

RESULTS OF INTERACTION WITH STAKEHOLDERS

Federal and regional authorities

As part of the strategy of PJSC RusHydro, management and specialists of the Company interact with state authorities at federal and regional levels.

One of the priorities of the activities of PJSC RusHydro in this area is the partnership to improve the competitiveness of the national and regional economy, the social development of the regions on the basis of compliance with legislation and transparency of the Company's activities.

With regard to interaction with federal authorities, PJSC RusHydro's managers actively participate in the work of the commissions and working groups under the President and the Government of the Russian Federation on the development of the fuel and energy facilities and socio-economic development of the regions of the Russian Federation.

Apart from that, work is being carried out with industry and other committees of the Federal Assembly of the Russian Federation on issues affecting the activities of PJSC RusHydro.

In 2017, specialists of PJSC RusHydro participated in parliamentary hearings, round tables and a number of extended meetings of committees of the Federal Assembly of the Russian Federation with the participation of representatives of federal authorities of the Russian Federation and authorities of the subjects of the Russian Federation, as well as representatives of energy companies on topics directly related to activities and prospects of the Company's development.

With the active participation of representatives of PJSC RusHydro:

- Federal Law of June 30, 2017 No. 129-FL "On Amendments to the Federal Law of March 26, 2003 No. 35-FL "On Electricity", regarding the resolution of the issue of achieving in the territories of the Far Eastern Federal District planned for the next period regulation of basic price levels (tariffs) for electric energy (capacity), when applying a surcharge to the price for capacity of the wholesale market entities - energy producers of the price zone;
- Resolution of the Government of the Russian Federation of July 28, 2017 No. 895 "On the achievement of basic

levels of prices (tariffs) for electricity (capacity) in the Far Eastern Federal District";

- Decree of the Government of the Russian Federation of July 28, 2017 No. 1614-r on determining the subject of the wholesale market - the producer of electric energy (capacity), to the price of the capacity of which the surcharge to the price for capacity is applied;
- Decree of the Government of the Russian Federation of July 28, 2017 No. 1615-r on prices (tariffs) for electricity (capacity) for the constituent entities of the Russian Federation that are part of the Far Eastern Federal District.

In accordance with the above-mentioned regulatory acts of PJSC RusHydro, the following work has been done:

- interaction with regional authorities to ensure compliance of regional regulatory legal acts with regulatory acts;
- interaction between Federal Antimonopoly Service of Russia and the Far East regions in terms of agreeing and matching the estimated allowance to the adopted tariff decisions.

PJSC RusHydro makes efforts to develop strategic interaction with authorities in the regions of its presence and create a favorable social climate for the effective development of the Group's companies, including through the development of social partnership in these regions. One of the forms of development of social partnership is the conclusion of agreements on mutually beneficial cooperation in the field of social and economic development of the region of presence.

In addition, with the state authorities of the constituent entities of the Russian Federation, on the territory of which the reservoirs of the hydroelectric power stations included in PJSC RusHydro are located, close interaction was conducted on the preparation and safe passage of floods.

On December 31, 2017, agreements and memoranda signed with the authorities of the following regions:

- Republic of Dagestan
 - Republic of Sakha (Yakutia)
 - Republic of Tatarstan
 - Republic of Khakassia
 - Kamchatka Territory
 - Chukotka Autonomous District
 - Amur Region
 - Volgograd Region
 - Irkutsk Oblast
 - Magadan Region
 - Moscow Region
 - Sverdlovsk Oblast
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Guided by the decision of the country's leadership on the need for the priority development of the territories of the Far Eastern Federal District, the Company's executives interacted with state authorities at the federal and regional levels on such key issues for PJSC RusHydro, such as:

- formation of mechanisms for attracting investments in the modernization of heat and electric power generation facilities in the Far East;
- development of approaches to improve the mechanisms for tariff regulation of the activities of electric power facilities in the non-price zone of the wholesale market and in isolated power systems of the Far East.

Shareholders and investors

During the reporting year, the Company actively interacted with participants of the stock market and improved disclosure of information. Within the framework of interaction with the investment community, the following activities were carried out during 2017:

- more than 200 individual and group meetings with the managers of the largest international and Russian investment funds;
- four quarterly conference calls of the management with analysts, investors, and rating agencies;
- Capital markets day with participation of analysts, portfolio managers, and business media.

