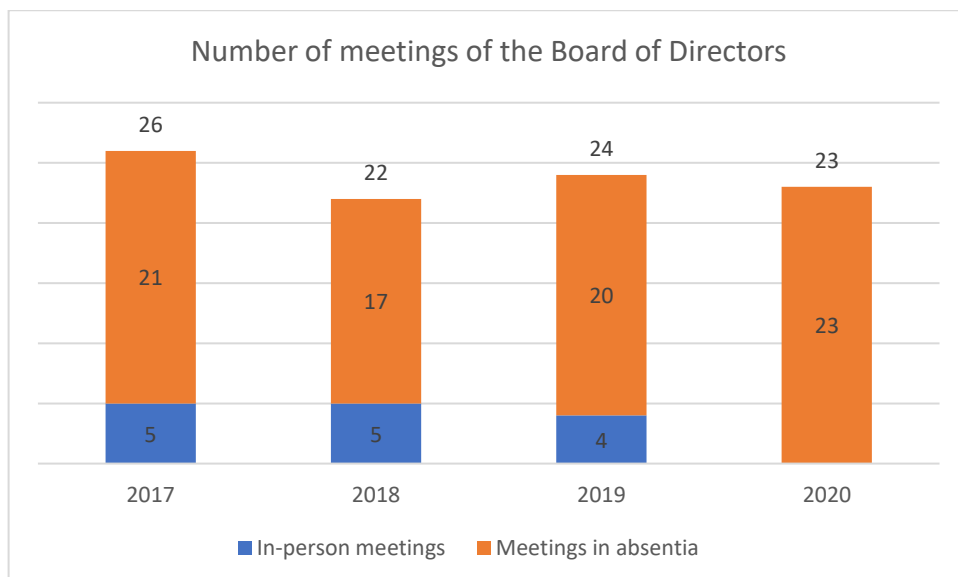
	<p>business plan was also discussed six times as part of economic planning materials.</p> <p>A list and results of the assessment of critical risks, approaches to risk management, risk appetite levels, and strategic risks were analyzed as part of issues submitted to the Board of Directors for consideration following preliminary review by the Audit and Sustainable Development Committee.</p> <p>When prioritizing the Group's risks, the likelihood and impact of risks concerning the achievement of key development indicators were taken into account, including indicators and goals in such matters as compliance and sustainable development.</p> <p>Special attention was paid to the results of the functioning and development of the Group's Risk Management and Internal Control Framework (RMICF): the Board of Directors reviewed the results of an assessment of the effectiveness of the RMICF in 2019 and approved the Roadmap for Achieving the Target Criteria of the RMICF until 2023.</p> <p>On December 15, 2020, the Audit and Sustainable Development Committee approved the Procedure for Notifying Members of the PJSC Inter RAO Board of Directors about the Materialization of Risks.</p>
<b>Sustainable development</b>	<p>Under a resolution of the Board of Directors dated February 14, 2020, the Audit Committee was renamed the <a href="#">Audit and Sustainable Development Committee</a> and entrusted with ESG functionalities, including monitoring the introduction of sustainable development principles at PJSC Inter RAO as well as the fulfillment of obligations to comply with the principles of the UN Global Compact.</p> <p>In accordance with a resolution adopted in 2019, the Board of Directors continues to review the Sustainability Management Report (ESG) on a semi-annual basis.</p> <p>Sustainable development priorities became an integral part of the new Strategy approved in 2020.</p> <p>In early 2021, the <a href="#">Sustainable Development Policy</a>, which is mandatory for all the Group's companies, was approved for the first time. The Policy contains environmental, social, and governance (ESG) principles of sustainable development.</p>
<b>Planning and monitoring of financial and economic activities</b>	<p>The execution of the business plan was monitored on a quarterly basis. Information on the materialization of risks during the reporting period was reviewed as part of the quarterly report on the execution of the business plan.</p> <p>The business plan for 2021 was approved late in the year.</p> <p>The Board of Directors had special control over the implementation of the construction schedule for Kaliningrad Generation. In 2020, construction was completed on the Primorskaya TPP with capacity of 195 MW (three power units with 65 MW each). A consolidated cost management program for the Group's key companies was approved.</p>
<b>Investor relations</b>	<p>The Board of Directors reviewed and approved the Investor Relations Report, including an analysis of changes on stock markets and key stock indices as well as key events that influenced the Inter RAO's market capitalization, recapped the management's efforts to enhance the investment appeal of the Inter RAO shares as well as IR's work to interact with the investment community, including the ESG of investors (for more, see the 'Interaction with investors and analysts' section), and conducted an analysis of the dynamics of the purchase/sale of Inter RAO shares and the results of an IR study to assess the influence of ESG factors on investment decisions.</p>
<b>Remuneration</b>	<p>The Board of Directors reviewed an item on determining the amount of remuneration and compensation paid to the CEO and members of the</p>

	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.
<b>Corporate governance</b>	<p>The annual Report of the Corporate Secretary on Corporate Governance Practice was reviewed.</p> <p>The annual Succession Plan for Members of the Board of Directors and Members of the Management Board for 2020–2021 was approved (with the Training and Development Program).</p> <p>A decision was made to conduct an independent assessment of the effectiveness of the anti-fraud and anti-corruption system.</p> <p>In late 2020, the Board of Directors approved a new version of the <a href="#">Antimonopoly Compliance Policy</a>.</p> <p>In addition, an annual self-assessment of the activities of the Board of Directors and its committees was conducted, a report on the results of the self-assessment was reviewed, and the status of members of the Board of Directors was determined. Issues concerning the internal audit, preparation for the Annual General Meeting of Shareholders, the approval of transactions, and other corporate governance issues were reviewed.</p>

In 2020, the Board of Directors held 23 meetings, which were all held in absentia due to COVID-19. A total of 98 items were reviewed at the meetings, including eight policy items.

Member of the Board of Directors	Director's status	Membership on the boards of directors of other public joint-stock companies	Board of Directors	Audit and Sustainable Development Committee	Nomination and Remuneration Committee	Strategy and Investment Committee
			23 meetings			
				19 meetings	18 meetings	16 meetings
Boris Ayuyev	Non-executive	1	23	X	X	X
Andrey Bugrov	Independent	-	23	18	19	X
Anatoly Gavrilenko	Non-executive	1	23	X	X	X
Boris Kovalchuk	Executive	-	23	X	X	X
Alexander Lokshin	Independent*	-	23	19	X	X
Andrey Murov	Non-executive	2	23	X	X	X
Ronald Pollett	Independent*	-	23	19	19	16
Elena Sapozhnikova	Senior independent	-	23	19	19	16
Igor Sechin	Non-executive	1	23	X	X	X
Denis Fedorov	Non-executive	6	23	X	X	X
Dmitry Shugayev	Non-executive	-	23	X	X	X

\* According to a resolution of the Board of Directors dated May 28, 2020 (Minutes No. 274 dated May 29, 2020).



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.



Orders of the CEO prepared 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 resolutions and instructions of the Board of Directors is one of the indicators for the cancellation of the bonuses of members of the Management Board and other direct subordinate managers.

A total of 77 instructions of the Board of Directors were executed over the course of 2020. The report for 2020 was approved by the Board of Directors on March 31, 2021<sup>77</sup>. There were no violations of the deadlines for the execution of the resolutions of the Board of Directors and its committees.

#### 18.4.3. Current Board of Directors [GRI 102-22, 405-1]

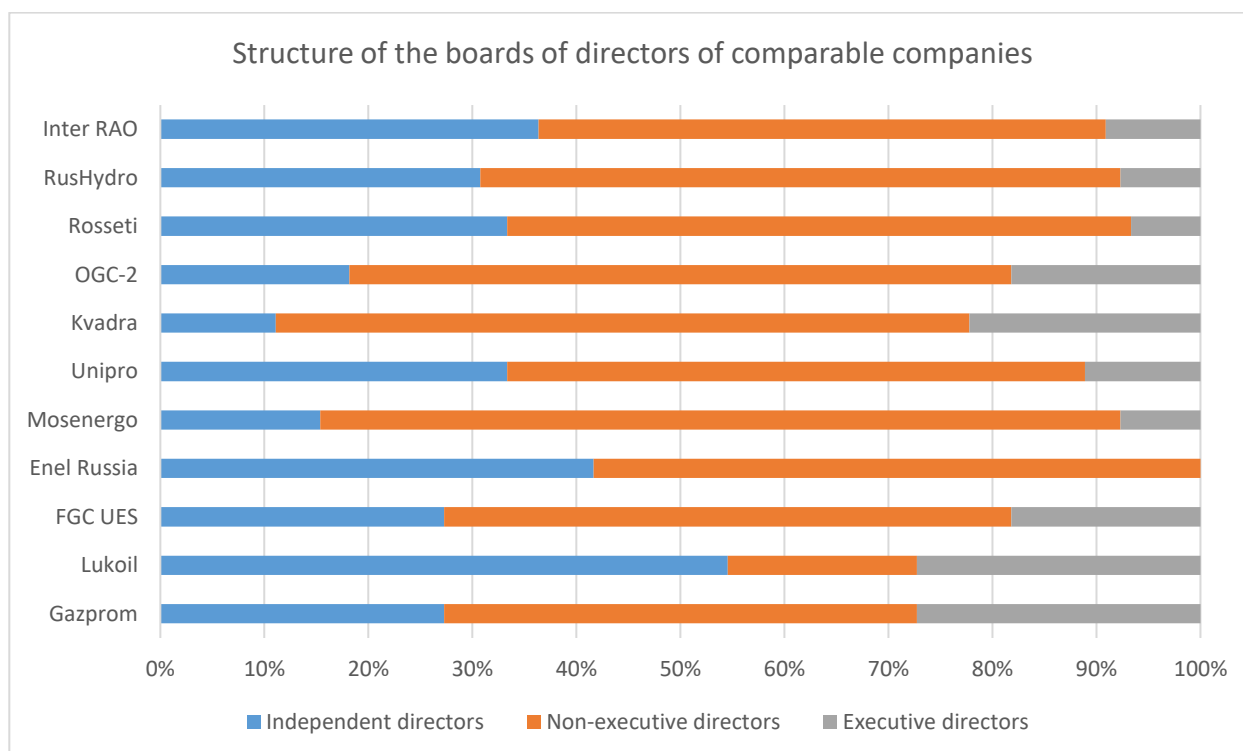
The PJSC Inter RAO Charter stipulates that the Board of Directors must have 11 members. Members of the Board of Directors are elected annually by the General Meeting of Shareholders through cumulative voting.

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.

##### Composition of the Board of Directors

	2018	2019	2020	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 2020.



<sup>77</sup> Minutes No. 290 dated April 2, 2021.

The results of the self-assessment conducted in 2020 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.

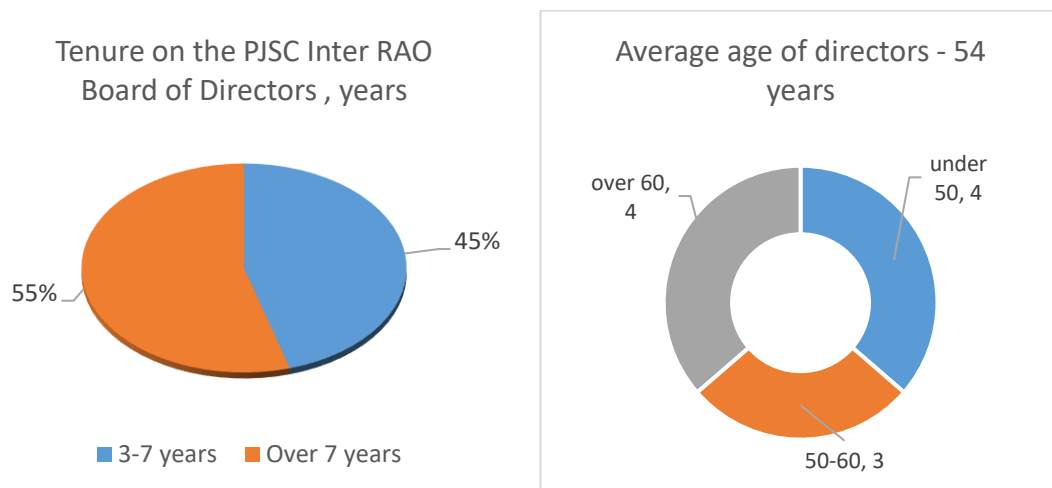


\* In addition, individual directors noted that they have expertise in M&A, GR, economics, and corporate governance.

Gender makeup and independent members of the Board of Directors



Chairman of the Board	Senior independent director, committee chairman	Executive director	Independent director	Committee chairman, independent director	Independent director	Non-executive directors				
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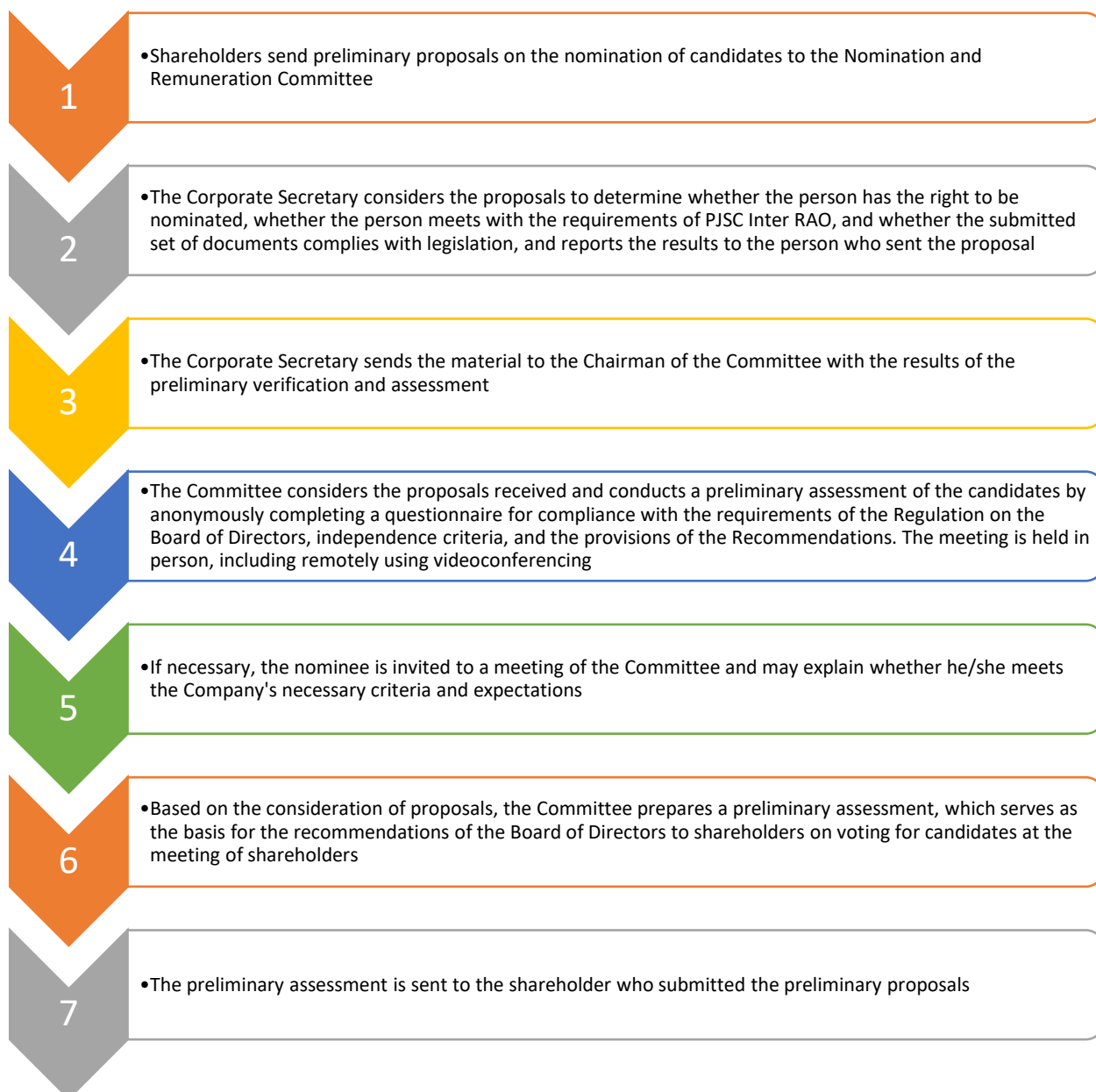
#### 18.4.4. Conditions for forming the Board of Directors and candidate selection criteria [GRI 102-24]

[Recommendations to shareholders on the procedure for nominating candidates to the PJSC Inter RAO Board of Directors](#) were approved by the Nomination and Remuneration Committee on December 10, 2020 and by the Board of Directors on December 16, 2020.

