

CORPORATE GOVERNANCE SYSTEM

The corporate governance system was created in accordance with the requirements of the legislation, taking into account the current trends and practices, as well as the requirements arising from the listing of shares and depositary receipts on the Moscow Stock Exchange, the London Stock Exchange and the OTCQX OTC market in the USA.

The model of corporate management in PJSC RusHydro is characterised by the presence of a controlling shareholder - the State¹, which, due to the prevailing participation in the authorised capital, has a significant impact on corporate governance. However, such influence is exercised not in the administrative, but in the corporate order. Separate procedures for the implementation of the rights of the state as an owner are enshrined in legislation and reflect the procedure for the state to take its decisions with respect to the Company, exercised through corporate rights.

The principles and procedures for corporate governance of the Group are enshrined in the Charter and in the internal regulatory documents of the Company. The Corporate Governance Code of PJSC RusHydro² (hereinafter - the Code) is a document that systematises corporate practices.

The approval of the Code demonstrates the Company's commitment to comply with the best practices of corporate governance, including the recommendations of the Bank of Russia's Corporate Governance Code (approved by the Bank of Russia Board of Directors on March 21, 2014). [102-16]

¹ Information on the existence of a memorandum on the plans of the Russian Federation in relation to the Company <http://www.rushydro.ru/investors/stockmarket/capital/svedeniya-o-nalichii-memoranduma-o-planakh-kontroliruyushchego-obshchestvo-litsa-v-otnoshenie-obshch>.

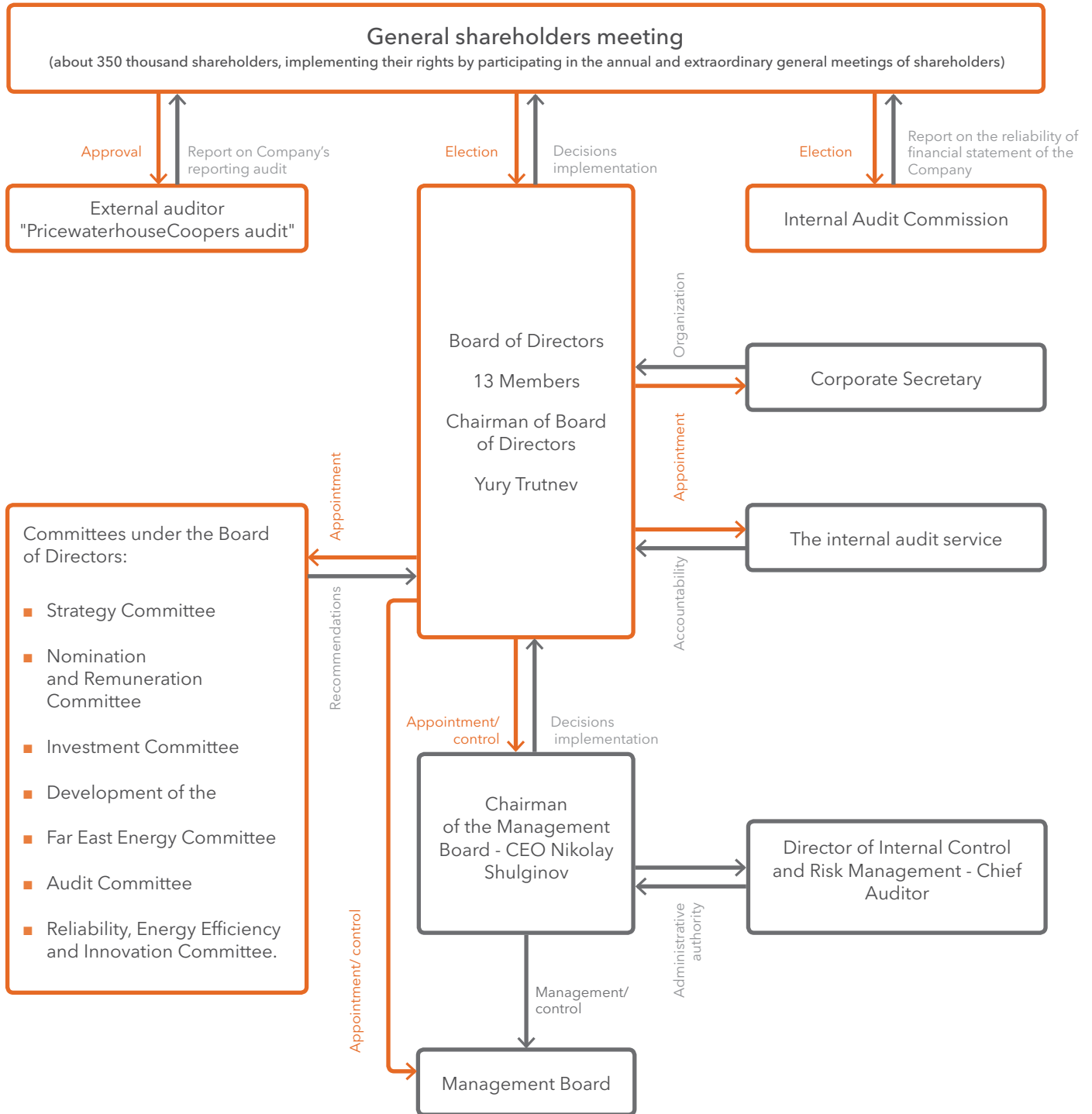
² Approved by the Board of Directors on June 19, 2015 (with amendments approved by the decisions of the Board of Directors of PJSC RusHydro (Minutes No. 239 of 23.06.2016, No. 263 of December 28, 2017).

