

## Board of Directors assessment

In accordance with the recommendations of the Corporate Governance Code of the Bank of Russia, the performance of the Board of Directors is assessed on a regular basis.

In 2016, the Board of Directors for the first time conducted a self-evaluation of its activities for the corporate years 2015-2016, resulting in a Plan of measures to improve the activities of the Board of Directors of the Company (approved by the Board of Directors on June 23, 2016).

As part of the implementation of this Plan, the Company implemented the following measures to improve the effectiveness of the Board of Directors:

- increase in the number of informal meetings of members of the Board of Directors (meetings of the Board of Directors held in person);
- consideration of strategic issues at the meetings of the Board of Directors held in person;
- consideration by the Board of Directors of issues related to the risk management system;
- review of RusHydro Group's consolidated business plans and investment programmes, an action plan for optimising the costs of RusHydro Group companies, and reports on their execution.

To conduct an external independent evaluation of the activities of the Board of Directors of PJSC RusHydro for 2017, the Company attracted an independent company with a worldwide reputation - PricewaterhouseCoopers Advisory LLC.

These activities were carried out through:

- evaluation of the effectiveness of the Board of Directors as a whole (for the purpose of balancing the membership of the Board, the Board's performance of key functions assigned to it and its role in the corporate governance system and the successful development of the Company, as well as the Board's operating procedures);
- evaluation of the effectiveness of each Committee of the Board of Directors (also on the membership, role and procedures of the work of the Committees);
- evaluation of the effectiveness of the Chairman of the Board of Directors and the Senior Independent Director;
- individual evaluation of the effectiveness of the members of the Board of Directors.

The methodology for conducting an independent evaluation of the activities of the Board of Directors of the Company assumed the following activities:

- questioning sessions with members of the Board of Directors;
- individual interviews with members of the Board of Directors, the Corporate Secretary, and some key management personnel of the Company;
- analysis of internal documents and materials related to the activities of the Board of Directors and its Committees, as well as their protocols.

The preliminary results of the independent evaluation of the Board of Directors' activity testify to the fact that the Company complies with most of the principles and recommendations of both Russian and British corporate governance codes concerning the activities of the Board of Directors and its Committees. The explanation of certain areas of non-compliance with these principles and recommendations is provided in Appendix 1 to the Annual Report.

The results of an external independent evaluation of the activities of the Board of Directors and recommendations aimed at improving the efficiency of the Board of Directors and its Committees are planned to be considered at the in-person meeting of the Board of Directors in the second quarter of 2018. Based on the results of the evaluation and based on the recommendations of PricewaterhouseCoopers Advisory LLC, an action plan (roadmap) will be prepared to increase the effectiveness of the Board of Directors.

Also in 2017, PJSC RusHydro conducted a procedure for evaluating the activities of the Board of Directors to determine the contribution of Russian Federation representatives to the Company's operations, taking into account its development strategy. The valuation was carried out in accordance with the methodology approved by Federal Property Management Agency for the individual evaluation of members of the Board of Directors of joint-stock companies with state participation (Order of the Federal Property Management Agency of March 6, 2014 No. 71). The evaluation was carried out in Company's personal account on the cross-sectoral portal of the Federal Property Management Agency by filling out the questionnaire on the members of the Board of Directors, proposed by the Federal Property Management Agency.