Inter RAO is introducing a new practice involving the voluntary preliminary approval of candidates for the Board of Directors. This procedure will take into account the diversity of opinions of shareholders and ensure that the composition of the Board of Directors complies with legislative, exchange, and regulatory requirements as well as the Company's objectives and corporate values.

The main difference compared with the previous practice is the procedure for voluntary preliminary approval of candidates for the Board of Directors. Shareholders are encouraged to send the Company their preliminary proposals for the nomination of candidates. Based on the preliminary consideration of these proposals, the Nomination and Remuneration Committee evaluates each candidate for compliance with the Company's requirements based on the methodology developed by the Nomination and Remuneration Committee. If necessary, a nominee may be invited to a meeting of the Committee and may clarify whether he/she meets the necessary criteria and expectations. This assessment may become the basis for the Board of Directors to adopt recommendations to shareholders on voting at the General Meeting of Shareholders.

Procedure for the preliminary approval of candidates for the Board of Directors who are not members of the Company's Board of Directors at the time of their nomination\*:



\* The Company may not consider a preliminary proposal as a nomination of a candidate to the Company's Board of Directors. The nomination procedure is carried out in accordance with the legislation of the Russian Federation.

### Approaches to the diversity and diversification of the Board of Directors

According to the approved [Recommendations on the Procedure for Nominating Candidates to the Board of Directors](#), the Board of Directors should be formed<sup>78</sup> 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

Particular attention is paid to a candidate's independence. The Nomination and Remuneration Committee asks shareholders to nominate candidates who meet the independence criteria described in the Corporate Governance Code.

<sup>78</sup> Clause 2.1 of the Regulation on the PJSC Inter RAO Board of Directors.



The methodology for evaluating nominated candidates assigns an additional point to candidates who contribute to gender balance on the Board of Directors.

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 the government/local authorities, or an administrative offense, primarily in entrepreneurial activities, finance, taxes and fees, or the securities market.

#### 18.4.5. 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 Rules of PJSC Moscow Exchange 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 must be independent	✓ at least 1/3 of the members of the Board of Directors must be independent

PJSC Inter RAO supports the practice that was introduced in 2017 of independent directors preliminarily reviewing significant corporate actions. The Company engages in the practice of holding business meetings with independent directors for a preliminary discussion of key items that are submitted to the Board of Directors for review.

#### 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 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.

On May 28, 2020, the Board of Directors considered the issue of determining the status of Ron Pollett and Alexander Lokshin and recognized them as independent directors in accordance with the Committee's recommendations<sup>79</sup>. The existence of formal signs of connectedness and the circumstances and factors that were taken into account when recognizing the members of the Board of Directors as independent directors are set out in the [Minutes of the meeting](#).

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<sup>79</sup> Minutes No. 274 dated May 29, 2020.

## 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.

Elena Sapozhnikova was elected as the senior independent director at a meeting of the Board of Directors on May 28, 2020.

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.

### 18.4.6. Succession planning [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. The Succession Plan for the Members of the Board of Directors and the Management Board for 2020-2021 was updated along with the Training and Development Program at a meeting of the Board of Directors on September 25, 2020<sup>80</sup>.

### 18.4.7. 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 used to evaluate 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 Board<sup>81</sup> (hereinafter the Succession Plan) approved annually by the Board of Directors.

Training events are usually held in the format of workshops with immersion in a particular area of the Company's activities and involve well-known specialists on the market and key Inter RAO managers and employees.

In August 2020, members of the Strategy and Investment Committee heard a report on the digital transformation strategy for the electric power industry, planned measures to digitize key business processes of Inter RAO, and the concept for the digital transformation of Inter RAO, including Inter RAO projects in the Digital Energy Association. The Training and Development Program will feature a workshop on changes in energy legislation and a seminar on sustainable development for members of the Board of Directors and its committees in the first half of 2021. Members of the Board of Directors also receive regular newsletters.

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 in the main areas of business.

No induction meetings were held in 2020 since no changes were made to the members of the Company's Board of Directors.

### 18.4.8. Preventing conflicts of interest [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

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<sup>80</sup> Minutes No. 280 dated September 28, 2020.

<sup>81</sup> Approved by the Board of Directors on September 25, 2020 (Minutes No. 280 dated September 28, 2020).

relationships, financial relations, receiving gifts, services, or other benefits, using the Company's property, and disclosing confidential 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 Company's Charter stipulates that executive directors do not vote on issues related to their employment contracts and determining their remuneration.

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.

To prevent the unlawful use of insider information, the Code of Corporate Ethics contains an obligation for the CEO, members of the Management Board, and members of the Board of Directors (including independent directors) with respect to transactions with the Company's shares. To conclude a transaction, members of the Management Board must obtain prior written consent from the CEO, and the CEO must obtain prior written consent from Chairman of the Board of Directors, while insiders, as well as individuals connected to them, are prohibited from concluding any transactions with the Company's securities during the 'closed' period, i.e., within 30 days prior to the publication of consolidated IFRS financial statements.

No notices about conflicts of interest within the Company were received in 2020. The Corporate Secretary's service monitors the possibility of a conflict of interest on a quarterly basis by analyzing the updated questionnaires of members of the Board of Directors.

#### **18.4.9. Liability insurance**

Based on best practices and recommendations of the Code, PJSC Inter RAO has provided liability insurance for members of the Board of Directors, members of the Management Board, and the Group's officials and companies 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 million. The contract is valid from July 15, 2020 until July 14, 2021. Insurance premium for the year - USD 300,000.

#### **18.4.10. Biographies of members of the Board of Directors<sup>82, 83</sup> [GRI 102-22, 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

<sup>82</sup> Positions are given as of the date of this Report's preliminary approval by the Board of Directors on April 23, 2021 and are disclosed without taking into account membership in the Boards of Trustees. Full biographical information is disclosed [in quarterly reports](#).

<sup>83</sup> Members of the Board of Directors as of December 31, 2020. At the Annual General Meeting of Shareholders on May 19, 2020, the members of the Board of Directors were all re-elected (Minutes No. 20 dated May 20, 2020).

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 2021: Chairman of the Management Board of JSC SO UES (primary place of employment)</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:	<p>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</p> <p>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</p> <p>2016: He was awarded the honorary title 'Distinguished Member' of the International Council on Large Electric Systems (Conseil International des Grands Réseaux Electriques – CIGRE)</p> <p>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</p> <p>2013: He received commendation from the Russian President 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</p> <p>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</p> <p>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</p>
Share ownership and transactions	He owns 7,306,329.79 shares in PJSC Inter RAO (0.0069984% of charter capital), but did not conclude any share transactions

### Andrey Bugrov

Status	Independent director
First elected to the Board of Directors	May 25, 2014
Year of birth	1952
Nationality	Russian Federation
Education	<p>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</p> <p>Candidate of Economic Sciences</p>

Positions held over the last five years	<p>2020 until present: Senior Vice President for Sustainable Development at PJSC MMC Norilsk Nickel (primary place of employment)</p> <p>2020 until present: Member of the Expert Council for Sustainable Development under the Russian Ministry of Economic Development</p> <p>2020 until present: Member of the Committee on Climate Policy and Carbon Regulation of the Russian Union of Industrialists and Entrepreneurs.</p> <p>2020 until present: Chairman of the Expert Group on Improving Corporate Governance, Special Administrative Districts, Bankruptcy, and Appraisal Activities of the Russian Ministry of Economic Development</p> <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 Advisory Council of the Russian-British Chamber of Commerce</p> <p>2018-2020: Member of the Expert Council on Corporate Governance of the Russian Ministry of Economic Development</p> <p>2016-2020: Senior Vice President of PJSC MMC Norilsk Nickel</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 of 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	None
Awards:	<p>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'</p> <p>2015: He was awarded the Certificate of Honor of Russian President 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</p> <p>2013: Winner of the VIII National Award 'Director of the Year' in the category 'Independent Director'</p> <p>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</p>

Share ownership and transactions	He does not own shares in PJSC Inter RAO and did not conclude 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) (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, JSC NPF GAZFOND Pension Savings, JSC Gazprombank-Fund Private Pension Fund, JSC GAZFOND Private Pension Fund, and JSC NPF Almaznaya Osen
Share ownership and transactions	He does not own shares in PJSC Inter RAO and did not conclude 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, 2025; date of entry into office – 26 June 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:	<p>2019: He was awarded the Order of Alexander Nevsky</p> <p>2017: He was awarded the Certificate of Honor of JSC SO UES</p> <p>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'</p> <p>2015: He was awarded the Silver Medal 'For Collaboration' (by the Ministry of Justice of the Russian Federation)</p> <p>2014: He was awarded the merit badge '10 Years of the Federal Tariff Service'</p> <p>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</p> <p>2012: He was awarded the State Award 'Order of Honor'</p> <p>2011: He was awarded the title 'Honorary Power Engineer'</p>
Share ownership and transactions	He does not own shares in PJSC Inter RAO and did not conclude any transactions with shares in the reporting year.

### Alexander Lokshin

Status	Independent director in accordance with a resolution of the Board of Directors dated May 28, 2020
First elected to the Board of Directors	<p>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</p> <p>Re-elected to the Board of Directors on June 25, 2010</p>
Year of birth	1957
Nationality	Russian Federation
Education	<p>1980: He graduated from Kalinin Leningrad Polytechnic Institute (currently St. Petersburg State Polytechnic University) with a degree in thermal physics</p> <p>2001: He studied in the President program at the Academy of National Economy under the Government of the Russian Federation</p>
Positions held over the last five years	<p>2020 until present: First Deputy Director General for Atomic Energy at the Rosatom State Atomic Energy Corporation (primary place of employment)</p> <p>2018 until present: President of JSC ASE Engineering Company</p> <p>2012-2020: First Deputy Director General for Operations Management at Rosatom State Atomic Energy Corporation (primary place of employment)</p> <p>2008 until present: Member of the Management Board of Rosatom State Atomic Energy Corporation</p>
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:	<p>2018: He was awarded the fourth-class Order 'For Merit to the Fatherland'</p> <p>2012: He was awarded the Order of Honor</p> <p>2000: He was awarded the title 'Honored Power Engineer of the Russian Federation'</p>



Share ownership and transactions	He does not own shares in PJSC Inter RAO and did not conclude any transactions with shares in the reporting year.
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### Andrey Murov

Status	Non-executive director
First elected to the Board of Directors	May 25, 2014
Year of birth	1970
Nationality	Russian Federation
Education	<p>1993: He graduated from St. Petersburg State University with a degree in law</p> <p>1998: He underwent professional retraining under the financial management program at the Interdisciplinary Institute for Advanced Studies and Retraining of Managers</p> <p>2009: He graduated from Saint Petersburg State University of Civil Aviation with a degree in transportation organization and management (air transport)</p> <p>Doctor of Economic Sciences</p>
Positions held over the last five years	<p>2020 until present: First Deputy CEO and Executive Director of PJSC Rosseti (primary place of employment)</p> <p>2015: Chairman of the Russian National Committee of the International Council on Large Electric Systems Non-Profit Partnership</p> <p>2013-2020: Chairman of the Management Board of PJSC FGC UES</p> <p>2012-2020: Member of the Management Board of PJSC FGC UES</p>
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:	<p>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'</p> <p>He was awarded the title 'Honorary Power Engineer'</p>
Share ownership and transactions	He does not own shares in PJSC Inter RAO and did not conclude any transactions with shares in the reporting year.

### Ronald Pollett

Status	Independent director in accordance with a resolution of the Board of Directors dated May 28, 2020
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	<p>January 2021 until present: Chairman of GE in Russia and the CIS, General Electric Company</p> <p>2021 until present: Senior Advisor at Baker Hughes</p> <p>2015 until present: Vice President of General Electric (GE), President and CEO of GE in Russia and the CIS</p> <p>2008-2020: Director of the branch office of General Electric International Corporation, Inc. (USA) in Moscow</p> <p>2003-2020: CEO of LLC GE Rus</p>
Membership on the boards of directors (supervisory boards) of other organizations	Chairman of the Board of Directors of the American Chamber of Commerce in Russia and Member of the Board of Directors of the American-Russian Business Council
Share ownership and transactions	He does not own shares in PJSC Inter RAO and did not conclude any transactions with shares in the reporting year.

#### Elena Sapozhnikova

Status	Senior 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	<p>2020 until present: Director of the Center for Climate Agenda and Sustainable Business Development</p> <p>2020 until present: CEO of LLC UT Network of Partnerships</p> <p>2019 until present: Partner at LLC Digital Horizon Ventures</p> <p>2017-2019: Partner at LLC United Capital Partners Advisory Group (UCP)</p> <p>2013-2017: Executive Director of the UCP Group</p>
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 conclude any transactions with shares in the reporting year.

#### Igor Sechin

Chairman of the PJSC Inter RAO Board of Directors

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 (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  Member of the Supervisory Board of the Global Energy Association for the Development of International Research and Projects in Energy  Chairman of the Supervisory Board of LLC Professional Hockey Club CSKA; ANO Genetic Technologies; Deputy Chairman of the Supervisory Board of the All-Russian Volleyball Federation; Member of the Supreme Supervisory Board of the Russian Boxing Federation
Share ownership and transactions	He does not own shares in PJSC Inter RAO and did not conclude 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	2017: CEO of LLC Adlerskaya TPP  2009 until present: CEO of LLC Gazprom Energoholding

	<p>2007 until present: Head of the Administration of PJSC Gazprom (primary place of employment)</p> <p>2009 until present: CEO of PJSC Centrenergoholding</p>
Membership on the boards of directors (supervisory boards) of other organizations	<p>Chairman of the Boards of Directors of PJSC Moscow United Energy Company (PJSC MOEK), LLC GEH Engineering, JSC Gazprom Energosbyt Tyumen, PJSC OGC-2, PJSC Tyumen Engine Builders, and JSC Gazenergoservice</p> <p>Member of the Board of Directors of LLC Svobodnenskaya TPP, PJSC Mosenergo, PJSC Centrenergoholding, and PJSC TGC-1</p>
Share ownership and transactions	<p>He does not own shares in PJSC Inter RAO.</p> <p>Share transactions in 2020: purchase of 700,000 ordinary shares (0.0000067% of charter capital) on December 16, 2020. Share transactions after the reporting date: sale of 700,000 ordinary shares in PJSC Inter RAO (0.0000067% of charter capital) on January 28, 2021</p>

### Dmitry Shugayev

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	<p>1987: He graduated from Moscow State Institute of International Relations of the USSR Ministry of Foreign Affairs with a degree in international journalism</p> <p>Candidate of Economic Sciences</p>
Positions held over the last five years	<p>2017 until present: Director of the Federal Service for Military-Technical Cooperation (primary place of employment). He was awarded the class rank of the 1<sup>st</sup> class Full State Counsellor of the Russian Federation by Decree No. 185 of the President of the Russian Federation dated March 29, 2021</p> <p>2008-2017: Deputy CEO of Rostec State Corporation</p>
Membership on the boards of directors (supervisory boards) of other organizations	Member of the Board of Directors of JSC Rosoboronexport

Awards	<p>2020: He was awarded the Order of Alexander Nevsky under Decree No. 104 of the President of the Russian Federation dated February 14, 2020</p> <p>2018: He was awarded a lapel pin of the Ministry of Foreign Affairs of the Russian Federation 'For Contributing to International Cooperation'</p> <p>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</p> <p>2017: He was awarded the Medal of Honor by the CEO of Rostec State Corporation 'For Merit'</p> <p>2012: He was awarded the Order of Honor under Decree No. 1407 of the President of the Russian Federation dated October 16, 2012</p> <p>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</p>
Share ownership and transactions	He does not own shares in PJSC Inter RAO and did not conclude any transactions with shares in the reporting year.

The Company has no information about the indirect ownership of PJSC Inter RAO shares by members of the Board of Directors.