The responsibility for implementing this code is vested in the Board Member who oversees the Financial and Corporate Governance Unit. Familiarisation of all interested persons with this Code takes place through the disclosure of the Code on the official website of the Company on the Internet. Thus, their familiarisation there, as well as the signing by all (as well as new) members of the Board of Directors, employees and business partners is not required. Regular training of all (and also new) members of the Board of Directors, employees, and business partners is not required.

Key principles of the corporate governance:

- equal and fair treatment of all shareholders;
 - professionalism, responsibility, and accountability of the Board of Directors to the Company's shareholders;
 - ensuring the transparency and openness of information about the Company;
 - effective system of risk management and internal control;
 - fair exercise by all shareholders, the Company, its management bodies, officials and other interested persons of their rights, prevention of cases of abuse of rights;
 - inadmissibility of actions of shareholders which are aimed at causing harm to other shareholders or the Company;
 - continuous improvement of the corporate governance practices.
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CORPORATE GOVERNANCE STRUCTURE



Evaluation of the quality of corporate governance

External evaluation of both individual aspects and corporate governance in 2017 was carried out by the Working Group on the Establishment of an International Financial Centre in the Russian Federation and the Expert Council under the Government of the Russian Federation, the Russian Union of Industrialists and Entrepreneurs and the Russian Institute of Directors.

In November 2017, the Working Group on the Establishment of the International Financial Center in Russia in conjunction with the Expert Council under the Government of the Russian Federation published the results of a study of the practice of introducing companies' priority recommendations of the Code and the quality of corporate governance. PJSC RusHydro took the 4th place in this study alongside PJSC Rosneft Oil Company.

Following the results of 2017, the Company became one of the leaders in the the Russian Union of Industrialists

and Entrepreneurs (RSPP) index of sustainable development - 'Responsibility and Openness'. The Responsibility and Openness index reflects the quality and breadth of disclosure of corporate information on sustainable development and corporate responsibility.

In May 2017, the Russian Institute of Directors, engaged by which the Company on an ongoing basis, conducted an annual assessment of the corporate management practices of PJSC RusHydro in accordance with the updated methodology of the National Corporate Governance Rating (NCGR). As a result of the assessment, PJSC RusHydro was assigned a corporate governance rating of 7 ++ Advanced Corporate Governance Practices on the NCGR scale.

This assessment confirms that the Company complies with the requirements of the Russian legislation in the field of corporate governance and follows a significant number of recommendations of the Russian Corporate Governance Code.



CORPORATE GOVERNANCE DEVELOPMENT

In 2017, the Company continued to implement Code standards aimed at improving the level of corporate governance by bringing internal documents in line with it, as well as the application of standards in everyday practice.

In 2017, the following key events were conducted:

- PJSC RusHydro shares held by controlled entities did not participate in voting during the reporting period. In 2017, a significant portion of quasi-treasury shares were sold to VTB Bank (PJSC). At the moment, the companies of RusHydro Group held 0.9% of the Company's voting shares;
- The PJSC RusHydro Board of Directors assessed the effectiveness of the Company's risk management and internal control system, and also discussed the corporate governance practice in the Company;
- Senior Independent Director was elected;
- The Board of Directors approved the Regulation on the Information Policy of the Company in a new version, and at the end of 2017 reviewed the report on its implementation;