

Seismic hazardous areas

Most of the Group's facilities are located in seismically quiet regions; however, such facilities as Pauzhetskaya GeoPP and Verkhne-Mutnovskaya GeoPP are located in an earthquake zone, with a possible earthquake magnitude of up to 9 on the Richter scale. In 2014, the seismological chain of the Dagestan branch of VNIIG named after B.I. Vedeneev is established. In case of an earthquake, an emergency action plan has been developed, featuring constant monitoring of the situation, while seismic monitoring stations operate at the Group's facilities. Matters of transport links are worked out in advance considering the aforementioned risk, the scheme for the transportation of goods and people is optimised. All sites of the Group comply with the requirements of seismic standards.

Zone of seasonal flooding

The risks of seasonal floods play an important role in the Company's operations and are included in the list of significant risks for the Group. For their minimisation, water management is carried out, including forecasting and monitoring of hydrological regimes regulation of reservoirs, construction and operation of spillways, and other measures.

To prepare for the spring-summer floods, flood commissions are created in the Company's branches. Their purpose is to ensure a trouble-free flood season.

The Group's facilities operate in accordance with the instructions of the interdepartmental working group under the Federal Agency for Water Resources.

INSURANCE COVERAGE

Insurance coverage in RusHydro Group is based on the principles of rationing insurance protection system, optimisation of insurance coverage, unity of approaches to the organisation and continuity of insurance.

RusHydro Group has strict requirements to the insurance of its assets (property insurance against all risks and insurance against construction and installation risks). As a result of limited resources of the insurance market in the Russian Federation, the Group puts forward additional requirements and controls the reinsurance of risks. The Group pursues a policy of openness towards representatives of the foreign insurance community: it annually conducts engineering insurance inspections of the Company's facilities, "road show", negotiations, and execution of the reinsurers' recommendations.

Objectives of insurance protection:

- providing reliable guarantees for the compensation of possible losses of the Company in the event of unfavorable situations (insurance cases), minimisation of the Group's financial resources allocated for the limiting the consequences of such occasions;
- ensuring the social protection of employees and other persons insured by the Company, at the expense of a corporate social package using personal insurance mechanisms;
- reducing the cost of providing insurance protection by unifying the insured types of risks, a unified approach to the selection of insurance companies and reducing the amount of insurance premiums paid;
- reducing the terms of payment of insurance compensation in the event of insurance events;
- increasing investment attractiveness of the Company by maintaining the guaranteed amount of assets under insurance coverage.

The choice of insurance companies and types of insurance

The choice of insurance companies is carried out on a competitive basis, taking into account the optimal ratio of the price and quality of insurance services. Requirements for the conditions of insurance coverage are laid out on the basis of an analysis of the current risk situation of the companies of the Group, analysis of offers in the insurance market, the corporate social policy, and legal requirements.

In 2017, the insurance protection of PJSC RusHydro and its subsidiaries was carried out in the main areas, including:

- property insurance;
- insurance of construction and installation risks;
- insurance of civil liability for causing damage due to shortcomings in construction work, preparation of project documentation and engineering check-ups;
- voluntary medical insurance;
- insurance against accidents and diseases;
- compulsory insurance of civil liability of the owner of a hazardous facility for causing damage as a result of an accident at a hazardous facility;
- transport insurance;
- cargo insurance;
- compulsory insurance of civil liability of the carrier for causing damage to life, health, property of passengers;
- civil liability insurance of officials and members of the Company's management bodies;
- general liability insurance of the Company.

Insurance of liability of officers and members of management bodies

Within the framework of the requirements of Federal Law No. 223-FL of July 18, 2011 On Procurement of Goods, Works, Services by Individual Types of Legal Entities and the Regulations on the Organisation of Insurance Coverage of PJSC RusHydro an open one-stage tender was conducted without preliminary qualifying selection for the right to conclude a liability insurance contract and financial risks of directors, officers of the Company.

Based on the results of the competition, SOGAZ JSC was the top pick for the right to conclude an agreement on civil liability insurance of officials and members of the Company's management bodies in 2017, as an insurance organisation capable of providing the most reliable and fully-fledged insurance coverage for this type of insurance.

Insurance period is from January 1, 2017 to December 31, 2017. The insured amount is 2,011,536,000 RUB, which is equivalent to 30,000,000 USD at the rate of the Central Bank of the Russian Federation as of July 31, 2016, the total additional insurance for independent directors is 134,102,400 RUB, which is equivalent to 2,000,000 USD at the CBR rate as of July 31, 2016.

The insurance contract covers:

- property interest of insured persons related to the obligation to reimburse losses incurred by other persons;
- the property interest of the company and (or) any subsidiary company associated with the compensation of any losses by such a company;
- the property interest of the company and (or) any subsidiary associated with the obligation to reimburse the losses incurred by other persons.