## 18.5. Committees of the Board of Directors [GRI 102-18, 102-22]

The Board of Directors has established the Audit and Sustainable Development Committee<sup>84</sup>, Nomination and Remuneration Committee, and Strategy and Investment Committee<sup>85</sup> 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 management RAO	Third parties*
Audit and Sustainable Development Committee	100%	–	–
Nomination and Remuneration Committee	100%	–	–
Strategy and Investment Committee	18%	9%	73%

\* Representatives of companies from the electric power, oil, and gas industries, investment funds, and the Russian Ministry of Energy.

<sup>84</sup> Renamed in accordance with a resolution of the Board of Directors dated February 14, 2020. Previously called the Audit Committee.

<sup>85</sup> Minutes No. 249 dated May 20, 2019.

Committee	Key functions	Committee members and attendance of meetings	Work statistics
Audit and Sustainable Development Committee	<ul style="list-style-type: none"> <li>Assessment of the Company's auditor candidates</li> <li>Assessment of the auditor's opinion</li> <li>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</li> <li>Ensuring the independence and objectivity of the external and internal audit functions</li> <li>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</li> <li>Monitoring the introduction of sustainable development principles</li> <li>Monitoring the fulfillment of obligations to comply with the principles of the UN Global Compact for Sustainable Development</li> </ul>	<ol style="list-style-type: none"> <li>Andrey Bugrov (Chairman) (18/19)</li> <li>Alexander Lokshin (19/19)</li> <li>Ronald Pollett (19/19)</li> <li>Elena Sapozhnikova (19/19)</li> </ol>	<p>Meetings: 19 = 8 in-person joint participation and videoconferencing format + 11 in absentia</p> <p>Items considered: 50 = 25 in-person + 25 in absentia</p>
Nomination and Remuneration Committee	<ul style="list-style-type: none"> <li>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</li> <li>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</li> <li>Drafting of recommendations for the 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</li> <li>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 Board of Directors</li> <li>Approval of the target values (adjusted values) of KPIs and PBs for the CEO and members of the Management Board, reports on their implementation, and the methods used to calculate and evaluate their implementation</li> </ul>	<ol style="list-style-type: none"> <li>Elena Sapozhnikova (Chairman) (19/19)</li> <li>Ronald Pollett (19/19)</li> <li>Andrey Bugrov (19/19)</li> </ol>	<p>Meetings: 19 = 4 in-person joint participation and videoconferencing format + 15 in absentia</p> <p>Items considered: 31 = 7 in-person + 24 in absentia</p>
Strategy and Investment Committee	<ul style="list-style-type: none"> <li>Drafting of recommendations for the Board of Directors concerning the Company's priority activities and strategic goals</li> <li>Drafting of recommendations for the Board of Directors concerning the adoption of investment decisions</li> </ul>	<ol style="list-style-type: none"> <li>Viktor Khmarin (Chairman) (16/16)</li> <li>Andrey Marchenko (16/16)</li> <li>Evgeny Miroshnichenko (15/16)</li> <li>Alexey Molsky (14/16)</li> <li>Sergey Nikitin (15/16)</li> <li>Vasily Nikonov (15/16)</li> <li>Fyodor Opadchy (16/16)</li> <li>Ronald Pollett (16/16)</li> <li>Elena Sapozhnikova (16/16)</li> <li>Pavel Snikkars (5/16)</li> <li>Charlotte Philipps (16/16)</li> </ol>	<p>Meetings: 16 = 8 in-person joint participation and videoconferencing format + 8 in absentia</p> <p>Items considered: 29 = 14 in-person + 15 in absentia</p>

### 18.5.1. Audit and Sustainable Development Committee<sup>86</sup>

#### Message from the Committee Chairman

Sustainable development issues have become increasingly important for institutional investors in terms of boosting international standards, implementing international initiatives, including those of the UN, as well as adhering to the principles of responsible investment, environmental protection, and social development.

##### 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.

Environmental, social responsibility, and corporate governance issues are becoming more and more of a priority. As confirmation of the importance of these issues and as a socially responsible company, Inter RAO has begun providing more detailed disclosure of information in matters concerning sustainable development, and has also implemented measures to introduce these principles into its activities for the purpose of complying with sustainable development standards.

Issues related to meeting the requirements for financial reporting and interaction with the auditor also remain relevant.

In the reporting year, the priority objectives of the Audit and Sustainable Development Committee were to ensure the independence and objectivity of internal audits, control the reliability and efficiency of corporate governance, risk management, and internal control systems, and monitor the introduction of sustainable development principles and standards, compliance with international and Russian sustainable development standards, and the fulfillment of obligations to comply with the principles of the UN Global Compact.

Highlights of the key issues that the Committee considered in 2020 include the consideration of the Strategy/Long-Term Development Program of Inter RAO until 2025 with a View to 2030 as well as the approval of the Sustainable Development Policy.

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 Committee<sup>87</sup>, 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 2020

<b>Strategy</b>	Issues related to the <a href="#">Inter RAO Development Strategy until 2025 with a View to 2030</a> were considered, including two joint meetings with the Strategy and Investment Committee, as well as one joint meeting with the Strategy and Investment Committee and the Nomination and Remuneration Committee concerning the key performance indicators (KPIs) and performance benchmarks
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<sup>86</sup> The Audit Committee prior to February 14, 2020.

<sup>87</sup> Approved by a resolution of the Board of Directors dated February 14, 2020 (Minutes No. 264 dated February 17, 2020).

	<p>(PBs) of the members of the Management Board as well as the long-term management incentive program.</p> <p>Recommendations were given on the candidacy of the auditor of the Strategy/Long-Term Development Program and the cost of its services, and the terms of reference were approved for the audit of the implementation of the Strategy/Long-Term Development Program for 2020.</p> <p>A report on the implementation of Inter RAO's strategic development priorities for 2019 was reviewed as part of the monitoring of the strategy's implementation, and recommendations were given to approve the report on the implementation of annual KPIs and PBs for 2019.</p>
<b>Sustainable development</b>	Annual and semi-annual sustainable development reports.
<b>Risk management</b>	<p>Report on the functioning of the Inter RAO Risk Management and Internal Control Framework (along with the status of risk management work by the Company's management).</p> <p>Report on the assessment of the effectiveness of the Group's Risk Management and Internal Control Framework and the report on the assessment of Inter RAO's corporate governance practice.</p> <p>Report on the functioning of the Risk Management and Internal Control Framework in terms of antimonopoly compliance.</p> <p>Report on the introduction, discipline of execution, and operational efficiency of the procedures of the Risk Management and Internal Control Framework to combat and prevent corruption (Report on the Functioning of the Anti-Fraud and Anti-Corruption System).</p> <p>Recommendations were given to approve the Group's risk appetite and Critical Risk Map for 2021.</p> <p>The draft procedure for notifying the Board of Directors about emerging risks was reviewed.</p>
<b>Internal audit and internal control</b>	<p>The report on the activities of the Company's Internal Audit Unit for 2019 was approved.</p> <p>Report on corporate governance practices (report of the Corporate Secretary), including the review of the information policy report.</p> <p>The budget and work plan of the Company's Internal Audit Unit for 2021 as well as the principles of bonuses paid to the head and employees who are functionally accountable to the Board of Directors were approved.</p>
<b>Reporting and external audit</b>	<p>An assessment of the independence, objectivity, and lack of a conflict of interests of external auditors and the amount of payment for the auditor's services was reviewed. An assessment of the auditor's opinions and the quality of the audit was conducted.</p> <p>RAS and IFRS annual accounting and financial statements for 2019, the results of their audit as well as plans for the RAS and IFRS audit of the Company's statements for 2020.</p> <p>The results of the review of the consolidated IFRS financial statements were reviewed on a quarterly basis.</p>

## 18.5.2. Nomination and Remuneration Committee

### Message from the Committee Chairman

Dear Shareholders,

In 2020, the Nomination and Remuneration Committee continued to work on improving corporate governance practices and considered some very important HR issues.

The highlight of the Committee's work in the reporting year was the preparation of recommendations for the re-election of Boris Kovalchuk as CEO for a new five-year term.

Taking into account the results of the self-assessment of the work of the Board of Directors in 2020, the Committee also paid special attention last year to issues concerning the continuity of the Board of Directors, improvements to the process for nominating candidates to the Board of Directors, enhancing the transparency of their assessment, and presenting this assessment to the Company's shareholders as part of the materials for the AGM.

The Committee also approved recommendations to shareholders on the procedure for nominating candidates to the PJSC Inter RAO Board of Directors, which are approved by the Board of Directors and will be included (if the shareholders meeting so decides) in the Regulation on the Company's Board of Directors

In an effort to ensure continuity and meet the Company's needs for independent directors, the Committee held a number of meetings with potential candidates for the Board of Directors in order to prepare a resolution of the Board of Directors on the approval of the list of candidates for election to the Board of Directors at the AGM in 2021.

To comply with the principles of corporate governance and ensure that the Company's activities meet the expectations of investors, the Committee also initiated the drafting and consideration of a long-term management incentive program and reviewed its main approaches in 2020.

This work will continue in 2021.

Elena Sapozhnikova, 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 Committee<sup>88</sup> should be solely comprised of independent directors.

### Most important items considered in 2020

<b>Implementation of strategic goals</b>	<p>Review of the report on the implementation of Inter RAO's strategic development priorities and the report on the implementation of KPIs and PBs for 2019.</p> <p>Review of the updated Inter RAO Strategy on KPIs and PBs of the Management Board members as well as the long-term management incentive program (jointly with the Audit and Sustainable Development Committee and the Strategy and Investment Committee).</p> <p>The long-term management incentive program taking into account an analysis of the best remuneration practices.</p> <p>The list and values of KPIs and BPs for 2021 taking into account Inter RAO's strategic development priorities for 2021 (jointly with the Strategy and Investment Committee).</p>
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<sup>88</sup> Approved by a resolution of the Board of Directors dated September 14, 2015 (Minutes No. 153 dated September 17, 2015).



<b>Remuneration</b>	<p>Determination of the amount of remuneration and principles of bonuses for the Corporate Secretary.</p> <p>Proposals to the annual meeting of shareholders on the payment of remuneration to members of the Revision Commission.</p> <p>Proposals to the annual meeting of shareholders on the payment of remuneration to members of the Board of Directors.</p> <p>Determination of the amount of remuneration and compensation paid to the CEO and members of the Management Board.</p> <p>Report on the practical implementation of the principles of the remuneration policy and the practice of its introduction, including the consideration of the use of an effective ratio of fixed and variable remuneration.</p>
<b>Appointments</b>	<p>Election of the PJSC Inter RAO CEO due to the expiration of his term of office.</p> <p>Election of a member of the Management Board and Head of the Production Activity Unit due to the expiration of his term of office.</p> <p>Succession plan for members of the Board of Directors and members of the Management Board (with the Training and Development Program), including issues concerning the succession of key employees of the Group.</p>
<b>Corporate governance</b>	<p>Assessment (self-assessment) of the activities of the Board of Directors and its committees.</p> <p>Compliance of independent members of the Board of Directors with the independence criteria.</p> <p>Preparation of recommendations for shareholders regarding voting on the election of candidates to the Board of Directors.</p>

### 18.5.3. Strategy and Investment Committee

#### Message from the Committee Chairman

The Strategy and Investment Committee's work is directly related to the Work Plan of the Board of Directors, aims to consider key issues concerning the operational activities of PJSC Inter RAO, and encompasses the most important strategic tasks in order to prepare recommendations for the Board of Directors to make decisions.

Despite the remote work format in 2020, the Committee continued the practice of actively discussing the most significant issues in strategic, financial, and investment planning. Most of the Committee's meetings were held via videoconferencing.

Pursuant to the resolutions of the Board of Directors as regards recommendations for improving the activities of the Board of Directors and its committees, the Committee also considered the Inter RAO Strategy/Long-Term Development Program until 2025 with a View to 2030 as well as a methodology for assessing the degree of implementation of strategic development priorities jointly with the Audit and Sustainable Development Committee during the reporting year.

In addition to regular annual issues, the Committee also devoted significant attention during the reporting year to digitalization issues, discussing such issues as planned events for the digitalization of the Group's key business processes, the concept of Inter RAO's digital transformation as well as the digital transformation strategy for the electric power industry as a whole.

In 2021, the Committee will continue work to ensure a comprehensive and in-depth discussion of the most significant issues for the Group in light of the Company's newly approved Strategy.

Viktor Khmarin, Committee Chairman

## Committee structure

According to the Regulation on the Strategy and Investment Committee<sup>89</sup>, 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 group) as well as an executive director or member of the Company's Management Board.

## Most important items considered in 2020

<b>Strategic planning</b>	<p>Implementation of Inter RAO's strategic development priorities for 2019. Implementation of KPIs and PBs for 2019.</p> <p>Implementation of the Innovative Development Program for 2019</p> <p>Issues associated with the updated Inter RAO Strategy were considered, including those related to KPIs and the long-term management incentive program, jointly with the Audit and Sustainable Development Committee and the Nomination and Remuneration Committee as well as the methodology used to assess the degree of implementation of the strategic development priorities jointly with the Audit and Sustainable Development Committee.</p> <p>The Power Industry Digital Transformation Strategy.</p> <p>The concept of the Group's digital transformation, including Inter RAO's projects in the Digital Energy Association.</p>
<b>Ongoing business</b>	<p>Issues related to the implementation of Inter RAO's business plan were considered on a quarterly basis, and the business plan for 2021 was reviewed.</p>
<b>Corporate governance</b>	<p>Proposals to the annual meeting of shareholders on the distribution of profits (declaration) of dividends.</p> <p>Interaction with investors for 2019 (including investment appeal issues).</p>

## 18.6. Corporate Secretary

The Company's Board of Directors adopts the resolution on the appointment of the Corporate Secretary. In its activities, the Corporate Secretary is functionally accountable to the Board of Directors and administratively accountable to the CEO, thereby ensuring 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 resolutions 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)<sup>90</sup>.

The Company's Corporate Secretary is Tamara Merebashvili.

The main functions of the Corporate Secretary are to<sup>91</sup>:

<sup>89</sup> Approved by a resolution of the Board of Directors dated August 28, 2018 (Minutes No. 230 dated August 31, 2018).

<sup>90</sup> According to the Regulation on the PJSC Inter RAO Corporate Secretary dated June 27, 2019.

<sup>91</sup> The Regulation on the Corporate Secretary is available at the website [https://www.interrao.ru/upload/polozenie\\_o\\_korp\\_sek.pdf](https://www.interrao.ru/upload/polozenie_o_korp_sek.pdf)

- Organize preparations for and supporting the General Meeting of Shareholders
- Support the work of the Board of Directors and its committees
- Arrange meetings of the Management Board and monitor 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
- Participate 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
- Participate 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 the circulation of insider information
- Engage in legislative rule-making

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	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  2016-2019: Head of the Corporate and Property Relations Unit of PJSC Inter RAO and CEO of LLC Inter RAO – IT  2015-2016: Deputy Head of the Central Asia and Caucasus Asset Management Unit at PJSC Inter RAO  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
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 Russian Ministry of Economic Development  Member of the Corporate Governance Working Group of the Federal Agency for State Property Management  Member of the Issuers Committee of PJSC Moscow Exchange  Member of the Expert Council for the Development of IT Competition under the Russian Federal Antimonopoly Service  Member of the Council for the Improvement of Legislation on Arbitration Courts under the Russian Ministry of Justice  Member of the Corporate Governance, Special Administrative Districts, Bankruptcy Procedure, and Appraisal Activity Expert Group that was set up as part of work to implement the Business Climate Transformation Plan and was approved by Directive No. 1723-r of the Russian Government dated July 2, 2020
Share ownership and transactions	She does not own any shares in the Company or any of its controlled entities

## Professional achievements:

In 2020, PJSC Inter RAO received a corporate and competition law prize in the category 'Best Legal Department' in the 'Resources and Supply' sector from *Corporate Lawyer* magazine.

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 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.

