

BUSINESS ETHICS AND ANTI-CORRUPTION

CONTROL OVER MAJOR AND INTERESTED PARTY TRANSACTIONS

In PJSC RusHydro, there is a system of internal control over transactions. The adopted Regulation about contractual work in PJSC RusHydro regulates the unified procedure for approving, signing, and executing contracts concluded on behalf of PJSC RusHydro. Draft contracts are subject to corporate review in order to comply with Russian law while its signing.

In 2017, PJSC concluded interested-party transactions, the list of which, including the subject of transactions, the interested parties, and information on their approval, is given in Appendix 2 to the Annual Report. All transactions were approved by the Board of Directors or the General Meeting of Shareholders; thus, there was no conflict of interest in the performance of these transactions.

PREVENTING THE USE OF INSIDER INFORMATION

PJSC RusHydro has a Regulation on insider information aimed at complying with the requirements of the Russian legislation in the field of countering the misuse of insider information and market manipulation. The Regulation takes into account international corporate governance practices, including the requirements of the Financial Services Authority's Disclosure and Transparency Rules (The Financial Conduct Authority).

The Regulation establishes the categories of individuals that PJSC RusHydro includes in the list of insiders, the access procedure and the rules for protecting the confidentiality of insider information, as well as restrictions on the use of information by insiders to conduct transactions with the Company's financial instruments and to transfer information about it to other persons.

The list of insider information is compiled in Russian and English and is published on the corporate site (www.rushydro.ru and www.eng.rushydro.ru). The Company publishes information related to the insider in Russian in the news bulletin of the authorized news agency Interfax (www.e-disclosure.ru), in English - in the RNS news line (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).

The control over compliance with the requirements of the legislation on insider information is the responsibility of the member of the Management Board, First Deputy CEO, who supervises the block of financial and corporate governance, who, based on the results of each quarter, provides a report to the Audit Committee. The Audit Committee includes in its annual report information on the Company's performance of the data required.



ANTI-CORRUPTION EFFORTS

The anti-corruption system of RusHydro Group is built in accordance with the regulatory documents (acts) of the Russian Federation in order to implement in RusHydro Group the state policy on combating corruption, minimising corruption risks, ensuring open and fair business in order to improve the corporate culture, follow the best corporate practices management and maintenance of business reputation at a high level.

In order to increase the effectiveness of countering corruption, PJSC RusHydro has approved a comprehensive Programme of anti-corruption activities for 2016-2019, which defines the main areas of anti-corruption activity.

Within the framework of the Programme, the Company annually carries out activities aimed at reducing corruption risks in the Company, ensuring compliance of the Company's activities with the requirements of Russian and international anti-corruption legislation.

In the reporting year, a number of local regulatory documents were developed and updated. Instead of the Anti-Corruption Policy of PJSC RusHydro, approved by the decision of the Board of Directors of April 7, 2016 (Minutes No. 235 of April 8, 2016) and the Policy on Conflict of Interest Management of PJSC RusHydro approved by the Board of Directors on April 7, 2016 (Minutes dated April 8, 2016 No. 235) was formed a unified Anti-Corruption Policy of PJSC RusHydro in new wording (Minutes No. 263 of the Board of Directors of December 28, 2017), which defines the main principles, requirements, and areas of activities to prevent corruption and ensure compliance with the anti-corruption lawmaker of the Russian Federation and include provisions for the settlement of conflicts of interest, as one of the anti-corruption measures.

In the reporting year, the Rules for the operation of the Line of Trust of RusHydro Group were amended in a new version (Order No. 898 of December 21, 2017) establishing a unified approach to receive, review, and record calls to the Trust Line in RusHydro Group, including the following changes:

- the concepts and definitions used were supplemented and refined;

In 2017, no criminal cases related to corruption were initiated against JSC RusHydro and its employees. In 2017, there were no cases of non-renewal of contracts with business partners due to corruption-related violations as well as no legal actions were taken against the Group's companies or their employees related to corruption practices. [205-3]

- the regulatory (legislative) basis for preventing and countering corruption were updated;
- the list was updated, as well as the functions of the responsible persons and units involved in the process of receiving, reviewing appeals coming to the Trust Line;
- the list of criteria limiting the consideration of appeals received on the Trust Line is updated.

The Regulation of the commissions for compliance with the norms of corporate ethics and the settlement of the conflict of interests of PJSC RusHydro (Order No. 934 of December 29, 2013) was developed and put into effect defining the tasks, powers, types, and procedures for the establishing and functioning of an Ethics Commissions and the order of their interaction.

In addition, in order to ensure a unified approach to the organisation of anti-corruption activities in RusHydro Group, local regulatory acts were implemented in the field of counteracting corruption and resolving a conflict of interests similar to the local regulatory acts of PJSC RusHydro in the controlled entities of PJSC RusHydro.

[103-2], [103-3]

Ensuring openness and accessibility of information^[102-17]

On the official website and the internal portal of PJSC RusHydro can be accessed updated information:

- on the local regulatory acts adopted in the Company for combating corruption, preventing illegal actions and conflicts of interest;
- plans and reports on the implementation of the activities of the Comprehensive Programme of Anti-Corruption Activities;
- information materials, current regulatory legal acts, methodological materials on combating corruption.