During the meetings, the focus was on communicating the Group's strategic priorities and plans. In particular, the company clarified details of the transaction on raising 55 billion rubles from VTB Bank (PJSC) to the share capital of the Company by entering into a five-year forward contract in order to solve the debt burden problem of RAO ES East Subgroup, and on RusHydro's Group Expansion Plan, developed and approved in the reporting year until 2021.

Analytical agencies

RusHydro actively cooperated with analytical agencies specialising in the assessment of companies from the point of view of sustainable development in 2017, which enabled the Company to significantly improve its results in the relevant international ratings and indices.

Business partners

Information on interaction with business partners can be found in the section "International activity".



See section "Awards and ratings".

Customers and consumers

PJSC RusHydro has successful experience of cooperation with prospective energy-intensive industrial consumers within the energy-industrial complexes, the purpose of which is to contract new generation and consumption facilities to hedge the risks of serious fluctuations in electricity prices necessary for the operation of new enterprises for a long-term period, as well as an integrated implementation of joint investment projects.

Free contracts for the purchase and sale of electricity and capacity between new generators and consumers can serve as an effective tool for raising borrowed funds on the terms of project financing. This practice is mutually beneficial both for producers and consumers of electric energy, since it allows us to determine in advance the price (price formula) of electric energy and fix it on a long period of time sufficient for the return of investments and ensuring the accepted parameters of economic efficiency of investment projects.

Basic agreements with potential energy-intensive industrial consumers, signed in 2017

Agreement	Direction of cooperation	Benefits
Agreement on cooperation dated 01.06.2017 No. 1010-240-19-2017, signed between PJSC RusHydro and PJSC SIBUR Holding within the framework of SPIEF-2017	The agreement creates conditions for reliable energy supply of one of the largest possible petrochemical projects - the Amur Gas Chemical Complex (AGCC), whose construction project SIBUR is currently working on and to optimise the performance of the company's energy equipment	Increasing the load of existing and future generating facilities of RusHydro in the Amur Region and IES of the East due to the organisation of energy supply to AGCC from the generating facilities of RusHydro Group and the failure of SIBUR from the option of power supply to AGCC from its own generating source
The contract of purchase and sale of electric energy (capacity) of 16.09.2017 No. 1817 between PJSC Polyus in the person of SC Matrosov Mine (JSC RiM) and PJSC RusHydro represented by PJSC Kolymaenergo	Provision of power supply for Nataika Mining and Processing Plant (RM) in the Magadan Region.	Ensuring the loading of the Ust-Srednekanskaya HPP under construction in the Magadan Region.
Power Supply Agreement No. 1 dated 01.03.2017 between PJSC Polyus represented by JSC Vitimenergostroy and PJSC RusHydro represented by PJSC Yakutskenergo	Provision of power supply for the Polyus Verninskoye facilities located in the Irkutsk Region	Ensuring the loading of the cascade of the Vilyuiskiye HPPs in the Republic of Sakha (Yakutia)

As part of ongoing work on contracting the generating facilities of RusHydro Group in the regions where new construction of generating facilities is planned, in particular in the regions of the Far East, a database on potential consumers of electricity and capacity generated by RusHydro Group's power plants for a long-term period has been signed, in cooperation with prospective energy-intensive consumers.



Corporate website of PJSC RusHydro contains special section for potential consumers: <http://www.eng.rushydro.ru>

Programmes, including those with the participation of the Government of the Russian Federation, on improving or maintaining access to electricity and serving consumers [103-2],[103-3]