## 18.7. 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.

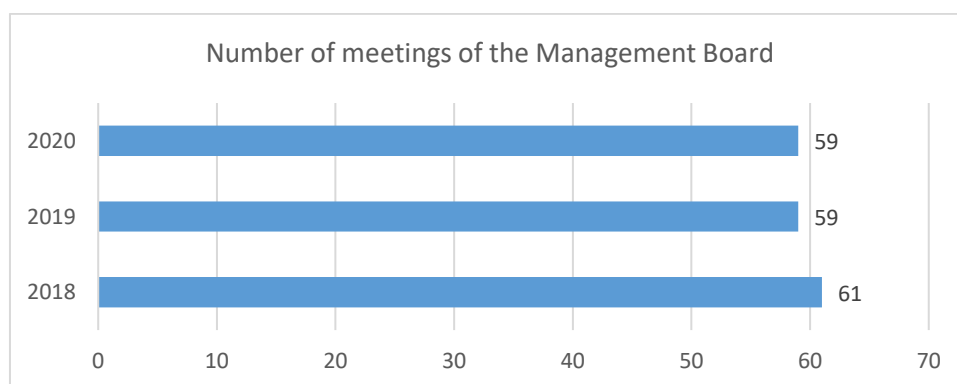
As a collective executive body of PJSC Inter RAO, the Management Board manages the Company's day-to-day activities and is responsible for implementing the Group's goals, strategies, and policies. The Management Board's activities are governed by the Charter and the Regulation on the Management Board<sup>92</sup>.

Members of the Management Board are elected by a resolution of the Board of Directors based on a proposal from the CEO.

### 18.7.1. Composition of the 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, 2020, the Board had nine members.

Number of meetings of the Management Board



<sup>92</sup> Approved by the Company's Annual General Meeting of Shareholder on May 20, 2019 (Minutes No. 19 dated May 20, 2019).

Members of the Management Board and their attendance of meetings

<b>Name of Management Board member</b>	<b>Position</b>	<b>Attendance of meetings (total 59)</b>	<b>Attendance of in-person meetings (total 1)</b>	<b>Attendance of meetings in absentia (total 58)</b>
Boris Kovalchuk	CEO of PJSC Inter RAO	56/59	1/1	55/58
Mikhail Konstantinov	Member of the Management Board and Head of the Legal Affairs Unit of PJSC Inter RAO	54/59	1/1	53/58
Alexey Maslov	Member of the Management Board and Head of the Strategy and Investment Unit of PJSC Inter RAO	59/59	1/1	58/58
Evgeny Miroshnichenko	Member of the Management Board and Head of the Financial and Economic Center of PJSC Inter RAO	58/59	1/1	57/58
Valery Murgulets	Member of the Management Board and Head of the Innovations, Investment, and Cost Management Unit of PJSC Inter RAO	59/59	1/1	58/58
Pavel Okley	Member of the Management Board and Head of the Production Unit of PJSC Inter RAO	56/59	1/1	55/58
Alexandra Panina	Member of the Management Board	52/59	1/1	51/58
Dmitry Filatov	Member of the Management Board and Head of the Supply Division of PJSC Inter RAO	59/59	1/1	58/58
Yury Sharov	Member of the Management Board and Head of the Engineering Unit of PJSC Inter RAO	57/59	1/1	56/58

There were no changes to the members of the Management Board in 2020. The terms of some of its members were extended.

On June 16, 2020<sup>93</sup>, due to the expiration of his term of office, the Board of Directors re-elected Boris Kovalchuk as CEO of PJSC Inter RAO starting from June 26, 2020 for a period of five years.

In addition, on October 26, 2020<sup>94</sup>, due to the expiration of his term of office, the Board of Directors re-elected Pavel Okley as a member of the Management Board and Head of the Production Unit starting from October 30, 2020 for a period of five years.

<sup>93</sup> Minutes No. 275 dated June 18, 2020.

<sup>94</sup> Minutes No. 282 dated October 26, 2020.

## 18.7.2. Biographies of members of the Management Board<sup>95, 96</sup>

### Boris Kovalchuk

Position	CEO of PJSC Inter RAO
	For more, see the 'Biographies of members of the Board of Directors' section

### Mikhail Konstantinov

Position	Member of the Management Board and Head of the Legal Affairs Unit 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 Unit of PJSC Inter RAO (he took office on November 4, 2016 and per his employment contract his term in office runs until November 3, 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 Russian Ministry of Energy Medal 'For Merit' (Federal Bailiffs Service) Letter of Gratitude from the Governor of the Tver Region Certificate of Honor from the Russian Ministry of Justice Lapel pin of the Governor of the Tver Region 'For Merit in the Development of the Tver Region'

### Alexey Maslov

Position	Member of the Management Board and Head of the Strategy and Investment Unit 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 19, 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

<sup>95</sup> As of December 31, 2020.

<sup>96</sup> Positions are given without taking into account membership in boards of trustees. Full biographical information is available in [quarterly reports](#).

### 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 28, 2021) 2010-2016: Strategic Development Director, Deputy Head of the Strategy and Investment Unit of PJSC Inter RAO and Head of the Unit's Strategy Department
Awards	Certificate of Honor from the Russian Ministry of Energy Letter of Gratitude from the Russian Ministry of Energy 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 Unit 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 25, 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 Unit 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 Doctor 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, 2020 and per his employment contract his term in office runs until October 29, 2025)
Awards	<p>Letter of Gratitude from the President of the Russian Federation</p> <p>Title of 'Honorary Power Engineer'</p> <p>Commemorative medal of the 2014 Winter Olympics and Winter Paralympics in Sochi</p> <p>Lapel pin 'For Impeccable Work in the Distribution Network Sector'</p> <p>Certificate of Honor from the Russian Ministry of Energy</p> <p>Honorary title 'Honored Worker of the Unified Energy System of Russia'</p> <p>Title of 'Winner of the OJSC Omskenergo Prize'</p>

### Alexandra Panina

Position	Member of the Management Board and Acting Head of the Trading Unit of PJSC Inter RAO
Year of birth	1977
Nationality	Russian Federation
Education	<p>1999: She graduated from Volgograd State University with a degree in law</p> <p>2010: She graduated from the State Academy of Innovations with a degree in finance and credit</p>
Positions held over the last five years	<p>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 16, 2023)</p> <p>2011-2018: Deputy CEO for Marketing and Sales of LLC INTER RAO – Power Generation Management</p> <p>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</p> <p>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</p> <p>2013 until present: Chairwoman of the Board of Directors of JSC Administrator of the Wholesale Electric Power Market Trading System</p>
Awards	<p>Honorary title 'Honorary Power Engineer'</p> <p>Honorary title 'Honored Power Engineer of the CIS'</p> <p>Commemorative lapel pin '95th Anniversary of Operational Dispatch Management'</p> <p>Certificate of Honor from the Russian Ministry of Energy</p> <p>Anniversary pin '90th anniversary of the Russian State Electrification Commission'</p> <p>Letter of Gratitude from the Russian Ministry of Industry and Energy</p>



## 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 3, 2021)  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 Unit of PJSC Inter RAO
Year of birth	1959
Nationality	Russian Federation
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 23, 2023)  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 Directors at the Union Self-Regulatory Organization – Interregional Industrial Association of Employers 'Association of Organizations Performing the Construction, Reconstruction, and Major Repairs of Energy Facilities, Networks, and Substations 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 (Russian Ministry of Energy)  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'

### 18.7.3. Ownership of and transactions with PJSC Inter RAO shares by members of the Management Board

Name of the Management Board member	Information about PJSC Inter RAO share ownership as of January 1, 2020		Information about PJSC Inter RAO share ownership as of December 31, 2020		Information about share transactions concluded in 2020
	Number of shares	Percentage of charter capital	Number of shares	Percentage of charter capital	
Boris Kovalchuk	0	0%	0	0%	None
Mikhail Konstantinov	34,452,000	0.0330%	34,452,000	0.0330%	None
Alexey Maslov	20,494	0.00002%	20,494	0.00002%	None
Evgeny Miroshnichenko	34,488,435	0.0330%	34,488,435	0.0330%	None
Valery Murgulets	34,488,435	0.0330%	34,488,435	0.0330%	None
Pavel Okley	34,452,000	0.0330%	34,452,000	0.0330%	None
Alexandra Panina	0.05	0.00000000005%	0.05	0.00000000005%	None
Dmitry Filatov	37,440,000	0.0359%	37,440,000	0.0359%	None
Yury Sharov	34,452,000	0.0330%	34,452,000	0.0330%	None

The Company has no information about the indirect ownership of PJSC Inter RAO shares by members of the Management Board.

### 18.8. Remuneration for management bodies [GRI 102-36]

Taking into account the subordination of the management bodies, the Company has two documents governing the payment of remuneration: for members of the Board of Directors who are elected by the General Meeting of Shareholders, and for members of the Management Board who are appointed by 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.

Transparency	Accountability
Differentiation	Adequacy

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 RAO<sup>97</sup>

<sup>97</sup> Approved by the Annual General Meeting of Shareholders of PJSC Inter RAO on May 20, 2019 (Minutes No. 19 dated May 20, 2019).

- 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 Financial Incentives for the Chairman and Members of the Management Board of PJSC Inter RAO<sup>98</sup>

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.

#### **18.8.1. 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.

In 2020, 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 17, 2020<sup>99</sup>. 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 on [the Company's website](#).

Upon reviewing the Report, the Nomination and Remuneration Committee of the Board of Directors noted:

1. The level of motivation for members of the Company's Board of Directors fully corresponds to the average level of motivation of major Russian issuers.
2. 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.
3. The remuneration system for members of the PJSC Inter RAO Management Board aims to ensure their material interest in achieving strategic goals and enhancing the economic efficiency of management as well as ensure a fair and competitive level of remuneration.
4. The drafting of a new long-term incentive program was organized taking into account the updated Inter RAO Strategy until 2025 with a View to 2030 approved by the Board of Directors.

#### **18.8.2. 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 formula<sup>100</sup>:

$$R_{mbd} = \frac{R_{basic} \times \left( 0,7 \times \left( \frac{j}{m} \right) + 0,3 \times \left( \frac{n}{k} \right) \right) * T}{12}$$

*R<sub>mbd</sub> – The amount of remuneration per member of the Board of Directors*

<sup>98</sup> 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).

<sup>99</sup> Minutes No. 129 dated December 17, 2020.

<sup>100</sup> Generalized indicators. Presented in full in the Regulation on the Payment of Remuneration and Compensation to Members of the Board of Directors.

$R_{basic}$  – The basic component of remuneration, which amounts to RUB 6 million per corporate year

$j$  – 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 Board of Directors

The Regulation is available on the website:  
[https://www.interrao.ru/upload/docs/Polozhenie\\_voznagr\\_SD\\_21052019.pdf](https://www.interrao.ru/upload/docs/Polozhenie_voznagr_SD_21052019.pdf).

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.

In accordance with the Regulation, members of the Board of Directors are not provided with a social package, non-monetary benefits, any 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.

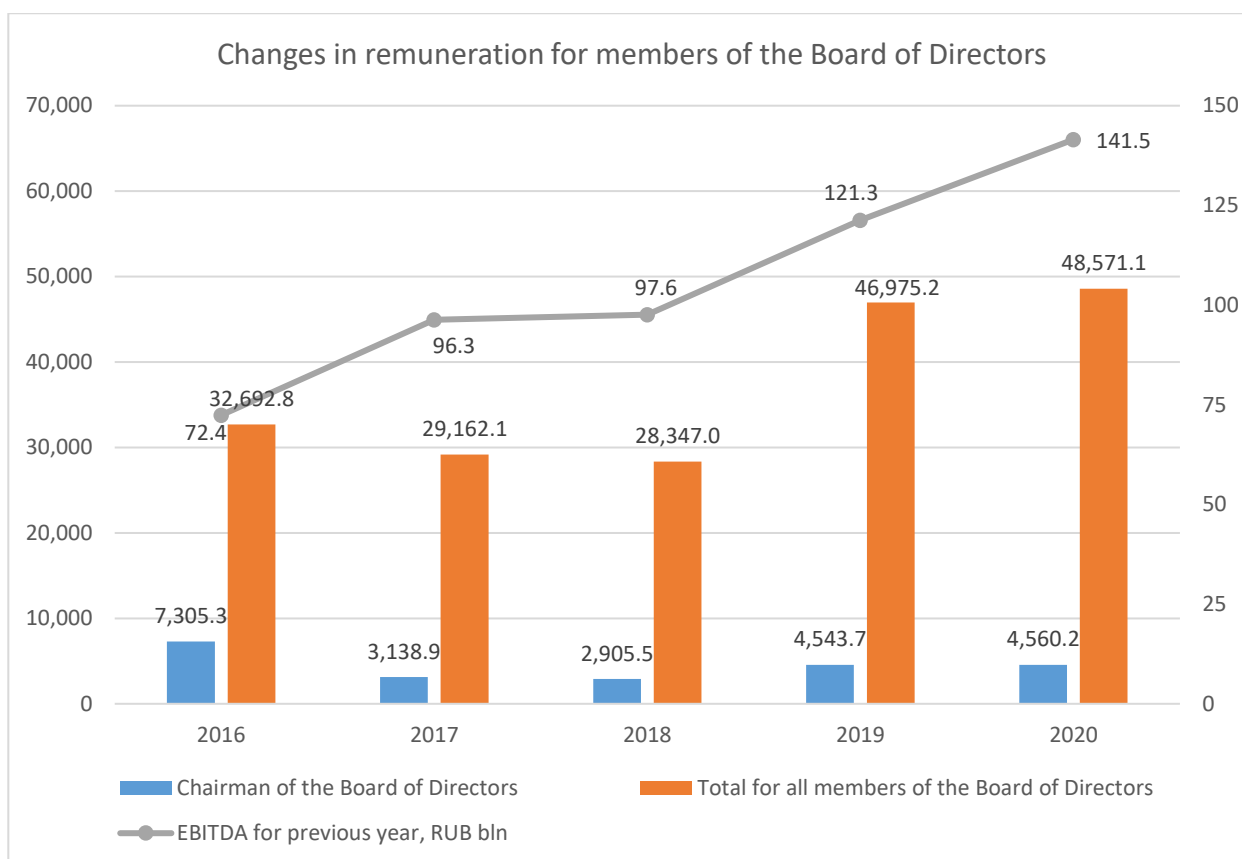
The Regulation does not apply to members of the Company's Board of Directors who are members of the Company's Management Board.

### 18.8.3. Remuneration for the Board of Directors

Personal remuneration for the Chairman and members of the Board of Directors in 2020 (net of tax), RUB<sup>101</sup>

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	5,220,000	—	—	—	—
Andrey Bugrov	6,525,000	5,220,000	—	783,000 (1 committee)	522,000 (1 committee)	—
Anatoly Gavrilenko	4,551,840	4,551,840	—	—	—	—
Alexander Lokshin	5,007,024	4,551,840	—	—	455,184 (1 committee)	—
Andrey Murov	5,220,000	5,220,000	—	—	—	—
Ronald Pollett	7,047,000	5,220,000	—	783,000 (1 committee)	1,044,000 (2 committees)	—
Elena Sapozhnikova	6,786,000	5,220,000	—	—	1,566,000 (3 committees)	—
Igor Sechin (Chairman)	4,560,192	3,507,840	1,052,352	—	—	—
Denis Fedorov	3,654,000	3,654,000	—	—	—	—
Total	48,571,056	42,365,520	1,052,352	1,566,000	3,587,184	0

<sup>101</sup> 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](#)'.



\* 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.

The Company did not provide any loans (credits) to the Chairman or members of the Board of Directors during the reporting year.

#### 18.8.4. Procedure for determining remuneration for members of the Management Board and CEO [GRI 103-3, TCFD]

##### Principle of transparency

In order to increase information transparency, the Nomination and Remuneration Committee decided<sup>102</sup> 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 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 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.

<sup>102</sup> Minutes No. 55 dated December 27, 2016.

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. This issue is tentatively considered by the Nomination and Remuneration Committee.

The Company employs a procedure that ensures the return of bonuses that were wrongly received by members of the executive bodies and other key managers of the Company (claw-back policy)<sup>103</sup>. 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 .

### Main components of the incentive system for the Company's executive bodies

Salary	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 2020 based on a recommendation from the Nomination and Remuneration Committee of the Board of Directors <sup>104</sup> .
Short-term incentives for management	Annual bonus based on the fulfillment of KPIs.  A manager's annual bonus is calculated based on the actual KPI values achieved per the Company's performance results <sup>105</sup> . The Company's KPI system is interconnected with its business plan, including the Company's Investment Program, strategy, and executive discipline.
	<b>Special bonus for achieving EBITDA</b>  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 <sup>106</sup> . 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.
	Based on the decision of the Board of Directors, members of the Management Board may receive (one-off) bonuses for completing especially important tasks.
Long-term incentives for management	The option program was executed in 2018.  Inter RAO is drafting a new long-term incentive program. Its main parameters are included in the Inter RAO Development Strategy until 2025 with a View to 2030.