At PJSC RusHydro, the Trust Line (<http://www.rushydro.ru/form/>) is on an ongoing basis an accessible communication channel for calls from employees of RusHydro Group and third parties (including anonymous ones) on countering fraud and corruption, suppression of unlawful actions and conflicts of interest, the improvement of the activities of the organisations of the Group.

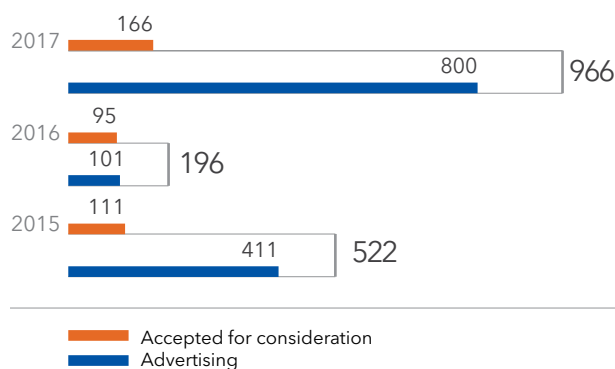
PJSC RusHydro provides full-time assistance to law enforcement, controlling, and supervisory authorities in carrying out inspections and requests for information on the compliance of PJSC RusHydro with anti-corruption legislation, including the preservation and transfer of documents and information to these authorities that contain data on corruption offenses, when investigating the facts of corruption, while conducting inspections of the Company's activities on preventing and combating corruption.^[205-3]

Trust Line

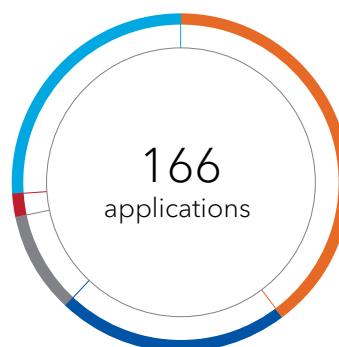
In 2017, 966 applications were received to the Trust Line of the Company. Compared to 2016, the number of applications increased 4.9 times. The main reasons for the multiple increase in the number of applications was the integration of the Company and JSC RAO ES East, the popularisation of the Line, as well as the growth of the applicants' trust in the communication channel. In 2017, 166 applications were considered as meeting the criteria established by local regulatory acts. The main reasons for the refusal was non-compliance with the criteria for considering appeals received by the Trust Line, or lack of information for feedback (letters without a return address).

Based on the materials received by the Trust Line in 2017, 5 internal investigations were initiated and completed.

Number of applications



Number of applications to the Trust Line



■ Sales	66
■ Procurement	37
■ Personnel / remuneration	16
■ Proposals for improvement activity	4
■ Others	43

Internal communications

To improve the effectiveness of interaction between members of the work team, to accelerate information exchange within the organisation, to shape and disseminate corporate values of the company, to promptly inform employees about events, the intranet portal my.rushydro.ru was created and is maintained. The portal publishes news, regulatory and administrative documents of the Company, provides information and useful information for employees, as well as information on the availability of vacancies in the Group, while various other service functions are implemented.

One of the most effective tools for internal communications of the Group is the intracorporate newspaper. The monthly edition of "Vestnik RusHydro" is a full-color edition of 16 pages, whose total circulation in 2017 was 100,000 copies. The newspaper publishes a wide range of news from all regions of its presence, reflects the activities of all the divisions of the Group. Much attention is paid to interviews with the heads of the companies of the Group and its divisions. The newspaper is distributed free of charge at all facilities of the Company. An electronic version of the newspaper was created on the website www.vestnik-rushydro.ru, which allows to expand the audience of the channel of internal communications.

Improvement of the internal control system

Each year PJSC RusHydro updates the internal control system and implements plans to improve the internal control system, within surveys of the internal control systems of business processes of PJSC RusHydro.

Special attention is paid to the analysis of the adequacy of control procedures aimed at reducing the risks of corruption and fraud. Based on the results of the surveys, risk matrixes and control procedures are developed and updated to minimise risks.

Perfection of conditions, procedures and mechanisms of purchasing activity

The Company regularly checks the legal entities and individuals with whom RusHydro intends to enter into financial and business relations as part of the procurement procedures, for the existence of conflicts of interest, including affiliation (interdependence) between the leaders (founders) of these organisations and employees of PJSC RusHydro.

In 2017, the Methodology for assessing the business reputation and financial status of participants in procurement procedures was updated (Order No. 246 of April 21, 2017) in the executive office and branches of PJSC RusHydro.

Participation of representatives of PJSC RusHydro in anti-corruption events:

- **IV International GRC Forum "Anticorruption 2017. Revolutionising Values", organised by Thomson Reuters;**
- **Seminar of the Club of Companies on the Development of Corporate Governance with the participation of OECD representatives organised by PJSC Moscow Exchange and Deloitte, dedicated to the current world trends in business ethics and anti-corruption practices, as well as discussion of the state of compliance culture in Russian companies;**
- **All-Russian interactive action, timed to the annual International Day against Corruption, celebrated on December 9, organised by the Chamber of Commerce and Industry of the Russian Federation;**
- **seminar organised by the Russian Union of Industrialists and Entrepreneurs "Actualisation of mechanisms of counteraction to corruption on the example of separate business processes".**