Name, region	Description
Chuvash Republic: target model "Technological connection to electric grids" (Order of the Government of the Russian Federation No. 147-r of 31.01.17)	Simplification of procedures for technological connection to electric grids and conclusion of an energy supply contract (on the principle of "one-stop shopping")
The state programme of the Ryazan Region "Development of communal infrastructure, energy saving and energy efficiency improvement for 2015-2020", approved by the Resolution of the Government of the Ryazan Region No. 314 of October 29, 2014	Objectives of the Programme: <ul style="list-style-type: none"> ■ improving the quality and reliability of providing housing and communal services to the people; ■ realisation of the state policy of energy saving and increase of energy efficiency on the territory of the Ryazan Region, ■ Increasing the efficiency of the use of fuel and energy resources through the implementation of energy-saving measures.
The interaction of the applicant with the energy sales company on the conclusion of contracts (Ministry of Industry, Energy and Housing and Communal Services of the Krasnoyarsk Territory, in accordance with the order of the Government of the Russian Federation of January 31, 2017 No. 147-p)	Regulation of interaction between grid and energy sales organisations when concluding an energy supply contract in parallel with the procedure of technological connection.
Long-term programme for replacement of ageing capacities and development of power systems of the Far East, the region - Far Eastern Federal District	The programme is a fundamental document for the development of the electric power industry of the Far East. The objectives of the Programme are: <ul style="list-style-type: none"> ■ to ensure high-quality and reliable energy supply to FEFD consumers by developing timely and consolidated solutions, including on the improvement of energy facilities; ■ the formation of sound management and investment decisions for the medium and long term, the formation of proposals for funding sources of activities and the necessary changes in the regulatory framework. <p>The implementation of the Programme will solve the problem of providing reliable energy supply to existing and prospective consumers and will contribute to the development of the FEFD economy as a whole.</p> <p>Based on the results of the development of the Programme, proposals for the new construction and modernization of generating sources in the territory of the Far Eastern Federal District.</p>



Professional associations and industry organisations

RusHydro Group is a member of Russian industry associations and non-profit partnerships. Among them are the organisations presented below RusHydro Group considers its participation strategic. [102-13]

Membership in Russian and international industrial organisations

Organisations	Field of activities
International Hydropower Association	Maintenance and dissemination of knowledge on hydropower under the auspices of the International Hydrological Programme of UNESCO
Global Sustainable Electricity Partnership	The development of joint political platforms and the implementation of relevant initiatives in both domestic markets and internationally
NP Market Council	Organisation of electricity purchase and sale in the wholesale electricity market The group views participation as strategic
NP Association of Land and Real Estate Owners and Investors	The partnership is a platform on which the promotion of PJSC RusHydro's interests is carried out and a dialogue is being built with the state authorities on the issues of improving land and property legislation
NP Hydropower of Russia	Increase of the efficiency of hydropower facilities and the use of hydropower resources of Russia (The group views participation as strategic)

Results of Activities

Organisations	Field of activities
All-Russian Association of Employers "The Russian Union of Industrialists and Entrepreneurs"	Protection of common economic and social interests and legal rights that are necessary for the sustainable development of companies and the market economy as a whole. The group views participation as strategic
NP Council of Energy Veterans	Assistance to the members of the Partnership in carrying out activities aimed at providing comprehensive assistance to energy veterans The group views participation as strategic
NP Russian-Chinese Business Council	The RCBC was created to promote joint economic projects between Russia and China, to protect mutual investments and settle corporate disputes, and to promote cooperation between Russian and Chinese business communities
NP Club of Directors for Science and Innovation	The Club is a communicative platform for a community of professionals in research, development and innovation
SRO Association EnergoStroyAlyans	Assistance in creating favorable conditions for the activities of enterprises engaged in construction, reconstruction, capital repairs of capital construction facilities, protection of the energy sector from unscrupulous foreign and domestic organisations and enterprises
NP Scientific and Technical Council of UES	Assistance to the members of the Partnership in the formation of scientific, technical and economic policy in the Unified Energy System of Russia
Association ENERGOPROEKT	Association of companies engaged in designing in the field of energy construction in order to ensure a high level of safety and reliability of capital construction projects. The scope of activities of the "ENERGOPROEKT" Association covers all types of design works that affect the safety of capital construction facilities, including highly dangerous and technically complex facilities, nuclear power facilities
All-Russian branch of the Association of Electrical Power Industry (Association EEPI)	Representation of interests of employers of electric power industry, protection of their rights in public authorities, local self-government bodies, in relations with trade unions, their associations; representation of the interests of the industry's employers when concluding sectoral tariff agreements and other agreements regulating social and labor and related relations
Self-regulating organisations (SROs)	Representing the interests of organisations that specialize in the construction, reconstruction and overhaul of capital construction projects. Such organisations include: <ul style="list-style-type: none"> ■ Association "Self-Regulating Corporation " Union of Builders of the Amur Region"; ■ Association "Self-Regulating Corporation of Builders of the Krasnoyarsk Territory"; and other SROs at the controlled companies of PJSC RusHydro location

Within the framework of the Year of the Environment, the Board of Directors of PJSC RusHydro recognised the importance of the Company joining the largest United Nations initiative for business in sustainable development, - the UN Global Compact. In 2017, RusHydro signed and sent a letter of commitment to the UN Secretary-General expressing support for the Compact and its ten principles in the field of human rights, labor relations, environmental protection and combating corruption. In 2018, it is planned to join the Association "National Network of the Global Compact".