<sup>103</sup> Changes to the Regulation on Financial 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).

<sup>104</sup> Minutes No. 276 dated June 29, 2020.

<sup>105</sup> The decision to approve the report on the implementation of the annual KPIs and PBs of PJSC Inter RAO for 2019 and on bonuses to the CEO and members of the Management Board for the results of 2019 was made by the Board of Directors on April 17, 2020 (Minutes No. 271 dated April 17, 2020).

<sup>106</sup> The decision to approve the amount of the special annual bonus for the fulfillment of annual plans based on IFRS reporting for 2019 and to award bonuses to the CEO and members of the Management Board was made by the Board of Directors on May 14, 2020 (Minutes No. 273 dated May 15, 2020).

	<p>The long-term incentive program was additionally considered at an in-person meeting of the Nomination and Remuneration Committee on November 24, 2020 taking into account an analysis of best remuneration practices<sup>107</sup>.</p> <p>The Board of Directors is scheduled to consider the long-term incentive program in 2021.</p>
Benefits and other types of remuneration	<p>Insurance coverage:</p> <ul style="list-style-type: none"> <li>• Using voluntary health insurance programs</li> <li>• Professional liability insurance (D&amp;O)</li> <li>• Accident insurance</li> <li>• Use of corporate mobile communications</li> <li>• Motor transport service</li> </ul> <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>

### 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 [GRI 103-3]

The Board of Directors approves the list of annual KPIs and PBs 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 Board of Directors considers the fulfillment of the KPIs and PBs for the relevant period based on the recommendations of the Nomination and Remuneration Committee. If the Company fulfills all the PBs 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. The list of KPIs and PBs of PJSC Inter RAO for 2020 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 November 22, 2019<sup>108</sup>. 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.

Financial and economic indicators of the KPI and BP system of PJSC Inter RAO in 2020

<sup>107</sup> Minutes No. 127 dated November 24, 2020.

<sup>108</sup> Minutes No. 259 dated November 25, 2019.



<b>Return on equity (ROE) KPI</b>			Weight:
This 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).			20%
Lower level	Target level	Upper level	Mandatory indicator
95% (14.35)	100% (15.10)	110% (16.61)	
<b>Total shareholder return (TSR) KPI</b>			Weight:
This 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.			10%
Lower level	Target level	Upper level	Mandatory indicator
1	2	3	
<b>Operating cash flow KPI</b>			Weight:
This 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.			15%
Lower level	Target level	Upper level	Optional indicator
95% (93,251)	100% (98,159)	110% (107,975)	
<b>EBITDA/person KPI</b>			Weight:
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.			15%
Lower level	Target level	Upper level	Optional indicator
95% (2.5)	100% (2.6)	110% (2.9)	
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.			

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 2020 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 PB system of PJSC Inter RAO in 2020

<b>Investment Program Fulfillment KPI</b>	
This indicator is set to achieve the following strategic objectives:	Weight:
<ul style="list-style-type: none"> <li>• Ensure reliability and energy security</li> <li>• Improve the operating efficiency of generating assets</li> <li>• Ensure modernization and technological development</li> </ul>	20%

<ul style="list-style-type: none"> <li>• Increase installed capacity through the implementation of investment projects within the set time limits and the approved estimated cost</li> </ul> <p>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.</p>			
Lower level  80%	Target level  100%	Upper level  100%  (+savings)	Mandatory indicator
<b>Integral Innovation Index Fulfillment KPI</b> <p>The Integral 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&amp;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.</p>			Weight:  20%
Lower level  90%	Target level  100%	Upper level  110%	Mandatory indicator
<p>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.</p> <p>The total weight of all key performance indicators of PJSC Inter RAO established for 2020 is 100%.</p>			

Information about target KPIs for the current and subsequent years is presented in the section '[Report on the fulfillment of key performance indicators](#)'.

#### 18.8.5. Remuneration for members of the Management Board and CEO

In 2020, 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.

Remuneration for the CEO, RUB

Indicator	2020
Salary	97,489,753.70
Bonuses (short-term incentive)	208,438,271.00
Compensation	—
Other types of remuneration	—
Total	305,928,024.70

Remuneration for the CEO and members of the Management Board, RUB

Indicator	2020
Salary	293,869,416.60
Bonuses (short-term incentive)	1,064,846,256.00
Compensation	—

Other types of remuneration	2,017,178.06
Total	1,360,732,850.66

In 2020, members of the Company's Management Board received RUB 20,491,000 for their participation in the management bodies of the Group's companies taking into account the foreign exchange rate as of December 31, 2020.

Information on the disclosure of the amount of remuneration is available on the Company's official website: <https://www.interrao.ru/company/rukovod/#pravlenie>.

The Company did not provide any loans (credits) to the Chairman or members of the Management Board during the reporting year

## 19. Corporate control

### 19.1. 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<sup>109</sup>. Members of the Revision Commission are elected annually at the Annual General Meeting of Shareholders.

In accordance with a resolution of the PJSC Inter RAO General Meeting of Shareholders of May 19, 2020, the following five-member Revision Commission was approved:

Name	Position as of December 31, 2020
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

#### 19.1.1. Performance results of the Revision Commission

In 2020, the Revision Commission conducted an audit of PJSC Inter RAO for 2019. Based on this audit, an audit report and an opinion were submitted to shareholders as part of materials for the Annual General Meeting of Shareholders. In addition, two meetings were held in 2020 at which the following was determined: the program and timeframe for the audit of the financial and economic activities of PJSC Inter RAO for 2020, deadlines for submitting materials for verification as well as organizational issues concerning the Revision Commission's activities.

<sup>109</sup> Approved by the Annual General Meeting of Shareholders on May 29, 2015 (Minutes No. 15 dated May 29, 2015).

### 19.1.2. Remuneration for the Revision Commission

Remuneration paid to members of the Revision Commission in 2020

Indicator	Amount of remuneration, RUB thousand
Remuneration	540.0
Salary	5,790.3
Bonuses and other types of remuneration	3,194.8
<b>Total</b>	<b>9,525.1</b>

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.

### Opinion of the Revision Commission

The opinion of the PJSC Inter RAO Revision Commission is presented in [Appendix 3](#).

## 19.2. 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 role of the internal audit function in the Company's organizational structure are defined in the Internal Audit Policy that was approved by the Board of Directors on August 21, 2015<sup>110</sup> and the Regulation on the Internal Audit Unit approved by the Board of Directors on January 31, 2018<sup>111</sup>.

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.

To achieve the goals of internal audit and ensure the principles of independence and objectivity, the head of the PJSC Inter RAO Internal Audit Unit is functionally accountable to the Board of Directors and administratively subordinate to the CEO. The head of the Internal Audit Unit does not perform functions outside the scope of internal audit activities, including those that require management decisions with respect to the subjects of the audit.

#### Digitalization of internal audit

Based on the recommendations obtained from an independent external assessment, the purview of auditors concerning risks and control procedures related to information technologies was strengthened. The standard audit programs were updated, and employees were trained on IT methods for conducting audits.

### 19.2.1. Results of 2020

The head of the Internal Audit Unit annually submits a report on the PJSC Inter RAO Internal Audit Unit's activities and reports assessing the effectiveness of the Risk Management and Internal Control Framework (including in terms of combating and preventing corruption) and assessing corporate governance practices to the Company's Board of Directors for review. The reports on the results of internal audit activities for 2020

<sup>110</sup> Minutes No. 152 dated August 24, 2015.

<sup>111</sup> Minutes No. 216 dated February 2, 2018.

were reviewed by the Audit and Sustainable Development Committee and the PJSC Inter RAO Board of Directors<sup>112</sup>.

Reports for the Board of Directors	Results of 2020
Assessment of the effectiveness of the Inter RAO Group's Risk Management and Internal Control Framework for 2020	It was found that the existing RMICF ensures the achievement of the Group's risk management and internal control objectives. Sufficient grounds were obtained confirming that the RMICF is organized in accordance with the requirements of the legislation and the scope of the Company's activities, functions efficiently and reliably in all key aspects, and that there are no major shortcomings in the system that impede the achievement of its goals.
Assessment of the corporate governance practice of PJSC Inter RAO for 2020	It was established that the Company has put the principles and recommendations of the Corporate Governance Code into practice to an extent that allows for effective corporate governance.

Conducting scheduled audits is a core activity of the internal audit function. The work plan for 2020, which was approved by the Board of Directors, was completed in full within the set timeframe. Adequate and sufficient resources were provided for the internal audit to carry out the approved plan. Employees from the internal audit department jointly have the knowledge, skills, and expertise to carry out all the audits stipulated by the plan in a timely manner in order to obtain reasonable confidence when assessing the effectiveness of the Group's key systems and business processes. The audit plan covers all major segments of the Group's activities: supply, generation, trading, and engineering. Corrective action plans were prepared based on the audits. In 2020, 119 audits were performed, including 83 revisional audits. Monitoring was carried out on the implementation of 956 corrective measures based on the audit results for 2019-2020. Five consultations were held based on management requests.

### 19.2.2. Assessment of the quality of internal audit

In accordance with international professional standards, an independent external assessment of the quality of internal audit should be carried out at least once every five years. JSC Deloitte & Touche conducted an external assessment of the internal audit function of PJSC Inter RAO in 2019. The opinion of independent experts found that the Company's internal audit activities as a whole comply with the International Professional Standards for Internal Auditing and the Code of Ethics of the Institute of Internal Auditors (IIA).

An internal self-assessment of quality was also carried out based on the 2020 results. It confirmed the opinions obtained from the external independent assessment carried out in 2019. An assessment was also conducted on the compliance of PJSC Inter RAO's internal audit functions with the "Recommendations on the Organization of Risk Management, Internal Control, Internal Audit, and the Work of the Committee of the Board of Directors (Supervisory Board) for Audits at Public Joint-Stock Companies", which was published by the Bank of Russia in 2020<sup>113</sup>. The assessment found that the Company has introduced all the basic principles and approaches to organizing internal audits as defined in the abovementioned recommendations.

### 19.2.3. Plans to improve internal audit

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

<sup>112</sup> Minutes No.290 dated April 2, 2021.

<sup>113</sup> Letter No. IN-06-28/143 of the Bank of Russia dated October 1, 2020.

plan for the internal audit function for 2021 was approved by the Board of Directors on November 26, 2020<sup>114</sup>. The plan includes measures to update the methodological base and enhance the qualifications of auditors.

### 19.3. Risk Management and Internal Control Framework

Inter RAO has introduced the Risk Management and Internal Control Framework (RMICF), which encompasses key assets, business processes, lines of business, and all levels of the management of PJSC Inter RAO and its controlled entities.

#### 19.3.1. Goals and objectives of the Risk Management and Internal Control Framework

The use of 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 the containment of risks within acceptable limits

The goals, objectives, core principles, approaches, and parties involved in risk management and internal control processes and their functions are enshrined in the [Risk Management and Internal Control Policy of PJSC Inter RAO](#), which is approved by the Company's Board of Directors<sup>115</sup>. 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.

An order<sup>116</sup> of the CEO approved the Risk Management and Internal Control Policy as a corporate standard for the Group's companies.

#### 19.3.2. Participants in the RMICF

The RMICF is a multi-level hierarchical system embedded at various levels of the Group's management, taking into account their role in the process of organizing and ensuring the functioning of the system.

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 that 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 the control procedure.

Prompt notification of the Board of Directors about risks that have materialized

In 2020, the decision was made to promptly inform the members of the Board of Directors and members of the Audit and Sustainable Development Committee about the materialization of critical risks as well as other significant risks of the Group<sup>117</sup>.

A notification on the materialization of a risk along with substantiating materials is sent to the Chairman of the Committee as soon as possible so that a decision can be made on the need to convene an in-person meeting. The minutes of such a meeting with information about the risk is sent to all members of the Board of Directors.

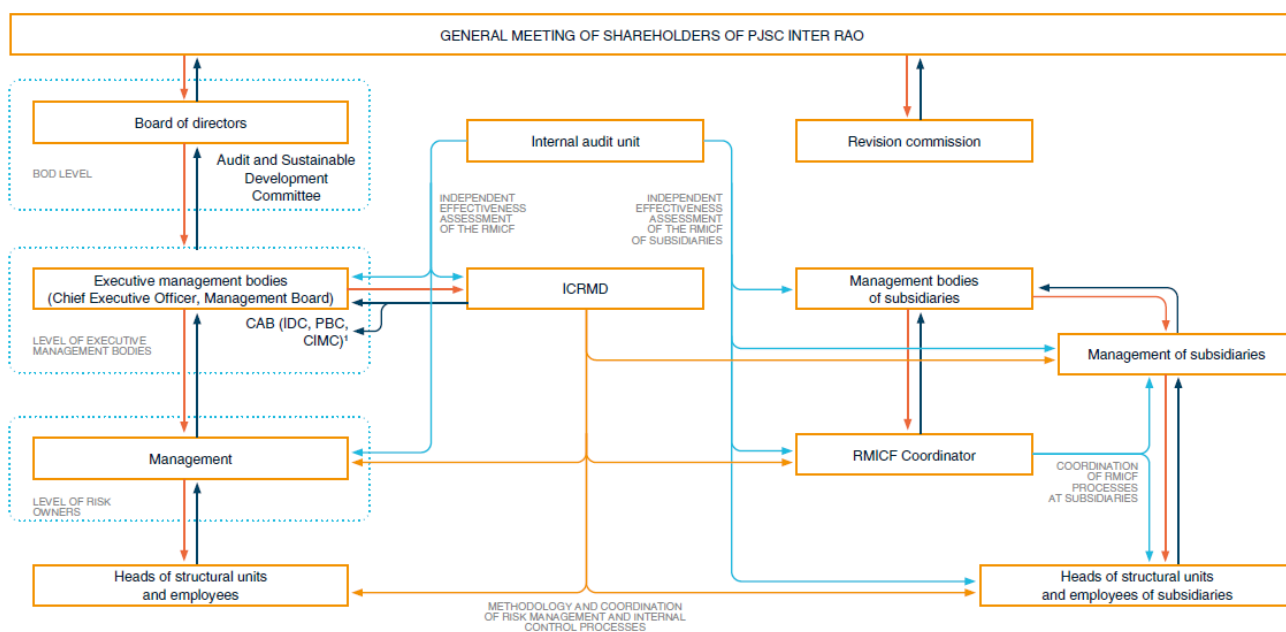
<sup>114</sup> Minutes No. 283 dated November 27, 2020.

<sup>115</sup> Minutes No. 234 dated November 19, 2018.

<sup>116</sup> Order No. IRAO652 dated December 17, 2018.

<sup>117</sup> Minutes No. 285 dated December 25, 2020.

### 19.3.3. Flow chart of responsibility of participants in the Inter RAO RMICF



\* Collective advisory bodies (Investment Development Committee, Planning and Budget Committee, and Anti-Corruption Action Commission)

### 19.3.4. Development of the RMICF

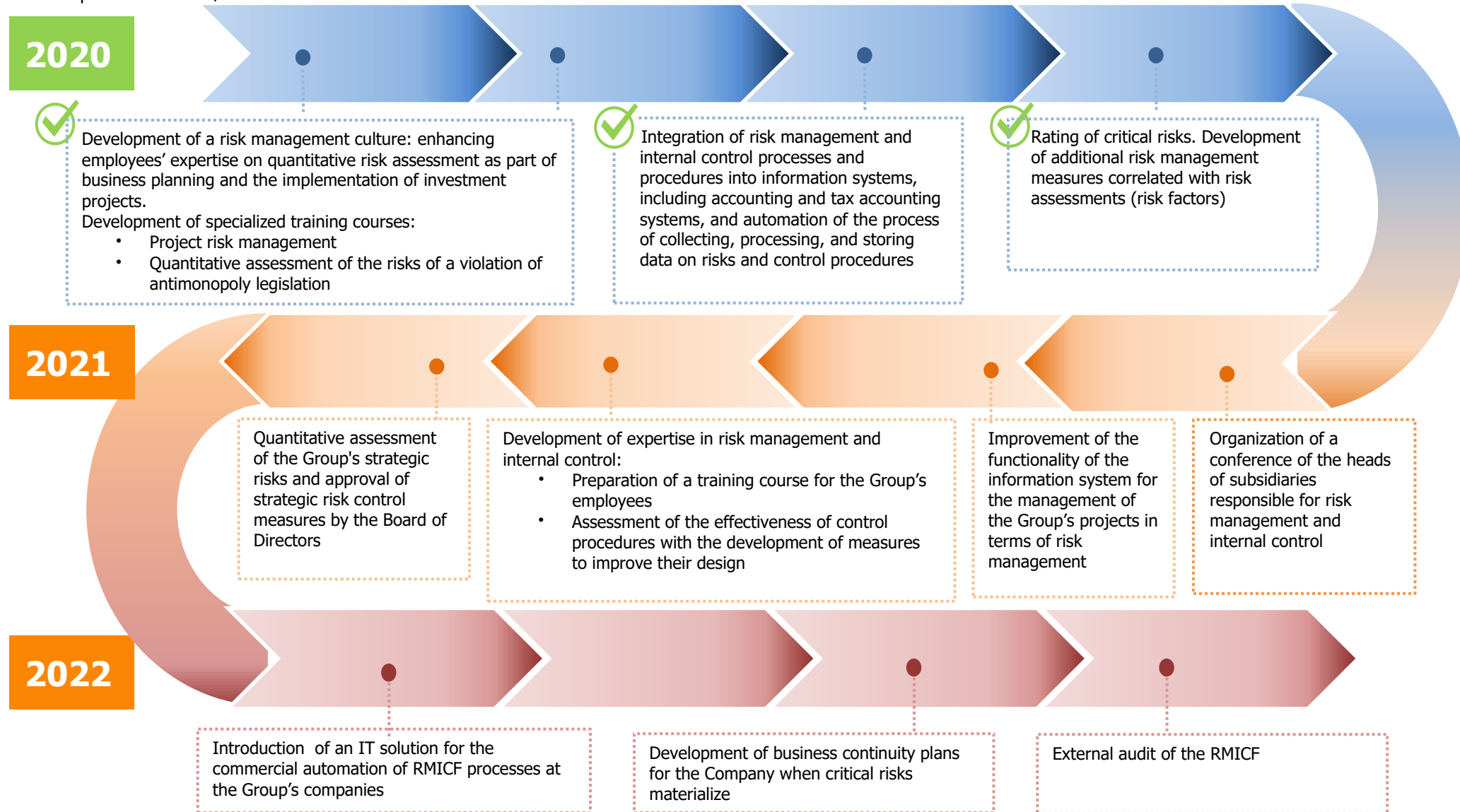
In 2020, the Board of Directors approved<sup>118</sup> a Roadmap for the Development of the RMICF until 2023, which identifies the further focuses for the development of the Group's RMICF.

#### Focuses for the development of the RMICF

The main focus of the RMICF is the implementation of risk management procedures in strategic planning. The new Development Strategy until 2025 includes a list and disclosure of information on the main strategic risks facing the Group that could lead to deviations from the strategic course. The Group understands the need to monitor these risks to maintain the relevance of the Strategy it has taken and protect the long-term interests of shareholders and investors.

<sup>118</sup> Minutes No. 270 dated April 6, 2020.

## Roadmap for the Development of the RMICF





### 19.3.5. Results of the functioning of the RMICF in 2020



Expansion of the RMICF perimeter from 26 to 33 companies of Inter RAO, which account for 94% of the Group's IFRS revenue<sup>119</sup>



Approval of the procedure for informing the Board of Directors about the materialization of significant risks, which formalizes the prompt notification procedure in an effort to strengthen control over the reliability and efficiency of the RMICF



Formalization of the list of strategic risks as part of the Group's updated Strategy; updating (supplementing) and its review by the Board of Directors in December 2020.



Based on an analysis of the risks that materialized and an assessment of the intensity of the established risk appetite indicators, risk appetite options were compiled for approval by the Board of Directors based on the recommendations of the Audit and Sustainable Development Committee



Prototyping of information security threats based on an assessment of cyber risks at the Permskaya TPP with testing for penetration into the facility's IT system



Preparation of risk passports with a breakdown of risk factors, prioritization of risk factors, and the development of additional risk management measures for seven of the Group's typical risks (including four critical risks)



Development of a methodology for the quantitative assessment of the risks of violation of antimonopoly legislation and procurement legislation (as regards antimonopoly requirements) with the updating of key in-house regulations on the antimonopoly compliance process



Improvements to employees' expertise in the analysis and quantitative assessment of risks:

- Training was organized on the use of risk-oriented approaches in business planning and investment planning (more than 200 of the Group's employees from 28 companies were trained)
- More than 120 employees responsible for antimonopoly compliance were trained to draw up a map of antimonopoly risks and assess their probabilities and consequences



Development of tax monitoring tools. Work was carried out to increase the level of automation of control procedures as part of tax monitoring in the information system for financial and economic management.



Integration with the financial and economic management system by developing automatic and IT-dependent control procedures to reduce the risks of inaccurate accounting, management and IFRS reporting, as well as the risk of unauthorized payments and failure to comply with budget limits

### 19.3.6. 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 Unit conducts an annual efficiency assessment of the RMICF and provides the Board of Directors with reporting on the results of the assessment

<sup>119</sup> Based on consolidated revenue, excluding intra-group transactions.

- The assessment of the reliability and efficiency of the RMICF for 2020 was presented by the Internal Audit Unit to the Company's Board of Directors for review on March 31, 2021<sup>120</sup>. The results of the efficiency assessment of the RMICF are presented in the [section 'Internal Audit – 2020 Results'](#)

#### 19.4. Compliance system [GRI 103-1, 103-2]

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 Group's [Compliance Policy](#) identifies the following goals and objectives of compliance<sup>121</sup>:

- Minimize the risks of negative consequences associated with the imposition of corrective actions on the Group's companies for the failure to comply with legal requirements and the principles of ethical business conduct as well as generally accepted standards of business ethics
- Do business in compliance with the standards of the Group's business ethics and values
- Create and introduce a culture of compliance at the Group's companies
- Analyze and prevent situations in which it may be possible not to comply with legal requirements, regulatory requirements, or principles of ethical business conduct

Compliance processes

Compliance with the Group's organizational and ethical standards, norms, and values	Compliance with legal and regulatory requirements	Preventing abuse of insider information and the manipulation of the securities market
Monitoring compliance with financial obligations	Anti-fraud and anti-corruption	Risk management as regards the personal responsibility of officials
	Antimonopoly risk management	

##### 19.4.1. Antimonopoly compliance [GRI 103-1, 103-2, 103-3, 206-1]

Since 2018, Inter RAO has employed an antimonopoly compliance system that aims to observe and prevent violations of the requirements of antimonopoly legislation and procurement legislation as regards antimonopoly requirements.

The Russian Federal Antimonopoly Service is authorized to monitor compliance with antimonopoly legislation and impose administrative fines, which may amount to hundreds of millions 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.

Inter RAO annually approves a map of antimonopoly risks and an action plan for their management. The Group's companies have introduced a procedure to provide briefings to employees whose job functions are related to antimonopoly legislation. Despite the high level of attention to monitoring antimonopoly risks, the antimonopoly authorities issued nine resolutions imposing RUB 4.8 million in fines in 2020.

The main goal of antimonopoly compliance is to create conditions that motivate each Inter RAO employee to engage in self-control and self-discipline, thereby making any antimonopoly violation virtually impossible.

The Company has an Antimonopoly Compliance Commission, which consists of risk owners and representatives of units responsible for supply, generation, heat supply, and trading, and whose purview includes the review of the map of antimonopoly risks, action plans for their management, and hotline calls. In 2020, the Commission held eight meetings, including five with joint participation via videoconferencing and three in absentia. In 2020, the hotline received three calls about situations that showed signs of a violation of antimonopoly legislation.

<sup>120</sup> Minutes No. 290 dated April 2, 2021.

<sup>121</sup> Approved by the Board of Directors on December 20, 2018 (Minutes No. 236 dated December 24, 2018).

Roundtables were held in 2020 to exchange experience between the Group's employees, representatives of other companies in the energy sector, academia, government bodies, and lawyers. The roundtable 'Behind the Text of Advertising', which was organized jointly with the Association of Antimonopoly Experts and the Higher School of Economics and focused on advertising in housing and utility services as well as communication services, generated the greatest response.

In addition, ethical principles were developed in 2020 for working with customers, which are included in the [Sustainable Development Policy](#) (clause 5.2.6.).

On December 24, 2020, the Board of Directors approved<sup>122</sup> [a new version of the Antimonopoly Compliance Policy](#) due to the adoption on March 1, 2020 of Federal Law No. 33-FZ "On Amendments to the Federal Law 'On the Protection of Competition' (as regards business entities organizing a system of internal compliance with the requirements of antimonopoly legislation)".

#### **19.4.2. Anti-fraud and anti-corruption [GRI 103-1, 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 anti-corruption system.

In 2020, an external independent assessment of the effectiveness of the Anti-Fraud and Anti-Corruption System was conducted based on a resolution of the Board of Directors<sup>123</sup>.

In order to prevent corruption risks, Inter RAO has approved a unified Anti-Corruption Policy and created an Anti-Fraud and Anti-Corruption System that encompasses all of its businesses. The Group's companies have established authorized commissions whose purview includes the consideration of issues related to combating fraud and corruption and managing conflicts of interests and regularly carry 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. 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 anti-corruption system.

#### **Independent assessment of the Anti-Fraud and Anti-Corruption System [GRI 103-3]**

Inter RAO conducted an external assessment of the effectiveness of the Anti-Fraud and Anti-Corruption System for the first time in 2020 based on a resolution of the Board of Directors.

In the assessment, the auditor, LLC Nexia Pacioli, did not find any instances of a lack of compliance in any material aspects with the requirements of Russian legislation on preventing and combating corruption. In addition, no evidence was found suggesting that the basic principles, standards, and procedures envisaged by the Anti-Fraud and Anti-Corruption System of PJSC Inter RAO were not applied in any material aspect in 2019.

An action plan was developed and approved to implement the external auditor's recommendations to improve the efficiency of the Anti-Fraud and Anti-Corruption System. The results of the external assessment were

<sup>122</sup> Minutes No. 285 dated December 25, 2020.

<sup>123</sup> Minutes No. 270 dated March 31, 2020.

considered by the Board of Directors on March 31, 2021<sup>124</sup> as part of the Report on the Functioning of the Anti-Fraud and Anti-Corruption System.

In 2020, the Russian Union of Industrialists and Entrepreneurs conducted the first [Anti-Corruption Rating of Russian Business](#) based on an independent qualified assessment of companies' activities. PJSC Inter RAO was assigned the highest rating class of A1 (companies with the highest level of anti-corruption and the lowest level of corruption risks).

#### Identifying conflicts of interest [GRI 103-2]

The Inter RAO Code of Corporate Ethics stipulates that all employees, in the event of a potential or actual conflict of interest, must inform their employer about it in the manner prescribed by internal documents.

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, deputy CEOs, members of the Management Board, heads of directly subordinate structural units, and the Chief Accountant	PJSC Inter RAO Code of Corporate Ethics  Regulation on the procedure for notifying the employer about a conflict of interest that has occurred or the possibility of one occurring and about employees being solicited to commit corruption offenses of PJSC Inter RAO UES dated August 3, 2020
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 2020, not a single notification was recorded.

The Company has developed a list of functions and positions that are fraught with the risk of corruption. This list is 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 Anti-Corruption Action Commission. In 2020, the Commission held ten meetings during which it considered a total of 17 issues. Commissions at 20 subsidiaries of Inter RAO held meetings to address issues involving the settlement of a conflict of interest, at which 109 cases associated with signs of a conflict of interest among Company employees were considered. In all cases, the possible conflict of interest was resolved.

#### 19.4.2.1. 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 12.

Obligation	Inter RAO employees, members of its management and control bodies as well as any concerned parties may report cases involving the failure to observe the provisions of the Code via a hotline.  Inter RAO employees who have become aware of or have reason to believe that violations that have signs of corruption have occurred or are being prepared by
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<sup>124</sup> Minutes No. 290 dated February 2, 2021.

	other employees, counterparties of the Group, or other persons, must immediately report this.
Notification procedure	The message must be sent in writing to the security department in the manner prescribed by internal documents or to the <a href="#">hotline</a> at <a href="mailto:hotline@interrao.ru">hotline@interrao.ru</a> .
Confidentiality	The person who reported the violation/asked for an explanation is guaranteed that the information received and follow-up information shall remain confidential.
Consultation	If an employee or a member of the management or control body of the Group has any questions regarding the application of the provisions of the Code, or wants additional clarifications, please contact the PJSC Inter RAO Corporate Secretary or email <a href="mailto:amk@interrao.ru">amk@interrao.ru</a> .
Liability	If legal grounds exist, an employee who has violated the provisions of the Code and internal documents of entities controlled by the Company may be subject to disciplinary action.

Any appeal may be sent to the [hotline](#) anonymously. The Code guarantees that no penalties may be imposed on an employee, member of a management or control body, or counterparty of the Group or any other person for communicating information to the hotline in good faith. If any adverse measures are taken against the caller in connection with the provision of information, the caller may contact the hotline.

#### 19.4.2.2. Awareness-raising and training [GRI 205-2]

When hiring new employees, the HR Management and Organizational Development Unit makes them aware of the Anti-Fraud and Anti-Corruption Policy and the Code of Corporate Ethics.

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 anti-corruption. In 2020, the briefings of some workers hired for remote work due to COVID-19 were done by phone followed by an additional briefing during their first visit to the office.

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]

Country, region	Managers (staffing chart)		Specialists and employees	
	Number of people trained in the Anti-Fraud and Anti-Corruption program in 2020	Share of employees of this category, %	Number of people trained in the Anti-Fraud and Anti-Corruption program in 2020	Share of employees of this category, %
Russia	310	6.6	874	3.9
Georgia	0	0	0	0
Moldavia	0	0	0	0
Total for Group	310	6.0	874	3.8

#### 19.4.2.3. Preventing corruption in cooperation with partners and counterparties [GRI 205-1]

Inter RAO's Anti-Fraud and Anti-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 in place 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. In 2020, the Group reviewed data on the beneficiaries of more than 9,300 counterparties of its companies for more than 19,200 contracts.

#### 19.4.2.4. Identification of fraud and corruption cases [GRI 102-17, 205-3, 103-3]

Official probes are conducted into cases involving signs of fraudulent or corrupt activities that have been identified. During the reporting period, 516 such probes were carried out. The probes did not find any instances of fraud or corruption, but did reveal other violations of the requirements of internal regulatory documents. As a result, 511 employees of the Group's companies were held accountable.

There were no cases of criminal prosecution of employees of the Group's companies for committing fraudulent or corruption-related crimes in 2020.

Number of complaints, cases of corruption found, and amount of damage averted [GRI 205-3]

	2018	2019	2020
<b>Hotline</b>			
Total number of hotline calls	248	383	569
Share of calls related to corruption in the total volume of calls received by the Group's hotline	6.9%	5.7%	3.7%
<b>Cases of corruption and fraud detected</b>			
Total cases of potential risk of corruption or fraud	699	528	516
Total number of confirmed cases of corruption or fraud	2	2	0
Total number of employees dismissed or punished for confirmed cases of corruption or fraud	2	2	0
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
<b>Amount of damage averted</b>			
Monetary damage to the Group that was prevented as a result of anti-corruption actions and measures <sup>125</sup> , RUB thousand	x	402,660	292,786

#### 19.4.2.5. Reports filed with law enforcement agencies regarding economic damage

In 2020, the Group's companies sent 438 queries to law enforcement and oversight authorities. Law enforcement agencies opened 48 criminal cases, including seven criminal cases against employees of the Group's companies on suspicion of committing crimes involving corruption or fraud when performing official duties under Articles 159 (fraud), 204 (commercial bribery), and 160 (misappropriation or embezzlement) of the Criminal Code of the Russian Federation.

### 19.5. External audit [GRI 103-3]

The Company's Auditor expresses an opinion about the reliability of the annual accounting (financial) statements and annual consolidated financial statements. The 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

<sup>125</sup> The method used to calculate the indicator does not allow for the provision of similar information for 2018 due to the use of criteria that has not been previously considered.