This integrated report is the first progress report on sustainable development in accordance with the principles of the UN Global Compact. [102-12]

Charter, principles and initiatives that the Company supports

Name	Year of accession	Scope of the document
Declaration of "Reservoirs for Sustainable Development" (ICOLD)	2012	International document
The Social Charter of Russian Business (RSPP)	2013	RF
The Anti-Corruption Charter (RSPP)	2013	RF
The concept of long-term socio-economic development of the Russian Federation for the period until 2020	2008	RF
Methodology for assessing the compliance of hydropower projects with the criteria of sustainable development (International Hydropower Association (IHA))	2011	International document
Industry tariff agreement in the electric power industry of the Russian Federation for 2016-2018	2016	RF
The UN Global Compact	2017	International document

Media

Interaction with the media in 2017 was aimed at ensuring the operational access of stakeholders to reliable information about the Company's activities. The key tasks of information and PR support of RusHydro's activities in 2017 were:

- a demonstration of the leading role of RusHydro in the development of the energy infrastructure of the Far East on the example of informing about the progress in the implementation of projects for the construction of new power capacities in the Far Eastern regions;
- informing about the unique technical parameters and the progress of the implementation of the Comprehensive Modernization Programme aimed at updating the Company's main production assets - HPPs;
- information on the implementation of construction projects for new hydro-generation facilities;
- emphasis on the key role of hydropower plants in regulating water regimes and protecting territories and populations from seasonal and extraordinary flooding;
- promotion of the topic of social responsibility of the Company and implementation of charitable initiatives;
- informing shareholders and investors on the results of the activities and development strategy of RusHydro;
- Spreading knowledge of the industry in the media and the general public.

To interact with the media and provide objective information about the activities of RusHydro, such tools as sending out press releases, posting information on the corporate website and in social networks, interviews with managers, press conferences, press tours to RusHydro's sites in the regions, media publications, are employed.

During the reporting period, the media published 58,705 publications with a reference to PJSC RusHydro and its controlled companies. More than 96 % of these reports were neutral and positive.

Negative publications about the RusHydro Group were related to two events: criticism by President of Kyrgyzstan Almazbek Atambayev of situation with the construction of the Upper Naryn cascade of hydropower plants and damage to the gate of the spillway of the Nizhne-Bureyskaya HPP in August 2017.

Work with the media in the reporting period

Case: On July 25, Kyrgyz President Almazbek Atambayev made a number of criticising remarks regarding PJSC RusHydro and the situation with the construction of the Verkhne-Narynsky cascade of HPPs.

Reaction: On July 25, PJSC RusHydro prepared a statement on the unacceptability of information speculation and statements by Kyrgyz partners. The company recalled that the intergovernmental agreement on the construction and operation of the Verkhne-Narynsky cascade of hydropower plants was unilaterally cancelled by the Kyrgyz side. At the same time, RusHydro said that it reserves right to initiate an international arbitration with a claim for compensation by the Kyrgyz side of all costs incurred by the Company in connection with the participation in the project.

Case: On August 24, with normal manoeuvring in span No. 1 of the spillway dam of the Nizhne-Bureyskaya HPP, the shutter was damaged.

Reaction: The Company quickly prepared, published on RusHydro's website and sent out a press release to all mass media with a detailed description of the incident, an indication of the absence of victims and injuries. In addition, the Company released video reflecting the state of the machine room of the Nizhne-Bureyskaya HPP at 23:30 on August 24, 2017. On August 25, the Company published a report on the stable situation at the Nizhne-Bureyskaya HPP, the progress of construction of the plant, and the results of testing the technological systems. It was stated that there was no threat to the population, for the equipment and main facilities of the HPP. Photos confirming the stable position around the station are published. Subsequently, there were published reports on the progress of restoration work, their completion, investigation of the reasons for the damage to the shutter. Nikolay Shulginov, Chairman of the Management Board of PJSC RusHydro, reported to the President of the Russian Federation on the progress of the investigation into the causes of the incident. The report on the work of the Commission for Technical Investigation of the incident was published on RusHydro's corporate website, the press release was sent to the media.