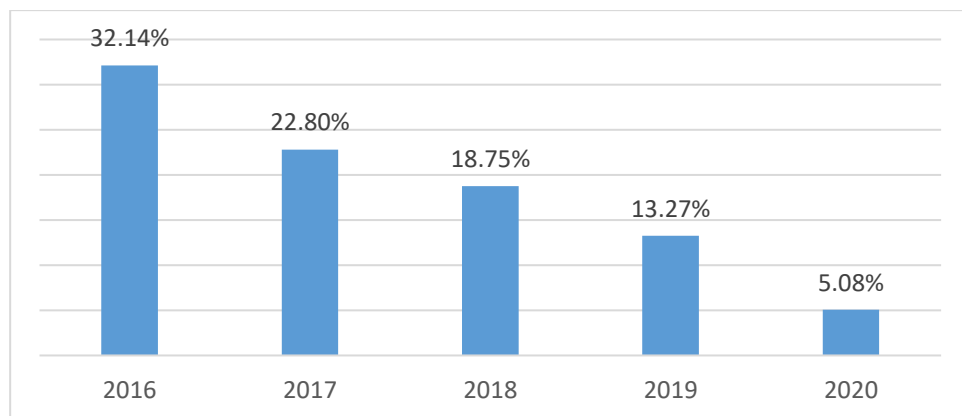
managers are governed by the Policy for Interaction with the External Auditor of PJSC Inter RAO, including the procedures that ensure the auditor's independence for the impartiality of the external audit.

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 and approved at the Annual General Meeting of Shareholders of PJSC Inter RAO held on May 20, 2019.

The cost of the audit services by LLC Ernst & Young of 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 for 2020 amounts to RUB 34.725 million, excluding VAT.

On February 26, 2021, 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 2020. According to this report, the share of the cost of non-audit services provided by the auditor and its affiliates makes up 5.08% 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 25 and 26, 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.

## 20. Engagement with shareholders and investors

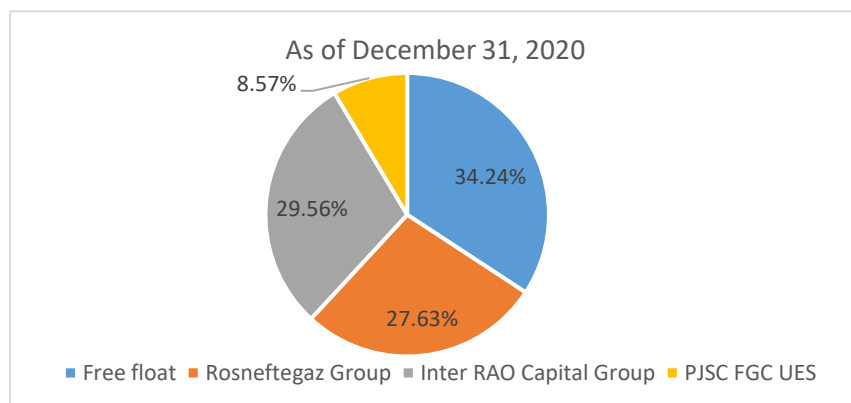
### 20.1.1. Share capital

PJSC Inter RAO has charter capital of RUB 293,339,674,800.00, which is split into 104.4 billion ordinary registered uncertified 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, 2020 PJSC Inter RAO had no preferred shares. The Company did not place any additional shares in 2020.

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 355,649 shareholders as of December 31, 2020, including 352,850 individuals.

## Structure of share capital



In 2020, there were no changes in the structure of share capital compared with 2019.

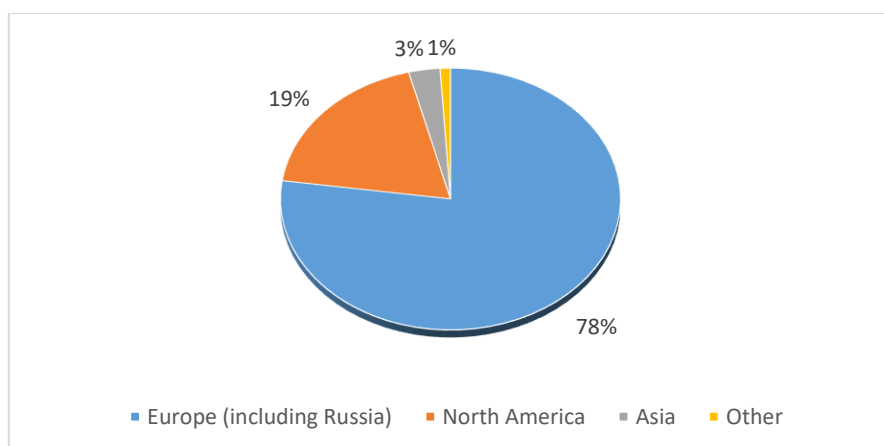
34.24% - the proportion of PJSC Inter RAO shares in free float as of December 31, 2020.<sup>126</sup>

The proportion of quasi-treasury shares<sup>127</sup> owned by JSC Inter RAO Capital is 29.56%.

In accordance with the recommendation of the PJSC Inter RAO Board of Directors, JSC Inter RAO Capital did not take part in voting at the shareholders' meeting in 2020 in order to avoid a conflict of interest when voting with quasi-treasury shares.

In order to preclude a conflict of interest when voting with quasi-treasury shares at the General Meeting of Shareholders in 2021, the PJSC Inter RAO Board of Directors also recommended that the CEO of JSC Inter RAO Capital abstain from voting on the agenda of the Annual General Meeting of Shareholders, except in the event of a lack of quorum. As for voting on the issue of electing members of the Board of Directors, JSC Inter RAO Capital was given a recommendation to vote for independent directors.

Geographical breakdown of shares in free float among foreign investors as of December 31, 2020\*

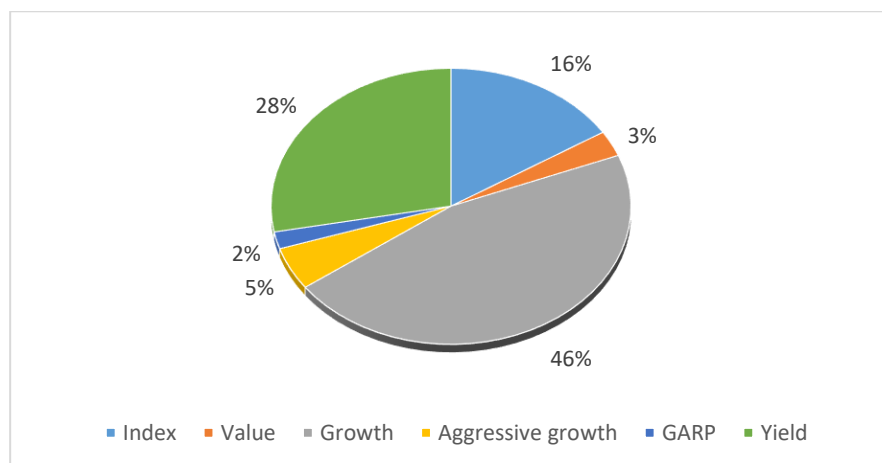


<sup>126</sup> The number of shares in free-float is determined based on an analysis of the share capital ownership structure by subtracting the number of shares not in free-float from the total number of the Issuer's shares. The calculation is made in accordance with the Listing Rules of PJSC Moscow Exchange and the approved methodologies for calculating the free-float ratio.

<sup>127</sup> In accordance with the Group's Development Strategy, 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.



Shares in free float with a breakdown by type of investor as of December 31, 2020\*



\* 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, 2021 (Shareholder Identification). A total of 86% of free float holders are disclosed.

Information about ultimate beneficiaries as of December 31, 2020 [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, 2020

Shareholder	Number of shares as of December 31, 2020	
	Total shares	Percentage of charter capital
JSC ROSNEFTEGAZ	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)	34,526,593,123.03	33.1%
Limited Liability Company Depository and Corporate Technologies (nominee holder)	8,946,053,950.04	8.6%
TOTAL:	101,158,886,818.21	96.9%

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 Registrar about which information is provided in the ['Contact Information' section](#).

### 20.1.2. Depositary receipts

In 2008, PJSC Inter RAO, together with the Bank of New York Mellon, acting as a depositary bank, opened a program for global depositary receipts issued for the Company's shares according to Regulation S and Rule 144A (1 GDR = 100 ordinary shares). As of December 31, 2020, the GDR program accounted for 0.014% of the Company's charter capital.

Considering the significant share of foreign investors in the capital of PJSC Inter RAO (including through direct share ownership), in addition to the statutory information disclosure in Russian, the Company provides simultaneous disclosure in English via the [information disclosure service](#) authorized by the UK regulator.

Detailed information about the GDR program is available at the website <http://www.interrao.ru/investors/securities-information/>.

### 20.1.3. Exchange information

Trading floors on which PJSC Inter RAO shares are traded

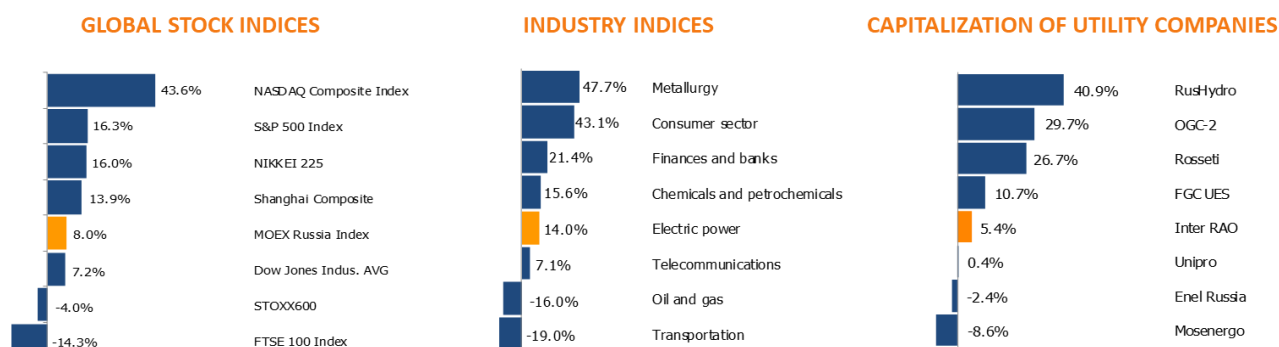
PJSC Inter RAO shares	
Number of ordinary shares	104,400,000,000
Nominal value of shares, RUB	2.809767
Total nominal value of issue, RUB	293,339,674,800
ISIN	RU000A0JPNM1
State registration number	1-04-33498-E
Trading floor	MOEX
Start date of trading	December 1, 2009
Quotation list	First-tier
Exchange code (MOEX)	IRAO
Bloomberg ticker	IRAO RX
Thomson Reuters Eikon ticker	IRAO MM

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 12/31/2019, %	Weight of Inter RAO's shares in index as of 12/31/2020, %	Change in weight 2020/2019, p.p.
MOEX Index (composite index)	MICEXINDEXCF	1.47%	1.10%	-0.37
Moscow Exchange Electric Utilities Index	MICEXPWR	16.17%	14.99%	-1.18
Broad Market Index	MICEXBMI	1.18%	1.00%	-0.18
RTS Index	RTSI	1.47%	1.10%	-0.37
FTSE Emerging	AWALLE	0.08%	0.04%	-0.04
FTSE Russia	WIRUS	1.16%	1.26%	0.10
FTSE All-World	AWORLDS	0.01%	0.004%	-0.006
FTSE4Good Emerging	F4GEM	0.10%	0.08%	-0.02
MSCI Russia	MXRU	1.22%	1.08%	-0.14
MSCI Emerging Markets	MXEM	0.05%	0.03%	-0.02
MSCI ACWI Index	ACWI	0.01%	0.004%	-0.006
S&P Russia BMI	SRUU	1.11%	0.01%	-1.10
Dow Jones Russia	DJRUSGD	1.15%	0.01%	-1.14
Nasdaq Russia	NQRU	3.68%	3.54%	-0.14
Nasdaq AlphaDEX Emerging Markets	NQDXEM	1.16%	0.74%	-0.42
Market Vectors Russia Index (Van Eck)	MVRSX	2.66%	1.96%	-0.70
STOXX Russia Total Market	TCRUP	0.87%	0.91%	0.04%
STOXX Optimised Russia	EEORGT	1.47%	Ceased 08/31/2020	-

Inter RAO is the sole representative of the Russian utility sector in the MSCI Russia Index.

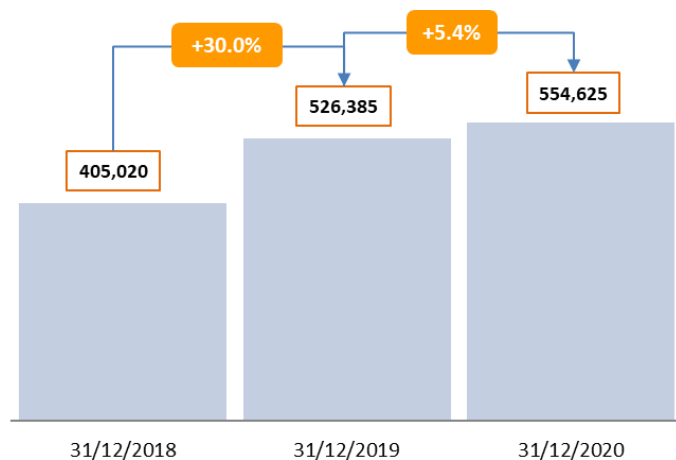
#### 20.1.4. Overview of changes in the stock indices and capitalization of utility companies



The economic slowdown caused by the COVID-19 pandemic had a significant impact on global markets in 2020. Markets were showing a wide range of trends as of the end of the year. The yield on the Moscow Exchange and Electric Utilities indices reached 8.0% and 14.0%, respectively. The Electric Utilities Index ranked fifth among the sectoral indices in the Russian Federation.

Macroeconomic factors as well as corporate events had the biggest impact on the dynamics of the Electric Power Index. Inter RAO shares gained 5.4%, which is below the Electric Utilities Index and the Moscow Exchange Index. Meanwhile, the Company's capitalization has grown by more than 40% since 2018.

Market capitalization of PJSC Inter RAO, RUB mln

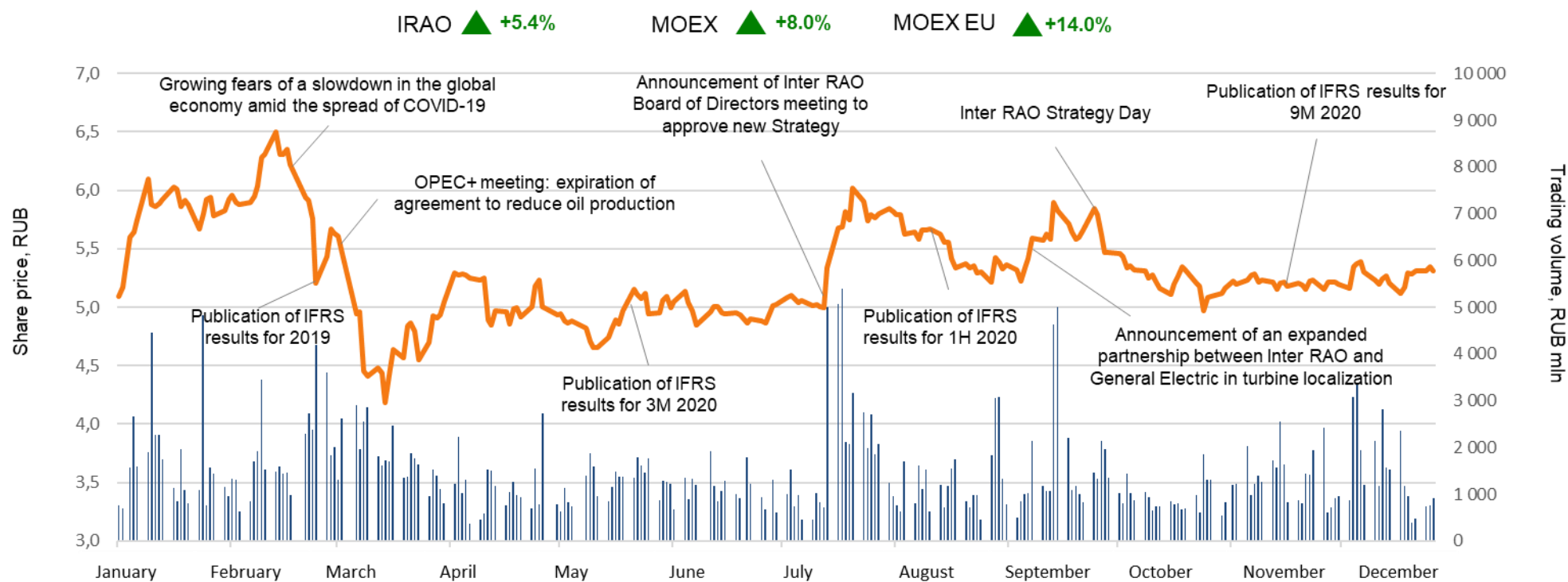


Year	Market capitalization, RUB mln	Change vs. previous year
2018	405,020	+14%
2019	526,385	+30%
2020	554,625	+5%

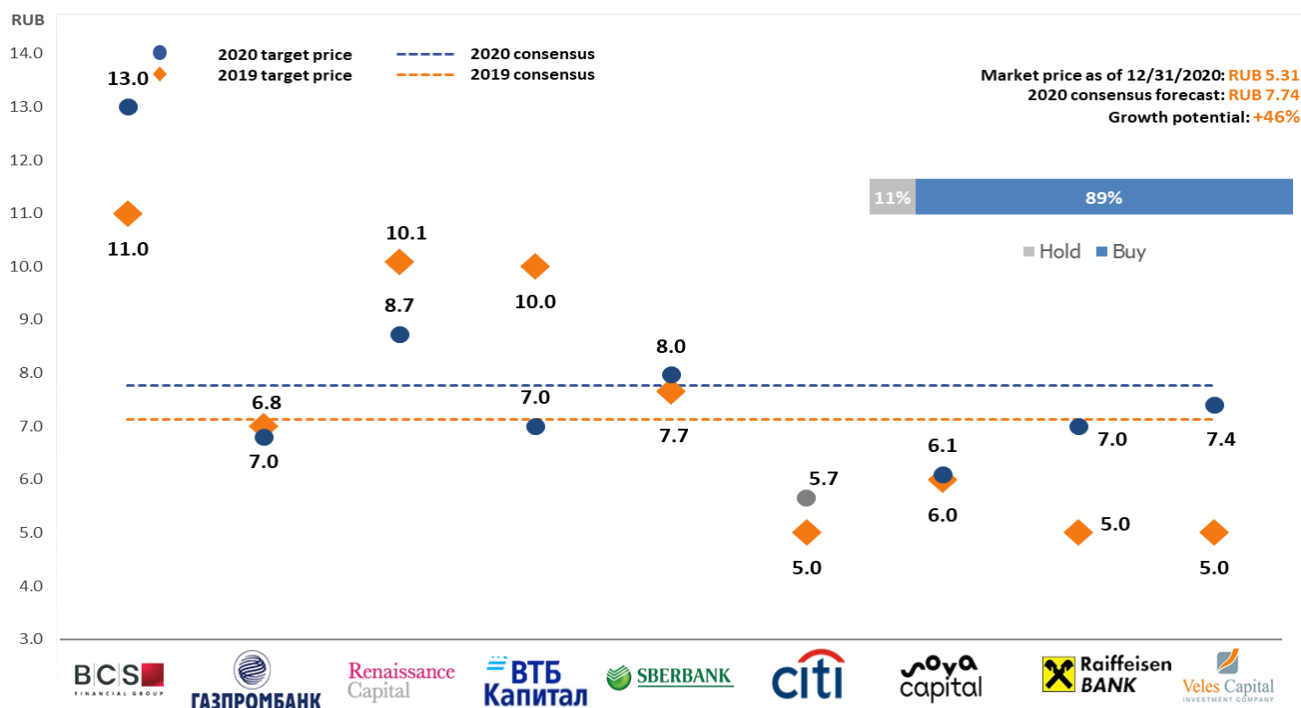
Average daily trading volume with PJSC Inter RAO shares

Year	Average daily trading volume, RUB thousand	Change vs. previous year
2018	358,308	-6%
2019	653,706	+82%
2020	1,426,112	+118%

### 20.1.5. PJSC Inter RAO stock price dynamics in 2020



## Consensus forecast for target share price



In 2020, nine investment banks updated their target prices for Inter RAO shares. VTB Capital issued two reviews focused on an analysis of the Company in terms of sustainable development, and BCS launched the Guide to ESG Ratings, in which Inter RAO joined the top five public Russian companies in terms of ESG indicators.

### 20.1.6. 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. The report for 2020 was presented at a meeting on March 31, 2021 and contained information on full compliance with the obligations of the Regulation on the Scope of Information Disclosure.

### 20.1.7. Interaction with investors and analysts

Inter RAO's relations with its shareholders are an important part of the Company's success. The Board of Directors and management believe that they fulfill their obligations best of all when they actively listen to and seek to understand and take into account the views of shareholders. Inter RAO interacts with shareholders and the investment community through regular programs and ongoing activities that are overseen by management. The Board of Directors annually reviews the results of IR activities as part of the investor relations report. The Group's wide range of communication channels include updating information on the website, updating the Analyst's Handbook, which aggregates the Group's operating and financial results, as well as the voluntary and mandatory disclosure of information. In 2020, the Analyst's Handbook was updated with ESG metrics. Videoconferences are held quarterly to disclose financial and operational results, highlight current market trends, and answer questions. The Company's IR Department is always in touch with investors and analysts. [Contact information](#) is presented on the Inter RAO website.

In 2020, the Company's management made every effort to maintain effective communication with shareholders. All events were carried out remotely due to the epidemiological situation. Strategy Day was held in September during which the Company presented its development program for the next ten years. The online event was attended by 1,350 people.

#### Strategy Day

On September 30, 2020, Inter RAO presented a new strategy for 2020-2030. Strategic goals were presented for key areas of development, which should result in EBITDA increasing to more than RUB 320 billion in 2030.

The presentation of the Strategy and a recording of the online broadcast are available at the website <https://strategyday2020.interrao.ru/ru/>



In 2020, 159 meetings were held with Russian and foreign investors. The format of the meetings included road shows, webcasts, participation in client days, and conference calls.

#### IR events of 2020

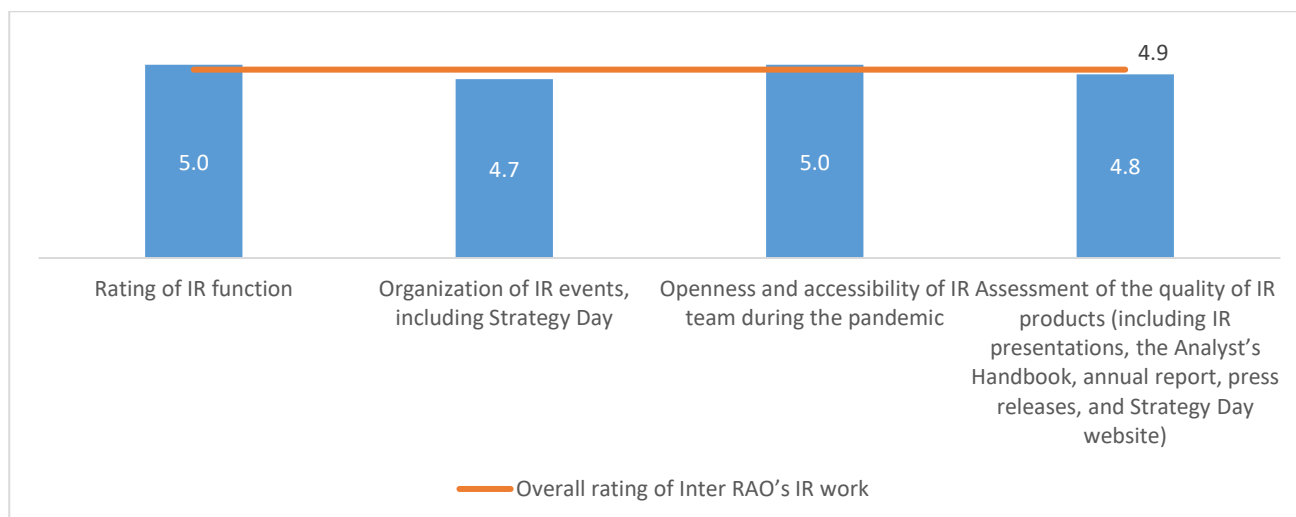
<b>JANUARY-MARCH 2020</b>
<ul style="list-style-type: none"> <li>▪ <b>Webcast/conference call</b> on IFRS results for 2019</li> </ul>
<b>APRIL-JUNE 2020</b>
<ul style="list-style-type: none"> <li>▪ <b>Raiffeisenbank</b> conference</li> <li>▪ <b>Sova Capital</b> conference</li> <li>▪ <b>Renaissance Capital</b> conference</li> <li>▪ <b>BCS</b> investment conference</li> <li>▪ <b>Webcast/conference call</b> on IFRS results for Q1 2020</li> <li>▪ <b>VTB Capital</b> virtual road show</li> <li>▪ <b>Gazprombank</b> client day</li> <li>▪ <b>Sova Capital</b> client day</li> </ul>
<b>JULY-SEPTEMBER 2020</b>
<ul style="list-style-type: none"> <li>▪ <b>Webcast/conference call</b> on IFRS results for H1 2020</li> </ul>
<b>OCTOBER-DECEMBER 2020</b>
<ul style="list-style-type: none"> <li>▪ International Exchange Forum 2020</li> <li>▪ VTB Capital's Russia Calling! investment forum</li> <li>▪ Goldman Sachs conference</li> <li>▪ Webcast/conference call on IFRS results for 9M 2020</li> <li>▪ Sova Capital client day</li> <li>▪ WOOD conference</li> </ul>

Information on the main events that were held and the presentation materials for them are available on the website in the section [‘Shareholders and Investors – IR Calendar’](#).

#### Investor perception assessment

As part of the annual assessment of IR activities, Inter RAO conducted an independent survey of Russian and international investors to assess the quality of the IR service and recommendations for improving investment appeal. The survey encompassed representatives of 16 investment funds and eight investment banks.

## Results of IR activity rating



The overall rating of Inter RAO's engagement work was 4.9 out of 5 points, which is an extremely high indicator both for the industry and for the Russian market as a whole.

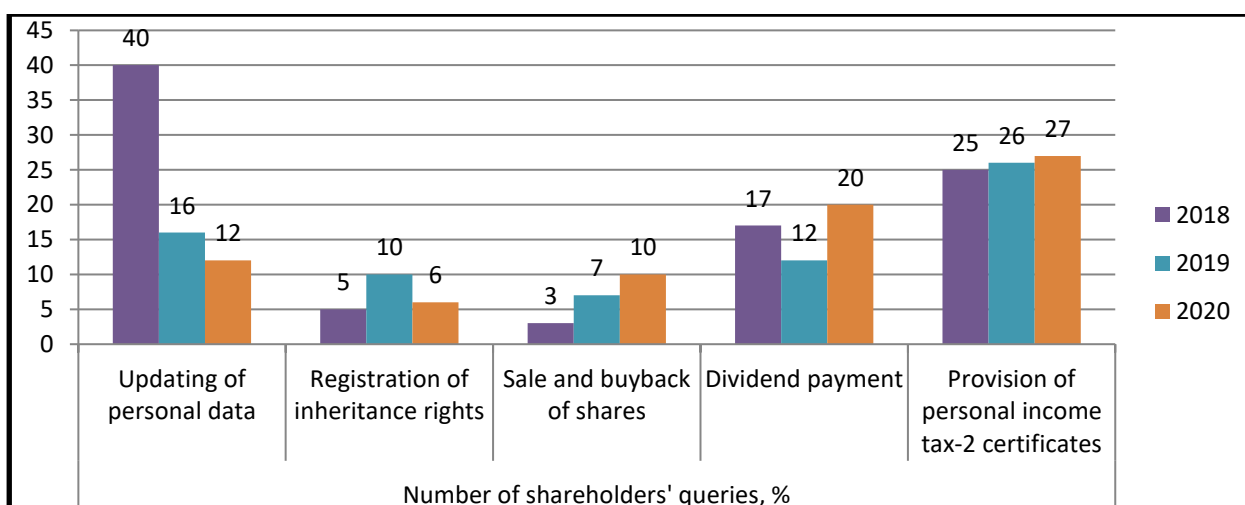
### 20.1.8. Interaction with minority shareholders

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 2020, the Group created 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 and information booths at sites where the Group's companies have a presence, continued work with LLC Inter RAO Invest to provide services to shareholders on transactions with the Company's shares, and ensured electronic voting at the AGM with clarifications on the procedure for such voting in the *Energy without Borders* newspaper.

In 2020, the call center of the Company's Registrar answered 6,274 calls from shareholders as well as 239 electronic queries. PJSC Inter RAO employees answered 115 calls and 27 electronic queries from shareholders, and held seven in-person meetings with the Company's shareholders.

### Changes in shareholders' queries



## 20.2. Dividend policy

The [Regulation on the Dividend Policy](#)<sup>128</sup> is used to determine the amount of dividends and governs the procedure for their payment. The Dividend Policy 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 ways to increase 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 investment activities
- The availability and optimality of sources to fund investment activities

The amount of net profit spent on dividend payments in 2020 was determined in accordance with the Regulation on the Dividend Policy. No adjustments were made.

### 20.2.1. Report on the payment of declared (accrued) dividends

In 2020, the Company worked to pay shareholders dividends in accordance with the resolution of the Annual General Meeting of Shareholders adopted on May 19, 2020<sup>129</sup>.

The RAS net profit of PJSC Inter RAO for 2019 was distributed as follows:

- The creation of a Reserve Fund – RUB 1,089,337.99
- The payment of dividends – RUB 20,482,500
- The repayment of losses of previous years – RUB 214,921.79

The Company also decided to spend RUB 5,953,510 of profit of previous periods that was restored in 2019 to pay off losses of previous years.

Dividends were paid to nominee shareholders and trustees who are professional securities market participants before June 16, 2020 and to others registered in the register of shareholders before July 7, 2020.

In total, as of the end date for dividend payments (July 7, 2020), dividends had been transferred to 353,375 of the 357,814 legal entities and individuals, of which 4,439 of the transfers were returned to the Company for various reasons beyond the control of PJSC Inter RAO.

In accordance with the Russian Federation's direct participation of 0.0000005% in the Company's charter capital, in the reporting year dividends for 2019 in the amount of RUB 0.02 rubles transferred to the account of the Federal Agency for State Property Management. There are no debts on the payment of dividends to the federal budget.

### 20.2.2. Dividend payment history

	Dividend payment (for period)
--	-------------------------------

<sup>128</sup> 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).

<sup>129</sup> Minutes No. 20 dated May 20, 2020.



Period	2015	2016	2017	2018	2019
Date of recommendation from the Board of Directors on the amount of dividends	04/07/2016	04/07/2017	03/15/2018	03/15/2019	03/18/2020
Record date of list of persons entitled to receive dividends	06/21/2016	06/20/2017	06/01/2018	05/31/2019	06/01/2020
Date of the resolution of the Annual General Meeting of Shareholders on dividend payments	06/10/2016	06/09/2017	05/21/2018	05/20/2019	05/19/2020
Dividend per share, RUB	0.0178230516552	0.146819923371648	0.130383141762452	0.171635536398468	0.196192528735633
Total dividends announced, RUB thousand	1,860,727.0	15,328,000.0	13,612,000.0	17,918,750.0	20,482,500
Total dividends paid, RUB thousand	1,860,156	15,323,778.511	13,607,859.626	17,913,302.724	20,476,412.171
Amount of dividends/RAS net profit, %	50	15.7	86.87	94.61	94.01
Amount of dividends/IFRS net profit, % (according to the Dividend Policy)	7.73	25	25	25	25
Amount of allocations to the Reserve Fund, RUB thousand	186,073.0	4,873,764.0	783,438.3	946,938.8	1,089,337.99
Amount of allocations to the Reserve Fund vs RAS net profit, %	5	5	5	5	5

Based on the performance results in 2020, the PJSC Inter RAO Board of Directors recommended that the General Meeting of Shareholders vote to pay dividends in the amount of RUB 18,866,250,000, or RUB 0.180711206896552 per share, which amounts to 25% of the IFRS net profit of PJSC Inter RAO<sup>130</sup>.

<sup>130</sup> Resolution of the Board of Directors dated March 16, 2021 (Minutes No. 289 dated March 18, 2021).

## 21. Appendix

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